Concessions and Sovereignty.

Emerging forms of shared authority around Chinese investment projects in Northern Laos

Magisterarbeit

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Berlin, den 16.01.2012

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List of Abbreviations

AC	Administrative Committee
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BSAC	British South Africa Company
CAR	Central African Republic
CBTA	Cross-Border Transport Agreement
cf.	confer
CIB	Congolais Industrielle des Bois
CNMC	China Nonferrous Mining Co
CSR	Corporate Social Responsibility
Decree	Decree on Special Economic Zone and Specific Economic Zone
DRC	Democratic Republic of the Congo
EB	Economic Executive Board
EIC	East India Company
EPZs	Export Processing Zones
EWEC	East-West Economic Corridor
FAO	UN Food and Agriculture Organization
GMS	Greater Mekong Subregion
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ha	hectare
i.e.	id est
IOs	international organizations
km	kilometer
LVFTZ	Lake Victoria Free Trade Zone
MOFCOM	Chinese Ministry of Commerce
MoU	Memorandum of Understanding
MPI	Ministry of Planning and Investment
MUZ	Mineworkers Union of Zambia
NCA	Norwegian Church Aid
NCSEZ	National Committee for Special and Specific Economic Zone
NERI	National Economic Research Institute
NGOs	non-governmental organizations

NSEC	North-South Economic Corridor
NUMAW	National Union of Miners and Allied Workers
PIIL	Paradise International Investment Limited
PR	public relations
RTCF	Red Tape and Corruption Free
SARs	Special Administrative Regions
SEZs	Special Economic Zones
SNCSEZ	Secretariat to the NCSEZ
UMHK	Union Minière du Haut-Katanga
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WCS	Wildlife Conservation Society
WDP	Western Development Project
WWF	World Wildlife Fund for Nature

1 Introduction

> Die neuerliche Zerstückelung Afrikas hat begonnen. Nur sind die Akteure heute nicht die Könige und Königinnen kolonialer Reiche, sondern die Majestäten der Finanzmärkte, Großkonzerne und reichen Staaten. Sie richten ihre begehrlichen Blicke auf das Kapital, das sich noch im Besitz der Afrikaner befindet: der landwirtschaftlich nutzbare Boden (Baxter 2010).

This quote describes a phenomenon which is usually referred to as 'land grabbing' or 'neo-colonialism', and which has attracted substantial media attention in recent years. In 2008, the non-governmental organization (NGO) GRAIN published a brief report termed *SEIZED! The 2008 land grab for food and financial security* (GRAIN 2008), which sparked a series of publications on this issue, by NGOs as well as international organizations (e.g. Cotula et al. 2009; World Bank 2010). GRAIN has since established an online forum where newspaper articles and reports on 'land grabbing' from all over the world are compiled.[1] As indicated in the title of the GRAIN report, the main drivers identified as being behind the recent rush on land are "food insecure" governments and profit-hungry investors in search of new and relatively secure revenue sources (GRAIN 2008: 1). China, "[w]ith 40 % of the world's farmers but only 9 % of the world's farmlands" (3), as well as the Gulf States, are often said to be the "biggest players" in the run on foreign farmlands, followed by South Korea and Japan (4). However, as Cotula et al. (2009: 100) point out, in the case of China, food security so far has not played a significant role in government-backed overseas land investments. Rather, most Chinese overseas land deals include the search for new investment opportunities for fledgling Chinese companies and a great demand in non-food agricultural commodities (55 f.).

The predominant targets of land-based investments are the countries of the Global South, where rights to land are either purchased or, more frequently, leased to foreign investors for a fixed period of time (74 f.). Cotula et. al analyzed data on land allocations in Ghana, Mali, Ethiopia, Madagascar and Sudan (4). They discovered that between 2004 and 2009, roughly 2.5 million hectare (ha) of land had been allocated to foreign and domestic investors in these five countries (4). A much publicized 2008 deal between the government of Madagascar and the South Korean company Daewoo Logistics, which involved the leasing out of 1.3 million ha of land (almost half the size of Belgium) for the growing of

[1] www.farmlandgrab.org, [accessed 3 January 2012].

maize and oil palm to be exported back to South Korea, was canceled by Madagascar's new president in 2009 (37; cf. also BBC News 2009; Schwab 2009).

The widespread debates about 'land-grabbing' and 'neo-colonialism' have brought back to the fore a phenomenon which will be the focus of this thesis, namely the phenomenon of the 'concession'. The term concession, as used in this thesis, describes the temporary transfer of rights and territories from governments to private actors for the purpose of wealth extraction and economic development (cf. Hardin 2002). The large-scale land deals described above fall squarely into this definition, since governments are renting out substantial tracts of land to private investors in order to open up new sources of revenues and, it is hoped, to incite a process of overall economic development. While questions of food security, displacement and environmental degradation are all important considerations in this context, they will, however, not be addressed in this thesis. Neither will the focus be primarily on farmland concessions. Rather, the purpose of this thesis is to analyze the phenomenon of the concession, in its various historical and present forms, and to trace the impact of the current spread of concessions on state power and sovereignty in those countries where concessions are located. The main argument to be developed throughout the following chapters is that concessions are best understood and studied not as instances of 'neo-colonialism' or signs of state decline in times of increased globalization, but as part and parcel of ongoing processes of state formation, the latter being understood as a "historical [...] and contradictory process of conflicts, negotiations and compromise between diverse groups" (Berman and Lonsdale 1992: 5, cited in Hibou 2005: 72).

Historically, as today, governments have opted for strategic alliances with private entrepreneurs when they were lacking the financial, technical and administrative means to incite economic development or to extract much-needed revenues. Max Weber (1968) argued that in times of limited administrative capacities, it was rational for governments to "lease out" (196) certain state functions, such as the collection of taxes. More recently, Béatrice Hibou (2005) has taken up Weber's idea and argues that current processes of privatization, especially visible in the countries of the Global South, can be understood as new modes of the historical practice of leasing out, or "discharging" state functions. While liberal reforms were partly imposed upon states by international financial institutions, state actors have increasingly appropriated and broadened processes of privatization (72 f.). Thus, Hibou points out, presently "development policies, economic resources, regulatory functions and the regalian functions of state" (73) are delegated to private actors. These delegations alter modes of governance and reconfigure the state itself. However, Hibou maintains, rather than seeing these processes as signs of weakening state power, they are better understood as producing a "multiplication of the points of the exercise of power"(91). The current spread of concessions is both the product and reflection of contemporary processes of globalization, liberalization and privatization.

In order to analyze the impact of concessions on state power and sovereignty, these concepts themselves need to be discussed. Chapter 2 will address both of these concepts. The chapter juxtaposes the ‘classical’ perspective on the state as sovereign actor (2.1) with anthropological approaches of “sovereignty at work” (Bertelsen 2009), or local instances of sovereign power (2.2). Most importantly, it traces the interactions between localized, non-state forms of power and the state (2.3), which offers important insights into understanding potential outcomes resulting from the increased presence of private concessions on state power. Anthropologists have only recently begun to take up the modern state as an object of study. As Hansen and Stepputat (2006: 296) note, Foucault’s (1980) work on the issue of power helped to reinvent the anthropology of politics and the state. Foucault argued that power needs to be understood as a positive, enabling force “which runs through the whole social body” (119) and is not bounded in the hands of the sovereign. Foucault’s perception of ‘power at work’, as well as commentaries from several other scholars, among them Philip Abrams (1988), contributed to the development of a new approach to the study of the state, by now widely practiced among anthropologists. In this approach, state practices are analytically separated from the images and representations of states in order to trace how the state is constructed as an entity that is “distinct from and sits above the non-state realm” (Sharma and Gupta 2006: 16). This approach challenges the still dominant image of the state as “singular, dominant, bounded and representative” (Migdal and Schlichte 2005: 19). If the separation between the state and the non-state realm is perceived not as a given but as a construct, it becomes possible to search for instances where this constructed separation becomes blurred, and where the realms of state and non-state, formal and informal are closely entangled. Janet Roitman (2005), whose ethnography of the pluralization of regulatory authority in the Chad Basin contributes important insights to this thesis, has studied exactly such a situation where state and private power become closely entwined. In her study, she traces how the border region between the Central African Republic, northern Nigeria, northern Cameroon and Chad has become the site of flourishing unregulated commerce. This “economy of the bush” (158), as she terms it, brings together various state and non-state actors, all engaged in illegal activities such as smuggling. As Roitman points out, while these emerging networks “delineate autonomous political spaces vis-à-vis state power” (176), they do not work to weaken state power. Rather, they contribute to the continued viability of the states in the region by furnishing important revenues to state elites (176). Such insights are important to more fully understand the relationships between governments and private concessionaires discussed throughout this thesis.

Chapter 3 discusses historical and contemporary forms of concessions. The chapter starts out with a conceptual analysis of the term concession which largely draws on the work of anthropologist Rebecca Hardin (2002). As will be explained, concessions are closely linked to the process of economic development and wealth creation. Since governments often lack the capacity to extract wealth from their own territories or to implement important development projects, they grant concessions to private actors who will then fulfill such tasks on behalf of the government. Thus, the term concession describes on the one hand the transfer of certain rights to non-state actors, for example rights to exploit a certain commodity such as gold. On the other hand, the term concession also describes a certain spatial unit, since exploitation rights, or rights to develop a certain business, are normally granted for a specific territory within a state. A third important component of concessions is time, since concessions are granted for a specific period.

While concessions are usually granted for the purpose of economic development and wealth extraction, Hardin (2002) points to another aspect or effect of concessions, which is also very important in the context of this thesis. As she illustrates, previously, concessions have been used to extend state power *within* and *beyond* already established sovereign territories (10). Concessions made state power "transposable" (11). This will become particularly clear in the discussion of different historical forms of concessions (3.1), such as 'concessionary companies' (3.1.1) and 'revenue farms' (3.1.2). Throughout the nineteenth and twentieth century, concessionary companies effectively assisted European powers to extend their control over foreign territories, to extract wealth from these newly acquired territories and to govern them as well. Revenue or tax farmers, on the other hand, assisted colonial as well as indigenous governments in nineteenth century Southeast Asia to extract wealth from subjects and territories under their control and to extend the reach of central governments over marginal regions of the state. In both cases, private economic actors came to take up governing functions and to extend the reach of central governments, thus effectively contributing to processes of state formation. The third historical form of concessions which is discussed in this thesis, the so-called treaty ports in China (3.1.3), differ from all other types of concessions in that they do not involve the sharing of authority between state and non-state actors, but between two governments. They are nevertheless important, since, as Nyíri (2009) argues, they might have been a source of inspiration for economic planners who developed the so-called 'Special Economic Zones' (SEZs) in China. SEZs will be discussed in the second part of chapter three, which focuses on currently existing forms of concessions (3.2).

The discussion of presently existing forms of concessions starts out with insightful ethnographic studies by Rebecca Hardin (2002), Mariana Welker (2009) and Jana Hönke (2009; 2010) (3.2.1). As the research of these authors points out, it is crucial to not only analyze the relationship between governments and non-state actors, but also to take into account the process of "making" concessions on the ground – the daily practices of interaction between concessionaires and local residents (Hardin 2002: 4). Through processes of negotiation on the ground, the rights transferred in the original concession agreement often get transformed and extended. Most importantly, however, the authors found out that similar to previous times, concessionaires currently take up governing functions at the local level.

The discussion of SEZs in the final section of chapter 3 (3.2.2) provides important contextual information for the case study, which focuses on the recent establishment of Chinese SEZs in Laos. China's economic opening to the world at the end of the 1970s largely relied on SEZs to attract foreign capital and technology (Ong 2006). SEZs were established in strategically located coastal cities and were granted specifically liberal economic and labor regimes, in order to provide conditions that were conducive to business development. As Nyíri (2009) maintains, SEZs can be understood as a form of "internal concession". Recently, Chinese companies have begun to export this model of development to Africa and other countries of the Global South (Brautigam and Tang 2011a; 2011b). The chapter examines two examples of Chinese SEZs in Africa: the Chambishi Zone in Zambia, which enjoys financial assistance from the Chinese government, as well as the Lake Victoria Free Trade Zone (LVFTZ) in Uganda, a wholly private venture, which has, however, not yet materialized.

Chapter 4 focuses on current Chinese engagement in Laos and the broader process of regional integration between China and mainland Southeast Asia within the framework of the so-called Greater Mekong Subregion (GMS). This provides important contextual information to situate the subsequent case study. As will be illustrated in the first section of chapter four (4.1), the GMS focuses on the improvement of infrastructure as well as the reduction of trade barriers in order to create an integrated regional market. Investments within the GMS have been substantial and the road networks linking China and mainland Southeast Asia have been extended. The increased flow of people and goods across borders has triggered premature views of an increasingly borderless region where the regulatory capacity of states is curtailed. However, as Andrew Walker (1999; 2009) points out, increased border trade and foreign investments in fact offer a range of new possibilities for state intervention and regulation. Danielle Tan (2010; 2011) takes up Walker's thesis and argues that it is specifically the increased Chinese presence in Northern Laos which offers the Lao government the chance to more efficiently exploit and control its northern borderlands. Tan's arguments will be explained in the second part of the chapter (4.2). She builds on James Scott's (2009) concept of "last enclosure" or "internal colonization", which describes the process by which the mountainous peripheries in Southeast Asia became gradually incorporated into the framework of the different states in the region, and were thus turned into "legible" and "taxable" state spaces. Tan (2011) maintains that the Lao government, by granting large-scale land concessions to Chinese entrepreneurs, is able to bring about this process of "last enclosure" and extend its state power more efficiently into its northern borderlands.

The case study in chapter 5 draws largely on research by Pál Nyíri (2009; 2011), Lyttleton and Nyíri (2011) as well as Tan (2011). It examines two large-scale land concessions, which have been leased by the Lao government to Chinese entrepreneurs who promised to create tourism and trade hotspots. However, so far neither of these 'SEZs' has lived up to what it promised. Rather, as will be illustrated in the first two subchapters (5.1 and 5.2), these zones have developed into little more than Chinese gambling enclaves. The third subchapter (5.3) discusses the striking presence of Chinese national symbols within the SEZs. While journalists almost unanimously conclude that within these zones, Laos has effectively ceded parts of its sovereignty to China, Nyíri (2011) suggests that the zone developers deliberately play on the 'official' image of the zones, to gain authority and support for their investments. Tan (2011), on the other hand, maintains that the SEZ framework lends itself well to cover up all sorts of illegal activities pursued in the zones. The last subchapter (5.4) discusses two different aspects. First, it will inquire into the enthusiasm related to the establishment of SEZs in Laos, displayed by both the Chinese zone developers as well as Lao authorities. Furthermore, it will address Tan's argument that Chinese concessions enable the Lao government not only to extract new resources but also to extend its power over its peripheral regions. This discussion will bring together several insights gained throughout previous chapters. Due to a lack of data, the discussion of Chinese SEZs in Laos will not include processes of "making" (Hardin 2002) concessions on the ground, but will largely focus on the relationship between the Lao government and Chinese concessionaires. Chapter 6 briefly sums up the results of the thesis and will identify new avenues for future anthropological research.

In addition to the literature cited in this introduction, the theory section almost exclusively draws on academic literature from within the field of anthropology and related disciplines. For the case study sources are more diverse. In addition to academic literature, several newspaper articles are cited. Whenever possible, information contained in these articles was cross-checked. Furthermore, the online platform MqVU[2], created by researchers from the Macquarie University Sydney and the Free University of Amsterdam and administered by Pál Nyíri, was an important source for news and discussions around current Chinese engagement in countries of the Global South.

One last remark concerning the work of Danielle Tan (2010; 2011) is important. For the better part of the time working on this thesis, I only had access to a thirty page long discussion paper published by Tan in 2010 (Tan 2010). In this paper, Tan delineates the growing importance of Chinese business networks in Northern Laos, which, she argues, constitute new spaces of power beyond the state but instead of weakening state power, contribute to its viability. These descriptions perfectly matched the arguments of both

[2] http://mqvu.wordpress.com/, [accessed 12 January 2012].

Roitman (2005) and Hibou (2005), whose work I had studied at the very beginning of my research on the issue of sovereignty. Thus, I decided to build my argument mainly around these three sources. At the beginning of December 2011, one month before this thesis was due, I got access to Tan's recently completed PhD thesis (Tan 2011), an opus of more than 600 pages. Reading substantial parts of it, I was able to more fully understand current developments in Northern Laos and I draw on much of her insights throughout the thesis. However, I also learnt that Tan herself was greatly informed by the work of Roitman and Hibou when she developed her argument. These sources were not indicated in the 2010 paper. Hence, it needs to be pointed out that wherever I do not specifically refer to Tan's work, I do not draw on her insights, but developed arguments and established connections myself.

2 Sovereignty

In this chapter, different approaches to the concept of sovereignty will be discussed. The first section (2.1) examines the classical perspective on the state as sovereign actor, which still informs much research in political and legal studies. As will be shown, this normative understanding of sovereignty has raised much criticism from various sides, including dependency theorists but also globalization scholars. In the subsequent section (2.2), anthropological perspectives on the state and sovereignty will be presented. This will entail a discussion of Michel Foucault's (1980; 2007) work on the concept of power, which has been highly influential for recent analytical and methodological approaches to studying the state from an anthropological perspective. The chapter will furthermore briefly touch upon the thoughts of Italian philosopher Giorgio Agamben (1998; 2005), since his recent work has led several anthropologists to take up the issue of sovereignty again. While the first section mainly looks at the state level and the second discusses localized forms of power, the last section (2.3) will bring these two perspectives together, presenting ethnographies which deal with the interaction between the state and non-state forms of power. As the ethnographies show, non-state actors have recently accumulated considerable power and wealth in some states, but these developments might not necessarily be detrimental for the future of the state. Insights gained from the discussion of the interaction between state and non-state actors will be instructive for analyzing the current spread of concessions, since these likewise entail a sharing of power and authority between the state and non-state concessionaires.

2.1 The macro perspective: sovereignty and the nation state system

As anthropologist Caroline Humphrey (2004: 418) remarks,"[m]ost theories of sovereignty operate at the level of states and nations". She hereby refers to the use of the concept in most branches of political science as well as legal studies. In these disciplines, sovereignty is generally treated as a normative concept and is perceived to be the building block of both the modern nation state and the interstate system. At the level of the nation state, sovereignty, in the words of political scientist Stephen Krasner (1999: 4) refers to "the ability of public authorities to exercise effective control within the borders of their own polity". The internally sovereign state thus equals the classical Weberian model, according to which the modern state is a bureaucratic organization "that (successfully) claims the *monopoly of the legitimate use of physical force* within a given territory" (Weber 1991 [1919]: 78, emphasis in the original). The external aspect of sovereignty relates to the interstate system and means, first and foremost, that a state is recognized as sovereign by other states, which are themselves sovereign entities (Lake 2003: 205). It furthermore refers to the ability of a state to prevent external actors from interfering in its domestic affairs (Krasner 1999: 4). Hence, following this normative understanding of sovereignty, all states, be they small or large, powerful or not, are treated as formally equal and independent actors in the international system (Lake 2003: 306).

Between the 1940s and 1970s, most formerly colonized countries gained independence, acceding to the status of formally sovereign nation states. Shortly afterwards, however, critical voices gained ground and started to question the alleged independence of post-colonial and other 'peripheral states' (Cardoso and Faletto 1979). Scholars writing from a dependency theory viewpoint argued that the countries of the Global South, due to a disadvantageous insertion into the capitalist world economy and long-existing structures of exploitation and oppression, were locked into in a relationship of dependency and neo-colonialism vis-à-vis the dominant Western countries (cf. Menzel 1993: 209 ff). Dependency theory was mainly developed in opposition to modernization theory, popular during the 1960s, which argued that economic, cultural, and political conditions internal to the countries of the Global South were to be held responsible for their enduring poverty and economic underdevelopment (Nölcke 2006). Dependency theory subsequently lost some of its explanatory strength with the economic success of East Asian newly industrializing countries (Lake 2003: 307) and was furthermore criticized for trivializing the highly complex processes of interaction and domination, as well as lacking a sophisticated discussion of the different local societies (Luig 2002: 76)[3].

The concept of sovereignty, however, continued to be the focus of much criticism. International relations scholar Robert Jackson (1987; 1990) coined the term "quasi-states", referring to the majority of post-colonial states which he describes as "consisting not of self-standing structures with domestic foundations – like separate buildings – but of territorial jurisdictions supported from above by international law and material aid" (Jackson 1990: 5). These states, Jackson argues (1987: 529), were granted the right to self-determination by the international community and hence posses juridical sovereignty. But this is a mere "negative sovereignty", since these states clearly lack empirical statehood and thus "positive sovereignty", for which they would need to be able to build an "effective and civil government" (Jackson 1987: 529). Jackson bases his differentiation between positive and negative sovereignty squarely on the Weberian ideal type of the modern state, from which the post-colonial states, according to him, are only a far cry. Similar normative

[3] Ute Luig's essay is part of a collection of articles revising the arguments of dependency theory for a variety of African states (Brandstetter and Neubert 2002).

underpinnings inform much of the recent debates about "collapsed" (Zartmann 1995) or "failed" (Rotberg 2004) states (cf. the discussion in Hagmann and Péclard 2010).

While the above mentioned debates about the concept of sovereignty mainly center on the post-colonial world or the Global South, theories of globalization that gained strength during the 1990s clearly had a broader scope and pointed to the possible demise of the entire system of nation states. Anthropologists, often criticized for having contributed to the idea of 'bounded cultures', thus lending support to the idea of nations as separate concrete 'culture containers' (cf. Gupta and Ferguson 1997; Glick-Schiller 2004), were now actively tracing cultural flows across borders (e.g. Hannerz 1996). As anthropologist Brenda Chalfin (2006: 243) remarks, the prediction of the "eclipse" of the nation state is "a requiem that anthropology's prescient pursuit of the transnational helped to write". Arjun Appadurai (1996; 2003), perhaps more pronouncedly than others, has spelled out the possible consequences of an increasingly interconnected world for the continuity of the nation states system. Building on Benedict Anderson's (1983) theory of nations as "imagined communities", Appadurai (1996: 33) argues that the global flow of people, ideas, capital and technology creates new "imagined worlds" which build on transnational, or even postnational "solidalities" (Appadurai 1996: 8) and which are able to subvert the legitimacy of the territorial boundaries dividing current nation states. Thus, Appadurai (1996: 19) formulates a rather grim outlook for the future of the nation state:

> Nation states, for all their important differences [...] make sense only as parts of a system. This system [...] appears poorly equipped to deal with the interlinked diasporas of people and images that mark the here and now. Nation states, as units in a complex interactive system, are not very likely to be the long-term arbiters of the relationship between globality and modernity.

Scholars from various other disciplines have of course also contributed to the debate about the future of the state in the era of globalization. International relations scholar Susan Strange, for example, published a book titled *The Retreat of the State* in 1996, in which she argues that "the authority of the governments of all states, large and small, strong or weak, has been weakened as a result of technological and financial change and of the accelerated integration of national economies into one single global market economy" (Strange 1996: 14). Economist Kenichi Ohmae (1995), "one of today's top business gurus"[4] is probably one of the most paradigmatic figures in the 'demise of the nation state' discourse. According to Ohmae (1995: 5), "traditional nation states have become unnatural, even impossible, business units in a global economy". Investment, industry, information technology and also individual consumers are increasingly globally oriented, and salespeople's "minds

[4] So stated in the very first page of his 1996 book *The End of the Nation State*.

are on the possibilities suddenly open to them through the global market, not on the backward looking concerns of the nation state to which they belong" (80). As Ohmae furthermore argues, the only borders that will still matter in an otherwise "borderless world" are those of what he terms "region states", which include economically powerful cities or regions within existing states, or else "growth triangles", which link contiguous parts of neighboring countries (80)[5]. It is these region states, Ohmae asserts, which are the "natural business units in today's globalized economy" (5).

Of course, underlying such predictions of the 'withering away' of the state is quite often a certain positioning vis-á-vis the nation state. As Appadurai (1996: 19) admits, part of his argument for the emergence of a postnational world order is driven by his judgment of "most modern governmental apparatuses as inclined to self-perpetuation, bloat, violence and corruption". A certain attitude towards the appropriate role of the state concerning the regulation of the economy is thus also most likely influencing the positions of many authors writing from an economic background. As sociologist Peter Evans (1997) observes, the simple fact that foreign direct investments and other forms of transnational corporate connections have increased in recent years does not necessarily lead to a diminished role of the state. After all, Evans argues, and especially in today's global economy where a growing number of products are rather ideas than things, companies need capable states to ensure the enforcement of property rights (77). He presents several statistics which show that an increasingly open domestic economy has often occurred alongside an extension of the state apparatus (68 f.). If such a positive relationship between globalization and "high stateness" exists, he concludes, then the often pronounced incompatibility of the nation state and globalization can be attributed to the "ideological face of the current global order", which propagates minimal state involvement in the economy (70). Anthropologist Aihwa Ong (1999) follows Evans' conclusion that state eclipse is neither a necessary nor likely outcome of globalization; she is quite critical of the widely held view of state decline. Ong concedes that flows of capital, population and culture have made "inroads" into state sovereignty (6), but she claims that governments have been more creative in their response to these challenges than is widely thought and are thus able to "maintain strategic controls over resources, populations and sovereignty" (21). She rebukes her colleagues for celebrating cultural difference and hybridity without taking into account the restraining as well as enabling effects of different power relations, thereby overstating the liberating

[5] Growth triangles and Special Economic Zones will be dealt with in more detail in chapter 3.2.2.

potential of mobile groups such as migrants (15)[6]. Ong's concept of "graduated sovereignty" (2000; 2006) will be examined in chapter 3.2.2, which deals with Special Economic Zones (SEZs) in China and beyond.

To summarize, this section has presented the conventional understanding of the concept of state sovereignty, with its internal and external dimension, which is still widely used as a normative framework in political science and international legal studies. The alleged equality of all states in the international system has been questioned from many sides, especially with respect to the 'weak' states of the Global South. Furthermore, theoreticians of globalization have argued that powerful and 'weak' states alike, in fact the entire state system as such, might be in decline due to an unprecedented situation of global economic interconnectedness and human migration. As the arguments of Evans and Ong have shown, neo-liberal ideologies and celebratory accounts of cultural flows might influence and maybe distort predictions about the end of the nation state.

The above described positions all embrace a macro-level perspective and discuss the future of the nation state as unitary sovereign actor in the international system. Recently, anthropologists have begun to take up the issue of sovereignty, but contrary to most political scientists and economists, they adopt a micro-level perspective and use the concept of sovereignty to approach emerging forms of power and authority 'beyond' or 'beside' the state.

2.2 The micro perspective: Anthropological approaches to sovereignty

As several scholars from within the discipline observe, the modern nation state as a research object has only recently become a major concern for anthropologists (Bierschenk 2009; Ferguson and Gupta 2002). The publication of a reader titled *The Anthropology of the State* by Aradhana Sharma and Akhil Gupta in 2006 indicates that the state as a field of study is becoming increasingly 'institutionalized' within anthropology. In the introduction to the reader, Sharma and Gupta (2006) explain what they consider to be the 'disciplinary distinctive' in studying the state from an anthropological perspective. In contrast to scholarship in political science and related disciplines, where the state is often perceived "as a given – a distinct, fixed and unitary entity" (8), an anthropological lens, Sharma and Gupta argue, helps to clarify how the state "comes into being" (8), how it is constructed as an entity separate from its presumed opposite, civil society, and, most importantly, how

[6] Note that in 2006, Appadurai published another book on the effects of globalization, called *Fear of Small Numbers*, partly as a reaction to critical voices, which argued that *Modernity at Large* presented "too rosy a picture of the globalization of the early 1990s" (Appadurai 2006: ix). *Fear of Small Numbers* thus focuses on "some of the harshest results of globalization" (Appadurai 2006: x). However, this exercise is not directed at demonifying globalization. As Appadurai points out, "until we understood how globalization can produce new forms of hatred, ethnocide, and ideocide, we will not know where to seek the *resources for hope about globalization* and the globalization of hope" (Appadurai 2006: xi, my emphasis).

the state assumes its position of supreme authority (9). Methodologically, these questions can be pursued by focusing on two interrelated aspects: the everyday practices and the representations of the state (11, 18). By studying "[m]undane bureaucratic procedures" (11) such as the collection of taxes or the issuance of official documents, important insights can be gained on how the state is inscribed in people's lives, how it is constantly imagined and re-imagined, and especially, how the daily practices of bureaucrats contribute to the construction of the state as an entity that is "distinct from and sits above the non-state realm" (16; cf. also Ferguson and Gupta 2002). A comprehensive ethnographic investigation of daily bureaucratic routines in four West African countries has recently been pursued by Thomas Bierschenk and others within the research project "States at Work", based at the University of Mainz[7].

As Sharma and Gupta (2006: 18) point out, next to studying daily bureaucratic practices, an ethnographic approach of the state likewise needs to take into account the images and cultural representations of the state, which circulate through the public sphere and have an important influence on people's perception of "what the state is" (18). These images are transported via newspapers, government reports, and "ceremonial rituals" such as the inauguration of a new public building or military parades (18). Although separated for analytical purposes, representations of the state and bureaucratic practices are in fact closely intertwined and mutually constitutive, since people experience daily state practices based on their perception of the state, and this perception is likewise formed by their daily encounters with state agents (19). Representations of the state, especially in the form of "organizational charts, official seals and photographs of state leaders" effectively lend an air of order and coherence to the organization of the state, thus obscuring the messiness and inconsistencies frequently present in the daily workings of bureaucracies, and reinforcing the vertical authority of the state (19).[8]

The analytical distinction between the state as a bundle of practices and the state as an idea, by now widely practiced amongst anthropologists of the state, has not, however, emanated from within the discipline of anthropology. As Bierschenk (2009: 1) points out, this idea was already formulated in the work of French philosopher Althusser in the late 1970s, and was later on taken up by British sociologists Philip Abrams (1988). Subsequently, in a highly influential article, political scientist Timothy Mitchell (1991) criticized the assumption, widespread in his own discipline, that the political was "clearly distinguishable from its social environment" (80). He suggested that instead of perceiving this boundary as given, it is better understood as a "structural effect" of complex social

[7] "States at Work. Public Services and Civil Servants in West Africa: Education and Justice in Benin, Ghana, Mali and Niger", http://www.ifeas.uni-mainz.de/projekte/StatesatWork_neu.html, [accessed 5 November 2011].

[8] Ethnographic explorations of representations and imaginations of the state in different places in Africa, Asia and Latin America can, for example, be found in Hansen and Stepputat's *States of Imagination* (2001).

practices. As Mitchell asserts, the state "should not be examined as an actual structure, but as the powerful metaphysical effect of practices that make such structures appear to exist. In fact the nation state is arguably the paramount structural effect of the modern social world" (94). A decade ago, Michel-Rolph Trouillot (2001) extended the idea of "state effects" to account for changes brought about by globalization. As he points out, "[i]n the age of globalization, state practices, functions and effects increasingly obtain in sites other than the national but never entirely bypass the national order" (131). Such a state effect brought about by formally non-state actors can, amongst others, be found in the work of international organizations or non-governmental organizations (NGOs) (132). These institutions often produce statistics that are more reliable than those of national governments, producing what Trouillot, following James Scott (1998), calls "legibility effects" (132).

Considering the turn to studying "states at work" in anthropology, it is not surprising to find that within the discipline there has likewise taken place a turn to study "sovereignties at work" (Bertelsen 2009). That the issue of sovereignty has returned to concern a great many contemporary anthropologists can be credited to the work of Italian philosopher Giorgio Agamben (1998; 2005), as Hansen and Stepputat (2006: 296) argue. But before Agamben came to have an influence on the discipline, it was the work of Michel Foucault (1980; 2007) that helped to reinvent the anthropological study of politics in the 1990s, which had until then been "steeped in an ahistorical mode of analysis" of "kingship, sacrifice and ritual in 'primitive societies"' (Hansen and Stepputat 2006: 296). Foucault himself, however, did not spend much analytical effort on the issue of sovereignty. In fact, he argued that it is the obsession of much political theory with the person of the sovereign that has distorted proper analysis of power relations in modern societies (Foucault 1980: 121). Foucault traces the emergence of the classical concept of sovereign power back to the Middle Ages, when the struggle between different feudal powers was put to an end by the ascendance of the person of the monarch as the single power "capable of putting an end to war" (121). Monarchy, as Foucault argues, "made itself acceptable by allocating itself a juridical and negative function" (121). Since then, Western legal thought had been dominated by a "juridical conception" of power, whereby power is identified "with a law which says no" (119). In his work, Foucault tries to go beyond this "skeletal conception of power" and emphasizes instead the productive force of power:

> What makes power hold good, what makes it accepted, is simply the fact that it doesn't only weigh on us as a force that says no, but that it traverses and produces things, it induces pleasure, forms knowledge, produces discourse. It needs to be considered as a productive network which runs through the

> whole social body, much more than as a negative instance whose function is repression (119).

For the productive forces of power to become the center of analysis "[w]e need to cut off the King's head", Foucault famously argued (121). If power is perceived as a network, as "something which circulates" (98), it becomes clear that power is not something that can be possessed or located in the hands of one person or group (i.e. the sovereign). While it is Foucault's intention to redirect the analysis of power away from its putative sole origin in the person of the sovereign, this does not mean he understands the state to be unimportant (122). He rather argues that

> relations of power, and hence the analysis that must be made of them, necessarily extend beyond the limits of the State. In two senses: first of all because the State, for all the omnipotence of its apparatus, is far from being able to occupy the whole field of actual power relations, and further because the State can only operate on the basis of other, already existing power relations (122).

It is evident how Foucault's focus on the practices of power, or power 'at work', has effectively influenced the recent turn in anthropology to study the daily practices of nation states.

Agamben (1998; 2005), on the other hand, puts the analysis of sovereign power center stage.[9] He builds on Foucault's later work on "governmentality" and "biopower" (Foucault 1991; Foucault 2007), where the latter explores the emergence in the mid-eighteenth century of a new technology of power, which had as its target no longer a certain territory or individuals, but entire populations (Foucault 1991: 104). Biopower refers to "the set of mechanisms through which the basic biological features of the human species became the object of a political strategy" (Foucault 2007: 1). Agamben (1998) agrees with Foucault on the fact that the inclusion of human biological life into the realm of politics has become more visible in modern societies, but unlike Foucault he does not place this process, whereby life becomes 'politicized', at the middle of the eighteenth century. Rather, for Agamben, the inclusion of human life into the realm of politics has, since its very inception, been at the heart of Western conceptions of politics (6, 7). To explain his thesis, Agamben goes back to the work of Aristotle. He claims that the Greek philosopher firstly made an essential distinction between *zoe*, the biological fact of life, and *bios*, political or qualified life and secondly excluded 'natural life' or *zoe* from the *polis*, the realm of the 'good life' and politics (2). By virtue of its exclusion from the realm of politics, natural life or *zoe* remains inherently related to the realms of politics through an "inclusive exclusion" (7). The figure

[9] My perception of Agamben's theory of sovereignty is mainly based on a helpful treatment of the subject in Vaughan-Williams (2009: 96 – 129).

of the excluded, which, by virtue of its exclusion, remains related to the same domain or group from which it has been excluded, or "banned" (28), is central to Agamben's theory of sovereign power. For Agamben, the original activity of sovereign power is the ability to exclude life from the political community, to produce what he terms "bare life" (8). Bare life is an 'expendable' life, stripped from all rights and thus residing in a "state of exception" (Agamben 2005), which allows for the use of practices such as "torture, rendition or execution" (Vaughan-Williams 2009: 99).

Inspired by Agamben's work, several anthropologists have recently begun to disentangle the concept of sovereignty from its normative underpinnings as the defining characteristic of the modern state, and have instead explored empirical instances of sovereignty. As Hansen and Stepputat (2006) explain, this revised approach to sovereignty differs from debates in other disciplines in that it is "oriented towards exploring *de facto* sovereignty, i. e., the ability to kill, punish and discipline with impunity wherever it is found and practiced, rather than sovereignty grounded in formal ideologies of rule and legality" (296, my emphasis). De facto sovereignty, or an ethnographic approach to "sovereignty in practice" (297), Hansen and Stepputat maintain, will give important insights into the complex distributions of power and authority especially in post-colonial societies, where effective legal sovereignty is an even less attainable ideal than anywhere else in the modern world. As the two anthropologists explain, this is due to the fact that colonial rule was not marked by a powerful center from which sovereignty emanated over the entire territory of a foreign possession, but rather produced fragmented and overlapping "registers of sovereignty" (297). In many instances, the authority to rule was outsourced by colonial powers to private foreign individuals. A paradigmatic figure in this context is the planter in the Caribbean, who exercised de facto control over the slaves and indentured laborers who worked his land (Hansen and Stepputat 2006: 308; cf. Mintz 1974). Furthermore, large parts of the colonial populations were under the sway of local authorities who were authorized by the colonial state under the widespread system of indirect rule (Hansen and Stepputat 2006: 304; for the African case cf. Mamdani 1996). In other cases, especially in border regions, local elites enjoyed de facto control over parts of the population not by virtue of an agreement with the colonial state, but due to the simple fact that the latter's reach was clearly limited (Hansen and Stepputat 2006: 304; cf. Nugent 1999). Hansen and Stepputat (2006: 304) assert that the fragmentation of sovereignty and authority under colonial rule had a profound impact on emerging postcolonial societies and paved the way for the rise of all sorts of *informal sovereignties*, which have been the focus of much recent anthropological research.[10]

[10] On the emergence of 'informal sovereignties', powers 'beyond the state' and the (re-)emergence of 'traditional' authorities see Buur 2006; Buur and Kyed 2006; Bertelsen 2009; Hansen 2006; Lund 2006 and Bellagamba and Klute 2008.

Caroline Humphrey's (2004) analysis of "practices of sovereignty at the street level" (423) in post-socialist Ulan-Ude, Siberia, is a particular insightful example of this new body of ethnographic research on informal sovereignties, which is based on both Agamben and Foucault. As Humphrey illustrates, when the state-run bus service in Ulan-Ude collapsed around the year of 1991, various individual taxi drivers started to take over the old routes and even added several new routes (423). By 1994, what had started as a movement by individuals had developed into a "system" which possessed its own laws and was effectively run by what can be termed a "mafia" (423). As Humphrey observes, the taxi-mafia employs a strict discipline. The drivers are obliged to pay a regular tribute and in case of non-compliance or servicing of routes which they are not supposed to serve, they face severe punishment or exclusion from the system (426). Several attempts by the mayor and the police of Ulan-Ude to get a hold of the system failed, but an agreement with the mafia was finally reached, which allowed the mayor as well as several influential members of the police to establish and control their own routes, from which they would be able to extort tribute without interference on the part of the mafia (426, 427). Drawing on Agamben, Humphrey argues that the taxi-system, as a "localized" form of sovereignty, although embedded within different higher forms of sovereignty, "nevertheless retain[s] a domain within which control over life and death is operational" (420). The mafia's ability to 'ban' the drivers from the taxi-system is especially perceived by Humphrey as an instance of the exercise of sovereign power (428). The taxi-mafia thus employs *de facto* sovereignty within its realm. But Humphrey (2004: 429) qualifies her analysis with Foucauldian insights, when she argues that the tribute given to the mafia is not paid simply out of fear of punishment, but is embedded within in a "wider imaginary of political-economic acts" (429). The taxi-drivers she interviewed were convinced that a person holding a position in the state bureaucracy was *entitled* to receiving money, gifts or services (429). Thus, Humphrey concludes, paying tribute is a vital element of governmentality in Ulan-Ude, a "technology of sovereignty", appropriated by the taxi-mafia (429). Furthermore, the taxi-drivers themselves engage in strict mutual surveillance (434). And although the taxi-system might seem to be oppressive, in comparison to the former employment situation under the planned socialist economy, it is actually perceived by many drivers as offering a certain degree of freedom and the ability to become small entrepreneurs themselves (434). The analysis of sovereignty, Humphrey concludes, is thus not opposed to studies of governmentality (435).

Ethnographic accounts of 'sovereignty at work' such as Humphrey's reveal important insights about localized forms of power which a normative approach to sovereignty would either occlude, assuming that the state is the central locus of power, or else classify as characteristic of a 'weak', or 'failed' state. Of particular importance for the present study is the interaction between such localized, 'non-state' forms of power and the state.

Humphrey's account touches upon important aspects in this regard, in that she points out the actual limitedness of binaries such as state and non-state, legal and illegal, in the understanding of the actual workings of states. As Humphrey illustrates, official state structures are able to accommodate an obviously illegally operating system, thereby securing some of the spoils for the public coffers or the personal gain of state officials. In the following section, approaches from within anthropology and related disciplines which explicitly focus on the interactions and negotiations between the formal state apparatus and emerging forms of non-state power will be explored in more detail.

2.3 Merging perspectives: The interaction between the state and localized forms of power

The first ethnographic account to be presented in this section is Janet Roitman's (2001; 2005) work on the pluralization of regulatory authority in the Chad Basin, an area which she defines as comprising the Central African Republic, northern Nigeria, northern Cameroon and Chad. Roitman's study is instructive primarily for two reasons: first, she calls attention to the fact that even if considerable power and authority is accumulated by non-state actors, this does not necessarily lead to the weakening of the state. Second, and partly following from the first insight, she points out that it might be misleading to use the term 'new sovereigns' to refer to newly emergent forms of power 'beyond' the state.

The Chad Basin, Roitman (2005: 155) asserts, is an extremely poor region, where prospects to gain a well-paid job deteriorated further throughout the 1990s due to the implementation of structural adjustment programs, the contraction of bi- and multilateral aid and the demise of international markets for certain cash crops and minerals. This situation produced a great number of "economic refugees" (155), people laid off from their former employments, who gathered in the borderlands of the region and got involved in a variety of unregulated commerce. They were joined by ex-soldiers who had lost their jobs due to several programs of military demobilization in the region and financial constraints faced by the national army (155). These "military refugees", together with the otherwise unemployed and dispossessed, began to form road gangs that engaged in cross-border smuggling of hardware, electronics, black-market petrol, gold, arms and drugs, turning the otherwise poor border regions into sites of flourishing business (155). Several settlements sprang up in the border regions, serving as depots, hiding places and points of redistribution for the "economy of the bush" (158).

But not only the unemployed and disbanded, also customs officials and military personnel, whose salary was extremely low or only sporadically disbursed, began to engage in fraudulent commerce to top up their wages (162). In Chad, they are known as "douanier-combattants", fighting customs-officials, a term which points to the blurring of the line between civil and military status (162). As Roitman argues, unofficially converted public servants, such as the douanier-combattants, together with leaders of rebel groups, local merchant elites, the dispossessed, gendarmes, opposition members, military officers and even government ministers, form a "military-commercial" nexus, producing new regimes of accumulation, redistribution and security in the region (165). The levies and exactions of these new regimes are mostly sanctioned by the local population, since they offer access to privileged commercial relationships and international markets, in times where few possibilities to earn a living are available (178). Participation in the economy of the bush, Roitman asserts, is perceived as a source of empowerment and freedom (178). This is reminiscent of the way Humphrey's interlocutors talked about their complicity in the mafia-run taxi system. In the Chad Basin, the "new figures of regulatory authority" (165) also redistribute some of the wealth gained by fraudulent commerce and levies exacted from the population (178). In northern Cameroon and Chad, for example, wealthy merchants have constructed mosques and Muslim schools in their home villages (179).

The states in the region have different options at hand to appropriate some of the wealth generated by the economy of the bush. To give an example, Roitman recounts the story of Mbaiboum, a town located right at the borders between Cameroon, Chad and Central African Republic (165). In 1987, the town became the center of a flourishing market of illegal commerce in industrial goods, consumer items, gold, drugs and diamonds (165). In 1992, the Cameroonian state came to 'tap' the market by establishing a customs station there, exacting market duties and selling licenses (165). Without providing either water or electricity to the town, the Cameroonian state began taking in 20 million CFA francs from the market annually (165).

However, the Cameroonian state did not stop "unofficial regulators" from pursuing their business, who thus continued to collect market duties and taxes for the use of roads that led to the market (166). Even more, Cameroonian customs officials helped the unregulated market to flourish, by raising only minimal amounts of taxes on goods crossing the borders and only superficially monitoring the people entering and leaving the country (166). The state, Roitman points out, can in fact offer a certain "legal structure" for formally illegal activities, thereby placing itself at the heart of the proliferation of unregulated commerce (167).

Although these new sub-and transnational networks "delineate autonomous political spaces vis-à-vis state power" (176), and thus clearly challenge the regulatory authority of the governments in the region, they likewise contribute to regime stability. By granting state elites access to new sources of wealth, the newly emerging networks help to finance important political clients, and thus prevent the emergence of counter elites (176). Even more, they strengthen the state as such. As Roitman elucidates, "if these networks contribute to the very viability of state functions (extraction, enabling productive economic sectors, redistribution), they perpetuate the viability of the state as a political institution as much as a particular regime" (165). Exactly because these newly emergent forms of power and regulatory authority cannot be clearly separated from the infrastructures of the state nor do they work to weaken state power, Roitman refrains from arguing that they exert sovereign power (192 – 198). Informed by the insights of Foucault, she cautions against the conflation of the concepts of power and sovereignty (193). As she explains, if new fields of social authority emerge within a state, which "produce codes, rules, norms and significations that structure the practices and relations of those under its dominion" (194), as indeed the new figures of regulatory authority in the Chad Basin do, then these new fields are constitutive of new configurations of *power*, not sovereignty (196). Departing from an understanding of power as productive, complex and "constantly engendered at the multiple points of its exercise, the question of sovereign status, understood as an instance of unqualified (normative) unity in any one domain, is nonsensical, since such situations simply do not obtain" (196). State power, Roitman furthermore emphasizes, is often exercised beyond the direct institutions of the state, and power, which emanates from formally non-state sources, might become incorporated into the framework of the state (196).[11] In this web of complex relations, state and non-state power is thus closely entangled.

Depicting emerging figures of regulatory authority as 'new sovereigns' furthermore suggests a *qualitative* change in the way power is exercised. Roitman emphasizes that this would be a misleading conclusion (192), since exercising state power via "indirect mediations" is not a novel phenomenon in Africa and elsewhere in the postcolonial world, and has in the past involved the use of external alliances and resources (176). Thus, argues Roitman (2005: 177), recent developments in the Chad Basin can fruitfully be interpreted as a novel way of "managing extroversion", whereby "sub- and transnational regimes of accumulation are critical connections to today's external rents" (177, cf. Bayart 1993).

[11] In this context, Roitman (2005: 196) refers to the work of Julia Elyachar (2003), who likewise traces the blurring of the lines between state and non-state power. In her article "Mappings of Power: The State, NGOs, and International Organizations in the Informal Economy of Cairo (2003)", Elyachar illustrates how the World Bank, together with other international organizations (IOs), managed to first invent a new category in the Egyptian economy, namely small and microenterprises, which had previously fallen under the category 'informal economy', and subsequently came to fund "that something they had invented" (587), since it was decided that micro enterprises should become a "safety net" (587) for the damages caused by structural adjustment programs. To collect sufficient data on microenterprises and to coordinate funding properly, the IOs needed to cooperate with the state. Thus, the Social Fund was established, a new agency that was at the same time inside and outside of the state, funded and directed by the World Bank but under the chairmanship of the Egyptian prime minister (588). Thus, processes of counting and mapping, through which the state traditionally exercises power, have partly moved into the hands of IOs (595). At the same time, however, IOs are incorporated into the state and function as parts of it (595). As Elyachar asserts, "[t]he lines between 'the state', 'international organizations', and the civil society that is assumed to lie outside the state are far fuzzier than we often realize" (595).

Beatrice Hibou (2005), on whose insights Roitman also draws, particularly emphasizes the historical embeddedness of currently reemerging forms of governing via 'indirect mediation'. As Hibou observes, states in the Global South increasingly delegate some of their regulatory and even "regalian" functions, such as tax collection and the maintenance of order, to private intermediaries (71). Hibou cites several prominent examples, such as the authorization of a Swiss company in 1996 to manage and collect the sales tax in Cameroon (83). As Hibou emphasizes, this process of the "privatization of the state" modifies modes of governance and leads to a reconfiguration of the state, but it does not necessarily reduce the capacity of the state to exercise control (72). While the practice of delegating state functions to private actors is currently induced by the internationalization of the economy, technological innovations and the general expansion of capitalism, it is, Hibou points out, in fact an "age-old phenomenon", occulted in recent years due to the adoption of normative models, such as the rational-legal state (74). According to Hibou, the reemergence of this phenomenon can in fact be seen as a new mode of what Max Weber (1968) termed "discharge", the delegation or displacing of political control (82).[12] Weber, Hibou explains, classified "discharge" to be the dominant mode of governing in contexts where bureaucracies were not yet sufficiently developed to secure an efficient management of the state (82).

The current privatization of state functions, such as tax collection and the provision of security, but also development interventions, which are often administered by local and foreign NGOs, leads to a blurring of the line between public and private realms, and produces a mode of governing which is characterized by constant negotiations between public and private actors (88). Rather than pointing to a retreat of the state or a loss of state power, Hibou asserts, this new form of governing enables the state to accumulate additional resources trough the cooperation with non-state actors in legal as well as illegal ways, inducing a "multiplication of the points of the exercise of power" (91).

While Hibou describes the proliferation of foreign non-state actors as intermediaries for state governments, Thomas Hüsken and Georg Klute (2008), amongst others, have recently traced the reappearance of local forms of power and 'intermediary rule' in two African borderlands. Building on previous work of Klute, as well as Trutz von Trotha (Klute 1998; Trotha 2000; Trotha and Klute 2001), Hüsken and Klute (2008: 4 – 7) describe the emergence of a form of "parastatal rule" in the Adagh, the border region between Mali and Algeria, which is predominantly inhabited by Tuareg. With the onset of colonialism and modern state building in the beginning of the twentieth century, a group of chiefs in the Adagh

[12] Hibou uses the French translation "decharge" of the German word "Verpachtung". In the English translation used in this study (Weber 1968), Verpachtung is translated with "leasing out". Weber talks about the leasing out of state functions for example in the context of tax collection (Weber 1968: 196). This practice, also called 'tax farming', will be explored in more detail in chapter 3.1.2.

rose to power, remaining the dominant force in the region until today (4). The French integrated the chiefs into the colonial administration by assigning to them the role of local intermediaries, an institution which Kurt Beck (1989) termed "administrative chieftaincy" (Hüsken and Klute 2008: 4). Thus, as Hüsken and Klute explain, throughout colonial times, the Tuareg chiefs and the French colonizers exercised a form of "parallel rule" in the region (4). When Mali became independent in 1960, the chiefs tried to gain regional autonomy for the Adagh (4). The claim was rejected and the Adagh was put under military rule, while local politics remained largely in the hands of the chiefs (4). In the 1990s, the conflict between the Tuareg and the Malian state flared up again and led to the so-called Tuareg rebellion, which lasted for several years with no major gains on either side (5). During this dispute, some of the leading Tuareg chiefs managed to function as mediators and organized reconciliatory meetings, finally succeeding in reestablishing peace in the region (5). Profiling themselves as mediators between the state and the Tuareg, the chiefs managed to regain power from the rebels, and were furthermore able to strengthen their position vis-à-vis the central state, establishing a form of "para-sovereign rule" in the region (5). The Tuareg chiefs now carry out several administrative duties of the state at the local and regional level, even trying to establish a regional monopoly of violence (5).

As Trotha (2000: 274) points out, the onset of democratization and decentralization in Mali in the 1990s brought new possibilities for the Tuareg chiefs to strengthen their position. Since important functions in the central and local administration are now allocated according to the results of elections, and no longer assigned by the central government, the chiefs are able to insert loyal followers into the ruling party, promote loyal candidates and arrange electoral districts in a way which ensures desired electoral outcomes (274). As Trotha maintains, the decentralization process could even produce a degree of territorial rule which has until now neither been realized by the colonial nor the post-colonial state (275, 276). Now that important resources such as votes, seats in the parliament, taxes and tax payers are all bound to the territorial limits of districts and regions, it is for the first time, Trotha argues, that the Tuareg will support the enforcement of territorial boundaries in the Adagh.

As Hüsken and Klute (2008: 3) emphasize, it is important to historically trace the successive incorporation of local forms of power into the evolving modern state administrations in order to avoid jumping to the conclusion that 'neo-traditional' and tribal powers are natural opponents of the state. The increasing "interlacement" (11) between state and non-state actors and the "complex processes of bargaining for power" (11) either lead to an internal division of labor between local power holders and the state, or induce the formation of new political configurations such as the "para-state" (12). But instead of necessarily pointing to state decline, "these processes can also lead to the strengthening of the contested state" (4).

The ethnographies in the present and the last subchapter have shown that, "until today the leviathan has not managed to overwhelm non-state forms of local power" (Hüsken and Klute 2008: 3). In fact, the leviathan increasingly seems to be seeking the partnership with various non-state actors, in order to open up new resources for the public coffers and dispose of some of its management tasks while not necessarily forfeiting its capacity to rule. In this process, the lines between legal and illegal, public and private, state and society get blurred, contesting the still largely dominant image of the state as "singular, dominant, bounded and representative" (Migdal and Schlichte 2005: 19). Precisely because it is impossible to draw a clear line between state and non-state forms of power, nor can it be assumed that power emanating from outside of the direct infrastructures of the state is necessarily detrimental to the state, it is difficult to speak of the emergence of 'new sovereigns' or 'new spaces of sovereignty'. Furthermore, as Roitman made clear, neither the state, nor any non-state actor or network, will ever be the source of unqualified power or authority. Hence, the search for the locus of sovereignty should give way to the analysis of the complex relations of power present in particular social and political configurations. Even in situations where non-state actors exert considerable authority, which might include the power over life and death of subordinates, as in the case of the taxi-mafia in Ulan-Ude, it is insufficient to argue that the fear of punishment or death, classically associated with sovereign power, is the dominant mode of governing. As Humphrey's (2004) analysis revealed, even the taxi-mafia was closely entangled with the infrastructures of the state.

While the above described perspectives have made clear that the modern state is by no means the sole or dominant locus of power, it should, however, not be omitted, that state sovereignty continues to be the organizing principle in the international system (cf. Hönke 2010: 107). Governments presiding over internationally recognized sovereign states, are accorded specific rights, privileges and resources which are not available to non-state powers (cf. Reno 2001). One such privilege which normally lies in the hands of state governments is the granting of 'concessions', which build the focus of the following chapter. Broadly defined, concessions are delimited territories within states, leased to foreign or local non-state actors for purposes such as resource extraction, environmental conservation and other forms of investments. The insights gained throughout the last three subchapters will be instructive for understanding the current spread of concessions in the Global South, as well as the analysis of the interactions between non-state concessionaires and governments.

3 Concessions

> The trading company, the concession, and the royal charter were the main vehicles for early colonial expansion. Later, privately owned enterprises were of equal importance in the consolidation and administration of the colonies. [...] The emergence of 'Special Economic Zones' devoted to labor-intensive production or tourism across Asia in the 1970s and 1980s represented in some ways a *return of the concession in a new form* [...] (Hansen and Stepputat 2006: 308, my emphasis).

The concession has *returned*. It is not a whole new phenomenon. This link between historical and contemporary forms of concessions should not be overlooked, in order to avoid associating the current spread of concessions solely to recent processes of privatization and the global spread of neoliberal ideology, omitting important insights to be gained from an analysis of historical precedents. As was pointed out in chapter 2.3, the privatization of state functions itself is an "age-old phenomenon" (Hibou 2005: 74). Before historical and current forms of concessions are looked at in more detail in the following subchapters, an approach to the concept of the concession, especially as understood in this thesis, is essential. In this regard, helpful insights come from anthropologist Rebecca Hardin (2002), who studies the history of "concessionary politics" in the context of environmental conservation in Africa. Hardin offers the following definition:

> The term 'concession' refers [...] to the territorial units allocated to actors for the extraction of wealth in the form of raw materials. More broadly, it refers to the social interaction through which a state can allocate territories or resources and social rights of exploitation for purposes such as tourism and leisure hunting. Used from the eighteenth century to consolidate central government control over internal and outlying geographical areas, the notion of the concession worked to reinforce the totalizing nature of sovereign power, and then to extend that power through various mediating actors and codes or norms, across varied geographical and social contexts (2002: 10).

Important aspects can be drawn from this definition. First of all, concessions are closely linked to processes of economic development and wealth creation. Since governments are often lacking the technical and financial means to efficiently exploit their own state territories or to undertake necessary development interventions, concessions are granted to non-state actors, who will then implement projects on behalf of the state but for their own profit. On the one hand, then, the term concession refers to specific rights which are transferred to non-state actors, for example rights to exploit a certain commodity such as gold. On the other hand, the term concession refers to a spatial unit, since exploitation rights, or rights to develop a certain business such as tourism, are most often allocated for a specific territory. Next to rights and territory, a third important component of concessions is time, since concessions are usually granted for a fixed period of time. These three aspects might not apply to all forms of concessions. In the case of infrastructure concessions, for example, the territorial aspect is less important. However, for the different forms of concessions discussed in this thesis, territory, rights and time are critical defining characteristics.

While concessions are mainly granted for the purpose of economic development and wealth extraction, Hardin (2002: 10) mentions another important aspect or effect of concessions in her definition. As she illustrates, concessions have previously been used to strengthen and extend the power of a ruler or government, either within or beyond already established sovereign territories (10). Concessions made power "transposable" (11). By granting regional and local "mediating elites" (11) full control over certain territories, "as in a fiefdom" (10), central power was extended across an existing state or empire. Outside of already established sovereign territories, Hardin explains, concessions were used to "explore unknown areas" (11) and establish colonial possessions. As was already pointed out in chapter 2.3, the sharing of authority with 'mediating actors' is not necessarily detrimental to state power.

By ceding parts of their authority and territory to private concessionaires, governments have the possibility to extract new wealth and might even be able to strengthen their power. But to fully understand the impact of concessions, it is furthermore important to take into account what Hardin describes as the "making" (4) of concessions, the micro practices and day-to-day negotiations between concessionaires, local authorities and residents. As MacLean (2008: 155), drawing on Mitchell (1992: 94), points out, "concessions are not simply legal agreements that, by virtue of their formal qualities, exist distinct from social practice". As will be seen throughout the following chapters, daily negotiations between concessionaires and local residents often reshape and extend the rights and obligations that were officially transferred in the concession agreement.

This short introduction will serve as a guide through the following chapters, in which various old and current forms of concessions are discussed.

3.1 Earlier forms of concessions

In the following subchapters, three historical forms of concessions are described. They were selected for different purposes. Concessionary and chartered companies (3.1.1), which assisted European governments in their colonial endeavors, arguably present the most well-known case of the historical use of concessions. These earlier companies were often engaged in the extraction of valuable minerals in the same areas where still today multinational mining companies are operating, thus direct comparisons between current and historical forms of such resource concessions are possible. Revenue farms (3.1.2) and treaty ports (3.1.3) were selected particularly with respect to the case study, which deals with current Chinese concessions in Northern Laos. Revenue farms involved Chinese business networks in Southeast Asia and contributed importantly to processes of state formation in the region. As will be seen later on, important insights can be gained from comparing the role of Chinese tax farmers and current Chinese concessionaires. Treaty ports were imposed upon China by Western powers in the middle of the nineteenth century. Although this was primarily a negative experience, the Western Enclaves in Shanghai and elsewhere nevertheless came to be associated with progress and modernization, and might have been a source of inspiration for Chinese economic planners, who came to design 'economic enclaves', officially termed Special Economic Zones (SEZs), in the late 1970s.

3.1.1 Concessionary and chartered companies

From the sixteenth century onwards, European powers relied on chartered companies to enlarge their possessions and trade in North America and Asia (Thomson 1994: 32). One of the most well-known of these early chartered companies was the English East India Company (EIC)(32). Established in 1600 as a joint-stock company, it was granted a charter by the English Crown which conferred upon it the monopoly right of all trade between Britain and Asia (33). The company gained its first footholds on the Indian subcontinent in 1615, establishing a trading post at Surat (63). It afterwards steadily expanded its influence by fighting several decisive wars against local rulers (40).

By the 1830s, most of India west and south of the Punjab was under the direct rule of the EIC (41). Company rule in foreign territories was based upon the privileges conferred by the royal charter, which included the power "to run mints, raise an army, make treaties, and exercise civil and criminal justice" (Sen 1998: 80). As Sen elucidates, "[t]he Company was authorized by letters patent under the royal seal of England to make requisite laws, constitutions, and ordinances for the good government of trading settlements. In other words, the Charter denoted a legal contract, which provided for its delegated sovereignty" (80). Thus, the EIC effectively was the legal sovereign on the Indian subcontinent until the

British government decided to assume direct administration of India, in the aftermath of the Indian Mutiny in 1857 (Bowen et al. 2002: xv).

While company rule had declined in India by the mid-nineteenth century, it was still well underway in Africa. As Austen (1987: 123 f.) illustrates, during the nineteenth century, European powers' investments in their African colonial possessions remained very limited. European financial capital was not interested in investing in Africa and metropolitan parliaments opposed public spending in the colonies. As a result, colonial administration was hardly extended beyond the colonial capital cities, and investment in infrastructure such as roads and railways remained minimal (124). Several European governments therefore relied on concessionary companies, which, in return for the exclusive rights to exploit minerals in a certain area, would provide the basic infrastructure needed for an extension and intensification of the colonial administration (124). In exchange for their prerogatives, concessionary companies furthermore paid the colonial governments a fixed annual sum or a certain quota of their profits (Coquery-Vidrovitch 1998: 75).

There were two different models of these "parastatal" enterprises, as Austen (1987: 124) explains. In the first case, companies received charters that invested them with the right to rule over entire territories without any interference by their home governments (124). Such was the case with Cecil Rhode's British South Africa Company (BSAC), which helped expand British colonial possessions north of South Africa (169). Article three of the 1889 Royal Charter empowered the BSAC to "acquire by any concession, agreement, grant or treaty all or any rights, interests, authorities, jurisdictions and powers of any kind or nature whatever" (Slinn 1971: 365, fn. 2, cited in Hönke 2009: 279). While the charter itself did not grant any specific rights over territories or resources, it enabled the BSAC to enter into agreements with local power holders, obtaining territorial and mineral concessions from them (Hönke 2009: 279). The BSAC started the modern exploitation of gold and copper deposits in Southern and Northern Rhodesia (present-day Zimbabwe and Zambia), investing at the same time in the development of basic infrastructure, such as railway networks (Austen 1987: 163, 169). It remained the governing body of both territories until 1923, setting up a system of indirect rule, which was, as Slinn (1971: 368 f.) explains, the most cost-effective way to administer the territory. In Northern Rhodesia, the BSAC managed to keep all its mineral rights and continued to exert considerable political influence, even after it had ceded official administration to the British Colonial Office in 1924 (Slinn 1971: 373, 383). As Slinn reports, a 1964 *Financial Times* special feature on Zambian independence included a full-page advertisement by the BSAC, where the company claimed credit as the founder of the modern Zambian state (383).

In comparison to chartered companies, which received full authority over wide-ranging colonial possessions, concessionary companies were given authority only for certain parts of a territory, while the general administration of the colony remained with the colonial civil service (Austen 1987: 124; Coquery-Vidrovitch 1998: 75). The prime example of this second model was the Congo Independent State (present-day Zaire), a territory which was in the possession of King Leopold II (Austen 1987: 124). The Belgian potentate had decided that one part of the Congo would remain the domain of the state, closed to private investment, while other parts of the territory were leased out to several private concessionary companies, in which Leopold himself often held considerable shares (125). Through this system, the construction of a basic road and rail network, as well as the financing of a rudimentary administrative apparatus was achieved (125).

A telling example of this form of semi-private company rule that developed throughout the Congo is the Union Minière du Haut-Katanga (UMHK). Established in 1906 by Belgian financial capital and the Tanganyika Concession Ltd., it was granted exclusive rights over the exploitation of the mineral deposits in Katanga province, and effectively developed into a "state within a state" in southern Katanga (Depelchin 1992, cited in Hönke 2009: 280). To secure a steady labor supply and gain effective control over their work force, the UMHK created new on-site compounds around their mines in the late 1920s, where permanent workers came to settle with their families (Hönke 2009: 289 f.). The compound head, together with a religious authority, exercised a harsh and often violent regime, directed at disciplining and 'modernizing' the workers (Hönke 2010: 113). As Hönke argues, "[t]he company sought to change the habits and beliefs of people by introducing modern time management, Catholic obedience and schools – institutions that were at the heart of creating a modern, capitalist work ethos" (2010: 113). The Belgian colonial administration, while not interfering in company rule, helped to impose this new social order by sending in security forces in case there was labor unrest (113).

As Hansen and Stepputat (2006: 303) emphasize, excesses of violence in the colonies point to the fact that they constituted a zone of exception in a double sense: they were not under the direct administration of any European government but under company rule and they were "beyond the pale", a faraway world with an alien and 'uncivilized' population.

Wealth creation and the development of infrastructure, defined as core motivations behind the granting of concessions in the introduction, lay at the heart of the ventures of concessionary and chartered companies. The rights and obligations conferred upon the companies were substantial. Apart from exclusive rights to extract minerals in a certain area, or exclusive trading rights for a specific region, the companies were also given the authority to administer and govern the territories under their purview. Company rule often worked via the establishment of indirect rule, thus dense networks of patronage and clientelism were established, effectively changing local hierarchies. Furthermore, new forms of social order, such as the 'compound regime', were imposed. Concessionary and chartered companies are a clear instance of what Hardin (2002) identified as one of the crucial effects of concessions, namely the possibility to "explore unkown areas" (11) and to extend an already established sovereign territory *beyond* its borders.

3.1.2 Revenue farms

"Revenue farming means in essence the sub-contracting by the state to private interest of the sovereign right of tax collection. For a lump sum or some periodic payment, the state leases [...] a 'licence to collect state revenue'. [...] By contracting out the task the government in effect hires a bureaucracy and, to some extent, a police force" (Dick 1993: 3). The practice of revenue farming, also known as tax farming, "is as old as antiquity" (Copland and Godley 1993: 45). As was mentioned in chapter 2.3, Max Weber (Weber 1968: 196) described the use of tax farming as a rational form of collecting resources in a situation of weak bureaucratization. It was widely practiced in Middle Eastern empires, Mughal India and Mongol China (Copland and Godley 1993: 45). In fact, few pre-modern states were able to extract revenues without farming out the collection of taxes (Copland and Godley 1993: 45). In Europe, Copland and Godley explain, the institution of revenue farming became well established in the early seventeenth century, when 'national' governments started to assume a greater role in the central administration of their states, but were yet lacking the means of direct tax collection (59).

In Southeast Asia, tax farming was also widely practiced, by colonial as well as indigenous rulers (Trocki 2002: 297). The right to collect a specific tax or the monopoly on the distribution and sale of an excisable item or service, such as liquor, prostitution, gambling or opium, was usually auctioned off to the highest bidder for a fixed period of time (Trocki 2002: 297). A tax farmer, Trocki explains, could charge as much as he thought reasonable for the goods or services provided and keep as his personal profit what remained after having paid the lease and his personal staff (297). Tax farmers throughout Southeast Asia were almost invariably wealthy Chinese, since they had "the numbers, the organizational network and the capital" (Reid 1993: 72). In Batavia (Jakarta), the Dutch East India Company farmed out taxes to influential members of the Chinese community as early as the seventeenth century (Reid 1993: 74), but it was not until the nineteenth century that the practice really began to flourish (Butcher 1993: 20 f.).

This had several reasons. First of all, during the nineteenth century, a considerable increase in commodity production and trade with Europe and China brought about a much larger tax base than had existed in Southeast Asia before (Butcher 1993: 20 f.). The rise in the production of taxable and tradable commodities was closely linked to the onset of labor migration from China to Southeast Asia (Trocki 2005: 149). While Chinese merchants began already in the mid sixteenth century to set up permanent trading communities in major Southeast Asian cities (Mackie 1996: xxii), labor migration from China only began in the late seventeenth and early eighteenth century, flourishing throughout the nineteenth and early twentieth century (Trocki 2005: 148 f.). As Trocki explains, this new wave of migration was triggered by an increasing demand in China of Southeast Asian products, especially tin, gold, pepper, gambier and sugar, which Chinese laborers came to produce for the shipment back to China (149).

Settlements of Chinese tin and gold miners, as well as pepper and gambier planters, emerged on the coastline of the Malay peninsula, Borneo and Sumatra, as well as along the Gulf of Siam (150). These settlements, Trocki (2009: 346) argues, were set up in previously uninhabited or very sparsely populated areas, particularly in the case of mining operations. Although often founded with the support of local Malay or Siamese rulers, the settlements remained largely outside of the political organization of the local states and, given their establishment in isolated areas, developed into self-governing entities with their proper defense forces (Trocki 2005: 151). Through the Chinese settlements, what had been "blank spaces on the map" developed into "economically significant regions, providing taxable commodities produced by taxable subjects" (Trocki 2009: 346). To tap these new sources of revenues, indigenous rulers and colonial powers granted the Chinese leadership of each settlement the right to collect revenues or sell excisable items in the territory under their purview (Trocki 2009: 353). Thus, the fledgling Southeast Asian states legitimized the de facto autonomy of the Chinese leaders, including their role as local police forces. But by co-opting these influential members of the Chinese communities into the emerging state administration, colonial and indigenous governments were not only able to secure a steady income stream from the Chinese workers, but in fact also extend central control over peripheral areas (Trocki 2005: 157; cf. Dick 1993: 6).

Lysa Hong (1984), in her study of nineteenth century Siam (Thailand), emphasizes this double function of tax farms, which on the one hand enabled governments to extract revenues from peripheral areas, and on the other helped to extend central control over these same areas:

> The tax farming system also allowed for some degree of control over remote areas of the kingdom, and provided links through which revenue from the far-flung, under-populated but mineral-rich southern provinces flowed to Bangkok. [...] Ranong was then undeveloped and not easily accessible, and its economic resources were left unexploited. Not many people who had the financial resources were willing to travel all that distance to run the tax farms or to invest capital to develop the area. It was the Chinese tin mining magnates there who could afford to operate the tax farms and govern the provinces as well (L. Hong 1984: 92).

As in the case of concessionary companies in India and Africa, there was thus an amalgamation of different functions in one institution: the tax-farmer was at once a private entrepreneur in pursuit of economic gains, but at the same time he was executing governmental functions authorized by the central ruler, even commanding his own private army (Dick 1993: 6). Furthermore, as Trocki (2009: 355) argues, the institution of tax farming in Southeast Asia fostered processes of 'territorialization' and boundary making. This is due to the fact that tax farms were always granted for a certain territory, and, in order to avoid smuggling, especially of opium, tax farmers and their employees came to strictly police and enforce the concessionary boundaries (355). As Trocki argues, "Europeans may have drawn and surveyed the borders, but it was the Chinese businessmen who policed them and gave them reality on the ground" (2009: 355).

The auctioning off of opium farms effectively financed the bulk of the European colonial enterprise in Southeast Asia (Trocki 2002: 298). While traders had been carrying opium to Southeast Asia for a long time, it was only after the English East India Company had gained full control of the opium production in its Indian territories at the end of the eighteenth century, that the drug came to flood the Southeast Asian markets (Trocki 2005: 154). Revenues from opium, delivered by Chinese tax farmers, could sometimes account for up to 60 % of the overall revenues of colonial governments, as was the case in Singapore and other Straits Settlements (Trocki 2002: 298). When the French established their colonial rule in present-day Vietnam, Laos and Cambodia, they tried to break the dominance of Chinese merchants, who were in full control of the opium networks, by granting opium farms to French entrepreneurs (Nankoe et al. 1993: 184). However, the attempt proved to be a complete failure and the French resorted to Chinese tax farmers (Nankoe et al. 1993: 185).

The prime consumers of opium were the Chinese workers in the mines and on the plantations (Trocki 2005: 156). They got increasingly indebted to the tax farmers, who were entitled to sell opium in shops and dens around the mines and plantations (Trocki 2005: 156). But the tax farmers in charge of supplying the rural settlements with opium were only small figures in a dense network of hierarchies, reaching all the way up to the great 'opium syndicates' in major cities such as Singapore (Trocki 2009: 355). Sometimes large syndicates would collaborate and amalgamate their adjoining territories, thus developing into an "imperium in imperio" (Butcher 1993: 37), much like some concessionary companies developed into a 'state within a state'.

From around 1880 until 1920, the system of tax farms was successively abolished throughout Southeast Asia and the "alliance of convenience" (Dick 1993: 3) between colonial powers and the Chinese intermediaries broke down. This was due to the fact that colonial rule had become more intensive, bureaucratic and efficient (Skinner 1996: 85). In a sense, as Dick (1993: 8) argues, revenue farming "sowed the seeds of its own destruction", since it enabled underfunded bureaucracies to extract great amounts of revenues, thus contributing to the strengthening of state power. Revenue farming is hence often described as a "transitional institution" (Dick 1993: 3), not compatible with the modern, "rational" bureaucracies the colonial states in the region and Thailand had established by the turn of the twentieth century (Dick 1993: 8). As has been illustrated in chapter 2.3, in recent times, the practice of tax farming has reappeared. Thus, the view that it is a mere transitional institution, not compatible with the modern nation state, seems unconvincing.

Wealth creation and extraction lay at the heart of leasing out tax collection to Chinese business entrepreneurs, as was the case with concessionary and chartered companies. Here again, colonial and indigenous governments were yet lacking the financial and administrative means to undertake 'genuine' state functions, such as revenue collection or infrastructure creation. The tax farmers, as concessionary and chartered companies, not only assisted the respective governments to generate and extract wealth, but also came to govern parts of the state territory almost autonomously. As Trocki (2009) argues, tax farmers might have even assisted colonial governments to enforce newly drawn borders. Thus, different from the previous case of concessionary companies, tax farms helped central governments to extend their reach *within* already established sovereign territories.

3.1.3 Treaty Ports

From 1839 to 1842, and again from 1856 to 1860, British forces, assisted by other Western powers, fought two decisive wars against Qing[13] China, enforcing the opening of several so-called 'treaty ports'[14] and the ceding of Hong Kong to Britain (Mancall 1984: 113 – 120). Before the opening of the new ports, foreign trade had only been allowed at Canton (Guangzhou) (Hsü 1995: 142). In sixteen treaty ports, Western powers were granted territorial concessions, demarcated areas leased from the Chinese government, in which foreign merchants and consuls resided with their families (Feuerwerker 1976: 2 f.). Western subjects enjoyed "extraterritoriality", which means they were exempted from Chinese jurisdiction (Fishel 1974: 5). According to a nineteenth century Western "standard of civilization" (Gong 1984), China's legal system was deemed insufficient to protect the rights of Western individuals (Chen and Sandholtz 2007: 6). Extraterritoriality was not confined to the foreign concessions, but "a foreigner carried his extraterritorial rights with him wherever he went for business or pleasure" (Feuerwerker 1976: 19). The provision of extraterritoriality further implied that Chinese authorities could neither regulate nor tax

13 The Qing dynasty were the last Chinese dynasty, ruling from 1644 to 1912 (Mancall 1984: xiii).

14 The first treaty ports were in Shanghai, Canton (Guangzhou), Foochow (Fuzhou), Amoy (Xiamen) and Ningpo (Feuerwerker 1976: 2). Later on, the number of 'open cities' and 'open ports' throughout China rose considerably, totaling ninety-two by 1917 (Feuerwerker 1976: 2).

foreign companies, since, as ‘legal persons’, they were likewise exempted from Chinese jurisdiction (19).

Within the concessions, Qing officials and foreign powers exercised a form of parallel administration (Nyíri 2009). Local administration and policing in the concessions was entirely in foreign hands (Feuerwerker 1976: 3). As Feuerwerker points out, although Chinese officials tried to exercise authority over their own subjects who resided in the foreign enclaves, European authority effectively prevailed (5). If a Chinese citizen living within a foreign concession was to be arrested, Qing officials first had to get permission from European authorities (5). Furthermore, as Scully (1995: 69) illustrates, foreigners frequently extended their privileges to Chinese employees and business partners, while Christian missionaries often convinced their home governments to extend protection to Chinese converts. Likewise, indebted Chinese, who wanted to safe their homes from being pledged, could turn it over to missionaries for periodic prayer services, thus exempting it from Chinese jurisdiction (69).

Confusion and conflicts over jurisdiction paved the way for all kinds of illegal business in the concessions (Bickers 1999: 130). Gambling and prostitution flourished in the foreign settlements, particularly in Shanghai, which the British ironically considered to be a “model settlement” (Bickers 1999: 130). As Scully (1995: 63) argues, although the “myth of a vast, untapped China market” to be opened up for Western trade lay behind U.S. expansionist policy in China, only “brothel owners and inmates” might have ever really profited from U.S. intervention in China. Hyam (1986: 68) estimates that in 1900, around 40.000 prostitutes resided in the foreign settlement in Shanghai.Western concessions and the provision of extraterritoriality were abolished when China entered into the Second World War on the side of the Allied Powers (Gong 1984: 163).

The case of treaty ports and Western concessions in China differs from the previous two cases. While the prime motivation behind the establishment of treaty ports was likewise economic in nature, concessions here were not granted, but imposed. The leaseholders were not private individuals or companies, but Western governments themselves. These concessions did not serve a particular purpose, such as the extraction of a certain mineral or the collection of a specific tax, but were more broadly thought to be trading outposts, from where to ‘conquer’ the “untapped China market” (Scully 1995: 63). They were more than anything ‘juridical enclaves’. Similar to other concessions, however, here as well, the original agreements were up for contestation ‘on the ground’, and negotiations involved locals, Westerners and Chinese officials. It should not be forgotten, of course, that Western gunboats were stationed nearby and were constantly on call (Feuerwerker 1976: 21), which added to the power asymmetries amongst people involved in the process of ‘making concessions’.

While the practice of granting concessions to non-state actors is still widely in use today, as will be seen in the following chapters, the leasing out of territories to foreign governments, and the practice of extraterritoriality, have largely been extinct. There are only some isolated exceptions left, of which Guantanamo Bay is probably the most notorious. However, as was indicated above, the experience with treaty ports might have contributed to the establishment of Special Economic Zones along China's coast at the end of the 1970s. This will be discussed more in detail in chapter 3.2.2.

3.2 Concessions reloaded

This section will focus on currently existing forms of concessions. While this form of 'outsourcing' development to private actors has always been practiced in the field of resource extraction, recent years have seen an expansion of the use of concessions into other fields. One such field, as will be illustrated in the first subchapter (3.2.1), is environmental conservation, another eco-tourism. The application of the concession model in these fields will be compared with ethnographic research on more 'traditional' mining concessions, in order to highlight commonalities of concession practices over various fields, and furthermore to point out differences between current and historical mining concessions. The second subchapter (3.2.2) will focus on Special Economic Zones (SEZs), a specific form of concession which is closely connected to China's economic opening to the world since the late 1970s. The chapter will examine the development of SEZs in China, as well as the export of this development model to other countries of the Global South. This will provide important insights with regard to the case study, which focuses on Chinese engagement in Laos, specifically the recent establishment of two Chinese SEZs in the country.

3.2.1 Multiple concession use: conservation, logging and mining

The work of anthropologist Rebecca Hardin (2002) has so far been very helpful to analytically grasp the concept of concessions. In the following, insights from her empirical research on concessions will be discussed and will later on be compared to the findings of other scholars.

"Protected areas" (ii), Hardin explains, trace back to colonial times, originating in imperial hunting and scientific naturalism (6). Today, conservation concessions have resurfaced and become increasingly institutionalized within the field of environmental conservation (ii). Major conservation organizations have begun to look for partnerships with private companies, in order to implement conservation projects within the concessions of the latter (7). In Congo Brazaville, Hardin reports, the New York-based Wildlife Conservation Society (WCS) has entered into a partnership with the logging company

Congolais Industrielle des Bois (CIB), which holds a major concession covering almost 60 percent of the country's forest surface (7 f.). WCS personnel live and work with CIB employees, trying to implement a program to control wildlife hunting within the concession (8). While cooperation between logging activities and conservation efforts to some extent works in Congo Brazaville, in the Central African Republic (CAR), where Hardin pursued long-term fieldwork, harsh conflicts have ensued between these two factions. In the early 1990s, the World Wildlife Fund for Nature (WWF) created the 3200 km^2 Dzangha Sangha Dense Forest Reserve (Reserve) in the southwestern forests of CAR, with the aim to displace logging from the region (8). In 1995, the management of the Reserve shifted from a cooperation between WWF-US and the CAR government to a "consortium of interests" headed by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and WWF-Germany (2). However, timber exploitation within the Reserve had started again, led by the French company Sylvicole de Bayanga, which "had awakened the sawmill from its slumber" (2). Hardin based her research activities in the town of Bayanga, the largest settlement in the Reserve, where she observed how the competition for labor, loyalties and control over land between French logging interests and German-funded ecotourism projects played out at the local level. As she remarks, the directors of both, the GTZ and Sylvicole de Bayanga, "pitted material resources and personal charisma against one another" in order to convince the local population, as well as national political leaders, that their respective vision of development was best for the future of Bayanga and the CAR in general (16).

At the national level, the CAR government reacted to the clash between the different visions of appropriate forest use by splitting the former Ministry of Environment into two separate ministries, the Ministry of Environment and Tourism and the Ministry of Waters, Forests, Fishing and Hunting (19). The newly created Ministry of Environment and Tourism was made responsible for supervising ecotourism projects in the country, supported by the technical advice of German experts (19). The Ministry of Waters, Forests, Fishing and Hunting, advised by French specialists, continued to oversee and award logging concessions (19). As Hardin argues, this strategy of "non-decision" between different alternatives of forest use on the part of the CAR government, allowed for the appropriation of increased flows of personnel and revenues "in all directions" (21).

At the local level, the different factions engaged in establishing patronage relationships in order to generate loyal followers (17). Although the ecotourism project pays better wages than the logging enterprise, it is perceived by many local residents as a "poor" patron (17). One of Hardin's local informers explained to her that the director of the French logging company, in contrast, was a very good patron, since he handed out beer and meat for the local residents on holidays, and when one of his workers got sick, he would fly him to the next hospital for treatment (17). Such "symbolically laden forms of gift giving", Hardin observes, are more appealing to many residents of Bayanga than the lessons in "frugality" taught by the ecotourism project (17). As she suggests, this might be due to the fact that local governance in the region, during pre-colonial but especially colonial times, was characterized by "wealth redistribution and charismatic, contingent political leadership", rendering the local population more susceptible to patronage practices than to "participatory development" as advanced by the GTZ and others. Patronage politics therefore play a crucial role in what Hardin terms the "making" of concessions (4), namely the micro practices and day-to-day negotiations between concessionaires, local authorities and residents.

As Hardin notes, environmental concessions are often criticized for deploying a militarized approach to boundary enforcement (7). Similar criticism has been leveled against mining concessions. James Ferguson (2006), for example, has recently argued that mining operations increasingly become "oil-like" (201), fenced off and effectively shielded from the often turbulent social and political conditions in the states where they operate. However, as Mariana Welker (2009) and Jana Hönke (2010) emphasize, the "militarized enclave" (Welker 2009: 146) is only one of several strategies pursued by large mining companies to ensure a smooth functioning of their operations on the ground. Another, at least likewise important, strategy is to cultivate allies within the communities adjacent to the mine (Welker 2009: 147; Hönke 2010: 124).

In her ethnography of the Corporate Social Responsibility (CSR) activities of Denver-based Newmont Mining Corporation in Sumbawa, Indonesia, Welker (2009) illustrates how Newmont succeeded in turning former foes into friends, by way of establishing patron-client relationships with the social and political leaders from a village close to the mine (144). When Newmont opened its mine in Sumbawa, the village leaders organized road blockings and demonstrations, trying to paralyze the company's operations (144). As Welker explains, it was not the presence of the mine as such that was opposed, rather village leaders tried to force Newmont to "channel its community development commitments [. . .] through local companies and NGOs" (144). Up to that point, Newmont had relied on metropolitan companies and NGOs rather than local ones to provide the mine with important supplies and the communities with services such as health, education and transportation infrastructure (144). The blockings and demonstrations, however, made Newmont change their strategy. Village elites and their kin were increasingly awarded with contracts and positions in Newmont's Community Relations department. "In effect", Welker asserts, "village elites forced Newmont to assume the conventional role of the state as provider of patronage goods" (144). By extorting "development goods" from the mine, which they could in turn redistribute, village leaders' position within their community was enhanced (144). As new allies of the mine, village elites now defended Newmont's operations against attacks from environmentalists and even started to police the villages to detect potential threats to the mine (147). It is crucial, Welker argues, to notice the "consistent strategy" underlying village elites' seemingly "alternating politics" (167). By previously attacking and now defending the mine, village leaders were following a moral purpose, namely the pursuit of development (144). As Welker explains, village leaders were in fact trying to materialize a vision of development and modernity which was promised under the Suharto-regime but never reached backwaters such as Sumbawa. This vision of development emphasizes "tangible material progress and infrastructure" (144), which, Welker points out, is "now deemed 'conventional' and 'inappropriate' by mainstream discourses of participation, empowerment, and sustainability" (167 f.).

Jana Hönke (2010), whose study focuses on multinational mining companies in Southern Katanga, Democratic Republic of the Congo (DRC), agrees with Welker's observation that inhabitants of communities adjacent to mining sites do in fact expect and claim services and public goods from the mining companies (122). However, Hönke emphasizes, this is partly triggered by a conspicuous absence of the state. During her fieldwork in the DRC, she observed that Congolese state agents effectively controlled the provincial government in Katanga as well as parts of the mining administration, in order to oversee and manage revenue streams, but that the state was largely absent in terms of the provision of social services or public goods (116). While Congolese police forces were contracted by the mining companies to secure their concessions (118 f.)[15], the state did neither provide collective security around the mining sites, nor effective conflict resolution for clashes between the companies and artisanal miners (117). As Hönke argues, this partial absence of the state, which might in fact be strategic, forces companies to take up state functions (116). This includes the provision of security and social services, not only within the concessions but also around the mining sites. Following Max Weber (1968) and Beatrice Hibou (2005), Hönke argues that this newly emerging form of company governance can be seen as a form of "indirect discharge", whereby local governance is shifted to multinational companies (106)[16]. This practice stands in contrast to more direct forms of outsourcing local governance to companies during colonial times (113).[17] The idea of 'indirect discharge' is reminiscent of Shalini Randeria's (2007) concept of the "cunning state". Cunning states, Randeria argues, strategically present themselves as weak, thus "diminishing public expectations" (2007: 7).

However, as Hönke (2010: 116, 122) emphasizes, this new form of indirect discharge does not only emanate from host states, but is also actively promoted by the home states of multinational companies, as well as the international community. The discourse of cor-

[15] As Hönke (2010: 120) explains, in the DRC, private security companies are not allowed to carry arms. Thus, mining companies cannot solely rely on the services of private security providers, but have to additionally contract state police in order to effectively secure their concessions.

[16] For the arguments of Weber (1968) and Hibou (2005) on the 'leasing out' of state functions, see chapter 2.3.

[17] cf. chapter 3.1.1.

porate responsibility, mainly emanating from Western countries, clearly calls on companies to engage in government functions, such as the provision of development projects (116). Furthermore, the international community increasingly encourages multinational companies to provide security in 'unruly areas', which are potential hotbeds of international terrorism (122).

While the mode of outsourcing governance to private actors has changed from direct to indirect transfer of authority, company governance itself, Hönke points out, has substantially changed from colonial times until today (126). In comparison to "colonial-era corporate paternalism" (Ferguson 2006: 197), which included the building of large company towns with workers compounds, schools and hospitals, company governance today is limited to physically securing the concession and providing strategic development interventions, in order to create allies within the communities around the mining sites (126). With ever more mining staff being flown in from outside of the country, especially to fill up skilled positions, companies have no need to 'cultivate' as broad a labor force as they used to do during colonial times (Ferguson 2006: 198).

This chapter has offered a glimpse on currently existing forms of concessions. As in previous times, concessions are used to achieve economic development, but the range of business pursued within concessions has broadened, including conservation and eco-tourism alongside more traditional forms of concessions use, such as logging and mining. Rights and obligations today seem to be negotiated on even more levels than previously. While the agreements between governments and concessionaires today might not include the direct transfer of governing functions, as was the case during colonial times, the responsibility to provide security, development goods and public services might nevertheless be indirectly shifted to concessionaires. This can be triggered by a conspicuous absence of the state, as Hönke (2010) suggests, as well as by the persistent pursuit of villagers living in or around concessions sites, to exact services and patronage goods from the concessionaires, as illustrated by Welker (2009) and Hardin (2002). With the rise of the CSR discourse, the international community entered the negotiations, increasingly trying to oblige multinational companies to take up local governing functions in the often remote regions where they operate (cf. Hönke 2010; Welker 2009).

These developments necessarily influence the role of the state at the local level. As Hardin (2002: 22) remarks, "[i]ntimacy between patrons and residents of a concession [...] displaces the roles played by state actors and agencies in local and regional politics". As she furthermore cautions, national governments "don't have much influence over what services will be provided, to whom and under what circumstances. They cannot predict what the limits of a given 'Patron's' power will be" (22). Outsourcing of local government functions to concessionaires might thus produce situations of social exclusion for certain parts of the population, uncontrollable for the central state. Welker (2009: 144), for example, reports that the villagers around the Newmont mine in Indonesia were not satisfied with the "uneven ways" the village leaders distributed the development goods they had extorted from the mine. While this is not to say that processes of social exclusion were nonexistent before the mine entered the local scene, it is nevertheless important to note that the shifting of authority over local affairs into the hands of concessionaires might produce new forms of exclusion and inclusion, where some groups might benefit more than others.

While governments thus cede parts of their authority and power to concessionaires, their overall position might nevertheless be strengthened. As Hardin (2002: 22) emphasizes, large-scale concessions can only be granted by central governments. Hence, concessionaires need to cultivate good relationships with central state elites in order to be awarded a contract, which reinforces the relevance of the national government, especially vis-á-vis regional and local state actors (Hardin 2002: 22; Hönke 2010: 116). Furthermore, concessions provide important formal and informal revenues, which contribute to the viability of regimes and states (cf. Roitman 2005). Next to official concession fees, taxes, shares of profits and bribes, states are often able to extort additional resources from concessionaires. By creating a new government ministry to cater to the interests of different concessionaires, the CAR government was able to receive additional technical and financial aid from the logging and the ecotourism project (Hardin 2002). In the DRC, the government makes mining companies employ and pay state police forces (Hönke 2010).

It is furthermore important to note how ideas of development have changed over time and still vary considerably among the various actors involved in the process of 'making' concessions. As Hönke (2010) and Ferguson (2006) observe, mining companies today embrace a very different approach to development interventions within and around their concessions than previously. This is due to the use of new technologies which do away with the need to cultivate a large local workforce, as well as to a whole different set of international or Western 'best practices' of corporate behavior. While mainstream discourses of development emphasize "participation, empowerment and sustainability" (Welker 2009: 168), the targets of development interventions, namely the communities within or surrounding concession sites, might often have quite different "expectations of modernity" (Ferguson 1999, cited in Welker 2009: 144), focusing on "material progress and infrastructure" and "rejecting the more ethereal, neoliberal, self-help discourses so prominent in the rhetoric of the CSR industry" (Welker 2009: 144). As will be seen throughout the following chapters, in the Chinese development discourse, material progress and infrastructure development in fact still feature much more prominently than in Western ideas of modernity.

3.2.2 Special Economic Zones in China and beyond

1978 is often portrayed as the watershed year of China's economic opening to the world (Brautigam 2009: 45). Since then, China has embarked on a thorough process of modernization, which relied heavily on outside investments and the transfer of foreign knowledge and technology (Hsü 1995: 842). This chapter focuses on the establishment of so-called Special Economic Zones (SEZs), as one of the key strategies pursued by the Chinese leadership to attract foreign investment, especially from neighboring Chinese communities (Ong 2006: 104). While SEZs have by now become less significant in China (Nyíri 2009), Chinese companies, either backed by the state, or in a purely private manner, are increasingly exporting this model of development to other countries of the Global South. As will be seen throughout this chapter and the case study, much is expected in these countries from the establishment of SEZs, which are perceived to be closely related to China's economic success (Nyíri 2011: 21).

In the 1980s, the first SEZs were opened in strategically selected coastal cities: Shenzhen, close to Hong Kong, Zhuhai, across from Macao, Xiamen and Shantou, not far from Taiwan (Ong 2006: 104). When economic development within the zones began to flourish, the model was extended and several other free trade zones, industrial development and high tech zones, as well as tourist sites were established throughout the country (105). As Ong explains, within SEZs, a policy environment conducive for the development of business was established, including specific taxation and investment regimes, new infrastructure and labor conditions which were more flexible than elsewhere in China (19, 104). As Ong points out, these zones can be defined both in negative and positive terms, either as sites where national labor and taxation laws are absent and exploitation is rife, or else as sites of skills transmission, improvement of infrastructure and experiments with liberal economic conditions (78). While SEZs in China share certain characteristics with other Export Processing Zones (EPZs), implemented throughout Asia since the 1960s, they generally enjoy more wide-ranging powers than EPZs and are much larger in size (Ong 2006: 106; cf. also Ota 2003: 5). Shenzhen SEZ, for example, comprises almost 2000 km^2 (Guo and Feng 2007: 3). As an administrative division with its own municipal government, Shenzhen is subordinate to the provincial government in Guangzhou, but reports directly to Beijing for economic policy, which results in a situation of "unusually autonomous economic decision making" (Bach 2010: 434). Shenzhen is seen as a role model for urbanization and industrialization. As stated on the website of the Shenzhen municipal government: "In less than 30 years, Shenzhen, a tiny border town of 30,000 people in 1979, has grown into a modern metropolis. It established many firsts in the history of world industrialization, urbanization and modernization."[18]

[18] Shenzhen Government Online, http://english.sz.gov.cn/gi/, [accessed 12 December 2011].

In the late 1990s, "zoning technologies" (Ong 2006) in China were furthermore modified to allow for the unification with Hong Kong and Macau, which both were turned into Special Administrative Regions (SARs). Within the "one country, two systems" framework, both Hong Kong and Macau were able to return to Chinese sovereignty, maintaining their capitalist economy as well as a democratic way of life (Ong 2006: 110). While Hong Kong and Macao have their own "mini-constitution", an independent judiciary and elected political leaders, the autonomy of SEZs is clearly more limited (109). However, as Ong points out, both spaces have "instances of sovereign exception that contrast sharply with the political normativity in China" (112). In her use of the concept of the 'exception', Ong largely follows Carl Schmitt, who argued that sovereignty is not to be defined as the monopoly over the use of force, "but as the monopoly to decide" (Schmitt 1987, cited in Ong 2006: 5). From a Schmittian perspective, then, the sovereign exception can be defined as a political decision which is made *outside* of the juridical order, a "strategic and situational exercise of power that responds to crises and challenges by invoking exceptions to political normativity" (Ong 2006: 18). As Ong asserts, in contrast to Agamben's more narrow understanding of the sovereign exception as producing "excludable subjects" (5), Schmitt's approach allows her to conceptualize the exception more broadly. For Ong, then, the exception refers not only to processes of exclusion, but also to the inclusion of certain populations and spaces as targets of specific sets of policies (5). The creation of SEZs and SARs in China, Ong argues, can be understood as applying the logic of the exception to respond to a crisis of the centrally planned economy (19). This process is not confined to China. Throughout East and Southeast Asia, Ong asserts, where neoliberalism is not (yet) a dominant condition of rule, governments have selectively deployed the "neoliberal exception", connecting specific spaces and populations to global circuits of capital, by subjecting them to differential modes of administration (3, 77). In Malaysia, Indonesia, Thailand, the Philippines, as well as in post-socialist Vietnam and Burma, governments have promoted the introduction of diverse "zones of development", such as labor, tourist and timber zones, science parks and knowledge centers (78). The fragmentation of the political space into zones of differential administration brings about a "checkered geography of governing" (77). As Ong asserts, this can even include the blurring of existing geopolitical boundaries, particularly visible in the case of so called "growth triangles", which link contiguous parts of neighboring countries, in order to exploit complementary resources (88 f.). As Ong notes, "the thinning of state power at these border zones is compensated for by the thickening of the regulatory functions of quasi-state authorities, which set the legal and social forms of control" (90). However, as she emphasizes, the dispersion of political control should not be seen as an effect of a weak or "anemic" state apparatus, but as a "deliberative neoliberal calculation" by Asian governments (77), which increasingly move from "being administrators of a watertight national entity to regulators of diverse spaces and populations that link with global markets" (78).

While Ong notes that economic enclaves are not a new phenomenon but originate from colonial practices of Western powers, such as the establishment of treaty ports and customs areas (103), she does not dwell much on these historic precedents. Nyíri (2009), on the other hand, suggests that important insights might be gained from relating China's experience with Western treaty ports to the establishment of SEZs throughout the country. Western concessions in China, Nyíri (2009) argues, were not only a "burning humiliation" but likewise offered a "lesson in modernization". It might have been exactly this lesson of modernization which economic planners had in mind when they started to design SEZs in China at the end of the 1970s (Nyíri 2009). This idea is supported by W. Hong (1993):

> Perhaps the earliest practice of this concept [Special Economic Zones] in China can be traced back to the opening of its 'treaty ports' in the nineteenth century. Although the experiences of the late Ch'ing and the Republican period were extremely hard on the Chinese from the political and psychological angles, the economic achievements of the 'treaty ports' are obvious. Because of the advanced infrastructure, commercial and institutional sophistication, and technological ability required in the days of the 'treaty ports', many large cities along the eastern and southern coast of China (for example Shanghai) have played a decisive role in the current Chinese economy.

Similar to the treaty ports, the first SEZs were set up in coastal cities, and in some cases, as Nyíri (2009) points out, the old foreign consulates were actually reused as government offices for newly established free trade zones. Given this historic background, Nyíri suggests that SEZs in China can be seen as a form of "internal concession" (2009), where foreign investors, in exchange for contributing to the development of the country, are granted specific economic privileges. However, he emphasizes, compared to the privileges western concessions enjoyed, the autonomy of SEZs in China is relative, since they are "firmly integrated into the national party and state bureaucracies, and state enterprises flocking to them were some of their main beneficiaries" (2009). Nevertheless, the idea that modernization should, if necessary, be imposed from the outside, as was the case in the treaty ports, still figures prominently in China's development discourse (cf. Nyíri 2006).[19] Additionally, it is quite common that Chinese concessions in foreign countries last for ninety-nine years – the duration of the British leasehold of Hong Kong.

As noted above, Chinese companies have recently begun to establish SEZs in different states of the Global South. Some of them enjoy official state support. As Brautigam

[19] The Chinese development discourse will be discussed in more detail below and in chapter 4.2.

and Tang (2011a: 70) note, from the mid-1990s onwards, the Chinese leadership began to encourage companies to "go out" and search for overseas investment opportunities. As one amongst various policy tools designed to support Chinese companies to "go global", the Chinese Ministry of Commerce (MOFCOM) announced in 2006 that official funding for the establishment of fifty overseas economic zones would be made available (70). These zones, Brautigam and Tang explain, were hoped to assist small and midsize companies from China to go out "in groups". They offered a possibility for China to transfer "mature industries", such as textiles, light industries, appliances and construction materials, abroad and furthermore, by producing overseas, Chinese companies could avoid trade barriers imposed on goods exported from China (71). In addition, they were "viewed as a way to transfer one element of China's own success to other developing countries" (71). As Brautigam and Tang report, seven such "economic cooperation zones" are currently being developed in Africa (73). While the Chambishi Zone in Zambia and the Suez Economic and Trade Cooperation Zone in Egypt have already started operations, other zones in Nigeria, Mauritius, Ethiopia and Algeria are still under construction (73 – 80). In such an early phase of implementation, it is difficult to assess whether the zones will deliver the promised benefits (91). The Chambishi Zone in Zambia, for example, aims to attract fifty to sixty enterprises and create jobs for some 6000 Zambians (73). The zone is developed by China Nonferrous Mining Co. (CNMC), a large state-owned company, which obtained the Chambishi Copper Mine in 1998, including the right to use the 41 km^2 of land on the surface of the mine for a period of ninety-nine years.[20] In 2006, CNMC won official support from China for its plan to open a zone for mineral processing and related industries on the 41 km^2 of surface land (73). In late 2009, the zone employed 4000 workers, 80 % of whom were local, and had attracted eleven new companies (91). However, as Brautigam and Tang point out, most of the companies were subsidiaries of CNMC, and only 600 workers were working in the zone, while the rest remained in the mines (91).

The Chambishi Mine has been the site of severe conflicts between the Chinese developer and Zambian workers over wages, safety standards and union activities (Brautigam and Tang 2011b: 45). In 2005, poor safety standards led to an explosion in a dynamite factory which was partly owned by CNMC, causing the death of more than fifty Zambian workers (45). In 2006, during riots over work conditions, five mine workers got seriously injured by shots, allegedly fired by one of the Chinese managers (Human Rights Watch 2011: 22). Subsequently, Chinese investment in Zambia was hotly debated during the 2006 presidential elections, and opposition candidate Michael Sata allegedly announced that he would "chase bogus Chinese 'infestors' out of the country" if he got elected (Brautigam

[20] China Nonferrous Metal Mining Group, Chambishi Copper Mine, http://www.cnmc.com.cn/417-1102-1600.aspx, [accessed 19 October 2011].

2009: 151).[21] As Brautigam and Tang (2011b: 45) assert, CNMC has since improved its safety standards, raised wages, allowed Zambian unions to organize in the mines[22] and even implemented a social responsibility program. While Brautigam and Tang give no details on the social responsibility policies implemented at the Chambishi Mine, they are likely to be rather different from what is associated with the term in the Western discourse, introduced in the previous chapter. This is due to the fact that the Chinese understanding of aid and development is guided by principles which have gone out of fashion in the West (cf. Nyíri 2006; Brautigam 2009). As Nyíri (2006: 84) points out:

> The discourse of international development has, in the past decade, veered away from the previous, strongly criticized, unilateral emphasis on economic indicators and structural models originating in the West, and towards a socially and culturally 'sensitive' framework – though just how much difference that shift has made on the ground is a matter of debate. Chinese accounts of 'contributing to development' abroad do not share these recent scruples: they typically remain purely economic and are set in contexts that, from the perspective of the now-professionalized 'international development community', appear highly unusual.

Aid and investment, which have come to be separated in the Western development practice, still remain closely entangled in China's overseas engagement (Brautigam 2009: 132 ff.). Closely following the principle of "mutual benefit" (Brautigam and Tang 2011b: 27), Chinese development projects are designed to be profitable for both China and the host country. Instead of embracing the "self-help and a small-is-beautiful aesthetic" (Welker 2009: 146) prevalent in the Western discourse of "genuine development" (146), China still favors the "conventional state-controlled, modernist, infrastructure-centered development" (146). Thus, it is not surprising to find that a major Chinese company, reporting about its overseas CSR activities, states that it has contributed to the development of a country by constructing hydropower stations and roads, while paying all the required taxes: "In other words, its major CSR achievement is its core activity itself, and the fact that it conducts it lawfully" (MqVU 2011b).

While political leaders in the Global South usually welcome Chinese investment since it comes with "no strings attached" (Brautigam 2009: 12), more ethnographic research is

[21] While Sata was not elected in 2006, he made it into office in September 2011. Reportedly, his first diplomatic act was to meet with the Chinese ambassador, whom he told that Chinese investment continued to be welcome, if it was for the benefit of Zambians as well (MqVU 2011d).

[22] As reported by Human Rights Watch (2011: 85), CNMC and other Chinese companies allow only of the two major unions in Zambia to establish a branch at their mines. While the National Union of Miners and Allied Workers (NUMAW) is allowed, the much older Mineworkers Union of Zambia (MUZ) is still banned from the mining sites, which infringes upon Zambian labor law (4, 85).

needed as to the local acceptance of the Chinese approach to development. As Welker's (2009) study discovered, villagers might still prefer "tangible material progress and infrastructure" (144) over participation and empowerment. This suggests that Chinese engagement is likely to be welcomed at the local level as well. And indeed, the Human Rights Watch (2011: 30) study conducted at the Chambishi Mine revealed that the majority of miners highly appreciated the substantial investment undertaken by CNMC in existing and newly built facilities, which led to the creation of a considerable amount of new jobs. At the same time, working conditions were a matter of constant concern for the miners (30). It is unlikely that conflicts over arduous working conditions at Chinese project sites will vanish any time soon, even if the larger Chinese companies will increasingly adopt 'Western' CSR standards, since Chinese managers, those who 'make' Chinese projects on the ground, "genuinely take hard work seriously, often take pride in their dedication, and are nonplussed by the lack of ambition they see in their local colleagues" (MqVU 2011a).

After this cursory glance at the Chinese development discourse and practice, the focus once more returns to the implementation of SEZs in Africa. In addition to the officially supported "economic cooperation zones" (Brautigam and Tang 2011b: 27), several Chinese investors have begun to establish SEZs as a private initiative. In the following, a particularly dubious case of such a private venture is traced. The Lake Victoria Free Trade Zone (LVFTZ), also known as "Sseesamirembe Eco City", located in Rakai district, Southern Uganda, at one point seemed to become the largest Chinese concession in Africa (MqVU 2011c). As reported on the website[23] of the LVFTZ, in 2006, the Ugandan government signed a Memorandum of Understanding (MoU) with a company called Kagera Eco-Cities Limited, authorizing the development of the zone on a 518 km^2 area. Shortly after the signing of the MoU, the "main pro-government newspaper"[24] in Uganda, *Sunday Vision*, published a lengthy article, stating that Kagera-Eco City Limited had requested the Ugandan government to run the zone as an "autonomous territory":

> The Lake Victoria Free Trade Zone: Sseesamirembe City Charter proposes that the Government give them authority to administer the 200 square miles under a separate governmental structure that has powers to enact their own laws, ordinances, by-laws and procedures. They want their own government, led by a governor, to decide on the official language(s), 'establish courts within the free zone in consultation and in conjunction with the Government of Uganda, provide and maintain a security force for the protection and safety of the inhabitants of the Free Zone'. Their judicial system will be led by a High

23 "Welcome to Sseesamirembe: LVFTZ": http://www.sseesamirembe.com/, [accessed 20 October 2011].

24 Africa south of the Sahara, Stanford University, Libraries and Academic Information Resources, http://library.stanford.edu/depts/ssrg/africa/uganda/ugandanews.html, [accessed 20 October 2011].

> Chancellor. Only permanent residents of the zone shall be eligible to hold the office of a Governing Councillor, according to the charter (Sunday Vision 2006).

On the LVFTZ website, the zone's autonomy is likewise emphasized, albeit in a slightly more moderate fashion. It is stated that the zone has been granted municipality status by the Ugandan government, as well as a "charter based on international best practices of governance that ensure RTCF (Red Tape and Corruption Free) administration. The Eco City has thus the power to enact ordinances that are in harmony with the Constitution of the Republic of Uganda, so as to ensure that development is controlled and occurs in an ecologically friendly and orderly manner."[25]

In 2008, the project got a new partner. A Chinese investor, named Paradise International Investment Limited (PIIL), reportedly signed a MoU with Kagera Eco-City Limited, consenting to invest US$ 1,5 billion in the zone.[26] While the LVFTZ website does not deliver any detailed information concerning the agreement between Kagera and the Chinese investor, Nyíri (2009) cites a Chinese source, which states that PIIL had leased the 518 km^2 for ninety-nine years. It remains unclear, whether the Chinese investor is leasing the land directly from the government, or from Kagera, since Kagera, as mentioned above, had already signed a MoU with the Ugandan government two years earlier, in which it was assigned 'administration rights' over the area. Either way, it should be noted that both, the agreement between the Ugandan government and Kagera, as well as between Kagera and PIIL, remain in a would-be status, since MoUs are not legally binding contracts. Although a wholly private venture, it seems as if the developers nevertheless tried to make the zone appear like an official tripartite venture between the LVFTZ authority, China and the Ugandan government. The website states that the signing ceremony of the agreement between the Chinese investor and the Ugandan developer was "witnessed by several Ambassadors and Government dignitaries".[27] Furthermore, the news feed on the website informs the reader that a delegation from the Chinese embassy in Kampala visited the proposed zone site in early 2009, "as they prepare to invest billions of dollars in the project".[28] As a researcher from the Center for Chinese Studies at the University of California reports, after reading the news about the large-scale investment of Paradise Limited in the LVFTZ, Chinese 'netizens' were wondering whether China now had "an

[25] http://www.sseesamirembe.com/aboutus-ecoCity.php, [accessed 20 October 2011].

[26] http://www.sseesamirembe.com/article.php?title=The%20New%20Hong-Kong%20in%20Africa&content-_page=article_08_12_2008_1, [accessed 20 October 2011].

[27] ibid..

[28] http://www.sseesamirembe.com/article.php?content_page=article_01_05_2009_1&title=chinese%20consular-%20inspects%20lake%20victoria%20free%20trade%20zone%20in%20rakai, [accessed 20 October 2011].

overseas colony or concession, like Hong Kong" (MqVU 2010a). In fact, on the LVFTZ website itself it is stated that the zone will be the "new Hong-Kong in Africa".[29]

The outline of the zone is more than ambitious, including state-of-the-art infrastructure, such as a "Solar Airport". The "objectives" of the zone read as follows:

> This international multi-racial, multi-religiously diverse eco-city municipality is planned around sound ecological principles of preservation, pedestrian friendly urban designs and self-reliant, renewable energy sources. [. . .] The boundless capital circulation without controls, limits or taxes, the access to the international banking centers, the ability to use any type of bank account system - without taxes and the special immigration status for foreign investors are some of the additional factors that increase the value and attractiveness of this project. The Sseesamirembe Eco-City is planned to be a sustainable flagship of post-industrial development for Uganda and the entire Sub-Saharan region. [. . .] Economic and financial empowerment of the native population by creating thousands of job opportunities, industrial growth opportunities, boosting local agricultural and providing a ready-market for agricultural produce both locally and for export to world markets.[30]

At first sight, this sounds like a hodgepodge of current international development buzzwords. However, the remark that the zone will be 'multi-religious' is quite unusual. Furthermore, the LVFTZ website states that half an acre of land will be offered for free to "any spiritual or religious organization" in order to build a "worship or social service center".[31] The planned "International Center of Complimentary and Alternative Health"[32] likewise sticks out from the usual SEZ design. This might all be related to a rather quaint story surrounding the construction of the zone. According to the *Sunday Vision* article mentioned above, a religious foundation named 'Sserulanda Spiritual Foundation of Sseesamirembe' is behind the Ugandan developer Kagera Eco-City Limited (Sunday Vision 2006). It is argued that the leader of the foundation, called 'Bambi Baaba', plans to turn the LVFTZ into a "Spiritual City of the New Age of Truth" (Sunday Vision 2006).

A planned doctoral research project on the LVFTZ, based at the cultural anthropology department of the Free University of Amsterdam, could have brought some clarification as to the different stakeholders involved in this project (MqVU 2011c). But now that the PhD student was ready to start his research, the zone seems to vanish (MqVU 2011c). The

[29] http://www.sseesamirembe.com/article.php?title=The%20New%20Hong-Kong%20in%20Africa&content-_page=article_08_12_2008_1, [accessed 20 October 2011].
[30] http://www.sseesamirembe.com/aboutus-objectives.php, [accessed 20 October 2011].
[31] http://www.sseesamirembe.com/aboutus-worship.php, [accessed 20 October 2011].
[32] http://www.sseesamirembe.com/index.php, [accessed 20 October 2011].

website of the LVFTZ has not been updated since 2009, and in May 2011, a Ugandan radio station reported that several thousand farmers are about to re-occupy the land proposed for the zone, since it lies idle and development has not materialized.[33]

The case of the LVFTZ demonstrates several important points. First, not all of the major concession deals recently surfacing in the media materialize. Secondly, the fame of SEZs as *the* Chinese model of development might be appropriated by a diverse range of stakeholders. In the case of the LVFTZ, it seems as if the Ugandan developer or the religious foundation behind it, chose the framework of a special zone to gain legitimacy and to attract Chinese capital, thereby ´integrating' its own plans for the zone with the well-known and approved model of SEZs. Furthermore, the legal framework of the LVFTZ calls attention to the fact that the transfer of rights and authority might be more substantial in the case of SEZs than in the case of other concessions. While it is highly unlikely that any SEZ will in fact have its own courts and a "high chancellor" as was envisioned for the LVFTZ, SEZs in fact enjoy substantial autonomy from the usual regulations of a country (cf. Ong 2006). While the logic that applies to SEZs is the same as that which applies to mining, logging or infrastructure concessions, namely the outsourcing of development to private actors, SEZs usually do not focus on only one type of business but include various. SEZ developers often lease out parts of the concession to other subcontractors, hence the administrative framework of SEZs is much more complex than in the case of a single company exploiting for example an oil concession. SEZs will therefore often have their own 'mini government', as in the case of Shenzhen SEZ in China, which has been granted municipality status and is administered by its own municipality government. While SEZs in China are "firmly integrated into the national party and state bureaucracies" (Nyíri 2009), it will be interesting to see how power relations between SEZs and national governments play out in foreign countries in which Chinese companies are implementing this specific model of development. As with other current concessions, the establishment of SEZs will likely involve a diminution of the state's role at the local level (Hardin 2002: 22). As Ong (2006: 90) observed, the spread of SEZs in East and Southeast Asia has led to a "thinning" of state power and a "thickening of the regulatory functions of quasi-state authorities".

The subsequent chapter focuses on current Chinese engagement in Laos and the broader process of regional integration between China and mainland Southeast Asia. This provides important contextual information for the case study in chapter 5, which discusses the establishment of two Chinese SEZs in Laos.

[33] 'Ssesamirembe fails to establish Multi-Billion Free Trade Zone in Rakai. Residents demand to take over land proposed for the industries.', http://ugandaradionetwork.com/a/story.php?s=33445, [accessed 21 October 2011].

4 Economic ties between China and Laos

This section delineates how economic ties between China and mainland Southeast Asia have expanded in recent years. The first subchapter (4.1) discusses the Greater Mekong Subregion (GMS), a comprehensive multilateral initiative focusing on the improvement of infrastructure as well as the reduction of trade barriers in order to create an integrated regional market. While the increased flow of people and goods across borders has triggered premature views of an increasingly borderless region where the regulatory capacity of states is curtailed, it will be shown that rather than being detrimental to state power, economic integration has offered national governments new forms of regulation. The second subchapter (4.2) will more particularly focus on recent Chinese engagement in Northern Laos. It will describe how the Lao government effectively 'leases out' the task of developing its northern borderlands to Chinese entrepreneurs and is thereby able to gain increased control over its mountainous peripheral borderlands and people – a process which James Scott (2009) describes as "internal colonization". Other states in the region have pursued the incorporation of their margins quite successfully in earlier periods, as will be shown for the Chinese case. Presently, China is eager to bring development and modernity to neighboring countries, while it is still actively engaged in 'civilizing' and 'modernizing' its own citizens.

4.1 The Greater Mekong Subregion

In 1989, Chatichai Choonhavan, then prime minister of Thailand, announced the aspiration of turning mainland Southeast Asia from a battlefield into a marketplace (Glassmann 2010: 38). Since the mid-twentieth century, the region had seen three major wars, in the course of which French colonialism was brought to an end (1946 – 1954), the US was defeated in Vietnam (1960 – 1975), and a decade-long conflict between China and Vietnam came to an end (1989), together with the demise of the Soviet Union (Stuart-Fox 2003: 164 – 209). With peace restored, borders re-opened and liberal reforms implemented in socialist China, Vietnam and Laos, conditions were conducive for increased economic integration (Diana 2009). All mainland Southeast Asian states had joined ASEAN[34] by the end of the 1990s, thus furthering integration with the insular states. However, it seems as if especially

[34] Association of Southeast Asian Nations, established 1967 in Bangkok. Members: Thailand, Indonesia, Malaysia, Singapore, Philippines, Brunei, Vietnam, Laos, Burma and Cambodia, http://www.asean.org/about_ASEAN.html, [accessed 20 December 2011].

close economic ties are being developed between the mainland states and China, in the framework of the Greater Mekong Subregion (GMS) (cf. Wade 2010).

The GMS, officially launched by the Asian Development Bank (ADB) in 1992, comprises Thailand, Cambodia, Laos, Vietnam and China, especially Yunnan Province and Guanxi Zhuang Autonomous Region.[35] The prime objective of the GMS is to "remove the physical barriers to subregional economic cooperation" (ADB 2007: vii). This involves the improvement of infrastructure throughout the entire subregion, which is also referred to as the "hardware" aspect of the cooperation scheme (ADB 2007: vii). The upgrading and construction of roads, railways, bridges, ports and so forth is further complemented with "software" components, such as free trade agreements and policies to jointly address regional environmental and social issues (ADB 2007: vii).[36] Infrastructure investments are primarily organized and concentrated along three preferential geographical spaces, the so called 'economic corridors'.[37] The North-South Economic Corridor (NSEC) comprises three major routes, connecting Kunming, the capital of Yunnan Province, with Bangkok to the south and Hanoi to the southwest.[38] Given the already existing road networks from Singapore via Malaysia to Chiang Rai in Thailand and from Kunming to Beijing, there will be a direct road connection all the way from Singapore to Beijing upon completion of the NSEC.[39] The East-West Economic Corridor (EWEC) connects the Indian Ocean (Adaman Sea) with the South China Sea, running from Da Nang Port in Vietnam, through Laos and Thailand to the Mawlamyine Port in Burma.[40] The Southern Economic Corridor (SEC) links major cities in the southern part of the GMS, such as Bangkok, Phnom Penh and Ho Chi Minh City.[41]

Apart from the ADB, China and Thailand are the main drivers of GMS integration (Glassmann 2010). As Tan (2011: 89) points out, Thailand was eager to enter the growing Chinese market, attract tourists from Yunnan Province, and get improved access to the natural resources of its neighbor states (Tan 2011: 90). For China, economic integration within the GMS framework offered not only the possibility to regain foothold in Southeast Asia and open new markets for its products, but also to get access to natural resources and strategic ports in the Gulf of Thailand and the Andaman Sea (90). Furthermore, the GMS

35 ADB, Greater Mekong Subregion, Overview, http://beta.adb.org/countries/gms/overview, [accessed 20 December 2011].

36 By 2003, all the GMS states had signed the so-called Cross-Border Transport Agreement (CBTA), which is intended to facilitate the movement of goods and people across borders by streamlining customs and visa regulations, http://beta.adb.org/countries/gms/sector-activities/transport, [accessed 22 December 2011].

37 http://beta.adb.org/countries/gms/sector-activities/multisector, [accessed 20 December 2011].

38 ibid.

39 The NSEC is almost complete, except for one bridge between Thailand and Laos, which is currently under construction (cf. ibid.).

40 ibid.

41 ibid.

assists the Chinese government in its effort to develop its southwestern provinces, hitherto left behind from China's economic boom.

Infrastructure investments within the GMS have been considerable. So far, around US$14 billion have been spent on diverse projects.[42] Andrew Walker (1999: 88), writing at the end of the 1990s, quite skeptically talked about a "bewildering greater Mekong wish-list of roads, railways, airports and fibre-optic cables". Just over a decade later, many of the items on that wish list have actually been ticked off. And planning for future development is well underway. At the fourth GMS Summit, which took place in December 2011, a new ten-year strategic framework was agreed on, to further "boost growth, development and poverty reduction across the GMS".[43]

Improved road networks have considerably facilitated the movement of goods and people in the region. For example, Route 3 highway, running from Southwestern China through Northern Laos into Thailand, was refurbished for the total cost of US$97 million, co-financed by China, Thailand and the ADB.[44] Previously a mere horse trail, which had to be closed for four months each year during rainy season, Route 3 now allows a journey from Bangkok to Kunming within a little over one day, which means that travelling time has been reduced by 400 %.[45] The Chinese SEZs discussed in chapter 5 are both located in the direct vicinity of Route 3.

The ADB, driven by a neoliberal agenda, promotes the creation of a regional market without economic barriers, which is argued to lead to an increase in regional production and thus contributes to the overall goal of poverty eradication (Tan 2011: 95). Describing the GMS as a "natural economic area"[46], the ADB seems to be fully in line with the reasoning of globalization apologist Kenichi Ohmae (1995: 5), who argues that national borders and nation states will become ever less important, giving way to the rise of region states as the "natural business units in today's global economy" (cf. chapter 2). Indeed, as several commentators note (Diana 2009: 16; Walker 2009: 101), the implementation of liberal policies and improved physical connectivity along the economic corridors has fostered views of an increasingly 'borderless' region, where state authority is diminished. These views are not only shared by economists. Anthropologists and other social scientists who pursued research at the borderlands between Thailand, China, Laos and Burma, argue that the liberalized border regimes offer marginalized ethnic minorities the possibility to reconnect with their kin across borders and to revive religious and cultural ties, which is

[42] 'Mekong leaders agree on wide-ranging development plant for next decade', http://beta.adb.org/news/mekong-leaders-agree-wide-ranging-development-plan-next-decade?ref=countries/gms/news, [accessed 21 December 2011].

[43] ibid.

[44] 'New overland route links Singapore to Beijing', 31 March 2008, http://beta.adb.org/news/new-overland-route-links-singapore-beijing, [accessed 21 December 2011].

[45] ibid.

[46] Greater Mekong Subregion, http://beta.adb.org/countries/gms/main, [accessed 21 December 2011].

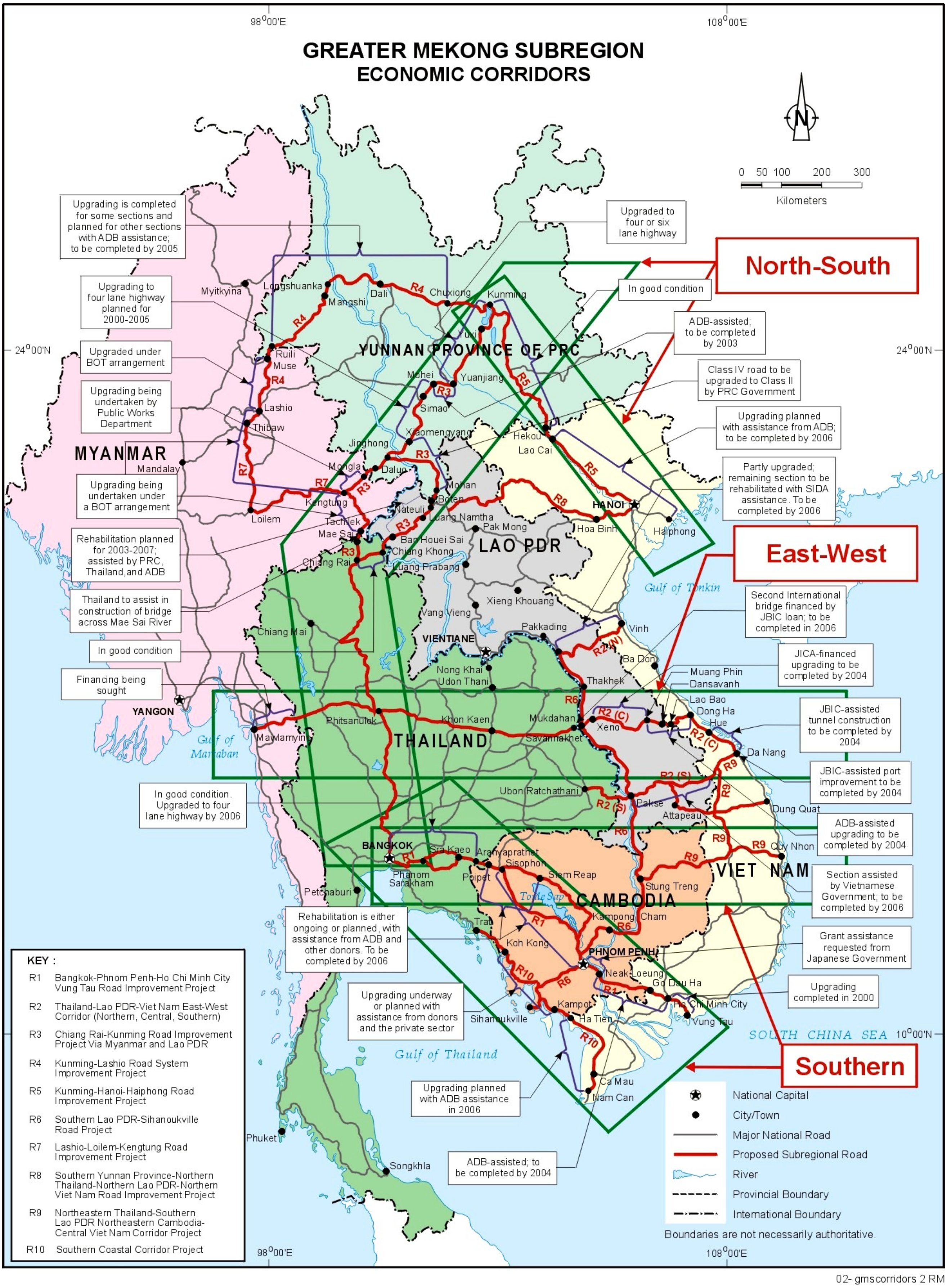

Figure 4.1: Map of the Greater Mekong Subregion – Economic Corridors (Source: http://www.adb.org/GMS/gms_corridors02.jpg, [accessed 10 January 2012]).

interpreted as a form of resistance against the cultural hegemony of the states in which they reside (cf. Cohen 2000; Davis 2003). Such accounts, which often argue for a reemergence of pre-colonial border regimes in post-colonial times, fall into the category of what Walker (2009: 101) classifies as the "standard historical stories that are written about borders in this part of the world". As Walker (2009: 101 f.) summarizes:

> The standard account goes something like this. In the pre-colonial period, state power was directed at the control of people rather than the control of territory and, as such, the borders of polities were not demarcated but characterized by ambiguous zones of competing influence and large areas of neglected terrain. This pre-colonial territorial nonchalance is said to have been displaced by colonialism and the formation of the modern nation states. Previously fluid spatial practices were displaced by the unambiguous demarcation of national borders and the modern state's insistence of exclusive sovereignty within its demarcated territory. Borderland residents, who previously moved freely from one polity to another, found their traditional homelands dissected by modern state borders. But this modernist era of demarcation has itself been displaced by post-modern connections. The third phase of this history of the borderlands is often described in terms of a return to the more flexible practices of the pre-modern era.[47]

Walker (2009: 102) suggests a different approach to the study of borderland history in mainland Southeast Asia. His main thesis, which he develops at length in his 1999 monograph *The Legend of the Golden Boat*, argues that in pre-colonial times, borders have mattered a great deal more than is usually accounted for, and that they continue to matter in current times of liberalization and globalization. While it is often argued that political overlords in pre-colonial Southeast Asia gained most of their revenues from tributes extracted from subordinate populations, Walker (1999: 27 – 41) asserts that revenues collected from taxes on traded goods, ferry tolls and frontier duties were often a necessary supplement. Thus, controlling important caravan routes and strategic river-crossing points was vital for the survival of pre-colonial states (32 f.). Hence, Walker argues, already in pre-colonial times political leaders were actively engaged in regulating trade and enforcing borders (26).

As Walker asserts, the current phase of liberalization and globalization, rather than producing a situation of deregulation and loss of state authority, in fact offers "substantial opportunities for renewed and reinvigorated forms of state intervention" (89). Informed by a Foucauldian understanding of power as productive and enabling, Walker argues that it is

[47] Important proponents of the 'classical' approach to the history of borders in Southeast Asia are Tambiah (1977), Wolters (1982) and Thongchai (1994), all of whom are more or less influenced by Leach (1954).

crucial to recognize "the role of states in *regulating* and managing trans-border flows rather than *preventing* them" (89, emphasis in the original). Hence, increased flows of goods and people also extend the scope of possible government regulations (89). As Walker (2009: 101) explains, the link between extended state intervention and open borders was made most clear to him by a Lao customs official, whom he interviewed in the mid-1990s, while pursuing fieldwork in the Northern Lao borderlands. As Walker recounts: "'When the border was closed my job was easy', he said, 'there was nothing for us to do. But now I'm working harder than ever'" (101). Via its local agents, Walker asserts, the state actively engages in the regulation of cross-border flows (101).

Several observations can be made that seem to confirm Walker's thesis of extended state intervention within the framework of GMS integration. For example, as reported in a 2008 *New York Times* article (Fuller 2008), the newly built highway from Kunming to the Lao border, which forms part of Route 3, is monitored by 168 cameras, which allow Chinese authorities to "zoom in on the faces of passengers as cars passed through toll booths". Furthermore, as Scott (2009: 61) argues, due to heavy rains from May to October, the state in Southeast Asia has been, from pre-colonial times until very recently, a "radically seasonal phenomenon". Now, with "all-weather road[s]"[48] connecting state centers and peripheries, the state will rather be a year-round phenomenon.

Danielle Tan (2010; 2011) pursued fieldwork in the Northern Lao borderlands roughly a decade after Walker. Her study set out to continue Walker's reflections and to confront his observations with more recent developments in the region (Tan 2011: 36). While Tan is able to fully confirm Walker's argument that the Lao government has not forfeited its capacity to regulate cross-border flows, she detects that power relations in the borderlands have crucially changed (36, 108). With the completion of Route 3, great numbers of Chinese migrants, petty traders and entrepreneurs have installed themselves in Northern Laos, at the expense of Lao merchants and entrepreneurs (108). Tan argues that these new Chinese networks have become privileged partners of the Lao government, and, taking up a concept by Scott (2009), she asserts that it is this partnership which allows the Lao government to finalize a process of "internal colonization", whereby hitherto "unexplored" parts of the northern borderlands are turned into profitable state spaces (332). Tan's arguments are explored in more detail in the following subchapter. The chapter begins with a brief description of Scott's (2009) recent study. Scott delineates the gradual integration of peripheral territories and mountain dwellers into the respective nation states of mainland Southeast Asia, a process which he terms "enclosure" or "internal colonization". Subsequently, the chapter will explore how the Chinese state gradually colonized its south-western frontier region, and how this process is facilitated by the integration within the

[48] "Tea and Prosperity Along Ancient Trade Route", 23 July 2010, http://beta.adb.org/features/tea-and-prosperity-along-ancient-trade-route, [accessed 30 December 2011].

GMS framework. This will include a discussion of the Chinese discourse of development and modernization, to shed light on the ideological underpinnings of current Chinese engagement in Laos, the latter being the focus of the final section of the chapter.

4.2 'Internal colonization' in China and Laos: how Chinese networks assist the Lao government to project its power to the margins

In his recent book *The Art of Not Being Governed – An Anarchist History of Upland Southeast Asia* Scott (2009) takes up the concept of 'Zomia', firstly introduced by Willem van Schendel (2002). Van Schendel (2002: 647) called upon the discipline of 'area studies' to "jump scales" and to consider "crosscutting areas" such as borderlands as valid objects of study (cf. Michaud 2010). 'Zomia', which lies at the margins of ten states[49], spreads across four sub-regions[50] and comprises "the world's largest mountain ranges" (Van Schendel 2002: 654), qualifies as an area of its own, van Schendel argues, since the different parts of 'Zomia' have historically been closely connected by trade networks and 'Zomians' exhibit a wide range of similar cultural traits, such as kinship systems and agricultural techniques (653).

Scott (2009) takes up van Schendel's analysis and maintains that the shared cultural, political and social features of the 'Zomian' upland communities are by no means accidental. Rather, he argues, they can be understood as elaborate techniques of "state evasion" (8). Inspired, amongst others, by the work of Pierre Clastres (1974), Scott delineates how 'Zomia', which roughly stretches from an altitude of two hundred to four thousand meters above sea level (14), became a vast zone of refuge and resistance to the "incorporation into the framework of the classical state, the colonial state and the independent nation-state" (19). As he argues, "for more than a millennium and a half" (22) people have fled to the 'Zomian' hills, often pushed by the constant expansion of the Chinese state. They were escaping taxes and corvée labor but also epidemics and crop failures, endemic to situations of dense population concentration and monocropping (22 f.). To maintain their freedom from state influence, Scott asserts, mountain dwellers developed specific habits which were, and still are, classified as traits of a backward and uncivilized lifestyle (9). However, as he points outs, "[m]ost, if not all, the characteristics that appear to stigmatize hill peoples – their location at the margins, their physical mobility, their swidden agriculture, their flexible social structure, their religious heterodoxy, their egalitarianism, and even the nonliterate, oral cultures – far from being the mark of primitives left behind by civilization,

[49] China, Vietnam, Laos, Cambodia, Thailand, Burma, India, Bangladesh, Butan and Nepal (Van Schendel 2002: 654).

[50] East Asia, South Asia, Souhteast Asia and Central Asia (Van Schendel 2002: 653).

are better seen on a long view as adaptions designed to evade both state capture and state formation" (9).[51]

With the onset of colonialism, Scott points out, these "nonstate spaces" (4) have largely been diminished, in Southeast Asia as elsewhere in the world (10). Colonial, and afterwards independent governments, have set about "to integrate and monetize people, lands and resources of the periphery so that they become, to use the French term *rentable*" (4). As Scott argues, this process of "enclosure" (4), whereby "stateless people were [. . .] drawn into the fiscally legible economy of wage labor and sedentary agriculture" (10), came to a final stage in the late twentieth century (10). Often disguised under the rubric of development and social integration (4 f.), Southeast Asian governments have actively pursued this "internal colonization" (12), facilitated by modern roads and communication systems (11). Scott cites the titles of several mobilization campaigns promoted by the Vietnamese government in the 1950s and 1960, such as "The Campaign for Fixed Cultivation and Fixed Residence" or the "Storm the Hills Campaign" (12).

Tan (2011: 73) takes up Scott's analysis and argues that up to now, Laos has been less successful than its neighbor states in bringing about the full incorporation of its borderlands. She argues that this is largely due to the fact that French colonialism never succeeded in establishing a viable presence in the Northern Lao borderlands nor was it able to exploit the abundant natural resources present in this region (191). Furthermore, Tan points out, Laos never possessed a population that was large enough to pursue the process of "internal colonization" with the help of "an army of migrants", as was done for example in China (330).[52] China's southwestern frontier region provides a good example of how migrants, previously as well as today, assist in the project of state expansion. During the Ming dynasty (1368 – 1644), Han Chinese[53] still comprised less than one third of the ethnically and culturally extremely diverse southwestern frontier region (Giersch 2001: 74). However, as Giersch illustrates, the eighteenth century saw the initiation of several major migration waves, largely induced by the imperial state, which, until the mid-nineteenth century, had already brought around three million Han to China's Southwest (74). As Tan (2011: 207) points out, the modern Chinese state under communist leadership continued to rely on Han migrants to realize a more thorough incorporation of its peripheries: "Since 1949, Mao sent large cohorts of Han Chinese party members, soldiers, teachers, workers and young intellectuals to Yunnan, in order to consolidate the authority of the central

[51] For an ethnography of a 'Zomian' community see Edmund Leach's classic *Political Systems of Highland Burma* (1954).

[52] In 2011, the population of Laos was estimated at 6.5 million, while the population of China was estimated at more than 1.3 billion (cf. CIA Factbook 2012a; CIA Factbook 2012b).

[53] The Han are the dominant ethnic group in China (91,5 %, cf. CIA Factbook 2012a). Fifty-five ethnic minority groups are furthermore officially recognized (Barabantseva 2009: 227).

government in this region and to integrate the minorities into the new socialist nation" (207, my translation).

Ethnic minorities, Nyíri (2006: 91) points out, have always been the primary target of the Chinese state's "civilizing mission", in its imperial as well as modern guise. As Barabantseva (2009) shows, this becomes particularly apparent in the current Western Development Project (WDP). Formally, the WDP aims to reduce the development gap between China's booming coastal cities and the poor western regions, by implementing key infrastructure and industrialization projects which are intended to provide job opportunities for local people, and likewise serve to open up the western regions' abundant natural resources (Barabantseva 2009: 233 f.). At the same time, Barabantseva illustrates, the WDP has a distinct "ethnic character" (237 – 241). She quotes former Chinese Premier Zhu Rongji as saying that the implementation of the WDP is primarily directed at accelerating the development of minorities and minority regions (237). In the WDP discourse, Barabantseva points out, 'backward' minority areas are presented as slowing down the overall project of China's modernization (240). Economic development, in combination with special education programs, is promoted as the key solution to overcome the "traditional mentality" of minorities and to increase the "quality" of the people (240).

As Nyíri (2006: 88) explains, the discourse of "population quality", closely linked to the "exhortations to build 'socialist spiritual and material civilization' " goes back to the 1980s[54], but has been specifically promoted by the Chinese government since the early 2000s (88). The core argument in the "population quality" discourse is that the modernization of society starts with the modernization of the individual (88). In the Chinese media, the modern, "civilized citizen" is often portrayed as a "productive citizen" (88). However, Nyíri argues, the idea of civilization and "population quality" extends beyond mere economic productivity to cover "a complex range of attributes, typically including manners, hygiene, discipline, education and competitive and open-minded thinking" (89).[55] The Chinese leadership encourages its citizens to become role models of civilization for others (104). Local governments in China thus single out and reward "civilized households" and "civilized work units" (88). Migrants and travelers, Nyíri illustrates, are assigned an important part in this venture, within China and beyond (104). As he argues, " 'advanced urbanites', encouraged to move to 'backward' areas as skilled workers, as well as to just visit them as tourists, are considered agents of the civilizing

[54] As Sturgeon (2010: 321) explains, the emphasis on "quality" originates in the one-child-policy introduced in 1979, which encouraged couples "to have fewer children of higher quality".

[55] As Nyíri (2006: 90 f.) reports, during preparations for the 2008 Olympic Games, the "civilizing fervor" reached unprecedented heights. A district in Peking, for example, distributed towels and fans among residents – a gesture "no doubt hinting at proper personal hygiene" (91). The distributed fans and towels were imprinted with slogans such as "Build a civilized East City, bring about a humane Olympics" (91).

project" (92).[56] There is, however, a paradox here. While tourists are expected to bring modernity and civilization to 'backward' minority regions, China's domestic tourism industry heavily relies on constructing an image of ethnic minorities as 'traditional' and essentially different from the 'modern' Han Chinese (Barabantseva 2009: 235 f.).[57]

As Barabantseva (2009: 236) points out, while ethnic diversity is celebrated in the official state discourse, the uniform character of presenting minority difference is striking. As she argues, certain standards formulated by the central government define the character of cultural difference, which, in the case of tourism, results in the emphasis of "exotic" customs, national dress and folk dance with regard to all the different minority groups (236). The way frontier territories are often formed into 'ethnic theme parks' fits well with the broader pattern of organizing tourism in China: "tourism in China is understood by its managers and promoters squarely as a modern way of consumption whose objects are developed, bounded, approved and catalogued sites, 'scenic spots', each with an incontrovertible canon of cultural references" (Nyíri 2009). As Barabantseva (2009: 246 f.) concludes, the government's project to 'develop' the western regions is clearly driven by economic incentives and serves the purpose of extending the political and military influence of the center over its periphery, rather than preserving cultural difference.

Regional integration within the GMS cooperation scheme, Tan (2011: 214) maintains, not only helps the Chinese government to tighten its grip over its own southwestern frontier regions, but also offers an opportunity for China to extend its influence beyond its own borders. As Tan argues, China's strategy to regain strength amongst its Southeast Asian neighbor states primarily revolves around three components: investment, aid and migrants (153).[58] Since the early 1990s, Laos has indeed seen a sharp rise in the number of Chinese migrants crossing the border and flocking into the northern provinces of Luang Namtha, Oudomxay, Bokeo and Phongsaly (153 f.).[59] The first migrants to arrive were workers or technicians employed with Chinese construction companies that started to implement infrastructure projects, most notably roads and hydroelectric plants (154). With rising

[56] In 2001, for example, 600,000 Han Chinese moved to the Xinjiang Uyghur Autonomous Region, within the framework of a state campaign which called upon students and young teachers to move to the western regions (Barabantseva 2009: 235).

[57] On tourism in China and the 'othering' of minorities, see amongst others Oakes (1998), Nyíri (2006), Gladney (1994) and Schein (1997).

[58] This 'recipe' is not unique to China's engagement in Southeast Asia, but has been characteristic of China's overall recent engagement in countries of the Global South. For a global perspective on Chinese migration see for example Nyíri and Saveliev (2003).

[59] In comparison with Thailand, Burma or insular Southeast Asia, the Chinese community in Laos has always been rather small, and was even more diminished during the conflict between Vietnam and China (1978 – 1989), as Laos was a close ally of Vietnam (Tan 2011: 152).

Chinese investment in mining and agriculture, ever more migrants found employment in these sectors (154).[60]

As Tan observed, many Chinese workers stayed in Laos after their contracts ended to pursue their own business (154). While migration was predominantly male in the beginning, ever more families install themselves in Northern Laos, seizing, amongst other things, the opportunity to have more than one child (157).[61] With the improvement of road connections between China and Laos, most notably the opening of Route 3 highway in 2008, great numbers of Chinese petty traders have also flocked to Northern Laos (Tan 2010: 7). They have become so numerous that a Lao border official compared them to an "army of ants" (7, my translation). As Tan maintains, the permanent installation of Chinese merchants in cities and villages in the Northern Lao provinces is arguably the most visible sign of the growing Chinese presence in Laos (7). The merchandise they sell is highly sought after by locals: mobile phones, clothes, household goods and spare parts (7). The merchants cooperate with Chinese transport companies, which have come to dominate the thoroughfares between China and Laos, and have effectively displaced Lao transport companies from the transit trade between China and Thailand (7). As Tan (2011: 306) points out, much of the cross-border trade between China and Laos is in fact informal. During her fieldwork at the Sino-Lao border, Tan learnt that Chinese transport companies resort to local intermediaries, usually Ho or Chin Ho (also known as Haw/Chin Haw), in order to accelerate the customs procedure (287). The term Ho denominates a Chinese Muslim minority originating from Yunnan Province, who has been living in Northern Laos for more than five generations (26).[62] The Ho, Tan reports, managing both Lao and the Yunnanese dialect, first negotiate the terms of their service with the Chinese companies, including the rate they will charge for their own work as well as the amount of taxes the company is willing to pay, and then reach an agreement with the Lao customs officials, who are willing to reduce the official tax rate and accept the 'adjusted' list of merchandise, in exchange for receiving "tea-money" (bribes) (288).

While the situation at the Sino-Lao border at first sight might look as if the Lao government was lacking the capacity to efficiently enforce its customs regulations, this interpretation, Tan points out, would be too simple (268). Following Walker (1999), she argues that it is exactly by way of such informal practices that the Lao state and its agents engage in new

[60] Overall, Chinese investment in Laos rose constantly during the period from 2001 to 2008 (Rutherford et al. 2008: 9). In 2010, China was reportedly the largest investor in Laos (Phouthonesy 2010).

[61] As Tan (2011: 157) notes, when the children reach school age, they are however sent back to China to live with their grandparents, since the Chinese education system is considered to be of higher quality than the education available in Laos.

[62] The Ho, in China known as Hui, have historically been engaged in long-distance caravan trade, connecting southwestern China with mainland Southeast Asia and Tibet (Maxwell Hill 1998). As Maxwell Hill illustrates, the caravan trade flourished especially during the Qing dynasty (1644 – 1911), with opium, tea and cotton being the most important goods traded (36 – 38).

forms of border regulation, in times when ‘official’ trade barriers are constantly reduced (269). Instead of engaging in the insurmountable task of effectively policing the porous borders between China and Laos, or trying to follow the directives of the GMS and abolish all existing trade barriers, which would cause a painful loss of revenue for the northern provinces, the Lao government, Tan argues, tries to profit from the cross-border trade as much as possible: “In fact, unable to prevent the entry of such informal imports, the state takes the opportunity to tap these flows and to indirectly finance its state apparatus, especially its customs agents, whose salaries are extremely low” (308, my translation). The most efficient way of ‘informally’ regulating trade flows, Tan asserts, is the increase of administrative “red tape” at the border (292). Thus, while the passage between Kunming and Bangkok should only take two or three days, Chinese merchants complain that it can take up to one month before their goods arrive in Thailand (298). The Lao border practices described by Tan are reminiscent of the situation in the Chad Basin, delineated by Roitman (2005).[63] As Roitman asserts, “the Chadian and Cameroonian states have every reason to facilitate border traffic, which provides remuneration for under and unpaid military officials, who convert to customs officials, and fills state coffers through licensing” (166).

Many Western commentators take a rather skeptical, if not outright negative view towards the increasing Chinese presence in Laos (Tan 2011: 228 ff.). Such reservations are surely met with incomprehension amongst Chinese officials, who see their citizens on a thoroughly positive mission (Nyíri 2006: 104). As Nyíri asserts, Chinese migrants are seen as “pioneers of modernization” (95), not only within China, but also beyond. Underlying this border-crossing civilizing mission is a discourse of modernization that “is an intensely comparative and competitive one, reflecting the continued influence of Morganian ideas of quasi-biological competition for survival between races and nations” (93). As Nyíri explains, while the Chinese discourse perceives Western countries as still more advanced than China, many other countries, including the mainland Southeast Asian states, are classified as less developed (94). Other countries, such as Russia and Eastern Europe, occupy a somewhat in-between position.[64] Hence, according to the official rhetoric, just as China may benefit from adopting technology and managerial techniques from advanced Western countries, it can bring its own experience to less developed nations (94). Migrants are encouraged to become “model individuals” in foreign countries, and show ‘less advanced civilizations’ “an example of success” (104). Chinese engagement in

[63] cf. chapter 2.3.

[64] In Hungary, for example, Chinese migrants and media classify the local population as lazy and unambitious, and the overall conditions as “backward” (Nyíri 2006: 102). However, Nyiri reports, the “quality” of the population was considered high, bearing Western marks of ‘civilization’ such as education, politeness and low reproduction rates (102 f.). As a young Chinese woman working as a waitress in Budapest put it: “What’s good about Europe is that it’s quiet and there are few people. For the rest of it, Shanghai is better, it’s more developed” (101).

neighboring states is thus often freighted with "civilizational overtones" (85). This is quite visible in a 2008 document which contains a draft plan for the development of Northern Laos designed by officials from Yunnan Province (NLIEDCPPG 2008). In the 175 page long report, there is a subheading termed "People's Mentalities to be Transformed and Improved", under which the following is stated:

> The works of the government and research institutions in North Laos are well educated. However, the mentalities of most people are still at the starting stage of agricultural economic development, which is unsuitable for development of market economy and economic globalization. Their awareness of development, competition, openness and self-reliance and hard working still need to be improved (NLIEDCPPG 2008: 15; cf. MqVU 2008).

The decision that China would provide technical assistance in the drawing of a development outline was jointly taken by the Lao and Chinese governments in 2004 (Tan 2011: 381). The report prefigures a development model for Northern Laos which closely resembles the one implemented in Yunnan (384; cf. MqVU 2008). As Tan (2011: 384) summarizes, the proposed plan revolves around four spheres of activity: tourism[65], mining, hydroelectricity and commercial agriculture. These propositions are fully in line with the Lao government's intention to leverage its "principal comparative advantage" (250), as Tan puts it, namely the abundance of land and undeveloped natural resources. The predominant strategy adopted by the Lao government to achieve its goal of valorization of its territories, has been to grant attractive land concessions to foreign, notably Chinese, investors (250 f.). In this context, the issue of rubber concessions has attracted much public and scholarly attention (e.g. Shi 2008; Dwyer 2007; Schuettler 2008; Diana 2007). It is relevant to have a closer look at this phenomenon, since it exemplifies Tan's (2011) main argument, namely that the new Chinese business networks assist the Lao government in bringing about what Scott (2009) terms "the last great enclosure".

The 'rubber boom' that took off in Northern Laos in 2004, seems to have been the result of a symbiosis of different policy goals pursued by the Lao and Chinese governments (Cohen 2009: 427). China was searching for new sources of rubber, with its industry expanding and domestic rubber production meeting only around one third of the demand (Sturgeon 2010: 323). The Lao government, on the other hand, was desperately looking for a new cash crop which would provide a livelihood for the myriad of upland farmers who

[65] The plan seems to envisage exactly the same kind of mass and 'ethnic' tourism implemented in Yunnan Province (MqVU 2008). Under the subheading "Key Tourism Products" the following is stated: "It is to take advantage of the history, folk customs and folklores of ethnic minorities, develop recreational, participatory and experiencing folklore tourism products, fully display the cultures, arts, customs in daily life, holidays, cuisine, sports and production labor and such other national folklore culture of the ethnic minorities" (NLIEDCPPG 2008: 39).

had been deprived of their previous income from opium after a radical opium eradication campaign had been launched between 2000 and 2005 (Cohen 2009: 427). The Chinese government furthermore gave an "active push" (Shi 2008: 20) to the rubber boom by heavily subsidizing rubber investments in Laos with money from the 2006 established Opium Replacement Special Fund – a clear example of the Chinese government's policy of combining aid (assistance in opium eradication) with investment, thereby supporting its own companies to 'go out' and strengthen their position in the international market (24; cf. chapter 3.2.2).

It is difficult to estimate how much land has been leased out to private investors, since government officials at the national, provincial and district level have the right to grant concessions and there are various informal agreements (Tan 2011: 338).[66] A study by the GTZ (Schoenweger and Üllenberg 2009: 6 – 7) estimates that overall, Lao authorities have leased out roughly 13 % of the state territory to national and foreign companies predominantly engaged in agriculture and mining. As Weiyi Shi (2008: 32) reports, outright land seizures have occurred and many villagers were forced into the system of wage labor after they lost access to arable land. Other villagers had the opportunity to substantially improve their living standard due to the introduction of rubber (Cohen 2009: 429). What is more, several scholars have observed that the rubber frenzy has sparked an outright "desire for modernity" (506) amongst upland minorities, many of whom have actively embraced rubber cultivation. Diana (2007) for example, who pursued research in an upland community in Northern Laos, situated right across the border from China, learnt that members of the community had used cross-border social networks to acquire capital, rubber seedlings and technical advice from their "wealthier ethnic fellows" (16) in China to cultivate their own rubber plantations. As Diana argues, the living standard that rubber has brought to some upland minorities in China, "embodied in house renovations, motorbikes and other commodity goods instilled in the Lao farmers new hope for overcoming poverty and pursuing the Chinese dream of modernity" (1 f.). As one of her informants told her: "When you come back to the village in six years-time, we will have started tapping rubber. Then we will be rich, we will have cars, nice houses and eat better food, like in China" (17).

Rubber investments in Laos thus involve a diverse range of stakeholders and produce different outcomes for the villagers involved, depending on their bargaining position and networks. On a larger scale, however, as a state induced project to transform the Northern

[66] District authorities can allocate concessions of up to 3 hectare (ha), provincial governments can grant concessions of up to 100 ha, and the national government has the right to approve concessions that do not exceed 10,000 ha (Tan 2011: 338). However, as Tan points out, these regulations are regularly bypassed and large-scale concessions are often accorded at the provincial level (338). Similar to the situation at the Sino-Lao border, collusion between Lao provincial officials and Chinese concessionaires is rife (342 – 343). Tan reports about a case in Luang Namtha Province, where a provincial vice-governor is said to receive a monthly "salary" of US$4000 from a Chinese rubber company (342).

Lao uplands, Tan (2011: 427 – 495) maintains, the recent spread of rubber plantations allows the Lao government for the first time ever to realize more thoroughly the process of "internal colonization". The initiation of this "enclosure movement" (Scott 2009: 4) dates back to the 1980s, Tan (2011: 472 ff.) explains, when the Lao government began to more actively engage in the process of turning "fiscally sterile" (Scott 2009: 6) landscapes and people into taxable subjects and rentable spaces, notably with the financial assistance of Western donors. Declaring swidden agriculture to be at the heart of environmental degradation and causing poverty amongst upland minorities, the Lao government was able to attract substantial international funding from the World Bank (WB) and the United Nations Development Program (UNDP), and was thus able to initiate substantial processes of transformation, most notably resettling great numbers of villagers to the lowlands and near roads, where they would be more 'accessible' (474). As Evrard and Goudineau (2004: 938, cited in Tan 2011: 474) report, at a 1989 forest management conference, the Lao government announced that it plans to resettle 60 % of the 1.5 million uplanders then engaged in shifting cultivation until the year 2000. While the massive resettlement campaigns caused severe economic hardship amongst the displaced communities whose mortality rates skyrocketed, they did not produce the desired results. As Tan (2011: 476) points out, many relocated villagers illegally continued to cultivate their former territories out of a lack of alternative sources of income.[67] It is only now, Tan asserts, with the large-scale Chinese investments in commercial cash crops, notably rubber, that a viable alternative to swidden agriculture and opium cultivation is emerging, which is about to realize the government's long term plan of agrarian transition (483). Rubber cannot be cultivated anywhere higher than 900 meters above sea level (Sturgeon 2010: 323). As Tan (2011: 480) asserts, with ever more upland minorities working for Chinese rubber companies or else cultivating rubber themselves, the Lao government might be able to realize its long term plan of "clearing the mountain peaks of its inhabitants" (480, my translation), to exploit the mountain forests in a more profitable way.

Hence, according to Tan, the growing Chinese presence in Northern Laos assists the Lao government to further various interrelated goals: rendering peripheral territories profitable, legible and taxable; relocating and sedentarizing upland shifting cultivators, whose previous territories are thus available for more thorough exploitation; providing transport and trade networks for the export of agricultural produce and the import of cheap consumer goods, highly desired by upland minorities as symbols of modernity; providing substantial sources of informal rents for underfunded state officials, and finally,

[67] "Alternative development" programs, initiated by Western development organizations and NGOs, such as the GTZ and Norwegian Church Aid (NCA), both of which had long been present in Northern Laos, proved to be insufficient (Cohen 2009: 428). By 2005, the official deadline for the opium eradication program, more than 50 % of the former opium growing communities "did not have the means or time to develop new cash crops or staple food crops" (425).

enabling the state to extend its power to its outermost margins, especially visible in the case of large rubber concession, which are developed as joint-ventures between the Lao army and Chinese companies (490). Thus, Tan (2011: 322 – 329) asserts, rather than viewing the growing Chinese presence as a threat to Lao sovereignty or a form of neo-colonialism, an allegation often raised in the media and amongst Western commentators, it is pertinent to inquire how these networks *reshape* the state, how they allow an adaption to the exigencies of globalization, and how they even offer a reinforcement of state power at the margins (327). Much as Roitman (2005: 2005) argues that current developments in the Chad Basin can be understood as a "novel way of managing extroversion", Tan (2011: 322) asserts that processes of privatization and liberalization in Laos should be seen in the same light, as a change of terms in the way "resources of extroversion" are accessed.

To briefly summarize, while infrastructure developments and economic integration within the framework of the GMS is often interpreted as bringing about a 'borderless region' where national governments take a back seat and market forces rule, several commentators have suggested that processes of liberalization and de-regulation might in fact offer many opportunities for governments to engage in new forms of regulation (e.g. Walker 1999). Tan (2011) continues the line of research initiated by Walker and furthermore adopts insights from Scott (2009) in order to highlight that improved physical connectivity and large-scale investments enable the GMS states, most notably Laos, to further their objective of "bring[ing] nonstate spaces and people to heel" (Scott 2009: 4). In a sort of win-win situation, China, seeing itself as the engine of modernization, is exporting its own model of development to its 'backward' neighbors, thereby securing access to natural resources and further bolstering its own companies. The Lao government, on the other side, seizes the opportunity and 'outsources' the development of its frontier territory to Chinese agents, who possess the financial and technical means to render hitherto unexploited territories into profitable state spaces, thus enabling the Lao government to incorporate more fully its own periphery.

The following chapter discusses another feature of the Chinese development model that has been transplanted to Northern Laos, namely the establishment of two Special Economic Zones. The Lao government has leased substantial tracts of land to Chinese investors who promised to create tourism and trade hotspots. However, so far neither of these zones has lived up to what it promised.

5 Case study: Chinese SEZs in Laos

While the last chapter briefly described the current spread of Chinese rubber concessions in Northern Laos, this chapter will examine two Chinese concession-based investment projects, which have attracted significant media and academic attention. Advertised as future tourism hotspots and implemented under the framework of Special Economic Zones, so far, the two project sites have developed into little more than Chinese gambling enclaves.

This chapter begins with a detailed description of the two projects (5.1 and 5.2), focusing on developments within the zones as well as on reactions by Chinese and Lao authorities towards the projects. It will then discuss three different perceptions on these zones (5.3). While the media almost unanimously views the Chinese 'enclaves' as extensions of China's sovereignty into the territory of its weak neighbor states, Nyíri (2011) and Tan (2011) develop rather different views. According to Nyíri, zone developers bank on the appearance that their projects are officially supported by the Chinese state, while they might in fact not be. In addition, Tan (2011) holds that the SEZ framework is used to disguise all sorts of illegal business pursued in the zones. The final subchapter (5.4) will argue that, while there are many indications that the SEZ framework is only used as a "shell" to cover the pursuit of profit, there is more to it. Chinese zone developers and Lao authorities embrace the vision that the zones can bring substantial progress to Laos. An analysis of the official legal document guiding the establishment of SEZs in Laos reveals that it is hoped that these zones develop into model cities. As will be pointed out, in some ways the two Chinese SEZs conform to this ideal. Finally, the implications for Lao authority of the growing Chinese presence in Northern Laos will be analyzed. While Chinese networks strengthen the power of the Lao state and enable an effective exploitation of the Northern peripheral territories, they nevertheless accumulate substantial power and authority, the impact of which on local conditions has yet to be studied.

5.1 Golden Boten City

> In Laos' Luang Namtha province [...] just before Route 3 runs into China – a golden city is taking form. It's a strange break from the otherwise lush and forested hills of Luang Namtha – all cleared land and concrete: a squat, sprawling plaza of Chinese restaurants, mobile shops and clothing stalls and the turreted, yellow brick building that rises up, from dirt, behind it. This is Boten Golden City (Bangkok Post 2008).

Golden Boten City is strategically placed along the nearly finished Kunming-Bangkok highway, and only two kilometers away from the Chinese border town of Mohan (Diana 2009: 13). It opened in 2007 and is run by a Hong Kong based company, which has been granted a 30-year concession for the 16 km^2 plot (Nyíri 2011). The lease can be renewed twice, thus, theoretically, the Chinese company could administer the zone for up to 90 years (Nyíri 2011). According to an article in the *Forbes Asia Magazine* (Gluckman 2011), concession fees paid to the government amounted to US$700,000 until 2010, US$2 million per year for 2011 – 13 and US$2.4 million per year in 2014 – 15. The chairman of Boten is a Hong Kong based resident named Huang Mingxuan (Nyíri 2011: 11). The inhabitants of the former village of Boten have been resettled further away and reportedly received a compensation of US$800 (Thielke 2010).

Figure 5.1: Impressions from Golden Boten City. **A**: Golden Boten City in January 2011. **B**: The Royal Jinlun Hotel and Casino. **C and D**: Chinese shops in Golden Boten City (Source: A,C: Nyíri 2011; B: Thielke 2010; D: http://hamishduncan.com/blog/?p=436, [accessed 9 January 2012]).

Golden Boten City was planned to become a tourism hot spot and commercial hub, attracting business from all over East and Southeast Asia, with plans featuring the building of a conference center, a golf course, folk villages, shopping malls, an international school and a hospital (Lyttleton and Nyíri 2011; Diana 2009: 13). The Lao tourism office advertised the zone as "the most internationally modernized city" in the country (Lyttleton and Nyíri 2011).

But when anthropologists Chris Lyttleton and Pál Nyíri (2011) visited Boten in 2008, they did not find the "cosmopolitan tropical paradise" advertised in the developer's brochure, but a large hotel-casino complex, surrounded by "sex shops and prostitutes, [...] ramshackle shops selling underwear and tobacco, and [...] middle-age men in cheap suits (Lyttleton and Nyíri 2011). What struck the anthropologists as remarkable was that "virtually everything and everyone in the place is Chinese", including employees, visitors, currency, shop owners, telephone providers, electricity and beer (Lyttleton and Nyíri 2011). The zone furthermore runs on Beijing time, one hour ahead of Laos. As Lyttleton and Nyíri (2011) remark: "When we ask a local Lao driver whether Golden Boten was China or Laos, he says in fluent Chinese: 'Sure it's China! China rented it.' "

Only a very small number of local Lao were working in Boten at the time of the anthropologists' visit, although the Chinese investment company had originally promised to preferentially employ Lao in the zone (Lyttleton and Nyíri 2011). Often lacking knowledge of Chinese, Lao workers were confined to low-skilled jobs, and the perception of discrimination and abuse by Chinese supervisors led many to resign their employment, although wages paid in the zone were actually quite high (Lyttleton and Nyíri 2011). This left numerous positions open to be filled by Chinese migrants, flocking to the zone not only from neighbouring Yunnan province but from as far afield as Heilongjiang province in northeastern China (Nyíri 2011). Some were employed directly by the zone, others opened shops and snack stalls, and several others became engaged in prostitution (Nyíri 2011). Gambling and prostitution is illegal in both Laos and China. Hence, as a journalist writing for the *Bangkok Post* remarks, "Boten Golden City was built with neighbors and not natives in mind" (Bangkok Post 2008). And the neighbors came in droves. In peak times, "[s]ome 10,000 people a day used to mob Boten" (Gluckman 2011). Construction in the zone flourished. Until mid-2010, US$130 million had reportedly been invested, three large hotels, a night club, around fifty buildings housing workers' dormitories, shops and apartments, and even a primary school had been built (Nyíri 2011).

Security guards patrolling the area and securing the zone's entry points, dressed in uniforms that bear similarities to those of the Chinese police, with "Special Zone Security" written on them in Chinese characters, reinforced the impression that the zone was somehow more China than Laos (Nyíri 2011). As Diana (2009: 13) asserts: "All these signifiers gave the impression that Boten now belonged more to the Chinese semiotic field

Figure 5.2: Artist's rendition of Golden Boten City in the company's brochure for investors, 2008 (Source: Nyíri 2009).

rather than to the Lao one. By mixing the cultural boundary between China and Laos, the signs were, at the same time, seemingly blurring the territorial and political boundaries of the two states." The media unanimously endorsed the idea that Laos had effectively ceded part of its national territory to its bigger neighbor. The following is taken from Shawn Crispin (2010), writing for *Asia Times Online*:

> On a November evening in this northern Lao border town [Boten], a crowd gathered around a traffic accident between two Chinese drivers. As tempers flared, Chinese casino guards moved tentatively to keep the peace. But the absence of any uniformed Lao police officers underscored the authority gap in a growing number of areas in the country where Vientiane has *effectively ceded sovereignty to Beijing* [my emphasis].

Thilo Thielke (2010: 93), writing for the German magazine *Der Spiegel* even goes so far as to argue:

> Eigentlich gehört die "Goldene Stadt" Boten noch zu Laos, faktisch ist die 21 Quadratkilometer große Wirtschaftszone fest in chinesischer Hand. [. . .] Und weil in Boten vornehmlich das Laster lockt, trauen sich Laoten nicht mehr in diesen Teil ihres Heimatlandes. [. . .] Und die wenigen Laoten, die hier noch leben, halten Abstand zu den Eroberern aus dem Nachbarland. Es herrscht Apartheid im Norden von Laos.

As of mid 2011, the image that "Boten was completely a Chinese colony" (Gluckman 2011) lost some of its strength and the focus of media reportage shifted to a different issue: the rapid downturn of Boten, brought about, surprisingly, by China (The Economist 2011; Gluckman 2011). What had happened? As Nyíri (2011: 12) explains, beginning in 2010, Chinese authorities took several steps to prevent Chinese citizens to cross the border into Laos to gamble. Several reports in the Chinese media appeared, spreading stories of indebted Chinese gamblers who allegedly had been detained and tortured by security staff at Boten, in order to force their families to pay the debt (Nyíri 2011: 12; cf. Gluckman 2011). The foreign ministry in Beijing even issued an official warning to all potential gamblers, alerting to the risk of kidnapping and fraud in Boten (Nyíri 2011: 12). Additionally, access to Boten was made more difficult (12). While beforehand it was easy for Chinese tourists to obtain a visit permit for limited parts of Laos right at the border crossing, in spring 2010, Chinese border security guards began to send back tourists who had not applied for a visa in advance (12). Furthermore, in December 2010, the Chinese telephone companies operating in Boten were officially obliged to stop their services, since they were "abetting illegal behaviour" (12). As Gluckman (2011) explains, "[t]his was meant to restrict gambling by proxy, in which minions could play cards for godfathers back in China who barked out instructions over the phone." Thus, the management of Boten had to switch to more expensive Lao telephone companies (Nyíri 2011: 12).

A couple of years earlier, Chinese authorities had started a similar raid on casinos in Mong La[68], a town on the Burmese side of the Sino-Burmese border (Nyíri 2011: 12). As Le Bail and Tournier (2010: 31) explain, next to drug and timber trafficking, Chinese-run casinos became an important part of the "illegal economy" which developed along the Sino-Burmese border since its reopening in 1988. Before the Chinese police closed down casinos in Mong La in 2005, as a reaction to severe financial losses by Chinese civil servants, the "gambling tourism" had reached a peak and several hundred casinos were operating in Burmese frontier towns (31). As Parker (2006, cited in Nyíri 2011: 8) reports, Lin Mingxian, the leader of Mong La, used the profits from the gambling business to fund several infrastructure projects in the city, turning it into one of the most modernized places in Burma, superior even to Rangoon, the Burmese capital. Tan (2010: 22), however, maintains that Lin Mingxian rather used drug money for building the city's infrastructure, in which case the gambling halls at least partly served the purpose of money laundering. She furthermore asserts that, after Chinese authorities had put an end to the gambling business in Mong La, Lin Mingxian came to invest in Golden Boten City (22). In fact, the

[68] Mong La is one of the "Special Regions" established in 1989, when a cease-fire agreement was reached between the Burmese junta and rebel groups in the Shan and Kachin States, after thirty years of warfare (Nyíri 2011: 6 f.). Next to Mong La, which is known as Special Region No. 4, there are three more Special Regions in the northwestern part of the country, all in the direct vicinity of the Chinese border (6). The leaders of the cease-fire groups, some of which are ethnic Chinese, administer their territories semi-independently from the central government (7). The Special Regions are closely connected to China, not only by substantial investment streams, but also through the use of Chinese telephone and electricity providers, as well as Chinese currency (8). In 2009, Burmese armed forces occupied Special Region No. 1 and incorporated the local "ceasefire army" into their border guard force (9). The Burmese regime aims to likewise incorporate the remaining ceasefire troops (9). In chapter 5.4, which deals with concessions and the governability of peripheral state territories, the Burmese case will resurface again.

chairman of Boten, Huang Mingxuan, also used to run a gambling hall in Mong La (Nyíri 2011: 11).

While the Chinese police so far have not crossed the border into Laos to close down the gambling paradise there, the media reports about detained Chinese gamblers and tightened visa regulations caused a sharp reduction in the number of visitors coming to Golden Boten City, and several gambling operators have since pulled out (Nyíri 2011: 13). "Most shop and restaurant owners have packed up and left, as have the Thai transvestite show and the legions of prostitutes. [...] The enclave's economy seems to have collapsed just as the builders hit their stride with a new high-rise hotel and a shopping centre bristling with columns in the classical style" (The Economist 2011).

While on the Chinese side of the border authorities were flexing their muscles, the Lao government likewise seemed to disapprove of developments in Boten. When pursuing fieldwork at the Sino-Lao Border in 2008, Diana (2009: 14) was told by a representative of the provincial government in Luang Namtha, that the Lao government was in fact planning on closing down Boten, due to charges of corruption and illegal activities. Diana argues that "fear of an uncontrolled Chinese takeover in north-western Laos seemed to be an underlying factor for the new directives" (14). As she concludes, the experimentation of Chinese investors and Lao authorities with "territorial flexibility and 'exceptional' legal arrangement[s]" (14) came to threaten the "hold of power for the Lao state" (29), which led to a freezing of the investment plans. However, since Diana made her observations, the Lao government seems to have changed its course of action towards Boten. Instead of freezing the project and 're-nationalizing' Lao territory, Golden Boten City has been awarded the official status of a Special Economic Zone, and as such is now, at least in theory, an integral part of the national roadmap of economic development and poverty eradication. The establishment of SEZs in Laos has been actively supported by the ADB and the United Nations Industrial Development Organization (UNIDO), which both have assigned SEZs a key role in "jump-starting" private sector development in Laos.[69] Already in 2007, the two organizations initiated a joint project and contributed US$850,000 for the training of Lao government officials, the organization of workshops, the establishment of a SEZ "resource center" and a website (ADB 2008: 4 f.). A tangible outcome of the initiative has been the promulgation of the "Decree on Special Economic Zone and Specific Economic Zone" (Decree) by the Lao prime minister in October 2010 (Lao PDR 2010), which is now the official legal document guiding the future development of SEZs in Laos. Additionally, ADB and UNIDO assisted with the creation of new government agencies,

[69] 'Workshop on Development of Special Economic Zones', opening remarks by Chong Chi Nai, ADB Country Director, Lao Plaza Hotel, Vientiane, Lao PDR, 15 October 2010, http://beta.adb.org/news/speeches/workshop-development-special-economic-zones, [accessed 24 October 2011].

which are now in charge of implementing the new SEZ policy and attracting investors. The so called "National Committee for Special and Specific Economic Zone" (NCSEZ), headed by the deputy prime minister, reports directly to the government. It is assisted by the "Secretariat to the National Committee for Special and Specific Economic Zones (SNCSEZ)".[70]

Instead of doing away with the "exceptional legal arrangement" (Diana 2009: 14) that is Boten, the new regulations in fact put this exception on a firm legal footing and build the basis for the establishment of similar zones in the future. It is envisaged that until 2020, twenty-five SEZs should be built throughout Laos.[71] As Tan (2010: 250 f.) observed, the Lao government increasingly opts for a development strategy which is based on leasing out parts of its 'abundant lands' to foreign investors (cf. chapter 4.2). While the Lao government thus decided not to stop, but to officially support the establishment of SEZs in the country, it nevertheless tried to regain some authority over these zones. For example, the new Decree stipulates that SEZs should no longer be managed solely by the developer, but by two different governing bodies: an "Administrative Committee" (AC) and an "Economic Executive Board" (EB) (Lao PDR 2010: 22 f.). The AC, whose members are appointed by the Lao deputy prime minister, represents the Lao side of the zone management, while the EB represents the side of the investor (22 f.; cf. Nyíri 2011: 11). In theory, the members of the EB should also be appointed by the Lao deputy prime minister (Lao PDR 2010: 23). In practice, however, it seems that the recruitment process is controlled by the company that develops the zone. As Nyíri (2011: 11) reports, the chairman of Golden Boten City, Huang Mingxuan, is also the head of Boten's EB, and as such has appointed several of his family members to leading management positions.

Interestingly, the members of the AC are also paid from the budget of the zone (Nyíri 2011: 11). Thus, the putting in place of this additional administrative body allows Lao authorities not only to keep an eye on activities within the zone, but at the same time opens a new channel to tap some of the zone's revenues. As Nyíri notes (personal communication), Lao officials within the AC might in fact use their position to extract additional rents from the developer. The establishment of a "public security office" within SEZs, stipulated in article 16 of the new Decree (Lao PDR 2010: 16), might fulfill a similar double function. While the Chinese "Special Zone Security" initially secured Golden Boten City by itself, Lao police forces were subsequently added to the zone and, together with the Chinese security guards, now form Boten's new public security office (Nyíri 2011: 12). On the one hand, the presence of Lao police forces clearly symbolizes Lao authority within the zone. On the other hand, installing police forces in Boten might in fact be another instance of tapping the zone's resources, similar to the case in the DRC, where police forces secure

[70] http://www.sncsez.gov.la/, [accessed 24 October 2011].
[71] http://www.sncsez.gov.la/lao/pdf/reg_and_law_of_sez_eng.pdf, [accessed 28 October 2011].

the concessions of foreign mining companies in order to top up their salaries (Hönke 2010, cf. chapter 2.3). Lastly, it has been reported that the Lao border post, which had previously been past the zone, has now been placed before the casino (Nyíri 2011: 12). Thus, Chinese visitors now have to go through Lao immigration. While this again is a clear sign of the reestablishment of Lao authority at the border, it is also reminiscent of the situation in Cameroon, where the government established a customs post at an illegal market, not in order to stop business from happening, but to be able to oversee and tap revenue streams (Roitman 2005, cf. chapter 2.3). Overall, recent actions taken by the Lao government to regain control over SEZs, particularly Boten, seem to confirm the arguments of Walker (1999) and Tan (2011), presented in the previous chapter (4.2). Both scholars point out that the Lao government has no interest in curtailing trade and investment flows, but that it will find formal and informal ways of securing a share in the profits. The creation of the AC and the public security office, as well as the moving of the border post, all fit with what Tan (2011: 290) identifies as a new mode of 'state intervention':"The state secures the control of wealth by forcing private actors to multiply their contacts and relationships with its own agents."

The future of Golden Boten City remains uncertain. While newspaper articles describe the zone as a "ghost town" (Gluckman 2011) and predict that "[s]oon all this will be jungle again" (The Economist 2011), the Lao government still pins high hopes on the project. As recent as September 2011, the newly created government committee in charge of promoting SEZs (NCSEZ) invited the chairman of Boten and several Lao officials to take part in a workshop in Luang Namtha, where the future management and administration of Golden Boten City was discussed (KPL Lao News Agency 2011). The leadership of Boten has reportedly hired a Singapore-based marketing company to assist with the remodeling of the zone and the search for new investors (Gluckman 2011). Gluckmann quotes the head of the marketing company as saying that Boten needs to be turned into more of a trading hub, as was intended in "the original plan". It remains to be seen whether this vision will finally materialize, or whether the plot will be sold to another investor. For now, gamblers who have deserted Boten, still have the chance to wallow in their vice at another Chinese-run SEZ, which is taking shape a bit further away from the Chinese border, in Laos' Bokeo province. This second, and much larger Chinese concession, will be the focus of the following subchapter.

5.2 Golden Triangle Special Economic Zone

From Golden Boten City, the newly built Route 3 leads all the way down to the Mekong river border between Laos and Thailand, where the so called Golden Triangle Special Economic Zone is taking shape. It is located in Ton Pheung district, in Laos' Bokeo province, 50 kilometers north of Route 3 (Nyíri 2011: 15). Clocks do not need to be reset, since this zone, like Boten, runs on Beijing time (Nyíri 2011: 19). At the 2009 opening ceremony, high-ranking Lao politicians were reportedly present (Tan 2010: 23). In 2007, the Lao government had granted the concession for the development of the zone to a Hong Kong-based company named KingsRomans Group (Nyíri 2011). While most sources agree that the land is leased to KingsRomans for a period of 99 years (Loxton 2011; Lübbers 2011; Fawthrop 2010), information on the size of the concession differs. While two sources talk about an area of 30 km^2 (Fawthrop 2010; Lübbers 2011), others report that the concession area is larger than 100 km^2 (Loxton 2011; Bangkok Post 2008). The official figure, which Nyíri (2011: 15) retrieved from the website of KingRomans in 2010, is 103 km^2.[72] As Nyíri explains, two-thirds of the concession area is set aside as a nature reserve and will remain undeveloped (16), which might explain the diverging figures. A concession fee of US$850,000 has allegedly been paid to the government for the first year of the lease (14). The chairman of KingsRomans, Macau resident Zhao Wei, used to run a gambling hall in Mong La, just as the chairman of Boten (Nyíri 2011: 15).

Figure 5.3: Location of the Golden Boten City and the Golden Trinagle Zone along Route 3 (Source: modified after Tan 2011: 24).

[72] In September 2011, however, the website of KingsRomans Group was out of order.

By late 2010, KingsRomans Group had reportedly invested more than US$500 million in the zone, much of which has been directed at infrastructure projects, including the construction of a road network around the project site, connecting the zone to Houay Xay, the capital of Bokeo Province, as well as the reinforcement of the Mekong riverbank (Nyíri 2011: 15; Fawthrop 2010). The planning process for the Golden Triangle Zone was in the hands of a well-known Chinese company (Nyíri 2011: 16). The outline of the zone, while not quite as fancy as the Lake Victoria Free Trade Zone, is still very ambitious. According to official plans, several hotels, a golf course, a hospital, a school, a library and a museum are to be constructed (Nyíri 2011: 16; Tan 2010: 24). KingsRomans Group further plans to expand the nearby airport in Houay Xay and intends to apply for financial assistance from the Chinese government (Nyíri 2011: 15). The upgrading of the airport is in line with the vision that the zone will at one point become a "logistics, finance, communications, and media" hub (16). However, as Nyíri reports, in early 2011, only two casinos, two hotels, a nightclub and shopping facilities had been constructed and, similar to Boten, gambling and prostitution were by far the most flourishing businesses (16).

Nevertheless, some of the diverse projects to be realized within the Golden Triangle Zone have started to materialize. For example, the zone is planned to feature "organic sightseeing farming" and ecologically sustainable meat production, to be implemented with the help of Chinese specialists (15). As Nyíri reports, around 67 ha of concession land has so far been planted with maize, wet rice, vegetables, commercial forest, fruits and flowers (15). Since the zone is benefitting from tax exemptions, agricultural produce can actually be sold below standard market prices, deteriorating the economic situation of local farmers (Tan 2011: 376).

In contrast to Golden Boten City, where all inhabitants of the former village of Boten have been relocated, seven Lao villages with 5,000 peasants remain within the perimeters of the Golden Triangle Zone (15).[73] As Nyíri learnt from the public relations officer of KingsRomans, around 1000 of these peasants are directly employed with the company (15). While these peasants will not be removed from the zone they are nevertheless affected by the changes occurring around them. For example, several farming households will be relocated to a newly built residential area, dubbed New Village, which consists of 120 identically looking "prefabricated houses from the catalogue" (Lübbers 2011, my translation). Reportedly, an event hall is soon to be built and New Village is destined to become an 'ethnic' tourist attraction (Lübbers 2011; cf. Lyttleton and Nyíri 2011).

The fact that the Golden Triangle Zone is located close to Thailand and Burma, and not in the direct vicinity of the Chinese border, makes for a slightly more international set up of staff and visitors. Similar to Boten, Nyíri (2011: 18) observed, petty traders and

[73] Several other villages, however, were relocated further away (Lyttleton and Nyíri 2011).

Figure 5.4: Hotel and casino complex in the Golden Triangle Special Economic Zone. "A huge golden crown and a golden cupola sit atop the palatial building, whose main entrance is flanked by a dozen statues of Greek and Roman deities" (Loxton 2011).
(Source: A: http://www.flickr.com/photos/johntrathome/6167295124/; B: Lübbers 2011).

prostitutes are mostly from China, while construction workers are often of Burmese origin. The casinos draw their staff from China, Thailand and Burma (18). To work within the zone, especially in higher positions, knowledge of Chinese is indispensable (18). While wages within the zone are relatively high, Nyíri observed an "ethnic hierarchy" in the wage system: Burmese construction workers earn less than Lao employees of KingsRomans, while Chinese workers get an additional payment for "working abroad" (18). Visitors come predominantly from China, but also from Thailand and Burma (Loxton 2011). KingsRomans Group reportedly provides speed boats which pick up visitors every fifteen minutes at Chiang Saen, on the Thai side of the Mekong River (Loxton 2011; Fawthrop 2010). The entry process from Thailand is described as "streamlined" (Loxton 2011). While one source (Loxton 2011) reports that visitors hand over their passport to the Lao officials when they enter the zone and will get it back unstamped when they depart, another source (Fawthrop 2010) argues that visitors get a 14-day free entry stamp into their passports. Either way, entry regulations for the zone seem to differ from the usual visa regulations. Around 10,000 people are said to reside in the zone, of which 4,000 work for KingsRomans (Nyíri 2011: 15).

Although the workforce and visitors are more international than in Boten, media reports, once again, focus on the idea that this new "Macau on the Mekong" (Fawthrop 2010) is yet another 'Chinese enclave' in Laos:

> This may be Laos, but the 4-star hotel, restaurants, shops and the currency are all Chinese. In every direction there's the buzz of ongoing construction in this 3000-hectare entertainment and trading zone. The resulting atmosphere jars

> with the country's usual lazy charm, Buddhist culture, rich ethnic diversity and the communal village traditions of the province. Indeed it feels much more like a commercial enclave of China. But it's an enclave that seems *beyond the normal jurisdiction of its weak host state*. In the words of one casino executive: 'We have our own government inside the zone' (Fawthrop 2010, my emphasis).

> Im Dörfchen Ton Pheung bauen chinesische Investoren ein riesiges Glücksspielparadies mit Kasinos, Luxushotels und Shoppingcenter und Golfplatz. [. . .] 30 Quadratkilometer groß ist das Gelände, in dem die chinesischen Kapitalisten die nächsten 99 Jahre alleine das Sagen haben werden. Laotische Polizei oder Beamte sucht man hier vergeblich. Dafür finden sich aber Glücksritter, Prostituierte und reiche Rentner aus China, Thailand und Myanmar. Und das ist nur der Anfang. *Chinas Grenze verschiebt sich unbemerkt auf das Gebiet eines eigentlich souveränen Staates* (Lübbers 2011, my emphasis).

It is not quite true that Lao authority is completely absent from the zone. As Nyíri (2011: 17) reports, the zone's "Safety Office" comprises 100 Lao policemen, and, under separate command, Chinese and Burmese security guards. Furthermore, as in Boten, the Golden Triangle Zone is governed by both, an AC an EB (17). The chairman of the AC is said to be an official of the Lao police, and the vice-chairman a member of the Lao National Assembly (17). The EB is headed by Zhao Wei, the chairman of KingsRomans (17). While Lao authority is hence not absent from the zone, it seems limited. For example, Lao police only patrol the rural parts of the concession, but not the area around the casinos, which, as Nyíri (17) suggests, points to an "informal division of jurisdiction".

The subsequent chapters will discuss the following questions: Is China expanding its sovereignty into the territory of its smaller neighbor as argued in the media? Is the striking presence of Chinese national symbols a sign that these zones enjoy backing from the Chinese state? Or might they rather be 'appropriated' by the investors to thrive on China's reputation as being an exemplary efficient developmental regime? And why are these zones still so appealing to Lao authorities, despite the fact that they have not lived up to what they promised and are currently little more than Chinese gambling enclaves? And finally, what is the impact of these and other Chinese concessions on Lao authority? Is Lao state power strengthened or weakened?

5.3 Chinese SEZs in Laos: assault on sovereignty, "synesthetic trick" or disguise for illegal activities?

As was elaborated in chapter 2.2, states are best understood and studied as "cultural artifacts" (Sharma and Gupta 2006: 28), constructed through a myriad of images and practices.

Boten, as well as the Golden Triangle Zone, excessively reproduce the “paraphernalia of the Chinese state” (Nyíri 2011: 20), including uniforms, currency and banners with slogans promoting the building of a “harmonious society” (11), a classical topos in the current Chinese development discourse (cf. Nyíri 2006). In addition to imagery, the language and behavior of Chinese officials are copied. For example, Zhao Wei, the head of the Golden Triangle Zone, talks about “rapid, healthy development”, “scientific planning” and “promoting Sino-Lao friendship” (Nyíri 2011: 21). The websites of both zones feature several photos of high-ranking Lao officials visiting the SEZs and shaking hands with the zones’ chairmen (Tan 2011: 371, 374). As Nyíri (2011: 17) observes, in these photos, Zhao Wei “appears like a head of state entertaining equals”. Thielke (2010) remarks, somewhat deridingly, that Huang Mingxuan, the chairman of Boten, likes to call himself ‘president’ and his assistant ‘foreign minister’. In July 2011, Huang Mingxuan, together with the vice-chairman of the Golden Triangle Zone, appeared in a photo taken in the Lao government’s office, depicting the two handing over relief funds worth 318 million kip and 265 million kip respectively[74] to the governor of Sayaboury Province, where major flooding had previously caused severe damage (KPL Lao News Agency 2011). The donation ceremony was witnessed by the Lao deputy prime minister. This philanthropic act might have been directed at gaining sympathy with Lao authorities and reassuring personal networks, but it could as well be interpreted as yet another imitation of ‘official’ Chinese practice, since the Chinese government itself is looking for possibilities to extend charity activities overseas in order to improve China’s image abroad (MqVU 2010b).

Together, the images and practices have the effect of reproducing the Chinese state on Lao territory. As Sharma and Gupta (2006: 17) point out, official practices and symbols are often appropriated by non-state actors as a means to gain authority. Sharma and Gupta discuss this practice as occurring within a certain state. However, in the case of the Chinese SEZs in Laos, this practice becomes effectively transnationalized. The reproduction of official Chinese discourse and material signs evokes different reactions. As presented above, journalists are quick to conclude that Laos has ceded sovereignty over parts of its territory to its bigger neighbor. This interpretation fits smoothly into the broader narrative of China’s global expansion, which, as Brautigam (2009: 277 f.) remarks, is usually thought to be “masterminded by Beijing” and to follow a “grand strategy” – namely to grab valuable land and natural resources wherever possible.

> Überall in Entwicklungsländern sind derzeit die Scouts wohlhabender Nationen auf Einkaufstour, um Ländereien zu erwerben. Vorneweg in diesem Geschäft sind die Chinesen. [. . .] Besonders dramatische Ausmaße nimmt diese moderne Form des Kolonialismus aber in Südostasien an, wo Chinas Grenzen nahezu

[74] Roughly US$38,840 and US$32,367.

> unbemerkt tief hinein in die Gebiete eigentlich souveräner Nachbarstaaten expandieren (Thielke 2010).

Nyíri (2011) suggests a different interpretation. He argues that the deployment of Chinese state symbols and official rhetoric can be understood as a "synesthetic trick": "suggesting a connection through the senses without explicitly stating that there is one" (20, 23). Evoking a relation to the Chinese state, Nyíri asserts, is intended to "borrow power" (20) from the authority of a powerful regime which is associated with successful rapid modernization and progress. Hence, this act of "mimicry" (24) is performed to gain legitimacy with Lao and Chinese officials, as well as with investors. In the case of Boten, it became clear that the relationship to the regime in Beijing is rather tenuous. As a recent *The Economist* (2011) article succinctly concludes, the fact that Boten "took on some of the trappings of the Chinese state [. . .] gave the *false impression* that it enjoyed official backing" (my emphasis).

While Nyíri takes the viewpoint of the investors and argues that they deliberately chose the framework of an approved 'Chinese' development model to gain support for their venture, Tan (2011) approaches the issue from a different angle and looks into the Lao government's motivations behind adopting SEZs as a development strategy. She argues that for the Lao leadership, SEZs offer an ideal framework to cover all sorts of illicit and outright illegal but at the same time highly profitable activities, on which the Lao government bases its struggle against poverty: "I think that by implementing SEZs, the Lao government aims to create zones which allow for the legalization and normalization of activities considered illicit, like gambling or prostitution, and capitalize on the laundering of money derived from the drug traffic pursued by the barons of the Golden Triangle, in order to boost development in its peripheral frontier territories" (361, my translation). Tan adopts Ong's (2006) understanding of SEZs as 'sites of exception', where territory, sovereignty and activities are handled in a more flexible way in order to extract wealth from frontier territories (Tan 2011: 361). However, Tan emphasizes, this does not mean that the Lao government has ceded sovereignty over these sites, since it manages to exert control through other means (361). As was presented in the previous chapters, this is done for example through the establishment of the AC and Lao police forces. Furthermore, the government holds 20 % of shares in the Golden Triangle Zone (372) and reportedly 30 % in Golden Boten City (KPL Lao News Agency 2011), which ensures a stake of the profits.[75] Apart from the profit shares and official concession fees, substantial sums of 'tea money' reportedly went to the pockets of high-ranking Lao officials, at least in the case of the Golden Triangle Zone (Nyíri 2011: 20).

[75] This is in line with article 19 of the new Decree, which stipulates that the government might enter into a joint venture with a private developer by providing "land use rights" instead of investing money into SEZs (Lao PDR 2010: 7 f.).

The dubious origin of the capital invested by KingsRomans has already sparked discussions in the media (AsiaNews.it 2011; Fawthrop 2010). As for the other illicit activities pursued in the zone, while prostitution and gambling is illegal in Laos, the building of casinos is permitted (Tan 2011: 93). This leads to the somewhat bizarre situation, Tan recounts, that one finds a sign in the entry hall of the casino in Boten, which, in both Lao and Chinese, alerts to the fact that gambling is prohibited for Lao and Chinese citizens, but the security guards do not prevent anyone from entering the casino (368). Furthermore, the Burmese workers employed with KingsRomans are not registered with the provincial labor department, and the number of Chinese workers present on site by far exceeds the officially allowed margin of 10 % foreign employment (379). As Tan maintains, the Lao government shuts its eyes to all these 'exceptional' arrangements, since, in the struggle to create wealth, the ends justify the means (361, 379).

"Imbrications" of licit and illicit practices, Tan emphasizes, are not unique to Laos, but have been, and still are, characteristic of processes of state formation throughout the world (351, 376, 380). Indeed, the various ethnographies of state practices and sovereignty discussed in chapters 2.2 and 2.3, all point to a blurring of boundaries between formal and informal, state and non-state, as well as legal and illegal (e.g. Humphrey 2004; Roitman 2005; see also Heyman 1999; Van Schendel and Abraham 2005). The relationship between Lao authorities and Chinese networks, elaborately analyzed by Tan, bears many similarities to Roitman's (2005) account of the interdependence between "military-commercial alliances" (165) and states in the Chad Basin. Revenues derived from the "economy of the bush" (158), the smuggling of electronics, black-market petrol, gold, arms and drugs, Roitman emphasizes, contribute to the viability of states and regimes in the Chad Basin by enabling the fulfillment of state functions such as extraction and redistribution (165). In a similar vein, Tan (2011: 550) asserts the following:

> In the case of Laos, the dynamic of Chinese networks fits with the logic of the state. They contribute to strengthen the viability of state power by providing national leaders with new rents to maintain networks of power and predation, to prevent the emergence of counter-elites, to manage internal conflicts – notably between the provinces and the central government, as well as within the Party – by creating new possibilities of redistribution amongst influential personalities [my translation].

One could thus assume that the framework of SEZs is simply used as a 'shell' to replicate the 'casino model of development' previously pursued in Burma. However, during a conference held in Vientiane in October 2010, which discussed the new SEZ Decree, Lao deputy Prime Minister Somsavat Lengsavad announced that in the future, SEZs would not be allowed to operate casinos (KPL Lao News Agency 2010). This can arguably be attributed to the fact that the conference was organized by the ADB and UNIDO[76], which had both disbursed substantial amounts of funding to the development of SEZs in Laos and were possibly not impressed with recent developments in Boten and the Golden Triangle Zone. However, there might still be more to it. As will be discussed in the following, Lao authorities still pin high hopes on the thrust of modernization the zones are thought to initiate.

5.4 "Trash writ large" or urban modernity? Discharging development to 'effect' the state

The Chinese discourse of modernization, Nyíri (2011: 24) emphasizes, is a very powerful one, able to "enfold[] casinos and dams along the Mekong into a vision of progress that culminates in astonishing images such as a high-speed railway system linking London to Peking in two days, proposed by China in 2010". As will be shown in the following, this astonishing faith in progress seems to be fully embraced by both the Chinese SEZ developers as well as Lao officials.

"In the original plan, casinos were just a small part of our goal", a Golden Boten City representative told a *Forbes Asia* journalist, after Boten had temporarily gone out of service due to a lack of investors and visitors (Gluckman 2011). And the website of KingsRomans announces: "We cordially invite all persons with noble ideas to join our company to create a great cause" (Tan 2011: 376, my translation). In the case of Laos, the 'great cause' might be to bring modernity to a hopelessly 'backward' country. A brochure of KingsRomans, directed at potential investors, states that the region "needs to shake off, on the one hand, the old days' shadow of drugs and, on the other hand, poverty and ignorance" (Nyíri 2011: 20). The economic development incited by the Golden Triangle Zone, it is argued, will in fact serve as a substitute for the previous reliance on income from opium (20). Convinced that his investment will thus "save many people" from drug abuse, the chairman of the zone, Zhao Wei, argues that he is not just investing money, but in fact "accumulating merit" (20). In an interview with a German TV team, Zhao Wei reportedly made similar comments: "Laos ist arm und unterentwickelt. Die brauchen unsere Investitionen, die brauchen unsere Hilfe. [...] Als Chinese sehe ich das so, daß ich nicht nur hier bin um Geld zu machen, sondern auch um etwas Gutes zu tun, um den Menschen hier zu helfen" (Lübbers 2011).

Such rhetoric can of course be understood as yet another instance of appropriating the official Chinese discourse of development and drug eradication in order to impress authorities from both China and Laos, and to mask the rather profane goal of profit making.

[76] http://www.unlao.org/Blog/post/Conference-on-the-Dissemination-of-Decree-on-Special-and-Specific-Economic-Zones-in-the-Lao-PDR.aspx, [accessed 2 January 2011].

And yet, it is not so far off to believe that the developers of both SEZs, swayed by the pervasive Chinese discourse on the possibility and necessity of progress, are convinced that they are bringing a piece of modernity to a country 'in need'. The idea that development needs to proceed along a predetermined path seems to permeate the thinking of even those who are not "unreflexive evangelist of 'Chinese-style development' " (Lyttleton and Nyíri 2011). For example, the public relations (PR) officer of KingsRomans told Nyíri (2011: 24) that "he likes to remind Chinese investors that what they bring is in fact a decrease of locals' happiness". The PR officer relates this judgment to his personal experience with the change in local 'customs' brought about by Chinese investments. He remembers arriving in Laos from the stressful life he experienced in China's big cities and Dubai; he was delighted by the welcoming behavior of Lao villagers: "they would kill a duck or a goose and roast it for the Chinese visitors out of spontaneous hospitality" (24). Now, he bemoans, villagers ask for remuneration (24). Nevertheless, he maintains that the kind of development Chinese investments bring to the region is essential for Laos' overall progress (24).

Lao authorities seem to have fully embraced the Chinese investors' enthusiasm and pin high hopes on the modernizing effects of the SEZs. As Tan (2011: 379) reports, when she was visiting Boten in 2009, she was accompanied by a researcher from the Lao National Economic Research Institute (NERI). The researcher saw Boten for the first time and instantly convened a meeting with the vice minister of the Lao Ministry of Planning and Investment (MPI). As Tan reports, the latter urged NERI to pursue more research on SEZs in order to confirm the positive economic impacts of the casinos (379). But the vision of modernity attached to the zones definitely goes beyond the immediate appeal of creating wealth through gambling. As Nyíri (2011: 20) reports, the Lao prime minister, Thongsing Thammavong, on his visit to the Golden Triangle Zone, allegedly told zone managers that he intends to "turn the special zone into a city, [and] leverage the model function of the special zone". The desire on the part of Lao authorities to transplant a piece of Chinese urban modernity to Laos already sparked public discussions in 2007, when it became known that the government had leased 1000 ha of land in and around the That Luang Marsh[77] on the outskirts of Vientiane to a consortium of Chinese companies to develop a "Suzhou-style 'model city' " (Radio Free Asia 2010).[78] Allegedly, the concession had been granted in exchange for a US$100 million loan disbursed by China for the building of a new stadium and sport complexes needed for the 2008 Southeast Asian

[77] The That Luang Marsh comprises around 20 km^2 and is an important nature reserve, which furthermore houses important national symbols such as the famous Buddhist monastery That Luang and the Lao National Assembly (McCartan 2008).

[78] Suzhou is a booming city in Jiangsu Province, China, and is the location of Suzhou Industrial Park. The company which built Suzhou Industrial Park is leading the Chinese consortium, which includes a minor Lao partner as well (McCartan 2008).

Games, which were hosted in Vientiane (McCartan 2008). As McCartan (2008) remarks, drawings of the proposed zone, which appeared in the Lao press, "made the area look like a modern Manhattan" and rumors spread that the zone would be populated with 50,000 Chinese citizens. However, in 2010, the "New City Development Project", was cancelled, reportedly because the Chinese investors refused to pay the compensation fees for the required relocation of 7,000 households (Radio Free Asia 2010). According to the head of the MPI, the Chinese consortium will nevertheless begin construction, but at a site close to the newly built stadium (Radio Free Asia 2010). The That Luang Marsh is now destined to become an eco-tourism attraction under the auspices of the UN Food and Agriculture Organization (FAO) (Radio Free Asia 2010). In fact, this seems to be another instance of a government being able to increase the flows of revenues "in all directions" (Hardin 2002: 21).

Nevertheless, the idea of creating pockets of (Chinese) urban modernity in Laos still looms large and found its way into the new Decree on SEZs. Article 2 of the Decree broadly defines SEZs as "new economic development area[s]", which, due to their "location and economic environment" have the capacity to attract foreign investment (Lao PDR 2010: 1). These areas are thus selected for special infrastructure investments and will furthermore receive special promotion privileges, such as tax exemptions (1). This reads more or less like a 'standard definition' of SEZs. However, other articles in the Decree give a more pronounced idea of what is expected from the development of SEZs. Article 33, for example, specifies the "Criteria for Transforming a SEZ into a City" (10). According to the article, a SEZ can be granted city status if it has reached a population of 80,000 or more, has developed into a "political, economic, cultural and social centre", and has developed "infrastructures, public utilities, electricity, water supply, roads, international airports, harbour, telecommunication, post, transport, public works such as: hospital, schools which are comprehensively developed including the administration and management system moving toward industrialization and modernization" (10). In fact, to reach the required population of 80,000, SEZs would need to attract substantial numbers of migrants from foreign countries. To put things into relation, Oudomxay, which, as Tan (2011: 401) points out, is the most important city in Northern Laos, counts only 30,000 inhabitants.

It is furthermore interesting to note that the Decree subsumes all people residing in SEZs under the term "citizens" (Lao PDR 2010: 3). As is stated in Article 3, paragraph 12: "Citizens refers to peoples holding Lao nationality, honorary persons, aliens, persons having no nationality, labour, experts, domestic and foreign investors who live and undertake business, production and service operations in a SEZ" (3). Article 63, entitled "Management of Citizens", stipulates that the Economic Board, together with the Administrative Committee, should hand out "various cards" to the different persons living within a SEZ (17). Thus, the 'zone government' apparently issues its own zonal identity cards according to the different 'categories' of citizens dwelling in the zone. Under the subheading "Cultural and Social Management", Article 68 calls upon the EB and the AC to establish regulations which "raise the quality" of "culture, society, education and public health systems in the SEZ" and bring them "up to the level of international standard" (18). To "protect the internal and external solidarity, ensure security and order within the SEZ" (23), the zones are allowed to establish their own "public security office" (16), as was already mentioned in the previous chapters.

It is indeed interesting to ask what the legal framework of a SEZ turned into a city would be, whether all "citizens" living in the SEZ would be allowed to stay in the country, and whether zone developers would keep the governing functions they are presently assigned. However, these questions are left unanswered in the Decree.

Overall, it can be maintained that the Decree envisions the development of SEZs into outright 'model cities'. This assumption seems to be confirmed by Article 55, which lists "bus station, town cleaning, public park [and] planting of trees along the road side" as some of the "main expenditures of the SEZ" (14). While SEZs have often been decried as sites of exceptional exploitation, in Laos, at least in theory, SEZs are designed to provide a much higher standard of living to its "citizens" than can be enjoyed anywhere else in the country. While the provision of social services and public security might be 'indirectly discharged' to multinational mining companies holding large-scale concessions in Africa (Hönke 2010), in Laos, the provision of order, development and indeed modernity, is explicitly discharged to (Chinese) concessionaires developing SEZs.

The Golden Triangle Zone already displays some features of an envisioned 'model modernity'. As was mentioned above, two-thirds of the zone are set aside as a nature reserve and will remain undeveloped. In this nature reserve, the chaotic and 'primitive' practice of swidden agriculture will be strictly forbidden (Nyíri 2011: 16). Furthermore, the new 'model village' which has been constructed for the farming households which will be relocated within the zone, embodies the "aesthetic of modernization", according to which "a modern population must live in communities with a certain physical layout, not just villages - but *proper* villages" (Scott 1998: 231, emphasis in the original). Scott's analysis of "model cities" and their appeal to high-modernist planners who created such "utopian spaces" as Brasilia and ujamaa villages (257), might offer some interesting insights for why SEZs are appealing to Lao authorities. Model cities and other "miniatures" (257), Scott points out, "have a powerful aesthetic dimension" (224). He claims that: "Just as the architectural drawing, the model, and the map are ways of dealing with a larger reality that is not easily grasped or manageable in its entirety, the miniaturization of high-modernist development offers *a visually complete example of what the future looks like*" (258, my emphasis). Indeed, while Boten and the Golden Triangle Zone might appear to be "trash writ large" (Lübbers 2011)[79] from the perspective of most Western observers, they nevertheless show a "visual conformity to a Chinese version of urban modernity that no other place in Laos matches" (Nyíri 2011: 13). While it is usually the capital city, the "symbolic center" of a state, that "receive[s] close attention as veritable theme park[] of high-modernist development" (Scott 1998: 258), in the case of Laos and Burma, the peripheral regions bordering China have been thoroughly transformed.

What, now, are the implications for Lao authority when, as Tan (2011: 279) rightly observes, the development of the entire northern frontier region is effectively outsourced to Chinese entrepreneurs? According to Ong (2006), this could be interpreted as a situation of "graduated sovereignty" (77), whereby "the thinning of state power at these border zones is compensated for by the thickening of the regulatory functions of quasi-state authorities" (90). As Ong emphasizes, this is by no means a sign of state weakness, but a "deliberative neoliberal calculation" (77). On the one hand, this is a very fruitful approach to studying developments currently unfolding in Northern Laos, since it becomes clear that the Lao government, far from succumbing to powerful market forces unleashed by processes of liberalization, in fact takes advantage of these forces by entering into a strategic partnership with Chinese business networks. On the other hand, however, the concept of "graduated sovereignty" in a way implies that there was a moment when sovereignty was not graduated, when it was 'undivided'. In fact, when Ong argues that Asian governments increasingly move from "being administrators of a *watertight national entity* to regulators of diverse spaces and populations" (78, my emphasis), this, again, implies that in the past, governments were able to more effectively 'centralize' sovereignty in their hands. It is by no means assumed that Ong understands sovereignty as an instance of "unqualified unity", a situation which simply does not exist, as Roitman (2005: 196) points out. Nevertheless, it is important to highlight that in the case under study, the concept of "graduated sovereignty" is only partially helpful, since it obscures the fact that by sharing its authority, the Lao government is in fact able to *extend* its territorial reach into territories that "it never managed to fully control" (Tan 2011: 360). Hence, instead of moving away from administering a 'watertight entity', the Lao government might for the first time ever begin to exert effective control over this entity – assisted by Chinese business networks.

To better understand these developments, it is important to go back to the insights gained in previous chapters. It is particularly crucial to highlight the historical continuity of interactions between state and non-state actors as part of an ongoing process of state formation. To recall Hibou's (2005: 74) argument, the practice of "discharge", the leasing out of state functions to private actors, is in fact a very old phenomenon. In chapter 3.1.2,

79 "Statt der Reisfelder gibt es jetzt Kitsch im Großformat" (Lübbers 2011)

a historical instance of this phenomenon has been discussed, namely the leasing out of the right to collect taxes or to sell a certain commodity. In Southeast Asia, this practice of revenue farming was based on an "alliance of convenience" (Dick 1993: 3) between Chinese economic networks and colonial, as well as indigenous governments. Indeed, the system of tax farming bears conspicuous similarities to the current system of land concessions, which is likewise based on an alliance between Chinese networks and, this time, the Lao government. Just as tax farmers in previous times, who invested in plantations and mines in far-flung areas of the emerging Southeast Asian states, Chinese entrepreneurs today likewise help the Lao government to develop territories in peripheral, mountainous areas and to produce taxable commodities. In an interview with Tan (2011: 332), the director of the Lao Ministry of Agriculture and Forests stated the following: "Before the Chinese, nobody wanted to invest in the North. Since they have started to develop the area, everybody wants to go there!" This sounds remarkably similar to what L. Hong (1984: 92) describes about the situation in nineteenth century Siam, where it was only the "Chinese tin magnates" who would travel to the most outlying regions of the kingdom in order to develop the land and to govern the area. In the case of SEZs, the similarity to the system of tax farming is even more explicit. The Chinese entrepreneurs pay the Lao government a fixed annual sum of money for the lease of the land, and are subsequently allowed to raise their own taxes within the concessions (Nyíri 2011: 11). Thus, in the nineteenth century as today, the alliance with Chinese intermediaries allows state authorities better access to land, wealth and people in peripheral regions. Then as now, these interactions between the state and non-state networks are part and parcel of a continuing process of state formation. To quote Hibou (2005: 73) at length: "The delegation of power to private agents is an age-old phenomenon. Today, it appears to be a new technique because of the adoption, over the last decade, of normative representations (the rational-legal state, the providential state, the developmental state) and the occulting (for archaic purpose?) of past forms however efficient." She asserts that, if a normative understanding of the state, an "*a priori* definition[] about what the state is (and what it is not)" can be avoided, then "we give ourselves the opportunity to consider state strategies that seem in retreat, in decline, or even in decomposition, as part of the *continuous process of state formation* [. . .]" (73, my emphasis).

Today, processes of globalization and economic integration have led to the forging of a new alliance between Chinese networks and Lao authorities. According to Tan (2011: 73), it is this new alliance which assists the Lao state in bringing about "the last enclosure", the opening up and exploitation of its northern uplands. If this is the case, then it can be argued that Chinese entrepreneurs produce a "state effect" (Trouillot 2001; Mitchell 1992). Trouillot (2001: 132) explores "state effects" produced by international organizations and NGOs working in countries of the Global South. As he argues, the statistics produced by these organizations "are more reliable than those of quite a few national governments" (132). Hence, they produce what he terms "legibility effects" (132). In Haiti, as Trouillot was told by a colleague, some people refer to NGOs as "yo fè leta", which, he explains, literally means "they make the state" (132). Chinese entrepreneurs creating large-scale rubber plantations or building 'model cities' certainly produce "legibility effects" themselves. Internationally operating companies and private entrepreneurs should thus likewise be included in the analysis of non-state actors which are able to produce "state effects".

What is more, the close alliance between Chinese networks and Lao authorities blurs the line between state and non-state forms of governance. For example, the establishment of the AC, whose members are appointed by the Lao deputy prime minister, effectively withdraws SEZs from the non-state realm, and puts them into an in-between position. Furthermore, several of the large rubber concessions in Northern Laos functions as joint-ventures between Chinese companies and the Lao military (Shi 2008: 30 f.). This blurring of boundaries between state and non-state forms of power has been analyzed, amongst others, by Elyachar (2003, cf. chapter 2.3).

Overall, it seems as if several of the attributes which Hardin (2002) identified as characteristic of concessions hold true for the Lao situation. As she points out, in previous times, concessions were used "to consolidate central government control over internal and outlying geographical areas" and "to extend [. . .] power through various mediating actors" (10). For the Lao government, concessions still seem to perform this function. Hardin furthermore maintains that concessions "reinforce[] the role of the national government" (22) vis-á-vis local state actors, since governments are privileged to grant large-scale concessions. In fact, when the Lao government realized that the concession frenzy in Northern Laos had gotten out of control and provincial governments increasingly allocated large tracts of land to Chinese investors, it temporarily suspended large-scale concessions in 2007 (Shi 2008: 32; Tan 2011: 560).

At the same time, Hardin alerts that by granting concessions, governments cede substantial parts of their authority and have limited influence "over what services will be provided, to whom and under what circumstances" (22). Indeed, while Chinese networks might assist the Lao government to extend its control over its territories and people, they also produce "new spaces of power, regulation and accumulation, because of their effective control over certain economic activities [. . .]" (Tan 2010: 3). They develop into "new figures of regulatory authority" (Roitman 2005: 165) and as such "produce codes, rules, norms and significations that structure the practices and relations of those under its dominion" (194). New forms of social exclusion begin to show. As was pointed out, few Lao are employed in the SEZs and some of those who were have resigned since they felt discriminated against by Chinese managers (Lyttleton and Nyíri 2011). Several Lao villagers and local authorities are quite outspoken about their dissatisfaction with the 'sell out' of land to

Chinese investors (Tan 2010: 16). Others, however, welcome Chinese investments and perceive it as a chance to overcome poverty (Diana 2007). Toyota (2000) pursued research among upland minorities in neighboring Thailand and found out that many parents were “keen to send their children to study Chinese” (214). As he suggests, the increased rate of Christian converts in the Northern Thai highlands might be related to the fact that Taiwanese Christian churches often provide free Chinese lessons (214). It might well be that proficiency of Chinese will in the future decide on whether or not Lao citizens will be able to benefit from Chinese investments.

Finally, in what way will the pervasive presence of Chinese entrepreneurs, petty traders and migrants in the Northern Lao borderland shape the image which Lao citizens have of their state? As Sharma and Gupta (2006: 27), discussing the work of NGOs in countries of the Global South, ask themselves: “What does the presence of these institutions do to the legitimacy that states derive from the care of their national population? And [. . .] what are the implications of the existence and work of such organizations for the relationship between state and nation on the one hand, and state and governance on the other?” It will be left to future ethnographic research to find answers to similar questions concerning the impact of Chinese engagement in Northern Laos.

6 Conclusion

This thesis explored the phenomenon of the concession, defined as the temporary transfer of rights and territories from governments to private actors for the purpose of wealth extraction and economic development (cf. Hardin 2002). While concessions and the leasing out of state functions to non-state actors are "age-old phenomen[a]" (Hibou 2005: 74), current processes of globalization, liberalization and privatization have led to the reemergence and spread of concessions throughout countries of the Global South. Concessions are often perceived as a form of neo-colonialism or as a sign of state decline. However, it was pointed out that concessions contribute important financial revenues to cash strapped regimes and can even strengthen and extend state control. This was vividly illustrated by the discussion of Chinese concessions in Northern Laos. By leasing out large tracts of land to Chinese entrepreneurs, the Lao government has effectively 'outsourced' the development of its northern frontier territory to private actors. As Tan (2011) illustrates, by delegating territories and authority to Chinese entrepreneurs, the Lao government is not only able to gain much-needed revenues but also to extend its power over peripheral territories. As in previous times, concessionaires come to take up governing functions for the state.

The 'classical' image of the state as "singular, dominant, bounded and representative" (Migdal and Schlichte 2005: 19) is not able to capture such developments. However, studying the state as a "cultural artifact" (Sharma and Gupta 2006: 28), constituted through a myriad of practices and images, allows to detect fractures in the constructed line which separates state from non-state, formal from informal and legal from illegal. As the studies of Roitman (2005), Humphrey (2004) and Tan (2011) made clear, states actors often collude with non-state actors engaged in all sorts of illegal business to extract revenues which contribute to the viability of states and regimes. State power is hence not clearly separable from non-state power, and the latter is not necessarily detrimental to the former. Rather, the sharing of power between state and private actors leads to a "multiplication of the points of the exercise of power" (Hibou 2005: 91; cf. also Sharma and Gupta 2006: 21).

Reconfigurations of power and governance around concession sites open up several interesting avenues for further anthropological research. The studies of Welker (2009), Hardin (2002) and Hönke (2010) pointed to the importance of studying relationships of patronage between local residents and concessionaires. What alliances are forged between these actors? Who will benefit, and who will be excluded? What expectations of development and modernity are expressed by local residents? Furthermore, if development projects are increasingly implemented by concessionaires, in what way do such developments influence the image which local residents have of their own states and governments? If the state is constructed through an interaction of daily practices and images, and if daily practices increasingly involve foreign private concessionaires, as in Northern Laos, this should also influence and change local images of the state.

More ethnographies are needed which trace processes of “making” (Hardin 2002: 4) concessions on the ground, particularly around recently proliferating Chinese concession sites. Given the specific ‘work ethics’ of Chinese managers, Chinese concessions are likely to produce very different development interventions from those implemented by western multinational companies. For example, as Hönke (2010) and Ferguson (2006) illustrate, multinational extractive companies have given up on the practice of ‘cultivating’ large labor forces and maintaining on-site compounds within and around their concession sites. However, Chinese companies might still opt for this practice. When Lyttleton and Nyíri (2011) talked to the manager of a large Chinese state-owned company constructing a hydroelectric plant in Cambodia in 2008, he told the anthropologists that “[o]nce the dormitory for the local workers has been constructed, it will be ‘easier to manage’ them. Then they will not be allowed to go outside, except once a week. In return, they will get meals and showers.”

Current processes of globalization and privatization are not likely to come to an end in the near future. Thus, concession sites are likely to proliferate around the world, especially in the countries of the Global South. Hence, this is an expanding field site which should increasingly be put under ethnographic scrutiny.

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Berlin, den 16. Januar 2012

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