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State-Business Relations and Public-Public Partnerships: China's State-owned Enterprises in Southeast Asia

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Abstract: China's hegemonic leader, Xi Jinping, had one core agenda, the Belt & Road Initiative (BRI), which was to be implemented primarily by employing his country's state-owned enterprises (SOEs). Since 2013, BRI projects have featured extensively in Southeast Asia, a region where countries are led by strongmen leading economies featuring strong state intervention. As the presence of China's SOEs in Southeast Asia grew, this led to major changes in the nature of state-business relations (SBRs). In this context, where structural power lies with the state, or in this case, the two states of China and the host nation, a fundamental query emerges: who governs in these SBRs? This article analyses this question with a focus on three core themes – China's mounting presence in Southeast Asia through the BRI, the growing role of SOEs in these economies, and evolving SBRs.

Keywords: China, Southeast Asia, Belt & Road Initiative (BRI), state-owned enterprises (SOEs), state-business relations (SBRs)
JEL classification: F23, H11, H54, P48

1. Introduction

The growing importance of China's state-owned enterprises (SOEs) in emerging economies became evident after President Xi Jinping came to power in 2012. The following year, Xi introduced the Belt & Road Initiative (BRI),[1] a regional economic policy strategy aimed at creating an immense land and sea infrastructure network to link countries across Asia, Europe and Africa. Along with the BRI, China proposed the creation of six economic corridors: China-Indochina, China-Pakistan, China-Mongolia-Russia, China-Central Asia-West Asia, China-Bangladesh-Myanmar-India,[2] and the New Eurasia Land Bridge.[3] By 2019, about 130 countries had signed BRI-based agreements.[4]

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[1] The BRI has five priorities: policy coordination, infrastructure connectivity, unimpeded trade, financial integration and connecting people. The four core criticisms about the BRI are debt sustainability, project viability, corruption and environmental sustainability. Drache et al. (2019) offer an insightful review of the BRI.

[2] In 2018, China and Myanmar created the China-Myanmar Economic Corridor (CMEC), following China's tensions with India which inhibited the latter's participation in the BRI.

[3] For an assessment of the BRI by the OECD (2018), see: https://web-archive.oecd.org/2019-06-04/521963-Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf

[4] The Economist Corporate Network (2019, p. 6) noted that countries outside these six economic corridors, as well as those in Latin America, have signed BRI agreements and that 'China and 63 core BRI countries account for nearly 50% of the world's population and 30% of the global economy (measured by GDP at market exchange rates)'.

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In 2022, the OECD noted that 132 of the world's top 500 companies were SOEs.[5] Of the ten countries with the largest share of SOEs, nine were emerging economies: China, Indonesia, Malaysia, Thailand, India, United Arab Emirates (UAE), Saudi Arabia, Russia and Brazil; the sole exception was Norway (Kowalski et al., 2013). Meanwhile, in the *Fortune 500* list, three of the top five companies in 2022 were SOEs from China (Wang, 2021).

Xi's other major intent when he took office was to reform state capital management. This entailed a re-assessment of the SOEs, with Xi pledging to make them even larger and more efficient as these enterprises were to serve as his primary economic tool to implement the BRI.[6] In 2021, of China's total foreign direct investments (FDI), 80% of them were through SOEs (Qi et al., 2022). Between 2014 and 2019, there was a sharp increase in foreign investments from China into Southeast Asia, i.e. Thailand (7.9% to 26.2%), Malaysia (7.4% to 18.6%), and Vietnam (3.6% to 10.2%) (Caro, 2022). Moreover, seven of China's top ten investments 'along the BRI route' were Singapore, Indonesia, Laos, Malaysia, Thailand, Vietnam and Cambodia, while the remaining three countries were Russia, UAE and Kazakhstan (Caro, 2022).

In these Southeast Asian countries, development agendas have been dictated by extensive state intervention, with growth driven primarily by foreign investments, particularly from Europe and North America. However, China's growing economic presence in Southeast Asia is increasingly obvious, through its implementation of the BRI and bolstered by investments by its financially well-endowed and technologically-equipped SOEs. China has strategically deployed its state-owned banks to fund major infrastructure projects, specifically in countries that are less credit-worthy. These countries are privy to lower cost loans than those provided by commercial banks.

With China's growing immersion in Southeast Asia, new forms of state-business relations (SBRs) are occurring when its SOEs enter a host economy. These changing state-business ties, which are reshaping production networks and supply chains, comprise different state actors, depending on the type and scale of project involved, blurring the boundaries between elites in domestic politics and in Chinese SOEs and raising the question: who governs in these SBRs? Of these projects, some have developmental outcomes, while others feature predatory trends including corruption involving political elites in the host economy.

2. Where Does Power Lie in SBRs?

The history of Southeast Asia's political economy indicates that power distribution in the state has been extremely asymmetrical. Concentration of power in the executive arm of government or the military shapes policy promulgation and implementation in these economies. This unequal concentration of power has brought into question the volume of autonomy accorded to the bureaucracy, as well as oversight institutions. Moreover,

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[5] The OECD (2022) further noted that a mere 30-odd SOEs were among the top 500 at the turn of the century.

[6] *China Briefing*: Key Takeaways from Xi's Speech at China's 19th Congress: https://www.china-briefing.com/news/key-takeaways/

with constant political shifts in the region, questions arise about the legitimacy of powerholders, with a frequent change of government (Malaysia), the unexpected rise of old elites (the Philippines and Myanmar), and the possible return of oligarchs after general elections (Thailand and Indonesia). These political trends have redirected attention to fundamental questions about how power is exercised, resources are distributed, and legitimacy is strengthened or weakened.

From a corporate perspective, while China has the largest number of SOEs in the world,[7] the economies of Singapore, Vietnam and Malaysia are dominated by these enterprises, while Indonesia has a ministry overseeing state-owned firms. In Indonesia, Thailand and the Philippines, oligarchies with close ties to ruling elites thrive, an SBR form that serves as a powerful mechanism to shape policies. Myanmar, Cambodia and Laos have no oligarchs or a vibrant entrepreneurial domestic enterprise base, nor do their SOEs function as drivers of growth, a reason why China's presence in these Indo-China countries has been growing at a phenomenal rate.

However, in the corporate sector, it is small- and medium-scale enterprises (SMEs) that constitute the principal body of companies in Southeast Asia, totaling about 70 million. SMEs comprise about 97% of total enterprises in the region, contributing 45% of total gross domestic product (GDP), and up to 85% of total employment.[8] A huge segment of these SMEs are in services and wholesale & retail trade, constituting between 61% and 89% of the corporate sector, depending on the country.[9] The second largest sector where Southeast Asian SMEs have an important presence is in manufacturing.[10]

Inevitably, government support for SMEs, including through the creation of SOE–SME ties, has been a core component of public policy. Support of this nature is vital as small firms across the globe have shown that they are capable of being more responsive to market demands since they are far more flexible and better equipped to engender and adopt innovations. With Southeast Asia extremely dependent on foreign investments to generate growth, multinational companies (MNCs), whether privately-owned or SOEs, have long been seen as a key avenue to help enhance domestic SME development. Governments have, for example, encouraged MNCs to include SMEs in their global supply chains to help them internationalise their business. In this context, a key question arises: do these SBRs, spawned by the participation of Chinese SOEs in Southeast Asian countries, promote the development of SMEs in the host economy?

This article's central contention is that structural power lies with the state, or in this case, the two states of China and the host nation. In some cases, both these states are led by strongman leaders,[11] suggesting that state and business are not just deeply interconnected but also controlled by politicians in power. This study analyses this political economy with an emphasis on three core themes – China's mounting presence

7 China owns about 150,000 SOEs (Wang, 2021).

8 https://asean.org/our-communities/economic-community/resilient-and-inclusive-asean/development-of-micro-small-and-medium-enterprises-in-asean-msme/

9 To obtain a breakdown of the sectors in which SMEs have a presence in each Southeast Asian country, see: https://www.statista.com/statistics/1317185/asean-sectoral-distribution-of-msmes-by-country/

10 Ibid.

11 Camba et al. (2021) assess how strongmen from China and Southeast Asia dictate the flow of Chinese FDI into Malaysia and the Philippines.

in Southeast Asia through the BRI, the growing role of SOEs in these economies and evolving SBRs.[12]

3. Reviewing Emerging State-Business Relations (SBRs)

There is hardly any analysis of the nature of SBRs when China's SOEs invest in an emerging economy. Theoretical discussions on SBRs focus on ties between the public and private sectors, widely seen as public-private partnerships (PPPs).[13] In this literature, large privately-owned MNCs, as controllers of capital, can exert much power over governments by deciding if they should invest in publicly-conceived projects.

When assessing China's investments in Southeast Asia, a new SBR trend has been noted: huge Chinese SOEs that function as MNCs have been assembling business ties with SOEs in the region. Dolfsma and Grosman (2019) contend that some Chinese SOEs were established as national champions leading to the rise of 'SOMNCs'[14] and that this 'state involvement in listed SOEs was enabled by the often-overlapping dual governance structure: the classic corporate board and the Party Committee, a unique structure headed by its Party Secretary'. The ties between these Chinese SOEs and those from Southeast Asia were forged to implement major projects conceived by leaders of these governments.

A colossal shift is transpiring, from public-private partnerships to 'public-public partnerships', following the mandate by two governments to the companies they own to jointly implement projects. These new state-business alliances inform how state-generated rents are being created and distributed, suggesting also the emergence of new processes of capital accumulation and market inputs. These public-public, or SOE-SOE, ties have implications on fair competition, competitive neutrality, and ensuring a level playing field when doing business. In these projects, there is a diversity in terms of categories of ownership, modes of entry, and types of actors and partnerships.

In public-private partnerships, the decisions made by MNCs about where to invest are based on several factors, including a comparative assessment of policies and incentives offered by governments. Indeed, the influence of MNCs is such that they can invest or threaten exit if their demands are not met. This reflects a form of structural power that allows private MNCs to compel governments to promulgate policies that serve their business interests (Weiss & Thurborn, 2018). In public-public-based SBRs comprising SOEs, there are no disputes with privately-owned companies as these governments decide how projects are to be shaped. The leaders of two govern-

[12] This study deals with BRI-based infrastructure projects such as railways, dams and ports. However, other major projects merit mention as they too involve Chinese SOEs, such as power generation, oil refineries and industrial parks, as well as Indonesia's proposed capital, Nusantara City, and China's development of a 'Digital Silk Road' to promote technology-based ventures (Hillman, 2021). The other BRI economic corridors will not be dealt with here, though they include infrastructure projects similar to those being implemented in Southeast Asia.

[13] For studies on SBRs in public-private partnerships, see Lemma and te Velde (2015), Sen (2013) and te Velde and Cali (2010). Lim et al. (2021) provide a brief assessment of SBRs in Southeast Asia.

[14] State-owned multinational companies (SOMNCs), including those outside of China, constitute about 15% of the world´s largest non-financial MNCs (Clifton & Fuentes, 2022).

ments, China and the host economy, design, fund and implement the project. These governments coordinate investments for mutual benefit, without being perturbed about how private firms will respond. The leaders of the host economies can utilise their SOEs to create joint-ventures with or without the private sector and with the prerogative to determine which economic and political elites should benefit in a project. Issues concerning the funding of these projects appear to have little bearing on public-public partnerships as they are supported primarily by China-based SOE financial institutions (OECD, 2018).

In major infrastructure projects featuring public-public partnerships that comprise SOEs from China, where structural power lies can be ambiguous. This is because infrastructure plans encompass the use of land over which the host economy has sovereignty. China requires access to land for infrastructure ventures. Decisions on the use of land are vested with the host government which knows that BRI-based infrastructure projects are crucial for China to implement its cross-national network. Meanwhile, emerging Southeast Asian economies can benefit from these infrastructure projects, with Chinese SOEs supplying the necessary funding, expertise and technology.

Another principal concern in debates in the literature about public-private partnerships is whether an appropriate 'institutional architecture' is available, as this is crucial for the promulgation of viable policies to draw domestic and foreign investments. Three crucial elements inform the functionality of an institutional architecture: first, political leadership, with specific focus on the apex of the political system. Second, the existence of deliberation councils, as well as coordination between them. Third, the degree of transparency and accountability within the governance system.[15] However, ventures based on SOE-led public-public partnerships offer new theoretical insights into the types of institutional architectures that are being fashioned.[16]

These new public-public institutional architectures reflect how government policies are being conceived and implemented. These institutional architectures illustrate how regulatory processes have been reduced to facilitate implementation of projects driven by SOEs. What can be gleaned from these novel SBRs, aided by a different kind of enabling institutional architecture, is the issue of complementarity.[17] In these institutional architectures, SOEs, as well as private enterprises brought into a project, play different roles to ease implementation of these ventures.

During policy planning for these projects, the government – in some cases, both governments – shape or reshape the way production networks and supply chains are created in large-scale development plans.[18] These production networks and supply

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[15] Maxfield and Schneider (1997), Sen (2013) and te Velde (2010), discuss these issues. The concerns of these institutional architectures are: a) transparency: flow of reliable information between government and business; b) reciprocity: capacity and autonomy of a government to secure sound economic performance from firms in return for support; c) credibility: government is seen to have it and businesses accept as true what public officials say; and d) mutual trust: between government and business.

[16] Khaw and Gomez (2022) provide case studies of three sorts of SOE-led institutional architectures, created based on different projects in one country.

[17] The concept of institutional complementarity is discussed by Amable (2003) and Hall and Soskice (2001).

[18] One example is Malaysia's ECRL project. An RM1 billion fund was created by the government to provide financing facilities to SMEs selected as vendors and contractors (*New Straits Times*, 18 November 2019): https://www.nst.com.my/news/nation/2019/11/539857/sme-bank-sets-aside-rm1b-local-ecrl-contractors

chains, led by Chinese SOEs and encompassing SMEs in Southeast Asia, can have a bearing on the volume of the transfer of technology in key sectors.[19] In different SBRs, how technology transfers occur, leading to Southeast Asian SMEs learning by doing, can vary. Projects led by SOEs can result in significant structural transformation, if they have substantial government backing that allows for spending in costly research and development (R&D). Southeast Asian enterprises could use newly-acquired R&D knowledge to develop their own expertise in key sectors, enabling them to move up the technological chain.

In public-private partnerships, three distinct forms of ties between states and businesses have been identified: the 'invisible hand', 'helping hand' and 'grabbing hand'.[20] The context of the invisible hand is one where the government caters to the needs of businesses, domestic and foreign, and delivers public goods and services such as high-quality infrastructure and contract enforcement. The helping hand occurs when the government, recognising that the market needs support to function well, actively assists companies and creates policies that allow them to thrive. A grabbing-hand situation arises when the government is less well-organised or pursues its own agenda, leading to corruption, rent-seeking and cronyism. These concepts are relevant in discussions about public-public partnerships created by SOEs.[21]

4. Assessing SOE-SOE Ties

The rise of SOE-SOE ties, resulting from investment flows from China into Southeast Asia, draws attention to two key points. First, there is a dearth of studies on SOE-SOE ventures. Indeed, Baltowski and Kwiatkowski (2022) note that 'the existence of SOEs is largely ignored by economic theory', even after the rapid ascendancy of China's SOEs over the past decade. An assessment of SOEs is also imperative because of the potentially positive outcomes from public-public ties and reconfigured SBRs, including:

a) constructing an institutional architecture for infrastructure development that can aid market activities;
b) providing a helping hand for key industries to speed up industrial and technology development;
c) nurturing SMEs in Southeast Asia, an extremely important endeavour as they constitute the largest segment of the corporate sector in the region;
d) financing R&D, particularly potentially risky technology-based industries that the private sector would fear treading into; and
e) creating regionally- and globally-based supply chains and production networks to foster the rise of entrepreneurial domestic firms.[22]

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19 A recent study shows China producing more of the intermediate goods used in the supply chains (Lund et al., 2019).

20 Frye and Shleifer (1997) and Shleifer and Vishny (1993) review these models. Studies have also advanced the concept of the 'iron hand', used when government leaders block out or bypass companies in favour of crony firms (see, for example, Shleifer & Vishny, 1993).

21 For a discussion of these concepts from the perspective of China, see Kang et al. (2002).

22 Ramasamy et al. (2012) contend that SOEs are attracted to public-public ventures in host countries which are rich in natural resources, while private firms are more market-seekers.

In these public-public partnerships, since governments are not dependent on private firms to embrace or adopt policy incentives, they can also decide if private sector involvement is necessary in projects funded by them. The choice of private firms is, normally, decided by the host government, depending on the project involved. For this reason, in public-public partnerships led by Chinese SOEs, there is evidence of the forging of SOE-SOE-private and SOE-private ties, suggesting that the host government is playing the role of a helping hand to bring domestic firms into large BRI-based projects. However, in these different types of SBRs,power is not equitably distributed between these enterprises. In SOE-SOE-private and SOE-private ventures, decision-making authority lies primarily with the large MNC-type SOE, suggesting a shift in structural power from private firms to the Chinese government, given the latter's extraordinary outreach and ability to fund projects. Crucially, too, for China, through these different SBRs, its SOEs can secure entry into numerous core sectors in developing economies.

SOE-led deals can feature grabbing hand tendencies because these projects do not have to reveal information about a firm's capabilities, while the risk of rent-seeking is higher because contracts are firm-specific. Moreover, monitoring SOE projects may not be prioritised as governments have different interests. However, while sanctioning low-performing firms can be politically expedient, serious economic repercussions can occur by not looking at firm performance or ensuring performance standards (e.g., exports, local content and enhanced R&D).

There is one central concern about these emerging SBRs comprising SOEs. When it comes to policy planning, there are unclear boundaries between these governments and their SOEs, with little evidence of an arms-length relationship between them. Since two governments, jointly, can determine how the SOEs they control should function, a particularly problematic situation can emerge when such SBRs operate in a political system with low levels of transparency and accountability. Indeed, the centrality of politics is evident in decision-making in SOE-SOE, SOE-SOE-private, and SOE-private ties, all of which profoundly shape project outcomes. The economic goals – as well as the politics – of the states of China and Southeast Asia determine how these diverse forms of SBRs function.

Private firms from China and Malaysia, Singapore, and Indonesia have forged SOE-private as well as 'private-private' ties, through joint-ventures. Meanwhile, private enterprises from China run ventures without the participation of Southeast Asian companies. Privately-owned Chinese firms operating in the region have a marked presence in the industrial, manufacturing and technology sectors.[23] High-tech joint-ventures have been created between China's private firms and SOEs from Singapore and Malaysia.[24] This suggests that public-public ties between China and Southeast

[23] See, for example, the investments in Vietnam and Malaysia by Shanghai-based JinkoSolar Holdings, the solar panel manufacturer. For a case study of JinkoSolar's huge manufacturing plant in Malaysia, see Gomez et al. (2020).

[24] Privately-owned Alibaba, Huawei and Tencent have a conspicuous presence in Southeast Asia. Alibaba's penetration into the Malaysian market was enabled by the Digital Free Trade Zone Agreement between China and Malaysia in 2017. This digital free trade zone, a joint-venture between Alibaba and a Malaysian SOE, aims to support the entry of SMEs into this country's digital economy. Tencent and Bytedance have a

Asian countries have opened avenues for private firms from both regions to venture into business areas that can contribute to productive economic outcomes, including generating employment and creating new products and services.

Evidently, strategic variations exist in terms of investment patterns by enterprises from China, particularly when privately-owned Chinese firms,[25] along with Southeast Asian SOEs jointly run projects. A large number of companies from China, both SOEs and private firms, also function alone in the region, and in a range of sectors. Big businesses, though not necessarily always as capital controllers, still exist among Chinese firms, including in the digital economy sector. In Southeast Asia's burgeoning digital economy, if a private enterprise has enormous technical knowledge, it can exert much power over foreign governments by deciding if they should invest.[26] This is particularly true when these private enterprises can act as advisors to the governments of host economies in the high-tech sector.

Unlike private sector MNCs from the West that are obsessed over protecting their intellectual property rights, Chinese enterprises, whether state- or private-owned, have been open to the transfer of their home-grown technology to enterprises of the host countries. In offering to make this transfer, Chinese enterprises are complying with their government's directive to export their technology to host countries. By doing this, companies in the host countries will come to be locked into China's industrial ecosystem. However, whether the transfer of Chinese technology can occur depends on the technological capability of the host countries and their depth of human capital.

5. Southeast Asian Businesses, Political Systems, Evolving SBRs

Southeast Asia is characterised by different sorts of political regimes. Cambodia and Singapore are governed by hegemonic single dominant parties, Laos and Vietnam have one-party communist systems, Brunei is under monarchical rule, while Thailand has been shifting between military control and democratic rule. Malaysia is in a transition to a democracy, following a long period of authoritarian rule under a single dominant party. Indonesia, the Philippines and Timor-Leste are democratic states, though they are still far from consolidating democracy, while in Myanmar the army remains a *de facto* autonomous power holder. In all these countries, development agendas were dictated not merely by extensive state intervention but also the active employment of neoliberal-based policies.

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growing presence in Singapore which is trying to establish itself as a regional hub for digital trade. Tencent is the parent company of WeChat, China's 'super app', with 1.24 billion active users in 2021, which has integrated numerous functions such as messaging, effecting payments, making a doctor's appointment and marketing for groceries. Bytedance is the owner of the popular short-video app, TikTok.

[25] A cautionary note is required about private enterprises from China. If the state does not have an equity interest in a private firm, this does not imply no state control or state direction. In fact, Chinese private enterprises need the approval of their government when making large foreign investments (see de Graaff & van Apeldoorn, 2018).

[26] Alibaba was heavily courted by the Malaysian government to help develop this digital trade zone (Gomez et al., 2020: 87).

But fundamental differences prevail in terms of how development plans are promulgated and implemented in these Southeast Asian countries. Powerful states in Singapore and Cambodia can control how neoliberalism functions. The situation in Malaysia is more complex because the government and the opposition advocate neoliberal policies while espousing interventionist programs and fostering Islamic-based economic institutions. Thailand's business elites endorse neoliberalism but are deeply split and at loggerheads with each other over access to state rents, a situation that similarly prevails in the Philippines. Indonesia is an anomaly as business elites have failed to consolidate control over the state, partly due to the influence of civil society.

Another aspect of the state that matters is whether the country has a unitary or federal system. In the Malaysian federation which comprises thirteen states, an interesting case is the BRI-based East Coast Railway Link (ECRL) project. The construction of this railway line will cross the borders of four states, raising questions about federal-state relations as well as infrastructure connectivity. The political parties in control of some of these states are different from the one ruling the federal government. It is the state governments, not the federal government, that has jurisdiction over land matters which can have a bearing on the implementation of the ECRL project. Land jurisdiction issues become more complicated when a BRI project covers two or more countries. Evidently, ownership and/or control of the land can have an effect on the implementation of cross-national BRI projects. This raises the question: how are land rights negotiated when implementing cross-border projects, not just within a country but between countries?

Who owns the land matters in other ways when mega infrastructure projects are implemented. For example, in traditional land belonging to indigenous communities, infrastructure projects can lead to the issue of displacement. Take the case of the Lower Sesan 2 dam in Cambodia which had a devastating impact on the forest-dwelling Bunong indigenous community, following their displacement when this project was being built.[27] A related land-based matter is that of the governance mechanisms of host economies, including local laws, regulations and their enforcement. Regulations of a country and their enforcement can have a bearing on environmental outcomes.

Different forms of intervention in the region have differently shaped the degree of business coordination of economic activities by SOEs, MNCs, large domestic companies and SMEs, more so because Southeast Asian SOEs are among the region's leading publicly-listed firms in terms of market capitalisation. However, the relatively miniscule presence of Southeast Asian SOEs in manufacturing and technology raises questions about the capacity of the state to cultivate large and competitive enterprises in these sectors. Since SOEs have little presence in the industrial sector, Southeast Asian countries have heavily cultivated MNCs to encourage manufacturing. SOEs, however, have shown little ability to deal with foreign firms, with whom joint-ventures in the industrial sector have been created. It also appears that in joint-ventures comprising SOEs, their primary concern was with advancing industrialisation and constructing infrastructure, not nurturing domestic entrepreneurial capacity.

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[27] On the impact of this infrastructure project on this indigenous community, see: https://www.thethirdpole.net/en/energy/cambodians-struggle-after-being-displaced-by-lower-sesan-2/

6. China in Southeast Asia: SBRs, Infrastructure Development, Corruption

In Southeast Asian economies, the implications of different SBR forms are serious as they have both helping hand and grabbing hand features. While some SBRs are programmatically driven to secure much needed infrastructure development, others serve the interests of domestic political elites. Predatory and programmatic outcomes can simultaneously occur as China's SOEs operate in a diverse range of sectors including in railways, industrial parks, ports, hydro-electric generation and financial services, but in different ways. The outcomes of these foreign investments have been mixed, even contentious. Infrastructure projects in Malaysia and Cambodia have been riddled with allegations of corruption, while investments in the industrial and technology sectors in Singapore have had mutually beneficial economic results.

When Xi ascended to power in 2012, his Anti-Corruption campaign was tied to his plan to use SOEs as his primary instrument to implement the BRI. However, SOEs were then rife with corruption. Ang (2020, p. 157) noted that Xi's Anti-Corruption campaign was the 'longest, widest-ranging, and most penetrative' bureaucratic purge in Chinese history, though its objective is to eradicate corruption without changing the existing power structure. Xi's other related endeavour, reform of state capital management, was presumably in view of his desire that SOEs secure long-term commercial and strategic stakes in emerging economies.

This paradox of rapid industrialisation in spite of extensive corruption has been characterised as a 'developmental' form of corruption or 'access money', which translates into extremely unique SBRs that bring together politicians and business-people in a mutually beneficial 'developmental alliance' (Ang, 2020; Gomez, 2002). China's rapid development has occurred under opaque state-business nexuses of the sort conventional good governance indicators categorise as unsatisfactory. This pattern of reasonably high growth in spite of poorly-functioning public institutions and deeply flawed governance standards is also seen in Vietnam and Cambodia. These observations reinforce the proposition that SBRs play a central, though paradoxical, role in relation to economic progress.

After endorsing the BRI, highly-industrialised Indonesia and Malaysia, along with under-developed Cambodia and Laos, were keen to secure foreign investments to offset their poor volume of domestic investments. Coupled with these FDI flows for BRI projects was the role played by finance-based SOEs. Chan (2020) disclosed that just seven years after the BRI's launch, forty-seven Chinese SOEs had 'participated in or financed 1,676 projects working with enterprises in the Belt and Road countries', with loans amounting to US$300 billion and investments of about US$90 billion between 2013 and 2018. One financial institution, the China-based multi-lateral Asia Infrastructure & Investment Bank (AIIB), another endeavour by Xi, promoted the BRI by funding key development projects (Horta & Wang, 2021).

A trait shared by China and some industrialised Southeast Asian countries is the use of SOE-based financial institutions to nurture domestic enterprises. The structure of ownership and/or control of the financial sector is important for determining the nature of SBRs, including offering insights into the issue of corporate concentration, a core factor that had contributed to the rapid rise of conglomerates and SOEs in Southeast

Asia. This issue of ownership and control also matters because the extent of SOE control can vary, taking the form of full ownership, minority ownership and indirect ownership, including through sovereign wealth funds (SWFs) (Dolfsma & Grosman, 2019).

Numerous BRI projects in Southeast Asia have since been implemented by China's multi-national SOEs. Among the notable infrastructure projects are the Jakarta-Bandung high-speed railway in Indonesia, the Phnom Penh-Sihanoukville Expressway in Cambodia, the Lao-China Railway in Laos, the Bicol South Rail Project in the Philippines, and the ECRL in Malaysia. China's participation in these projects has primarily been through public-public partnerships, one where there has been little evidence of an arms-length relationship between governments and SOEs, contributing to arguments about another form of developmental corruption. In spite of these unclear boundaries between governments and their SOEs, these public-public partnerships have led to economic growth, as these BRI projects are funded by China's financially and technologically well-endowed SOEs. Moreover, recent studies provide little or no evidence of corruption by Chinese SOEs in BRI projects, with China keen to secure long-term commercial and strategic stakes in emerging economies.[28] Allegations of corruption in these projects pertain to domestic political elites, while China has a policy of non-interference in the politics of host economies. These studies support opinions that China's anti-corruption campaign has been effective. This contention, that Chinese SOEs have refrained from indulging in corruption when implementing BRI projects, particularly for fear of reprisal, has not been researched.

Recent political economy trends in Southeast Asia draw attention to important developments. First, governing elites in the region have been using their state power, shaped by their own political-economic systems, to tap into the BRI's available capital to fuel their economic and political agendas. Power can be wielded by these governing elites to influence economic and political outcomes through policy-making processes. Interestingly, too, in the presence of powerful elites, or strongmen, another crucial matter arises. While studies associate strongmen solely with authoritarian governments, there is evidence of the enormous influence of the Presidents of the Philippines and Indonesia, both democracies, when determining how BRI-based projects are to be implemented in their countries. Since the Philippines and Indonesia have had or will soon have a change of government, what will happen following these transitions is uncertain. There is already evidence of BRI contracts being re-negotiated after a change of government in Southeast Asia, a situation that does not augur well for China. What is clear, during their term of office, strongmen have shown the capacity to enact policies without needing to engage in routine, institutionalised negotiations with other elites or institutions, with seemingly disproportionate influence over policies and distribution of government-generated economic rents. However, as noted, the volume of power in the executive arm of government varies across Southeast Asian countries, with shifts occurring between authoritarian and democratic rule, as in Thailand, Myanmar and Malaysia.[29]

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[28] See, for example, Camba et al. (2021), Gomez et al. (2020), and Khaw and Gomez (2022).

[29] Hiebert (2020) and Strangio (2020) assess how China's investment decisions are shaped by the political systems of Southeast Asian countries.

These trends further indicate that the nature of the state has a major bearing on forms of economic and enterprise development, rule of law, modes of intervention, as well as forms of SBRs, including those related to China. In countries with governments led by strongmen, the levels of corruption differ considerably. Singapore, long led by a strongman, Lee Kuan Yew, and then his son, has a reputation for low levels of SOE-linked corruption in the country though not necessarily when these enterprises invest abroad.[30] In Cambodia, during the longstanding rule of a strongman, Hun Sen, corruption was extensive. In the Philippines, under Rodrigo Duterte's strongman rule, there was an emphasis on curbing corruption. Duterte has now been replaced by Ferdinand Marcos Jr, whose father is reputedly Southeast Asia's first kleptocrat. Malaysia's former strongman Prime Minister, Najib Razak, led the United Malays National Organisation (UMNO), which was one of the longest-ruling single dominant parties in the world. Although UMNO fell from power in 2018, the party returned to govern as part of a coalition in 2020. Xi's close ties with Najib and Duterte resulted in programmatic and predatory outcomes, with these Southeast Asian strongmen supporting BRI-type projects.[31] Equally noteworthy is the huge difference in the nature of the political economy of these two countries. Malaysia's SOE-led economy has an institutionalised party system (due to British colonial rule), while the Philippines' oligarchy-driven economy has a decentralised political structure (shaped during colonial rule by the United States).

Strongmen can negotiate with business elites in control of conglomerates without succumbing to capture. This trend is evident in Brunei, though not necessarily in Thailand where business elites who have captured control of the state have been in constant contestation with the military. In Myanmar, following the military coup in 2021, China voiced its continued support for the country, including through a range of projects such as a special economic zone, a deep-sea port and a power plant.[32]

In BRI-related projects, a repeated core criticism is that of environmental degradation, as well as the ramifications of land reclamation and hydro-dam projects. The Jakarta-Bandung railway project sparked environmental-based protests over the takeover of land from people.[33] After the dams were constructed along the Mekong river, these projects had serious environmental implications on neighbouring countries (Campbell & Barlow, 2020).[34] During the construction of the China-Laos high-speed rail project, opened in December 2021, a project that ran over two countries, there were complaints of environmental degradation.[35] When the oil and gas pipeline between Kunming

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30 In 2023, there were allegations of bribery involving state-linked enterprises in Singapore (Keppel) and Brazil (Petrobras). See: https://www.straitstimes.com/business/6-ex-keppel-offshore-and-marine-employees-given-stern-warnings-for-bribery

31 Camba et al. (2021) provide a detailed account of these helping hand and grabbing hand practices through case studies of BRI projects in the Philippines and Malaysia.

32 *The Diplomat* (1 February 2023), 'The China-Myanmar Economic Corridor, 2 Years After the Coup': https://thediplomat.com/2023/02/the-china-myanmar-economic-corridor-2-years-after-the-coup/

33 See: https://chinadialogue.net/en/transport/bungled-jakarta-bandung-high-speed-rail-line-causes-chaos/

34 The dam projects along the Mekong span Cambodia, Laos, Myanmar, Thailand and Vietnam.

35 See, for example: https://rainforestjournalismfund.org/stories/laos-fast-train-china-brings-connection-cost-big-promises-uneven-progress

and Kyaukphyu in Myanmar was being constructed, protests emerged over land expropriation, ecological damage to rivers and forests, and corruption (Hiebert, 2020: p. 44).

As criticisms about BRI-related environmental problems intensified, China responded. At the second BRI Forum (BRI 2.0), held in April 2019, the focus was on 'high quality development' (Wang & Chen, 2020)[36] which, according to Xi, entailed pursuing 'open, green, and clean cooperation. The Belt and Road aims to promote green development. We may launch green infrastructure projects, make green investment and provide green financing to protect the Earth we all call home.'[37]

Two years later, in 2021, China announced its Green BRI, or Belt & Road Initiative International Green Development Coalition. Green BRI was reported as China's initiative to support the United Nations' Sustainable Development Goals (SDGs). In 2021, at the UN Biodiversity Conference, Xi announced the Kunming Declaration which stressed the concept of 'ecological civilisation' that entailed protecting biodiversity. Xi further declared that China would offer US$233 million to the Kunming Biodiversity Fund. This response by China to criticisms of environmental damage was because Southeast Asia's rich biodiversity encompassed an ecosystem that many indigenous communities depend on for survival. The potential repercussions of BRI projects on this ecosystem were evident following the China-backed hydropower projects along the Mekong River, where dams have caused river flow changes and blocked fish migration, leading to a loss of livelihood for communities who live-off the river (Campbell & Barlow, 2020).

7. Conclusion

Public-public partnerships feature prominently when China deploys its SOEs to pursue BRI-based infrastructure projects in Southeast Asia. These SOE-SOE ties have diminished the once close nexus that Southeast Asian countries had with privately-owned MNCs. Public-public partnerships have contributed to the coming together of state power and business power of an unusual sort, with governments in control of SOEs becoming a major corporate actor in their economies.

This state-led business system featuring SOEs that has taken shape in Southeast Asian countries is well manifested in the variety of SBRs that have been created when China's investments enter an economy. However, organisational dynamics differ in each of these SBRs, with these variations having a bearing on BRI-project aftermaths. SOE-SOE ties can, unquestionably, contribute to horizontal and vertical coordination, lower costs of information, and allow for standard setting and quality upgrading.

Moreover, who governs in these SBRs is crucial as the interests of political elites can shape the structures through which their SOEs operate. The main institutions of the political system within both countries frame, define and determine the strategies and the activities of their SOEs, from which economic performance will be determined. A well-constructed institutional design can foster effective state-business collaborations that lead to meaningful information exchange and authoritative allocation, while

[36] At this conference, Xi also stressed 'zero tolerance' for corruption (Economist Corporate Network, 2019).

[37] Quoted by Xi in his speech at this conference. The full version of Xi's speech can be obtained at: http://www.beltandroadforum.org/english/n100/2019/0426/c22-1266.html

minimising rent-seeking (Schneider, 2015). However, the mixed mandates of SOEs and their political importance often pose business performance and governance challenges. Public-public partnerships can mute transparency and accountability, making oversight, regulation and information exchange difficult, while undermining authoritative allocation. This suggests the need to focus on both the agents and institutions that mediate the boundaries of state action and SOE participation in an economy. In BRI projects, different protagonists and organisations – political parties and governing elites, for instance – work in an institutional framework dominated by many SOEs – and, in some cases, well-connected companies – from China and the host economy. A multi-track system has been noted, i.e., SOE-SOE, SOE-SOE-private, and SOE-private. The institutional architecture of these SBRs and how they function differs in emerging economies as opposed to industrialised countries with more mature markets. While sound public institutions with much state capacity can be found in developed econo-mies, under-industrialised countries lack such organisations. For this reason, the state, in and of itself, has to be deconstructed. There is a need to examine similarities and dissimilarities within and across countries, in addition to the results of public directives on SBRs that have emerged with the ascendance of SOEs.

Other key factors explain the emergence of SOE-led SBRs. First, a large number of SOEs are to be found in Southeast Asian countries, led by regimes that have not consolidated democracy or remain authoritarian states. Second, these economies are characterised by a huge number of SMEs, of which a large volume are micro firms, suggesting a fragmented private sector, one with a weak organisational capacity. Third, the number of large business groups capable of competing with China's SOEs is small, with the possible exception of those in Thailand and the Philippines. However, in the Philippines, whether these conglomerates can check the growing prominence of the Chinese SOEs in the country depends on their ties with the President. During his administration, Duterte moved to create new cronies by linking them with Chinese SOEs, thus bypassing old business elites (Camba et al., 2021). The way the private sector is structured evidently has a bearing on how SOE-based SBRs pan out. Fourth, in under-industrialised countries, specifically Cambodia and Laos, SBRs encompassing China's SOEs have served as a key determinant for creating economic activities. These SOEs play a role in structural transformation, by fashioning an infrastructure that helps link rural companies to urban and foreign markets, as seen in the case of the railway link between Laos and China.

What is clear is that the structural power exercised by China is not uniform across the economies of the region, as the level of economic development among Southeast Asian countries is vastly different. There is also a wide variety of stakeholders in BRI projects. These stakeholders include the federal, state, provincial or local governments, SOEs, and private domestic and foreign companies. From these SBRs, led by a diverse number of actors and institutions, have emerged different outcomes, some predatory in nature, leading to grabbing hand tendencies that reflect elements of rent-seeking and corruption. On the other hand, effective SBRs can have developmental features such as the creation of infrastructure that facilitates trade as well as helping hand mechanisms to incorporate SMEs into supply chains. China's financing of R&D in expensive technology-based industries and the creation of global-based production networks fostering the rise of SMEs in the region are positive outcomes from public-public partnerships. However, programmatic SBRs can turn predatory if strongmen pursue political gains through short-term rent-seeking, rather than through transparent cooperation and coordination among themselves to deliver long-term economic growth.

Given this mix of rapid infrastructure development and flaws in the governance process, what is important is unpacking the different forms of SBRs, their modes of evolution, including the extensive use of SOEs, and their eventual impact on Southeast Asia's political economy. The increasing dependence of Southeast Asian economies on China is an issue of growing concern, more so since public-public partnerships can lead to predatory trends including high-level corruption and an undermining of the rule of law that can result in new crises. Moreover, when regime changes occur, there is a need to decipher the difficulties as well as opportunities that emerge when new centres of power begin dismantling or rebuilding existing public-public partnerships.

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