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Damming the river by feeling the stones: external shocks and policy adaptation in China's Mekong hydropower policy

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ABSTRACT

This article considers the puzzle of how and why given the challenge of information asymmetry between the state (the principal) and Chinese state-owned enterprises (the agents) Beijing identifies flaws in its foreign policies. We seek to explain changes in China's foreign economic policy and Chinese SOEs' strategic response to those changes as reflected in their business approach. Drawing on historical institutionalism, we construct an explanatory framework that we label 'implementation, shock, learning, and adjustment (ISLA)'. We apply this framework to examine the implementation record of Chinese hydropower contracts in the Mekong region over the past two decades. This illustrates a policy adaptation process that depends heavily on the impact of 'external shocks' that lay bare key risks to China from the current policies guiding SOEs' overseas activities and lead Chinese authorities to make policy changes. Our findings suggest that these policy changes emphasize greater regulatory compliance by Chinese dam-building firms while leaving Beijing's major policy goals in place. Thus, the 'shocks' affecting Chinese dam-building in the Mekong have not led the Chinese leadership to reduce incentives for external business expansion. Rather, Beijing has boosted its intervention, built out its regulatory restrictions, and added security authorities' involvement to both the hydropower and non-hydropower sectors, at home and abroad. We observe that key measures were introduced after the mid-2010s as Beijing faced growing geopolitical competition from the United States and Japan, and sought to prevent further shocks and repercussions caused by those firms' activities in the region. China's increasingly security-centric policy has led dam-building SOEs to alter their business approach, even though its effectiveness in overcoming information asymmetry remains unclear.

KEYWORDS China; energy politics; foreign policy; historical institutionalism; infrastructure; Mekong; securitization; Southeast Asia

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This article has been corrected with minor changes. These changes do not impact the academic content of the article.

Introduction

Current state of research

A growing number of studies assessing China's state-owned firms' operations abroad as agents of Chinese foreign policy emphasize the challenge of information asymmetry referencing the principal-agent problem. This framing has been invaluable to demonstrating that the link between China's central government institutions and state firms is complex, as firm behavior is at times inconsistently aligned with China's policy intentions and can even be even injurious to Beijing's strategic goals. However, less attention has been given to when and how China's policies change in response to firm behavior beyond China's borders, or how Chinese firms have responded to such policy changes over time. This study seeks to help fill this gap. Through an analysis drawing on an original longitudinal dataset of the implementation record of Chinese overseas projects in the Mekong region, it illuminates how Beijing interprets information about the implementation behavior of state-owned enterprises (SOEs) and adjusts its policies accordingly.

Infrastructure projects have long served China's foreign policy purposes, whether as a centerpiece of Chinese foreign aid programs to fellow communist countries during the Cold War, as a key element of China's South-South diplomacy with developing countries in the post-Cold War era, or as a more recent dimension of China's complex economic relations with advanced economies. Infrastructure projects gained greater prominence in China's foreign relations in the late 1990s and early 2000s during Beijing's 'Going Out' (走出去) campaign promoted by Chinese leader Jiang Zemin (1989–2003), aimed at elevating China's stature as a global actor while spurring Chinese SOEs to expand their business activities worldwide.

Since the Belt and Road Initiative (BRI) superseded the Going Out campaign in 2013 and put infrastructure development front and center in China's foreign policy, much scholarly debate has focused on why this policy change occurred. There are studies linking the change to the leadership of Xi Jinping and the important role that strategic SOEs play in the concentration of Party-state power in Xi's hands (Leutert & Eaton, 2021). However, the debate's principal contours are between studies emphasizing the BRI's geopolitical utilities and those highlighting the role of SOEs as intermediaries impelling the BRI mainly for financial gain.

Analytical focus on the Mekong subregion

Studies on SOEs as agents in Chinese foreign policy in the Mekong subregion largely mirror this debate. The Mekong subregion, which plays a critical role in China's Good Neighbor policy (睦邻外交) and Going Out campaign (Goh, 2008), has also been a focus of BRI-linked infrastructure development. Some studies portray China's extensive dam-building on the Mekong as a form of 'hydro-diplomacy,' assessing its objectives and impact as a means for China to gain geopolitical advantage and increase its leverage over smaller, downstream riparian states (Burgos & Ear, 2010; Goh, 2006, 2008; Liebman, 2005; Stuart-Fox, 2009). Others reject this state-centric assessment and contend that international strategy has little to do with China's regional dam-building activities. They emphasize the role of SOEs as well as provincial governments as key drivers of China's Mekong hydropower development (Bosshard, 2009).

Despite these differences, studies on both sides of the debate raise questions about the role of SOEs as implementing agents for Beijing as it pursues its foreign policy strategies. The failure of China's Myitsone dam project in Myanmar in 2011, which seemed to catch Beijing by surprise, became emblematic of the challenges inherent in the principal-agent information asymmetry problem between Beijing and SOEs operating beyond its borders (Jones & Zou, 2017; Li, 2014). Understanding SOEs as self-interested actors is not new. Yet, the Myitsone debacle led researchers to seek to understand why, despite holding strong authority and power, and given the priority assigned to hydropower in both the Going Out and BRI agendas, Chinese authorities failed to exercise greater control over Chinese SOEs' overseas business conduct (Biba, 2012; Freeman, 2017; Jones & Zou, 2017; Maurin & Yeophantong, 2013; Sun, 2016; Yeophantong, 2017). This is an important question, but it assumes a unidirectional relationship between the state and intermediaries in China's foreign policy. It does not account for why and how Beijing might change its policies to address some of the weaknesses in its dam building policies that gave rise to the Myitsone suspension by Naypyidaw and problems with other projects (Hameiri & Jones, 2016). If we start from the assumption that the Chinese policy process is not top down but rather iterative and enabling of policy adjustments over time, our question becomes how Chinese foreign policy may be informed by the implementation behavior of its SOE agents, as well as the shifting pattern of the Chinese state-SOEs interaction.

Historical institutionalism and critical junctures as a new framework

To answer this question, we draw on historical institutionalism, a theory that examines how and why impactful events can serve as critical junctures for policy changes (Helleiner, 2014; Mabee, 2011; Pierson, 2004). As we discuss below, historical institutionalism has been fruitfully applied to studies of the evolving interactions between the Chinese state and its agents in various domestic policy areas. Building on existing scholarship, we deploy a framework we label *implementation, shocks, learning and adjustment* (ISLA) to illuminate how China's foreign policy and SOEs' overseas business behavior interact over time.

We use this framework to analyze a dataset created through triangulating open-source datasets comprising the implementation record of 106 Chinese SOE dam contracts in three Mekong countries: Cambodia, Laos, and Myanmar (referred to as 'CLM' hereafter) for the period between 2000 and 2019. We analyze this implementation record alongside the documentation of China's policy directives and policymaking structure along with changes to its regulatory apparatus that collectively comprise elements of China's foreign economic policy. We also gather primary and secondary sources, including 16 semi-structured interviews with experts and stakeholders of China-backed dams in the Mekong from November 2018 to May 2023 to cross-trace our data and interpret alterations to Chinese policies and SOEs' strategic responses over time (Appendix A).

Our research suggests that changes to China's Mekong hydropower policy over the past two decades reflect a learning-by-doing and trial-and-error process. Chinese authorities iteratively recalibrate their policies regulating SOEs' behavior to improve on the results of their original policy approaches to mitigate problems and make greater progress toward a given policy's originally intended objectives. We show that central authorities began with an incentive-based approach with minimal regulations and oversight, under which SOEs were highly motivated to 'go out' and engage in intense competition to secure projects. However, this policy approach also incentivized problems that Chinese authorities had not anticipated, such as implementing projects in the absence of due diligence. In cases like but not limited to the Myitsone dam suspension, repercussions of problematic events were so significant that they constituted 'exogenous shocks' that led Chinese authorities to reformulate their original set of policies.[1]

Our findings support the relevance of historical institutionalism to analyzing changes to Chinese foreign policy. Throughout the 2010s, there were various shocks to Chinese dam development in the Mekong that were followed by attendant policy adjustments, with both path-dependent and path-breaking characteristics. On the one hand, the incentive-based approach was largely left intact, as China's leaders sought to retain SOEs' dual role as profit-oriented agents and foreign policy implementors. On the other, Beijing increasingly emphasized mitigating security risks and geopolitical threats to Chinese SOEs' hydropower projects in the subregion. More direct intervention in SOEs' efforts to compete for business and a greater role for China's security bureaucracy in policymaking and hydropower project-coordinating processes has been associated with this greater focus on security. As our research shows, the pivot in this direction began in the wake of the Myitsone dam debacle but became prominent when the United States and Japan stepped up countermeasures in the mid-2010s against the BRI by increasing their engagement in Mekong water management while intensifying criticism of Chinese dam-building activities in the region. These changes, compounded by Xi Jinping's ever-expanding anti-corruption campaign, which implicated leaders of major SOEs and more assertive national security agenda, constituted a more substantial exogenous shock to China's dam diplomacy.

This article proceeds in three parts. The first section discusses the historical institutionalist literature in the context of Chinese political economy research to lay out the essence of the ISLA framework. The second section provides an overview of our database on the implementation record of Chinese SOEs' dam contracts over the past two decades. The third section applies the ISLA framework to explain changes in both China's Mekong hydropower policy and Chinese hydropower SOEs' business records in relation to China's external environments throughout three distinct periods: phase I, a laissez faire, incentive-based approach under minimum external shocks (2000–2011); phase II, minor policy adjustments in response to moderate negative effects caused by external shocks (2011–2015); and phase III, major shocks and policy recalibration towards securitization (2016–present). The concluding section assesses this research's scholarly contributions and suggests areas for future research on both the study of China's foreign policy and the political economy of institutional change.

Changes in China's foreign economic policy—the role of shocks in policy change and adjustment

Policymakers in China and elsewhere face the challenge of how to assess and alter existing policies to best achieve intended policy goals. How they tackle this challenge has been the focus of institutionalist scholarship. Earlier institutionalist literature interrogated this question with a focus on the policymaking apparatus as illustrated by Deutsch's (1966) conceptualization of policymaking as an 'information feedback cycle'. This conception of policymaking describes it as a process whereby policymakers constantly steer, drive, and realize policy goals through interpreting implementation results. Much of the early literature was normative in thrust, with its practitioners principally focused on formulating institutional designs that would foster policy learning for improved policy results. Later institutionalist literature applied a lens beyond the formal institutional dimension of the policy process, testing a variety of factors, such as political actors' interests and interactions with the structural (variably defined) context in which policymaking takes place (Hall & Taylor, 1996).

Among the major strands of this body of literature, historical institutionalism sheds light on informal institutional factors that affect the course of policy learning and change (Pierson, 2004). Its assumptions include that policy choices, while based on decision-makers' interests and policy priorities, emerge from and are embedded in established institutions and their associated political, ideational, and cognitive dimensions. Rather than generating change, policy feedback cycles are likely to lead to path-dependency in policy learning. In general, scholars of historical institutionalism see policy and institutional changes occurring only over fairly long periods of time. For this reason, they contend that it is important to consider incremental changes which are best seen by taking a longitudinal view of policies and their outcomes. However, these scholars stress that major events may disrupt path dependent, gradual policymaking cycles and serve as critical junctures for significant institutional change (Helleiner, 2014; Mabee, 2011).

In the realm of foreign policy and international relations, major global events may function as exogenous shocks and stimulate a reassessment of existing policies (Hermann, 1990; Rose, 1998). Notably, the effect of exogenous shocks continues to be conditioned by the established institutional context in which it occurs (Hermann, 1990), as well as by strategic interactions among key stakeholders (Thomas, 1999). Work by Carlsnaes (1993) suggests, moreover, that a country's foreign relations and international status are key parameters that must be considered to understand the lessons policymakers draw from exogenous shocks. Nohrstedt (2005) finds that policies adopted in response to external shocks may reflect a national government's immediate political interests more than they do an effort to redress errors in past policy.

Scholars focused on China's domestic political economy have drawn heavily on historical institutionalism to understand and explain developments in contemporary China. As noted, this scholarship shows that institutional and policy change is largely a process of gradualism, starting with experimenting and small-scale testing and followed by repeated tinkering and incremental revisions- in keeping with Deng Xiaoping's injunction that China's reforms should 'cross the river by feeling the stones' (Eaton, 2013; Tsai & Naughton, 2015). As several of these studies emphasize, a central challenge facing China's leaders adopting a gradualist approach to reform is information asymmetry. Given the country's sheer size, fragmented policy operating structure, and diverse state agents, information concealment and distortion by intermediary policy actors frequently weakens and disrupts policy feedback and learning (Caulfield, 2006; Freeman & Xu, 2015; Knight & Shi, 1999; Kwong & Lee, 2000; Qian, 1996). To address this challenge, Chinese authorities have made various policy adjustments and amendments, including information disclosure requirements (Florini, 2007; Stromseth, Malesky, & Gueorguiev, 2017), penalties (Eaton & Kostka, 2014; Zhang & Wen, 2008), and expanded communication (Heilmann, 2008, Leutert & Eaton, 2021, Zhao & Wu, 2016). Still, as Wang and Yang (2021) observe, while China's institutional settings make policy experimentation feasible, the complex political environment can both limit the scope of policy experimentation that may be undertaken and perpetuate bias in policy learning.

Importantly, the historical institutionalist literature puts the spotlight on the effects of external shocks on China's policy reform. As in the case of SOE reforms in the run up to China's entry to the World Trade Organization (Tsai & Naughton, 2015), or its central bank reform following the 2008 global financial crisis (Bell & Feng, 2014), a changing external environment may constitute a critical juncture as it not only disrupts the existing equilibrium among stakeholders but also imposes urgency upon Chinese leaders to redress the situation, requiring adjustments to policy priorities and approaches. Historical institutionalism also provides a useful framework through which to examine the changes in China's foreign economic policy in response to exogenous shocks. Since the launch of the Going Out policy, an incentive-based approach has been a hallmark of China's foreign economic policy experimentation. Following an incentive-based approach, China's leaders have defined directives and responsibilities for state agents. In actual practice, however, they have relied on state-backed financial resources to incentivize those agents to fulfill these responsibilities (Lampton, 2008). Given this policy design, information asymmetry problems have been rampant, as SOEs or other agents have had few incentives to provide feedback that might harm their access to financial resources (Gill & Reilley, 2007; Liao, 2019; Zhao, 2014). When the policy entailed specific firms operating overseas as China's foreign policy agents through delivering projects in what are usually remote sites with governments that are themselves often highly opaque actors, obstacles to meaningful input into the feedback cycle were more acute.

However, numerous studies show that external events or changes to the external environment can cause 'shock effects' by bringing policy failures and their impacts to light for China's entrenched policy apparatus (Eaton, 2013; Shirk, 2008; Zhi & Pearson, 2017). Confirming the abovementioned historical institutionalist scholarship, recent research on China's contemporary foreign policy stresses that the impact of external shocks needs to be understood within China's increasing securitized economic dirigisme and its growing concerns about risk incurred from China's shifting geopolitical environment (Pearson, Rithmire, & Tsai, 2023, Hameiri & Jones, 2016). In short, how perceptions of risk influence leaders' reading of exogenous shock events is also an important conditioning factor in the solutions leaders choose in response to these challenges (Bell, 2011; Hay, 2016).

We synthesize the above discussion into the framework of *implementation, shocks, learning and adjustments* (ISLA), represented visually in Figure 1. Three inferences can be drawn from this framework. First, an analysis of exogenous shock effects on China's policy change may be conceptualized as a cycle of policy planning, implementation, and adjustments in which major events disclose critical information for China's leaders to detect negative implementation results and make changes to relevant rules and policies. Second, while exogenous shocks may drive China's leaders to adopt new policies to enhance command over SOEs, shocks may not lead China's leaders to alter the fundamental direction of their foreign policy and its goals. Third, while the trajectory of policy change is shaped by interactions between China's leaders and SOEs, how the former interprets the effect and implications of the shock and assesses China's external environment– which is embedded in the prevailing domestic political context—has significant effects on the adjustments they will undertake to utilize SOEs to achieve their policy goals. Thus, this trajectory

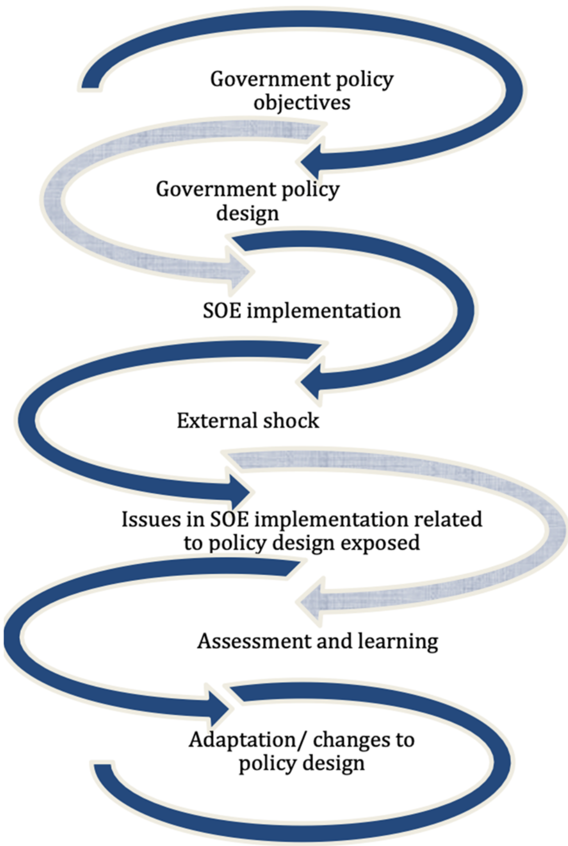

Figure 1. The ISLA framework and foreign policy iteration.

may reveal both path-dependent (from the existing policy goals) and path-breaking (from the new policy goals) characteristics.

The dataset

In the following section, we examine our empirical evidence through our ISLA framework, explaining the effects of exogenous shocks on China's Mekong hydropower policy and SOEs' business approaches and the resulting iterative policymaking process. We draw on two main types of data. First, we examine official documents, announcements, and decisions from an array of government branches that administer China's foreign economic policy since the Going-Out campaign. Second, we integrate three open-source datasets to document the implementation record of 106 Chinese SOEs' hydropower contracts in CLM from 2000 to 2019—with the equivalent of 68,906 megawatts (MW) installed power capacity—based on the method describe in Appendix B. Importantly, 'contracts' here refer to memoranda of understanding (MoUs) signed and announced by Chinese firms or their CLM business counterparts. Unlike legally binding contracts, these MoUs state broadly agreed-upon terms and may expire after a period of time in the absence of contracted parties' review, which provides SOEs flexibility to implement projects or not based on policy signals. Finally, we use interviews with relevant experts and stakeholders to interpret changes of the Chinese policy and SOEs business record.

Summarized in Table 1, our data shows a mixed picture of China's dam contracts in CLM. First, Chinese authorities have been effective in mobilizing SOEs' business interests, reflected in the significant amount of hydropower capacity installed or in the process of being installed by Chinese SOEs in CLM over the past two decades. However, a major portion of the MoUs inked by SOEs remain pending, or even delayed or cancelled, as of the time of this data collection.[2] Second, the ratio of unfulfilled MoUs in Myanmar is far higher than that of Laos and Cambodia. Third, there is a discrepancy between the ratios of MoUs being implemented by project count and those by produced power capacity, especially in Myanmar, suggesting that the majority of those unfulfilled MoUs are megadam projects.

To further examine the ISLA framework, we analyze in greater detail the evolving interactions between changes in China's foreign economic policy and SOEs' contract implementation record, and how exogenous shocks disclose problems with SOEs' project implementation; and the resulting policy changes that result from China's leaders' perceptions of the shock effect.

Changes in China's Mekong hydropower policy change through the ISLA framework

Table 2 summarizes the shifting features of China's policy and related institutions governing Mekong hydropower development and SOEs' strategic response, followed by a detailed explanation of this process below.

Table 1. Cross-country comparison of Chinese hydropower contract implementation (as of January 2020)

Country	Reference	Operational/ completed	Under construction	Planned	Canceled	Delayed	Totals
Laos	Project Count	17 (38%)	5 (11%)	23 (51%)	0	0	45
	Power Capacity (MW)	1717 (24%)	767 (10%)	4832 (66%)	0	0	7316
Myanmar	Project Count	13 (28%)	4 (9%)	18 (38%)	5 (10%)	7 (15%)	47
	Power Capacity (MW)	2775 (5%)	963 (2%)	19,709 (38%)	8,852 (17%)	19,300 (37%)	51,599
Cambodia	Project Count	6 (43%)	1 (7%)	7 (50%)	0	0	14
	Power Capacity (MW)	927 (9%)	400 (4%)	8664 (87%)	0	0	9991

Table 2. Iteration process of exogenous shocks, China's Mekong hydropower policy, and SOEs' business strategies.

Years	2000–2011	2011–2015	2016–2020
Events and their shock effects	Small and sporadic antidam protests, mainly in Myanmar *(Minimum shock)*	Increasing largescale antidam protests and dam project suspension, such as Myitsone dam; rising political instability in Myanmar and Cambodia *(Moderate shock)*	Continued antidam protests; increasing geopolitical competition/ U.S. (and Japanese) engagements in the Mekong; intensified geopolitical tensions *(Major shock)*
Institutional character	*State-backed, laissez faire* Strong policy directives and incentives and minimum regulations and direct intervention into SOEs' hydropower projects	*Adjusted state-backed, laissez faire* Strong policy directives and incentives and increasing regulations and direct intervention into SOEs' hydropower deals	*Securitized, state-backed* Strong policy directives with security underpinning; extensive regulations with security administration involvement and state intervention in SOEs' hydropower deals
SOEs' business strategy	Competing for local political and business partners through signing MOUs and minimum due diligence requirements	MOU-signing shifted to Laos and Cambodia; moderate improvement in due diligence and grievance safeguard	Declining MOUs; expanding business with greater due diligence and private security provision

Minimum shock phase (2000–2011)

Under the auspices of China's good neighbor policy in the late 1990s and the 2002 China-ASEAN Framework Agreement on Comprehensive Economic Cooperation, an interest in expanding China's role in trade and investment in countries along China's borders made the Mekong subregion a natural target. As noted above, during this time China's leaders sought to deepen economic ties with neighboring countries to increase Chinese influence and improve stability in China's periphery. Studies of the pattern of Chinese overseas direct investment during the peak of China's Going Out policy observe that compared to its western counterpart, Chinese investment has gone to 'risky locations' (Buckley, Yu, Liu, Munjal, & Tao, 2016). Chinese investors enter those environments, as Li and Liang observe (2012), not because of their risk tolerance, but rather because of the risk-reduction effect they assess in having good political relations.

In the early 2000s after the Going Out policy was introduced, from this perspective, China had important stakes in deepening ties with its ASEAN neighbors and Mekong countries. These countries were reeling from the strains of the Asian Financial Crisis (AFC) and were eager to improve their economic resilience, including expanding their own export-oriented development agendas. China was seen as having been a constructive actor during the AFC and they were favorably disposed to improving ties with Beijing (Percival, 2005). Massive dam construction for hydropower on its domestic rivers alongside the reform and opening policy and the 'corporatization' of its hydropower sector had given China a robust dam-building industry with exceptional capabilities in megadam construction. During this first phase of the Going Out policy, Chinese leaders pursued a strategy of incentivizing firms to engage in hydropower development in the Mekong through financial subsidies and other favorable policies advancing both diplomatic aims and increasing SOEs' overseas market shares in line with 10th Five Year Plan's goal of '[forming] large internationally competitive companies……through market forces and policy guidance'.[3] Energy security provided additional impetus. Given China's surging energy needs at this time, the Mekong Regional Power Grid, part of the Asian Development Bank's Greater Mekong Subregion, included plans for cross-border transmission lines that could expand China's energy supply and enable China's underdeveloped western region to access electricity generated in Southeast Asia (Bosshard, 2009).

China engaged its SOEs toward these aims through what can be described as a *state-backed laissez faire* approach, incentivizing SOEs to expand business operations abroad with minimal regulations and supervision over them on the part of the Chinese state. The Ministry of Commerce (MOFCOM) along with China's policy powerhouse, the National Development and Reform Commission (NDRC), became the key implementers of this approach. *The 2004 Foreign Trade Law* relaxed restrictions on SOEs' foreign economic activities and the concomitant *Guidelines on Outbound Foreign Direct Investments*, which were updated multiple times in following years, designated countries and industries prioritized for Chinese governmental support. Importantly, the Export and Import Bank of China (China Exim) expanded financing support for SOEs working overseas. Following the 2008 global financial crisis and Beijing's rollout of stimulus programs, the China Development Bank (CDB) became another financial pole of support for big-ticket overseas projects (Downs, 2011). In 2003, overseas markets also became a formal part of the SOEs performance review by the State-owned Assets Supervision and Administration Commission (SASAC).

However, these *state-backed* incentives were accompanied by a light regulatory hand and a limited supervisory ground-level role for the Chinese state over SOEs' business expansion. Neither MOFCOM, NDRC, nor SASAC spelled out requirements for firms' overseas ventures. Instead, compliance with the host country's laws was the default—even when the host country's regulatory frameworks were under-developed. Chinese policy banks' loan-approval reviews were barebones, lacking clear guidance for borrowers to conduct socio-environmental impact assessments in host countries. The government of Yunnan Province in particular enjoyed substantial autonomy to promote relations with CLM through its provincial SOEs (Freeman, 2017). It was only in 2007 that the State Forestry and Grassland Administration—a rather low-ranking government agency—issued the first document suggesting environmental standards for firms' overseas activities (Gallagher & Qi, 2021).

SOEs' business strategy and contract record

Under the *state-backed laissez faire* approach, SOEs pursued business primarily based on opportunities proposed by foreign governments (Interview C1; C2). Amidst the deregulation of power markets in the Mekong, exploiting hydropower resources became a policy priority for the three capital-strapped CLM governments that sought to improve their own domestic power supply and reap benefits from hydropower exports. Meanwhile, concerns about accumulating socioeconomic liabilities drove multilateral banks and western development agencies—historically the region's main development financiers—to scale back hydropower investments significantly (Matthews & Motta, 2015). This made China an attractive alternative both because of the cost-competitiveness of its SOEs and Chinese authorities' lax regulatory requirements.

As Figure 2 shows, SOEs' hydropower MoU announcements in CLM soared through the 2000s, particularly toward the end of the decade, meaning that Chinese SOEs responded enthusiastically to CLM governments' courting. For SOEs, signing MoUs as 'preliminary contracts' demonstrated the solidity of their political ties with host country governments that could gain approval and support, financially and non-financially, from the central authority, according to a former SOE manager (Interview C2). The surge of MoU announcements was also driven by competition between SOEs who sought to gain the first-mover advantage in new markets against their home rivals, observed Chinese scholars studying SOEs' activities in the Mekong region (Interview A1; A2). The pull factor was particularly strong from Myanmar's sanction-hit junta government, which coupled with Beijing's stimulus program, spurred SOEs' MoU-signing spree in 2009 (Interview A1). Reflecting on this period, another SOE manager described the MoU-signing activities as a 'contract-first-due-diligence-second' approach to business (Interview C1).

Still, for Beijing, the *state-backed laissez faire* policy was effective in both expanding SOEs' footprint and deepening ties with CLM governments. As

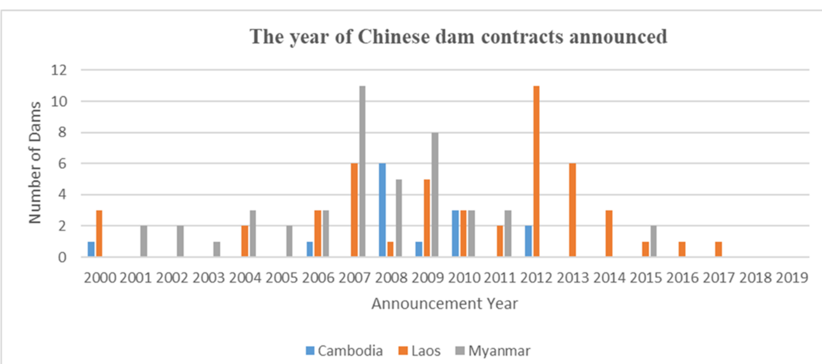

Figure 2. The year of Chinese dam contracts announced.

Figure 3 shows, in 2000–2011, SOEs had installed 1667 MW of hydropower capacity. A 2011 US Energy Information Administration (EIA, 2013) report estimated that in 2006–2011 China financed 46% of all hydropower capacity additions in CLM, making China by far the largest dam investor. The majority of China-financed dams were in Myanmar, such as the Shweli 1 and Lower Paunglaung dams, which were touted by both capitals as linchpins of China-Myanmar relations, as a former Chiang Mai-based dam watcher recalled (Interview N4). He noted that the Kamchay dam—Cambodia's first large-scale hydropower project—was described in the same language by both Beijing and Phnom Penh.

However, problems from SOEs' business approach were not easily detected by Chinese policymakers as their own policies disincentivized such information and they lacked specific mechanisms to detect them especially given the opaque environments in CLM (Interview A2). Several Mekong dam watchers stressed that SOEs relied largely on local partners in the interest of achieving fast project delivery (Interviews N1; N3; N4). To quote one observer, '[SOEs] prefer to operate on the principle of "out of sight, out of mind" where local partners' handling of grievances caused by their projects are concerned' (Interview N1). Host country governments also looked the other way as Chinese dam builders blatantly violated local laws and regulations, he added. Confirming this observation, studies find many problems with Chinese-built dams in CLM, ranging from corruption to the lack of proper safeguard mechanisms (Barrington, Dobbs, & Loden, 2012; Merme, Ahlers, & Gupta, 2014; Urban, Siciliano, & Nordensvard, 2018).

Problems caused by such business practices were already on the horizon in Myanmar as the construction of the Myitsone dam—the largest of the seven megadam contracts under Beijing and Naypyidaw's endorsement—was postponed for several years amid multiple controversies that aligned local activists and environmentalists, as a dam watcher involved in the

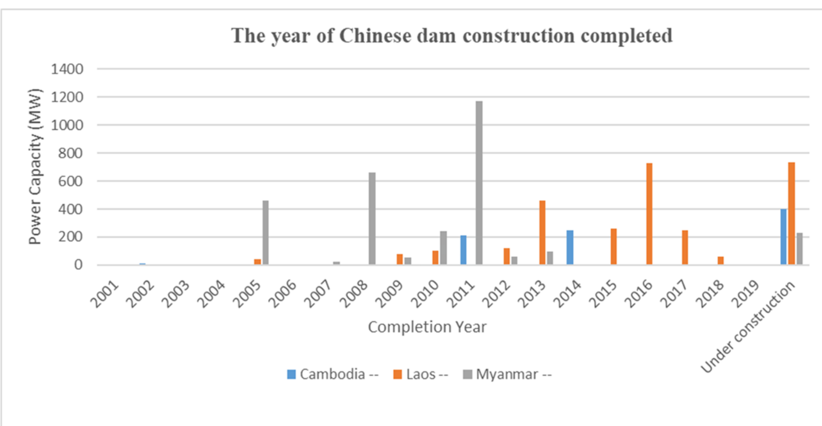

Figure 3. The year of Chinese dam construction completed.

movement recalled (interviewee N4). Far from the locations of Myistone and other projects, Chinese authorities failed to assess the scale of the challenges and risks incurred by the *state-backed laissez faire* policy.

Minor shocks phase (2011–2015)

Shocks and initial recalibration

In the early 2010s, China's dam builders faced rising pressure in Myanmar where rebel conflicts were compounded with democratization and antidam movements. The first significant incident that constituted an exogenous shock took place on 30 September 2011, when Naypyidaw unilaterally announced the suspension of the construction of the Myitsone dam, as well as all activities associated with other megadam projects, without notifying the Myitsone project developer, the State Power Investment Corporation (SPIC) or other Chinese dam developers and contractors working in the country. Unprepared and confronted with a huge loss, SPIC and the Chinese government scrambled for ways to restart the Myitsone and other projects but received little response from Naypyidaw (Chan, 2017). Similar dynamics, albeit to a lesser extent, took place in Cambodia and Laos around this time, where the rapid expansion of large dam construction led to significant socioeconomic disruption and provoked a surge of antidam protests (Hensengerth, 2015).

The Myitsone dam debacle not only stunned Chinese authorities and SOEs involved but also sparked a public reckoning on China's Going Out policy. For the first time, China's state media dedicated extensive coverage to an overseas Chinese venture and its problems with its host community. Commentators and intellectuals alike condemned the misconduct of SOEs and their impact on China's national interests. Prominent figures, including senior officials, also spoke out to demand clearer rules and greater transparency in SOEs' overseas business operations (Zha, 2011).

Nevertheless, the shock effect of Myitsone's suspension was amplified by China's domestic political context. According to a senior Chinese scholar, Beijing's response to the discussions on Myitsone reverberated with the rising public outcry against corruption, as the then new leader Xi Jinping launched a sweeping anti-corruption campaign, targeting dozens of officials from SOEs, China Exim, and governments of Yunnan and Chongqing involved with Myitsone (Interview A2).

The shock effects' limits also became evident when Xi unveiled a 'new' Going Out policy under the banner of the BRI, planning even greater state support for overseas infrastructure development. Moreover, the first official BRI document released by the National Development and Reform Commission [NDRC] (2015) reaffirmed that hydropower development remained a priority in China's promotion of relations with the Mekong region.

The post-Myitsone policy restructuring also reflects the path-dependency of China's state-backed incentive policy. Ad hoc official documents were issued, focusing on the importance for SOEs to enhance risk assessment mechanisms and legal protections for their foreign assets (Freeman, 2017; Sun, 2016). Several new agencies were given a bigger role over outbound infrastructure developments but in practice their power remained limited, as several Beijing-based environmentalists observed (Interview N5; N6; N7). For example, the 2013 Guidance on Environmental Protection in Foreign Investment and Cooperation *recommended* rather than mandated that firms operating overseas adopt best practices for the environmental impact assessments (EIAs) due to the opposition from the pro-export promotion MOFCOM (Interview N5). Despite SASAC in 2012 issuing a guidance urging SOEs operating overseas to strengthen legal risk prevention, corporate revenue and market shares remained key indicators of their performance assessment, as confirmed by two SOE managers interviewed (Interview C1; C2). Similarly, although China's banking regulator demanded greater disclosure of lending records, disclosure rules left out policy banks such as China Exim and CDB. Instead of restricting incentives, these 'soft' rules at best 'encouraged' SOEs to 'exercise greater caution' in making business decisions, according to discussions with the Chinese environmentalist (Interview N5).

From Beijing's viewpoint, the incentive-based approach to directing SOEs as policy agents remained a legitimate strategy, serving not only China's foreign but also its domestic policy interests, as was explained by the senior scholar (interview A2). At the time of the Myitsone shock, the Communist regime was in the midst of a major leadership transition; thus, it was an inopportune period for making major policy changes, he noted. In addition, in 2012, China experienced its slowest economic growth in the more than three decades in its post-Mao history. Relatedly, Beijing's stimulus program, after buoying China's economy immediately after the financial crisis, encumbered China with record-high overcapacity in infrastructure-related construction, including in the hydropower sector (Kong & Gallagher, 2021). Facing a delicate post-crisis global economic recovery, Chinese leaders saw stimulating external business activity as essential to sustaining the economic growth that it considered critical to regime survival (Wang, 2016).

The entrenchment of the state-backed incentive-based approach is illustrated in Figure 3, showing that following the Myitsone shock the construction of Chinese hydropower projects in CLM continued. According to a Chinese scholar familiar with this topic, the most explicit change after the Myitsone shock was the mandatory purchase of insurance from China Export & Credit Insurance Corporation (SINOSURE)—for Chinese firms engaged in export credit-financed projects (Interview A1). Yet, requiring SINOSURE insurance was, as the former SOE manager admitted, a 'passive strategy' and 'ineffective' in enhancing firms' due diligence or slowing down SOEs' project implementation (Interview C2). The manager also shared the observation that after the BRI kicked off, most firms saw it as a positive policy signal and adopted a business-as-usual posture.

Post-Myitsone shock & SOEs' adjustments

After the Myitsone shock, China's SOEs shifted their business focus to reflect a greater concern about risk, demonstrated foremost by their efforts to diversify business away from politically troubled Myanmar. As Figure 2 shows, SOEs' new MoUs in Myanmar dropped to virtually zero after 2011, while at the same time their MoUs in Laos, and to a lesser extent, Cambodia, shot up and continued to grow after the launch of the BRI in 2013. Similarly, SOEs' construction of hydropower projects in CLM continued even after the Myitsone shock. Shown by Figure 3, dam completion in Laos and Cambodia picked up significantly in 2011–2015, with a total installation of 810 MW in the former and 228 MW in the latter, a better completion record than that in Myanmar.

These trendlines indicate the entrenchment of SOEs' business strategy under the *state-backed laissez faire* policy, attributable to the pull factor from host governments that pursued their business. In the early 2010s, Vientiane began doubling down on its 'Battery of Southeast Asia' initiative to supply power to neighboring countries and actively offered joint venture opportunities to Chinese SOEs, among other foreign investors, as recalled by the Cambodia-based dam watcher (Interview N1). They [SOEs] were keen on signing preliminary dam contracts with the Lao government which they saw as a more credible business partner than Myanmar and Cambodia as both governments faced growing antidam protests. Other Mekong dam watchers stressed that Beijing's emphasis on policy risk mitigation had steered SOEs' preference to the political stability offered by Vientiane (Interview N2 and N3). The Chiang Mai-based dam watcher interpreted SOEs' improved dam contract completion record as a result of their shifting focus on less risky and smaller scale dams in Laos and Cambodia; he noted that even in areas without rebel conflicts in Myanmar, construction of smaller dams was ongoing or completed during this time (Interview N4). Regardless, SOEs' use of MoUs to demonstrate ties with the host government still paid off, considering Beijing's continued financial support for dam-building in the BRI era.

Granted, several SOEs had adjusted their business practices to gain better information about project implementation. For example, SPIC began developing direct contacts with the host community and other social responsibility initiatives (Kirchherr, Matthews, Charles, & Walton, 2017). As the senior Chinese scholar observed, since the Myitsone shock, SOEs have paused their 'go-out-fast' strategy and become more deliberative about their overseas business operations (Interview A2). Two Beijing-based Chinese environmentalists concurred with this observation, saying that since the Myitsone dam suspension, SOEs have became increasingly interested in learning about stakeholder relationship management (Interview N5; N6).

Nonetheless, despite this business adjustment, multiple Mekong-based dam watchers contended that Chinese SOEs did little to fundamentally change their business conduct following the launch of the BRI (Interview N1; N2; N3). 'Chinese dam-builders continued to rely heavily on local officials and business partners, even when they had a record of pressing ahead with project implementation through suppressing discontent and opposition, the Cambodia-based watcher lamented (Interview N1). A senior director of a US NGO in Beijing held similar opinions, stating that SOEs' opaque business practices remained a central impediment to generating true policy feedback that would disclose challenges and risks facing China's infrastructure diplomacy in the BRI countries, thus leaving Chinese authorities blind to the changing external environment (Interview N8). In this context, Beijing was again caught by surprise by antidam protests in Cambodia in 2014, when the government was forced to suspend the Sinohydro-invested Cheay Areng dam due to the widespread opposition over its potential environmental impact (Seangly & Pye, 2014). Blindness to the changing external environment became a source of a more profound shock to Beijing, its policy, and SOEs' strategy towards Mekong hydropower development in the following years.

Major shocks and adjustments (2016–present)

Since 2016, a confluence of trends, particularly in the geopolitical realm, have resulted in new shocks that profoundly impacted Beijing's hydropower development policy that it had pursued for the previous two decades. First, after initial exuberance, China faced a host of compounding issues with its BRI campaign that gave rise to a cascade of project complications, particularly financial losses, across BRI countries.[4] Second and more importantly, in particularly East Asia, the BRI provoked competitive responses from the United States and Japan which saw China's infrastructure initiative—alongside Beijing's military assertiveness during this time—as a key facet of an ambitious geopolitical strategy that was both disruptive of the international order and regionally destabilizing (Gong, 2020). To compete against China's expanding regional influence, the two countries since the mid-2010s have elevated their regional engagements bilaterally and have increasingly coalesced around a multilateral framework under the Japan-U.S.-Mekong Power Partnership, rolling out various initiatives from water management and energy development partnerships, such as Clean EDGE Asia. Around this time, the United States also expanded cooperation with Australia, South Korea, and Australia, the ROK, and other 'Friends of the Mekong' on an array of issues in the region (Hoang, 2023). Moreover, both the United States and Japan intensified criticism of issues linked to China's dam building in the Mekong region (Souvannaseng, 2022). Beyond the region, both Washington and Tokyo have adopted their own Indo-Pacific strategies, deepening policy coordination with one another, while expanding strategic partnerships across East Asia (Tan, 2020; Koga, 2018). This dynamic coincided with the democratization movement in Myanmar as well as antidam movements in response to a decade of intense rapid damming of the Mekong regional rivers—much of which was carried out by Chinese firms.

These developments collectively delivered a more significant shock to China's leaders, challenging their political survival and regional influence, and prompting a path-breaking policy shift with a new focus on security (Wang, 2023). Xi's concept of 'comprehensive national security' (总体国家安全) stressed growing risk from both domestic and external arenas that threatened China's national security and the party state's survival. It served to guide a host of new laws, such as the 2015 National Security Law and the 2017 National Intelligence Law and its 2018 Amendment, that for the first time, provided the legal base for security and intelligence authorities to safeguard China's overseas interests and secure national assets (Wang, 2022). As Xi's remarks at the Belt and Road Forum in 2017 made clear, while continuing the pledge for overseas infrastructure, Beijing stressed stability and security as guiding principles for such development.[5] The 2017 State Council Whitepaper on China's policies on Asia-Pacific security cooperation stated that '[s]ecurity and development are closely linked and mutually complementary…the improvement of [a] security framework will help ensure a peaceful and stable environment for economic development'.[6]

A markedly new set of policy arrangements was then introduced to shift the orientation of China's foreign economic policy from *laissez faire* to 'securitization'. These new policy measures were notably path-breaking (for their new focus on formal prohibitions of loss-making overseas investments), as well as path-dependent (for their continuing emphasis on using overseas infrastructure to achieve China's political and economic goals).

Path-breaking changes included the 2017 State Council Notice of Guiding Opinions to Further Guide and Standardize the Direction of Outbound Investment explicitly prohibiting 'investments that would harm national security and interests' and underlined 'firms' sole responsibility for investment loss'.[7] Similarly, SASAC in 2017 issued a list of overseas projects, including hydropower, either being prohibited or requiring special approval and disclosure of feasibility studies and risk management measures (Article 28, 35).[8] Failure of compliance or loss of national assets, the notice stressed, would lead to warnings or punishments. The 2018 SASAC (Interim) Guideline on Central Enterprises' Compliance Management mandated SOEs' regular monitoring of their overseas subsidiaries' compliance with host countries and international laws (Article 16).[9]

To beef up the security as a dimension of foreign investment, public and state security officials began to join economic policy officials in meetings on plans for overseas infrastructure development. As part of a new mandate to safeguard China's security interests abroad (海外利益安全),Chinese state security officials also began to make more regular visits to CLM countries, reportedly demanding that Chinese embassies strengthen supervision over individual Chinese nationals as well as SOE activities in their host countries.[10] This trend was confirmed by both Chinese scholars (Interview A1; A2) and several Beijing-based environmental NGO workers (Interview N5; N7; N8). As one interviewee observed (Interview A8), 'their [security bureaucrats'] presence is certainly expanding into businesses, schools, or civil societies'. Externally, Beijing increasingly urged CLM governments to provide security support to protect Chinese infrastructure projects and their personnel (Li, 2020).

Another indicator of securitizing policy change can be seen in Beijing's efforts to strengthen multilateralism in the Mekong subregion. Established in 2015 as part of the BRI program, the Lancang-Mekong Cooperation (LMC) emerged as a key platform to push against western criticism by promoting what it labeled 'sustainable' and 'benefit-sharing development collaboration' (Biba, 2018; Yang, 2019). Through the creation of the Lancang-Mekong River Integrated Law Enforcement and Security Cooperation Center, the LMC has also become a key node for a variety of law enforcement cooperation, such as joint patrols along the Mekong River, joint criminal investigations, law-enforcement training, and intelligence sharing. While not all these activities are directly related to hydropower development, they demonstrate Beijing's growing emphasis on security and subregional stability in its Mekong policy (Freeman, Gill, & McFarland, 2024).

The increasingly direct intervention of the Chinese state is also evident in its external coordination of SOEs' business in the Mekong. For example, since 2018, state-owned think tank the China Renewable Energy Engineering Institute (CREEI) has been providing consultation for Myanmar's national hydropower masterplan, along with other BRI countries (Ma, 2020). According to one Myanmar-based Western diplomat, 'the capacity of the Myanmar government to evaluate and manage projects probably hasn't grown as fast as China's sophistication….[therefore] they're [China] offering technical assistance and using Western professional service firms– Western-educated lawyers (Kean, 2019)'.

At the same time, path-dependency remains a key feature of recent policy changes. On the one hand, Beijing doubled down on anti-corruption investigations that regularly targeted SOE, policy bank, and provincial officials (Wederman, 2017), while at the same time embedding 'informal surveillance' through its power of personnel appointments, as an energy-sector SOE manager recounted (Interview C3). He commented that 'with the expansion of the anti-corruption campaign, overseas business development increasingly feels like walking on a tightrope'. On the other, the China-led LMC continued to advocate for hydropower or other infrastructure developments in the Mekong subregion (Harlan, 2021). In a similar vein, a Myanmar government whitepaper on electricity and energy, drafted with support from China, continues to champion megadam developments (including constructing the Myitsone dam)—against the recommendations made by the International Finance Corporation (IFC) (Kean, 2019). Most importantly, studies suggest that the current Chinese rules regulating SOEs' overseas activities remain either soft laws or lack enforcement mechanisms (Freeman, 2017; Voituriez, Yao, & Larsen, 2019). This policy design is understandable, according to a senior Tsinghua scholar who specializes in China's foreign economic policy, explaining that it provided Beijing the flexibility it prefers in its foreign policy and the use of infrastructure as statecraft tools (Interview A3). Another senior Chinese scholar concurred with this view, noting that 'as long as Beijing still deems hydropower and infrastructure developments instrumental to China's foreign policy, the barrier of information asymmetry seems insurmountable'. (Interview A1).

SOEs' adjustments under new securitized policies

SOEs' adjustment strategy during this phase also reflects the path-breaking and path-dependency dynamics discussed above. The most salient change is the decreased competition among SOEs for new hydropower projects. As shown in Figure 2, the number of their hydropower MoUs dropped significantly after 2016, indicating that in the new policy environment, MoU-signing had become less relevant for SOEs in gaining governmental approval and financial support. One SOE manager confirmed that with a greater likelihood of state intervention, SOEs now had fewer incentives to pursue MoUs as a tactic in their competition to obtain loans (Interview A2). Yet, Courtney Weatherbee of the Stimson Center highlighted that the fall in new dam contracts also indicates the growing saturation of hydropower developments throughout the rivers in the Mekong region (Interview March 2020). With a lower number of MoUs signed, the record of Chinese dam contracts being implemented or under implementation has improved, with approximately 1,300 MW of power capacity installed in CLM during 2016–2021.

The improved implementation record also indicates the rising political cost of failing project implementation incurred on the part of SOEs in the new policy environment, according to one interviewed SOE manager (Interview C3). Two Chinese environmentalists echoed this point, saying that fearing loss-making investments, SOEs have grown more cautious and increasingly rely on Western consulting firms for feasibility studies on new hydropower projects (Interview A5; A6). One claimed that both SOEs and the Chinese government have implemented more and more social responsibility programs in the Mekong region in recent years (Interview A6). His observation is confirmed by other studies (Zou & Jones, 2020). Importantly, two Mekong dam watchers noted that SOEs have also strengthened security measures in protecting their investments (Interview N1, N2). Their observation corresponds to the proliferation of Chinese-owned security companies in the Mekong region (Zheng, 2021).

To hedge against political risk, SOEs have shifted their hydropower business to focus on Laos solely. Research has shown that infrastructure cooperation between China and Laos has accelerated since the BRI campaign (Lampton, Ho, & Kuik, 2020). According to a Laos official dealing with China affairs, in addition to the highspeed railway, hydropower development has been a top priority for his government as well as the Lao-China economic cooperation since the BRI campaign, stressing the mutual benefits from such cooperation (Interview L1). One US-based environmentalist noted that, unlike in Myanmar where many planned hydropower projects are already obsolete, projects in Laos—despite numerous controversies—have progressed rapidly due to collaboration between the Lao government and foreign investors (Interview N2). Even in Laos, Chinese dam-builders appeared to be more risk-sensitive, he observed. In 2021, the Datang Overseas Investment was preparing for the Pak Beng dam project but quickly paused following the incident of protests and the power purchase issues with buyers in Thailand. Nevertheless, he noted that as Chinese dam-builders have increased security at the construction sites, it has become difficult to determine the current status of those projects.

While the 'securitized' approach might enable enhanced state control over SOEs' overseas operations to some degree, this approach itself risks perpetuating the problem of limited policy feedback as the costs of errors is now very high (Jones & Hameiri, 2021). Today, Chinese SOEs and other firms have shifted to other business opportunities, where their longstanding *modus operandi* continues to be tolerated without significant oversight (Camba, 2020). Chinese scholars also expressed doubt whether, given China's remaining regulatory weakness and bureaucratic fragmentation, Beijing's polices can bolster its supervision over SOEs (Interview A1; A2). One scholar summed up the challenge to genuine policy change: 'As China's leaders continue to dole out incentives for both SOEs and foreign governments to collaborate in achieving their foreign policy goals, even with an additional security layer, it is difficult for China's foreign policy apparatus to foster an efficient policy feedback cycle' (Interview A1).

Conclusion

This research explains why and how China's policy towards Mekong's hydropower development shifted course. Through the ISLA framework, this research illustrates that China's foreign policy operates iteratively even as it seeks to centralize, with external shocks triggering a state response that may have a wide range of institutional impacts. This process, much as in domestic Chinese policymaking, entails learning-by-doing and trial-and-error dependent upon the interplay between state authority and policy-implementing agents.

This research underscores the importance of taking a long-term view of China's foreign policy, which remains fluid and dynamic despite increasing claims of the 'fragility' of the Chinese system (Tsang & Cheung, 2022). While external shocks play a key role in shaping policy outcomes, Chinese leaders appear to internalize lessons from crises, though their adaptation strategies primarily reflect revised policy interests rather than goals.

It is worth noting that our dataset ends in 2020, the same year China Southern Power Grid and Laos's state-run Electricité du Laos signed a grid shareholding contract, deepening Chinese interest in the region's power transmission and distribution market (Zhai and Johnson 2020). In this sense, China's trend toward 'securitization' and its continued engagement in the Mekong hydropower market are not mutually exclusive. However, Chinese dam watchers (Interview N1, N2, N3) cautioned that given the socioeconomic and environmental challenges posed by the proliferation of Mekong dams, it remains uncertain how these two policies will coexist and impact China's relationships with the Mekong states.

While this study applies historical institutionalism and the concept of critical junctures to link exogenous shocks to changes in China's approach to Mekong hydropower development, it is important to recognize the role of domestic political dynamics in shaping these shifts. For instance, Xi Jinping's anti-corruption campaign, which implicated key SOE leaders and strengthened state control, likely reinforced the securitization of hydropower policy. Similarly, the declining profitability of Mekong hydropower projects, especially in the wake of increasing droughts and shifting energy markets, may have further influenced SOEs' business strategies, making them more risk-averse. These factors, while not the primary focus of this study, should be seen as complementary to the impact of exogenous shocks. Together, they create a more nuanced picture of policy adaptation. Additional research could further explore how internal political agendas and evolving economic conditions interact with external pressures to shape the strategic recalibrations of China's SOEs.

This article highlights the multifaceted nature of security concerns given policy attention under Xi Jinping. China's growing regulatory control over its firms operating abroad reflects an acknowledgment not only of the risks these firms face but also of the risks they pose to China itself. To date, China has sought to mitigate these risks primarily by tightening its regulation of corporate behavior. However, signs indicate that China is moving toward a more proactive approach. Chinese firms, especially in sensitive countries and regions, are increasingly relying on private security services to manage risks. As China's stakes in SOEs' overseas investments grow, it is conceivable that China could push the boundaries of its traditionally non-interventionist foreign policy. Indeed, China's Global Security Initiative (GSI) presents a potential framework for a more active role in international security governance, offering security 'public goods' and providing an avenue for China to safeguard its overseas investments (Freeman et al., 2024). Future research on these developments is crucial for a better understanding of the implications of China's evolving policies for its smaller neighbors in the Mekong region, as well as their broader regional and global impact.

Notes

1. We discuss the definition of external shocks for our case in detail in the section of literature review.
2. We define megadams as projects of installed power capacity of 400 MWs and above.
3. Full text of Jiang Zemin's Report at 16th Party Congress on November 8, 2002. http://bg.china-embassy.gov.cn/eng/zgzt/zggcddslcqgdbdh/200406/t20040613_2368896.htm
4. Joint research by MOFCOM and UNDP based on a 2015 survey found that a third of China's overseas investments was thus far loss-making. https://finance.sina.cn/china/gncj/2015-11-10/detail-ifxkmrvp5369149.d.html?from=wap

5. For both speeches, refer to the website of the Belt and Road Forum for International Cooperation. Link: http://2017.beltandroadforum.org/english/index.html
6. PRC State Council, January 11, 2017. China's Policies on Asia-Pacific Security Cooperation https://english.www.gov.cn/archive/white_paper/2017/01/11/content_281475539078636.htm
7. The PRC State Council. The Notice of Guiding Opinions to Further Guide and Standardise the Direction of Outbound Investment. July 24, 2017. http://www.gov.cn/zhengce/content/2017-08/18/content_5218665.htm
8. SASAC, Measures for the Supervision and Administration of Overseas Investments by Central Enterprises. January 7, 2017. http://www.gov.cn/xinwen/2017-01/18/content_5160911.htm
9. SASAC, Notice on Issuing the Guidelines for the Compliance Management of Central Enterprises (Trial), November 9, 2018. https://www.followingthemoney.org/wp-content/uploads/2022/07/2018_SASAC_Interim-Guideline-on-Central-Enterprises-Compliance-Management_E.pdf
10. For more discussion on this policy trend among Chinese scholars, see Xin (2016), Song (2017) and Yang (2018).

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Appendix A

Given the political sensitivity of the topic being discussed in the countries of interviewees' residence, interviewees' identities and their locations are confidential and anonymized. We use the following codes for individuals we have exchanged with and interviewed.

Code	Position	Interview Date
Chinese company representative (C)		
C1	SOE manager based in Shanghai	November 2018
C2	Former SOE manager based in Beijing	May 2021
C3	SOE manager based in Beijing	June 2023
Chinese academy (A)		
A1	Junior scholar from Tsinghua University	July 2021; March 2023
A2	Senior scholar from Peking University	November 2021; September 2023
A3	Senior scholar from Tsinghua University	July 2023; March 2024
Non-governmental organization (N)		
N1	Senior analyst of a US environmental group based in Cambodia	October 2021
N2	Senior analyst of a US environmental group based in the U.S.	March 2023
N3	Senior manager of an Australian environmental group and antidam campaigner	May 2021
N4	Former NGO worker based in Chiang Mai	July 2021
N5	Senior manager of an international environmental group based in Beijing	April 2021
N6	Senior manager of an international environmental group based in Beijing	June 2021
N7	Senior manager of an international environmental group based in Beijing	July, August 2021
N8	Senior Director of a US NGO based in Beijing	September 2021
Laos officials (L)		
L1	Lao official responsible for China affairs	April 2021; May 2023

Appendix B

Chinese hydropower dams and protocol of data Organization and arrangement

We triangulate four open-source datasets, including the Stimson Center's Mekong Infrastructure Tracker (2021) (https://www.stimson.org/project/mekong-infrastructure/), Boston University's China Global Power Database (2019) (https://www.bu.edu/cgp/), and International Rivers' Chinese overseas dam list (2014) (https://www.internationalrivers.org/wp-content/uploads/sites/86/2021/05/china-global-dams-database.xls), and Myanmar Office of International Financial Corporation (IFC) hydropower dam list (2018) (https://www.ifc.org/en/insights-reports/2018/sea-of-the-hydropower-sector-in-myanmar-resources-page), we construct a composite dataset reflecting longitudinal variation and containing a range of project-level details. While all of these datasets caution that they may omit some projects, through combining and triangulating them, we have created a dataset that offers a relatively complete, longitudinal view of the implementation record of Chinese hydropower contracts. For the purpose of this research, our collected data includes the year the contract was publicly announced and the status of contract implementation at the time of coding in January 2020.

We code all projects into five categories: (1) operational, representing contracts of completed implementation; (2) under construction, representing contracts currently being actively implemented; (3) planned, representing contracts at a range of stages, comprising those at the pre-feasibility study stage to those granted permission for construction– recognizing these may remain at this phase for a long time due to a variety of issues; (4) delayed, representing overdue contracts based on the official timelines of the host country; (5) canceled, representing contracts not being adopted in the official documents of the host country. For contracts in the operational category, we also mark down the year contract completion was publicly announced.

The contracts include both engineering- procurement-construction (EPC) contracts—where the host country government is the project developer and hires Chinese firms as contractors—and build-operate-transfer (BOT) contracts—where Chinese firms, along with the host country government, are the project developer and responsible for facility construction and operation. Chinese firms in the latter contract have more stewardship and financial responsibility than do those in the former.

For the dataset, see link: https://docs.google.com/document/d/1Y8FugGhPAkln23SSFUwuhOnZwh-gokzIXCL6epsiJXU/edit?usp=sharing