

**Xayaburi and the Mekong Critical Point:
Over-Damming the Shared River and Bigger Threats to the Shared Future**

by Nhina Le*

Despite the correlation between hydropower plant construction and economic growth, Laos' approach to the Xayaburi issue may backfire. The over-construction of dams on the Mekong River would greatly impact food security and the livelihoods of 60 million Mekong populations. These communities see the survival of the river and its resources as an important part of their socio-economic worlds and cultural identities. If resource mismanagement and power imbalances continue, and if public concerns are not adequately addressed, over time, these issues may become a source of social unrest threatening human, national and regional stabilities.

The construction of the 32 meter high and \$3.5 billion dam in Laos' northern Xayaburi province continues in spite of oppositions raised by the affected villagers, Laos' neighbors, and the broader concerned community. The 1,285 megawatt Xayaburi Dam is the first of 11 dams proposed for the Lower Mekong region – nine in Laos and two in Cambodia – that are projected to produce about 8% of Southeast Asia's (SEA) power by 2025. The Mekong River is the longest river in SEA, and the 12th longest river in the world. Its resources, e.g. water, fish, and sediments, are shared by China and five SEA countries: Laos, Vietnam, Cambodia, Thailand, and Myanmar. Vientiane calculates that if it can boost national economic growth and pride through hydropower development, the legitimacy of the state should be guaranteed. The government thus allows foreign enterprises, i.e. Thai and Chinese state owned companies and banks, to sponsor dam projects in Laos.

Proponents of the Xayaburi Dam claim that it is the Mekong's "first environmentally friendly hydroelectric project" generating "win-win" outcomes for all parties involved. By tapping its rivers through mega-hydropower projects and exporting the energy generated to Thailand, Cambodia, and Vietnam – its energy-hungry neighbors – Laos seeks to become "the battery of SEA." Vientiane presumes that this exchange would generate skyrocketing GDP, change the quality of life of one-third of the 5.8 million people who live in poverty, and transform Laos from an underdeveloped country to a developed one.

Critics of Laos' Mekong dam projects, however, argue that Vientiane's calculation is problematic. While risks related to these dams are not yet understood, benefits are overstated. For instance, the proposed 11 dams, including the Xayaburi Dam, could produce 14,697 megawatts of electricity. Yet, this would constitute only 6%-8% of the total estimated demand in the Lower Mekong Basin (LMB) by 2030. In addition, Vientiane ignores an early warning by the Mekong River Commission (MRC)—an intergovernmental mediation body made up of Cambodia, Laos, Thailand and Vietnam—that the construction of dams in the Mekong River main branch would turn 55% of the river into reservoirs, causing estimated agricultural losses of \$500 million a year, and reducing the average protein intake of Thai and Lao populations by 30%.

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The Xayaburi project is operating in ways that exacerbate the problems of resource mismanagement and unequal power distribution and show a lack of recognition for the public's concerns. According to Kirk Herbertson, a SEA policy coordinator at the International Rivers organization, access to electricity and interests are distributed to the privileged minority (i.e. government officials, corporations, city populations), but not to the majority poor citizens who across dam sites, rural countryside of Laos, and the Mekong River areas. The Xayaburi construction has led to displacement and resettlement of communities, mainly low-income villagers. In *Dong Song Ngen Mach* (The Occluding River), Ngo The Vinh highlights that the survival of Mekong River is vital to the locals' food supplies and incomes. Local people worry that planned dams along the river will block the spawning and migration of hundreds of fish species and trap vital silt-borne nutrients used for their agricultural activities. This situation would pose threats to food security and the livelihoods of 60 million Mekong people. At some point, these distribution and recognition problems may become a source of social unrest, threatening human, national and regional securities.

Laos pursues messy goals and strategies. The Laotian state determines to advance the Xayaburi project at any cost. But it hopes to do so without provoking strong reactions from its neighbors. Laos sees the necessity of hearing other Mekong communities' concerns about the extreme gap of costs and benefits associated with the proposed LMB dams. However, Vientiane is not willing to compromise on the Xayaburi issue. It argues that by changing its decision, it may look "weak" among its constituents and neighbors, and that it is not in Vientiane's interest to do exactly what others demand. Its "face-saving" need seems true in relation to Vietnam, an ally that expresses the strongest opposition to Laos' Xayaburi dam project.

In order to justify its continued Xayaburi Dam development, Vientiane has sent out mixed messages to the public. On July 13, 2012, Reuters reported Laos confirmed that it suspended the Xayaburi project. But a few weeks later, Laos allowed construction of the dam to proceed. Ch. Karnchang, Thailand's main developer of the Laos dam projects, claimed that the company advances the Xayaburi construction because it does not receive any letter from Vientiane calling for a suspension. On July 15, BBC reported that Vientiane invited representatives of the Greater Mekong Subregion (GMS) countries (e.g. Vietnam, Cambodia, Thailand, and Myanmar, etc.) together with the media, donors, and non-governmental organizations (NGOs), to visit the Xayaburi site. These parties were surprised to see the advancement of the Xayaburi Dam and hear Laos' justifications for this advancement. Laos' consultants, Pöyry and Compagnie Nationale du Rhône (CNR), explained that stopping the Xayaburi project is *not* necessary. Pöyry claimed that the development of Xayaburi Dam will cause no harm to the river or the environment. The firm elaborated that through the so-called "transparent dam," which uses fish ladders, fish could pass through freely. Without any clear evidence, Pöyry concluded that dam impacts upon downstream countries would be minimal. Through its "desk study," which many experts view as too abstract and incomplete, CNR claims that the Xayaburi Dam would not cause any impediment to sediment flows to the LMB. Relying on Pöyry and CNR's controversial research as the sources for supporting its exclusive position, Vientiane justifies that its construction of Xayaburi Dam is legitimate.

Environmentalists, however, believe that the proposed LMB dams are profit-oriented. For this reason, Vientiane and developers avoid discussions on dams' negative impacts. Despite the correlation between hydropower plant construction and economic growth, Laos' approach to the Xayaburi issue may backfire, creating conditions for human, national, and regional instabilities that will be exceedingly difficult to fix.

A big problem of the Xayaburi project is that the LMB populations are bearing its negative effects. Already, Laotian boatmen in Xayaburi find it difficult to navigate in the river due to stronger currents generated by the dam construction. The affected villagers cannot obtain adequate compensations from the authorities and dam developers. While hastening the resettlement of fishing communities, these actors are not helpful in providing the locals with alternative and sustained means of survival and sources of income. Herbertson's *Xayaburi Dam: A Closer Look at How Laos Got to 'Go'* understands that corruption is a condition for the absence of social responsibility on the sides of Vientiane and dam investors. Some Laotian officials receive handsome bribes from investors that search for access to Laos' natural resources and cheap labor. Most "win-win" investments, including the Xayaburi project, in Laos benefits a few at the expense of the majority. Furthermore, Nhina Le's *Xayaburi Reaching A Critical Point* argues that compensation and resettlement address only the symptoms, but not the locals' underlying concerns. Vientiane's temporary attempts to assist affected locals are not sufficient in sustaining the locals' daily food supplies and traditional lifestyles that are historically shaped by the health of Xayaburi's ecological system and the MRB environment. As the authorities fail to address the population's most basic human needs and their escalating distresses, over time, the latter would reduce their support towards the former. This scenario is dangerous for Vientiane, rendering it less legitimate in the eyes of its constituents and the international community.

Xayaburi Dam's effects are multidimensional. Laos' decision to move the Xayaburi project forward is at odds with the positions of the Vietnamese and Cambodian governments. The latter reiterated that further studies on impacts of the Xayaburi Dam be carried out before decisions are made as to whether or not Laos can proceed with the project. As the Xayaburi advances, Mekong's conflict escalation appears all the more likely. In 2012, Vietnamese President, Truong Tan Sang, warned that "tensions over water resources are threatening economic growth in many countries." In fact, "Xayaburi is not only about water flows and destroying migratory fish population, but also upstream dams holding nutrient-rich silt that Vietnam's Mekong Delta needs," explained Richard Cronin, Director of the Southeast Asia program at the Stimson Center. Southern Vietnam's Mekong Delta, or *Dong Bang Song Cuu Long* (the Nine Dragon River Delta), is Vietnam's "rice bowl" and the fertile heart of the world's second largest rice exporter. Dam construction in upstream countries, e.g. Laos and China, affects agricultural and economic activities downstream. As *Dong Bang Song Cuu Long* is the furthest downstream from all Mekong River's dam projects, it will be hugely impacted. Phnom Penh is worried about the vast and flood-dependent Tonle Sap Lake. "Over 1.6 million Cambodians depend on the fisheries for their major sources of food and livelihood," stated Cronin. The communities living around this Lake are the most marginalized people

earning \$1-\$2 dollars per day. Due to these transboundary risks, bureaucrats, environmentalists, journalists, and civil society groups in Laos' neighboring countries and beyond disapprove of the Xayaburi project. Vientiane counters these voices by reiterating that it has the sovereign right to handle its Xayaburi project and "national" politics the way it thinks fits. Since no sides compromise, tensions between Vientiane, Hanoi, and Phnom Penh have escalated.

Vientiane's inflexibility is self-defeating. Its Xayaburi project is making the locals and its neighbors feel a sense of social injustice. As these parties realize their similar distresses about the survival of their communities, their shared Mekong River and shared futures, they are uniting to refute the decisions made by Vientiane and dam investors. It remains to be seen as to whether or not the people's frustration can be mobilized and transformed into social uprisings challenging Vientiane's status quo in the near future. These phenomena, however, are displaying significant risks to the legitimacy of Vientiane and the stability of the entire region.

Even when the Xayaburi Dam is complete, its safety is not guaranteed. In *Cuu Long Can Dong, Bien Dong Day Song* (Mekong River Drained Dry, South China Sea in Turmoil), Ngo claims that the survival of Xayaburi, or any LMB dam, is connected to the safety of Yunnan cascade, a series of dam construction in China. This cascade includes enormous dams built in the upper part of the Mekong River in China's Yunnan province. A reason for the development of this cascade is to satisfy China's growing need for cheap energy to be used for its growth activities. While China, Laos, Thailand, Vietnam, Myanmar, and Cambodia share the Mekong River, information about China's dams is only known to Beijing. This situation is a result of a lack of transparency in Beijing and its state-owned companies' decision-making. Consequently, the LMB countries do not have the data needed for examining if China can calculate and cover all the costs that its dams may cause to the Mekong region. Scientists warn that if there are fault lines near dam sites, and in a worse-case scenario, if Chinese dams collapse as a consequence of natural disasters and dam mismanagement, this situation will trigger earthquakes and tsunamis. These disasters will be strong enough to wipe out everything in their paths and downstream, including the Xayaburi dam. They will lead to the river's ecosystem imbalance, loss of human lives, and devastation of national growth agendas. If Laos, with or without China's assistance, were able to understand and preempt these risks, its ambition of developing dams on the Mekong River main branch would not have received criticism. Unfortunately, neither Laos nor China has enough human capital and technologies needed for investigating and addressing dam-related risks. This dimension has reinforced doubts about the sustainability of the Xayaburi Dam among Laos' neighbors.

Some slim hope exists that Laos would not build more dams after the Xayaburi because of its neighbors' objections. This hope, however, is falling apart, as the Xayaburi advances with other projects potentially following suit. In fact, Laos and Malaysia's Mega First Corporation proceeded with a second hydropower dam on the LMB in Laos' Don Sahong site. China Datang Overseas Investment Corporation "completed" its design and impact assessment of the Pak Beng Dam in Laos' Oudomxay province. Due to the

“dependent paths” between Beijing and Vientiane, this Chinese state-owned company is optimistic that it will soon obtain Vientiane’s approval of the full construction of the Pak Beng Dam. To avoid the public scrutiny, Vientiane and dam investors rationalize their dam constructions as “preparatory” works which do not require consultations with neighboring countries.

In order to neutralize Vientiane’s position, interconnected and participatory strategies are necessary. First, the affected communities recognize a pragmatic need to “hang together” in handling the Xayaburi controversy. Acting as a relatively united front, these communities are strong enough to make their shared concerns loud and clear. They see that disparate voices are not sufficient in challenging the disproportionately powerful forces, i.e. Laotian officials, Thai, Chinese, and Malaysian state-owned banks and enterprises. The Save the Mekong Coalition (SMC), for example, explores the benefits of speaking in “one voice” well. Its members generated a petition of 16,000 signatures from within and outside SEA and utilized this petition to persuade Thailand’s Prime Minister, Abhisit Vejjajivia, to pressure Thai companies and banks to quit their dam construction and electricity deals with Laos. Although SMC is not enough to turn around the situation at the Xayaburi site, its campaigns are winning attention or sympathy of the media, scientists, and intellectuals worldwide.

In order to strengthen the Mekong activism, the Stimson Center pulled together young SEA and Chinese professionals in its July 2011 training programs in Thailand. Stimson’s programs concentrated on the practices of structural discussion and cost-and-benefit analysis. Thailand welcomes Stimson’s training programs as they are rare and necessary to Asia. Initially, professionals of the Mekong countries did not engage in in-depth discussions on controversial subjects partially because of their “irreconcilable” interests and unequal English proficiency and analytical competencies. It is unclear as to how far Stimson and the evolving Mekong coalitions can influence Vientiane’s decision on the Xayaburi issue. Their attempts, however, are constructive beginning for the development of conflict mitigation attempts.

The claims of Laos’ neighbors would have been more persuasive, if these neighbors actualized sustainable development at home and abroad. Unfortunately, this is not happening. Vietnam’s economic boom leads to an increase in demands for power. While importing power from China and Laos, Vietnam builds dams domestically and externally. In Laos, Vietnamese companies are building dams on the Xekamen River, a tributary of the Mekong River. PetroVietnam Power Company invests in a 1,410-megawatt dam scheme. Quite often, the profits obtained from dam deals are located with the already wealthy elites in the cities alone. In other words, while condemning the way Laos handles the Xayaburi project, the Vietnamese authorities and enterprises have not self-examined their development patterns—some of which cause more harm than good to the environment and human securities. Vietnam’s discrepancy thus prevents it from successfully challenging Laos’ position on the Xayaburi issue. If all stakeholders are committed to the promotion of sustainable dam development, their campaigns for saving the shared Mekong River will be more credible.

Second, the call for scientific research into the impact of the Xayaburi and Lower Mekong dams matters. Without understanding the environmental, socio-economic, and political risks involved in dam deals, risk management designs are impossible. Ame Trandem's *The Mekong River Reaches Critical Point as the Xayaburi Dam Advances* sees that the fact that no comprehensive dam impact assessment emerged in Laos demonstrates that Vientiane cannot perform its research tasks.

Nevertheless, the call for research would be compelling if it clarifies the ways in which disputants can benefit from research. In principle, research has a function of assisting stakeholders to realize their well-informed decisions, addressing if and how dam investors can cover the costs to environment and human securities. Meaningful research is ideally a collaborative process encouraging diverse insights among nonpartisan researchers, donors, and the affected communities. A "byproduct" of these inclusive interactions may be what Cronin calls the establishment of a "Mekong Standard" which all sides agree with. When all stakeholders accept this procedure for project planning, engineering, and assessing dam impacts, they accept the outcome. If a dam development step "goes bad," disputants and mediators can refer to the procedure—but not particular actors—as the source of a negative outcome. Decision-making based on vigorous research and mutually agreed principles is a sufficient way for all parties to address their "face-saving" needs in diplomacy.

Unfortunately, this kind of initiative does not exist. Hanoi expects that third-party interveners, e.g. Japan and the U.S., to provide sustainable funding for supporting research that can be used to weaken Vientiane's position. However, these interveners are unable to fully entertain Hanoi's expectation due to their budget constraints and domestic politics. Also, utilizing research as a political instrument against Laos' position is not the only solution for the Xayaburi controversy. In fact, some bureaucrats, researchers, and civil society groups continue to persuade Vientiane and dam investors to suspend the Xayaburi project, so that research can be conducted. Concerns about timing, funding, and "incompatible" interests are inevitable in all research phases. Hence, these concerns should not be the justifications for Laos' neighbors not to demonstrate their incentives for leading high-quality research.

Third, resolution attempts will be helpful if they go beyond "anti-dam" versus "pro-dam" politics. Instead, key inquiries include: how to better build dam? how can Laos, in collaboration with external actors, better exploit and manage its resources?, and how far can public-private partnerships be used to promote collaborative, equitable, and sustainable development?

In response to these puzzles, multileveled mechanisms are required. At the "top-down" level, strengthening regional institutions, e.g. MRC, GMS, Lower Mekong Initiative (LMI), and the Sister River Partnership between the MRC and the Mississippi River Commission, is of significance. Over the past years, these groups have fostered consultation and confidence-building patterns among the Mekong countries. In 2010, MRC commissioned a report recommending a moratorium of ten years during which research could be carried out to assess the uncertainties of the MBR dam

development. Unfortunately, Laos has violated this moratorium as its Xayaburi project advances. Laos' violation displays the limitations of regional institutions. Functioning as "talk shops," driven by ASEAN countries, these institutions have neither political power nor frameworks to be used to rectify free ride and veto if members violate agreements. Due to ASEAN's "norm" of non-interference into members' domestic affairs, cross-border collaboration among SEA countries is difficult. Fortunately, realizing their stakes in the MRB dam projects are at risk, SEA leaders are seeking adjustments. They now engage in discussions examining ways to establish a functioning mediation regime. Hopefully, through structural dialogues, regional countries would realize ways to address the stumbling blocks to their collaborative efforts.

At the "bottom-up" level, human development matters. Singapore and Vietnam provide Laos with capacity-building programs focusing on governance, judicial, economic reforms, sciences, and English. Knowledge of these subjects is the key to Laos' development, but this is not thoroughly discussed by Vientiane and dam developers. Other corporations are expected to follow suit, actualizing—but not paying "lip-service" to—human development, if they foster "joint investments" in Laos.

Fourth, U.S. engagement with LMB countries and SEA should continue, since regional leaders welcome this trend. These leaders understand that there are extreme power asymmetries in their relationships with Beijing. Hence, without the U.S.—an "asymmetrical balancing power"—SEA would find it too challenging to bargain with an increasingly assertive and aggressive global and regional hegemon China. Due to its greater leverage and richer resources, the U.S., as a mediator, can influence disputants' interactions in ways that reduce their power imbalances. In particular, the frequent presence of U.S. officials in regional dialogues and in Laos worries Beijing as Beijing believes that the U.S. is emboldening SEA to "contain" China's "peaceful rise." Because of this interpretation, Beijing pays attention to its neighbors' voices. For instance, China has been an "observer" of the MRC forums, exploring SEA's perceptions towards China's role in the Mekong River dam development. While praising China's modification, SEA governments understand that the effectiveness of their efforts of neutralizing China's assertiveness on the Mekong River dam policy and China-SEA relations requires the U.S. long-term engagement with SEA. Fortunately, the Obama administration has confirmed its will to collaborate with SEA to ameliorate the Xayaburi controversy and prevent potential "water wars" in the region. Ultimately, the prospects of so doing will be positive, if Obama can persuade his Administration, Congress, and American constituents to continuously support U.S. foreign policy in SEA.

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