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13. The Political Economy of Southeast Asia's Extractive Industries: Governance, Power Struggles and Development Outcomes

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Introduction

Southeast Asia is exceptionally rich in extractive resources (oil, gas and minerals), with resource abundance having played a central role in the history of numerous countries in the region.¹ The role of extractive resources began significantly with the arrival in Southeast Asia of colonial powers, many of which were drawn by the lure of Southeast Asia's mineral riches. This said, the role and impact of resources vary considerably from one country to the next. Building on insights from the Murdoch School, this chapter provides an overarching analysis of the political economy of extractive industries in the region, emphasising how multi-scalar politics have profoundly shaped modes of governance in the sector, and in turn, regional development outcomes.

The chapter is divided into four sections. The first section details the theoretical framing of the topic. The second section provides a broad overview of Southeast Asia's extractive

¹ While there are good reasons to expand the definition of extractive industries to include all extractive-linked activities (such as fisheries, logging or mono-cropping), given space limitations this chapter will exclusively focus on oil, gas and minerals. For a thorough analysis of land and environmental issues, see the chapters by Hirsch and Gellert, respectively, in this volume.

industries production and explores how domestic and international power struggles have shaped modes of governance in the sector and generated specific developmental outcomes. The third section provides an analysis of the socio-environmental ramifications that derive from the modes of governance of the region's extractive industries. In the final section, the analysis turns to the significance of nascent platforms of dissent dedicated to the contestation of the neoliberal norms forged by pro-extractive industry interests.

Framing the Political Economy of Extractive Industries in Southeast Asia

In this chapter, the concept of “modes of governance” is used to refer to “the sum of the forms of regulation for each of the related dimensions (economic, social, political and environmental), which determines, in any given period, the conditions of exploitation of mining resources” (Campbell 2013: 5). This is broader than the concept of “governance”, which has often been limited in the literature on extractive industries to technocratic approaches focused on institutions and their ability, given the right (insulated) bureaucratic environment, to harness the sector for economic development. By contrast, and in accordance with Murdoch School positions, the concept of modes of governance is useful here not only to highlight the interaction between the different forms of regulation and institutional arrangements, but also to stress the structural relations of power and influence that shape and govern extractive industries. These struggles for power and control over resources take many forms at multiple levels, leading to a wide range of political outcomes across Southeast Asia's resource-rich countries.

While at the national level, extractive industries have been — and continue to be — bound up with the interests of local elites, they also remain inherently embedded in and shaped by global processes of capitalist transformation and wider geopolitical power relations (Hameiri and Jones, this volume). Well beyond the state, a plurality of actors — including multinational corporations, the governments of the home countries of extractive industry companies, bilateral donors, international financial institutions (IFIs), non-governmental organisations and activists — are involved in shaping, promoting and challenging the modes of governance that oversee extractive industries. This plurality of actors, as well as the multiple levels at which the sector's modes of governance are being shaped, requires that a clear distinction be maintained between the instruments of a given mining regime — that is, its formal rules and decision-making procedures — and the more permanent aspects of the regime, including definitive norms and principles.

Gagné-Ouellet (2012) insists on this distinction as it highlights that while the rules and decision-making procedures in regulatory regimes may often change, for example, when a country adopts a new mining code, the norms and principles attending a particular regulatory regime seldom change. Focusing upon modes of governance in any given country is thus useful in terms of avoiding “false developmentalist hopes” whereby those within policy circles and academics are quick to celebrate formal changes in rules and decision-making procedures while ignoring, for example, the persistence of socio-political impediments to the operation of these formal changes, and vast structural inequalities solidly rooted in the world capitalist system (Gellert 2010: 29). Modes of governance in extractive industries reflect a combination of domestic politics extending well beyond formal institutions and the manner in which these combine with global capitalist processes (such as particular patterns of growth and the attendant demand for commodities) and wider geopolitical power relations (see Hameiri and Jones, this volume).

The following section presents a brief overview of extractive industries in Southeast Asia, followed by an explanation of how the sector’s modes of governance have been shaped over the course of the past decades by evolving struggles for power and resources both locally and within the wider global political economy.

International Capital, National Development and Regime Consolidation

In 2014, the Asia-Pacific region accounted for more than half of the world’s total production of metal ore and metals. The region produced 97 percent of the world’s mercury, 89 percent of its tin, 89 percent of its tungsten, 78 percent of its lead, 69 percent of the alumina and iron ore, 67 percent of the bauxite, 64 percent of the zinc (metal), 58 percent of the nickel,² 53 percent of the copper (refined and primary), 41 percent of the manganese, and 29 percent of the world production of gold (USGS 2017: 1.7). Value-added production remains minimal but the region nonetheless accounted for 78 percent of the world’s lead production, 75 percent of its pig iron, 65 percent of its crude steel, and 56 percent of its aluminium (metal) (ibid.). Together, the Association of Southeast Asian Nations (ASEAN) countries’ production of major minerals in 2012, namely gold, copper, nickel, tin, iron, bauxite, zinc, coal and gemstones, was worth a staggering US\$53.5bn (ASEAN 2016: 1).

² By nickel content of mine output or 45 percent of the metal/refined nickel.

Amongst the region's producers, Indonesia stands out. As of 2014, it was the world's top producer of nickel, second-largest producer of tin, fourth of bauxite and twelfth of gold (EITI 2018). Mining has expanded rapidly, with total mineral exports more than tripling in value between 2001 and 2013, from US\$3bn to US\$11.2bn (ibid.). However, other countries are also important world producers. Malaysia ranked third in terms of bauxite in 2015 (USGS 2018a: 18.1), while the Philippines mined 24 percent of the world's nickel and 3 percent of its cobalt (USGS 2018b: 24.1). In Thailand, 7 percent of the world's feldspar³ is being produced, and 5 percent of the gypsum⁴ (USGS 2018d: 29.1). In 2015, Vietnam produced almost a fifth of the world's total output of bismuth⁵, 6.3 percent of the tungsten and 2 percent of the tin (USGS, 2018e: 29.1). Table 13.1 provides a summary of Southeast Asia's main production of non-fuel mineral commodities.

³ Used mainly in glass-making and ceramics.

⁴ Used mainly as a fertilizer and as the main constituent in forms of plaster, blackboard chalk and wallboard.

⁵ Mixed with other metals, it is used mainly to form low-melting alloys.

Table 13.1: Production of Selected Mineral Commodities in Southeast Asia, 2014

	Indonesia	Laos	Malaysia	Myanmar	Philippines	Thailand	Vietnam
Bauxite	2,555	--	3,258	--	--	--	150
Copper: Mine output, Cu content	406	71	--	33	92	--	16
Gold (k)	69,100	5,265	4,038	900	18,423	4,576	NA
Iron ore	--	1,149	9,615	--	827	348	4,355
Lead: Pb content (t)	--	--	--	18,000	--	--	6,000
Manganese	38	--	NA	97	3	7	--
Mercury (t)	--	--	--	--	--	--	--
Nickel: Ni content	55	--	--	21	523	--	--
Tin: Mine output (t)	38,545	866	3,777	35,000	--	156	5,400
Tin: Metal, primary (t)	58,233	--	35,018	30	--	16,929	4,000
Tungsten (t)	--	--	--	143	--	100	--
Zinc: Mine output (t)	--	--	--	6,100	--	39,140	20,000
Zinc: Metal (t)	--	--	--	--	--	65,694	18,000

Source: USGS (2016)

Notes: Measured in thousands of metric tonnes except: k (kilograms), t (tonnes). Brunei, Cambodia, Timor-Leste and Singapore have no significant production of mineral commodities (metals); Cambodia produces iron ore although data are unavailable

Importantly, mineral production in Southeast Asia is expected to increase in the following decade. ASEAN (2016: 1) estimates that mineral trade in the region will gradually emerge as one of the main growth drivers in Asia's economy, with intra-ASEAN trade having already increased from US\$14bn in 2004 to US\$44bn in 2013. Currently, significant mineral prospecting is underway, notably in Cambodia (copper and gold), Indonesia (gold and silver) and the Philippines (gold) (USGS 2017: 1.7). While this chapter focuses on large-scale extractive industries, it is also important to note that artisanal and small-scale mining activities (ASM) are taking place across the region. The Philippines has the largest estimated number of artisanal miners (325,000), followed by Indonesia with 180,000; ASM also occurs in countries such as Myanmar (50,000), Vietnam (55,000), Thailand (20,000), Laos (10,000), Malaysia (5,000) (IGF 2017: 80) and Cambodia.⁶

In terms of mineral fuels, despite the fact that the region's share of natural gas and crude petroleum production remains relatively low — respectively 10 and 12 percent of world production — in 2014 it accounted for 82 percent of the world's production of anthracite coal and 69 percent of bituminous coal (USGS 2017: 1.7). Table 13.2 provides an overview of the region's production and reserves of natural gas, crude oil and coal. Again, Indonesia stands out. It is the world's fifth-largest coal producer⁷ and the tenth-largest natural gas producer (World Energy Council 2016). Brunei, Malaysia, Myanmar, Thailand and Vietnam also possess important reserves of mineral fuels. This abundance of mineral resources has played a central part in the history and development outcomes of a handful of Southeast Asian countries.

⁶ Data for Cambodia are unavailable, but ASM of gold and rubies is taking place.

⁷ This is mainly low-rank thermal coal exported to China and India for use in power stations.

Table 13.2: Mineral Fuels: Production and Recoverable Reserves in Southeast Asia

	Brunei	Indonesia	Malaysia	Myanmar	Philippines	Timor-Leste	Thailand	Vietnam
Natural Gas Production ^a	11,400	67,500	61,400	7,600	3,330	--	35,800	9,630
Natural Gas Reserves ^a	248,000	2,560,000	1,050,000	475,000	88,700	79,200	198,000	555,000
Crude Oil Production ^b	6	40	31.9	0.8	1	4	17.2	17.4
Crude Oil Reserves ^b	150	498	471	3	15	59	49.2	595
Coal Production ^b	--	274.4	--	--	--	--	10.605	29.06274
Coal Reserves ^b	--	19,611.9	--	--	--	--	867.3	105

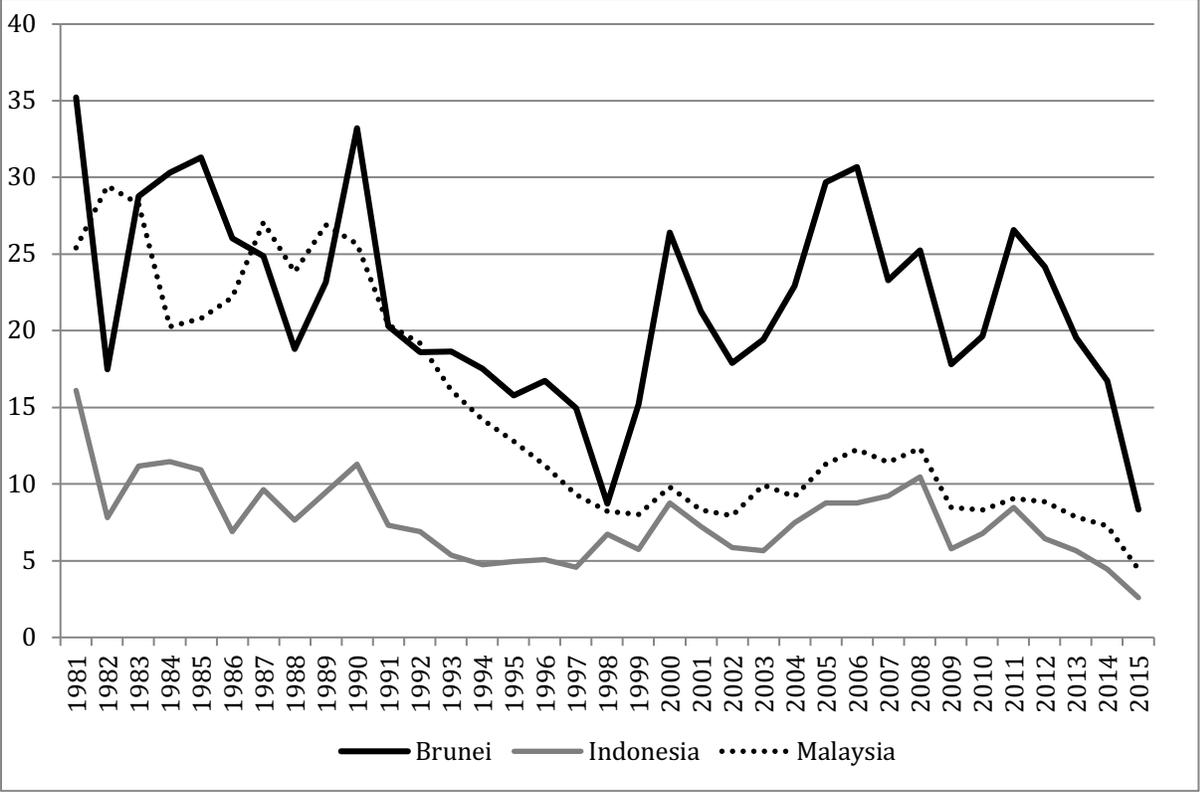
Source: World Energy Council (2016).

Note: ^a Million tonnes of oil equivalent; ^b million tonnes per year

Gellert (2010: 28) proposes the concept of an “extractive regime” to highlight a given country’s “reliance on extraction of multiple natural resources in the formation of an economic and political order that is also supported by global and regional forces”. These regimes build on claims that extraction benefits the public good while providing important state revenues, but “without the burden of building... [a] large meritocratic and effective state capacity” (ibid.: 33). In Southeast Asia, such regimes have seen extractive industry revenues feed into government coffers, allowing state managers to pursue ambitious development goals. Figures 13.1 and 13.2 show the region’s significant rent intake from natural resources in selected countries over time.⁸ They also clearly highlight the unreliability of revenues from the sector, especially given the highly volatile nature of international commodity prices, as exemplified by the end of the most recent commodity boom in 2012. Note that while no yearly data are available for Timor-Leste, the US Geological Survey points out that since the country’s independence, the petroleum sector had accounted for almost 90 percent of government revenues (USGS 2018c).

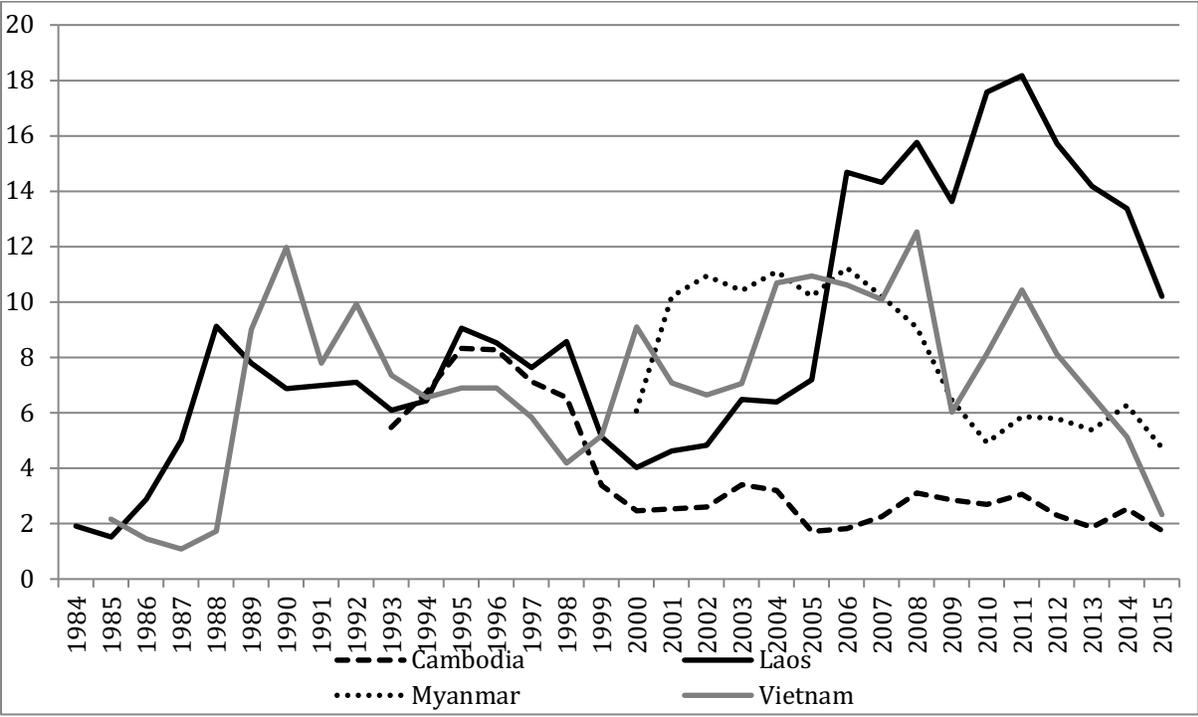
⁸ Natural resource rents have never exceeded 1 percent of GDP in Singapore and 5 percent in the Philippines and Thailand, so they are excluded.

Figure 13.1: Total Natural Resources Rents (percentage of GDP), 1981-2015: Brunei, Indonesia and Malaysia



Source: World Bank (2019b).

Figure 13.2: Total Natural Resources Rents (percentage of GDP), 1981-2015, CLMV countries



Source: World Bank (2019b).

In several instances, political elites in the region have also diverted extractive industry revenues towards the task of consolidating authoritarian or illiberal regimes. In Indonesia, extractive industries have played — and continue to play — a key part in the country’s development trajectory. By the late 1950s, while the strongholds of foreign capital rooted in the structure established during colonial rule were being expropriated, new production-sharing schemes emerged, notably in the petroleum and mining sectors where the Indonesian government had realised that, given the highly capital-intensive and technologically intricate nature of the sectors, foreign corporation participation was essential (Robison 2009: 79–80). The lucrative oil sector, particularly following the rise of international prices in the late 1970s (see Carroll, this volume), had become a key source of revenues for the Indonesian state, and therefore, for the

consolidation of the Suharto regime (1967–98).⁹ In the Philippines, the mining sector was strictly controlled by the Marcos regime throughout the period of the dictatorship (1965–86) (Bello et al. 2004: 225). Marcos himself had direct interests in the mining industry, including the Marcopper mine, half of which he owned through a number of cover companies (Nettleton et al. 2004: 7). As with Indonesia under Suharto, extractive industries in the Philippines were an important lubricant for the complex system of “bountiful patronage” that prevailed under Marcos.¹⁰ In Brunei Darussalam (Brunei), where revenues from extractive industries have bequeathed the country the highest per capita income in the Asia-Pacific region, mineral fuel rents continue to ensure the government’s hold on power, and with it, the serious human rights abuses against its population (Human Rights Watch 2016).

While the history of the institutional arrangements governing the sector has greatly varied from one country to the next, the mid-1990s brought a wave of changes across the region. Fed by continuous economic growth, Asia’s appetite for mineral imports appeared infinite (USGS 1996: 1). Asia’s “tigers” — Hong Kong, Japan, the Republic of Korea, Singapore and Taiwan — all lacked mineral resources. Their rapid growth was pivotal in propelling demand, although China was also quickly becoming a key importer during this period (second in the region after Japan). Japan, Indonesia, Malaysia and Thailand’s manufacturing activity also underpinned high demand for metals (USGS 1997: A3). However, by the end of the 1990s, while Indonesia, rich in copper, nickel, coal, gold and tin was increasing its exports (USGS 1996), most of the countries in the region had relatively low levels of mineral exports. Nevertheless, while Myanmar, Cambodia, Laos, Thailand and Vietnam all exhibited underdeveloped extractive sectors, all were deemed to have “significant mineral potential” (ibid.).¹¹

The 1997–98 Asian financial crisis opened the door for IFIs to step in with sizeable reforms (see Carroll, this volume). For several developing countries in the region, this meant important regulatory reforms of their mining sectors, given protectionist and bureaucratic “restrictive regulations” (USGS 1997: A1). Naito et al. (1998: 88) noted:

⁹ State corporations, including Pertamina (oil), Timah (tin mining), Aneka Tambang (mining) and Inhutani (forestry), were “essentially the terminals through which the state establishes production and work sharing agreements with the foreign companies which make the bulk of investments and carry out production” (Robison 2009: 217).

¹⁰ For example, Leith (2002) documents how the Freeport copper mine was a lucrative source of patronage for President Suharto. Also see Robison (2009).

¹¹ The Philippines was once one of the world’s top exporters of copper and gold but by the turn of the 21st century, its production had declined significantly.

Exploration investment in Asia lags that in most other regions, and while expenditures have increased in the 1990s, the rate of increase lags that of Australia, South America and Africa. Political, legal, and fiscal uncertainties or barriers, in some cases, effectively make private exploration and mining investment difficult.

Crucially, by the end of the 1990s, under the guidance of IFIs (mostly the World Bank and the Asian Development Bank — ADB), resource-rich countries began reforming their mining sectors, a process that embedded new competitive pressures within global extractive sectors, setting country against country, and compelling further patterns of liberalisation (Campbell 2009; Hatcher 2014). According to the Extractive Industries Review (EIR 2003: 10), in the 1990s, no fewer than 100 countries underwent reforms in line with the World Bank's advice. Out of the 1,097 changes in national foreign direct investments (FDI) laws adopted between 1992 and 2000 alone, 94 percent created a more favourable investment climate (MIGA 2010, cited in Hatcher 2014).

These reforms were spearheaded by a discourse that championed — and legitimised — a development model driven by resource extraction. As such, they prioritised attracting foreign investors by emphasising the privatisation and liberalisation of the sector, enhanced transferability of mineral rights, closer links between exploration and mining rights, and the provision of generous taxation regimes for mining corporations (Naito et al. 1998: 88). Such incentives were deemed necessary to attract foreign investors given the uniquely high-risk environment which characterises extractive industries, especially given the long lead times and capital-intensive nature of the sector, not to mention the high volatility of commodity prices and the uncertainties of geological exploration and reserve depletion rates. In light of such risks, and given constrained developmental options in the post-Cold War period (see Carroll, this volume), resource-rich countries were encouraged to prioritise high profits for investors in the sector (see for instance World Bank 2005). Multilateral pressures for reform were heightened in the case of Southeast Asia: the region's most resource-rich countries have historically been highly aid dependent and therefore more exposed to donor pressures to develop neoliberal policy templates for the sector (see Rosser, this volume).

In short, by the end of the 1990s, all the major mineral-rich countries in Southeast Asia had entered a race for reforms which would bring them to compete against each other for the most deregulated and liberalised mining regime. Amongst countries in the region that embarked upon

reform during this period were Cambodia (1994), Laos (1997), Malaysia (1994), Myanmar (1994), Thailand (1991), the Philippines (1995) and Vietnam (1996). Indonesia was one of the region's key exceptions, already boasting Southeast Asia's "most attractive" policies for foreign investment in mining (USGS 1997: A1).

These reforms, which continued throughout the 2000s, took different forms but were united in embedding neoliberal norms into the modes of governance relating to the sector. These included:

- Priority given to the private sector for mining development
- Priority given to mining over other types of territorial use
- Priority given to exportable resources over other mineral resources
- Priority given to the industrial sector over artisanal and small mines
- Guarantees protecting mining rights (Gagné-Ouellet 2012).

The case of the Philippines is illustrative of such reform processes. By the mid-1990s, the country was struggling to tap into its vast mineral reserves at a meaningful scale. With a sizeable external debt,¹² the World Bank consistently noted that the Philippines lagged behind its regional neighbours in terms of FDI (IBRD and IFC 1999). In 1995, under the auspices of then Senator (later President) Gloria Macapagal-Arroyo, the country adopted the 1995 Philippine Mining Act (Republic Act 7942). This occurred in a context where lacklustre economic growth and rising poverty that stretched back five decades were plaguing the country, earning it a reputation as the "sick man of Asia" (ADB 2007: 2). Closely moulded by the World Bank and the ADB, the provisions of the new mining code clearly spoke to foreign investors (Doyle et al. 2006; Hatcher 2014; Holden 2005). Despite the constitutional maximum limit on foreign ownership being set at 40 percent, the 1995 Mining Act allowed mining contractors with investments of at least US\$50m to apply for a Financial or Technical Assistance Agreement that would enable the company to secure 100 percent foreign ownership. The new mining law was quickly singled out as "the most foreign-friendly mining policy" from among 70 countries that had reformed their mining sectors (SAPRIN 2001: 5). Although the Act was highly successful in attracting foreign investors to the country, the liberalisation of the mining regime also had severe socio-environmental ramifications (Hatcher 2014).

Crucially, the main thrust of the reforms was to isolate the state institutions governing the

¹² In 1993, the Philippines' total debt servicing cost was just under 9 percent of its gross national income (World Bank Data 2019a).

sector from political “interference”. In other words, the reforms sought to adopt institutions and legal/judicial mechanisms that permanently “locked in” neoliberal norms (Gill 1995; Hameiri and Jones, this volume). This reflected IFI orthodoxy that, once neoliberal norms were solidly anchored in a country’s regulatory mining regime, local institutions would be able to provide the “right” business environment needed by foreign investors: predictability, efficient institutions, transparent laws and advantageous tax codes (Cornish and Vivoda 2016: 1076). This pressure for states to attract foreign capital to the sector has only increased, with the “Ease of Doing Business” series — which scores countries on their attractiveness to international capital — indicative of the proliferation of instruments to internationally benchmark the provision of market-friendly institutions in specific countries (see Carroll, this volume). Regulatory regionalism has also played a key role in imposing neoliberal discipline in the region’s extractive industries.¹³ For instance, by the end of the 1990s both the Asia-Pacific Economic Cooperation forum and ASEAN were decisively committed to bolstering mining in the region for the following decades, using neoliberal modalities (Kemp and Owen 2017).

The liberalisation of the region’s mining regimes, combined with rising demand from Asia’s largest economies — China, India and Japan — as well as the commodity boom of 2002–12, triggered a wave of investments in the region.¹⁴ In this climate, resource-poor economic giants across Asia have been competitively deploying capital to secure access to natural resources.¹⁵ By 2010, approximately US\$750m was being channelled to mineral exploration in Southeast Asia and the Pacific (excluding Australia) (USGS 2012: 1.3). In 2014, Indonesia and the Philippines, alongside Papua New Guinea, accounted for a staggering 82 percent of the total mineral exploration budget for the region (USGS 2017: 1.2).¹⁶ Notably, all of the world’s largest mining companies currently have projects in the Asia-Pacific region (Kemp and Owen 2017: 131).¹⁷

Socio-Political and Environmental Conflict

The reform of extractive industries around neoliberal norms championed across the Global South,

¹³ See, e.g. ASEAN (2016). For a discussion on regulatory regionalism, see Jones and Hameiri, this volume.

¹⁴ The race for Asia’s resources was also fed by the depletion of mineral reserves in other regions of the world, which raised commodity prices in the first decade of the 2000s, and by new technologies that allowed investors to venture further into previously untapped markets.

¹⁵ For an analysis of resource politics in Asia-Pacific, see Wilson (2017).

¹⁶ 2014 is the most recent year for which USGS data are available.

¹⁷ These include Rio Tinto, Barrick Gold, BHP Billiton, MMG, Glencore Xstrata, Gold Fields, Newmont, Newcrest, Anglo American and Vale.

here exemplified by Southeast Asia, has been spearheaded by a discourse emphasising the merits of an extractive-led development model. However, these specific norms, which now permeate the modes of governance of mining regimes in countries across the region and beyond, have had profound, and often highly negative, socio-environmental ramifications.

It is well established that large-scale mining is one of the world's most environmentally destructive activities (Bebbington et al. 2008), with long-lasting impacts including the destruction of natural habitats, soil degradation and acid mine drainage, riverbed pollution, soil contamination, air emissions, the use of scarce water and energy resources, and the different risks associated with exposure to toxic substances (Belem 2009: 121; see also Gellert, this volume). Southeast Asia has long been at the centre of some of the world's worst environmental disasters resulting from large-scale mining activities. In 1996, a spillage at the Marcopper mine in the Philippines released between 1.5 and 3 million cubic metres of toxic mining slurries and tailings into local rivers, "effectively killing the small island of Marinduque's ecosystem and livelihood" (Bello et al. 2004: 224). In West Papua, the world's largest gold mine, Grasberg, operated by the US mining giant Freeport (BIC et al. 2006: 4) discharges an estimated 230,000 tons of tailings (waste rock) into the Aghawagon River every day (Taylor 2011). With the company's contract due to expire in 2021, the Indonesian government estimates that Freeport has caused environmental damage worth US\$13.25bn (Munthe and Jensen 2018). Also in Indonesia, there are allegations that Newmont's Minahasa Raya mine has had devastating impacts on the health of villagers living nearby (Kemp and Owen 2017: 131). Extractive industries have also been repeatedly associated with severe socio-economic ramifications for the communities living in the vicinity of large-scale mining projects, most notably conflict over land access and resources (see Hirsch, this volume).

In light of the sector's record, by the late 1990s, most of the new-generation mining laws adopted across the Global South had far tighter socio-environmental safeguards. Mining corporations, investment banks and local elites were keen to back a discourse suggesting that, with the "right" institutions in place, extractive industries could spearhead economic growth and poverty reduction while also managing the socio-environmental impacts of mining activities (World Bank 2012, 2013). However, this has proven a difficult task. After all, as emphasised by the Murdoch School, institutions remain tied up with socio-political conflict and power relations and, therefore, reflect and serve to entrench existing distributions of power among social groups (see Hameiri and Jones, this volume). Unsurprisingly, political elites have continued to shape

institutions that benefit their domestic clients above all else. For example, despite the fall of the Suharto regime, the Indonesian economy has remained dominated by a small number of massive conglomerates established under Suharto's patronage regime (see Robison 2009). Likewise in the case of Myanmar, amidst the political transition and despite substantial regulatory reforms sponsored by IFIs and foreign investors,¹⁸ the military junta, which has ruled over the country's extractive industries (notably the infamous jade industry) for over half a century, continues to operate in an opaque system plagued with human rights abuses.¹⁹ As Cornish and Vivoda (2016: 1075) have noted, "As long as corruption and crony culture remain *modus operandi*, the regulatory process will remain captured".

Campbell (2004, 2009, 2013) argues that the core issue is that the neoliberal reforms adopted over the course of the past two decades in the Global South have profoundly contributed to the weakening of states' institutional capacity to enforce regulations essential for the protection of the environment and local communities. This has led to what Szablowski (2007) refers to as the "strategically absent" state, whereby neoliberal norms have pushed the state to gradually retreat from its formal monitoring role in the sector, while simultaneously delegating its regulating, mediating and monitoring functions to the private sector. Given this reality, isolated communities have increasingly been left with the burden of negotiating with mining corporations, international investors and local authorities looking for windfalls (Hatcher 2014).

The management of the mining sector's socio-environmental impacts has also become increasingly complex, now involving a plurality of actors well beyond the state. IFIs, mining corporations, international governmental organisations, and a wide range of non-governmental actors have all begun to champion various market-friendly schemes to standardise the management of extractive industries (see Dashwood 2013). In this regard, the well-respected Extractive Industries Transparency Initiative (EITI) has brought some much-needed transparency to the industry.²⁰ On the corporate side, cognisant of reputational risks, international mining companies have been at the forefront of a narrative linking the sector to sustainable development — the very

¹⁸ Myanmar embarked on a legal and regulatory reform process of its extractive industries in 2011.

¹⁹ Well beyond Southeast Asia, human rights reports are bleak for extractive industries. Global Witness highlights that in 2017 alone, 197 environmental activists were murdered, four times the number estimated for 2002 (cited in Watts 2018). Crucially, the non-profit organisation reports that extractive industries were one of the top drivers of such violence (*ibid.*).

²⁰ In Southeast Asia, the following countries have joined the EITI: Indonesia (in 2010), Myanmar (in 2014), the Philippines (in 2013) and Timor-Leste (in 2008).

thing that such companies have historically been criticised for undermining. While all global companies now undertake corporate social responsibility initiatives, there are also collective corporate initiatives taking place. A clear example is the International Council on Mining and Metals, comprising some of the world's largest mining and metals companies. Collectively, these companies have committed to principles which serve as a best-practice framework for sustainable development in the industry (ICMM 2017). International organisations have also developed intricate guidelines and safeguards for the sector, including the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development, or the United Nations' Global Compact and the Voluntary Principles on Security and Human Rights. Crucially, however, the newly revised Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC) (the World Bank Group's private sector arm) are probably the most respected and stringent in the mining industry. Introduced in 2006, and revised in 2012, the latter detail IFC's commitments, roles and responsibilities in relation to environmental and social sustainability.²¹

However, while such global normative activities have highlighted the need for better socio-environmental management in extractive industries, these mechanisms have done little to tackle the neoliberal norms embedded in countries' modes of governance, which continue to be shaped by interests favouring the industry at the local, national and international levels. Critics emphasise that these norms have weakened the state and have forced local communities to seek redress in supranational arenas separate from formal domestic representative bodies. Emblematic of this is the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for projects funded by the IFC and the Multilateral Investment Guarantee Agency. In Southeast Asia, local communities seeking redress have lodged several complaints relating to extractive industries with the CAO. In the Philippines, complaints have been filed in relation to Mindoro Resources Ltd., a junior mining company headquartered in Canada, and its plans to build an exploration and mining company (for nickel, copper and gold) in the Northern Mindanao Island, as well as two hydroelectric power plants (Ambuklao-Binga Hydroelectric). In Indonesia, complaints were lodged against a nickel and cobalt mine and a hydrometallurgical processing plant in

²¹ The implementation of these standards is required for any project in which the IFC invests. However, the standards have since been adopted by several public and private companies on a voluntary basis and are now considered the *de facto* global standard (see Dashwood 2013).

eastern Indonesia (PT Weda Bay Nickel project), the Rajamandala hydropower project near Bandung, and the palm oil related activities of the agribusiness conglomerate Wilmar Group. All of these cases are now closed. In a recent in-depth report on CAO-related complaints, including the cases of Wilmar and PT Weda Bay Nickel, Balaton-Chrimes and Macdonald (2016: 8) conclude that “the CAO ultimately made little tangible difference to human rights outcomes”. In fact, while these international platforms are crucial as last-resort arenas for local communities to file complaints in a context where political spaces are increasingly narrowing, they remain problematic as they mostly rely on sanctioning mechanisms provided by informal law, which include dialogue, shaming, community pressure and, ultimately, the “threat of expulsion from the regime and the forfeiture of the reputation or other benefits provided by participation” (Szablowski 2007: 63).

More broadly, and as emphasised by Campbell and Laforce (2016), a key question remains: are the institutional mechanisms intended to secure compliance with global voluntary norms equipped to respond to the very socio-environmental crisis brought forth by the industry in the first place? On this count, Coumans (2011: 120) argues that:

far less is said by the industry and by the international financial institutions about the various mechanisms — including confidential contracts and stability agreements, mining Acts, and trade agreements — through which mining companies secure lengthy tax holidays, keep tax and royalty levels to a minimum, and secure protection from potential costs associated with future environmental or social legislation aimed at protecting communities from negative impacts from mining... Additionally, little is said by the industry about the various means by which taxes are avoided and revenues related to resource extraction are removed from host countries through accounting mechanisms such as transfer pricing and the use of tax havens such as the Cayman Islands.

Winds of Change?

While pro-industry interests have sought to address the socio-environmental legacy of the extractive industry by attempting to forge the “right” institutions for the management of the sector, the results have been limited at best. As discussed above, cases across Southeast Asia show that the management of socio-environmental struggles linked to extractive projects has increasingly

shifted away from local representative arenas to transnational forums in which mediation “is cast as a technical concern” for beneficiaries who are acknowledged to now possess “needs”, rather than “rights” (Szablowski 2007: 304–305). This has had important ramifications in terms of the role and legitimacy of the main stakeholders involved in extractive industries, particularly the state.

Crucially, however, these institutional arrangements and market reforms have failed to silence the deeply political nature of the policies engineered to aggressively expand the extractive frontier in the region. While there are clear attempts to assign technocratic roles to actors seeking redress or to challenge the legitimacy of an extractive-led development model, cases across Southeast Asia expose the deep contradictions embedded in the neoliberal norms forged by pro-industry interests. As such, the contraction of political space at the local level is often proving temporary, with the re-emergence of multiple platforms of dissent, including parliaments, local government and civil society (see Carroll 2010; Hatcher 2014; Jayasuriya 2003). For instance, in the Philippines, a coalition of civil society groups has repeatedly, and at times successfully, challenged the country’s mining regime, including via the court system. There are also illustrative cases where local government units have challenged international and national pro-mining interests by banning mining activities (Hatcher, 2014; Holden 2005).

More broadly, amidst the rise of commodity prices, some governments have sought to challenge some of the established neoliberal norms in the sector, notably by increasing taxes or by claiming larger stakes in a mining project. For example, in the Philippines, President Duterte recently announced that he would impose a royalty tax equivalent to 5 percent of the market value of mineral products extracted or produced. In Indonesia, the very day after he announced his candidacy for the 2019 presidential election, President Widodo proclaimed that the country’s stakes in the oil, gas and mining industries should be used for the people (Venzon 2018). Moreover, by 2014, Indonesia had passed a law that prohibited exports of unprocessed ores. While critics have been quick to label such attempts as displays of “resource nationalism”, “populism” and or new attempts at cronyism, these policy changes are symptoms of the increasing dilemma forced upon states attempting to reconcile pro-mining interests with rising discontent on the ground, especially during election times (Hatcher 2016; see also Robison and Hadiz, this volume).

Crucially, however, it is the heightened presence of China and its increasing levels of investment in this sector across the region that may further disturb the international and domestic power relations that profit from the mediated neoliberal agenda. Importantly, both the Asian

Infrastructure Investment Bank and the Belt and Road Initiative are now providing alternative sources of investment for the region's extractive industries.

Conclusion

Southeast Asia presides over enviable natural resources, including oil, gas and minerals. Despite the wide range of experiences across countries, this chapter has sought to tease out common themes that inform the political economy of extractive industries in the region. Drawing upon Murdoch School positions regarding power and the form and function of institutions, the chapter has emphasised that a complex array of international and local actors have sought to benefit from the neoliberalisation of the sector, with international capital and local elites prominent — though not always harmonious — protagonists. However, the modes of governance embedded within extractive regimes have intrinsically shifted relations between communities, companies and the state, with frequently devastating ramifications for local stakeholders seeking redress. Amidst the rise of social conflicts across the region and a changing context which has seen the rise — and more recently, the fall — of commodity prices, as well as increased investment flows from non-traditional sources (mainly China), neoliberal modes of governance embedded in mining regimes continue to be challenged. However, mining rent remains highly malleable and will continue to permeate predatory practices across a region characterised by a lack of alternative development prospects within capitalism.

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