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# China, Corporate Responsibility and the Contentious Politics of Hydropower Development:

## Transnational Activism in the Mekong Region

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**Pichamon Yeophantong**



The  
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# China, Corporate Responsibility and the Contentious Politics of Hydropower Development: transnational activism in the Mekong region?

Pichamon Yeophantong\*

## Abstract

This paper explores the 'ecological footprint' of Chinese overseas investments in the Mekong region's hydropower sector, and examines the conditions under which Chinese dam developers have been compelled into responding to external pressure and adopting policies that reflect a shift towards greater compliance with 'responsible' investment norms. It argues that an important dynamic has been the development of an embryonic transnational advocacy network within the region's evolving public sphere. Here, campaigns spearheaded by local and international NGOs prove crucial to raising public awareness and, increasingly, to sensitising the Chinese government, along with its state-owned enterprises, to their environmental and social responsibilities. In the case of localised resistance to certain hydropower schemes in Cambodia, Laos and Myanmar, achieved outcomes are significantly shown to range from direct influence on the behaviour of 'target' actors to nuanced changes in the latter's discursive positions.

\*Pichamon Yeophantong is an Oxford-Princeton Global Leaders Fellow currently based at the the Niehaus Center for Globalization and Governance, Woodrow Wilson School of Public and International Affairs, Princeton University. Her research interests centre broadly on Chinese foreign policy and history, theories of power and responsibility, and global environmental governance.

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## Introduction

As China re-emerges as a global power, so has its political and economic influence come to permeate disparate parts of the world.<sup>1</sup> The Mekong region<sup>2</sup> is no exception. Traditionally viewed as China's 'natural' sphere of influence, mainland Southeast Asia has borne witness to the PRC's phenomenal rise as both a major global actor and 'paramount power' (see Osborne 2006) within the region. Considering the market opportunities presented by this industrialising region, together with its wealth of untapped natural resources, the countries of mainland Southeast Asia offer attractive incentives to foreign investors and are, in China's case, conveniently located right in 'the Dragon's backyard'. But while Chinese investments have come with the promise of economic development and modernisation, they have also been accused of exacerbating the region's ubiquitous problems of uneven development and environmental injustice.<sup>3</sup>

As ecological and economic interdependencies between states and non-state actors deepen, the regulation of transnational corporate actors and their overseas investment practices has emerged as an exigent challenge for host countries as well as for the international community. As the world's second-largest economy, China's expanding economic and diplomatic clout cannot be overstated, as Beijing seeks to maximise the competitiveness of Chinese firms on a global scale and, in so doing, secure its geopolitical interests abroad. But while China's 'Going Out' strategy (*zouchuqu zhanlue*) has encouraged a notable surge in Chinese outbound foreign direct investment (OFDI) within the past decade,<sup>4</sup> it has also proven to be a double-edged sword, pushing Chinese companies – specifically SOEs – onto the world stage with relatively little experience in manoeuvring the complex international investment terrain. Indeed, with attention shifting towards a greater emphasis on the necessity of 'responsible' investments for a more sustainable future, Chinese enterprises and financiers, as important players in the world economy, are now faced with heavier expectations of responsibility.

Typified by weak governance mechanisms, especially *vis-à-vis* social rights and the natural environment, the countries of the Mekong region are known to suffer from an endemic lack of transparency and pervasive corruption. It is increasingly the case that the region's governments are found enabling investments and resource extraction schemes that have little or, in some cases, no environmental or social safeguards. It is not an exaggeration to say that the region's development has been predicated, to a considerable degree, on the exploitation of its natural resources. As the largest foreign investor in Myanmar and Cambodia, and the third largest investor in Laos,<sup>5</sup> Chinese corporate actors have ventured into different sectors of the economy with a particularly marked presence in the natural resource and energy sectors, having forged diversified partnerships with the Mekong governments. However, just as the Lao government lauds Chinese investments for contributing to national economic growth and for creating jobs for locals, so has Cambodia's largest opposition party – the Sam Rainsy Party (SRP) – raised fears about China's 'bad investment' in natural resources.

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<sup>1</sup> China's depiction as a 're-emerging' power stems from the observation that the country was once a prosperous civilisation and great power in its own right prior to its decline during the late nineteenth and early twentieth centuries (i.e. post-Opium Wars and Boxer Rebellion).

<sup>2</sup> The Mekong region (or the Lower Mekong Basin) is comprised of the five countries of mainland Southeast Asia: Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam. It is not to be confused with the Greater Mekong Sub-region (GMS), which can be used to refer to either the GMS programme, initiated in under the auspices of the Asian Development Bank (ADB) or, in geographical terms, to the Mekong River Basin which includes China's southwestern province of Yunnan.

<sup>3</sup> 'Environmental injustice' is understood as the unfair use of natural resources by a certain party and the unequal distribution of resultant risks and harm (i.e. from environmental degradation) to a particular group or community.

<sup>4</sup> Even with 2012 witnessing a slight decline in China's global FDI outflows, falling from US\$68 billion in 2010 to US\$65 billion, the overall trend is still one which sees an overall sustained increase in Chinese OFDI flows.

<sup>5</sup> Although in 2010 it surpassed Thailand in becoming the biggest investor in Laos, in 2013, the PRC has fallen behind Vietnam (largest investor) and Thailand (second largest), with a total investment volume of US\$3.3 billion. Latest figures place Chinese investment outflows to Myanmar at around US\$14 billion, while reports cite Chinese OFDI into Cambodia for the period between 1994 to 2011 at US\$8.8 billion (these estimates do not include, however, more recent mega-projects like a 400-kilometre railway line).

With Chinese investments effectively serving as a source of both enthusiasm and apprehension, this begs the question of to what extent Chinese investors have been complicit in aggravating the deep-seated governance problems of its host countries.

Considering how global norms and standards on responsible business conduct<sup>6</sup> are still evolving, with the international investment regime remaining attached to traditional business concerns like investment promotion than with mainstreaming responsible investments, this begs the question of why – given the absence of robust, legally-binding standards and the weak rule of law characteristic of developing host countries – the Chinese government and its national companies<sup>7</sup> would gravitate towards a more explicit language of ‘responsible business conduct’ in their regulatory and investment frameworks. A related question here would be: what factors are pushing Chinese SOEs operating transnationally towards more responsible investment practices?

Drawing on specific cases of Chinese hydropower investments in Cambodia, Laos and Myanmar, I argue that an important facet of the answer to these questions lies with the development and growing activism of an embryonic transnational advocacy network within the region, comprised primarily (though not exclusively) of grassroots civil society groups and international non-governmental organisations (NGOs). It is these non-state actors that are now at the forefront of challenging traditional ‘development’ paradigms long adhered to by the region’s governments by renegotiating the parameters of ‘socially acceptable’ conduct and casting a critical light on the ecological repercussions of Chinese-backed development schemes in the region. This is especially true for the Mekong’s hydropower industry, where campaigns spearheaded by local civil society in conjunction with prominent transnational NGOs such as International Rivers, Earth Rights International and Burma Rivers Network (BRN) have worked to raise public awareness and, in certain cases, sensitise Chinese investors to their outward responsibilities within a contested socio-political space.

Determining causal connections between transnational civil society activism and changes in official or corporate policy is, however, a precarious undertaking. Especially in view of the sizeable political constraints faced by Chinese NGOs *within* China, this invariably raises the question of how can one reasonably expect NGOs in another developing country to exert any policy influence on Chinese state-owned companies, let alone on state governments? Yet, it is precisely that Cambodia, Laos and Myanmar constitute ‘hard’ cases with regard to civil society development that makes the mounting activism in these countries particularly striking. Despite facing major obstacles in ‘speaking out’, local civil society actors within these countries, aided by a nascent regional advocacy network, have nonetheless persevered in bringing public scrutiny to bear on high-risk foreign investment schemes that have, in most instances, already received official authorisation.

Drawing on Chinese investments in the Mekong region’s hydropower sector, this paper seeks to reveal insights into how Chinese investors – namely, large state-owned enterprises – are being

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<sup>6</sup> The ‘responsible business conduct’ (RBC) and ‘corporate responsibility’ concepts are used interchangeably here, as opposed to the more specific idea of corporate social responsibility (CSR), as they better capture the diversity of concerns – political, social, economic, and environmental – that arise from the range of business practices evident today. Adopting the Organization for Economic Co-operation and Development’s definition, the concept of responsible business conduct in particular is explicated in the following terms: ‘Responsible business conduct means above all complying with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. It also involves responding to societal expectations communicated by channels other than law, e.g. inter-governmental organisations, within the workplace, by local communities and trade unions, or via the press.’ That said, necessary references to CSR in the paper (i.e. when used officially in Chinese legal documents) are to be understood in the same vein as ‘responsible business conduct’ (see OECD 2011: 2).

<sup>7</sup> A ‘national company’ is understood here as an SOE.



pressured into behaving more ‘responsibly’ and the conditions under which they are compelled into doing so. The paper explores the ‘ecological footprint’ of an expanding Chinese corporate presence in the region’s thriving hydropower industry, and in so doing, discusses the drivers undergirding Chinese investments. Focus here is directed to the cases of the Myitsone dam in Myanmar, the Sambor and Stung Cheay Areng dams in Cambodia, and the Nam Ngum 5 dam in Lao PDR. Not only are these projects reliant upon the involvement of major Chinese dam builders<sup>8</sup> and are among the largest hydro-development projects under construction or planned in the region, but they have also proven to be prominent sites of politicised contestation, featuring active involvement on the part of a transnational advocacy network emerging within the region.

That said, it deserves note that while all three cases are marked by sustained resistance and disapprobation from environmental-*cum*-anti-dam activists based inside *and* outside the countries in question, contestation tended to be effected through differing processes and channels of action, which ultimately resulted in different outcomes. Here, I argue that variations in the response and behaviour of relevant Chinese corporate actors (i.e. variations in their level of compliance) to external censure and local resistance point to the use of both *direct* and *indirect* forms of influence by these activists – an instrumentalist approach that, in turn, impinges on the nature and scope of civil regulation.

At this point, two key caveats need to be borne in mind. First, this paper does not argue that environmental activists protesting against large-scale dams in Cambodia, Laos and Myanmar have always been – or will always continue to be – successful in their efforts to regulate or influence the interests and priorities of Chinese investors. Needless to say, the freedom to manoeuvre of civil society actors in these three countries remains circumscribed by the state, which retains a monopoly over both political and military power. From this perspective, the role of civil society is a still evolving one, but one which, I argue, has progressively gained *policy relevance*, if not always policy influence. Yet, the fact that the hydropower dams under consideration are each located in countries known for lax governance, human rights abuses, and a political culture of intolerance towards civil society activism and social movements, renders the successes – however limited – of these non-state actors all the more significant.

Second, though the paper focuses on civil society actors operating within a broader advocacy network,<sup>9</sup> this is not to say that they are the sole purveyors of change. There exists a rich tapestry of agents operating at cross-cutting levels of governance in the region, ranging from national governments, Chinese hydropower companies and the local media to international financial institutions (IFIs) like the World Bank and the ADB, as well as regional multilateral organisations like the Mekong River Commission (MRC). It is precisely in view of the multitude of stakeholders involved that I have opted for the term ‘transnational advocacy network’, as it aptly captures the cooperation and commonality of interests that exist between these actors. Understood as a ‘[network] of activists, distinguishable largely by the centrality of principled ideas or values in motivating their formation’ (Keck and Sikkink 1998: 1), the concept of transnational advocacy network also resonates with broader debates on the development of a ‘Mekong civil society’ – one which transcends political and

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<sup>8</sup> With regard to the Myitsone dam, while China Power Investment Corporation (CPI) – China’s second-largest dam developer – was the main financier of the scheme, Sinohydro was sub-contracted to take charge of the construction process. In the case of the Nam Ngum 5, Sinohydro constituted the main investor of the project, whereas for the Sambor and Stung Cheay Areng dams, prior to September 2011, China Southern Power Grid (CSG) was to be the main developer, having conducted feasibility studies on both dams. However, as will be explained later on, CSG pulled out of the project, and China Guodian Corporation has since resumed the projects’ development.

<sup>9</sup> I take ‘civil society actors’ here to refer also to domestic and international NGOs.

territorial boundaries, connecting activists, local communities and regional organisations to one another through social bonds of shared responsibility.

### *Rethinking Chinese investments in the Mekong hydropower sector*

The investment landscape is changing. At the international level, rising demand for responsible investments, combined with the expanding presence of transnational advocacy networks and civil society actors at the grassroots level, has meant that foreign investors and host governments are under pressure to adapt to changing rules of engagement. According to a WWF-ADB joint report on ecological footprint and investments in the Asia-Pacific published last year, the PRC's ecological footprint (along with that of India) is anticipated to have the greatest absolute increase by 2015 (see WWF and ADB 2012). This trend is worrying not least for China itself. Especially for mainland Southeast Asia, a region characterised by dense forests, invaluable ecological services, and rich biodiversity, the costs of unbridled development at the expense of the environment and communities inhabiting the area is rendered even higher. With the region's rich abundance in natural resources, ranging from minerals and natural gas to water and forest products, attracting an influx of Chinese investments, safeguarding the local environment of the Mekong River basin is proving to be a daunting challenge, albeit one that demands constructive engagement and cooperation between stakeholders at multiple levels of governance.

What makes the Mekong's hydropower industry an interesting case is how it has remained relatively understudied despite there being clear signs of deepening Chinese involvement, and despite the considerable social backlash that has surfaced in response to the ecological threats posed by major Chinese-backed hydropower projects. A major international river shared by China and the five countries of mainland Southeast Asia, the Mekong River serves as one instance of an important river now under threat. With riparian governments eager to harness the river's massive hydropower potential, which is estimated to be at around 35,000 megawatts (MW) in total, the Mekong is faced with a slate of ecological hazards stemming from a regional dam-building boom. With a cascade of dams planned for China's southwestern province of Yunnan and the (widely-criticised) Xayaburi dam on the river's mainstream in Laos, among others, the region's governments in collaboration with private and public TNCs such as the Thai Ch. Karn Chang Company and PetroVietnam Power Company are now working to subjugate the Mekong and its tributaries to the forces of 'development'.

As one of the world's 'top five' large dam-building countries, Chinese companies have contributed to accelerating this trend. But aside from traditional business and energy security concerns, growing involvement on the part of Chinese SOEs and policy banks in the region's hydropower initiatives has also been informed by geostrategic considerations, corresponding to China's broader strategy of enhancing its soft-power appeal and promoting 'South-South cooperation'. Through the activities of the China Export-Import (Exim) Bank, the China Development Bank (CDB), and key dam and infrastructure developers like Sinohydro, China Southern Power Grid Company (CSG), and China International Water and Electric Corporation (CWE), the Chinese government has become (indirectly) associated with the financing and construction of hydropower projects not just in the Mekong River Basin, but also in other parts of the developing world. According to latest available estimates, Chinese companies are involved, in various capacities, in more than 300 dams in 74 countries, of which over a hundred projects are overseen by Sinohydro.



In mainland Southeast Asia, over 30 different Chinese companies have reportedly underwritten the development of nearly one hundred dam projects in the Lower Mekong Basin to meet increasing domestic and regional power demands (see Middleton 2010: 14). Myanmar and Laos constitute the two main destinations for Chinese hydropower investments, accounting for approximately 38% and 24% of such investments respectively, whereas Chinese investments in hydropower schemes in Cambodia have surged to more than US\$1.6 billion this year (Macan-Markar 2013). From the perspective of national governments, Chinese-backed hydroelectric dams come with the promise of generating power to supply to countries suffering from critical energy deficits.<sup>10</sup> And yet, public disapprobation of these projects has often stemmed from the fact that not all the electricity generated from these dams will be supplied to domestic markets. Power generated from the Tasang and Hatgyi dams located on the Salween River, for example, are destined for the Thai and Chinese power grid instead. As such, this begs the question: dam-building for whose benefit?

Apart from the Sambor dam on the Mekong River mainstream and the Stung Cheay Areng dam on the Areng River, the Myitsone dam on the Irrawaddy River, and the Nam Ngum 5 dam on the Ngum River, other Chinese-backed projects in the Mekong River Basin (e.g. the Kamchay dam in Cambodia, and the Xeset 2, Nam Tha 1 and Nam Ou dams in Laos) have proven equally controversial. Undertaken with either incomplete or questionable environmental impact assessments (EIAs), these projects have constantly been criticised by riparian communities and environmental activists as representing the collusion between 'corrupt' government bureaucracies and interest-driven Chinese companies. The Kamchay dam, for instance, was riddled by a number of social and environmental problems. Rights to the construction of this 193MW dam, located in Kampot province, were allotted to Sinohydro in a 2006 agreement, and constituted the largest foreign-invested scheme in Cambodia at the time, as well as Sinohydro's second dam constructed under the 'Build-Operate-Transfer' (BOT) model. However, negotiations in the lead-up to the agreement between the Cambodian government and Sinohydro were, however, characterised by a blatant lack of transparency, having been arranged without the participation of local communities who stood to lose the most. The dam, as such, was constructed with official approval but *without* a complete EIA.

Needless to say, hydropower expansion is not helping to improve China's corporate image within the region. Host society perceptions are, however, of exceeding importance. Not only does public perception impinge directly on the reputation of Chinese government and, by extension, the country itself, but it can also contribute to stoking discontent among the local population, as is reflected in intensified anti-dam activism within the region. The mobilisation of localised resistance to the Myitsone dam in Myanmar, the Sambor and Stung Cheay Areng dams in Cambodia, and to a lesser degree, the Nam Ngum 5 dam in Laos serves as an illustration of this, with rising anti-Chinese sentiments likewise surfacing along ecological fault lines. Spurred on by the prospect of irrevocable environmental degradation and assisted by an emerging transnational advocacy network spanning across the region, the cases examined below demonstrate how communities affected by these particular hydro-development schemes worked together with environmental NGOs to hold Chinese investors to account.

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<sup>10</sup> The majority of Chinese hydro-development schemes are undertaken with host government approval, often with the government or the national electricity authority as a joint partner.

## *The case of the Myitsone dam in Myanmar*

The so-called 'Saffron Revolution' during the final months of 2007, together with the proliferation of grassroots civil society and youth groups in the wake of Cyclone Nargis, had contributed to gradually emboldening local activism as well as expand the public sphere under a highly-restrictive authoritarian regime (Interviews, Yangon, April 2013). A leaked cable from the U.S. Embassy in Yangon appears to attest to this, noting how Burmese civil society was increasingly 'taking matters into their own hands', with civil society initiatives serving as 'a channel that functions where most other options were shut down by the regime after the September 2007 demonstrations', and 'a method that promotes change from the grass roots [sic]' (EO 12958 2008b).<sup>11</sup>

The modern development of civil society in Myanmar, however, predates these two events by at least a decade, with the country's first NGO forum having taken place in 1995 under the auspices of the UN Development Programme (UNDP). But what is striking about Burmese civil society is the proliferation of environmental NGOs over the years. Aside from public health NGOs, they are believed to be among the strongest in the country (Interview, Yangon, 5 April 2013). According to Win Myo Thu, Managing Director of the environmental NGO EcoDev,<sup>12</sup> his organisation constitutes the 'first-ever NGO *network*' within the country, having more than one hundred members (Interview, Yangon, 4 April 2013). But while some of these organisations label themselves as 'environmental' in orientation, a majority tend to have a 'multi-issue' focus, working and campaigning at the intersection of environmental, developmental and human rights problems. This description also holds true for Burmese grassroots NGOs working outside of the country, many of which are based in northern Thailand. Organisations like the Kachin Development Networking Group (KDNG) and the Burma Environmental Working Group (BEWG) – both of which are part of the Burma Partnership network – serve as good examples of this, having been at the forefront of demanding community rights within the context of protecting the country's rivers from encroaching hydropower development.

The Myitsone dam, a 6,000MW hydropower dam under construction below the confluence of the Mali and N'Mai Rivers on the Irrawaddy River, first became embroiled in controversy in 2006. Situated in the capital of Kachin State, Myitkyina, in northern Burma, the Myitsone is part of the larger Confluence Region Hydropower Project, which involves six other dams on the Irrawaddy. Until its suspension, it was being jointly developed by China Power Investment Corporation, one of China's largest power generation companies, and the Burmese company Asia World.<sup>13</sup> As with other Chinese-financed dams in the region, the Myitsone is anticipated to have serious ecological repercussions. Representing one of the many hydropower projects located in the country's fragile Kachin territory, not only would it result in the displacement of at least ten villages along the river, but it could also disrupt the environmental flows in an area described by conservationists as a 'biodiversity hotspot'. Once built, the dam is also expected to hinder the seasonal migration of fish, as well as submerge important historical and cultural sites, including a sacred banyan tree. Significantly, accusations have

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<sup>11</sup> Another cable from the U.S. Yangon Embassy took note of how then Chinese Ambassador Guan Mu 'acknowledged that the regime has done nothing to improve the lives of the Burmese people, even though they received [sic] increased oil and gas revenues'. Further from this, the cable also reported how increasing demands for democracy and mass demonstrations within Myanmar were to be expected at that point, so long as Than Shwe's regime refused to engage in political dialogue. It also noted that such long-term instability within Myanmar would inevitably affect Chinese business interests within the country, with the Chinese Ambassador to Myanmar then demonstrating a 'clear' interest in working together with the United States to bring the military regime to the negotiating table (EO 12958 2008a).

<sup>12</sup> This is short for 'Economically progressive Ecosystem Development'.

<sup>13</sup> The other four being China Huadian Corporation, China Huaneng Group and China Datang Corporation.

since surfaced that CPI knowingly proceeded with the project despite the findings of its own EIA conducted in 2009 (see BANCA 2009).<sup>14</sup>

In 2007, a group of leaders and elders from the various townships in Kachin state submitted a formal letter of objection against the project to then Senior General Than Shwe, requesting that it be cancelled. Around the same time, the Burma Rivers Network published a scathing report of the scheme. Towards the middle of 2010, the dam's construction site became the target of a series of bombing attacks, leading to the deaths of four Chinese workers, with the site subsequently becoming the locus of renewed fighting between government forces and the Kachin Independence Organisation (KIO). In spite of this, construction continued (ICG 2010: 14-15), resulting in a further escalation of threats from the KIO who, in a letter sent to former President Hu Jintao, stated that unless construction on the dam be terminated, there would be risk of 'civil war' breaking out in the region (Muang Shwe 2011).

By early 2011, a network of local civil society groups and transnational NGOs had come into being to rally firmly behind demands that work on the Myitsone be terminated. While organisations based across the border in Chiang Mai like KDNG and Salween Watch opted for a more 'hard-line' activist approach, which saw stricter adherence to their 'principled ideas', to pressuring CPI and Thein Sein's new 'civilian' government through the use of 'shaming' strategies, certain groups within Myanmar like EcoDev elected instead for a 'softer' advocacy approach – one emphasising internal change – that involved engagement with technocrats and former senior government officials to gain support for the cause. But although their methods differed to an extent, the goals of these civil society organisations remained the same. In what would prove to be complementary tactics, these organisations succeeded in actively disseminating information among the local population, while framing the overarching issue as an intrinsically 'cultural' one – one linking the Irrawaddy River to the country's history and unique cultural identity.

With an emphasis on people solidarity, this two-pronged strategy proved effective, with the campaign soon spreading across the country, and attracting both domestic and international media attention in the process. According to one civil society representative active during the time, NGOs in China also tried to help circulate news of the anti-dam movement to the Chinese media (Interview, Yangon, 5 April 2013).<sup>15</sup> In light of increased internal and external pressure, the campaign against the Myitsone dam would come to gain further momentum with the explicit support from Aung San Suu Kyi, who in August 2011 published her 'Appeal to Save the Irrawaddy'. With Aung San Suu Kyi throwing her 'moral weight' behind the cause, the issue became of even greater policy relevance. Ultimately, this would culminate in Thein Sein's announcement in September 2011 that the dam would be suspended for the entirety of his term.<sup>16</sup> Viewed as an unprecedented victory for civil society, what was particularly noteworthy about this event was Thein Sein's acknowledgement of how the 'will of the people' had to be respected as 'our government is elected by the people', and also how the government had 'a responsibility to solve the worries of the people' (BBC 2011).

While this unilateral proclamation on Thein Sein's part elicited an 'astonished' and beleaguered reaction from CPI, and a more low-key response from the Chinese government, it did manage to provoke heated debate within Chinese academic and policy circles on how China should

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<sup>14</sup> The EIA report was leaked and publicised by the Burma Rivers Network. However, in 2010, CPI released a 'finalised' version of the report which, according to activists, saw a number of 'problematic' paragraphs detailing the adverse consequences of the dam deleted.

<sup>15</sup> This however was of limited success.

<sup>16</sup> His term will end in 2015.

proceed with regard to its overseas investments, as well as how Chinese firms ought to comply to their corporate responsibilities.<sup>17</sup> One notable example of this was an editorial featured in the (generally nationalistic) *Global Times*, which was openly critical of those who were 'childishly' criticising Thein Sein's decision to suspend the dam. The piece argued that China should welcome political reform in Myanmar and that suspension of the Myitsone serves as an example of a risk that needs to be integrated into Chinese investment strategies (see *Global Times* 2011).

Furthermore, in what seemed to point to the lasting influence of anti-Myitsone activism on the Chinese government, in January 2012, the Chinese NGO Global Environmental Institute helped to arrange an informal visit by a vice-minister from the Chinese Ministry of Environmental Protection (MEP) to attend a one-day workshop organised by EcoDev in Naypyidaw, which discussed, among other issues, 'citizen diplomacy' as an alternative to 'leader-to-leader' relationships, and the establishment of a more transparent mechanism for the exchange of information. The minister reportedly requested a special, closed-door meeting in Yangon following the workshop (and which was also attended by one of Thein Sein's advisors) to discuss issues relating specifically to the Myitsone. It was reported that, upon hearing the questions and concerns raised by Burmese civil society representatives, the minister responded by noting how the facts presented were 'quite clear' to necessitate further study of the complexities of large-scale infrastructure projects, while (surprisingly) admitting that while the government can control private companies, imposing enforcement over SOEs like CPI remains difficult (Interview, Yangon, 4 April 2013).

### *The case of the Sambor and Stung Cheay Areng dams in Cambodia*

In late 2006 at the GMS Expo in Nan Ning, China Southern Power Grid signed two Memoranda of Understanding (MoUs) with the Cambodian Ministry of Industry, Mines and Energy (MIME)<sup>18</sup> to conduct feasibility studies for the Stung Cheay Areng and Sambor hydropower projects in Cambodia. According to a MIME report, the Stung Cheay Areng dam was expected to have an installed capacity of 260MW, while specifications for the Sambor dam were still in flux at the time, varying between a large-scale scheme that would result in the construction of a 3300MW dam, and a smaller reservoir that would generate approximately 465MW of electricity (Middleton 2008: 38-39).<sup>19</sup> However, both projects soon ran into sustained opposition from NGOs and local communities, as concerns surfaced regarding the dams' potentially disastrous ecological consequences.

Concerns were raised by activists and conservationists that the Sambor dam, which was to be built on the Mekong mainstream in Kratie province, would pose a serious threat to the river's fisheries as well as endangered species like the Irrawaddy dolphin. By extension, it was feared that the dam would adversely impact local communities living along the region, whose livelihoods were largely dependent on local fisheries. Similarly, concerns raised against the Stung Cheay Areng dam in the pristine Cheay Areng Valley – often referred to as a 'biodiversity jewel' of Southeast Asia – centred on the ecological risks that the dam would create. Located in the Central Cardamom Protected Forest, the dam's reservoir was then expected to flood nine villages, comprised of more than 1,500 mostly indigenous people, as well as inundate up to 2,000 hectares of indigenous land (of which 500 would

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<sup>17</sup> Notably, there were those who read the Myitsone case as a 'wake-up call' for China to tread more carefully in its investments abroad, as well as others who saw the Burmese reaction to the dam as unreasonable. Equally interesting were certain responses from Chinese Community Party members, who saw the issue's resolution as dependent upon China exporting its 'Party model' to Myanmar.

<sup>18</sup> MIME is main government agency responsible for administrating and setting government policies and strategies with regard to the country's power sector.

<sup>19</sup> The larger scheme was reportedly proposed by the Mekong River Commission's Secretariat.

have been sacred land). Aside from being densely populated, the area is also home to rare and endangered wildlife, most notably the Siamese crocodile. The dam, if built, was also expected to incur downstream impacts, affecting rice paddies in the country's coastal zone which serves as the 'food bowl' for nearly 2,000 people (Middleton 2008: 38).

However, these were not the only projects under consideration by CSG at that point. The company was also involved in other controversial schemes in country, which could have possibly led to a dam being built on Srepok River in Ratanakiri province. This plan soon met with opposition from local residents in Thmey village which was situated close to the proposed dam site. While each of these would appear to be 'isolated' cases, local resistance to this particular project in Ratanakiri province would prove to be the spark that created a cascading effect, leading CSG to eventually announce in September 2011 its withdrawal from all of its proposed hydropower schemes in Cambodia. According to the company's spokesperson, 'CSG is a responsible company... We understand the concerns of local residents, just as we understand the concerns of consumers for adequate power supply and the concern of the government for economic progress' (quoted in Shih 2011).<sup>20</sup>

But while it is tempting to attribute CSG's decision to this display of local resistance, it is important to take note of the broader context. In 2008, the company initiated an Initial Public Offering process on the Shanghai stock exchange, which would have made it susceptible to one degree to the latter's CSR regulations. A month after this, International Rivers in collaboration with the Rivers Coalition in Cambodia and Burma Rivers Network worked to increase their pressure by sending a letter (along with a follow-up letter) to CSG's President Zhao Jianguo, critiquing the company's involvement in the Sambor and Stung Cheay Areng dams, among others. At the same time, sustained pressure was also placed on the Cambodian government, such that in April 2009, representatives from Cambodian NGOs were invited to meet with government officials to discuss the Stung Cheay Areng's EIA.

In addition, months before CSG's announcement, then Deputy General Manager of the China Exim Bank's Department of Assessments and Approvals Li Fusheng wrote an opinion piece in the *Global Times*, which notably stressed the necessity for Chinese firms to abide by responsible business conduct norms in their overseas operations, while critiquing the fact that the majority of Chinese companies tend to have little capacity to deal effectively with local governments and host societies. This was written upon his return from a field visit to Cambodia and Laos, whereupon he noted how Chinese investors were predisposed to justifying their irresponsible practices by saying that they are 'neither the best, nor the worst'. According to Li, this was not acceptable behaviour. Rather, Chinese investors needed to take into account the voice of both the host country and of 'non-mainstream' actors (Li 2011). This was closely followed by another article written by a Chinese journalist for the *Caixin* financial news website, which detailed the strong resistance of villagers in Ratanakiri province to hydropower development. Apparently, she had been invited to undertake a survey of the area by the Cambodian NGO 3S River Protection Network, in an attempt on the latter's part to enhance media coverage and public knowledge of the issue within China (Zhang 2011).

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<sup>20</sup> Interestingly, in 2011, CSG was voted as the 'Best Social Responsible Company in China' by Xinhua Net users.



## *The case of the Nam Ngum 5 dam in Laos*

The 120MW-Nam Ngum 5 hydropower project, constructed as a joint venture between Sinohydro and Electricité du Laos under the BOT model on the Nam Ting River,<sup>21</sup> would at first seem to reflect the general lack of localised contestation in Laos, especially when compared to the activism seen in neighbouring Cambodia and Myanmar. In fact, despite the project, which became operational in 2008, having been subject to criticism from International Rivers at one point,<sup>22</sup> not too much attention has been afforded to this dam in northern Laos. However, what is striking about the dam were the social and environmental safeguards taken by Sinohydro and, in particular, the role played by the Global Environmental Institute, a prominent Beijing-based environmental NGO-‘think tank’, in ensuring that these safeguards were implemented at the local level. The Nam Ngum 5 marked the first time in which a Chinese SOE requested the Multilateral Insurance Guarantee Agency (MIGA), known for safeguards and policies comparable to the World Bank, to provide a political risk insurance guarantee for the scheme.<sup>23</sup> This obliged the agency to conduct thorough assessments of the project’s resettlement and dam safety policies, as well as its capacity and preparedness for handling social and environmental hazards. MIGA also published the project’s EIA report on its website, allowing external auditors (namely, NGOs) to provide feedback on the project. According to a presentation given by a Sinohydro representative at a workshop on the dam hosted by MIGA, the involvement of international institutions like MIGA was noted for ‘bring[ing]...added value [to] such cooperation, such as good for transparency implementation, confidence for project financing institutions, public monitoring [sic]’. Crucially, these developments coincided with the establishment of a coalition of NGOs in February 2009, which called on Sinohydro to ‘establish a world-class environmental policy and strengthen its relations with the host communities of its international projects’. In response, Sinohydro invited International Rivers’ Policy Director Peter Bosshard to a meeting which purportedly served as the ‘first [policy] dialogue between a Chinese state-owned enterprise and an international advocacy group’, and reportedly agreed to consider drafting an environmental policy. This policy was later released in 2011 as its first company-wide sustainability framework (Bosshard 2010). Significantly, in a 2010 interview with *Global Power Report*, Sinohydro’s vice-president Huang Baodong admitted that the company has become more wary and sensitive to local opposition to hydropower projects, and that the company was now ‘bid[ding] for projects which have the approval of either the World Bank or the Asian Development Bank’ (quoted in Anuradha 2010).

Of equal interest here was the collaboration between Sinohydro and GEI to initiate community development programmes intended to assist villagers affected by the dam.<sup>24</sup> While detailed information on these programmes remain sparse, based on monthly environmental and social progress reports released by Sinohydro (Nam Ngum 5 Power Company 2009), Ban Chim village – the location of the company’s pilot project – was regularly visited by company representatives, who would conduct health checks, baseline surveys on the village’s household incomes, as well as local consultations. At the same time, GEI was responsible for building local capacity *vis-à-vis* alternative income generation, which included methane generation and community forestry (Meng 2010). Ren Peng, currently program coordinator for GEI’s environmental governance programme, explained then that the initiative represented an attempt on GEI’s part to use demonstration projects to illustrate how compensation can be allocated in a transparent manner, whilst also stressing that GEI had no

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<sup>21</sup> The concession agreement is for twenty-five years.

<sup>22</sup> These criticisms were made particularly in light of the project’s application to receive carbon credits

<sup>23</sup> Civil society groups have, nevertheless, taken note of how Sinohydro had undertaken construction of the dam prior to receiving MIGA’s approval. It is also the case that the project ultimately did not receive support from MIGA, for reasons that still remain unclear.

<sup>24</sup> Notably, this was shortly following the launch of GEI’s book, *Environmental Policies on China’s Investment Overseas*, a collaborative project with the MEP’s Chinese Academy for Environmental Planning and the University of International Business and Economics.

intention to oppose the project itself or the companies involved (quoted in *Ibid.*). Reflecting a highly-pragmatic attitude, GEI's participation in this scheme is noteworthy precisely because of its underlying pragmatism. By using advocacy tools to work with – not against – Chinese SOEs and their overseas investments, GEI has managed to contribute to expanding the region's transnational advocacy network through the use of 'internal' pressure, in a way reminiscent of the strategies adopted by organisations like EcoDev during the anti-Myitsone movement.

### *Unravelling transnational environmental activism in the Mekong Region*

In view of the cases discussed above, five key points can be distilled. First, each case attests to the existence of a nascent transnational advocacy network within the region. With respect to Myanmar, Burmese environmental and development NGOs based within the country (e.g. Paung Ku, EcoDev and NEED-Burma<sup>25</sup>) and across the border in northern Thailand (e.g. the KDNG, Salween Watch and BEWG) have worked closely with each other, as well as with other international NGOs (e.g. the Yunnan-based NGO Green Watershed, Beijing-based Greenovation Hub, International Rivers, and Oilwatch Southeast Asia), to coordinate and build up campaigns against Chinese-backed resource projects in the country. Proving equally important are collaboration between these groups and 'exiled' news organisations such as the Kachin News Group, which have contributed greatly to reporting and disseminating information, and the role of militant groups like the KIA in using force to 'make their point'. With regard to the Nam Ngum 5, the community projects initiated by GEI apparently reflect as much Sinohydro's desire to conform more to corporate responsibility expectations, as GEI's own desire to strengthen links with local NGOs in other countries, with the institute having established an office in Laos in 2009 (Meng 2010).

In what appears to be a 'closely-knit' community of NGOs and local civil society actors, a precursory look at efforts by local and international NGOs to overcome the information deficit inherent in their work would readily reveal the dynamics of this network. Given the difficulty faced by these activists in accessing sensitive data on Chinese dams and other resource development projects in the region, this has led them to rely considerably on information exchanges with colleagues and NGOs in other countries to keep abreast of latest developments. In the case of the KDNG, their contacts in China helped to monitor the Chinese news media for updates on the Chinese side and then relayed information to the Chiang Mai-based organisation (Interview, Chiang Mai, 29 March 2013). According to Sai Sai of Salween Watch, his organisation first learnt about Chinese plans for dams on the Salween River through an unrelated study conducted by Thailand's Human Rights Commission (Interview, Chiang Mai, 28 March 2013). In Cambodia, the Rivers Coalition, comprised of the 3S River Protection Network and the NGO Forum on Cambodia among others, has cooperated extensively with International Rivers to disseminate information on Chinese dams in the country. In Laos, organisations like Helvetas have assisted in the creation of the Lao Water Resource Network (LWRN), which helps to connect Lao civil society to other organisations and networks operating within the region.

Aside from getting information from within their network, some groups have also had to rely on external actors. A representative from a community-based NGO looking into the 'backward' and 'forward' linkages of Chinese investments in the country's natural gas sector admitted, for instance, that there were occasions when his organisation had to 'pay' local officials and informants working in Chinese companies for 'insider' information. Similarly, a Thai civil society group based in Chiang Rai

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<sup>25</sup> Known in full as the 'Network for Environment and Economic Development'.

recounted that one of their informants, a local working for a Chinese company, would provide logistical information (albeit voluntarily) on movements of the Chinese company in question and, at times, would even 'sneak out' corporate documents (Interviews, Thailand, March 2013). What this reveals, in effect, is the existence of a shared social space, which allows actors to communicate and facilitate the fulfilment of their joint enterprise. As observed by Ann Florini and P.J. Simmons, 'The currency of its [transnational civil society's] power is not force, but credible information and moral authority' (Florini and Simmons 1999).

Second, what has become apparent in each case is the burgeoning role that local and transnational NGOs, as part of this evolving transnational advocacy network, are playing in making hydropower development into an exigent social and environmental 'problem', as well as the increasingly complex tactics they have devised in the process. As norm entrepreneurs, they have worked to frame their overarching cause – or rather, the question of 'what is at stake' – in ways that have managed to capture the interest and empathy of both domestic and international audiences. By targeting not just state actors but also the Chinese government and its national companies, they are progressively working towards transforming these localised problems into matters of regional and global concern by linking them to broader questions regarding the potentially destabilising implications of China's rise. It deserves note that rather than drawing exclusively, for instance, on the 1998 World Commission on Dams' (WCD) principles, activists in all of the three cases examined referred to multiple normative frameworks which allowed for a broader and less 'circumscribed' definition of the problem. As pointed out by Keck and Sikkink (1998: 26), though not directly comparable to influence on agential behaviour, agenda-setting and issue creation do serve as an important form of influence that has the potential to culminate into other 'stages' of influence. Indeed, the Myitsone case attests to this. By receiving support from an international persona like Aung San Suu Kyi who, in this situation, clearly has a much more 'powerful' voice, the social movement against Myitsone gained wider coverage with its cause also achieving even greater policy relevance.

Third, while civil society activism is purportedly carried out not for the sake of gaining 'political power' but for 'maintaining balance' in society (Interview, Yangon, 4 April 2013), what advocacy groups in each of these cases have managed to develop is a degree of social legitimacy and moral authority relative to their 'targets' (i.e. Chinese investors and the state). In renegotiating the parameters of what constitutes 'responsible' corporate behaviour and contesting traditional state-led discourses of 'development', these groups have worked to redefine not only the expected roles and responsibilities of their target actor (i.e. Chinese hydropower companies), but in so doing, also arrive at redefining their own role conceptions. Through the use of the language of 'protecting rivers', for example, they are establishing themselves as *de facto* 'guardians', while by challenging official narratives, they are positioning themselves as an alternate locus of knowledge and authority.

Fourth, considering how contestation is occurring in (semi-)authoritarian countries where civil disobedience and dissidence are far from tolerated, prevailing social and political circumstances remain important and can impinge on the nature, scope and outcomes of activism in each case. The highly-restrictive state in Laos has undoubtedly affected the 'visibility' of environmental activism within the country, which stands somewhat in contrast to the level of activism in Myanmar and Cambodia.<sup>26</sup> As such, while there may be emerging patterns with respect to how civil society actors are going

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<sup>26</sup> One incident that aptly captures the constraints faced by NGOs and civil society in Laos was when the country director of Helvetas-Laos was given a 48-hour notice to leave the country. According to mainstream media, this was because of a letter that she wrote to donors that had 'harshly criticised' the government.

about effecting change, the responses of national governments and Chinese companies continue to vary on a case-by-case basis. It is precisely in this regard, nonetheless, that transnational advocacy networks can prove useful. Reminiscent of Keck and Sikkink's 'boomerang pattern' (1998: 12-13), they can help to furnish grassroots organisations with the means and resources to circumvent the state, and engage with actors outside the country to communicate information and raise pressure to bring about change internally.

Finally, each of the cases analyzed demonstrate how localised resistance, together with activism by local and transnational NGOs, have been channelled through both formal and informal channels to effect direct as well as indirect influence on relevant Chinese hydropower companies and national governments. In the Myitsone example, anti-dam activism resulted in a shift in government policy, which in turn obligated CPI to halt its work on the dam. In terms of indirect influence, Thein Sein's decision helped to stimulate debate within Chinese policy circles regarding the 'responsibility' of Chinese overseas companies. In contrast, CSG's withdrawal from all power projects in Cambodia appears to reflect a more direct example of how civil society pressure and local opposition can compel a Chinese company to significantly reorient its investment behaviour.

Crucially, the strategies employed by a growing network of activists in mainland Southeast Asia seem to be largely congruent with the typology of tactics outlined by Keck and Sikkink. In navigating the terrain of contentious politics, these non-state actors are proving to be particularly adept at engaging, to varying degrees of success, with the politics of information, symbolism and accountability.<sup>27</sup> That said, while these actors have proven to be skilled in issue creation, their ability to influence a target's policy behaviour remains much more limited, being largely country and context contingent. Certainly, the outcomes of the Myitsone and CSG cases, where civil society actors appear to have brought about an actual change in the behaviours of the targeted state and company, are likely to remain more as prominent exceptions than the norm. Especially considering how such sentiments of transnational environmental activism are still maturing, it is not surprising that most NGOs working on these issues continue to be cautious in their optimism, displaying a deep-seated scepticism that change may very well be short-lived. This remains the prevalent concern with regard to the Myitsone dam, with Burmese NGOs still keeping a close watch over activities around the dam site, as well as the Sambor and Stung Cheay Areng dams, given latest developments which see China Guodian moving ahead with its construction plans.

Even so, what I seek to argue here is that there are emerging signs of change that cannot – and should not – be taken for granted; signs which suggest how civil society actors through active partnerships with NGOs and media outlets in other countries are beginning to exert a degree of influence, not least on the 'discursive positions' of their targets. Amid mounting expectations to behave 'responsibly', major Chinese SOEs such as China Datang, CPI and CSG have formally adopted the United Nations Global Compact agreement, and have released CSR reports on an annual basis.<sup>28</sup> Significantly, in response to International Rivers' calls for it to develop a comprehensive environmental policy, Sinohydro has recently released its own 'Policy Framework for Sustainable Development', which outlines in greater detail its environmental and social commitments (see International Rivers 2012: 51-52). The China Exim Bank has also devised its own environmental

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<sup>27</sup> Information politics constitutes 'the ability to quickly and credibly generate politically usable information and move it to where it will have the most impact'; symbolic politics is 'the ability to call upon symbols, actions, or stories that make sense of a situation for an audience that is frequently far away'; and accountability politics refers to 'the effort to hold powerful actors to their previously stated politics or principles' (Keck and Sikkink 1998: 16).

<sup>28</sup> China Datang joined the Compact in 2008, CPI in 2009, and CSG in 2010.

policy to ensure that international environmental standards, particularly *vis-à-vis* environmental management and monitoring responsibilities, are applied to its project financing, whereas more recently, the 'Guidelines for Environmental Protection in Foreign Investment and Cooperation' were co-issued by the Ministry of Commerce (MOFCOM) and MEP in February 2013, based on recommendations by GEI – a development welcomed by civil society both inside and outside of the Chinese mainland.

## Conclusion

Despite official rhetoric often claiming otherwise, inadequate implementation of social and environmental safeguards in their overseas ventures, coupled with a willingness to invest in countries with poor human rights and environmental records, have led the Chinese government together with its national companies – especially those operating in the resource sector – to become highly susceptible to external censure and, at times, direct opposition from host societies. This paper has sought to demonstrate how, in the three cases examined, Chinese dam developers were pushed into responding to external pressure from civil society groups inside *and* outside of the host society, in a way which has led them to afford greater attention to ecologically 'responsive' investments. Recent developments concerning the Myitsone dam has seen CPI attempting to justify resumption of the project by undertaking a new EIA study, as well as seeking support from villagers living around the dam site and reportedly from organisations like the International Commission on Large Dams (ICOLD).<sup>29</sup> Moreover, in response to accusations that CPI had continued with its construction work, a senior CPI representative, Wang Qiyue, has affirmed that work has been suspended at all seven dams (of which the Myitsone serves as the main site) planned for the Upper Irrawaddy River Project. He also indicated that the company is 'trying [its] best to fulfil [its] social responsibilities' and 'to abide by international standards' by meeting '[these environmental tasks] with the highest standards' (Mizzima 2012).

As evinced from protests headed by local farmers, Buddhist monks and activists against the Letpadaung copper mine,<sup>30</sup> jointly developed by the Chinese Wanbao Company and the military-owned Union of Myanmar Economic Holdings in the country's northwestern township of Monywa, localised resistance can coalesce with underlying political, social and environmental sensitivities to generate a hostile investment environment for Chinese investors. It is, therefore, imperative that national governments recognise the dangers of 'blindly' pursuing national development goals, as such an approach has the potential to heighten social instability as well as ecological insecurity in the long-term. By the same token, foreign investors need to take note of how profit-oriented short-termism has

<sup>29</sup> CPI appointed the Beijing Rong Zhi Corporate Social Responsibility Institute to undertake a CSR programme aimed at mitigating social and environmental impacts, and contributing 'to local development'. The institute has conducted interviews with relocated villagers, who were asked to fill out a questionnaire on how the Myitsone project can be 'improved', having also sent its stated objectives and methodology to KDNG. However, this approach has been lambasted by Burmese NGOs as still failing to meet sustainable global dam-building standards such as the WCD's principle of free, prior and informed consent (KDNG 2013). Controversy also surfaced in light of CPI's purported attempt to have ICOLD conduct an 'independent evaluation' of the scheme. ICOLD has since released a statement clarifying that, while '[t]he builder of the Irrawaddy Myitsone dam project in Myanmar has directly asked experts coming from countries with long term experience in building and operating large dams to assess its work', ICOLD has never been – nor is it entitled to be – involved in conducting evaluations of particular dam projects (ICOLD 2012).

<sup>30</sup> The Letpadaung mining project has displaced farming families in twenty-six villages through forcible land eviction (over 7,800 acres confiscated by the government in 2010). In November 2012, the issue caught international attention when more than a hundred protesters – many of whom were Buddhist monks – were injured in a police crackdown against a peaceful demonstration in Yangon. An investigative commission headed by Aung San Suu Kyi has, however, sanctioned the project's continuance, with Suu Kyi telling protesters to cease their demonstrations for the sake of the country's reputation – an announcement that raised further discontent among those affected. Interestingly, however, prior to the release of the investigation commission's findings, the Chinese Ambassador to Myanmar announced that China would accept any decision so long as it was arrived at through balanced and accurate information.



the potential to seriously hinder commercial interests, as doing so neglects the fact that large-scale resource development projects like hydropower schemes entail sustained engagement with governments as well as host societies. Examples abound even from within China itself, where increasing community awareness about the detrimental impacts of unbridled industrialisation has led to a striking growth in both 'green' NGOs and environment-related protests, such as those mobilised against industrial and chemical plants in various parts of the country. The well-documented case of protracted social opposition and international censure against the mass displacement and ecological hazards caused by the Three Gorges dam is likewise illustrative of how trade-offs between national development and ecological security are rarely, if ever, straightforward.

Contrary to Milton Friedman's oft-quoted assertion in the late 1970s that 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits' (Friedman 1970), the nature of today's globalised market has made it such that, to paraphrase the UN Global Compact, businesses need to adopt a 'stronger ethical orientation' and a risk paradigm that takes into account 'extra-financial issues in the environmental, social and governance realms' (UN Global Compact 2009: 1). Here, responsible investment strategies attentive to the requirements of sustainable development are of vital importance to the Mekong region as a whole as to China itself. That Chinese policy-makers and investors alike are becoming more aware of how reputational and commercial risks are inextricably linked represents a promising shift in both political and corporate attitudes – one that needs to be encouraged within and monitored without.

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