

Damming Public Opinion: Risks of China's Economic Diplomacy

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"A powerful dynamic is playing out in China's relations with the developing world. China is willing to deal with authoritarian regimes, and strike contracts on energy that are non-transparent. China's distaste for making foreign aid contingent on policy indicators may worsen corruption in recipient countries. Some of its dam building projects will have devastating impact on neighboring countries. Will China be able to dam the public opinion backlash fueled by all of these?"

In this increasingly interconnected age, the role of public opinion has grown in many areas of life—from corporate valuations in the form of brands to political influence in the form of soft power. With these trends in mind, China's approach to dealing with global public opinion, be it over Tibet or Darfur, carries risks. Symbols of control

One of the greatest questions of our time may be over China's style of economic diplomacy. While the rich democratic countries attempt to pursue development strategies that are people friendly, emphasizing human rights and environmental standards, China is said to be following a strategy that is regime friendly, focusing on local practices, practical results, and infrastructure development. For this reason, some observers have argued that China's approach may be more appealing to the elite in less democratic countries in Africa and Asia.

Unfortunately, the enormous dams that China is constructing both inside its borders and in the countries where it invests may become a symbol for a flawed approach to coping with an increasingly powerful public opinion. From the Three Gorges Dam to the "Great Firewall" of Internet censors in China to the planned dams of the Mekong River, China hopes dams can provide growth and stability. For how long can China dam public opinion? Money first, governance later

A potentially powerful dynamic playing out in China's relations with the developing world emerged during a recent trip I took to Cambodia. Looking at the potential oil and gas boom in Cambodia, my research investigated the possible impact the natural resource revenue could have on Cambodian society and governance.

It is widely known that China is willing to deal with authoritarian regimes, but these relationships may end up sparking a backlash against China in the developing world. As UNDP head Kemal Dervis recently said at a recent conference at New York's New School, the greatest threats to development may be social instability from inequality and environmental degradation, not macroeconomic stress. This sentiment was a major theme in many of my interviews in Phnom Penh.

"China is making Cambodia move backward," said Son Chhay, a Cambodian opposition party lawmaker. He explained that China's involvement with Cambodia's authoritarian regime is erasing the progress the country made in human rights and democratic development. One effect is that Western donors may have to weaken their demands for better governance just to keep up with the growing influence of Chinese investment.

During the last decade, the main source of foreign influence had been nongovernmental organizations (NGOs), working with aid donors. Now, China's presence is shifting the balance, potentially exacerbating the two risks that worry Dervis. For example, China's distaste for making aid contingent on policy indicators may worsen the already rampant corruption in Cambodia. Most observers predict that at least half of the oil and gas revenue would go into the personal bank accounts of corrupt officials. Hydro power without people's power

"You could have a people power movement in the next two to three years if the government fails to create the million jobs needed. The youth will go to the street because they have nothing to lose," Son Chhay said. He predicts upcoming elections will fail to be democratic and people power movement will ensue. Half of the population is young and unhappy with the government, and they have no memory of the genocide of Pol Pot and therefore no fear of authority. One target could be Chinese-owned businesses.

While my trip to Cambodia was to examine the impact of possible oil and gas revenue, it became clear that the planned Mekong dam and its symbolic implications were at least as important. "The big story is hydropower. Cambodia relies on the Mekong and damming will have devastating consequences on food and welfare," said a Western diplomat based in Cambodia.

Civil society groups such as Cambodia's NGO Forum are questioning the country's plan to become "the battery of Southeast Asia," especially for energy-hungry Thailand and Vietnam, with the help of Chinese state companies, which are in turn financed by Chinese state financial institutions. Without thorough and transparent social and environmental impact assessments, NGO groups worry that the dam projects in Cambodia and

Laos could disrupt fish migration patterns in the Mekong River. The coming fallout

“Cambodia’s future rests on a knife’s edge” as one senior economic researcher put it. The path the country will take will depend on the foreign influence coming to Cambodia, he explained. If Chevron decides that the energy resources off of Cambodia’s coast are worth pursuing, the American company could possibly bring more transparency and accountability to Cambodia’s economy. If not, China will become the dominant source of external influence given that its total investment in the country now exceeds that of any other donor.

The long-term problem is that when the voice of the people is stifled, it hurts the advancement that comes through the positive interaction between civil society and corporations. Pietra Rivoli wrote about this in her book “The Travels of a T-Shirt in the Global Economy.” This problem will haunt China’s development strategies both within its borders and in its relations with other countries.

“China cannot survive the system it is creating,” Son Chhay concluded. “I predict a crisis in China before they enter the real world.” Cracks are forming in China’s dams, literally and metaphorically.

About the author