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Introduction

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SPECIAL FOCUS

Global Powers and Local Resources in Southeast Asia: Political and Social Dynamics of Foreign Investment Ventures

Introduction

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Southeast Asia has been an attractive destination for foreign investors during recent decades, given the abundant natural resources, relatively cheap labor, and investor-friendly policies of the region. A rapid and dramatic increase in the inflow of foreign direct investment has been a noteworthy characteristic.¹⁾ A greater number of foreign companies are entering into a wide range of sectors ranging from infrastructure to manufacturing, agriculture, fisheries, forestry, mining, trade, financial services, and real estate in both urban and rural areas.

The growth of foreign investment ventures in Southeast Asia has had a great impact on local people and natural resources, directly affecting societies and environments and giving rise to numerous conflicts. Various social and environmental issues related to foreign ventures have been reported, including native land seizures, labor rights violations, rapid forest degradation, and river pollution (Dauvergne 1997; Ayoub 1999; Ballard 2002).

How can we find practical and fundamental solutions to these problems? These issues have been recognized locally and globally, yet they have remained festering for a long time. Many local and international organizations, including NGOs and cooperation agencies of mostly developed countries, have tried to find amicable solutions. Their attempts include encouraging governments of host countries to strengthen relevant leg-

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1) Despite declining when the 1997–98 Asian financial crisis hit, the total FDI inflow to the region grew from US\$28.2 billion in 1995 to US\$41.1 billion in 2005, reaching US\$76.2 billion in 2010 (ASEAN Secretariat 2007; 2012).

islations and institutions, persuading companies to ensure appropriate operations and management on-site as well as to contribute to local community development, promoting the development of new technology to reduce environmental impact, and directly supporting local communities facing problems related to foreign ventures.²⁾

In this context, the central governments of host countries and the foreign companies involved are regarded as the main culprits on-site, and therefore it is crucial to improve their functions and activities if solutions are to be found. However, the central governments and foreign investors are not the only key actors in foreign investment ventures. The fervor with which foreign capital is being pursued in Southeast Asia has resulted in not only central governments but also various local political and social actors becoming involved. They directly collaborate, negotiate, and in some cases create conflicts with foreign players, including multinational companies, international NGOs, and the governments of consuming countries. The central government and foreign investors do not always hold the upper hand and dominate the other stakeholders in the process of planning, implementing, and evaluating foreign-invested projects. Therefore, legislative efforts by central governments and corporate responsibility alone are necessary but insufficient for conclusively solving social and environmental problems related to foreign venture projects.

From this viewpoint, the authors of this special focus share the importance of understanding the complex relationships among local and global players in order to contribute toward finding solutions to problems arising from foreign ventures in Southeast Asia.³⁾ The special focus paints a clear picture of the intricate local-global relations, specifically the political and social dynamics of foreign investment ventures, in Southeast Asia. It consists of three papers (Aeria, Morishita, and Phua) providing case studies of foreign venture projects having a direct impact on local people and natural resources in Malaysia and Indonesia. The focus is on the key players among local and global stakeholders of the projects, how they correlate, and how their relationships affect local people and natural resources.

2) For efforts by international organizations, see, for example, Petkoski and Twose (2003), Offiong *et al.* (2010), and the Web sites of the United Nations Environment Programme (<http://www.unep.org>), Center for International Environmental Law (<http://www.ciel.org>), Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (<https://www.giz.de/de/html/index.html>), and Bruno Manser Fonds (<http://bmf.ch/en>).

3) This special focus is based on the international workshop held on January 17, 2013, at the Center for Southeast Asian Studies, Kyoto University. The workshop was supported by the CSEAS "Southeast Asian Studies for Sustainable Humanosphere" Research Program. At the workshop, the three authors of this special focus and other participants, Hiroyuki Seto and Jee Young Kim, liberally shared their research findings and views on local-global relations in foreign-invested ventures in Southeast Asia. I would like to thank them for their contribution.

Empirical studies of local-global relations in Southeast Asia have shown a variety of interactions among local and global players from various perspectives such as the economy, politics, international relations, security, culture, society, history, and environment (Yamashita and Eades 2003; Tsing 2005; Hutchings 2007; Chong 2008; Nevins and Peluso 2008). These studies include industrial relations in multinational companies (MNCs), “glocalization” in marketing strategies of MNCs, local cultural changes resulting from global cultural and people flow, and the impact of the Internet on social movements against the government. All these studies demonstrate that globalization is “creating neither a stable nor a homogeneous globalized economy and society” (Luke 1994, 620), unlike the concerns and criticisms of those who associate globalization with the simplistic idea of a spreading homogenous geography of neoliberalism and neo-capitalism.

While mindful of the views provided by many studies on local-global relations in Southeast Asia, the contents of this special focus provide further insights into these diverse approaches by looking at the complex relationships among local as well as global stakeholders.

First, the special focus unwinds the knotted relationships among local stakeholders by focusing on the role of local governments and local power players who have received less attention in previous studies on local-global relations in Southeast Asia. The word “local” has been used with different meanings depending on the field of study, sometimes referring to society and sometimes to state institutions and national policies. Local stakeholders range from the national government to people and communities with various class, ethnic, religious, and ideological backgrounds in urban and rural areas. Some studies have examined the complex relationships among these local stakeholders and divided them into society and the state by referring to the former as “local” and the latter as “national” to examine state-society relations in the age of globalization (Yamashita and Eades 2003). Yet, these studies refer only to the central government and national policies as the state in most cases, although it could be that local governments play a significant role in local-global relations, particularly in implementing foreign-invested projects on-site.

With non-monolithic features of the state in mind, the first two papers in this special focus (Aeria and Morishita) attach weight to the role of local governments and power players. While the central government forms national policies and rules related to investments, local governments are put in charge of various tasks including attracting foreign investors, giving permissions, securing land, and communicating with local communities living on or near project sites. In countries with decentralized systems, local governments are given more autonomy and power over the local economy, as Andrew Aeria and Akiko Morishita demonstrate in their papers on the cases of Sarawak, Malaysia, and

Kalimantan, Indonesia, respectively. In the two countries, not only national but also local power players have taken the inflow of foreign investments as an opportunity to forward government development agendas and strengthen their own political and financial power bases. Hence, conditions of local communities and ecological environments are largely influenced by the way in which local governments handle and manage their tasks related to foreign venture businesses.

Aeria examines how the Sarawak state government played a role in advocating the construction of 52 hydroelectric power (HEP) mega-dams in the region, as well as the role of foreign and local investment and their collective impact upon the environment and local communities. The state government has undertaken foreign investment ventures under the umbrella of the national New Economic Policy and works in harmony with the federal government. However, the dam project has proven to be destructive socially and environmentally since the construction of the first HEP dam in the 1980s. By disclosing the nexus of close relationships that binds key politicians in the state administration with crony businesses associated with foreign-linked contracts, Aeria indicates that the reason why the state government has eagerly promoted this project—even though it is unfriendly to the environment and society—is probably that local power players have taken the project as an opportunity not only for economic development in the region but for strengthening their own financial and political power base as well.

Morishita analyzes the competitive and skillful negotiating relationships among national and local political leaders in decentralized Indonesia, where local government leaders have been pushing for foreign-invested development projects even when the central government is not in favor of them. From her case study of inter- and intra-provincial coal railway projects in Kalimantan, she demonstrates how local power players dealt with the central government and foreign investors in their attempt to secure their own position—politically and financially—in a venture that gave them an edge over rivals in local power struggles. Morishita also examines how local government leaders operated by effectively using double-talk with national and foreign players as well as local residents to promote the projects in a way that could benefit them.

Second, this special focus untangles intricate local-global relationships with a focus on global stakeholders by examining how the relationships among global political, economic, and social forces with different ideas and principles have an impact on local political and social players, and as such directly affect local societies in Southeast Asia.

In addition to “local,” the word “global” has been used in different ways and with different meanings depending on the field of study. It sometimes refers to the phenomenon of globalization, which generally means massive inflows of goods, money, information, people, culture, and ideas, accelerated by technological and communicative innovation.

At other times, it refers to international stakeholders, including MNCs, foreign companies, foreign governments, international NGOs, and international organizations such as the International Monetary Fund, the World Bank, and the United Nations.

These foreign players have different ideas and thoughts, some of which are opposed to each other. In foreign venture projects, foreign and multinational companies are not the only key global actors. When social and environmental issues related to foreign ventures gave rise to strong local protests, some of them became globally recognized through the media, Internet, and international NGO networks, leading to widespread campaigns beyond national borders. Global protest movements had an influence on the direction of foreign ventures in some cases.

In the third paper Kai Lit Phua looks at the diversity of global stakeholders by examining how global forces with different principles interrelate and how their relationships affect local power players and local residents on-site. Phua specifically demonstrates how global political, economic, and social forces are involved in the controversial project of a foreign-owned rare earth elements (REE) extraction plant in Malaysia, which might have negative impacts on the ambient environment and the lives of people on-site. Phua discusses the role of global stakeholders at various levels, ranging from geopolitics—with China dominating and supplying most of the market—to actors promoting the REE plant—including its Australia-based owner, the Australian government authorities, and the mining lobby in Western Australia—as well as those opposing the REE plant, such as Australian environmental groups, Malaysians who migrated to Australia, and politicians from the Australian Greens political party. Phua illustrates how these global stakeholders have a relationship with local stakeholders, who are also split into pro and contra, the former including the federal and state governments and the latter including the majority of local residents, citizen groups, and opposition political parties.

With their expertise as researchers and active watchers of local politics and governance of society and environment in Malaysia and Indonesia, the three authors carefully disentwine intricate relationships among local stakeholders and among global stakeholders, as well as relationships between each local and global stakeholder. They tease out the features and strategies local players have in actual cases. The authors pinpoint the crucial and influential role of local governments and local political players in foreign investment ventures, which has been often overlooked in local-global relations in Southeast Asia. Hopefully, this special focus will provide another key step toward finding practical and fundamental solutions to social and environmental issues related to foreign investment ventures in Southeast Asia.

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