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THESIS

**CHINA ON THE MEKONG: LEGITIMACY
IMPERATIVES AND POLICY CASE STUDIES**

by

Gregory J. Knott

December 2013

Thesis Co-Advisors:

Naazneen Barma
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**CHINA ON THE MEKONG: LEGITIMACY IMPERATIVES AND POLICY
CASE STUDIES**

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Submitted in partial fulfillment of the
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES
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ABSTRACT

China's economic reforms revealed the Chinese Communist Party's search for a new basis for political legitimacy and authority. The PRC's contemporary political bargain is best characterized as a tenuous balance between economic modernization and political repression. This dichotomous political bargain yields a fragile legitimacy, aspects of which activate to shape China's Mekong River policies.

This paper examines the impact of the CCP's fragile legitimacy on two case studies involving China's Mekong River economic interests, involving (1) hydropower dams and (2) counter-narcotics enforcement. China's hydroelectric pursuits on the Mekong are predominantly shaped by the regime's economic growth mandate, concerns about domestic inequality, and demands to alleviate social costs arising from recent development. China's counter-narcotics efforts on the Mekong River are also tied to economic considerations, but increasingly reflect the Party's efforts to enhance its nationalist and security credentials. China's Mekong River policies illustrate how the CCP's domestic motivations deserve greater weight in explaining the perception of China's increasing assertiveness.

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
	A. MAJOR RESEARCH QUESTION.....	1
	B. IMPORTANCE.....	1
	C. PROBLEMS AND HYPOTHESES	3
	D. LITERATURE REVIEW	4
	1. Domestic Political Economy Literature.....	5
	2. International Context	6
	E. METHODS AND SOURCES.....	9
	F. THESIS OVERVIEW	10
II.	CHINA’S RISE AND REGIONAL DYNAMICS.....	13
	A. CHINA’S HISTORICAL TRAJECTORY.....	13
	B. DOMESTIC POLITICAL ECONOMY	14
	1. Evolving Growth Imperatives.....	14
	2. Inequality Concerns.....	16
	3. Chinese Nationalism and Frustration Outlets.....	17
	4. Security Imperative	18
	5. Other Challenges, Despite Growth.....	19
	C. FOREIGN FACTORS AND PRC–MEKONG RELATIONS.....	20
	1. Changing Perceptions.....	20
	2. Increasing Competition, But Deferred Confrontation	21
	3. Regional Institutional Architecture.....	23
	D. SUMMARY	25
III.	CASE STUDY I: CHINESE DAMS.....	27
	A. THE LANCANG CASCADE	27
	B. DOMESTIC DRIVERS OF DAM POLICY	28
	1. National Economic Growth and Development Imperative.....	28
	<i>a. PRC Economic Strategy.....</i>	<i>29</i>
	<i>b. Domestic Interest Groups</i>	<i>30</i>
	<i>c. Institutional Selection and Engagement.....</i>	<i>32</i>
	2. Addressing Yunnan Inequality.....	35
	<i>a. Economic Pathways</i>	<i>35</i>
	<i>b. Political Pathways</i>	<i>36</i>
	3. Environmental and Health Degradation	38
	C. DAMS SUMMARY	39
IV.	CASE STUDY II: CHINESE COUNTER-NARCOTICS POLICY	41
	A. HISTORICAL POLICY TRAJECTORY	41
	B. DOMESTIC DRIVERS OF PRC COUNTER-NARCOTICS POLICY ..	44
	1. Nationalism.....	45
	<i>a. Domestic Outlets</i>	<i>45</i>
	<i>b. Rising Power Expectations</i>	<i>48</i>
	2. Security Imperative	49

	<i>a.</i>	<i>New Challenges at the Mekong Frontier</i>	50
	<i>b.</i>	<i>Security Competence</i>	53
	C.	COUNTER-NARCOTICS SUMMARY	55
V.		SUMMARY, CONCLUSIONS, AND IMPLICATIONS	57
	A.	SUMMARY	57
	B.	MEKONG CONCLUSIONS.....	59
	1.	Diversity of Mekong Motivations	59
	2.	Consistent with Trends.....	60
	3.	Across the Legality Spectrum: Policy Effectiveness Prioritized....	62
	C.	BROAD IMPLICATIONS OF CHINA’S MEKONG POLICIES.....	63
	1.	Not So Soft and Charming	63
	2.	The Tyranny of Fragile Legitimacy	64
		LIST OF REFERENCES	67
		INITIAL DISTRIBUTION LIST	77

LIST OF ACRONYMS AND ABBREVIATIONS

ACCORD	ASEAN and China Cooperative Operations in Response to Dangerous Drugs
ADB	Asian Development Bank
AMBDC	ASEAN Mekong Basin Development Cooperation
ASEAN	Association of Southeast Asian Nations
ATS	amphetamine-type stimulants
CCP	Chinese Communist Party
EEZ	exclusive economic zone
FDI	foreign direct investment
GAC	General Administration of Customs (PRC)
GDP	gross domestic product
GMS	Greater Mekong Subregion
HDI	human development indicators
MRC	Mekong River Commission
MOU	memoranda of understanding
MPS	Ministry of Public Security (PRC)
MWR	Ministry of Water Resources (PRC)
NSC	new security concept
NNCC	National Narcotics Control Commission (PRC)
PLA	People's Liberation Army
PRC	People's Republic of China
SFDA	State Food and Drug Administration (PRC)
SOE	state-owned enterprise
UAV	unmanned aerial vehicle
UN	United Nations
WCD	World Commission on Dams

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I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

The People's Republic of China's (PRC) emergence as a global power drives many questions about the motivations and trajectories of Chinese policies. Wide-ranging analyses of the effects of China's rise typically consider superpower relations, militarized border disputes, and competing maritime claims. China's behavior in economic spheres, however, offers another essential lens to help characterize the impacts of the PRC's power for two reasons. First, economic growth and development are essential for the material gains that fuel China's influence. Second, China's economic interests are outgrowths of domestic political mandates arising from the Chinese Communist Party's (CCP) fragile legitimacy.

The Mekong River—called the Lancang Jiang along its initial stretch through Chinese territory—is a developing economic artery where China's domestic political imperatives increasingly encounter diverse foreign interests. The Mekong offers a unique window on China's policies because economic interests transit the river's course across multiple borders, testing regional sensitivities about national sovereignty and territorial integrity. This thesis will draw on two recent developments in Mekong economic activity—the construction of Chinese hydroelectric dams and counter-narcotics trafficking efforts—to identify how domestic political concerns shape China's interactions with Southeast Asia. How does the Chinese Communist Party's fragile legitimacy at home affect China's policies along the Mekong River?

B. IMPORTANCE

A careful investigation of PRC policies on the Mekong River will contribute to a broader understanding of China's emergence as a global power while shedding light on a sub-region that is sometimes overshadowed by issues surrounding superpower competition between the United States and China, East Asian rivalries for influence in the sub-region, or South China Sea maritime disputes.

Though the fireworks of potential conflict might be greater elsewhere, China's policies on the Mekong deserve scrutiny because China's riparian neighbors suffer from tenuous security conditions at the state and human level. Cooperation could help address existing deficiencies, but conflict between any of the Mekong states—with or without China—would exacerbate regional security deficiencies, displace locals, and could prove deadly for millions. China's policies stand juxtaposed against the recent U.S. Lower Mekong Initiative that seeks to reinforce cooperation across a range of river basin issues. Cronin and Hamlin outline, for instance, the “incalculable impact on human and food security and livelihoods in the whole Mekong Basin” that could be triggered by China's Mekong dams.¹ That is, China's economic policies may purposely or inadvertently impose disproportionately negative externalities on the economically and politically weak states downriver, thereby applying pressure on an already-fragile security environment.

A second aspect of China's actions on the Mekong River involves the question of whether the overwhelming power disparity between China and its southern neighbors fosters conflict or cooperation in the sub-region. As Goh details, “China is the uppermost riparian state and the most politically powerful country in the basin, with the fastest economic growth rates. Beijing could well push forward with its ambitious plans... to the detriment of its downstream neighbors.”² The PRC's domestic motivations for policies that impact its weak Mekong neighbors—posing comparatively little military threat—may inform predictions of whether larger regional antagonisms will develop or heal as China's power grows. Stated another way, the domestic impulses of China's Mekong behavior can portend future foreign policies when China, if it continues on the current trajectory, holds a clearer advantage in state power. Other states will observe how Mekong tensions are resolved to inform their own inclination towards or against a future, stronger China.

1 Richard Cronin and Timothy Hamlin, *Mekong Tipping Point: Hydropower Dams, Human Security and Regional Stability* (Washington, DC: The Henry L. Stimson Center, 2010), 30.

2 Evelyn Goh, “China in the Mekong River Basin: The Regional Security Implications of Resource Development on the Lancang Jiang,” (working paper no.69, Institute of Defence and Strategic Studies, Singapore, July 2004), 4.

It is widely accepted that the Chinese Communist Party (CCP) regime must generate strong economic growth to earn legitimacy for its authoritarian rule. However, as China rises, its domestic goals dictate imperatives abroad that shape China's connection to the region. Summers, for example, explores "the dominance of economic motivations in China's engagement with the region."³ With increasing globalization, Chinese industrial and commercial expansion will encounter new challenges—such as threats to trade routes by trans-national criminal organizations—that will frame China's interactions with neighboring states. The extent to which China elevates its domestic imperatives over regional concerns—especially in light of the CCP's legitimacy requirements—will inform a broader understanding about how China's pursuit of its expanding economic interests will shape the region. Or, perhaps as instructive, this analysis will reveal lessons about how China's relationships develop when domestic economic interests align with those of the other states.

C. PROBLEMS AND HYPOTHESES

The first main challenge in analyzing China's policies involves the difficulty in drawing lasting conclusions in a rapidly evolving policy environment. China is one of the fastest changing states in history, and generalizations from 10 years ago often fail to reflect accurately China's contemporary capabilities, limitations, and constraints. A 2004 evaluation of China's military modernization drove one leading scholar to list examples of China's restraint that, paradoxically, largely predicted ensuing developments:

The PLA does not seem to have made much progress in enhancing its power projection capabilities, nor do these seem to be a priority. No aircraft carrier battle groups are being constructed; few destroyers capable of operating in the open ocean have been built; no military bases are being acquired abroad; training over water or far from China's shores is minimal; no long-range bombers are being manufactured; and no airborne command and control aircraft have been deployed...⁴

³ Tim Summers, "China and the Mekong Region," *China Perspectives*, (2008), accessed 27 May 2013, 77, <http://chinaperspectives.revues.org/4083>.

⁴ David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29, no. 3 (Winter 2004/05): 85–86. The analysis of Shambaugh's writing builds on the author's "reaction paper" from August 2012 that was submitted for Naazneen Barma's NS3645 class at Naval Postgraduate School.

Thus, even leading experts struggle to provide enduring generalizations about China's behavior because its instruments of power are changing so rapidly. Current characterizations of Chinese actions might prove less applicable in the long-term as the nature of China's power develops.

A second problem in analyzing the PRC's policies stems from limited transparency in the regime's authoritarian decision-making and policy formulation processes. It is difficult to determine cause-and-effect links in a state where decisions are often shielded from public discourse and official pronouncements aim to ensure regime survival rather than policy effectiveness. As a result, downriver Mekong states struggle to decipher Chinese policy intentions when faced with complicated river management issues that the CCP would rather not address.⁵ Issues surrounding transparency and cause-effect links are exacerbated by the interplay of non-traditional security threats and non-state actors because policy formulation and execution may employ less formal avenues than overt diplomacy.

The most compelling hypothesis for describing the China's actions on the Mekong will likely derive from the distribution of political and economic benefits. In cases where China maximizes gains for domestic actors—Party constituents or regime elites—to the detriment of downstream neighbors, Mekong relations will trend towards conflict. However, when China acts to provide public goods or generates positive externalities for the Lower Mekong states, cooperation is more likely. The ability of China's rising economic tide to lift its downstream neighbors can help forgive sins in other areas and will weigh heavily on Mekong relations. This paper explores the degree to which unique aspects of the CCP's fragile legitimacy demand influence in Mekong policy formulation over the concerns of regional neighbors.

D. LITERATURE REVIEW

An analysis of China's Mekong policies builds on existing literature on China's domestic political economy and the international context for those policies. This thesis

⁵ Goh, "China in the Mekong River Basin," 6–8.

will use these domestic and international frameworks to order an empirical investigation of two cases of Mekong economic activity: the construction of Chinese hydroelectric dams and counter-narcotics enforcement on the Mekong River.

1. Domestic Political Economy Literature

Acemoglu and Robinson's theory on the political economy of developing states argues that political and economic institutions must work in concert to deliver long-term development and modernization for citizens. The CCP, however, oversees *extractive* political institutions that leverage *inclusive* economic growth to reinforce the regime's legitimacy.⁶ The instability inherent in mixing extractive and inclusive institutions belies weaknesses in the regime's political authority, and prompts an intense policy focus on ways to reinforce the Party's governing legitimacy.

A number of scholars identify the theoretical foundations for aspects of political legitimacy in developing states like China. Bates argues that rulers must reorient societal violence to establish institutions where economic production is advantaged.⁷ Olson posits that a consequence of the state's political extraction—governing elites acting as a “stationary bandit”—is that leaders develop an “encompassing interest” in providing security against “roving bandits” that would disrupt economic activity.⁸ Citizens generally only tolerate stationary bandits—like the CCP—that successfully provide security. Amartya Sen considers variations in development outcomes, urging for broader development goals that prioritize social welfare and liberty from imposed costs alongside economic growth. Sen views development as, “a process of expanding the real freedoms that people enjoy,” but China's record suffers because the CCP's authoritarian rule perpetuates “unfreedoms.”⁹

⁶ Daron Acemoglu and James A. Robinson, *Why Nations Fail: the Origins of Power, Prosperity, and Poverty* (New York: Crown Business, 2012).

⁷ Robert Bates, *Prosperity and Violence: The Political Economy of Development*, 2nd ed. (New York: WW Norton, 2010), 9–10.

⁸ Mancur Olson, “Dictatorship, Democracy, and Development,” *American Political Science Review* 87 no. 3 (1993): 567.

⁹ Amartya Sen, *Development as Freedom* (New York: Alfred A. Knopf, 1999), 3.

Building on theory, other scholars examine the practical realities of China's contemporary political economy. With a greater focus on politics, Susan Shirk details how the PRC's domestic politics and the CCP's political insecurity offer distractions and constraints on China's rise to great power status.¹⁰ Shambaugh, Jakobson, and Mingjiang Li represent a body of authors who describe the PRC's policy output as a result of intense internal political competition by interest groups with different visions of China's national identity.¹¹ On the economic front, Barry Naughton and Gregory Chow offer comprehensive analyses of China's market reforms and modern economic challenges.¹² Lau, Qian, and Roland examine how the CCP avoided alienating its historic constituents by enacting "reform without losers," incremental moves toward a market economy that sustained legacy political support through state-owned enterprises.¹³

2. International Context

From a global perspective, two factions address the question of China's rise: hawkish analysts warn that conflict is likely as China's power grows, while a more optimistic group envisions a peaceful, cooperative, and interdependent future. The optimistic school's main tenets are evident in China's diplomatic language and regime propaganda. Zheng Bijian, for example, argues that China's "development path to a peaceful rise," will deliver the fruits of modernization to its citizens but "transcend" the thorny, power-grabbing issues that typically affect rising powers.¹⁴

Other scholars take a more nuanced view while generally agreeing on China's peaceful trajectory. Robert Ross, for instance, illustrates how China's military still

10 Susan Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007).

11 David Shambaugh, "Coping with a Conflicted China," *Washington Quarterly* 34, no. 1 (16 December 2010); Linda Jakobson and Dean Knox, "New Foreign Policy Actors in China" (SIPRI policy paper no. 26, Stockholm International Peace Research Institute, Stockholm, 2010); and, Mingjiang Li, "Local Liberalism: China's Provincial Approaches to Relations with Southeast Asia," *Journal of Contemporary China*, 22 (26 September 2013).

12 Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge: MIT Press, 2007); and, Gregory C. Chow, *China's Economic Transformation*, 2nd ed. (Malden, MA: Blackwell, 2007).

13 Lawrence J. Lau, Yingyi Qian, and Gerard Roland, "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," *Journal of Political Economy* 108, no. 1 (February 2000).

14 Zheng Bijian, "China's 'Peaceful Rise' to Great-Power Status," *Foreign Affairs* 84, no. 5 (September–October 2005), 18–24.

compares poorly to U.S. power projection forces: “though China’s capabilities are increasing, in no way do they challenge US supremacy” so the PRC will avoid a devastating conflict.¹⁵ David Kang proposes that conventional theories might prove insufficient for analyzing China’s rise due to its unique cultural and historical experiences. He cites evidence of bandwagoning—rather than balancing—in concluding “that China is likely to act within bounds acceptable to other Asian nations.”¹⁶

Recent tensions in the East and South China Seas, however, cast a shadow over optimistic predictions and press the hawkish camp to project a more dangerous world.¹⁷ One prominent scholar of this view, Aaron Friedberg, raises alarm over China’s modernization that targets the underpinnings of the U.S. security environment in Asia. The PRC’s challenge is based on calculations about obstacles that endanger its upswing—such as an independence push from Taiwan, Japanese aggression, or U.S. interventionism—and drive PLA funding, doctrine, and system acquisitions.¹⁸ Friedberg concludes that China identifies the United States as a “strategic competitor” for influence in Asia and is racing for advantage over likely flashpoints.¹⁹ A preponderance of the evidence of Chinese aggression, however, is drawn from clashes with larger, maritime states.

More specific explorations of Southeast Asia regionalism view China relations from diplomatic, institutional, and non-traditional security perspectives. In the diplomatic realm, Chinese governmental relations with Southeast Asia states provoke a wide range of characterizations. Joseph Nye builds on his work with Robert Keohane to cite evidence of growing “soft power” in China’s interactions with its neighbors.²⁰

¹⁵ Aaron Friedberg and Robert Ross, “Here Be Dragons—Is China a Military Threat?” *The National Interest*, no. 103 (September–October 2009): 26.

¹⁶ David C. Kang, “Getting Asia Wrong: The Need for New Analytical Frameworks,” *International Security* 27, no. 4 (Spring 2003), 57–58, 82.

¹⁷ Ian Storey, “China’s Missteps in Southeast Asia: Less Charm, More Offensive,” *China Brief* 10, no. 25 (17 December 2010): 4–7.

¹⁸ Friedberg and Ross, “Here Be Dragons,” 19–20.

¹⁹ *Ibid.*, 24.

²⁰ Joseph S. Nye, “The Rise of China’s Soft Power,” *Wall Street Journal Asia*, 29 December 2005, http://belfercenter.hks.harvard.edu/publication/1499/rise_of_chinas_soft_power.html.

Joshua Kurlantzick's account of China's "charm offensive" details robust soft power efforts to advertise its "benign presence" and assuage the concerns of its neighbors.²¹ At the other end of the spectrum, John Lee cites the PRC's fumbles that alienate its target audience: "Beijing has seemingly changed from pursuing 'smile diplomacy' to ham-fisted provocateur...[by promoting] 'win-win' relationships to an increasingly skeptical region."²² Providing more detailed scrutiny, Alex Liebman questions the emergence of a "proto-Chinese sphere of influence" by dissecting specific aspects of Chinese behavior to determine the sincerity of cooperation rhetoric.²³

Analyses of Southeast Asian and sub-regional institutions describe the multilateral architecture that seeks to facilitate engagement with China. Clearly, ASEAN and its focused branches provide an overarching structure but alternative associations deserve exploration. Felix Chang provides an excellent summary of "Regional Cooperative Initiatives" that "set the conditions for a more stable region" and provide an institutional context for the U.S. Lower Mekong Initiative's introduction.²⁴ Evelyn Goh cites a "growing China-centered regionalism in Southeast Asia" in exploring whether Mekong institutions can mitigate power imbalances to "overcome the competitive, and sometimes zero-sum, elements of national development goals."²⁵ Goh contrasts the relative experiences of the Mekong River Commission (MRC)—China is not a member—against the Asian Development Bank's Greater Mekong Subregion Economic Cooperation Program (GMS)—China is an active participant—to glean probable avenues (economic development projects) of cooperation.²⁶

21 Joshua Kurlantzick, "China's Charm Offensive in Southeast Asia," *Current History: A Journal of Contemporary World Affairs* 105, no. 692 (September 2006): 270.

22 John Lee, "The End of Smile Diplomacy?" 23 September 2010, *The National Interest*, accessed 01 June 2013, <http://nationalinterest.org/commentary/the-end-smile-diplomacy-4122>.

23 Alex Liebman, "Trickle-down Hegemony? China's 'Peaceful Rise' and Dam Building on the Mekong," *Contemporary Southeast Asia* 27, no. 2 (August 2005): 284–286.

24 Felix K. Chang, "The Lower Mekong Initiative and U.S. Foreign Policy in Southeast Asia: Energy, Environment, and Power," *Orbis* 57, no. 2 (Spring 2013): 293–294, <http://www.sciencedirect.com/science/article/pii/S0030438713000069>.

25 Evelyn Goh, *Developing the Mekong: Regionalism and Regional Security in China-Southeast Asian Relations* (London: International Institute for Strategic Studies, 2007), 7, 23.

²⁶ Goh, "China in the Mekong River Basin," 8.

A final aspect of China's interaction with Southeast Asia embodies security concerns. Existing literature generally breaks Mekong security considerations into two spheres that parallel the case studies in this thesis: state and human insecurity arising from resource scarcity or competition (river dams); and, the trans-boundary security threats exacerbated by globalization (narcotics trafficking). Regarding scarce resources, Christopher Baker employs Garrett Hardin's "Tragedy of the Commons" scholarship to demonstrate how competing hydro-development initiatives—aggravated by a "prisoner's dilemma" development incentive—could actually yield greater regional insecurity fueled by "severe food shortages, destruction of livelihoods, and large irregular movements of people."²⁷ Other scholars document the questionable role that Chinese development aid programs play in advancing China's resource interests while sowing future instability—"labour abuses, geopolitical backlashes, livelihood disruptions, social unrest, ecological perturbations, economic dependence and biodiversity losses"—in Mekong states.²⁸

E. METHODS AND SOURCES

This thesis will employ a comparative case study approach to analyze two examples of China's regional economic behavior from diametric ends of the economic legality spectrum. This method will help glean broader generalizations about the causal relationship underpinning China's interaction with other states at its expanding frontiers. Dam building on the Mekong embodies massive, domestic, state-orchestrated, legal development of a natural resource that aids China's national economic schemes. The drug trade poses a non-traditional threat fueled by illegal, small-scale entrepreneurs who operate outside of conventional state purview and regulation. Counter-narcotic efforts must also contend with irregular firm behavior—bribery, money laundering, black marketeering—in asserting state jurisdiction and power to limit or regulate the drug trade.

²⁷ Christopher Baker, "Dams, Power, and Security in the Mekong: A Non-traditional Security Assessment of Hydro-development in the Mekong River Basin," NTS-Asia Research Paper No. 8 (Singapore: RSIS Centre for Non-Traditional Security Studies, 2012), ii, 18.

²⁸ Sigfrido Burgos Caceres and Sopal Ear, *The Hungry Dragon: How China's Resource Quest is Reshaping the World* (New York: Routledge, 2012), 108–113.

Taken together, Chinese dam building and counter-drug enforcement efforts will deliver a well-rounded survey of China's behavior spanning legal and illegal economic activities affecting neighboring states.

The Mekong serves as “a natural ecological unit that...could integrate southern China and the Southeast Asia mainland.”²⁹ For this study, the Mekong also provides the geographic context to compare two different realms of economic activity and places regional bounds on the pressures of globalizing forces. At once, the Mekong serves as a vehicle to analyze the linear, downstream effects of China's hydropower policies while, simultaneously, allowing the research to meander across state boundaries like a narcotics smuggler. The result will be a cross-cutting study of the way China interacts with other Mekong states.

This study requires imposition of a temporal limit that reflects current events in a fast-changing region. The year 1998 is a suitable starting point for analysis due to the confluence of three factors that denoted a broader integration and increased discussion of a rising China: (1) China's regional leadership role appeared stronger following the 1997–1998 Asian financial crisis; (2) Myanmar became the final member of ASEAN in July 1997, thereby creating an institutional body composed of all 10 Southeast Asian states; and (3) ASEAN-China engagement accelerated following the 1997 construction of the ASEAN Plus Three dialogue.

F. THESIS OVERVIEW

This thesis will feature five chapters. Chapter I will serve as an introduction to highlight the importance and significance of China-Mekong relations, describe the relevance and themes of the case studies, and to outline the structure of the remaining chapters.

Chapter II will briefly summarize China's rise and provide the domestic and foreign context for examining the PRC's Mekong policies. China's current domestic political bargain is embodied by the unstable balance between economic modernization

²⁹ Goh, *Developing the Mekong*, 9.

and authoritarian repression. After Mao Zedong's death and numerous communist policy failures, the CCP began ongoing attempts to revive its governing legitimacy around alternative domestic pathways, instead of failed communist ideology. Additionally, the second chapter will outline contemporary trends in regional relations that frame reactions to the PRC's actions.

Chapter III will present a case study of China's hydropower development along the Mekong River inside Chinese territory. The regime's economic growth mandate, requirement to resolve regional and ethnic inequality, and search for alternative development pathways that minimize the social costs imposed on Chinese citizens emerge as the strongest domestic shapers of the PRC's Mekong hydropower behavior. Correspondingly, despite its downstream implications, China's Mekong dam building arises almost entirely from an internal policy calculation, with little heed to external objections or demands.

Chapter IV, on China's counter-narcotics trafficking efforts, will characterize Chinese actions against illegal economic activities. Historically, the CCP's counter-narcotics efforts were traced from the negative economic and social implications of drug use. Since 2011, however, enflamed nationalism and new security imperatives have gained prominence in Chinese policy formulation resulting in more assertive and visible demonstrations of the CCP's counter-narcotics effectiveness to domestic audiences.

Chapter V will summarize lessons about Chinese action in both cases and highlights parallels or inconsistencies across the legality spectrum. Central to this effort, the thesis attempts to illustrate how China's Mekong behavior arises from a diverse pool of policy motivations traced to different aspects of the CCP's legitimacy challenges. Also, the paper outlines the degree to which China's contemporary Mekong policies confirm wider trends of increased assertiveness by China in the foreign policy arena. Ultimately, the analysis points to the how CCP's hyper-prioritization of short-term contributions to regime stability and domestic legitimacy manifests as increased aggressiveness and inconsideration to foreign audiences.

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II. CHINA'S RISE AND REGIONAL DYNAMICS

A. CHINA'S HISTORICAL TRAJECTORY

In 1979, the initial year of economic reforms spearheaded by Deng Xiaoping, China's GDP per capita was approximately \$182.³⁰ Thirty-three years later, in 2012, the same metric was over \$6000 and growing at roughly eight percent annually.³¹ China's rapid emergence as an upper-middle-income economy crowns a political bargain that offers a tenuous tradeoff between state-led growth and sociopolitical repression.³²

China's contemporary, market-fueled boom found impetus in the wake of disastrous Chinese Communist Party (CCP) central planning and revolutionary ardor under Mao Zedong.³³ The troubled legacy of Mao's economic development and political consolidation schemes bequeathed a unique set of circumstances to the reform-minded Deng with political power cemented atop an effective administrative structure—CCP members exercise state capacity to enact policy in spite of contentious opposition. More broadly, as Chow argues, there are four reasons why China “was ripe for reform” in the late 1970s: (1) the CCP had to reinvent itself to maintain political legitimacy; (2) the failures of central planners were growing more evident; (3) the success of market economies in East Asia offered reform models; and (4) Chinese citizens increasingly demanded growth and development.³⁴

The CCP's lessons from Mao's era combine with an updated, globalized growth calculus to inform modern political impulses. From Deng's reforms, the roots of China's modern political economy flourished. The CCP now points to its economic reforms and

³⁰ This section contains material originally written for NS4053 coursework at NPS.

³¹ “Data” for GDP per capita (in current US\$), World Bank, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

³² “Upper-middle-income” is a term used in World Bank country classification and lending groups. “Data: Country and Lending Groups,” World Bank, accessed 20 September 2013, http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Upper_middle_income.

³³ Naughton, *The Chinese Economy*, 69–71.

³⁴ Chow, *China's Economic Transformation*, 47–48.

ensuing rapid growth to justify a repressive political monopoly to its domestic audience. Similarly, economic growth has bankrolled the state's capacity to influence foreign interactions. Through two case studies, this paper will analyze China's policies regarding Mekong economic activities to decipher trends towards cooperation or conflict arising from the CCP's legitimacy challenges. First, however, the broad political environment surrounding China's Mekong policies will provide context for the case study analysis.

B. DOMESTIC POLITICAL ECONOMY

Viewed under Daron Acemoglu and James Robinson's framework, the CCP oversees extractive political institutions that leverage inclusive economic growth to reinforce regime primacy.³⁵ The tenuous contract that obliges China's regime to deliver benefits to its citizens belies a systemic uneasiness about domestic outcomes and perceptions of the regime. How China's elites respond to domestic challenges will inform the analyses of case studies and illustrate the weight attributable to domestic forces in PRC-Mekong policy calculations.

1. Evolving Growth Imperatives

Since Deng's initial reforms in the late-1970s, the CCP has conducted an iterative reform process to pursue advancing modernization targets. The first, cautious reforms reversed Mao's collectivist policies to enliven agricultural and basic industrial sectors.³⁶ Ensuing reforms belied a key political concern: the CCP wanted to avoid mass disruption of existing architecture because it buttressed regime legitimacy via side payments, employment, and social services.³⁷ "Dual-track" production and pricing systems and gradual institutional experimentation helped provide insurance against disruptions and enabled the CCP to consolidate political control over all segments of production.³⁸ Later

³⁵ Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Business, 2012).

³⁶ Naughton, *The Chinese Economy*, 88–90.

³⁷ Lawrence J. Lau, Yingyi Qian, and Gerard Roland, "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," *Journal of Political Economy* 108, no. 1 (February 2000): 120.

³⁸ Naughton, *The Chinese Economy*, 92.

initiatives addressed China's emergence as a regulatory state by implementing new fiscal and tax structures, re-designed financial and monetary policy tools, reforms to state-owned enterprise governance, and technocrats trained as professional economists.³⁹

Nearing the new millennium, CCP economic growth targets prompted a politically riskier batch of reforms—what Barry Naughton calls “reform with losers”—where inefficient components of the old, state-controlled architecture were discarded.⁴⁰ In a wider search for economic returns, China also enacted a “Going Out” strategy that urges Chinese investment abroad and emboldens firms to compete—and, therefore, take on elevated risk—in globalized markets and trade. These later reforms—that risk creating “losers” from the CCP’s constituency—underscore the regime’s prioritization of economic growth in spite of headwinds to marginal returns. Moreover, the “Going Out” policy increasingly exposes Chinese to risks abroad and prompts two burning questions for China’s policy-makers: (1) how should the PRC protect its foreign interests when threatened?; and (2) will China’s pursuit of resources trigger competition or conflict?⁴¹

The iterations of PRC economic reforms highlight political calculations about CCP legitimacy. In each successive batch of reforms, the CCP accepts the risk of alienating relatively small segments of the population to engender larger returns for the majority that will buttress regime support. The “Going Out” strategy aims for greater returns but assumes greater risks of increased competition and, in some cases, violent hostility abroad. This calculation applies to China’s Mekong River policies, and this paper will underscore the link between state-led Mekong River activities and the CCP’s growth-legitimacy bargain.

³⁹ Ibid., 100–105.

⁴⁰ Ibid., 106–107.

⁴¹ Paul Nash, “China’s ‘Going out’ Strategy,” *Diplomatic Courier*, 10 May 2012, <http://www.diplomaticcourier.com/news/regions/brics/181-china-s-going-out-strategy>.

2. Inequality Concerns

China's development experience underscores how economic growth can change outcomes: 600 million people arose from destitution since Deng's initial reforms.⁴² Quality-of-life indicators, like the United Nations' Millennium Development Goals, are also improving.⁴³ Yet China's development has also produced vast inequality—officially captured by a Gini coefficient of 0.474 for 2012, but widely suspected to be greater—that weighs on its Mekong River policies.⁴⁴

Failure to fashion an economy with more equitable benefits and economic inclusiveness risks schisms along regional or ethnic lines. The explosion of manufacturing and industrial activity in eastern, coastal provinces has fueled an urban boom that has outpaced rural incomes. Citizens in “China's richest areas (Shanghai, Beijing, Zhejiang province, Guangdong province, and Fujian province) make twice as much as residents of the five poorest areas.”⁴⁵ In contrast, Yunnan Province in the west, home to the headwaters of the Mekong, has realized lower average growth rates and ranked near the bottom in per capita GDP since 1990.⁴⁶

Divergences in ethnic outcomes aggravate regional inequality. Nationwide, non-*Han* ethnic minorities comprise only 8.5 percent of the population.⁴⁷ In Yunnan, home to the “highest number of ethnic groups among all provinces and autonomous regions in China,” almost 40 percent of residents are minorities.⁴⁸ Taken together, regional and

⁴² Timothy Besley, “Poor Choices: Poverty from the Ground Level,” *Foreign Affairs* 91, no. 1 (January/February 2012): 165.

⁴³ World Bank, *China Country Partnership Strategy for the Period FY13-FY16*, 11 November 2012, accessed 22 September 2013, <http://documents.worldbank.org/curated/en/2012/11/16946577/china-country-partnership-strategy-period-fy13-fy16>, 2.

⁴⁴ “Inequality: Gini Out of the Bottle,” *The Economist*, 26 January 2013, <http://www.economist.com/news/china/21570749-gini-out-bottle>.

⁴⁵ Shirk, *China: Fragile Superpower*, 31.

⁴⁶ C. Cindy Fan and Mingjie Sun, “Regional Inequality in China, 1978–2006,” *Eurasian Geography and Economics* 49, no. 1 (2008): 10; data summary from People's Republic of China National Bureau of Statistics, <http://www.stats.gov.cn/english/statisticaldata/yearlydata/>.

⁴⁷ Central Intelligence Agency, *The World Factbook*, modified 22 August 2013, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

⁴⁸ People's Government of Yunnan Province, “Ethnicity,” last modified 15 August 2011, http://yunnan.chinadaily.com.cn/2011-08/15/content_13112624.htm.

ethnic inequality exposes cracks in the economic inclusiveness foundations of the regime's political bargain. A leading Chinese economist acknowledges the danger: "The widening wealth gap caused as cities and coastal areas race ahead of the hinterland could spark social unrest and undermine the government's authority over the country's 1.3 billion people."⁴⁹ To the CCP's credit, the Party appears to recognize how widening wealth disparities could undermine regime legitimacy and is targeting programs to address rural areas, especially in Yunnan Province.⁵⁰

3. Chinese Nationalism and Frustration Outlets

According to national myth, the CCP's revolutionary prowess and ideological vigor reversed a "century of humiliation" characterized by repeated domination by foreign powers. The historic *bona fides* of regime legitimacy endured until Communist ideology decayed as economic liberalization gained traction while the Soviet Union collapsed. Pressed by the Tiananmen Square protests, the regime recommitted "to bind people to the Party through nationalism" as a new way to solidify CCP legitimacy and enforce domestic stability.⁵¹

To distract attention from the politically extractive regime and reinforce its legitimacy along nationalist lines, the CCP boosts "patriotic education campaigns" through social institutions and propaganda outlets while elites increasingly appeal to nationalist sentiment in speeches and communiqués.⁵² Official propaganda bureaucracy, skewed information controls, and widespread internet adoption have corroborated to fuel a heightened saliency for foreign actions that disrespect or harm Chinese citizens.⁵³

The net result is the CCP endorses and sustains outsized, nationalist responses by domestic constituents that influence the character of foreign policymaking. Two

⁴⁹ Shirk, *China: Fragile Superpower*, 31.

⁵⁰ For instance, the "Outline for Development-Oriented Poverty Reduction for China's Rural Areas (2011-2020)" program, as detailed in World Bank, *China Country Partnership Strategy for the Period FY13-FY16*, 11 November 2012, <http://documents.worldbank.org/curated/en/2012/11/16946577/china-country-partnership-strategy-period-fy13-fy16>, 8.

⁵¹ Shirk, *China: Fragile Superpower*, 52, 62–63.

⁵² *Ibid.*, 42–44, 62–64.

⁵³ *Ibid.*, 80–85.

implications for the Mekong region arise from elevated Chinese nationalism. First, the CCP tends to encourage Chinese unity against foreign affronts or threats, especially when they obscure domestic frustrations, to the extent that domestic stability is not endangered. Second, the state's ability to maintain absolute control over foreign policy is diminishing while its response tools are increasing. Chinese nationalism now has a more direct link to instruments of foreign policy and state power.⁵⁴

4. Security Imperative

Security shortfalls deteriorate the bargain between the PRC's economically inclusive and politically extractive institutions. Shared benefits diminish when citizens lack political avenues to address security concerns, or if a state is unable to provide for citizen security. Mancur Olson summarizes the prices of political extraction in portraying the state as a "stationary bandit" with an "encompassing interest" in "peaceful order and other public goods that increase productivity."⁵⁵ Citizens generally only tolerate stationary bandits—like the CCP—that provide the security necessary to enable productive economic activities.

Robert Bates underscores how effective regimes must engender conditions where security and economic growth are mutually reinforcing. The essential role of those who "specialize in the use of violence"—political elites—is to optimize the use of violence and coercion to enable economic production.⁵⁶ If regimes fail to employ state power in ways that protect commercial activity, political elites risk appearing incompetent and undermining the currents of economic growth required to satisfy political bargains. Neither outcome fosters regime legitimacy.

As China opens, Chinese goods and citizens travel along trade arteries that require security. The CCP's ability to maintain security and respond to threats across an ever-expanding sphere goes to the question of the regime's legitimacy. There is some evidence that PRC elites understand the new demands for security at home and abroad:

⁵⁴ Ibid., 104.

⁵⁵ Olson, "Dictatorship, Democracy, and Development," 567.

⁵⁶ Bates, *Prosperity and Violence*, 9–10.

since 2008, the Chinese navy has conducted anti-piracy patrols in the Gulf of Aden to protect crucial energy trade routes. PRC officials emphasize that “the government has a responsibility to protect” its citizens outside of China.⁵⁷ The domestic implications of poor security conditions abroad affect how the PRC engages state and non-state actors along the Mekong River because threats undermine regime legitimacy on security and economic fronts.

5. Other Challenges, Despite Growth

The stellar economic growth record obscures some of the negative outcomes traced to CCP policies. Amartya Sen postulates that development is “a process of expanding the real freedoms that people enjoy,” but China’s record suffers because the CCP’s political extraction institutionalizes “unfreedoms.”⁵⁸ Chinese are subject to a variety of restrictions on liberty imposed directly or indirectly by the growth-at-all-costs regime. The CCP’s lack of responsiveness to citizen welfare begets deplorable “missing women” phenomena, “re-education” labor camps, lagging human development indicators (HDI), pervasive environmental and health crises, and deteriorated links between individual choices and quality-of-life.⁵⁹

The dichotomy of China’s political bargain yields the mixed results. The extractive characteristics of CCP authoritarianism obfuscate other, meaningful measures of development and deafen the regime to citizens’ concerns. The manifestation of social ills to the Chinese citizen generates pressure on the regime in two ways: (1) the benefits

⁵⁷ Andrew Erickson and Austin Strange, “Sunk Costs: China and the Pirates,” *The Diplomat*, 26 September 2013, <http://thediplomat.com/2013/09/26/sunk-costs-china-and-the-pirates/#>.

⁵⁸ Sen, *Development as Freedom*, 3.

⁵⁹ *Ibid.*, 20, 24. Michael Bristow, “China’s Guangzhou to Empty Labour Camps ‘by Year End,’” *BBC News China*, 9 September 2013, <http://www.bbc.co.uk/news/world-asia-china-24019666>; “International Human Development Indicators: China—Country Profile,” United Nations Development Programme, <http://hdrstats.undp.org/en/countries/profiles/CHN.html>; Marc Lallanilla, “China’s Top 6 Environmental Concerns,” *Live Science*, 15 March 2013, <http://www.livescience.com/27862-china-environmental-problems.html>; Embassy of the United States—Beijing, “News: Environment and Climate Change,” accessed 30 November 2013, <http://beijing.usembassy-china.org.cn/20130201-pm25-steps.html>; Jethro Mullen, “Tons of Poisoned Fish Clog River in China’s Hubei Province,” *CNN*, September 5, 2013, <http://www.cnn.com/2013/09/05/world/asia/china-river-dead-fish/index.html>; Tom Phillips, “China Admits Pollution Has Caused ‘Cancer Villages,’” *Business Insider*, 22 February 2013, <http://www.businessinsider.com/china-admits-pollution-has-caused-cancer-villages-2013-2>.

of economic growth must outweigh the domestic costs of externalities; and, (2) the CCP must try alternative methods of development that decrease negative externalities endured by Chinese citizens. The Mekong River is an ecological and geographic avenue for policies that address both pressures and enhance the CCP's stature within China.

C. FOREIGN FACTORS AND PRC–MEKONG RELATIONS

Mekong states are uncertain of China's strategic intentions, the PRC's methods of engagement, and whether cooperation can coexist alongside economic and resource competition. This paper seeks to inform an understanding of China's Mekong policies against the background of regional trends. The international setting, therefore, adds perspective to the case studies that helps determine whether domestic pressures are stimulating conflict or cooperation along the Mekong.

1. Changing Perceptions

At the dawn of the new millennium, China attempted to reassure other states about its expanding economic influence and military modernization. The PRC's "peaceful rise" message stressed nonviolent economic development, a rejection of hegemonic pursuits, and "win-win" opportunities for cooperation.⁶⁰ The New Security Concept (NSC) advocated "cooperative security, multilateral dialogue, confidence-building measures, and peaceful resolution of international disputes" and seemed to align with other benign overtures to Southeast Asian countries.⁶¹

As China steamed down its foreign policy track, analysts noted divergence from official rhetoric. Avery Goldstein characterizes China's "grand strategy" that fuses "great power partnerships" with "multilateral and bilateral diplomacy to mute threat perceptions" so as to persuade against impediments to China's emergence as a great

⁶⁰ Liebman, "Trickle-down Hegemony?" 282–283.

⁶¹ Denny Roy, "Southeast Asia: Balancing or Bandwagoning?" *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 27, no. 2 (August 2005): 309.

power.⁶² Others note how “‘win-win’ arrangements are not really practical” on zero-sum issues, but remained hopeful that China might “become integral in providing regional public goods.”⁶³

Beginning around 2008, China’s neighbors observed more aggressive patterns in China’s relations. PRC officials expanded the classification of Chinese “core interests,” snubbed U.S. leaders at international meetings, harassed foreign vessels in its exclusive economic zone (EEZ), suspended shipments of rare earth metals to Japan, and made inflammatory moves and statements regarding territorial claims. That “Chinese foreign policy has turned more confrontational”—even “overactive”—has not escaped notice.⁶⁴ Chinese foreign aid actively courts favor—perhaps for generous investment opportunities—but recent events have rekindled long-held regional fears of domination and heightened sovereignty concerns.⁶⁵ In pursuing its policy goals, the PRC now encounters significantly more wariness by downstream Mekong states than it did 15 years ago.

2. Increasing Competition, But Deferred Confrontation

Increasing economic competition tied to resource scarcity, market access, and foreign direct investment (FDI) drives regional apprehension. PRC-Mekong competition garners fewer headlines than disputes in the East or South China Seas, but there are reasons for concern over the competitive landscape. Garrett Hardin’s “tragedy of the commons” stresses how single-state efforts to maximize economic returns from shared geography might result in resource depletion—arguably, competition for limited resources will make conflict more likely.⁶⁶ Regional competition is also evident in

⁶² Avery Goldstein, “An Emerging China’s Emerging Grand Strategy: A Neo-Bismarckian Turn?” in *International Relations Theory and the Asia-Pacific*, eds. G. John Ikenberry and Michael Mastanduno, (New York: Columbia University Press, 2005), 78–83.

⁶³ Liebman, “Trickle-down Hegemony?” 299.

⁶⁴ Susan Shirk, “Can China’s Political System Sustain Its Peaceful Rise?,” *Rich Region, Strong States: The Political Economy of Security in Asia*. Policy brief 2013-4. (San Diego, CA: University of California Institute on Global Conflict and Cooperation & Naval War College, April 2013), 1–4.

⁶⁵ Pongphisoot Busbarat, “A Review of Thailand’s Foreign Policy in Mainland Southeast Asia: Exploring an Ideational Approach,” *European Journal of East Asian Studies* 11, no. 1 (2012): 147–148.

⁶⁶ Baker, “Dams, Power, and Security in the Mekong,” 18.

access to developing markets. China and Southeast Asian states contend for commercial interests across the region. The PRC, for example, recently bartered “sizeable assistance packages and tariff exemptions” for “90-year leases on vast stretches of land along” evolving economic corridors.⁶⁷ Similarly, over 180 Yunnan-based agricultural enterprises—encouraged by PRC tax breaks and subsidies—have invested in Myanmar and Laos to grow crops that “are then exported to Yunnan for further processing.”⁶⁸ FDI is a third arena for economic rivalry. Though analysts lack consensus on how cutthroat the market is for FDI, the PRC is concerned that its current economic advantages may evaporate as manufacturers turn south in search of cheaper workers while more productive, foreign laborers reap technology and service sector investment.⁶⁹

Increasing economic competition has generated few attempts by Mekong states to confront China for three main reasons. First, on key issues downstream countries “have little means to influence China” and, therefore, any discussion is heavily one-sided.⁷⁰ Second, Southeast Asian countries often prioritize sovereignty, autonomy, and economic engagement with larger powers as a disincentive to military muscle-flexing, where they are almost certain to lose.⁷¹ Third, Mekong states desire the dual objectives of economic growth and regional security—countries are reluctant to jeopardize access to China’s economic largesse, but they also crave security assistance against a destabilizing power.⁷² Ultimately, the Southeast Asian states often take a delicate “counter-dominance” approach “to prevent any outside power from acquiring too much influence”—economic

⁶⁷ Paul Chambers, “Edgy Amity along the Mekong: Thai-Lao Relations in a Transforming Regional Equilibrium,” *Asian Journal of Political Science* 17, no. 1 (2009): 92.

⁶⁸ Xiaobo Su, “China’s Antidrug Policies in Southeast Asia’s Golden Triangle,” *Asia Pacific Bulletin*, 26 September 2013, <http://www.eastwestcenter.org/sites/default/files/private/apb234.pdf>.

⁶⁹ Fang Cai, “The Coming Demographic Impact on China’s Growth: The Age Factor in the Middle-Income Trap,” *Asian Economic Papers* 11, no. 1 (2012): 95.

⁷⁰ Liebman, “Trickle-down Hegemony?” 299.

⁷¹ Chambers, “Edgy Amity,” 89; Roy, “Balancing or Bandwagoning?” 308.

⁷² Roy, “Balancing or Bandwagoning?” 308

or military—”over any country in the region or the region as a whole.”⁷³ China should not interpret an absence of Mekong objections as downstream capitulation because the region may pursue other tactics in response.

3. Regional Institutional Architecture

The variety of institutions concerned with Mekong issues largely arises from the breadth of constituent “economic and social conditions, leading [member states] to hold interests and priorities that are hard to reconcile.”⁷⁴ Mekong institutions include Southeast Asia region, Mekong sub-region, and international regulatory schemes, each with special foci dependent on the consensus of signatories.

ASEAN is the preeminent multilateral forum for the Southeast Asian region. ASEAN broadly pursues consensus in political-security, economic, and socio-cultural arenas with members committed to principles of sovereignty, non-interference, and peaceful dispute resolution.⁷⁵ China is not a member of ASEAN, but is a major dialogue partner in many areas. ASEAN’s guiding principles and unanimity requirements constrain its policy sphere and bias output toward universal policies that respect the specific concerns of member states. The ASEAN Mekong Basin Development Corporation (AMBDC) is a sub-unit primarily focused on rail links between southern China and Singapore.⁷⁶

Sub-regional institutions are differentiated by policy motivations. The Greater Mekong Subregion (GMS)—members are China, Laos, Cambodia, Myanmar, Thailand, and Vietnam—began in 1992 and leverages Asian Development Bank support to enhance

⁷³ Amitav Acharya, “Will Asia’s Past Be Its Future?,” *International Security* 28, no. 3 (Winter 2003/2004): 153.

⁷⁴ Chang, “The Lower Mekong Initiative,” 299.

⁷⁵ “Community” organization, Association of Southeast Asian Nations, <http://www.asean.org/>; and Association of Southeast Asian Nations; “Treaty of Amity and Cooperation,” Association of Southeast Asian Nations, 24 February 1976, <http://www.asean.org/news/item/treaty-of-amity-and-cooperation-in-southeast-asia-indonesia-24-february-1976-3>.

⁷⁶ Selina Ho, “River Politics: China’s Policies in the Mekong and Brahmaputra in Comparative Perspective,” *Journal of Contemporary China* (July 2013): 15.

“subregional economic cooperation” spanning “nine priority sectors.”⁷⁷ The GMS is primarily a large-scale development-minded institution, but it also serves as an organizing body for sub-region specialty topics such as Golden Triangle drug control, border zone trade, and commercial agreements. Major initiatives include “subregional roads, airport and railway improvements, hydropower for cross-border power supply, tourism infrastructure, urban development, and communicable disease control” spanning 56 projects worth approximately \$15 billion, as of 2011.⁷⁸

The Mekong River Commission (MRC) takes inspiration from downstream concerns about sustainability and equality. Established in 1995 as an agreement between Cambodia, Laos, Vietnam, and Thailand, the MRC seeks “sustainable development and poverty alleviation” rather than unbridled economic integration.⁷⁹ Flood warning systems, impact assessments, and hydrology data sharing are major products of the contemporary MRC partnership. China is an observing “dialogue partner,” but not full MRC member—neither is Myanmar—largely because objections to environmental, sovereignty, and equitable-use articles in the founding documents.⁸⁰

International and multilateral agreements also provide institutional structure to Mekong engagement. The UN Convention on the Law of Non-Navigational Use of International Watercourses (1997) treaty outlines rules on “shared freshwater resources” issues and requires signatories to “participate in the use, development and protection of an international watercourse in an equitable and reasonable manner.”⁸¹ The World Commission on Dams (WCD), a joint venture of the World Bank and the World Conservation Union, promotes best practices and “alternatives for water resources and

⁷⁷ “Greater Mekong Subregion Economic Cooperation Program: Overview,” Asian Development Bank, March 2012, <http://www.adb.org/publications/greater-mekong-subregion-economic-cooperation-program-overview>.

⁷⁸ “Greater Mekong Subregion,” Asian Development Bank, 3–4.

⁷⁹ “About the MRC,” Mekong River Commission, <http://www.mrcmekong.org/about-the-mrc/>.

⁸⁰ Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin, Chapter III, Mekong River Commission, 5 April 1995; Summers, “China and the Mekong Region,” 69–70.

⁸¹ Stephen C. McCaffrey, “Convention on the Law of the Non-Navigational Uses of International Watercourses: Introductory Note,” *United Nations Audiovisual Library of International Law*, 21 May 1997, 1–2. <http://legal.un.org/avl/ha/clnuiw/clnuiw.html>.

energy development.”⁸² While these efforts have wide appeal, China actually voted against the UN convention and withdrew its WCD commissioner in protest.⁸³

China is, however, a signatory to the 2000 Lancang-Upper Mekong River Commercial Navigation Agreement with Laos, Thailand, and Myanmar. This agreement seeks “to develop the shared river for international passenger and cargo transport, with a view to promoting and facilitating trade and tourism and to strengthening cooperation on commercial navigation.”⁸⁴ The main outgrowth of this agreement is efforts to make the Mekong River more suitable for commercial shipping traffic. China has “spearheaded and funded most of the blasting work to remove rapids, shoals, and reefs.”⁸⁵

D. SUMMARY

This concludes an overview of the CCP’s domestic legitimacy challenges and the regional context for China’s Mekong policy formulation. The Party acts to reinforce its political authority by pursuing economic growth, ensuring the benefits of growth are widely dispersed, advertising its nationalist credentials, providing security for its citizens, and addressing the negative consequences of recent development schemes. Abroad, the regional context consists of increasing wariness regarding China’s power, and growing competition across economic spheres. Wariness and competition has not yet sparked major conflict, perhaps due to a proliferation of diplomatic and bilateral mechanisms for cooperation on shared interests. Next, this paper examines two Mekong case studies—China’s dam building and counter-narcotics enforcement efforts—to trace how the CCP’s domestic legitimacy challenges interact with regional foreign objections or cooperation to shape the PRC’s Mekong policies.

⁸² “Citizens’ Guide to the World Commission on Dams,” International Rivers, 7 March 2002, <http://www.internationalrivers.org/resources/citizens%E2%80%99-guide-to-the-wcd-3990>.

⁸³ Ho, “River Politics,” 3.

⁸⁴ Apichai Sunchindah, *The Lancang-Mekong River Basin: Reflections on Cooperation Mechanisms Pertaining to a Shared Watercourse* (Singapore: Centre for Non-traditional Studies, S. Rajaratnam School of International Studies, Nanyang Technological University, February 2013), 4.

⁸⁵ Ho, “River Politics,” 7.

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III. CASE STUDY I: CHINESE DAMS

In May 2013, at the Asia-Pacific Water Summit, Thai Prime Minister Yingluck Shinawatra welcomed attendees with an explicit warning on the salience of regional water issues: “There could be a fight over resources.”⁸⁶ Zhou Xuewen from China’s Ministry of Water Resources (MWR) also opened with a cautionary note, but revealed a different concern: “Water security has become a global issue threatening sustainable socio-economic development.”⁸⁷ The differing perspectives belie the CCP’s preoccupation with Mekong hydropower as an essential component of domestic development strategies arising from the Party’s legitimacy bargain.

A. THE LANCANG CASCADE

Since the 1990s, China has completed four mainstream dams on its segment of the Mekong River. A fifth, larger than the others, is partially operational and will be completed around 2017. Three more Chinese dams are in planning stages. While dams in Yunnan Province already produce roughly 10 percent of all PRC hydropower, this ratio could double as more Mekong dams come online. In Yunnan, the Mekong courses through favorable geography for hydropower development because the water gradually cascades down 800 meters of vertical elevation during its run.⁸⁸ When complete, the eight planned dams of the “Lancang cascade” are expected to generate the equivalent of Vietnam’s annual electricity requirements.⁸⁹

The implications of China’s dam policies are vast. Not only will the dams assist China in manipulating cross-border water flows to its advantage, but consequences exist

⁸⁶ Luke Hunt, “Water, the Great Regional Threat,” *The Diplomat*, 22 May 2013, <http://thediplomat.com/2013/05/22/water-the-great-regional-threat/>.

⁸⁷ Zhou Xuewen, “Speech on Leaders Forum,” 2nd Asia-Pacific Water Summit, 20 May 2013, <http://info.apwatersummit2.org/country-statements/>.

⁸⁸ Ho, “River Politics,” 9.

⁸⁹ Chang, “The Lower Mekong Initiative,” 284.

for seasonal water flow, water level management, flood warnings and control, sedimentation, fish migration, and other hydropower development schemes spanning the entire Mekong.⁹⁰

B. DOMESTIC DRIVERS OF DAM POLICY

PRC dam building on the Mekong primarily derives from three categories of CCP legitimacy concerns outlined in Chapter II. The CCP's national economic growth and development imperatives form the most significant contributor to Mekong hydropower policy. Next, a persistent inequality of outcomes for southwestern China—and, Yunnan Province in particular—adds urgency to development that delivers benefits to rural and ethnic regions. Whether the Party can deliver more equitable welfare to Yunnan residents bears on the precarious bargain between shared benefits and authoritarian repression. Last, byproducts of past development strategies—environmental damage and health concerns—now pose challenges to the CCP's basis for legitimacy in the form of social costs imposed on citizens. Mekong hydropower offers the CCP an attractive avenue to solidify its legitimacy by addressing these three components.

1. National Economic Growth and Development Imperative

The CCP's political bargain demands economic growth to deliver improved standards of living and modernization to Chinese citizens. A shortage of inexpensive power and reliable electricity—most visibly demonstrated by occasional “rolling brownouts” in major cities—constrains the achievement of PRC economic targets.⁹¹ Dynamic growth rates have fueled an almost insatiable appetite for electricity from industrial, manufacturing, and consumer interests. The Mekong solution to electricity

⁹⁰ Richard Cronin, “China and the Geopolitics of the Mekong River Basin,” *World Politics Review*, 22 March 2012, <http://www.worldpoliticsreview.com/articles/11761/china-and-the-geopolitics-of-the-mekong-river-basin-part-i>.

⁹¹ Christina Larson, “On China's Electricity Grid, East Needs West—for Coal,” *Business Week*, 21 March 2013, <http://www.businessweek.com/articles/2013-03-21/on-chinas-electricity-grid-east-needs-west-for-coal>.

demand arises from the regime's growth imperative, and is evident in the PRC's national economic strategy, the favoring of domestic hydropower interests, and the institutional selection and forms of engagement the government pursues.

a. PRC Economic Strategy

Under the broad banner of a “Go West” campaign, official motivations for Mekong hydropower gained momentum with the “Tenth Five-Year Plan (2001-2005) for National Economic and Social Development” that called for a Western Development Strategy to increase “the development of the resource-rich western areas to promote a [sic] co-ordinated development among different regions of the country.”⁹² The Western Development Strategy seeks to develop Mekong River power generation to pipe electricity through an expansive West-East Electricity Transfer Project for use by power-starved urban centers in the east. Hydropower initiatives, then, serve two purposes that feed development measures of CCP legitimacy: Mekong dams “bring investment and development to China's lagging west while satisfying the growing electricity needs of the country's eastern provinces.”⁹³ The CCP's policies keep eastern economic motors humming while imparting infrastructure and capital to spark western growth.

Anything that threatens PRC economic growth attracts particular attention from the CCP because it jeopardizes the Party's economic performance. In this vein, the energy security aspect of national strategy also demands dam development along the Mekong. Mekong dams adhere to “China's blueprint for order maintenance based on its national interest, particularly as far as access to resources is concerned.”⁹⁴ Domestic sources of energy alleviate the susceptibility of imported energy—and, therefore the

⁹² “Premier Zhu Rongji's Explanation of 10th Five-Year Plan Drafting,” China Internet Information Center, <http://www.china.org.cn/e-15/15-3-g/15-3-g-1.htm>.

⁹³ “China's West-East Electricity Transfer Project,” Wilson Center, China Environment Forum, <http://wilsoncenter.org/wilsonweekly/chinas-west-east-electricity-transfer-project.html>.

⁹⁴ Jörn Dosch, “The Fallacy of Multilateralism Rhetoric in China-Southeast Asia Relations: A Neo-realist Perspective on Regional Order Building,” *UNISCI Discussion Papers*, no. 24 (October 2010): 141.

economy—to disruption. Power generated on the Chinese waters of the Mekong “provides a safer alternative to [imports transiting] the Malacca Straits” and protects the CCP’s economic basis for legitimacy.⁹⁵

b. Domestic Interest Groups

The motivations of domestic hydropower interests align closely with the CCP’s economic growth objectives, thereby reinforcing regime stability and attaining political sway. Mekong hydropower supporters include profit-seekers in the commercial and infrastructure development sectors, state-owned enterprises (SOEs) now subject to liberalization reforms, and factions in domestic water-use debates. Together, these interest groups encourage CCP policies that favor dam construction on the Mekong.

Mekong profit-seekers include large infrastructure enterprises and smaller commercial shipping interests. Power generation is a big business: from 2006 to 2010, “Yunnan exported 160 million kilowatt-hours of power... earning US\$790 million of income.”⁹⁶ The opportunity for massive returns has drawn subsidiaries of national SOEs to urge dam development on domestic and foreign stretches of the Mekong River. Domestic lobbying generally agrees with the CCP’s western objectives, while “the encouragement of private capital and Chinese state-owned investment companies” has triggered proposals for mainstream Mekong dams in Indochina, where PRC aid stipulations deliver construction deals for Chinese firms.⁹⁷ Collusion between Chinese dam operators and commercial river shippers also supports CCP economic targets: “China currently closes dam gates for three days and then opens them for one day to allow Chinese ships to travel downstream,” thereby slowing Thai and Lao northbound traffic and ensuring that Chinese goods reach markets faster.⁹⁸

⁹⁵ Ho, “River Politics,” 7.

⁹⁶ Mingjiang Li, “Local Liberalism,” 5.

⁹⁷ Chang, “The Lower Mekong Initiative,” 295; Ho, “River Politics,” 8.

⁹⁸ Chambers, “Edgy Amity,” 93.

CCP-driven economic liberalization, while delivering astonishing economic growth for the country, has subjected energy SOEs to two unyielding market pressures that accelerate domestic dam building: (1) increased energy sector competition; and, (2) the requirement to earn profits. Increased competition among electricity generators and providers pushes Chinese energy conglomerates to acquire and develop additional power capacity at greater economies of scale.⁹⁹ Corporate rivalry begets a domestic “tragedy of the commons” where hydropower firms add fuel to the CCP’s development fire. The historic relationship between SOE leaders and CCP elites also encourages policy bias in favor of Mekong dam construction. As SOEs adapt to profitability requirements, SOE executives—sometimes dual-hatted as “members of official decision-making bodies”—can bend government policy to favor targeted interests in energy production.¹⁰⁰ The back scratching is mutual: “the political leadership is dependent on successful SOEs” for widespread employment and substantial state revenues.¹⁰¹

Economic growth policies arising from CCP legitimacy issues also propel Mekong dam building by corralling water-use debates along development themes. Natural freshwater shortages in China—exacerbated by rapid modernization—led to internal squabbling over water rights in ways that prioritize development viewpoints over other interests. Correspondingly, PRC debates on water-use center on expected returns from different development schemes: how much resources should be directed towards coal-powered electricity generation *versus* hydropower dams? Both processes require a great deal of water and investment.

The potential role of Mekong-sourced energy in Party legitimacy is difficult to overstate: “so much of China’s GDP depends heavily on electricity produced in its western provinces... the energy sector trumps all other users when it comes to water.”¹⁰² Political considerations affect scarce resource allocation and further bias

⁹⁹ Ho, “River Politics,” 8–9.

¹⁰⁰ Jakobson and Knox, “New Foreign Policy Actors in China,” 24.

¹⁰¹ *Ibid.*, 25.

¹⁰² “China’s West-East Electricity Transfer Project,” Wilson Center.

policy towards domestic development: “China’s water authorities are more concerned about inter- and intra-provincial water disputes, as these have direct consequences for China’s domestic stability and economic growth.”¹⁰³ Since CCP administration of China’s Mekong waters is so heavily geared towards domestic development outcomes that reinforce regime legitimacy, it is unsurprising how “the theme of [trans-border] river management hardly features in Chinese discourse.”¹⁰⁴

c. Institutional Selection and Engagement

The CCP’s growth-based legitimacy also influences China’s institutional selection and the character of its Mekong engagement by entrenching its “national sovereignty and maximizing its room for maneuver with respect to developing water resources for economic growth.”¹⁰⁵ Global options for Mekong hydropower institutions range from regulatory bodies to development partnerships. Central and provincial CCP elites heavily favor those institutions that privilege China’s development objectives because of the legitimacy-building results that economic growth delivers.

The institutions that attempt to regulate Mekong River dams include the Mekong River Commission (MRC), the United Nations Convention on the Law of the Non-Navigational Uses of International Watercourses, and the World Commission on Dams (WCD). The MRC chases “sustainable development” and “monitoring and macro-management” goals using consensus-based agreements that would compromise the sovereignty of CCP development and energy policies.¹⁰⁶ China is an observer of the MRC—but not a full member subject to the body’s constraints. The UN’s prescription for “equitable and reasonable” use of “shared freshwater resources” would pressure the PRC to moderate its Mekong development scope and timelines, and subject the regime’s plans to external veto.¹⁰⁷ China joins only Turkey and Burundi as the three countries in

¹⁰³ Ho, “River Politics,” 5.

¹⁰⁴ Summers, “China and the Mekong Region,” 75.

¹⁰⁵ Ho, “River Politics,” 3.

¹⁰⁶ Summers, “China and the Mekong Region,” 69.

¹⁰⁷ McCaffrey, “Convention on the Law,” 1–2.

the world to vote against this measure.¹⁰⁸ In November 2000, the WCD issued a lengthy report advocating caution and stricter conventions regarding dam building around the world. While noting that China's 22,000 large dams dwarf the hydropower industry of any other country, the report struck a conciliatory tone in acknowledging "the debate about dams is a debate about the very meaning, purpose and pathway of development as well as the role that the state plays."¹⁰⁹ Despite this concession, the CCP saw blatant restrictions that would imperil its growth-oriented legitimacy bargain, so the regime recalled its commissioner to the WCD before rejecting its report.¹¹⁰

In each of these instances, the PRC resists institutions or agreements that would impose limitations on Mekong dam building because the CCP's sovereignty over economic development is intimately linked to regime security. The CCP's tenuous political bargain is unable to endure external restrictions on its own survival mechanisms.

The regime's legitimacy challenges drive preferences for institutions and agreements that align with China's growth and development strategies. In this vein, the Greater Mekong Subregion (GMS), the Lancang-Upper Mekong Commercial Navigation Agreement (LUMCNA), and bilateral negotiations feature prominently in China's cooperation on Mekong policy. The Asian Development Bank's partnership with regional states in the GMS embodies regional extensions of the CCP's domestic aims by supporting key enablers of economic growth: "projects in transport, energy, telecommunications, environment, human resource development, tourism, trade, private sector investment, and agriculture."¹¹¹ The commercial navigation agreement similarly reflects a narrow focus on Mekong development that eschews downstream protest—China takes a leading role in executing the agreement by dredging and dynamiting existing river geography in Laos and Myanmar's territory to facilitate commercial vessel

¹⁰⁸ Ho, "River Politics," 3.

¹⁰⁹ World Commission on Dams, *Dams and Development: A New Framework for Decision Making—The Report of the World Commission on Dams*, (London: Earthscan, 2000), http://www.internationalrivers.org/files/attached-files/world_commission_on_dams_final_report.pdf, 9, 198.

¹¹⁰ Ho, "River Politics," 3.

¹¹¹ Asian Development Bank, "Greater Mekong Subregion," 6.

transport.¹¹² The importance of river trade to the PRC is underscored by China's investments in Mekong shipping—"about 80% of ships on the Mekong today are Chinese."¹¹³ Last, the CCP's pursuit of economic growth is manifested in an almost non-negotiable assertion that Mekong negotiations must be bilateral, such that the regime can leverage China's economic and geopolitical heft to optimize prospects for regime security.¹¹⁴ Dangling "market access to Yunnan" in front of downstream neighbors is often enough to convince contentious states to embrace bilateral agreements that favor the CCP's economic development goals.¹¹⁵

If the PRC's engagement mechanisms follow from domestic regime legitimacy questions, the same factors shape the character of China's Mekong engagement. What little cooperation and sharing exists is beset by Chinese refusal to share basic details about its hydropower plans and operations, lest they become subject to foreign obstruction that would undermine the CCP's economic strategy. Though the CCP has designs for additional Mekong dams, uncertainty regarding existing operations abounds with a "lack of transparency regarding how it manages its current dams."¹¹⁶ When China does conduct environmental impact studies on dam building, the results are either hidden or highly questionable.¹¹⁷ *The Economist* notes that even Chinese academics are stymied at basic inquiries about Mekong dam policy: those "in favour of hydropower development complain that nearly all relevant information, even the amount of rain that reaches them, is treated as a state secret."¹¹⁸ Not only does the CCP's development-based legitimacy shape what avenues China selects for engagement, it diminishes the character of what little communication exists.

¹¹² Ho, "River Politics," 3; Goh, *Developing the Mekong*, 38.

¹¹³ Chambers, "Edgy Amity," 93.

¹¹⁴ Goh, *Developing the Mekong*, 45–46.

¹¹⁵ Ho, "River Politics," 8.

¹¹⁶ Chang, "The Lower Mekong Initiative," 284.

¹¹⁷ Goh, *Developing the Mekong*, 6–7.

¹¹⁸ Banyan, "Dammed If They Do," *The Economist*, 8 July 2010, <http://www.economist.com/node/16539240>.

2. Addressing Yunnan Inequality

Economic liberalization has delivered skewed results for China's citizens. Delayed development of the Mekong hinterland and corresponding inequality risks fractures in CCP legitimacy along regional or ethnic lines. The CCP hopes that economic and political pathways to Mekong hydropower will solidify Party legitimacy by resolving Yunnan's development shortfalls.

a. *Economic Pathways*

PRC economic strategy pursues western development as a means to enhance national growth. However, China's Western Development Strategy and "Go West" directive also seek to include Yunnan's population in economic benefits that alleviate regional and ethnic inequality. Without the fruits of modernization to balance the CCP's political repression, regime legitimacy suffers. In 1999, PRC Premier Zhu Rongji revealed CCP legitimacy concerns in explaining how "Going West" is ultimately meant to "strengthen national unity" and "safeguard social stability."¹¹⁹ Four years later, Zhu was more specific about the danger that inequality portends: "If we do not change these conditions, they will severely damp farmers' enthusiasm to produce, undermine the foundation of agriculture, and even threaten the overall health of the national economy."¹²⁰

Though long-term fortifications to Party legitimacy accrue in conjunction with other Yunnan development initiatives, the immediate benefits of Mekong dams include construction employment and electricity—an in-demand, exportable commodity. Although questions remain on whether jobs and revenues will filter down to rural Yunnan residents, the scale of CCP interest belies sensitivity to dangers of inequality: "over the past 15 years the central government has poured over half a trillion dollars into the west."¹²¹ Improved employment cultivates other benefits that strengthen the CCP's

¹¹⁹ Edward Grumbine, "End of the Frontier," <https://www.chinadialogue.net/article/show/single/en/3717-End-of-the-frontier>.

¹²⁰ Peter Nolan, *China at the Crossroads* (Cambridge: Polity Press, 2004), 12–13.

¹²¹ Luan Dong, "Rock, Metal, and Electronic," Wilson Center, China Environment Forum, <http://wilsoncenter.org/publication/rock-metal-electronic>.

hold on power, like reducing urban migration, raising rural incomes, and limiting social discontent.¹²² Foreign electricity sales have already earned Yunnan almost one billion dollars since 2006, a re-investable revenue stream for additional development.¹²³ Major infrastructure projects and imported skilled workers will make Yunnan “more attractive for domestic and foreign investment.”¹²⁴ In these ways, Mekong dams are one component of larger economic efforts to alleviate inequality to reinforce CCP legitimacy.

Though western inequality is a regional issue, Yunnan’s development disparities weigh on ethnic minorities that comprise almost 40 percent of the provincial population. Ethnic inequality represents “a perennial issue in the Chinese Communist Party’s quest for political stability” because political repression has dissuaded a “national identity” for Chinese citizens of all backgrounds.¹²⁵ The Party attempts to avoid ethnic dimensions of inequality by stressing growth and inclusiveness—“We are all one family.”¹²⁶ Therefore, CCP legitimacy gaps may drive Mekong dam policy to resolve ethnic inequality, but elites publicly minimize ethnic themes in favor of development and unity rhetoric.

b. Political Pathways

CCP legitimacy problems based on inequality also shape political approaches to Mekong dam programs that embed more authority at provincial levels. To be sure, the Party is strictly hierarchical and provincial policy must align with central authority. However, the destabilizing effects of inequality—on legitimacy built around economic inclusiveness—drive the CCP to delegate more political responsibility to Yunnan Province to pursue Mekong dam policy.

¹²² Charles Wolf, Jr., K.C. Yeh, Benjamin Zycher, Nicholas Eberstadt, and Sung-Ho Lee, *Fault Lines in China’s Economic Terrain*, (Santa Monica: RAND, 2003), 170.

¹²³ Mingjiang Li, “Local Liberalism,” 5.

¹²⁴ Chow, *China’s Economic Transformation*, 184.

¹²⁵ Anne-Marie Brady, “Ethnicity and the State in Contemporary China,” *Journal of Current Chinese Affairs* 41, no. 4 (2012): 3.

¹²⁶ Brady, “Ethnicity and the State,” 5.

Conventional narratives suggest that the CCP is unlikely to cede central authority. However, the regime views this political delegation as a means to resolving regional inequality sooner: “Beijing has urged the border provinces to expand their opening up to the neighboring countries in order to accelerate the economic development in those provinces.”¹²⁷

Yunnan Province’s roadmap towards development emphasizes three main themes, largely plucked from concerns about ethnic and economic inequality: (1) becoming a “strong province in ethnic cultures;” (2) pursuit of “green economy” industries; and, (3) economic integration with neighboring states through a “Grand Route Way.”¹²⁸ Provincial officials were quick to advertise Mekong hydropower—a “green economy” industry in PRC parlance—as a tactical pathway to national aims: “In the case of the Mekong, Chinese policies are mainly driven by Yunnan Province.”¹²⁹ Yunnan’s advocacy for Mekong dam development earned the province a “privileged” position as “the main Chinese representative in GMS” on development issues, while the central Party leadership reserves primacy on trans-border security concerns.¹³⁰ In addition to its outsized GMS role, Yunnan also solicits international audiences for “foreign investment into hydropower projects.”¹³¹

Yunnan’s elevated political responsibilities feed a CCP ulterior motive: GMS partners increasingly conceptualize Mekong dam development as producers (like Yunnan) generating power for unmet regional demand, rather than a geopolitical competition pitting the PRC behemoth against tiny, downstream neighbors.¹³² This narrative works domestically as well to help Yunnan officials lobby other CCP elites for stronger Party support to resolve western inequality. Ultimately, the Party’s

¹²⁷ Mingjiang Li, “Local Liberalism,” 18.

¹²⁸ *Ibid.*, 7.

¹²⁹ Ho, “River Politics,” 2.

¹³⁰ Summers, “China and the Mekong Region,” 74–75.

¹³¹ Ho, “River Politics,” 17.

¹³² Summers, “China and the Mekong Region,” 71.

contemporary legitimacy calculations urge for Mekong hydropower development to improve Yunnan's outcomes, and political delegation from Beijing to the province accelerates this mission.¹³³

3. Environmental and Health Degradation

CCP authoritarianism has, to date, biased the regime toward narrow definitions of development that neglect externalities from energy policy. However, the CCP's evolving legitimacy calculations now must consider how environmental degradation—and ensuing health crises—may lead to social unrest that undermines Party authority. Mekong dams offer the CCP opportunities for alternative energy sector development while alleviating domestic constituents of some negative externalities from conventional power generation.

The PRC is heavily reliant on coal to power its economy: “Coal generates nearly 80 percent of the country's electricity, and China now burns half the coal consumed in the world annually.”¹³⁴ Unfortunately, extensive coal burning for electricity and heating has rendered China's urban air pollution the worst in the world.¹³⁵ Far from a benign outcome, environmental degradation is triggering widespread health crises—“cancer clusters”—and “mass protests’ stirred by pollution.”¹³⁶ The CCP's narrow pursuit of growth to buttress its legitimacy has considered environmental shortfalls “very much as externalities,” but this mindset has spurred new social discontent directed at the regime.¹³⁷

Environmental and health degradation threatens CCP legitimacy because they undermine the Party's economic inclusiveness obligation. The regime's acknowledgment that “air pollution has reached an extremely critical state” is evident in the “12th Five-Year Plan on Air Pollution Prevention and Control in Key Regions (2012)” that proposes

¹³³ Mingjiang Li, “Local Liberalism,” 18–19.

¹³⁴ Larson, “On China's Electricity Grid.”

¹³⁵ Chow, *China's Economic Transformation*, 188.

¹³⁶ Phillips, “China Admits Pollution;” Junjie Zhang, “How Will China's New Leaders Approach Rising Tide of Environmental Protests,” *Asia Society Asia Blog*, 9 November 2012, <http://asiasociety.org/blog/asia/how-will-chinas-new-leaders-approach-rising-tide-environmental-protests>.

¹³⁷ Goh, “China in the Mekong River Basin,” 13.

numerous new safeguards and limits on pollutants.¹³⁸ Moreover, China's 2012 Energy Policy directs "rapid development in non-fossil energy... and renewable energy resources."¹³⁹ The policy shifts to address air pollution are "not in response to citizens' environmental complaints but derivative of concerns over growing social unrest" that highlight party legitimacy weaknesses and potential catalysts against CCP authority.¹⁴⁰ CCP legitimacy challenges arising from negative externalities to growth policies add to the tide of official support for Mekong dam construction because hydropower provides cleaner electricity generation and transfers most negative externalities away from domestic social groups, and downriver to Indochina.

C. DAMS SUMMARY

The CCP's precarious bargain that balances political extraction with economic inclusiveness shapes Mekong hydropower policy through the regime's attempts to solidify its governing legitimacy. Chinese Mekong dam construction and operating policies are bolstered by the Party's pursuit of stronger legitimacy through economic growth and development strategy, reductions in national inequality, and improvements in citizen welfare. These links argue that China will continue to press for Mekong dams as a pathway to improved CCP legitimacy and stability that is prioritized over the objections or concerns of its downstream neighbors.

¹³⁸ "Twelfth Five-Year Plan on Air Pollution Prevention and Control in Key Regions," Clean Air Alliance of China, April 2013, <http://www.epa.gov/ogc/china/air%20pollution.pdf>, preface 1.

¹³⁹ "Full Text: China's Energy Policy 2012," *Xinhua via Global Times*, 24 October 2012, <http://www.globaltimes.cn/content/740169.shtml>.

¹⁴⁰ Zhang, "Rising Tide of Environmental Protests."

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IV. CASE STUDY II: CHINESE COUNTER-NARCOTICS POLICY

Mekong waters flow through the Golden Triangle—the border region downstream of China between Laos, Myanmar, and Thailand—where a legacy of “large scale opium cultivation” now competes with modern demand for amphetamine-type stimulants (ATS).¹⁴¹ In past decades, PRC counter-narcotics policy for the Mekong River has taken a multifaceted approach cognizant of the economic, governance, and social implications of drug production, smuggling, and consumption, yet tempered by motivations to solve domestic problems before tackling external challenges. Since October 2011, however, China’s Mekong counter-narcotics policy has shifted due to domestic political calculations regarding the murder of 13 Chinese citizens by Mekong narcotics traffickers. The policy departure reveals the CCP’s sensitivity to nationalism and security components of the regime’s legitimacy that accompanies economic expansion.

A. HISTORICAL POLICY TRAJECTORY

The Mekong’s role as an economic gateway partly arises from its legacy of illicit narcotics trafficking. Early networks of trans-border ethnic groups utilized the Mekong as a natural route to move drugs into Chinese territory, and triggered the initial PRC policy responses. Since “60-70 percent of the drugs consumed in China” now originate near the Mekong’s shores, Yunnan Province’s counter-narcotics efforts garner national attention and serve as testing ground for PRC policies.¹⁴²

In the early 1980s, China “launched its first antidrug police department” and experimented with “community-based drug rehabilitation programs” near the Mekong’s headwaters in Yunnan Province.¹⁴³ During the 1990s and early 2000s, the PRC’s Mekong counter-narcotics strategies included foreign direct investment and development

¹⁴¹ Chris Lyttleton, “Relative Pleasures: Drugs, Development and Modern Dependencies in Asia’s Golden Triangle,” *Development and Change* 35, no. 5 (2004): 913, 910–912.

¹⁴² Xiaobo Su, “China’s Antidrug Policies.”

¹⁴³ Ibid.; Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report 2013 Volume I: Drug and Chemical Control* (Washington DC: United States Department of State, March 2013): 125, (hereafter cited as “INCSR” with corresponding year of report).

aid programs, alternative agriculture schemes, rural training and education, and preferential trade deals. China's law enforcement and security focus, short of modest regional police exchanges, were primarily confined to its own borders.¹⁴⁴

The CCP's escalating focus on national counter-narcotics policy emerged in conjunction with China's modernization and enrichment. Improved transportation networks and infrastructure enabled traffickers to serve consumers' growing demand for illicit drugs. Regime elites increasingly perceived "drug trafficking and abuse as a major threat to China's national security, economy, and stability."¹⁴⁵ In 2004, Hu Jintao articulated the regime's response to expanding narcotics problems in the "People's War on Illicit Drugs." Despite historic parallels to other CCP mobilization campaigns, the People's War prescribes mostly domestic treatments for the economic and social complications arising from the illicit narcotics industry: "drug prevention and education; drug treatment and rehabilitation; drug source blocking and interdiction; 'strike hard' drug law enforcement; and strict control and supervision... of precursor chemicals."¹⁴⁶ The most significant institutional outgrowth of the People's War is the National Narcotics Control Commission (NNCC) that coordinates Ministry of Public Security (MPS) law enforcement activities, General Administration of Customs (GAC) anti-smuggling efforts, and State Food and Drug Administration (SFDA) regulation of controlled substances.¹⁴⁷

Before 2011, China's Mekong counter-narcotics pursuits emphasized limited multilateralism and numerous—though basic—bilateral agreements. China's multilateral avenues for drug policy—especially with ASEAN member states—mainly dealt with "soft mechanisms of cooperation that focus on information sharing, better coordination, the operation of reciprocity, the lowering of transaction costs, mutual learning, and the

¹⁴⁴ Su Xiaobo "China's Antidrug Policies."

¹⁴⁵ "INCSR" 2011, 188.

¹⁴⁶ *Ibid.*, 188.

¹⁴⁷ *Ibid.*, 188–189.

building up of trust.”¹⁴⁸ The ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD) of 2000 announced the ambitious goal of a “drug-free ASEAN” by 2015, but solidified only vague trans-border cooperation commitments.¹⁴⁹ The ASEAN Plan of Action to Combat Transnational Crime of 2002 recommended—but did not guarantee—initial forays towards cooperation through “drug liaison officers” and regulatory explanations.¹⁵⁰

China has been most active in bilateral negotiations and agreements on broader law and regulatory cooperation. In recent years, the PRC “signed 58 bilateral treaties on legal assistance and extradition with 40 countries” that serve as a foundation for interstate dialogue and partnership requests.¹⁵¹ More specifically for Mekong interaction, China leverages “Memoranda of Understanding (MOU) currently in place with Laos, Cambodia, Thailand, Vietnam, Burma, and the United Nations Drug Control Program and regularly participates in a variety of drug conferences and bilateral meetings.”¹⁵² Prior to 2011, China’s foreign engagement on Mekong counter-narcotic policy was noteworthy for its wide breadth with minimal depth, and the enshrinement of economic development and sovereignty priorities in official policy and agreements.

China plunged into action against Mekong narcotics rings following the gruesome deaths of 13 Chinese riverboat operators on 5 October 2011 (the “10-5 Incident”), allegedly massacred by a drug ring led by Myanmar-based kingpin Naw Kham. The bodies were found mutilated and floating in the Mekong River in a Thai section of the Golden Triangle, but the killings could have occurred upstream in Laos or Myanmar.

¹⁴⁸ Ralf Emmers, “International Regime Building in Southeast Asia: ASEAN Cooperation Against the Illicit Trafficking and Abuse of Drugs,” (working paper No. 106, Institute of Defence and Strategic Studies, February 2006, 18.

¹⁴⁹ Association of Southeast Asian Nations, “Press Release of ASEAN and China on a Joint Regional Plan to Achieve a Drug-Free ASEAN by 2015,” news release, 13 October 2000, <http://www.asean.org/communities/asean-political-security-community/item/press-release-of-asean-and-china-on-a-joint-regional-plan-to-achieve-a-drug-free-asean-by-2015-bangkok-thailand-13-october-2000>.

¹⁵⁰ Emmers, “Globalization and Non-Traditional Security Issues,” 14–15.

¹⁵¹ “INCSR” 2011, 189.

¹⁵² “INCSR” 2012, 167.

Nearby, the Chinese boats were found laden with illegal pills. The incident triggered an aggressive, cross-border Chinese policy intervention that continues in late 2013.¹⁵³

Almost immediately, the PRC halted “passenger and cargo traffic in the headwaters of the Mekong.”¹⁵⁴ China summoned ministers from Laos, Thailand, and Myanmar to Beijing and “pressured the countries to participate in Chinese-led river patrols, intended to ensure security for the river trade.”¹⁵⁵ In addition to a Chinese-led fortification of Laos and Myanmar’s defense infrastructure, the river patrols continue with the deployment of hundreds of Chinese officers, including some at what has been called “China’s first military base abroad” by Chinese sources.¹⁵⁶ The “10-5 Incident” exposed CCP legitimacy challenges tied to the Party’s cultivation of nationalism and inherent security imperatives that have swayed Mekong counter-narcotics policy since.

B. DOMESTIC DRIVERS OF PRC COUNTER-NARCOTICS POLICY

The recent shift in China’s counter-narcotics policies on the Mekong River trace from two categories of CCP legitimacy challenges delineated in Chapter II. Growing nationalism, embedded by the regime as glue between the people and the Party, serves as a relief valve for political extraction in channeling citizen frustration into unifying propaganda and policies. The regime’s manipulation of nationalism filters and redirects discontent away from the CCP and towards Mekong actors. Second, to compensate for political repression, the Party’s legitimacy depends on how effectively the CCP enforces its security imperative. As PRC economic interests expand geographically, the CCP faces new challenges to demonstrate competence in protecting its citizens and commercial interests around the world. The 2011 Mekong murders of Chinese citizens

¹⁵³ “The Long Arm of Chinese Law: Birth in Myanmar; Offence in Thailand; Arrest in Laos; Death Sentence in China,” *The Economist*, 10 November 2012, <http://www.economist.com/news/asia/21566009-birth-myanmar-offence-thailand-arrest-laos-death-sentence-china-long-arm>.

¹⁵⁴ Keith Bradsher, “China Suspends Boat Traffic on Mekong,” *New York Times*, 10 October 2011, <http://www.nytimes.com/2011/10/11/world/asia/china-suspends-boat-traffic-on-mekong.html>.

¹⁵⁵ Jane Perlez and Bree Feng, “China Flaunts Cross-Border Clout in Search for Drug Lord,” *New York Times*, 4 April 2013, <http://www.nytimes.com/2013/04/05/world/asia/chinas-manhunt-shows-sway-in-southeast-asia.html?pagewanted=all>.

¹⁵⁶ Patrick Boehler, “Laos Upgrades Burma Border Security at Mekong,” *Irrawaddy*, 22 August 2012, accessed 2 June 2013, <http://www.irrawaddy.org/archives/12095>.

rekindled challenges to the CCP's legitimacy on nationalist and security fronts that catalyze a more aggressive counter-narcotics response than historical policy predicted.

1. Nationalism

Nationalist outrage at the deaths of Chinese citizens on the Mekong River is reflected in two aspects of China's policy response. First, domestic outlets of nationalist sentiment present an opportunity for the Party to align policy with widespread, relatively-unified citizen viewpoints in ways that enhance CCP legitimacy by securing its nationalist credentials and deflecting criticism over China's borders. Second, the CCP pursues Mekong counter-narcotics policy that satisfies nationalist expectations of China's rising power to exercise influence abroad for demonstrable results.

a. Domestic Outlets

The CCP's manipulation and perception of Chinese nationalism—what David Shambaugh calls “open discourse in a constrained environment”—arises from the politically extractive denominators of China's political bargain that repress liberal ideals and regime criticism.¹⁵⁷ Domestic outlets of nationalism provide the CCP a malleable relief valve from other extractive institutions and reveal policy options backed by unified citizen support.

Nationalist currents surrounding the 10-5 Incident are most evident in the Chinese media's role in galvanizing public outrage against the alleged Mekong perpetrators, and advocating aggressive policy solutions for Party consideration that alleviate nationalist legitimacy concerns. This fits with a broader trend where the Chinese media has taken an elevated role in molding agendas and vetting policy responses on topics in foreign relations, though media maneuvers are largely constrained by CCP elites who “rein it in through various internal and external mechanisms.”¹⁵⁸ Chinese news outlets not only detailed the grisly Mekong murders, but stoked passion for months by likening the search and prosecution of Naw Kham to “the killing of al-Qaeda

¹⁵⁷ Shambaugh, “Coping with a Conflicted China,” 8.

¹⁵⁸ Jianwei Wang and Xiaojie Wang, “Media and Chinese Foreign Policy,” *Journal of Contemporary China* (2013): 1.

leader Osama bin Laden by U.S. forces.”¹⁵⁹ Print and television media “extensively covered” even the nonviolent episodes such as the court trial—“nearly 200 journalists attended”—and the PRC’s payouts of over \$20,000 to each of the victims’ families.¹⁶⁰ In one of the more extreme nationalist appeals by news media, Mekong narcotics traffickers were labeled “common enemies of mankind.”¹⁶¹

If the play-by-play reporters sensationalized events, leading news editorials competed along nationalist lines in explicitly demanding more aggressive PRC policies. The *Southern Metropolis Daily* argued, “China should go beyond mechanical adherence to ‘non-interference in internal affairs’” and pursue the “most direct and effective” safeguards for Chinese concerns.¹⁶² The *Global Times* demanded that China “teach the drug smugglers in the region a hard lesson.”¹⁶³ Not to be outdone, the CCP’s propaganda outlet, *The People’s Daily*, outlined wide-ranging initiatives that foretold actual policy: “send police attaches to countries involved... carry out armed convoys... establish a risk-assessment system for the security of its perimeter and other overseas regions as soon as possible.”¹⁶⁴

The internet provides another outlet for nationalist expression among ordinary citizens in ways that bias CCP elites to legitimacy-enhancing policy responses.

¹⁵⁹ “‘Execution Parade’ of Four behind Mekong Murders Angers Chinese,” *Reuters*, 1 March 2013, <http://www.reuters.com/article/2013/03/01/us-china-mekong-idUSBRE9200ET20130301>.

¹⁶⁰ “China Morning Round-up: Mekong River Trial,” BBC online, 21 September 2012, <http://www.bbc.co.uk/news/world-asia-china-19671316>; Xiang Ren, “Judicial Cases in China in 2012,” *The Chinese Journal of Comparative Law* (2013), 15; Saeyoung Park, “China’s Drug War, Part I: The Mekong Incident,” *Points: The Blog of the Alcohol and Drugs History Society*, 16 July 2013, <http://pointsadhsblog.wordpress.com/2013/07/16/chinas-drug-war-part-i-2/>.

¹⁶¹ Matteo Crippa, “The Mekong Pirates on Trial,” *Communis Hostis Omnium: Navigating the Murky Legal Waters of Maritime Piracy* online blog, 24 September 2012, <http://piracy-law.com/2012/09/24/the-mekong-pirates-on-trial/>.

¹⁶² *Southern Metropolis Daily*, 6 November 2011, as quoted in Peter Mattis, “In a Fortnight: Mekong Murders Spur Beijing to Push New Security Cooperation,” *China Brief* 11, no. 21 (11 November 2011): 3.

¹⁶³ Ding Gang, “China Can Gain Prestige as SE Asia’s Drug Cop,” *Global Times*, edited and translated by *People’s Daily Online*, 13 October 2011, <http://english.peopledaily.com.cn/90780/7616442.html>.

¹⁶⁴ Xin Jingping, “China Must Protect Citizens in Wake of Mekong Killings,” *People’s Daily* overseas edition, edited and translated by *People’s Daily Online*, 19 October 2011, <http://english.peopledaily.com.cn/90780/7621223.html>.

Though official curbs and censors limit the free online expression of citizen disapproval, internet posts can sensitize the CCP to nationalist currents and underscore tenuous regime legitimacy:

When public opinion is split, the government does not pay attention', a mid-level foreign ministry official said. 'But if an overwhelming majority of views on chat sites and in newspaper columns reflect a unified view on an issue, officials feel the need to act cautiously because they do not want dissatisfaction to escalate and lead to street protests.'¹⁶⁵

Moreover, while other areas of citizen discontent are usually off-limits, "the internet is a useful outlet for nationalists to blow off steam" because the policy implications of nationalism generally unite citizens under the CCP's leadership against foreign actors.¹⁶⁶

The 10-5 Incident provided visceral fodder for online nationalists in China: "shortly after the killings, the pictures of the dead boatmen circulated heavily on Chinese websites and social media platforms. Graphic documentation of the boat interiors and pictures of Thai authorities fishing out bodies inflamed public sentiment."¹⁶⁷ The CCP's precarious balancing act on nationalist issues was tested as online posts veered towards criticism of the government for its poor protection of citizens working abroad, "an increasingly emotive topic" after other attacks against Chinese.¹⁶⁸

Nationalist tides on the internet and in news media feed CCP calculations about how best to orchestrate Mekong counter-narcotics operations that strengthened regime legitimacy. Increasingly, nationalist policy grows from "an ongoing intensive internal debate, and represents a current consensus among the more conservative and nationalist elements to toughen its policies and selectively throw China's weight around."¹⁶⁹ On Mekong counter-narcotics policy, the CCP's manipulation of nationalism posed a "double-edged sword" in that the Party risked citizen anger at foreign criminals

¹⁶⁵ Jakobson and Knox, "New Foreign Policy Actors in China," 44.

¹⁶⁶ *Ibid.*, 46.

¹⁶⁷ Park, "China's Drug War, Part I."

¹⁶⁸ Ian Storey, "Mekong River Patrols in Full Swing but Challenges Remain," *China Brief* 12, no. 4 (21 February 2012): 14.

¹⁶⁹ Shambaugh, "Coping with a Conflicted China," 7.

boiling over into broader dissatisfaction with the regime.¹⁷⁰ Therefore, “Beijing was determined to cool public anger” by ensuring that Party leadership “was swift and decisive and ordered at the highest levels.”¹⁷¹ CCP elites directed an abrupt pause in all Mekong shipping and dispatched armed boats to usher stranded vessels back to Yunnan Province.

b. Rising Power Expectations

Another way that Party-cultivated nationalism influences Mekong counter-narcotics policy is through the regime’s obligation to satisfy domestic expectations of China as a rising power. China’s emergence as an economic and military power reinforces and further inspires nationalist perceptions about state capacity on the Mekong River. The nationalist underpinnings of CCP legitimacy encourage Mekong counter-narcotics policies that confirm the value of Chinese lives and demonstrate state capacity to achieve results worthy of a rising power.

Rising power nationalism features accelerating expectations about how the government values and protects the lives of its citizens. From a nationalist’s perspective, state greatness is confirmed by the regime’s ability to protect its constituents and interests abroad. Following the Mekong murders, Vice Foreign Minister Song Tao explained the CCP’s motivations in nationalist rather than economic or legal terms: “The Chinese government values the life and safety of every Chinese citizen.”¹⁷² Additionally, ethnic Chinese along the Mekong River, particularly those with business holdings in Lao special economic zones, identified themselves as residents of a “second homeland” within a greater sphere of PRC protection.¹⁷³ In pushing for expansive protection of ethnic

¹⁷⁰ Jakobson and Knox, “New Foreign Policy Actors in China,” 45.

¹⁷¹ Storey, “Mekong River Patrols,” 14.

¹⁷² “China Calls for Action to Prevent Ship Attacks,” *Xinhua via People’s Daily Online*, 14 October 2011, <http://english.people.com.cn/90785/7616715.html>.

¹⁷³ Andrew R. C. Marshall, “Special Report: In Mekong, Chinese Murders and Bloody Diplomacy,” *Reuters*, 27 January 2012, <http://www.reuters.com/article/2012/01/27/us-special-report-mekong-idUSTRE80Q00G20120127>.

Chinese, PRC citizens, and their Mekong business interests, the CCP redefined its nationalist redlines on the Mekong River and helped cement the Party's nationalist *bona fides*.

A better measure of the CCP's nationalist legitimacy is found in the PRC's achievement of Mekong counter-piracy results that confirm China's rise for domestic nationalists. In a region known for constraining norms of non-interference and rigid territorial sovereignty, China publicly made official "demands [for] a thorough investigation" by Mekong countries, and "asserted jurisdiction over the case" based on victim links outside of standard legal justifications.¹⁷⁴ The casual handover of Naw Kham and his gang—Laos simply turned over the suspects to the PRC absent a formal request—further illustrated China's ability to extract lopsided results. Finally, the rapid decrease in narcotics-related violence on the Mekong River that coincided with armed PRC patrols is testimony to the CCP's power to improve conditions for Chinese citizens. As one Laotian soldier explained to Chinese press: "There are no more pirates now. The Chinese told the Burmese to stop them."¹⁷⁵ To Chinese nationalists, the mechanisms of China's growing influence drove actions that confirmed the CCP's nationalist credentials and the PRC's greatness as a responsible power.

2. Security Imperative

The Mekong murders of October 2011 highlighted a security deficiency that undermines China's balance between extractive politics and inclusive economics. Under this bargain, Party legitimacy increasingly depends on satisfying greater security requirements as economic pursuits extend abroad. Following the logic of Olson and Bates, if the CCP is unable to provide the services demanded of a stationary bandit, Chinese citizens will be reluctant to endure the regime's political extraction. Since 2011, China's assertive responses to Mekong narcotics trafficking violence arise from the

¹⁷⁴ "China Calls for Action," *Xinhua* via *People's Daily Online*; and, Crippa, "Update: Mekong Pirates Sentenced to Death," *Communis Hostis Omnium*.

¹⁷⁵ David Eimer, "Mekong River Used to Traffic Drugs to and from Laos and Myanmar," *South China Morning Post*, 26 September 2013, <http://www.scmp.com/news/asia/article/1317744/mekong-river-used-traffick-drugs-and-laos-and-myanmar>.

security imperative part of regime legitimacy, and are evident in the CCP's tactics to address new challenges and gain credibility as the competent security specialists on the Mekong River.

a. New Challenges at the Mekong Frontier

China's "Going Out" strategy pursues returns abroad and means that its citizens and interests are charting pathways through insecure economic frontiers. Expanding economic frontiers yield new security pressures for a regime with a historical bias towards a "noninterventionist foreign policy."¹⁷⁶ The Mekong River is one of China's growing commercial arteries, and the October 2011 narcotics violence struck at the CCP's legitimacy by demonstrating the Party's failure to secure Chinese interests downriver. The Mekong narcotics trade presents a newly, salient security challenge at China's southern economic frontier, and the regime's recent counter-narcotics policy aims to solidify its legitimacy through assertive security enforcement.

Though lawlessness in the Golden Triangle is an enduring phenomenon, the 10-5 Incident's sensationalism magnified Mekong threats and highlighted "the need to ensure security of the growing number of Chinese citizens working in conflict-prone areas."¹⁷⁷ On initial review, Mekong insecurity shares characteristics with other trouble spots affecting China's international trade: China already conducts patrols with Vietnam in the Gulf of Tonkin, sustains anti-piracy operations in the Gulf of Aden, and increasingly deploys Ministry of Public Security (MPS) officers abroad.¹⁷⁸ However, China's armed security officers patrolling the Mekong River have the CCP's license to employ force against citizens of neighboring states on their own territory. The Mekong patrol scheme, advertised as "joint" but overwhelmingly Chinese by virtue of state capacity and regime motivation, "suggests a changing Chinese security consciousness that recognizes Beijing must be much more involved beyond its borders to preserve and

¹⁷⁶ Erickson and Strange, "Sunk Costs."

¹⁷⁷ Jakobson and Knox, "New Foreign Policy Actors in China," 31.

¹⁷⁸ Storey, "Mekong River Patrols," 13; Erickson and Strange, "Sunk Costs;" Peter Mattis, "In a Fortnight: Informatization Drives Expanded Scope of Public Security," *China Brief* 13, no. (3 February 2011): 3.

protect its interests.”¹⁷⁹ China’s counter-narcotics security enforcement on the Mekong River presents an escalated example of the CCP’s security mandate to protect Chinese economic interests abroad, and thereby reinforce Party legitimacy at home.

A second aspect of the modern Mekong security challenge is that the proliferation of infrastructure, workers, and transport vessels on the Mekong provides a steady flow of potential victims into areas vulnerable to Mekong narcotics gangs. Enterprising “criminal gangs have used the increasing volume of shipping along the Mekong to traffic drugs” and commit robberies.¹⁸⁰ Development has proven a windfall for the illicit Mekong narcotics business.

Development-driven illicit activity mixes with downstream states’ impotence or unwillingness to provide security for growing economic activity and further aggravates the CCP’s legitimacy fears. How much faith should the PRC place in weaker countries to defend China’s businesspeople and shipping vessel operators? Downstream states have different legitimacy concerns that drive different priorities: For example, Myanmar’s “government considers drug enforcement secondary to national stability and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups and militias.”¹⁸¹ The CCP’s prioritization of its own security-legitimacy uncertainties illustrates how “Beijing’s central role in organizing the Mekong patrols was clearly a vote of no confidence in its Southeast Asian neighbors’ ability to secure Chinese interests.” The resulting setting prompts the PRC to pursue more assertive measures as the only regional actor likely to deliver security that satisfies the Party’s legitimacy bargain as a specialist in state violence.

The CCP’s security imperative against Mekong criminal syndicates also generated a series of first-ever initiatives geared towards enhancing the regime’s security qualifications. Following the murders in October 2011, PRC elites “ordered an unprecedented manhunt” spanning multiple borders “to apprehend the murderers,” and

¹⁷⁹ Mattis, “In a Fortnight: Mekong Murders,” 3.

¹⁸⁰ Storey, “Mekong River Patrols,” 14.

¹⁸¹ “INCSR” 2013, 112.

publicly “considered using a drone to kill the alleged mastermind of the attack.”¹⁸² After the capture of Naw Kham and his accomplices, the PRC’s judicial system prosecuted its inaugural “case in which foreigners committed crimes in foreign countries that damaged Chinese citizens’ personal and/or property rights.”¹⁸³ The Chinese-led Mekong River patrols were groundbreaking because “they enabled China, for the first time, to establish a downstream military presence in the China–Myanmar and Myanmar–Laos portions of the Mekong.”¹⁸⁴ The importance of Mekong security operations to the CCP is underscored by how the counter-narcotics operations represented “the first time in almost three decades that Chinese security forces have operated beyond the borders of China in a mission that was not mandated by the United Nations, but rather for its own national security interests.”¹⁸⁵

The CCP’s new policies risk blowback from China’s Mekong neighbors. Paul Chambers notes that China’s assertiveness might draw “charges of gunboat diplomacy,” the imperialist tactic of coercion disdained across Asia.¹⁸⁶ The PRC’s imposition of legal jurisdiction over foreign citizens in foreign territories also could imperil Mekong security partnerships. China’s reputation for harsh punishment—the high “rate of severe penalties, including death, in drug cases”—presents an international dilemma when ruthlessly applied to non-Chinese suspects.¹⁸⁷ However, the risk of political fallout from China’s new policies further underscores the CCP’s prioritization of domestic legitimacy concerns. Cumulatively, despite the risk of angering its neighbors through heavy-handed treatment, the CCP’s recent initiatives to prosecute new security challenges on the Mekong denote a more assertive path to guaranteeing its regime legitimacy.

¹⁸² Ian Storey, “China’s Growing Security Role in Southeast Asia Raises Hopes and Fears,” *World Politics Review*, 5 July 2013, <http://www.worldpoliticsreview.com/articles/13070/china-s-growing-security-role-in-southeast-asia-raises-hopes-and-fears>.

¹⁸³ Xiang Ren, “Judicial Cases,” 15.

¹⁸⁴ Ho, “River Politics,” 7.

¹⁸⁵ Xiaobo Su, “China’s Antidrug Policies,” 13.

¹⁸⁶ Marshall, “Special Report.”

¹⁸⁷ “INCSR” 2011, 190.

b. Security Competence

The CCP's political extraction depends, in part, on the Party's monopoly on violence over China's citizens and their economic interests. China's new counter-narcotics policies reveal the CCP's fear of appearing incompetent on Mekong security matters to domestic audiences. The Party's rehabilitation of its security competency is exhibited in its effective prosecution of Mekong narcotics criminals, and in the PRC's assertive conduct with other Mekong states.

The cautious pace of China's international security participation reveals that China's political elites fear appearing incompetent through "embarrassing failures at the hands of unprofessional militants."¹⁸⁸ Such is the case on the Mekong River, where China's economic strategy was paralyzed by the insecurity generated by unsophisticated criminals: "Naw Kham has become a near-legendary figure. So many shipping attacks are attributed to this 46-year-old ethnic Shan that it seems as if the Mekong ambitions of the Asian superpower are being foiled by a medieval-style drug lord with a few dozen hill tribe gunmen."¹⁸⁹ If Mekong brigands and smugglers can operate with impunity, where is the security deterrent for China's domestic protest, separatist, or terrorist movements?

Segments of the CCP's counter-narcotics response are geared towards demonstrating the regime's security competence against criminals. China's improving power projection capabilities were advertised both in the revelation of UAV strike plans, and in the massive cross-border manhunt orchestrated by the Ministry of Public Security. As a leading MPS official stated, "China was able to rely on contacts developed over the past decade from the training of more than 1,500 police officers in Southeast Asia" and on informal networks of ethnic Chinese along the Mekong supplied intelligence.¹⁹⁰ In China, Naw Kham was equated with Osama bin Laden. UAV strikes were floated in the press. These images bolster the CCP's security qualifications by drawing parallels to other great power operations against international criminal networks.

¹⁸⁸ Erickson and Strange, "Sunk Costs," 41.

¹⁸⁹ Marshall, "Special Report."

¹⁹⁰ Perlez and Feng, "China Flaunts Cross-Border Clout."

The Party's counter-narcotics responses also demonstrate China's influential role as the preeminent security provider on the Mekong River. Part of the CCP's challenge in reinforcing its security credentials was overcoming territorial or sovereignty sensitivities of its downstream neighbors. Immediately following the murders, "an angry Chinese government" unilaterally made the drastic decision to halt all Mekong shipping, and Beijing "summoned" ministers from Thailand, Laos, and Myanmar for "urgent talks."¹⁹¹ To avoid a potential Thai whitewash of the crime scene investigation, Beijing "quickly dispatched their own team of experts to assist the Thais with their investigation."¹⁹² The initial Mekong patrols were launched "to great fanfare" and ceremony from Yunnan in mid-December 2011, and sailed from Chinese territory, along the Laos-Myanmar border, and into Thailand's waters.¹⁹³ Moreover, the joint river security teams featured the CCP's stamp with over twice as many Chinese officers as all other countries combined, and domestic press celebrated the PRC's leading role in "making the Mekong safer."¹⁹⁴

Perhaps the greatest demonstration of the CCP's specialization in—and monopoly on—violence came during the trial and punishment phases. Rather than delegate the judicial process to a less-motivated state, the CCP assumed jurisdiction and extradition over the crimes, "the suspects were brought back to Kunming, Yunnan province, and Lao and Myanmar policemen were also flown in to testify against the traffickers." If the Chinese courtroom failed to impress, the punishment phase was a live advertisement for the CCP's security competence: Chinese state media showed the criminals being "paraded live on state television, trussed with ropes and shackled in chains, as police led them from the jail to a bus taking them to the place of execution." The execution was not televised, but the Party left little doubt about among Chinese citizens of the regime's commitment and competence in the security arena.

¹⁹¹ "Mekong Mayhem: New Water Sheriff," *The Economist*, 19 November 2011, <http://www.economist.com/node/21538789>.

¹⁹² Storey, "Mekong River Patrols," 14.

¹⁹³ *Ibid.*, 15.

¹⁹⁴ "Making the Mekong Safer for Shipping," *People's Daily*, 12 December 2011, <http://english.people.com.cn/90883/7672836.html>.

C. COUNTER-NARCOTICS SUMMARY

Before October 2011, China's counter-narcotics policies were predominantly domestic, limited, and relatively uncontroversial. Cooperation with other states was widely discussed and paid token consideration, but rarely executed in significant depth. However, the Mekong murders unsettled the CCP's political bargain by inflaming nationalism and questioning the regime's security guarantees. In prioritizing domestic legitimacy concerns, the CCP enacted new counter-narcotics policies reflecting greater deference to Chinese nationalism and security imperatives on the Mekong River. As a result, China's counter-narcotics efforts are now increasingly broad, assertive, and directed abroad. Mekong cooperation is now tilted towards Beijing's demands for policy effectiveness, and for the moment, the threats to river shipping associated with narcotics trafficking appear to be mitigated.

The CCP's Mekong River counter-narcotics policies—though triggered by domestic nationalism and security components of regime legitimacy—have imposed conditions for commerce approximating a public good. Trafficker arrests and drug confiscations are up and security is much improved. The southward push of Chinese economic interests has fueled demand for public goods that downstream states were previously unwilling or unable to provide. However, this chapter has shown that the dominant influence of the CCP's domestic legitimacy concerns in policy formulation means that the PRC's behavior should not be interpreted as international altruism, but rather as extracting disproportionate benefits for the regime at home.

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V. SUMMARY, CONCLUSIONS, AND IMPLICATIONS

This chapter summarizes the CCP's legitimacy challenges, the foreign context surrounding Mekong policies, and how each case study reflects different aspects of the Party's fragile legitimacy. Then, conclusions about the PRC's Mekong policies are elucidated to provide a foundation on which to extract broader implications for China's relations.

A. SUMMARY

Chapter II outlines broad categories of legitimacy challenges that arise from the unique political bargain in China featuring a balance between extractive political and inclusive economic institutions. The most significant legitimacy factor is the Party's evolving economic growth imperative, now in a fourth decade since Deng Xiaoping's early economic reforms. Modern iterations of the growth imperative stress a "Going Out" strategy that aims for greater returns abroad, despite the higher risks from foreign competition, resentment, and hostility. Second, diverging outcomes undermine the Party's political bargain by limiting the inclusiveness of development and modernization. Inequality for broad segments of rural, western, or ethnic minority citizens undermines the regime's authority where it fails to deliver benefits. Third, the CCP's endorsement and manipulation of nationalism strengthens its ruling legitimacy by allowing safer outlets for domestic political frustration that focus anger abroad while presenting unifying policy options at home. Fourth, the regime's security imperative to monopolize violence surrounding Chinese interests at home and abroad reveals the CCP's fundamental obligation to set conditions that enable production and returns. Domestic perceptions of CCP-provided security underscore a responsibility to protect citizens and deter additional challenges to order. Last, China's politically extractive institutions have deafened elites to shortcomings in quality-of-life and other, meaningful measures of development. Negative externalities, especially in the health and environmental spheres, impose costs on Chinese citizens that risk social unrest and demand alternative pathways to modernization.

Regional trends provide foreign context upon which to analyze China's Mekong policies. China's actions since 2008 have prompted changing perceptions about the validity of "win-win" official proclamations. Analysts draw links between China's increasingly assertive behavior and heightened wariness among China's neighbors. Competition is also growing—for natural resources, market access, and foreign direct investment—that draws predictions of confrontation. To date, expected confrontation has been mostly deferred by Indochinese states due to China's vast power advantages, regional norms that downplay military clashes in favor of sovereignty and non-interference, and Asian desires to leverage the PRC's dynamic growth to achieve domestic economic targets. The institutional architecture and series of bilateral and multilateral agreements also define the spectrum for China's engagement with Mekong countries.

Chapter III examines China's Mekong dam policies and traces how they are shaped by three aspects of regime legitimacy. The CCP's economic growth imperative is evident in how national economic strategy mandates hydropower construction to generate energy for eastern industry and consumers, the influence of domestic hydropower interests in policy formation, and in the PRC's selection of pro-development partnerships across the region. The dangers to the Party's legitimacy posed by inequality along regional or ethnic cleavages also drive Mekong dam policy through economic and political attempts to share the benefits of modernization. Externalities of previous economic growth schemes—health and environmental calamities—offer a third threat to the regime's political authority, and trigger the CCP's search for alternative energy development that relieves Chinese citizens of burdens associated with rapid, coal-powered development.

Chapter IV focuses on components of the CCP's legitimacy that help form China's counter-narcotics policies on the Mekong River. Legacy counter-narcotics policies revealed the regime's concerns about negative impacts to its economic growth imperative: drugs diminish worker productivity, impose social health burdens, and undermine the regulatory state's rule-of-law. However, beginning in October 2011, Mekong events triggered a policy departure that reflects the Party's calculations about

Chinese nationalism and the regime's security imperative. The effects of nationalism on the PRC's Mekong policies are explored through domestic anger outlets and expectations of rising Chinese power. The CCP's security imperative is evident in China's responses to new challenges along its expanding economic frontier, and in a legitimacy requirement to demonstrate competency in protecting Chinese lives and interests.

B. MEKONG CONCLUSIONS

The case studies on dams and counter-narcotics policies enable conclusions about China's Mekong River behavior. First, the case studies resonate on different aspects of the CCP's legitimacy; examining which aspects helps explain the domestic drivers of China's policies. Second, China's Mekong policies are consistent with broader trends of the PRC's foreign interaction. Third, examining Chinese policies through a legality lens reveals the Party's prioritization of policy effectiveness—which pathways best secure the CCP's legitimacy—over competing considerations.

1. Diversity of Mekong Motivations

Acemoglu and Robinson posit that the combination of political extraction and economic inclusion yields an unstable situation that will eventually demand political reform to sustain growth.¹⁹⁵ This inherent instability is manifested in China as a fragile political legitimacy that filters events and conditions to shape state policy. In China's political bargain, economic progress serves as the most significant counterweight to state repression and it, therefore, follows that the CCP's economic growth imperative influences both Mekong hydropower initiatives and counter-narcotics activities.

However, beyond economic grand strategy, case study evidence reveals that China's Mekong hydropower is heavily influenced by Yunnan Province's inequality and the negative externalities from past development schemes. From the perspective of Chinese elites, the potential of Mekong dams to help address economic growth,

¹⁹⁵ Acemoglu and Robinson, *Why Nations Fail*, 92–95.

inequality, and social externalities encourages a hydropower policy focused on internal sovereignty, opaque in operation, deaf to downstream viewpoints, while unloading negative externalities abroad.

In contrast, the PRC's recent counter-narcotics efforts grew out of nationalist and security imperatives of the CCP's legitimacy, sparked by new challenges at China's Mekong economic frontier. China's interests increasingly span foreign arenas, meaning that CCP leaders must now navigate impassioned domestic demands through the constraints of the international system while engineering public demonstrations of the regime's nationalist and security credentials. Since 2011, China's Mekong counter-narcotics policies are, therefore, increasingly assertive, projected abroad, and highly-visible. The CCP's political calculations vary across river economic activities, so generalizations of an overarching Mekong River strategy—apart from a pro-growth economic agenda—are unjustified. Scholars must examine the specific aspects of domestic legitimacy agitation to understand China's Mekong policies.

2. Consistent with Trends

China's Mekong policies regarding hydropower dams and counter-narcotics efforts are generally consistent with broader perceptions of China. Scholars might hypothesize that China's policies regarding its downstream neighbors would be influenced by geographic proximity, shared borders, or historic links. However, the case studies support the argument that China's Mekong policies mirror the direction—if not the intensity—of wider trends observed since 2008 around China's periphery.

The PRC's Mekong behavior supports the contention that the CCP's "win-win" rhetoric is being eclipsed by more assertive policies that trigger increased wariness abroad. The hyper-prioritization of domestic legitimacy imperatives over foreign objections regarding Mekong dams is evident in opaque planning, construction, and operations processes, and a unilateral transfer of negative externalities to downstream countries. In the counter-narcotics arena, the CCP's policies appear positive for the public good of river security at first inspection. However, China's heavy-handed tactics—extralegal assertion of jurisdiction, demands for security patrols on foreign

territory, fomenting of nationalism to justify policies, proposals for UAV strikes—undermine counter-narcotics cooperation by redefining success as outcomes that solidify the CCP’s domestic legitimacy. China’s Mekong policies reject possible “win-win” pathways in favor of disproportionate gains for the CCP’s political authority.

The two Mekong case studies also align with the regional trend of increasing competition that has yet to generate outright confrontation. China’s dam policies are designed to accelerate hydropower generation for domestic reasons, but China’s actions aggravate the “tragedy of the commons” on the Mekong by generating hydropower competition with downstream states. Laos, for instance, has adopted the Chinese model of Mekong dam building with surreptitious construction on the Xayaburi and Don Sahong dams in attempts to downplay Lower Mekong objections.¹⁹⁶ The recent approach to Mekong counter-narcotics policy also illustrates regional competition for market access. Chinese businesses own the preponderance of river shipping vessels on the Mekong, so river security efforts propel the advancement of Chinese commercial interests southward into Myanmar, Laos, and Thailand.

China’s increasing assertiveness amidst regional competition is also evident in the CCP’s selection of institutional pathways for international engagement. Regarding Mekong water use, China has circumvented multilateral regulatory mechanisms—such as the Mekong River Commission and the World Commission on Dams—in pursuing a mostly unilateral and closed approach to its domestic dam-building programs. When it does engage other Mekong states, China leverages development-minded organizations like the GMS that promote hydropower initiatives through grants and loans. On counter-narcotics concerns, historic policies exhibited a preference for non-binding agreements that facilitated basic information sharing, and bilaterally negotiated memoranda of understanding. Since 2011, however, the success of joint patrols highlights the elevated assertiveness of Chinese policymakers over multiple downstream regimes to impose policies colored by the PRC’s domestic priorities, rather than voluntary foreign consent

¹⁹⁶ Amy Sawitta Lefevre, “Laos Pushes Ahead with Mekong Dam without Consulting Neighbors,” *Reuters*, 3 October 2013, <http://www.reuters.com/article/2013/10/03/laos-dam-idUSL4N0HT1VH20131003>.

to shared multilateral commitments. Taken together, the character and volume of Chinese interactions with other Mekong states reveals the PRC's competitiveness in pursuit of outsized gains that reinforce the CCP's domestic legitimacy.

3. Across the Legality Spectrum: Policy Effectiveness Prioritized

The selection of Mekong dams and counter-narcotics policies as case studies was aimed at determining whether the legality of economic activities shaped the PRC's policy responses. Dam building embodies massive, domestic, state-orchestrated, legal development of natural resources. The drug trade is a non-traditional and trans-border threat fueled by illegal, small-scale entrepreneurs who thrive in regulatory vacuums. When viewed through a legality lens, China's Mekong actions reveal a prioritization of policy effectiveness in solidifying the CCP's legitimacy concerns that displaces conventional responses to legal or illicit challenges.

Around the world, legal dams are usually enmeshed in regulatory framework, industrial development practices, environmental impact assessments, and trans-border cooperation mechanisms. On the Mekong River, however, China's dam-building policies are atypical in that the CCP seeks planning opacity and unilateral operations to circumvent regulatory mechanisms or downstream objections that might constrain the enhancement of the Party's legitimacy. To strengthen its political authority, the regime pursues asymmetric and informal paths to legal dam construction.

Conventional counter-narcotics efforts overwhelmingly focus on domestic law enforcement measures and token information sharing agreements; the PRC's policies mostly followed this rule until 2011. However, China's more assertive counter-narcotics policies on the Mekong, by virtue of targeting foreign territory and citizens, actually forced dialogue and engagement—however lopsided—with downstream countries. The CCP's responses against Mekong drug traffickers imposed formal, inter-state cooperation against illicit narcotics trafficking along a lawless frontier.

The counterintuitive pathways of China's Mekong policies—where hydropower development is conducted in the shadows, and counter-narcotics enforcement was forged in diplomatic formality—implies that the CCP pursues whichever avenues are conducive

to securing the regime's legitimacy. Chinese elites value policy effectiveness in securing the Party's legitimacy over more conventional strategies concerning legal and illicit Mekong activities.

C. BROAD IMPLICATIONS OF CHINA'S MEKONG POLICIES

As this paper's introductory chapter recounts, academic literature features a lively debate on the character of China's political influence. In 2005, Joseph Nye noted an accelerating "rise in China's soft power."¹⁹⁷ The following year, Joshua Kurlantzick drew on the PRC's diplomatic "charm offensive" to expect "that China's rising power, and its engagement with the world, will prompt Beijing to wield its soft influence responsibly."¹⁹⁸ The PRC's policies regarding Mekong dams and counter-narcotics efforts, however, detract from Nye and Kurlantzick's predictions and add credibility to recent perceptions of a more assertive and confrontational China.

1. Not So Soft and Charming

Keohane and Nye define soft power as "the ability to get desired outcomes because others want what you want. It is the ability to achieve goals through attraction rather than coercion... or getting them to agree to norms and institutions that produce the desired behavior."¹⁹⁹ On China's Mekong hydropower efforts, the CCP purposely maneuvers around the concerns of downstream states and rejects foreign attempts to shape Chinese behavior. The regime preserves its immunity to liberal conceptions of policy "attraction," choosing instead a purposeful deafness to Mekong states' objections to the externalities of upriver dams. In the counter-narcotics sphere, China's recent actions reflect an imposition of its desires over and above any neighbors' priorities. The CCP's *modus operandi* since 2011 entrenches coercion as its favored tactic to resolve crimes perpetrated by foreigners on foreign territory against Chinese riverboat operators, in spite of historic norms tied to sovereignty and non-interference.

¹⁹⁷ Nye, "The Rise of China's Soft Power."

¹⁹⁸ Kurlantzick, "China's Charm Offensive," 275.

¹⁹⁹ Robert O. Keohane and Joseph S. Nye, "Power and Interdependence in the Information Age," *Foreign Affairs* 77, no. 5 (September–October 1998): 86.

In a similar vein, China's Mekong actions reveal a departure from a rhetorical "charm offensive." Kurlantzick describes diplomatic refinement, media outlet proliferation, and "networks of informal business and cultural summits... to subtly emphasize" China's openness for partnerships.²⁰⁰ The case study evidence presented in this paper argues a different story. China's hydropower efforts highlight the diminishment of cross-border communication, except where Chinese firms can extract disproportionate profits from development contracts. Moreover, recent counter-narcotics activities show "angry" diplomatic demands and summons, a Chinese media fanning nationalist flames against foreigners, and less-than-subtle warnings about Chinese UAV strike missions.²⁰¹

2. The Tyranny of Fragile Legitimacy

Why the disparity between analysts' predictions and China's contemporary Mekong policies? This paper argues that China's Mekong River policies are less shaped by balance of power or interdependence theories, and increasingly driven by the realities of the CCP's legitimacy challenges. The regime hyper-prioritizes short-term contributions to its domestic political legitimacy over the concerns of its neighbors, yielding a less-cooperative China that triggers wariness abroad about the scope and characters of its ambitions. The case studies highlight how two Chinese economic interests on the Mekong offer the Party a window to, and potential solutions for, its own political legitimacy problems.

The most alarming aspect of the Party's legitimacy challenges is how sparks of nationalism risk foreign policy wildfires. The CCP's championing of Chinese nationalism to enhance Party legitimacy demonstrates the stored potential energy inherent in politically extractive institutions. More to the point, enflamed nationalism might focus unified, domestic outrage and policy demands on foreign policy, escalating relatively minor disputes to the level of core interests—those objectives or interests over which China will fight. Most dangerously, over real or perceived affronts to crucial elements of

²⁰⁰ Kurlantzick, "China's Charm Offensive," 273.

²⁰¹ "Mekong Mayhem," *The Economist*.

the PRC's national power—energy security and trade access, for example—Chinese nationalism increases the probability of disagreements or misunderstandings to spark major conflict. Consensus-based decision-making among top leadership—where the most vociferous elites can drive policy on any given issue—combined with extensive PLA power projection capabilities, present the opportunity for nationalism to catalyze armed action abroad. A strong measure of the CCP's propensity for conflict rests in the extent to which the Party can shape and redirect nationalist currents into policies that subdue rather than aggravate tensions, but China's Mekong River behavior justifies skepticism.

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