

# Resource Conflict Resolution in China

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## Abstract

Mineral resource extraction has frequently caused social tensions in China. This research examines the reactive and pre-emptive strategies used by the Chinese state to cope with resource conflicts. Based on extensive fieldwork in multiple mining areas, we find that the Chinese local state actively mediates between the mining sector and local citizens, and skilfully suppresses collective protests. More importantly, it pre-emptively intervenes in dispute-prone processes and redistributes resource wealth to create vested interests and mitigate popular grievances. We argue that the active state intervention in resource conflicts in China is driven by the party-state's tight control of local officials, which prevents local capture by resource interests, and enabled by the party-state's deep reach into society, which allows grassroots governments to negotiate between conflicting interests and mobilize resources towards conflict resolution.

**Keywords:** China; conflict resolution and prevention; mediation; mineral resources; redistribution

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Alongside China's rapid economic development and profound social transformation, Chinese society has witnessed widespread and intensifying social conflicts and collective protests aroused by issues such as exorbitant exactions on peasants, massive layoffs of workers, forceful land appropriations and environmental degradation. A less discussed but no less disturbing source of social tensions is the extraction and processing of mineral resources. Because mining industries almost inevitably generate adverse impacts such as geological hazards and pollution on surrounding areas, they tend to garner popular grievances which give rise to social unrest. As exemplified by the large-scale protests in Weng'an county 瓮安县 in Guizhou province in 2008<sup>1</sup> and in Shifang city 什邡市 in Sichuan province in 2012,<sup>2</sup> many mining areas in China have experienced resource-triggered social conflicts (hereafter referred to as resource conflicts) of various scales and levels of intensity.

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1 Liu 2009.

2 Yan, Dingfei 2014.

How does the Chinese Communist Party-state, which attaches top priority to maintaining social stability, respond to these unnerving social conflicts? Through in-depth field research in multiple mining areas in China, we find that the Chinese state devises both reactive and pre-emptive strategies to ease tensions, appease aggrieved citizens, and prevent resource conflicts from escalating into major crises that may threaten regime stability. In reaction to existing conflicts, local governments actively mediate between the citizens and the mining sector and, as a backup, skilfully use coercive power to suppress collective protests. To prevent potential conflicts, local governments in mining areas proactively intervene in dispute-prone processes such as land acquisition, and hand out economic appeasements such as employment opportunities, public goods and social welfare benefits to the citizens in order to create vested interests and mitigate popular grievances. We argue that these reactive and pre-emptive strategies ultimately are driven by the party-state's tight control over local officials, which prevents the total capture of the local state by resource interests, and are enabled by the party-state's strong capacity to reach deep into society and mobilize resources towards conflict resolution. The local state has both the incentive and the capacity for resource conflict resolution.

This research contributes to existing studies on stability maintenance and conflict resolution in China in at least three ways. First, we show that the Chinese state has a wide range of tools with which to manage social conflicts and enhance regime durability. In addition to repression and buyouts, two commonly noted strategies for stability maintenance, the Chinese state actively mediates between conflicting interests to broker agreements and, more importantly, it proactively prevents social conflicts through intervention and redistribution. Second, while existing studies have rightly pointed out that China's cadre management system provides the fundamental incentive for localities to maintain stability, we highlight the significance of the party-state's penetration of society, which provides the capacity for local governments to devise soft strategies instead of using outright coercion to resolve social conflicts. Third, although we focus on resource conflicts, the strategies used in mining areas may well be applicable to other types of social conflict resolution in China. After all, resource conflicts often intertwine with other social conflicts such as land disputes and environmental protests.

This study mainly draws from the authors' extensive field research in multiple mining areas in China between 2012 and 2015. During the field trips, we conducted semi-structured interviews with government officials, managers and employees of state-owned and private mining enterprises, researchers, and local citizens. We also obtained official documents and statistical reports that were publicly unavailable, and closely observed the operations of local governments and mining companies. Specifically, we visited nine localities in Jiangxi, Shanxi, Henan, Inner Mongolia Autonomous Region and Xinjiang Autonomous Region (see Appendix 1). These localities were not randomly sampled but were selected for three reasons. First, they all host sizable coal

mines and mining-related industries play a dominant role in their local economy. Second, they cover eastern, central and western regions of China, and arguably are representative of resource-rich Chinese regions. Last but not least, the authors could obtain reliable inside information on local governments and mining industries. Although the nine localities vary widely in size, population, level of economic development, amount of coal reserves, and ownership and scale of mining companies, we observed some common patterns in their resource conflicts and strategies for conflict resolution. This leads us to infer that the strategies used successfully in these cases are likely to be applied in other resource-rich localities in China. To cross-validate the field research, we also collected information from secondary sources, including media reports and scholarly publications. These supplementary data lend support to our understanding of the patterns and rationales of resource conflict resolution in China.

The rest of the paper is organized as follows. The next section reviews the literature on social conflicts and stability maintenance in reform-era China and highlights the need for more research on the Chinese state's conflict resolution strategies. Section three examines resource conflicts in China and argues that the negative externalities of the resource sector imposed on neighbouring communities have been the major source of social instability in mining areas. The paper then goes on to analyse the reactive and pre-emptive strategies used by the state to manage resource conflicts. This is then followed by an explanation of the incentives and capacities of local governments that provide the necessary conditions for resource conflict resolution in China. The last section concludes.

## Social Instability and Conflict Resolution in China

Collective protests have been increasing in frequency and intensity in reform-era Chinese society, signalling an accumulation of popular discontent and social tensions.<sup>3</sup> Many different groups such as workers,<sup>4</sup> rural residents<sup>5</sup> and ethnic minorities<sup>6</sup> have been found to initiate and participate in collective protests, and a multitude of triggers have been identified, such as the exorbitant fiscal exactions on peasants prior to the agricultural tax reform,<sup>7</sup> state-owned enterprise reforms,<sup>8</sup> violations of labour rights,<sup>9</sup> land disputes arising from urbanization and industrialization,<sup>10</sup> displacement owing to infrastructural development<sup>11</sup> and environmental degradation,<sup>12</sup> to name but a few.

3 Perry and Selden 2003; O'Brien 2008.

4 Lee 2007; Chen, Feng 2008; Chan 2011.

5 O'Brien and Li 2006; Yu 2010; Wen, Lang and Zheng 2011.

6 Hu, Lianhe, and Hu 2008.

7 Bernstein and Lü 2003.

8 Chen, Feng 2003; Chen, Xi 2012.

9 Lee 2007; Chan 2011.

10 Ho 2003.

11 Ying 2001.

12 Jing 2003.

One strand of research on social instability in China focuses on how the Chinese Communist Party (CCP) responds to such social volcanoes, and comes to the common understanding that since the 1989 Tiananmen movement and the collapse of the communist regimes in Eastern Europe, the CCP has made regime stability a top priority and thus exerts enormous pressure on local governments and officials, through the cadre evaluation system, to achieve this goal.<sup>13</sup> Stability maintenance is a hard evaluation criterion of cadre performance and carries veto power for political promotion (*yipiao foujue* 一票否决). Fearful of any disturbance to social order that may pose a threat to their political careers, local officials, especially at the grassroots levels, go to extraordinary lengths to resolve or suppress social conflicts within their jurisdictions.<sup>14</sup>

While the incentive structure for stability maintenance has been thoroughly discussed, there has been only limited research into the concrete strategies adopted by the state to manage social conflicts and interact with the participants of collective protests on the ground. Since reform, conflict resolution and stability maintenance in China have moved first towards and then away from legal methods.<sup>15</sup> Outside the legal framework, outright suppression has often been observed as the response to multi-sourced and deep-rooted social conflicts.<sup>16</sup> To ensure the suppression of such conflicts, the CCP enhances the state's coercive capacity and the loyalty of its coercive organs.<sup>17</sup> However, the Chinese government also makes occasional concessions, sometimes even unconditional concessions, in order to appease aggrieved citizens and contain conflicts.<sup>18</sup> An oft-used method of concession is to “resolve people's internal contradictions with *renminbi*” (*renmin neibu maodun, renminbi jieju* 人民内部矛盾, 人民币解决); in other words, it buys off aggrieved citizens and defuses protests with monetary incentives.<sup>19</sup>

The Chinese government, especially at local levels, applies a wide range of intricate strategies that fall in between suppression and concession to achieve a so-called “harmonious society.” For example, Yanhua Deng and Kevin O'Brien reveal how local governments mobilize social networks to dissuade protestors from participating in collective actions, a strategy they call relational repression.<sup>20</sup> Kai Zhou and Xiaojun Yan find that instead of always ruthlessly repressing disturbances, the police combine pre-emption, persuasion and the selective use of coercive force to manage and moderate protests.<sup>21</sup> In addition, Ching Kwan Lee and Yonghong Zhang notice how conflicts can be bureaucratically absorbed in order to buy time and delay the eruption of tension.<sup>22</sup> In recent

13 Yu 2010; Wang and Minzner 2015; Xiao 2015.

14 Zeng 2011; Li 2012.

15 Benney 2016.

16 Yu 2007; Cai 2008a.

17 Wang 2014.

18 Cai 2008a; 2008b; 2010; Zeng 2011.

19 Zeng 2011; Lee and Zhang 2013; Benney 2016.

20 Deng and O'Brien 2013.

21 Zhou, Kai, and Yan 2014.

22 Lee and Zhang 2013.

years, scholars have noticed the increasing use of mediation in conflict resolution. Reviving an old tradition, many local governments resort to “grand mediation” for conflict management, under which administrative and judicial departments, social organizations and common citizens are integrated to detect and resolve social conflicts.<sup>23</sup> For labour disputes in particular, the Chinese state prioritizes mediation through courts and/or labour arbitration agencies.<sup>24</sup>

These seminal works shed significant light on the diversity and intricacy of the Chinese state’s responses to surging popular contentions, and help explain the resilience of the regime in the face of monumental challenges. However, considering the diverse types and triggers of social conflicts in reform-era China, we are far from getting the full picture. More scholarly efforts are needed to scrutinize the state’s nuanced conflict-resolution strategies.

## Resource Conflicts in China

Comparative studies find that resource-rich developing countries have higher risks of civil conflict. Natural resources such as oil, minerals and gemstones provide both the economic incentive and funding sources for contention, often through violent means, over the control rights of the resource wealth.<sup>25</sup> At the same time, a resource-dependent economy creates victims and breeds popular discontent which can lead to civil conflicts. There are several reasons for this: price shocks in an unstable resource market can lead to income instability, the unequal distribution of resource rents can create tensions between different social groups, and extractive industries can generate serious negative externalities such as environmental hazards on neighbouring communities.<sup>26</sup> China, which hosts a large variety and quantity of mineral resources such as coal, metals and non-metal minerals, is not immune to these problems. Based on our field research and media reports, we have observed widespread conflicts in resource-rich Chinese regions.

First of all, extractive industries generate various environmental hazards including, but not limited to, pollution, water shortages and land subsidence. For instance, the coal industry is responsible for the serious air pollution in many regions of China. Citizens working in or living close to the mines often suffer from different forms and degrees of health problems, with pneumoconiosis as the most common disease. Meanwhile, owing to the extraction of large volumes of minerals from under the ground, mining areas are often affected by land subsidence, which can damage property and even lead to fatalities.<sup>27</sup> The environmental hazards exact a heavy toll on the health and livelihoods of local residents in surrounding areas. However, owing to the technical difficulties in

23 Hu, Jieren 2011; Chen, Feng, and Kang 2016; Yan, Xiaojun 2016.

24 Chen, Feng, and Xu 2012; Zhuang and Chen 2015.

25 Englebert and Ron 2004; Collier and Hoeffler 1998; Collier 2003.

26 Klare 2001; Switzer 2001.

27 Interviews in Henan, November 2015; Jiangxi, June 2014; Inner Mongolia, August 2012.

determining who is liable for any damage and reluctance on the part of the mining enterprises to provide compensation, victims rarely receive proper and timely redress.<sup>28</sup> As a result, aggrieved citizens often resort to staging collective protests and some may take more radical, violent means to vent their anger, such as attacking government bodies and the mining companies concerned.<sup>29</sup>

Second, in association with the environmental hazards, there are frequent economic disputes in mining areas between the mining sector and local residents. These can escalate into violent clashes and pose a tangible threat to social stability. The most common type of dispute is over land in mined-out areas.<sup>30</sup> There are often disagreements between local citizens and the mining companies regarding the appropriation of land and proper compensation.<sup>31</sup> However, lacking an effective and trustworthy judicial system, mining companies and affected local citizens rarely settle their disputes through legal procedures, and instead often resort to private negotiations or extra-legal means. When no agreement can be reached, forced relocations and violent clashes may ensue and escalate into large-scale riots. According to some estimates, land and resource-related social conflicts have accounted for more than 65 per cent of all the eruptive collective movements in rural China in recent years.<sup>32</sup> In addition, owing to the constant traffic of heavily loaded trucks transporting mineral products, the roads in mining areas throughout China are usually in a very poor state. Broken roads pose a great inconvenience to local residents and are the cause of frequent traffic accidents; however, the mining and transportation companies rarely provide any compensation for the damage. One township official worried that such grievances, if not addressed in a timely and proper fashion, could erupt into major protests and crises for the government.<sup>33</sup>

Third, labour disputes are a common occurrence within the mining industries. Vulnerable to market shocks, mining firms usually cut back production and lay off workers or delay payments in response to economic downturns. With no adequate social welfare safety net to fall back on, affected workers are quick to respond to hasty dismissals or payment arrears with protests. For instance, thousands of workers in a state-owned coal company in Heilongjiang province took to the streets in March 2016 to protest against wage arrears.<sup>34</sup> We observed similar instances during our fieldwork. For example, when one coal company in Jiangxi province suddenly declared bankruptcy and closed its mines because of

28 Interviews in Jiangxi, June 2014; Henan, November 2015. Also see Yang 2013; Zhou, Rui, and Xiao 2014.

29 Interviews in Shanxi, May 2012; Jiangxi, June 2014. Also see Yang 2013.

30 Interviews in Inner Mongolia, August 2012; Henan, November 2015.

31 Interviews in Inner Mongolia, August 2012; Shanxi, May 2012. Also see Wei 2008; Yang 2013.

32 Hu, Jingguo, and Tan 2011.

33 Interview in Jiangxi, June 2014.

34 “Shuqian kuanggong kangyi Heilongjiang zhengfu xian founren hou chengren qianxin” (Thousands of miners in protest, Heilongjiang government acknowledges wage arrears after initial denial), *South China Morning Post*, 13 March 2016, <http://www.nanzao.com/tc/national/1536deaea06ac35/shu-qian-kuang-gong-kang-yi-hei-long-jiang-zheng-fu-xian-fou-ren-hou-cheng-ren-qian-xin>. Accessed 6 May 2016.

the sharp drop in the price of coal in 2013, the workers angrily protested to the local government and threatened to use more radical measures to exact compensation.<sup>35</sup> Besides unemployment and wage arrears, workplace injuries and deaths, which are far from rare in extractive industries, especially in medium and small-scale mines with substandard safety conditions, are a routine cause of clashes between mining companies and employees and their families. When there are no clear standards for compensation or when the compensation is too paltry or delayed, these conflicts often escalate into collective protests.<sup>36</sup>

Overall, resource extraction directly contributes to social conflict in China by imposing negative externalities on the neighbouring communities. The conflicts between the mining sector and local residents form a widespread source of popular contention that targets not only the resource sector but also the state. Thus, these conflicts are perceived as a direct threat to social stability. Moreover, as resource conflicts are “disorganized contentions” (using Feng Chen and Yi Kang’s terminology)<sup>37</sup> that pop up in scattered and diverse ways but with the same targets (mining industries) and similar demands (mostly remedial measures and compensation), local officials have to run around like firefighters and painstakingly prevent them from escalating into major crises.

## Reactive Strategies

How does the Chinese government, which sees social stability as a top priority, handle resource conflicts? Our research finds that resource-rich local governments across China have devised a full range of strategies. While detailed practices vary widely, the strategies largely fall into two categories: reactive and pre-emptive. Reactive strategies are piecemeal treatments for individual existing conflicts, while pre-emptive strategies target the potential sources of conflicts. The next sections examine both categories.

### *Mediation*

Mediation is commonly used to resolve resource conflicts. Many citizens see the judicial system as ineffective and untrustworthy, so they are discouraged from going through the courts when seeking justice and a resolution to their disputes with the mining companies. Instead, they choose to complain to local governments directly, and lobby leading cadres to put forward their requests.<sup>38</sup> As studies have pointed out, the Chinese government encourages the use of mediation as a more efficient and less confrontational method of conflict resolution.<sup>39</sup> Under such circumstances, local governments in resource-rich regions are directly

35 Interview and official documents obtained from Jiangxi, June 2014.

36 Interviews in Jiangxi, June 2014, and Henan, November 2015.

37 Chen, Feng, and Kang 2016.

38 Interviews in Jiangxi, June 2014; Henan, November 2015.

39 Hu, Jieren 2011; Chen, Feng, and Xu 2012; Zhuang and Chen 2015.

involved in the arbitration, mediation and resolution of resource conflicts and try to broker agreements between the mining firms and local citizens.

We observed various cases of local government-led mediation in collective protests over land issues, environmental damage and other problems caused by mining. When they perceive a threat to social stability from an escalating resource conflict, local governments usually step in to mediate between the aggrieved citizens and the mining companies and negotiate remedial measures, which often boil down to securing compensation in economic terms. As briefly mentioned above, one coal company in X county in Jiangxi province suddenly declared bankruptcy and closed down its mining operations because of the plummeting price of coal in 2013. All of its 357 workers lost not only their jobs but also their medical benefits and retirement pensions. Dozens of workers protested angrily to the county government and threatened to escalate the protest further with more radical actions. The local government quickly stepped in to mediate and eventually pressured the coal company into paying five million yuan to the workers in order to settle the dispute.<sup>40</sup> In another incident, more than a hundred villagers in F city in Jiangxi province complained to the city government about land subsidence and accused one coal-mining company of being responsible for the damage to their properties. The coal-mining company refused to accept any responsibility for the damage and instead placed the blame on a cement company. Alarmed by the collective action, the city government demanded that both firms should hire their own investigation teams to assess the cause of the damage. However, regardless of the two assessment reports, F city government declared that both firms should pay compensation and that the amount should be split equally between them, which eventually defused the protest.<sup>41</sup> Such state mediation is commonly seen in other mining areas as well. Local governments often broker agreements between aggrieved local citizens and mining companies that use financial compensation in settlement, with the payments normally falling somewhere between the amount requested by the protestors and that willingly offered by the companies.

Such mediation could not succeed without the formal and informal bargaining power that local governments and officials command over both the mining sector and the citizens. First of all, the administrative and coercive power of local governments places them in an advantageous position as the mediator. Mining companies are typically regulated by multiple administrative departments such as the taxation bureau, industry and commerce bureau, and the departments of safety supervision, land and resources, and environmental protection, any of which has the formal authority to intervene in a company's operations.<sup>42</sup> When mediating in a resource conflict, local governments normally first subject the mining company to "thought work" (*sixiang gongzuo* 思想工作) through the relevant

40 Interview and official documents obtained from Jiangxi, June 2014.

41 Interviews in Jiangxi, March 2012.

42 Interviews in Inner Mongolia, August 2012; Xinjiang, October 2014.



administrative departments. For example, land disputes are handled by the land and resources department; environmental protests are handled by the environmental protection department; and coal bureaus handle a wide range of issues specifically related to coal mining. If thought work fails, local governments can threaten to cut off the uncooperative company's water and electricity supplies.<sup>43</sup> In such cases, mining companies (except for those large central or provincial state-owned companies with a higher political ranking) usually succumb to the requests of the local government.

Successful local government mediation also relies heavily on the personal connections of grassroots officials with both parties in resource conflicts. Owing to extensive government regulation in the resource sector, mining companies have to deal with local officials on a regular basis and know them personally through all kinds of official and casual meetings. Equally, grassroots officials, especially at the township and village levels, are inevitably embedded in extensive interpersonal networks within local communities. The personal connections between officials, mining companies and common citizens provide a useful tool for communication and persuasion in conflict resolution.<sup>44</sup> In the words of one township official in the office of letters and petitions, "people all know each other. We can sit down and talk things through."<sup>45</sup>

### *Repression*

Nevertheless, government mediation cannot always provide a successful and peaceful settlement. When the gap between the conflicting interests is too wide to bridge, or when aggrieved citizens take highly disruptive measures to advance their requests, local governments also resort to coercive power, albeit often deployed in tactful and less confrontational ways, to suppress protests. A good example case is from 2004, when large-scale mining caused land to collapse in X county in Jiangxi province. The collapse caused several fatalities and affected more than 1,800 people in three villages. The angry villagers first took their protests to the prefecture and provincial governments, demanding compensation and the closure of the coal mine they believed to be at fault. Receiving no satisfactory response, more than three hundred villagers launched an assault on the coal mine, almost causing the deaths of the hundreds of mine workers operating underground. Extremely alarmed county and township officials rushed to the site and devised a two-pronged strategy. One strand of the strategy involved sending leading cadres to the affected villages to conduct extensive "thought work" and placate the villagers with a promise of three million yuan in compensation. Later, the township government, on behalf of the villagers, sued five mining

43 Interview in Henan, November 2015.

44 Authors' observations and interviews in Jiangxi, June 2014; Shanxi, October 2013 and May 2012; Inner Mongolia, August 2012; Xinjiang, October 2014.

45 Interview in Henan, November 2015.

companies and unsurprisingly won the case and received the compensation. Meanwhile, under the guise of providing the villagers with “legal education” (*fazhi jiaoyu* 法制教育), 260 policemen and officials from the political and legal departments were stationed in the villages to stop rising tensions from turning into violent clashes. Another 200 officials from the county government were organized into a reserve force to prevent any further disruptive collective actions. More importantly, the local authorities identified a few leading activists among the protesters and arrested them on unrelated charges such as tax evasion. Receiving the compensation and scared by the arrests of their leaders, the other villagers mostly gave up their protest and the incident was settled peacefully.<sup>46</sup>

Indeed, the suppression of protests can be a powerful supplement and backup to mediation for Chinese local governments in their efforts to resolve resource conflicts. Instead of indiscriminately punishing all the participants in mass protests, local governments usually tactically arrest some leading activists on charges related or unrelated to the protests.<sup>47</sup> Some commonly used charges include disrupting public security (*raoluan shehui zhi'an* 扰乱社会治安) and disrupting the order of government organs or enterprises (*raoluan jiguan qiye danwei zhixu* 扰乱机关企业单位秩序). Oftentimes, local governments try to discredit protest leaders and undermine their authority by digging the dirt on them and exposing any unrelated illicit behaviour. The arrest of the leaders is usually effective at deterring others from taking part in collective actions. As one local official put it, “the citizens are afraid of arrests. Put some in jail, and the rest will become good citizens.”<sup>48</sup>

### Pre-emptive Strategies

Besides handling existing resource conflicts on an individual basis, local governments also employ pre-emptive strategies to eliminate the triggers for resource conflicts procedurally. Moreover, local governments in mining areas have taken steps that permit local residents to share in the resource wealth and prevent mining companies from forming enclaves that extract resources without paying anything back to local communities. Resource-based economic opportunities and the redistribution of resource wealth have helped to create vested interests and minimize tensions between the mining sector and local citizens.

#### *Intervention in dispute-prone processes*

Land disputes are a major source of resource conflicts. Mining companies, driven by economic interests, often pay lower than the market rate for expropriated

46 According to interviews in June 2014 and X County gazetteer.

47 Liu 2009; Zhou, Rui, and Xiao 2014.

48 Interview in Shanxi, May 2012.

land.<sup>49</sup> At the same time, land-losing rural residents, who not only lose their homes but also their essential means of earning a living, have a strong incentive to maximize any compensation. As the residents are not in a position to determine the amount or the price of the land to be expropriated, all they can do is try to increase the value of the property attached to the land. Thus, some residents choose to hastily build up houses and plant trees or crops in the short period of time leading up to the expropriation, because habituated and cultivated land is compensated at higher rates.<sup>50</sup> Therefore, the negotiations between the mining companies and local residents can be very tricky and prone to disagreement.

We found that when dealing with the thorny issues of land acquisition and compensation, local governments in mining areas proactively intervene and serve as a buffer zone between the mining sector and the citizens. Instead of letting mining companies negotiate directly with local residents, it is common for the local government to lead the negotiations while the companies pay the bills (*zhengfu qiantou, qiye chuqian* 政府牵头, 企业出钱).<sup>51</sup> For instance, the land acquisition process in Y county in Inner Mongolia was institutionalized by publicizing detailed, standardized compensation rates for different types of farmland, grassland, crops, plantations, residential buildings, pens, graves, and other properties attached to expropriated land.<sup>52</sup> With these pre-set standards, township officials, with the assistance of village cadres, would work together with the villagers to determine the amounts of compensation due. There were often disputes among the villagers about the ownership of certain properties, so the township officials responsible for the village (*baocun ganbu* 包村干部) had to play the roles of arbitrator and mediator to ensure peaceful settlement of these disputes. Only after most of the disputes were resolved and publicized in the village would the mining companies sign contracts with the villagers. And only after the companies settled the payments under the supervision of the township government were they allowed to start operations.<sup>53</sup>

Although tedious and time consuming, such government intervention can effectively forestall most land disputes between local citizens and mining companies and supposedly protect local citizens' interests. First, although the local government takes the lead in the negotiation process, the various operation and compensation costs are actually borne by the mining companies. Since the local government has little incentive to under-compensate local citizens and stir up trouble, the risks of land conflicts arising are reduced. Second, having standardized official compensation rates eliminates unequal or unfair compensation payments resulting from individual negotiations between mining companies and

49 Wei 2008; Yang 2013.

50 Interviews in Inner Mongolia, August 2012; Shanxi, May 2012; Henan, November 2015.

51 Authors' interviews in Inner Mongolia, August 2012; Xinjiang, October 2014; Henan, November 2015.

52 According to the official documents on land expropriation and relocation compensation measures issued by Y County, Inner Mongolia, 2009, 2011 and 2012.

53 Interviews in Inner Mongolia, August 2012.

local residents. Third, when the local government adopts relatively rigorous and transparent methods to determine compensation rates and amounts, it puts a stop to fraudulent schemes such as hastily erecting buildings or planting trees or crops in order to extort more compensation. Essentially, the local government acts as a buffer zone between the mining companies and local citizens and by doing so neutralizes their conflicting interests. Because of its considerable formal and informal bargaining power, the local government can normally broker agreements between the two parties, or at least this was the case in the mining areas that we visited.

### *Resource-based economic opportunities*

In addition to intervention, local governments in mining areas try to create economic opportunities based on the resource sector, so that local citizens can also have a share in the resource wealth. Local authorities commonly require or encourage mining companies to hire local citizens. Although mines themselves have limited and unattractive jobs on offer owing to increasing mechanization and harsh working conditions, there are abundant employment opportunities in the derivative businesses such as catering, property management, environmental recovery and transportation services that serve the mining sector.<sup>54</sup>

However, there are many hurdles for rural residents to overcome as they transition from the agricultural sector to the service industry. First, they lack the necessary skills and start-up funds for providing the services needed. Second, small rural businesses have rather weak bargaining power against the mining industry they intend to serve, and third, they also face fierce competition from each other and also from outsiders. Realizing these problems, some grassroots governments take on trade union-type roles in order to organize local citizens, protect their interests by collectively bargaining with the mining companies and fend off outside competition.<sup>55</sup>

In one innovative move in Y county in Inner Mongolia, the village branches of the CCP set up village-based companies which employ the villagers and provide various services such as transportation, environmental recovery and catering to the mining companies operating in the area. As the village companies are legal entities, the villagers, usually under the leadership of the village cadres, can collectively negotiate with the mining companies for better prices and terms of service, and get paid in a timely fashion for their services. Because the mining companies need to expropriate land from the villages, they have to comply with the village companies' requests. Meanwhile, the village companies discourage competing transportation service providers from outside the villages by imposing so-called management fees on them. Furthermore, the village cadres

54 Interviews in Inner Mongolia, August 2012; Jiangxi, June 2014; Xinjiang, October 2014; Henan, November 2015. Also see Zhou, Rui, and Xiao 2014.

55 Interviews in Inner Mongolia, August 2012; Shanxi, October 2013; Henan, November 2015.

mobilize their political connections to secure support from higher-level governments in the form of tax breaks and favourable land policies which help to foster the growth of the village companies.<sup>56</sup>

### *Redistribution of resource wealth*

Besides creating resource-based economic opportunities, the local governments in mining areas also design various mechanisms to redistribute the resource wealth among the local citizens. Commonly, mining enterprises are required to provide various public goods for local communities. State-owned mining companies, especially those established during the Maoist era, shoulder many social responsibilities not only for their employees but also for the citizens in the neighbouring areas. All the state-owned mining companies we observed provide certain public goods such as water and electricity for local residents as well as financing public infrastructure projects. Some companies run their own elementary and secondary schools and hospitals, and some have their own police force to maintain public security in the neighbourhood. Prior to the abolition of agricultural taxes in 2006, some companies even paid the agricultural taxes of neighbouring villages.<sup>57</sup> These state-owned mining companies are closely intertwined with local communities and become a necessary part of local residents' daily life.

Private mining companies are also called upon to provide various public goods such as paved roads, public facilities and funding for schools. Based on the claim that mining companies profit from state-owned resources, both local governments and citizens expect the companies to give back to the local communities. However, unlike the regularized public services that state-owned companies are expected to provide, private companies are subject to contingent fundraising requests from local governments. For example, when Q county government in Shanxi province wanted to organize a basketball match, it solicited sponsorship from a private coal company.<sup>58</sup> At the same time, local citizens also seek miscellaneous benefits from the mining companies. For example, coal-mining companies are normally expected to provide coal to the surrounding villages at cheaper prices and to distribute free food, coal or other gifts to the villagers during festive times. To appease local residents and avoid conflict, local governments normally acquiesce in or even encourage such requests. Whether out of a strong sense of social responsibility or a utilitarian calculation to gain positive publicity and improve their public relations with the local government and citizens, private mining companies usually willingly or grudgingly accommodate these requests.<sup>59</sup>

56 Interviews in Inner Mongolia, August 2012.

57 Interviews in Shanxi, October 2013; Jiangxi, March 2012; Xinjiang, October 2014; Henan, November 2015.

58 Interview in Shanxi, October 2013.

59 Interviews in Shanxi, May 2012 and October 2013; Jiangxi, March 2012, June 2014 and May 2015; Xinjiang, October 2014; Henan, November 2015.

Although the public goods and services generate extra costs for the mining companies, they partly compensate for the negative externalities imposed on local residents. Moreover, they create vested interests among local residents who, despite their many disputes with the mining sector, in general still appreciate the existence and prosperity of the mining companies owing to the economic benefits they bring to the local communities. This mentality makes it much easier to resolve or prevent resource-related conflicts between the citizens and the mining sector.

Further to the provision of public goods by the mining enterprises, local governments may also redistribute resource wealth to citizens through the fiscal system. Governments of resource-rich regions collect from mining companies not only taxes but all kinds of non-tax exactions such as environmental management fees, resource compensation fees and land compensation fees.<sup>60</sup> With the abundant fiscal revenue generated from the resource sector, some resource-rich regions have significantly increased their coverage and standards of social welfare benefits such as low-income allowance, retirement pension and medical insurance, so as to offset the detrimental effects of the mining sector on local residents. For example, as a rare initiative among Chinese localities, Shenmu county in Shaanxi province, which became rich off the back of its coal resources, offered free medical insurance to all local residents and extended the period of free compulsory education from nine years to 12 years.<sup>61</sup> Similarly, Y county in Inner Mongolia devised very generous unemployment compensation and retirement pension schemes for those rural residents who had lost their land to the mining sector. In addition, it significantly improved the medical insurance coverage for all its rural residents. Furthermore, the county government shoulders the medical insurance expenses for all low-income citizens, citizens with disabilities, ethnic minorities and students. Moreover, the county covered the tuition fees for all schools in its jurisdiction, from kindergartens to senior high schools.<sup>62</sup>

Other mining areas in China may not be able to match the generous packages in these cases, but they nevertheless distribute various social welfare benefits to local citizens, mainly through low-income allowances, medical insurance contributions and retirement pensions. For example, when mining-related environmental degradation such as pollution or water shortages decrease the productivity of farmland, the local governments may offer the affected farmers low-income allowances to offset their losses. In some areas, medical insurance or low-income allowances are allocated to citizens suffering from health problems or incapacitation owing to environmental hazards caused by local mining operations. And, one-off subsidies are also handed out to residents in extreme financial difficulties.<sup>63</sup> These social welfare benefits, which are partly financed by the mining

60 Interviews in Inner Mongolia, August 2012; Shanxi, October 2013; Henan, November 2015.

61 Zhu 2009.

62 Interviews and official documents obtained in Inner Mongolia, August 2012.

63 Interviews in Jiangxi, June 2014; Henan, November 2015.

sector's tax and non-tax contributions, provide a safety net for local residents and to a certain extent help to mitigate popular grievances against the mining sector, thus keeping social unrest at bay.

## Explaining Resource Conflict Resolution in China

Why is it that local governments in resource-rich regions in China are willing and able to devise these reactive and pre-emptive strategies to resolve resource conflicts instead of simply colluding with the resource sector at the expense of local citizens? We argue that the local governments have both the incentive and the capacity for successful resource conflict resolution. The Chinese party-state's tight control over its local officials prevents the capture of the local state by resource interests and creates the fundamental incentive for local officials to respond to citizens' requests to a certain degree. Moreover, the party-state's deep reach into society enables grassroots governments to both negotiate between conflicting interests and mobilize resources for conflict resolution.

### *Incentive for conflict resolution*

Resource conflicts create a difficult dilemma for local governments, placing them in an awkward position between the resource sector and local citizens suffering from its negative externalities. Indeed, local governments and officials in resource-dependent regions have strong reasons to align with resource interests not only because of their importance to local economic and fiscal incomes but also because of the abundant opportunities for local officials to seek rents in mining-related businesses.<sup>64</sup> As a local official who deals with resource conflicts on a daily basis put it, "we [the government] serve the [mining] companies and help them solve the problems that they cannot solve." Following this, he remembered to add, "we also serve the people."<sup>65</sup> Thus, local governments tend to be biased towards mining industries when resolving the latter's conflicts with citizens, and are reluctant to enforce harsh punitive measures against mining companies in case they kill the engine of growth and source of income.

However, despite a tendency towards local capture by resource interests, local officials cannot completely ignore citizens' complaints, because they face immense pressure from above regarding the maintenance of social stability. As earlier studies have rightly pointed out, China's cadre evaluation system plays a key role in motivating local governments to do their utmost to maintain stability.<sup>66</sup> The cadre evaluation system explicitly lists the absence of any major social unrest as a key criterion and necessary condition for the promotion of Chinese

64 Zhan 2017.

65 Interview in Henan, November 2015.

66 Yu 2010; He and Liu 2010; Li 2012; Xiao 2015.

officials at all levels of the political hierarchy. Fearful of any disturbance to social order that may threaten their political careers, local officials go to extraordinary lengths to resolve or suffocate any social conflicts that occur within their jurisdictions. The tight control over personnel exerted by the Chinese party-state ensures that local officials cannot be entirely aligned with resource interests because they have to respond to the complaints and requests of local citizens to a certain extent. For example, environmental complaints have been a major source of resource conflicts in China. When local governments perceive the complaints to be serious enough so as to pose a threat to social stability, they will act on behalf of the aggrieved citizens and force the mining companies to take some remedial action, such as installing a dust gauze or water purifier to reduce air or water pollution, to eliminate the immediate causes of the problem. If conditions allow, local governments may also relocate the affected citizens to other areas if the environmental problems are too serious to solve.<sup>67</sup> To put it briefly, local governments must strike a delicate balance between cultivating a favourable environment for the extractive industries and placating the victims of their negative externalities.

It is worth noting that when the Chinese central government adjusts its cadre evaluation standards and places more emphasis on certain criteria, local officials have to adjust their strategies accordingly. In earlier years, when economic growth was the single most important criterion for political promotion, local cadres paid little heed to public complaints about problems springing from the resource sector such as environmental degradation. However, as the central government has gradually strengthened environmental regulation in response to increasing problems and protests across China, local governments in mining areas have had to enforce environmental standards more stringently. Similarly, injuries or deaths caused by mining accidents were awarded very paltry compensation, which frequently stirred conflicts between victims and their families and the mining companies. However, as the central government has stepped up labour rights protection and punished local officials more severely for safety accidents in the 2010s, local governments in mining areas have accordingly had to raise local compensation standards and put more pressure on mining companies to meet safety standards. Although cases of under-compensation are still commonly seen, victims of mining accidents now receive much more generous compensation than before. Furthermore, safety standards have been notably raised in the mines.<sup>68</sup> Therefore, the party-state's cadre management system significantly shapes the behaviour of local governments.

### *Capacity for conflict resolution*

We argue that the conflict resolution strategies employed by local governments in China, which require extensive and often personalized contacts and negotiations

67 Interviews in Inner Mongolia, August 2012; Jiangxi, June 2014.

68 Ibid.; interview in Henan, November 2015.



between the mining firms and local citizens, rely heavily on the party-state's deep reach into society. Unlike the rentier states in other resource-rich countries, which comparative studies find typically lack socially intrusive and elaborate bureaucracies,<sup>69</sup> local governments in China, including those in mining areas, maintain a fair degree of control over the economy and society. The extensive and close contacts grassroots officials maintain with both the extractive industries and local citizens equip local governments with a valuable toolkit they can use to broker agreements between conflicting parties and settle disputes.

Although China has gradually moved away from totalitarian rule since the end of the Maoist era, the party-state continues to exert its control over the economy and society through its grassroots organs. In what is generally referred to as local state corporatism, the local state and the business sector maintain close contacts and exchange favours.<sup>70</sup> Local governments and their administrative departments deal with enterprises on a daily basis for regulation, taxation and policy implementation purposes, etc. Local governments can hand out favourable policy treatments as well as inside information that may generate business opportunities for mining companies in exchange for the latter's cooperation on various issues. When mediating in resource conflicts, local governments often resort to informal negotiations with the mining companies. Bearing in mind any potential future benefits such as policy favours, and fearful of any retaliation such as the imposition of unusually stringent environmental regulations, mining companies tend to comply with local government requests. Meanwhile, owing to the extensive contact between state and business, local officials are able to build up ties with the owners and managers of mining companies on a personal level. Personal favours and "face giving" (*gei mianzi* 给面子) can also prove to be useful tools in informal negotiations – which are often conducted across dining tables and after glasses of wine. Only when such informal negotiations fail do local governments resort to coercive means, such as cutting water and electricity supplies, to pressure the companies into submission.

Besides this bargaining power, the party-state maintains a strong capacity to mobilize resources from within the mining sector. The government collects a large variety of taxes and non-tax levies from the resource sector. With resource-generated fiscal revenues, local governments can afford to hand out the aforementioned social welfare benefits through the fiscal system. More directly, the non-tax levies provide important funding sources for local governments to settle resource conflicts with compensation.<sup>71</sup> Moreover, the personalized state–business relations allow local governments to solicit financial support from the mining companies for public services, infrastructure projects and welfare benefits for local citizens on an ad hoc basis. To give face to local leaders and cultivate a favourable environment for their operations, mining companies would normally

69 Fearon and Laitin 2003; Lujala 2010.

70 Oi 1992.

71 Interviews in Shanxi, May 2012; Inner Mongolia, August 2012; Henan, November 2015.

accommodate these requests. Some mining entrepreneurs even actively participate in charity work in order to build a reputation as a philanthropist, which not only generates good publicity for business purposes but also helps them to gain the support of local leaders when they wish to gain a seat on the local people's congress, people's political consultative conference or any other such political position.<sup>72</sup> Basically, there are many channels through which local governments can mobilize resources from mining companies and redistribute them to local citizens for the purposes of conflict resolution.

At the same time, partly as a legacy of the Party's mass line (*qunzhong luxian* 群众路线), the party-state still strives to maintain close and frequent contact with local citizens. In many Chinese localities, county and township-level officials are required to visit the villages under their jurisdiction frequently and station themselves in rural households, during which time they are expected to socialize with the villagers and answer their needs. This interaction allows grassroots officials to forge personal connections with villagers and gain their trust. In Chinese society, social networking still plays an important role and personal favours are highly valued; such personal ties and trust therefore are essential tools for communication and persuasion, especially in rural communities. Moreover, village cadres, although not formally part of the *nomenklatura* system, are instrumental in extending the state's reach into rural communities. When township or higher-level officials are unable to come to an agreement with protestors, they often summon village Party secretaries and delegate the difficult tasks to them. The village cadres will then recruit their personal connections within the villages and impose social sanctions in order to pressure the uncooperative villagers into compliance.<sup>73</sup>

Therefore, the cadre management system fundamentally shapes the incentive structure of local governments and officials in resource-rich regions, while the party-state's extensive reach at the grassroots level gives it the capacity to resolve resource conflicts and prevent popular grievances from escalating into a major threat to regime stability.

## Conclusion

Resource conflicts are widespread across China and arise mostly because of the unaccounted and uncompensated negative externalities associated with the resource sector. Under China's weak rule of law, aggrieved citizens often fail to reach agreement with mining companies regarding levels of compensation either through private negotiation or judicial procedures, and consequently tensions can quickly escalate into organized protest and unrest. We find that the Chinese state has devised a range of coping strategies. In reaction to existing

72 Authors' observations and interviews in Jiangxi, June 2014; Shanxi, October 2013; Inner Mongolia, August 2012; Xinjiang, October 2014; Henan, November 2015.

73 Interview in Henan, October 2015.

conflicts, local governments in mining areas actively mediate between the conflicting interests to broker agreements on compensation, and as a backup, they also skilfully suppress collective protests. More importantly, they proactively intervene in dispute-prone processes, create resource-based economic opportunities, and redistribute resource wealth to mitigate popular grievances against the resource sector. Compared to compensation and suppression, which use pay-outs and coercion to make protestors accept the reality, the pre-emptive strategies change citizens' preferences and mindsets and improve relations between the mining sector and local citizens. It seems that the Chinese party-state has many more tools with which to handle social conflicts than the existing literature has realized. The diverse and sophisticated strategies for conflict resolution help to explain the resilience of the Communist regime in the face of mounting social volcanoes.

The implementation of these strategies requires both incentive and capacity on the part of the implementers, the local state. We argue that the party-state's tight control over local officials provides the ultimate incentive for local governments to respond to citizens' complaints to certain degrees. Although the existence of natural resources in China breeds corruption and collusion between local governments and mining businesses,<sup>74</sup> the cadre management system largely ensures the loyalty of local agents and prevents total capture by resource interests. Meanwhile, the party-state's deep reach into society enables the local state to negotiate between the mining sector and local citizens. Without the many tentacles of grassroots governments and Party organs reaching into the economy and society, the local state would find it difficult to broker agreements between the conflicting interests and mobilize resources to compensate the victims. Therefore, it is the coexistence of local government incentive and capacity that proves to be indispensable in resource conflict resolution in China.

We argue that the key to resolving resource conflicts is to establish some redistributive mechanisms between the winners and losers in the resource economy. The Chinese strategies largely follow this logic, but not without flaws. One fundamental flaw is that these strategies are based on bargaining instead of the rule of law, in the sense that the resolution of resource conflicts does not follow clearly defined rules or procedures, but depends on the relative bargaining power of the involved parties. For example, when local governments face mining companies with stronger bargaining power, such as larger firms that carry more weight in the local economy or those with stronger political connections, they may be more inclined to leniency and so sacrifice the interests of local citizens. Alternatively, if the citizens adopt highly disruptive means to advance their requests, local governments may put more pressure on mining companies to give higher compensation sums in order to settle the disputes. Thus,

74 See Zhan 2017.

bargaining-based conflict resolution can be arbitrary, outcome oriented, and incongruous with procedural justice. Furthermore, this form of resolution may defuse immediate conflicts but it cannot eradicate the root of the problem, the unfair distribution of benefits and costs of the resource economy, which should be addressed through the proper and legal regulation of mining industries, standardized accounts of their associated negative externalities, and institutionalized compensatory mechanisms based on the rule of law.

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**摘要:** 矿产资源开发在中国导致了频繁的社会冲突。本研究考察中国政府应对资源冲突的回应性及预防性策略。通过在中国多个矿区的深度调研,我们发现,中国地方政府会积极调解矿企与当地群众之间的矛盾并巧妙地压制集体抗议以解决资源冲突。此外,地方政府更会采取预防性措施,主动干预矿企与民众之间的交易以防纠纷的产生,并且通过分享资源财富以赢得民心 and 化解民怨。我们认为,中国地方政府之所以会积极干预资源冲突,其动力和能力缺一不可。一方面,中共政权对于地方官员的严格控制一定程度上遏制了地方政府与矿企的官商勾结,自上而下的维稳压力是地方政府解决资源冲突的根本动力。另一方面,中共党国体制对中国社会的深入掌控则赋予了基层政府在不同利益群体之间斡旋和调配资源以解决冲突的能力。

**关键词:** 中国; 冲突化解与预防; 调解; 矿产资源; 再分配

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## Appendix

Table 1: Basic Statistics of Field Sites

Province	Location	Area (km <sup>2</sup> )	Population (million) (2014)	Per capita GDP (yuan) (2014)	Coal reserve (billion tons)	Ownership and scale <sup>75</sup> of observed mining companies
Jiangxi	F city <sup>76</sup>	2,845	1.49	24,900	0.7	State-owned, 2.8
Jiangxi	X county <sup>77</sup>	2,878	0.8	17,979	0.022	Private, 0.09
Shanxi	T city <sup>78</sup>	6,988	4.30	59,023	18.7	State-owned, 6.15
Shanxi	Q county <sup>79</sup>	609	0.35	32,399	3.1	Private, 1.2
Henan	X city <sup>80</sup>	1,001	0.8	75,238	5	State-owned, 0.8
Inner Mongolia	Y county <sup>81</sup>	5,600	0.24	281,000	13.9	State-owned, 4; foreign-invested, 3
Xinjiang	F city <sup>82</sup>	11,726	0.17	85,116	10	Private, 30
Xinjiang	C county <sup>83</sup>	4,485	0.20	23,236	5.6	State-owned, 0.6
Xinjiang	N county <sup>84</sup>	10,300	0.19	23,684	8.2	State-owned, 12

- 75 The scale of the mining company is measured by its annual production capacity (million tons/year). The information about the mining companies was obtained through the authors' fieldwork.
- 76 The statistics for area, population, per capita GDP and coal reserve are extracted from the official website of F city government, last accessed on 28 April 2016.
- 77 The statistics for area, population and per capita GDP are extracted from the official website of X county government, last accessed on 28 April 2016. The statistic for coal reserve comes from *X County Annals 1986–2006*.
- 78 The statistic for area comes from the official website of T city government, last accessed on 28 April 2016. The statistics for population and per capita GDP are compiled from the *2014 Statistical Communique of T City on National Economic and Social Development*. The statistic for coal reserve is from *2012 T City Yearbook*.
- 79 The statistic for area is from the official website of Q county government, last accessed on 29 April 2016. The statistics for population and per capita GDP are compiled from the *2014 Statistical Communique of Q County on National Economic and Social Development*. The coal reserve statistic is from *Q County Annals*.
- 80 The statistics for area, population, per capita GDP and coal reserve are extracted from the official website of X city government, last accessed on 29 April 2016.
- 81 The area statistic comes from the official website of Y county government, last accessed on 29 April 2016. The statistics for population and per capita GDP are compiled from the *2014 Statistical Communique of Y County on National Economic and Social Development*. The coal reserve statistics are extracted from *Y County Annals*.
- 82 The statistics for area and coal reserve are from the official website of F city government, last accessed on 29 April 2016. The statistics for population and per capita GDP are from the *2014 Statistical Communique of F City on National Economic and Social Development*.
- 83 The statistics for area and coal reserve are from the official website of C county government, last accessed on 29 April 2016. The statistics for population and per capita GDP are from the *2014 Statistical Communique of C County on National Economic and Social Development*.
- 84 The statistics for area, population and coal reserve are from the official website of N county government, last accessed on 29 April 2016. The statistic for per capita GDP is computed, based on the *2014 Government Work Report of N County*.