

China in the Mekong: Building Dams for Whose Benefit?

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China is a “hydro-superpower”. How it harnesses the resources and energy potential of the international rivers flowing through its territory can have a significant – and at times, irreparable – impact not only on the complex ecosystems sustained by these rivers, but also on local communities both within and downstream of its borders. In mainland Southeast Asia, Chinese-led hydropower schemes are transforming the region’s landscapes and waterscapes. Designed to meet growing Chinese and regional power demands, these dams often become a “necessary evil”: necessary to national and regional development, but harmful to important rivers like the Mekong, Irrawaddy and Sesan, and the livelihoods that are tied to their natural ebbs and flows.

Rivers must be valorised not as a commodity, but as a nexus that connects livelihoods, ecosystems and economies. In order to encourage greater “responsibility-sharing” among China and other stakeholders for regional water governance:

- » *The Chinese government must enforce its domestic regulations for overseas investments and encourage compliance on the part of Chinese firms with existing industry standards.*
- » *Chinese hydropower companies must mainstream social and environmental impact assessments in the early stages of project development and engage directly with affected communities in accordance with “responsible business conduct” norms.*
- » *Mekong governments need to institutionalise participatory mechanisms in formal decision-making and share information publicly on project development.*

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CHINA AND HYDROPOWER DEVELOPMENT IN THE MEKONG RIVER BASIN

Of the 276 transboundary river basins that cover almost one half of the total land surface of the globe, 60 of these basins are located in Asia. Of these, an estimated 19 have international rivers flowing through Chinese territory. As with the management of other scarce natural resources, the management of international rivers has given rise to both discord and cooperation between states. Here, questions to do with equitable use and rightful ownership remain unresolved. For while rivers are often viewed as possessions of individual countries, by virtue of their fluid nature, they foremost constitute “common pool resources”, with effective governance dependent on collective action and the participation of all relevant stakeholders.

Reflecting the country’s “Going Out” strategy aimed at stimulating outbound investments and acquiring natural resources abroad, Chinese state-owned enterprises (SOEs) and policy banks (e.g. the China Exim Bank and the China Development Bank) have been at the forefront of a global dam-building boom. While Chinese hydropower investments are heavily concentrated in Africa and Southeast Asia, the reach of Chinese dam developers are now expanding to Latin America and the Middle East through to Eastern and Central Europe. According to latest estimates, Chinese companies – ranging from China’s largest dam-builder, Sinohydro Corporation to China Southern Power Grid Company (CSG), China Power Investment Corporation (CPI) and Hydrolancang – are linked in various capacities to more than 300 dams in 74 countries.

In Southeast Asia, Laos, Myanmar and Cambodia constitute the three main destinations for Chinese hydropower investments. China’s hydropower expansion into these countries has, however, been highly controversial. With financial support provided by either a major Chinese SOE or policy bank, projects such as the Myitsone and Kamchay dams have caused protracted local opposition and censure due to their expected adverse ecological repercussions. Characteristic of the lack of political transparency endemic to mainland Southeast Asia, these projects were approved behind “closed doors” by host governments with limited or no public consultation and knowledge. And while Chinese-backed hydroelectric dams purportedly come with the promise of stimulating economic growth and mitigating energy deficits, public disapprobation of large-scale hydropower schemes like the Tasang and Hatgyi dams on the Salween River has centred on how electricity generated from these dams are destined primarily for the Chinese and Thai power grids.

WHO’S GOT THE POWER?

Despite regional efforts by organisations like the Mekong River Commission at implementing integrated water resources management in basin planning, the existence of weak institutions, combined with the lack of inclusive participatory



CONTROVERSY ON THE IRRAWADDY AND CHINESE INVESTMENTS

The Myitsone dam, a 6,000MW hydropower dam planned on the Irrawaddy River, has been embroiled in controversy since 2006. Located in Myitkyina, the capital of Kachin State, the Myitsone is part of the Confluence Region Hydropower Project, which involves six other dams on the Irrawaddy. Until its suspension, the project was being jointly developed by CPI and the Burmese company Asia World, and generating widespread local resistance due to its expected social and ecological impacts. Culminating in a popular movement that elicited support from long-standing political reformers and influential figures like Aung San Suu Kyi, work on the dam was halted by President Thein Sein in late 2011.

mechanisms, has meant that communities affected by dam construction and civil society, more broadly, have not been sufficiently empowered to take part in official policy-making at the regional and national levels.

Change is, nonetheless, possible. With the concept of sustainability gaining resonance locally and regionally, this has allowed ideas on environmental protection to filter into the public sphere and, more gradually, into government agencies. In Myanmar, there are promising signs of environmental activists and political reformers succeeding in persuading technocrats and parliamentarians of the exigency of ecological conservation. In China, the Ministry of Environmental Protection (MEP) has taken notable strides in terms of pushing environmental concerns onto the national policy agenda, having also been behind the 2013 “Guidelines for Environmental Protection in Foreign Investment and Cooperation”.

It is thus at the grassroots level that we find some of the most forceful external drivers of change. With civil society actors growing in influence, they are working to progressively contest state authority in determining how common pool resources are utilised, placing pressure on governments and companies alike to go beyond conventional developmentalist and profit-oriented thinking. Evident from CSG's announcement in late 2011 of its withdrawal from all proposed hydropower projects in Cambodia, sustained, localised resistance can serve as an important catalyst for unprecedented change.

That said, pressure generated by NGOs and local groups needs to be supplemented by internal change from within respective governments and companies themselves. At present, China has yet to endorse the World Commission on Dams (WCD) principles, having also vetoed the 1997 UN Watercourses Convention. And although Chinese companies

like CPI and CSG have adopted the UN Global Compact, weak mechanisms exist to ensure their (voluntary) compliance. It is, nevertheless, in China's interests – and in the interests of Chinese companies – to invest responsibly and build dams sustainably by recognising ecological risks and listening to local voices. Here, a culture of compliance needs to be internalised, while observance of industry frameworks like the International Hydropower Association's "Hydropower Sustainability Assessment Protocol" (HSAP) and norms on responsible business conduct is crucial, if China's international image as a "peaceful" power is to remain credible. Indeed, the Myitsone case constitutes a stark reminder of how "short-termism" in a company's investment strategies – where social and ecological considerations are overlooked – can result in long-term reputational harm and substantial commercial losses. If dams are to be built, it is imperative that they be to the benefit of all, not of a few.

UPSTREAM GAIN, DOWNSTREAM LOSS? DAMMING THE LANCIANG-MEKONG RIVER

The 795,000 km² Mekong River Basin encompasses five Southeast Asian countries – Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam – as well as China's southwestern province of Yunnan. The Mekong basin is home to more than 70 million people and constitutes the region's "food bowl", with an estimated 80% of the protein consumed in Cambodia, for example, derived from the river's inland fisheries. The Mekong also boasts a concentration of biodiversity second only to that of the Amazon. One of China's longest rivers, the Lancang Jiang (Upper Mekong) contributes approximately 13.5% of the Mekong's flow, supplying half of the sediment discharge flowing into Vietnam's vital Mekong Delta.

The Lancang-Mekong is one of the least developed river systems in the world today. Only a fraction of its total hydropower potential of 35,000MW has so far been harnessed. This is changing, however. China has reportedly planned at least 17 dams on the Lancang's mainstream, though the most controversial project is the seven-dam Lancang cascade. Upon completion, the dams are expected to produce a total of 15,600MW, equivalent to around 60% of the total estimated output of the Three Gorges dam. Given the scale of the project, it has been actively criticised by downstream communities and local NGOs as an instance of China's "unilateral" dam-building. In response, organisations like the "Save the Mekong coalition" staged public campaigns and conferences, as well as region-wide petitions to demand greater accountability from Hydrolancang and the Chinese government – an effort which continues today.



RESPONSIBILITY-SHARING AND REGIONAL WATER GOVERNANCE

But while China needs to shoulder certain special responsibilities as an upstream power, it should not be solely responsible for water governance in the region. Collective action at both the national and regional levels, based on the recognition of common interests and shared obligations, is vital if rivers and the invaluable ecological services they provide are to be safeguarded for the sake of livelihoods and biodiversity.

Unless the Chinese and Mekong governments integrate considerations of ecological sustainability into their national development goals, water governance in the Mekong region will become a failed case of responsibility-sharing. Three

interrelated factors will have contributed to this outcome: **first**, the lack of institutional capacity at the domestic and regional levels to enforce regulations and improve corporate accountability for (transboundary) environmental harm; **second**, "thin" institutionalisation of operative water-sharing norms (e.g. prior notification and consent), as outlined in the 1995 Mekong Agreement and the WCD principles; and **third**, lack of public participation in decision-making processes, with communities not consulted or sufficiently informed of hydropower projects that can directly affect their well-being and local environment.

POLICY RECOMMENDATIONS

- The Chinese government must systematically enforce its own domestic regulations for overseas investments such as the “Guidelines for Environmental Protection in Foreign Investment and Cooperation”, as well as foster industry compliance with HSAP and WCD principles.
- Chinese hydropower companies must mitigate social and ecological risks by mainstreaming social and environmental impact assessments in the early stages of project development, and by engaging directly with affected communities in accordance with “responsible business conduct” norms.
- Mekong governments must strictly enforce domestic laws and regulations, and implement inbound investment standards.
- Mekong governments need to institutionalise participatory mechanisms in formal decision-making and share information consistently to the public on project development.
- Governments should contribute to building the engagement capacity of local communities and grassroots NGOs by forging strategic partnerships and supporting local initiatives like community-based participatory research.
- The institutional capacities of existing organisations at both the national and regional levels need to be strengthened to better monitor and enforce state compliance to “best practices” in collective water management.

FURTHER READING

Yeophantong, P. (2013) ‘China, Corporate Responsibility and the Contentious Politics of Hydropower Development: transnational activism in the Mekong Region?’ GEG Working Paper 82.

Yeophantong, P. (2013). ‘China and the Politics of Hydropower Development: governing water and contesting responsibilities in the Mekong River Basin’ GEG Working Paper 81.



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