China’s Approach to International Development: A Study of Southeast Asia

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Abstract: China is establishing itself as a new international aid donor. This study explains China’s emerging approach to international development assistance. The paper addresses the question of how far China’s understanding of “development” is an appropriate basis for genuinely “win-win” relationships? The paper explores this question by examining China’s relationship with Southeast Asia. China is re-emphasising its commitment and partnership credentials with neighbouring states, some of whom have many people living in poverty and as countries are in need of development assistance. The paper identifies key facets of China’s approach to international development, examines economic, political and strategic factors underpinning China’s approach in Southeast Asia. Adopting a Human Security perspective, it assesses China’s development contribution with reference to Cambodia, Laos and Myanmar and highlights popular opposition. The study finds that Chinese trade and investment are making a significant contribution to the region’s economic growth. However, the analysis identifies two problems in China’s approach, an over-reliance on the level of state-to-state relations and too narrow a domain of engagement centred upon economic cooperation. China needs to incorporate a societal engagement strategy highlighting transparency and accountability of Chinese corporate behaviour. It also needs to re-balance its approach by emphasising human capital capability and capacity-building across the non-economic social and cultural domains. China’s approach to international development is a rapid learning process and is emerging, but still has further to go.

Introduction
Examining China’s International Development Approach

China is the world’s largest developing country, with a large population, a poor foundation and uneven economic development. As development remains an arduous and long-standing task, China’s foreign aid falls into the category of South-South cooperation and is mutual help between developing countries. (China’s Foreign Aid (2011). State Council of the PRC. April, 2011: 4)

China is now the world’s second largest economy. In the past decade, China’s trade, capital and corporations have “gone global”, reaching across every continent. The country is now establishing itself as a new international aid donor, presenting an alternative source of support, “without strings”, to those of the “traditional” donor countries and international institutions. But what does this mean for China’s international development relationships?

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The aim of this paper is to examine and explain China’s approach to Southeast Asian sustainable development. The paper addresses the central question of how far China’s understanding of “development” is an appropriate and effective means to ensure that relationships are *mutually* beneficial and “win-win”? What of its character, rather than helping to assist regional development in the interest of South-South cooperation, does China’s approach to international development actually pose the risk of under-developing its partners by distorting their socio-economic structures?

The paper explores these issues and questions by examining China’s relationship with Southeast Asia. After years of relative diplomatic neglect, recently China has revived its interest in Southeast Asia. China is presenting itself as a reliable and empathetic development partner for many of the region’s poorer countries. This is a region of strong post-2008 overall economic growth with a number of high-income economies, on the cusp of launching a new phase of regional integration through the ASEAN Economic Community (AEC). The region is the focus of renewed financial, economic, political and strategic competition for influence between the USA and China. Despite its economic strengths and progress in meeting many of the Millennium Development Goals (MDG), this is also a region with low-income developing states, poverty, growing inequality, inadequate infrastructure and facing continuing human security challenges in education, health, gender, the environment and political governance (ESCAP, 2013).

**Southeast Asia**

Taken as a group, the Southeast Asian economies, as we have noted above, are strong in global terms. The Least-Developed Countries of Lao PDR and Cambodia have made major strides to exceed the Millennium Development Goal of halving poverty by 2015. Since the transition to civilian rule in 2011, Myanmar has been in the midst of profound economic and political reforms designed to rebuild its economy, cut poverty and end inter-ethnic conflicts.

Yet, major development challenges remain, GDP per capita ranges from US$1,300 in Myanmar to over US$4,000 in Singapore and Brunei (OECD, 2014). A number of the region’s countries still face significant human security challenges in terms of their 2012 Human Development Index rankings; economic, transport, communications, health, and educational infrastructure, conflict and displacement. Thailand, Cambodia, Lao P.R., the Philippines and Vietnam are all ranked as states in Medium Development, as indeed is China,
and Myanmar is classified as in Low Development (UNDP, 2013). They need major investment, knowledge and skills transfers, access to value-added roles in regional and global value-chains. In September 2014, Li Yao, Chief Executive of the China-ASEAN Investment Cooperation Fund, commented, “Without infrastructure no country can achieve sustainable growth … Infrastructure is the key for an economy to achieve efficiency” (China Daily, 2014). One estimate is that East Asia, including ASEAN, needs an extra US$600bn in infrastructure investment (China Daily, 2014).

**China in Southeast Asia**

After a number of years of relative passivity in China’s relations with Southeast Asia, there has been a revived interest in the region under the leadership of President Xi Jinping. The Chinese leader used the November 2013 Asia-Pacific Economic Cooperation (APEC) Summit in Bali to re-state China’s commitment to contributing to the further development of its regional partners. This Chinese commitment to regional development was reinforced in the President’s speech to the April 2015 Asian-African Summit and Bandung Commemoration in Jakarta in which he proposed carrying-forward the 1955 Bandung Spirit through closer inter-regional Asia-Africa relations, South-South and South-North Dialogue (Xinhuanet, 2015).

China already has a major economic, strategic and political stake in the Southeast Asian region, yet projects run by Chinese firms and backed by the Chinese Government provoke significant opposition. Southeast Asia (SEA) contains some of the wealthiest states in Asia, even the world, with aggregate regional GDP growth of 5.2% for 2014 and the ASEAN (Association of Southeast Asian Nations) “5” (Thailand, the Philippines, Indonesia, Malaysia and Vietnam) economies anticipated to record 5.5% for 2014 (Bangkok Post, 2013). Geo-political realities alone dictate that China would have centuries-old relations with this region. Today, Chinese firms and investment agencies are embedded in infrastructural, energy, mineral and forestry resource projects throughout SEA. But these firms are subject to significant criticism, protest and opposition, often in the very states of the region the Chinese Government argues it is seeking to help most, other developing countries such as Cambodia, Laos, Myanmar, Thailand and Vietnam. Question marks remain across the region over the equity of their economic relationship with China and about China’s interests and intent. Beijing is trying to address these concerns in its recent development diplomacy, for example through promoting “people-to-people” relations, but has made limited progress to date.
Debate and Argument

The existing literature is centred upon the debate over the character, intentions and impact of China’s development assistance or “foreign aid” per se and largely examined in respect to Africa, with virtually nothing on Southeast Asia. China’s emerging role in international development has attracted substantial interest. The literature focuses upon topics ranging from the character of China’s own engagement as a recipient of foreign aid, to the question of whether China is presenting an alternative “model” of development to that of traditional donors and international community, concern with issues of “conditionality” or “non-interference” and human rights, or writings are tailored towards examination of China’s involvement on particular continents with Africa featuring most prominently and interest too on China’s aid and South-South Cooperation and Dialogue.

There are two strong overview critiques of China’s international development role. One is an International Development Research Centre study of China as an emerging donor, Emerging Donors in International Development Assistance: The China Case (IDRC, 2007). The second, more recent collection of analyses, is China and International Development: Challenges and Opportunities (Gu et.al., 2014). As one might anticipate, assessments across the literature differ, ranging across the spectrum of outright criticism and cynicism of China’s motives and practices in the name of development (Manji and Marks, 2007), through those challenging orthodoxies surrounding the “emerging” Powers (Watson, 2014), through those adopting a more balanced position (Paulo and Reisen, 2010) to those who argue that China’s role and contribution is positive and constructive (Moyo, 2009; Shimomura and Ohasi, 2013; Zimmermann and Smith, 2011).

The present study begins the process of filling this surprising lacuna. Based on the author’s data collection in China and Southeast Asian countries over the past five years\(^2\), the paper argues that China’s approach centres on promotion of commercial trade and investment as the principal drivers of economic change. This takes China’s development contribution only so far. Popular antipathy towards China and criticism of its corporate practices in some countries indicates a need for a more balanced and holistic development approach to be

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\(^2\) Data collection of Chinese language primary documents was undertaken by the author in Kunming and Beijing in October 2012 and Beijing in May 2013 and in non-attributable background discussions with senior Government officials, academics and civil associations. Additional research was conducted in Thailand (Bangkok and Chiang Mai) in October 2012 and Vietnam in 2011. The author acknowledges Departmental fieldwork funding support for his fieldwork in Thailand and Vietnam.
adopted by Beijing. This entails incorporating a more robust Chinese commitment to corporate social responsibility and to working with host communities and civil societies for greater transparency and accountability and to work towards greater understanding of local needs and expectations. This is not straightforward, as it draws upon China’s own domestic experience and the complexities of China’s domestic political and social cultures. But it does relate to the need recognised in successive Chinese National Five-Year Plans and the current reform agenda set in 2013 to respond to societal concerns over the costs of growth in China and the steady emergence of the civil society domain.

**Conceptual Approach**

The study adopts a Human Security perspective. Human development and human security are mutually-reinforcing concepts. A decade ago, explicitly linked development, security and human rights to ensure freedom from fear and want and freedom to live in dignity, Kofi Annan’s report to world leaders defined the concept in the following way:

> Human security in its broadest sense embraces far more than the absence of violent conflict. It embraces human rights, good governance, access to education and health care and ensuring that each individual has opportunities and choices to fulfill his or her own potential. (2005)


As a framework for analysis, Human Security reflects the influences of Amartya Sen (1999). It centres upon the overcoming of economic, social, political and cultural obstacles to the realisation of human potential and aspiration. In so doing, it has a framework comprised of vertical and horizontal components. Vertically, it moves beyond a singular concern with
the state per se to have multiple levels of analysis above at the supra-state level, and below the state to societal and individual levels of experience. Horizontally, it specifies a range of categories of factors constraining human capabilities, or tabulated indices as in the UNDP’s Human Development Index. Following Sen, these are located within a range of mutually-constitutive domains: economic, political, social and cultural. This focus and analytical frame makes it an appropriate instrument with which to investigate and evaluate China’s approach to international development in the present study, correlating a complexity of levels and domains.

**China’s Approach to International Development**

China, as a global economic powerhouse and as an exemplar of the struggle to overcome fundamental development challenges during its Reform era, can help its neighbours. It has a story to tell and an experience to share. It is committed to doing so. What are the central features of its understanding of development?

China, in its post-1949 reincarnation as the People’s Republic of China, has long provided technical and financial assistance to other developing countries (Xinhuanet, 2011: 4). In the three decades between revolutionary victory and the start of Deng Xiaoping’s reform era, such support was driven by Mao’s “politics first, economics second” ideology. This was pro-independence, infused with anti-imperialist solidarity and influenced by the overarching Cold War ideational and geo-political contest. The iconic, foundational document for China’s “guiding principles” for “foreign aid” to the present day is the *Eight Principles for Economic Aid and Technical Assistance to Other Countries* set out during Premier Chou En-lai’s Africa tour December 1963 - February 1964. It is here we find the essential discursive attributes: practise “self-reliance”; “Imposing no political conditions”; “Equality, mutual benefit and common development”; “Remaining realistic while striving for the best”; “Keeping pace with the times and paying attention to reform and innovation” (Xinhuanet, 2011: 4). The post-1979 reform era reversed Mao’s dictum, placing “market socialism” at the heart of China’s own development trajectory and shifting the emphasis of China’s overseas development assistance to “economic cooperation”, its own national developmental needs and its emerging commercial interests. Nonetheless, as the language of President Xi’s speech to the April 2015 Asia-Asia Summit demonstrated, the *Eight Principles* remain totemic in China’s international development discourse and practice (Xinhuanet, 2015).
Drawing upon the author’s data collection in China, published official Chinese documents such as its 2011 and 2014 “White Papers” “China’s Foreign Aid” (Xinhuanet, 2011; 2014) and annual reports of the Foreign Ministry and Commerce Ministry, as well as academic and policy reports in English and Mandarin, it is possible to identify key features in China’s understanding of what it terms International Development Assistance (IDA) or Foreign Aid.

1. China’s approach to International “development” in the current international system is a learning experience. It is establishing its first Development Studies Centre as well as working with organisations such as the UK’s Department for International Development (DfID) in the Africa-Britain-China development (“A-B-C”) initiative and the Organisation for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC) in defining its approach. The Chinese Government published its first of its two Foreign Aid White Papers in 2011 in response to international calls for greater clarity and transparency in China’s approach. The “traditional” donors’ terms are re-defined in China’s political culture. For example, economic development aid is subsumed by the overarching concept of “economic cooperation”. This term is intended to account for the whole spectrum of economic and non-economic activity and includes, therefore, development aid, loans, technical assistance, and state-sponsored investments;

2. China’s development discourse keeps faith with its foundational guiding principles embedded in the “Five Principles of Peaceful Coexistence” (1955) and “Eight Principles for Foreign Aid to Developing Countries” (1964). As President Xi emphasised in his April 2015 address to the Africa-Asia 60th Anniversary Commemoration Summit in Jakarta, China remains committed to the principles set out by the 1955 Bandung Conference and advancing them further through inter-regional dialogue (Xinhuanet, 2015). The most controversial of this corpus of foundational principles for China’s current role as a “new” or “non-traditional” donor is, perhaps most obviously, that of “non-interference” in the sovereign affairs of other states, including those states in receipt of Chinese development assistance with questionable human rights and transparency records;

3. Governments working with China as development partners must first commit themselves to Beijing’s “One China” policy, disavowing Taiwan, before assistance will be provided. Cambodia, for example, ended its relationship with Taipei in 2004 and closed the ROC’s representative office whilst accepting a sizeable development loan from the Mainland;
4. Related to China’s “non-interference” principle, and equally controversial internationally, China’s “cooperation” is often non-conditional in terms of requisite reforms intended to improve the partner’s quality of governance. China is often criticised as “soft” on its interest rates and repayment schedules and for encouraging a “binging on debt”, thereby working against the best efforts of the traditional donors. Nevertheless, there are still cooperation “conditions”. These are usually “tied” to the use of Chinese suppliers and materials, imported Chinese workers and technical expertise;

5. China has tended to prefer bilateral relationships in its foreign policy, but has demonstrated an increased willingness to engage in global and regional multilateral organisations and processes. In the Southeast Asian context, China’s multilateral engagement is both Southeast Asia-specific—the principal driver here clearly being its strengthening relationship with ASEAN— and overlapping with the range of pan-Asia-Pacific agencies including APEC (Asia-Pacific Economic Cooperation).

Human Security focuses on the overcoming of obstacles (“unfreedoms” as Sen terms them) of want and fear and provision of dignity in people’s daily lives. In evaluating the central features of China’s international development approach from this perspective, these aims are to be achieved by working with governments of other developing states in a top-down process through narrowly-defined channels of cooperation. This is centred on promoting growth through targeted debt relief, strengthening bilateral trade and direct investment buttressed by major infrastructure projects, social welfare provision and humanitarian aid. In terms of freedom from fear, if this is taken to refer to the various armed conflicts in Southeast Asia, with the exception of a brief and unsuccessful attempt in 2013 to mediate in Myanmar’s Kachin independence dispute, China has not sought to engage directly with these conflicts, although it has expressed its support for peace processes. For China, its own experience tells it that lasting peace comes from a strong central state, societal stability and order and especially from economic growth and improved living conditions for citizens and it carries this message into its approach to international development.

China’s approach is oriented towards state-to-state level partnership relationships, with ancillary engagement with regional inter-governmental organisations. The primary domain, the essential driver of China’s approach, is that of economics-trade and direct investment as the critical instruments to contribute to infrastructure provision. Further “development” contribution from China relates to “technical” cooperation, not only critical
transport and communications infrastructure or social welfare provision of health centres, hospitals, schools and public buildings, but also improved production in sectors such as agriculture technical cooperation where China has a strong profile in developing countries (Scoones et al., 2013; Xinhuanet, 2014). Contrary to conventional portraits, the structures and agencies of delivery are not simply and solely directed by the Chinese state. Today, they are highly diverse, ranging from the various central government ministries such as Commerce (MOFCOM) and Foreign Affairs (the two ministries sharing responsibility for international development policy), state-backed financial organisations such as the China EXIM Bank, a myriad of business councils and semi-governmental bilateral friendship associations, State-owned Enterprises (SoEs) and Chinese private enterprises (Gu, 2014). A key feature of this burgeoning development environment has been the increased importance of the sub-national level of the Chinese state as provincial governments and agencies along with their provincial SoEs and private firms. This has been evident in Sino-African development cooperation, but also in Southeast Asia (Summers, 2013). The consequence of this evolution is a more complicated, complex policy-formulation and implementation landscape.

**China and Southeast Asia’s Development**

The countries and peoples of Southeast Asia have formed an important part of China’s trading, cultural and demographic outlook (Stuart-Fox, 2003; Tagliacozzo and Chang, 2011). However altruistic China’s commitment to South-South Cooperation may be, China is in Southeast Asia primarily for its national economic, political and strategic interests; each of which is important in its own right to Beijing’s definition of its core national self-interests. In Beijing’s perspective, this is not inconsistent with mutuality and development. On the contrary, it is held to contribute to the economic growth of China’s partners and the human development and human security needs of their citizens. In the Chinese Weltanschaung, its businesses and state assistance bring investment, knowledge, skills, jobs and incomes and access to Chinese corporate value chains and markets; thereby generating revenues and state capacity to use, if it so determines, for poverty reduction and social equity and welfare programmes. This focus is evident if we examine, in turn, the respective domains of economics, politics, culture and strategy.

_Economically_, ensuring “freedom from want” is about alleviating immediate needs through humanitarian help but, clearly, the objective is to help create the conditions that help people
lift themselves out of poverty ("self-reliance") permanently through sustainable economic growth driven by increased trade and investment. Southeast Asia can meet this criterion. The region is an important source of raw materials such as timber. Quite apart from the illegal timber exports, the legitimate trade is booming on the back of rising Chinese consumer demand. According to official Vietnamese statistics wood exports totalled US$5.37bn in 2013, a 15.2% increase over 2012. In the past 10 years, the Vietnamese wood industry has expanded rapidly, with an average export growth rate of 15.5% every year. The main destinations were the US, China and South Korea (ihb, 2014). But this is a double-edged sword for Vietnam, producers could not keep up with demand, running out of domestic sources of raw materials and having to import wood at high cost; adding to regional competition for raw timber, inflating prices and costs of production with potential implications for comparative advantage, value-chain position, market competitiveness and sales volume.

Southeast Asia is also an increasingly critical oil and gas supply line for supplies drawn from the Middle East through the Straits of Hormuz, Malacca and the Indian Ocean. According to Michael Richardson,

China now imports 55 per cent of its oil consumption, a ratio that is set to increase. Natural gas, the least polluting of fossil fuels, is on a similar trend line. By 2020, China’s gas imports by pipeline and sea will make up nearly 33 per cent of demand, up from around 20 per cent now and none in early 2006, when China ceased to be self-sufficient in gas (2012).

Southeast Asia also offers Chinese manufacturers relocating their production platforms to the region cheaper labour and production costs and preferential land provision by Government’s such as that of Vietnam (China Daily, 2012).

Southeast Asia presents a market of over 600 million people for its goods and emerging service and financial industries. This is a major draw for Chinese business and investors. But it is the expectations of the market that provide the driving force. For Chinese firms and the phalanx of supporting quasi-governmental financial agencies such as the EXIM Bank, the anticipated growth in the numbers and spending power of Asia’s new middle class presents a huge magnet. The Asian Development Bank (ADB) estimates that, by 2030, Asia (East and South) will add 2.5 billion people to the world’s middle classes, increasing their spending by 9% each year (Drysdale, 2011).
China’s leadership has made it clear that it sees China’s future growth coming from a strengthening of the domestic market. In this scenario, regional development follows a Chinese economic engine fuelled by strengthening Chinese consumption. This could give an extra spurt for ASEAN and other East Asian exports and investment opportunities as the AEC scheduled for 2015/2016 eventually comes into being, not least through the tariff exemptions provided through the China-ASEAN Free Trade Area (CAFTA) set up in 2010.

Southeast Asia’s GDP growth rates are projected to average 5.4% each year between 2014-18 (OECD, 2014). China is ASEAN’s biggest trading partner, and ASEAN is China’s third biggest partner after the US and the European Union. The volume of two-way China-ASEAN trade was worth USD 350.5bn in 2013, accounting for 14% of ASEAN’s total trade and representing an increase of 9.7% over 2012 (ASEAN, 2014). China’s foreign direct investment (FDI) into ASEAN was almost US$19bn in 2012. At the 10th China-ASEAN Expo and China-ASEAN Business Investment Summit held in Nanning in 2013, Premier Li Keqiang called for the next decade to be a “diamond decade” of good Sino-ASEAN relations (Xinhuanet, 2013).

China has also established an infrastructure investment fund to promote interconnectivity in the region, the China-ASEAN Investment Cooperation Fund (CAF), with a promised US$10bn to be available (CAF, 2015). The stated aim being to promote Chinese infrastructure investment throughout the Southeast Asia to strengthen connections in roads, railways, water transport, telecommunications, and energy. As in Africa, there are worries that China’s growing impact will have a structurally distorting effect on local production and trade; a factor compounded in the eyes of critics by CAFTA. The more recent consolidation of ASEAN and development of the ASEAN Economic Community (AEC) presents, not only an economic opportunity for China, but also a significant political-strategic relationship, one steadily built-up over many decades, but particularly after Myanmar was shunned by Western states and sanctions imposed.

Politically, China’s modern diplomatic relationships with some of the region’s states date back to the bridge-building of Chou En-lai at the 1955 Bandung Conference (Myanmar, Cambodia, Indonesia, Laos, South Vietnam, Thailand, the Philippines and the Democratic Republic of Vietnam). The Cold War’s ideological competition and the Indochinese war split the region with China portrayed as the “Red Menace” threatening to sweep down through the region as the dominoes fell one-by-one, eventually threatening the shores of northern
Australia. The region’s post-war economic renaissance, formation of the Association of South-East Asian Nations (ASEAN) in 1967 and China’s dramatic shift to market socialism under Deng Xiaoping after 1979 and subsequent rise to become the world’s largest economy in October 2014, contributed to steady rapprochement.

This movement is reified in China’s institutional involvement in ASEAN. China has steadily become embedded in the institutional fabric of Southeast Asia. China’s diplomatic opening with ASEAN began in early years of the 1990s with it becoming a full Dialogue Partner in 1996. Today’s relationship dates back to the signing of the ASEAN-China Strategic Partnership agreement in 2003. The institutionalised architecture is formalised in a series of forums: ASEAN Plus Three (APT), the East Asia Summit (EAS), and ASEAN Regional Forum (ARF) and ASEAN Defence Ministers Meeting Plus (ADMM Plus). Reciprocal diplomatic missions have been established and the ASEAN-China Centre operates in Beijing.

Cooperation has been framed through a series of joint statements and two Action Plans—for 2005-2010 and currently 2011-2015. There are 11 agreed priority areas for their cooperation: agriculture, information and communication technology, human resource development, Mekong Basin Development, investment, energy, transport, culture, public health, tourism and environment. Economically, the headline event was their establishment of the 2010 ASEAN-China Free Trade Area (ACFTA). Given their territorial disputes in the South China Sea, the flagship, yet nonetheless impotent, agreement is the Declaration on the Conducts of Parties in the South China Sea (DOC) signed in November 2002, with implementation Guidelines agreed in July 2011.

Beyond the formalities, tensions remain. For example, relations between China and the Philippines are at their lowest point for decades, marked controversially by the relative paucity of Beijing’s humanitarian assistance in the wake of typhoon Haiyan (NYT, 2013). The maritime clashes surrounding the positioning of China’s US$1bn oil rig into contested waters, accompanied by a flotilla of naval, coastguard and civilian ships, plunged Sino-Vietnamese relations into bitter exchanges and the anti-Chinese riots noted above (BBC, 2014a).

Culturally, there is one significant factor in China’s relationship with Southeast Asia—the ethnic Chinese diaspora and the discrimination, resentment, animosity or violence Chinese communities have experienced over the centuries. In 1947, the number of ethnic Chinese in Southeast Asia was put at 7 million or around 5% of the region’s population (Vandenbosch,
1947). In 1956 it was estimated that there were 10 million ethnic Chinese in this region. By 2001, the figures had risen to around 20 million ethnic Chinese; one-third of the 60 million overseas Chinese (BBC, 2001). Most recent estimates suggest the number is around 33 million (Malaysian Chinese News, 2014). Ethnic tensions litter the region. These including latent anti-Chinese sentiment driven by perceptions of closed Chinese communities and businesses and resentment at supposed relative affluence of these communities. These tensions flare-up periodically; most recently in anti-Chinese riots in Vietnam in mid-May 2014. Following these riots, 60,000 local workers became jobless as many foreign-invested factories were forced to shut down for an indefinite date” (Du, 2014).

Strategically, for the US, clearly the region holds bitter-sweet memories with the historical memories of its Indochinese war with Vietnam that drew in both Cambodia and Laos. But time moves on and the US now has diplomatic relations with these states and, after decades of a relative treading of water, the Obama Administration re-prioritised the region and its involvement with the Asia-Pacific. The Obama Administration’s 2012 “Pivot to East Asia” regional strategy flowed from Hillary Clinton’s November 2011 article, “America’s Pacific Century”, published in Foreign Policy emphasising the importance of the Asia-Pacific region to US national interests (Clinton, 2011).

The intent behind the US’s regional interest is clear enough, to reinvigorate its diplomatic presence and alliance relationships, maximise its economic position and counter Chinese strategic expansion. This was spelt out by US Assistant Secretary at the Bureau of East Asian and Pacific Affairs, Daniel Russel, who stated in mid-July 2013 that:

We are in an extraordinary period of growth and prosperity in the Asia Pacific region, and promoting that growth, facilitating it, sustaining it, and harnessing it, frankly, is central to America’s economic and strategic interest (Aljazeera, 2013).

The US strategy itself received mixed reactions from the Southeast Asian states (Bush, 2012). However, the US’ “re-balancing” towards the Asia-Pacific is widely viewed as a response to the US’s long-standing interests, the region’s economic dynamism, China’s growing presence and the turbulence in its territorial disputes (Campbell and Andrews, 2013). These latter tensions received additional impetus as China unilaterally imposed a new East China Sea Air Defence Identification Zone, ostensibly a fishing exclusion zone. This zone came into force in January 2014 and covers 2 million square kilometres in the South China Sea and is
administered by China’s Hainan Province. It provoked an ASEAN Foreign Ministers’ statement of concern, citing the breech of international agreements (Asia Pacific Defence Forum, 2014) and is ignored by transiting US vessels.

In many respects, China’s development collaboration with Southeast Asian states has already been significant. This is evident by looking briefly at Cambodia, Laos and Myanmar.

Cambodia. China has invested US$9.1bn dollars into Cambodia since 1994 and this looks set to continue, particularly with the ACFTA in force. For example, in 2013, Chinese textile giant Hodo Group announced its intention to invest US$320 million in Sihanoukville Autonomous Port in Cambodia. The principal focus, however, has been energy, mining and infrastructure. Recent projects include a 2013 agreement to build a US$1.67bn oil refinery and a December 2012 agreement for two Chinese firms to undertake a US$11.2bn iron ore mining and rail project in northern Cambodia (Aljazeera, 2013). Chinese firms are heavily involved in energy infrastructure projects. In Cambodia, the Lower Sesan II Dam is scheduled to be built in the Stung Treng Province, beginning in 2014. The project involves the dam itself and a 1302 mile reservoir, the latter requiring the resettlement of around 5,000 local people. The majority share of the project is held by a subsidiary of the Chinese state-owned enterprise, the Huaneng Group (Liu, 2014).

Laos. Laos is a strategic partner for China. Already, China is a key trading partner with Laos and their annual trade volume has been increasing on a year-on-year basis. In 2012 bilateral trade volume was worth US$1.73bn. In the first five months of 2013, bilateral trade stood at US$794 million, and China’s non-financial direct investment in Laos reached US$339mn (Government of China, 2014c). Laos is also attracting Chinese infrastructural and construction investment and corporate involvement. China is among the largest foreign investors in Laos, mainly in the hydropower, mining, agriculture and forestry sectors. The most recent example of this engagement was in 2013 with the signing of six bilateral economic and technical cooperation agreements for Chinese grant aid reportedly valued at US$16.4mn to resurface the major northern transport artery Road No.13 North and construction of an International Convention Centre (Thai PBS, 2013; The Nation, 2013).

Myanmar/Myanmar. The transfer to civilian Government in 2011 was a seismic shock to the country and international community. After decades of often brutal military rule, the new
leadership embarked on a major legal, political, economic and social reform programme whilst seeking to end conflict through a new peace process. The rapid dismantlement of non-military international sanctions brought a procession of international leaders to Myanmar, including two visits by US President Barak Obama. Perhaps even more politically galling for Beijing, was the visit in 2012 by Japanese Prime Minister Shinzo Abe. Abe committed Japan to providing US$500 million in development assistance whilst writing-off US$3.7bn in existing debt owed to Japan. Additional funding of US$96 million was provided in 2013. International enterprises began to trade, invest and some re-locate to Myanmar.

Myanmar is important to China for economic and strategic reasons. China is Myanmar’s largest trading partner. In 2013, China’s exports totalled US$7.34bn. But it is China’s imports from Myanmar that are noteworthy for 2013, recording a rise of 116.5% over the previous year to take the value to US$2.81bn. The volume of trade between China and Myanmar in 2013 was US$10.15bn, an increase of 45.6% over the previous year (Government of China, 2014a). China’s neighbour is also a vital strategic importance to China with major pipelines conveying oil and gas from Myanmar’s west coast to the eastern border with China’s Yunnan Province. Chinese SoEs and private firms are extensively engaged in Myanmar’s natural gas and raw materials sectors. The World Bank estimates that Myanmar’s economy would grow at 6.8% during 2014. Unfortunately, Myanmar is also one of the most impoverished societies in the world, with a GDP per capita of US$1,400 in 2013. Its pressing needs are clear - the country lacks infrastructure, sustainable agricultural and industrial employment, basic health services and educational facilities.

In addition to its commercial and state-backed projects, China’s development cooperation with Myanmar are: grant aid, interest free loans, and concessional loans, technical assistance, and debt relief. China provides assistance through concessional loans and grants in the key areas: agriculture, natural resource exploration, infrastructure, telecommunications, human resource management and industrial processing. China also provided humanitarian assistance to Myanmar for purpose of disaster relief, drugs control, education, medical and health. For example, China promised US$4.3 million in aid in addition to an initial US$1 million in the aftermath of the 2008 Cyclone Nargis.

Infrastructure is the critical capacity-building need for many developing economies. China is involved in all aspects of this in Myanmar. The agenda is extensive with new airports, dams, bridges, rail and port facilities all under construction. China Communications Construction (CCC) has been constructing the US$100 million airport in the new capital
Naypyidaw, financed on reportedly generous terms by a China EXIM Bank loan. In hydropower, the massive 7,110 MW Tasang Dam on the Salween River in Shan State, costing at least US$6 billion, is majority owned and constructed by the SoE, China Gezhouba. Sinohydro, China’s largest dam builder, has built a number of hydropower stations in Myanmar, including the Yeywa hydropower station on-stream in October 2011 (Myanmar Business Network, 2011).

**Protests and Opposition**

The grounds for the mounting protest and opposition to Chinese operations in Southeast Asia form a lengthy list. Critics claim that Chinese firms display a blatant disregard for the environment, import Chinese workers and suppliers rather than employing locals, jealously conceal their technical and production know-how and intellectual property, transfer little in the ways of skills, repatriate substantial amount of earnings, evade tax, acquiesce or at least ignore corrupt practices, and distort the local economic structure and export capacity by undermining local manufacturers whilst the “resources trap” of exporting raw materials and importing high value manufactures helps keep these economies structurally weak.

The Cambodian dam project noted is a case in point. The Chinese firm behind the Cambodian Lower Sesan II Dam and reservoir has provoked local and international protest and opposition. Protesters claim that the construction work is damaging the local environment with questions raised over illegal logging, labour practices and deteriorating water quality downstream. The mass resettlement is said by villagers to have a flawed consultation process and will result in forced relocation by eviction. In response, 15 non-governmental organisations from Cambodia, Vietnam and Thailand submitted a petition in May 2014 to Huaneng Group and Chinese ministries in Beijing and the Cambodian Government met with company executives to urge the firm to reduce the project’s environmental and social impact on the local community (Liu, 2014). The Chinese Government has sought to address the mounting criticism of Chinese enterprises operating overseas. In February 2013, the Government issued environmental protection guidelines for foreign investment and cooperation in order to meet host country concerns (author interview MOFA, Beijing, May 2013). However, the Guidelines are criticised as relatively weak as compliance is voluntary, there is no enforcement mechanism and no legal sanction (Mekong Watch, 2013).
But the complexity of the issue of China’s role and intent is also made clear in protests in Vietnam in 2014 where the territorial dispute over the Spratly and Paracel Islands spilt over into the industrial domain. Following China’s relocation of its Haiyang Shiyou 981 oil rig 120 nautical miles off the coast of Vietnam, close to the Paracel Islands in waters territorially-disputed with Vietnam, protesters occupied the streets of Hanoi and Ho Chi Minh City. However, it was Chinese industrial interests outside the principal cities that came in for most protests. Reportedly, 20,000 workers protested in industrial parks of the country’s southern Binh Duong province, setting ablaze at least 15 foreign-owned factories with hundreds more attacked - a common focus being the seeming presence of Chinese characteristics on the buildings (BBC, 2014b). Police said 460 companies had reported damage and 40 policemen had been injured. The violence spread to the centre of the country and there were fights at a huge steel mill in Ha Tinh that reportedly spurred many ethnic Chinese to leave the country (Daily Telegraph, 2014).

In Myanmar, the major oil and gas pipeline projects have attracted mass protests. The projects have been seeking to offset widespread opposition to the project and criticism of land expropriations, enforced dispossession, corruption and ecological disregard for rivers and forests. In its defence, the consortium argues that it has provided over 6,000 jobs for local people in the building work, contracted in excess of 220 Myanmar firms and provided technical training for their workers. They point to donations valued at US$20 million for local education, medical treatment, health and disaster relief, including 45 schools for 19,000 students and 24 clinics for 800,000 people. The consortium offered US$10 million dollars to repair a high voltage power grid line in Kyaukphyu, in which CNPC’s donation accounted for US$3 million. In the second half of 2012, when Rakhine state experienced communal rioting, the project provided US$50,000 cash aid and 10 tonnes of rice. Moreover, they also donated US$50,000 dollars to earthquake victims in central Myanmar (China Daily, 2013). The consortium company behind the oil pipeline, South-East Asia Crude Oil Pipeline Co., committed itself to “assist” Myanmar in implementing 25 development projects in its pipeline project areas, totalling US$1 million, in Rakhine state and the Magway region providing 21 schools, 2 clinics and 2 kindergartens. The company claimed that, on completion, 1,320 villager patients, 105 pre-school-age children and 1,891 students would have benefited (Gov.cn, 2012). Whilst additional facilities are needed and welcome, corporate motivations remain subject to scepticism, underlining the need for Chinese corporate social responsibility to be systematically applied from the outset. Here, clarity and transparency in host regulatory
regimes is also required to make sure companies know what is required of them and how they are expected to operate.

The protests are also contextualised historically, the nationalism they display tapping into a sub-current of anti-Chinese sentiment reaching back decades. Indonesia, for example, saw a large-scale anti-Chinese movement in the mid-to-late 1960s (Malaysian Chinese News, 2014). Indonesia again experienced riots against Chinese in May 1998, despite restoration of diplomatic relations in 1990.

Overcoming anti-Chinese sentiment will, ultimately, take resolution of the territorial disputes. Antipathy to Chinese firms may be ameliorated by the Chinese Government and corporations adopting a greater commitment to a corporate social responsibility (CSR) regime with rigorous enforcement and Chinese accession to international conventions promoting transparency and accountability. Given the damage already done to the image of Chinese firms, throwing money at the problem through corporate actions, such as construction of local schools and health facilities, is insufficient to quell local discontent. Communities view this as a cynical tactic rather than a demonstrable change in corporate culture and practice. For this to change, CSR initiatives need to be backed by additional measures by the Chinese Government (e.g. becoming a supporting country to the Extractive Industries Transparency Initiative (EITI) and a more robust promotion of CSR to Chinese business in association with Chinese business councils).

The challenge for China’s approach is to engage with the deeper currents of change in the political cultures in this region and, to some extent, within China itself. Here the challenge is the signs of a strengthening of civil societal voices, albeit to varying degrees depending on the respective political systems, and an increasing willingness to express their opposition to corporate and elite malpractices and economic and environmental disregard. China’s leadership has promoted “people-to-people” relationships in its diplomatic language, to be advanced through the various bilateral friendship associations. But the effectiveness of this is constrained by the semi-civil character of China’s civil society and non-governmental organisations and by the residual antipathies in the region.

Conclusion
This paper set out to answer the question of how far China’s understanding of “development” is an appropriate and effective means to ensure that relationships are mutually-beneficial and “win-win”? The study showed that Chinese trade and investment are making a significant
contribution to the region’s economic growth. The development contribution China is making to meet the dire need for infrastructure and to the wider range of human capital needs, such as food, health, education, is already substantial. This contribution has been broadly welcomed within the region at all levels of engagement—from supra-state organisations such as ASEAN, through the national provincial governmental tiers, to farming communities benefitting from Chinese agricultural expertise. However, the study also demonstrated that China’s growing presence is controversial, with heavy criticism of Chinese corporate practices giving rise to public opposition. This points to two problems of imbalance in China’s approach—China’s primary level and domain of engagement.

China’s development approach operates primarily at state-to-state level rather than that of society. This represents an in-balance not well addressed by often state-sponsored “people-to-people” relations. This is, in part, a reflection of the character of civil society within China itself - only semi-autonomous from the Chinese state. But it also reflects the strengthening of civil society in Southeast Asia. This is partly a challenge for China’s own political culture and governance, and partly a challenge for China to develop a twin-track by incorporating a societal engagement strategy with attention paid to transparency and accountability of Chinese corporate behaviour.

The other part of the problem is one of domain. China’s domestic experience of post-reform development offers a potentially-rich source to underpin China’s emerging international development role and to address the core concerns of human security. China emphasises economic cooperation as the bedrock for sustainable growth with infrastructure provision, export and direct investment promotion at the heart of this. China needs to re-balance its approach by emphasising human capital capability and capacity-building across the non-economic social and cultural domains. The Beijing Government appears to have started to recognise and respond to this concern by using its July 2014 White Paper to document all the projects it has supported in developing countries to meet the needs of people in their daily lives.

Addressing these imbalances are necessary steps to enhance China’s approach, but they are not in themselves sufficient. The central difficulty with China’s approach to development is that the Chinese Government has yet to elaborate a clear statement of what its understanding of “development” and “aid” actually is and to articulate a coherent operational model through which this approach would be delivered. The two White Papers have moved this process along, but further steps are needed. In answer to our research question, China’s
conception of development and approach to international development as a new donor is appropriate and effective only in part. As China continues its domestic and international dialogue, learning and reflection on development, a more holistic perspective and practices are beginning to emerge, but it is not there just yet.

References


