



# Working Paper 11

## Perceptions and Practices of Investment: China's hydropower investments in mainland Southeast Asia

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by Vanessa Lamb and Nga Dao

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## Abstract

China is one of the major investors in hydropower development in mainland Southeast Asia, yet Chinese involvement in hydropower varies across the region. Popular and expert viewpoints on China's investment in hydropower also vary widely. Many government representatives and domestic investors see Chinese partners as a key source of the large amounts of foreign exchange that are critical to development and economic growth. At the same time, questions about the 'dominance' of Chinese projects in various sectors, as well as about the motives guiding Chinese investments have triggered substantial public concern, with anti-Chinese attitudes intensifying across the region. In this working paper, we build on the insights gained from existing work on Chinese investment in the region, such as the rising powers framework, to examine the situation of 'practice and perception' of Chinese investment in hydropower in Vietnam and Myanmar. In considering these investments and trends, we also caution reinforcing or mobilizing xenophobic narratives about China.

**Keywords:** Chinese investment; hydropower; Vietnam; Myanmar; xenophobia

## **Introduction**

China is the largest producer of hydropower globally, with installed capacity of more than 280 gigawatts (IHA 2014). In addition to serving its domestic market, this experience with hydropower has positioned China as an investor and contractor for projects across Asia, as well as in Africa, the Middle East and Latin America. These often-ambitious plans for large-scale developments on international rivers have received much attention and critique (Bosshard 2009, International Rivers 2012, 2014, Urban and Nordensvard 2014). It has been noted that “China brings a different kind of investment package to the table” than, for instance, other international investors, a package “that does not have benchmarks of compliance with human rights, democratic ideals and environmental protection regulations, but is built on relationships and friendship” (HBF 2008: 3). In this working paper, we examine two cases of Chinese investment in hydropower in mainland Southeast Asia, while also providing a broader context and multi-scale analysis based on our past work and research experiences.

Foreign investment in hydropower is becoming increasingly significant as the economies of mainland Southeast Asia expand. State expectations and forecasts for electricity are growing, not just in China, but also in Thailand,<sup>1</sup> Vietnam, and more recently in Myanmar (Burma). Myanmar’s 15 year power development plan forecasts a more than six-fold increase from only 4,581 megawatts (MW) in 2014, to over 29,000 MW by 2031 (Kyaw 3 Nov 2014); in Vietnam, the government predicts demand to triple to 69,500 MW by 2020 (Sinh 2010). The predicted growth in power demand, and consequent plans for new supply, has also been contested, making energy security a central political concern for all of the region’s governments, particularly as exploitation of the region’s river resources remains at the centre of these energy plans (Middleton 2008). Meanwhile, the domestic planning and politics of power development create opportunities for foreign investment in the power sector, even as they are also complicated by these investments.

Part of the broader context for this investment is linked to increasing engagement in the Greater Mekong Subregion (GMS) program. Engagement with the GMS has been important to the Chinese government’s expansion of economic cooperation with mainland Southeast Asia, as it seeks to liberalize trade and investment and to develop physical connectivity via roads, railways and river transportation (Glassman 2010; Holslag 2010). The GMS program is in line with the Chinese government’s “Going Out” policy to encourage Chinese companies to invest overseas. Major Chinese state-owned enterprise (SOE) hydropower developers such as the Sinohydro Corporation, China’s largest hydropower construction company, have figured prominently amongst the businesses seeking investment opportunities in Southeast Asia (Middleton 2012). Chinese financiers often back these developers, in particular the China Export-Import Bank (China Exim Bank), one of China’s two official export credit agencies (McDonald et al. 2009).

China is indeed one of the major investors in power development in mainland Southeast Asia, yet Chinese involvement in hydropower varies across the region. Chinese hydropower developers are especially present in the three lowest income countries of the region—Cambodia, Lao PDR and Myanmar—while in Thailand and Vietnam the situations are different (with the case of Vietnam examined in detail below). Popular and expert viewpoints on China’s investment in hydropower are not one-sided, and vary widely. Many government representatives and domestic investors see Chinese partners as a key source of the large amounts of foreign exchange that are critical to development and economic growth. At the same time, questions about the ‘dominance’ of Chinese projects in various sectors, as well as about the motives guiding Chinese investments, have triggered substantial public concern in Myanmar and Vietnam; anti-Chinese attitudes have intensified and expanded across the region.

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<sup>1</sup> The Electricity Generating Authority of Thailand (EGAT) expects that the country’s electricity demand will approximately double to 65,547 MW by 2030 (EGAT 2010). Increasingly, Thailand is making its own agreements to develop and purchase electricity from Myanmar, as discussed in the case of Hatgyi.

In our own research, while we build on the insights gained from existing work to analyze trends in Chinese investment in the region, such as the rising powers framework (Urban et al 2013a and 2013b, Urban et al 2011, Humphrey and Messner 2005, Humphrey and Messner 2006, Schmitz 2006, Kaplinsky and Messner 2008), we also argue that the motives identified by Urban et al. (2013b) are insufficient for understanding the developing complexity in the politics of regional development in Southeast Asia. Their framework mainly focuses on the motivations and impacts for China alone, and not, for instance, the motivations or impacts for countries in Southeast Asia, such as Vietnam, to partner with Chinese investors in the hydropower sector. We demonstrate this with a particular focus on our two cases of hydropower development in Vietnam and Myanmar. Moreover, we draw on work in political ecology to argue that there is a need for greater recognition that power relationships matter in decisions over natural resources development.

In considering these power relationships, we urge caution in reinforcing the “dominance” of China as a frame for concerns about hydropower. While it may serve as a useful frame for advocacy or even for national governments, this framing can move focus from the core problems with hydropower development: namely, ecological harm and displacement, which are a result of inadequate governance, not only from Chinese FDI – but from national governments and politicians as well. Across Southeast Asia at the moment, we are seeing a rise of xenophobia, and not only in terms of anti-Chinese, as in the last year, we have also seen the rise of racist, xenophobic actions against the Rohingya and Muslims in Myanmar, as well as government sanctioned anti-China protests in Vietnam. To continue to rely on these narratives or even to associate investment trends along with this kind of xenophobic nationalism is problematic and has serious implications for how we understand development processes in the region. Therefore as part of our analysis, we identify how some of the key coverage of Chinese investment trends relies on rhetoric that mobilizes around xenophobia. For instance, intermingled with concerns about “inferior products” and “cheap equipment” (Vietnam), or lack of safeguards (Vietnam, Myanmar) are also concerns about “the other” and invoke historical relationships between China and the mainland Southeast Asian states. We also acknowledge that in many cases there are multiple investments in the development of hydropower, occurring at different stages (technical assistance from ADB for energy grid, while China may act as an investor for particular projects).

We proceed with the paper as follows: First, we present and discuss our concerns regarding the discourses and narratives presented about Chinese investment in the region. Second, we introduce our conceptual methodological approach, and third, we proceed to examine the situation in Vietnam and Myanmar. We conclude with a discussion of some of the overall trends and dissonances in our findings.

## **Current descriptions and discourses of the “Rising dragon”**

“China dams the world” (Bosshard 2009, Urban and Nordensvard 2014), “China as a rising power” (Urban et al 2012), “China’s Charm Offensive in Southeast Asia” (Kurlantzick 2006), “Vietnam yields cautionary tale over Chinese investment” (Bowring 2014) or “Resentment of China spreading in Myanmar” (Fuller 2014) – media, NGO, and academic headlines are both astounding and familiar. Accompanying images support the rhetoric, such as images of anti-Chinese protests banners, one with the words “This is Myanmar Country! Freedom of Myanmar! Dracular[sic] → [arrow sign] China get out” (Horton 2013). In Myanmar, reaction to Chinese hydropower investments has also generated the oft-published refrain, “When China spits, Burma swims (or drowns)” (i.e. Walker 2014, Wade 2012, Quinn 2011). Wherever Chinese investment in hydropower in Southeast Asia is discussed in the media, clichéd, status quo representations prevail, depicting China as a dominant, unrelenting “dragon” sucking resources (or is it blood?) from the region.<sup>2</sup> This is

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<sup>2</sup>There may also be a parallel but contrasting narrative emerging, which emphasizes China as taking the place of ADB and World Bank, but our examination of that narrative may be explored in a separate paper.

particularly important in the country cases we consider here, as anti-Chinese rhetoric is pervasive beyond the hydropower sector.<sup>3</sup>

In Vietnam, the country's complicated history with China elicits varying levels of trust, which can be seen even in some of the stories children are told. For instance, children's stories highlight downsides of China's interest in the Vietnamese economy. One such story highlights the ways that China profits off the Vietnamese people. The story focuses on the commodification of seemingly innocuous neighbourhood cats (but there are similar stories for other commodities, such as cows, buffalo, and even watermelon<sup>4</sup>), and describes how buyers in China put an unrealistically high price on one item, in this case cats, and then the local Vietnamese, in an attempt to make money to support their families, round up all the neighbourhood cats to sell to the Chinese. In the telling of the story, this move by the Chinese creates a host of problems. There is a sharp decline in cats, and families lose their pets if they venture from the house. As a result, rodent populations increase, and demand skyrockets for mousetraps and poison imported from China. The Chinese make a "rich profit".

Although Vietnam has also seen increasing anti-Chinese protests of late, particularly around the South China Sea issue (BBC News 14 May 2014, Lijas 15 May 2014, Brown 21 May 2014), responses and coverage of responses to Chinese investment in the hydropower sector has been rather limited. As we discuss below (in the Vietnam case), the lack of public response in the hydro sector may be linked to a range of particularities – including the types of Chinese investment in Vietnamese hydropower, which is mainly supplemental support for contracting work, not financial support for entire projects.

In the hydropower sector in Myanmar, however, mobilizations against hydropower development, such as the Chinese-backed Myitsone project on the Irrawaddy, which were stalled after nation-wide protests, are also emblematic of broader xenophobia across the country. In Myanmar, xenophobia is not limited to anti-Chinese sentiments, as seen in Anti-Rohingya, anti-Muslim discourses.<sup>5</sup>

In both Vietnam and Myanmar, we consider the implications of repeatedly referring to China as "one thing/actor" with singular motivations, or as a "dragon" or "Dracula": What do these oversimplifications overlook and reinforce? How can our work, academic and activist, move beyond mobilizing or capitalizing on xenophobic, nationalistic descriptors, to identify key challenges for more equitable development of energy and infrastructure across the region?

These are the questions we are struggling with in our own work, as scholars critical of increasing hydropower development in Southeast Asia and the impacts of Chinese investment in the region. What we present here is an attempt to move beyond some of the conventional descriptors, to present detailed information, and when conventional narratives are presented, to be critical of their use as part of our analysis. In other words, we consider both the impacts and the narratives about these impacts to heighten our analysis.

To be clear, we are not presenting this as an argument *for* increased Chinese investment, or in order to compare the relative merits of Chinese versus other national or international investments in the region. Far from that, rather than continue to reconstitute coverage of China as a "good or bad" actor, we examine some of the particulars in our cases and suggest points for further inquiry. One key facet of our approach is our consideration of the political forces and historical relationships that provide context for or color understandings of present-day dynamics. This draws on work in political ecology which has shown that present day assumptions about resources and development – narratives that may seem like "common sense" (especially narratives via Fairhead and Leach 1995, Forsyth 2003) – need to be examined with attention to

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<sup>3</sup> For instance, see the portrayal of China by Hodal (2012) based in Thailand and perceptions of China in Vietnam (specifically around extractives) by O'Flaherty (2012). See also discussion of "China in Africa" (Negi 2008).

<sup>4</sup> The watermelon story is actually mirrored in this news piece in the Saigon Times (Dung, Thuy 2 Apr 2014).

<sup>5</sup> See, for instance, the critiques by Wade (15 Jun 2015, 9 Oct 2013) or "Myanmar sells Muslims' natural resources to China" (World Bulletin 8 May 2013).

context and concern for power relationships, for what is obfuscated, who wins, who loses, and what is at stake (and for whom).

To begin our analysis, we explain the existing frameworks that we are building upon, and the particular gaps in analysis that we aim to address.

## Framework of Analysis

Recent work on China's investment in the region has developed and relied upon the 'Rising Powers Framework' (Urban et al 2013a and 2013b, building on: Urban et al 2011, Humphrey and Messner 2005, Humphrey and Messner 2006, Schmitz 2006, Kaplinsky and Messner 2008) to understand the impacts of China's emerging economy, and its expanding hydropower investments, on its neighbouring countries. The framework assesses China's engagement in middle- and low-income countries and its impacts through different channels – including trade, investment, aid, innovation and the politics of emerging economies, such as China and India and its impacts on other economies, both developed and developing. It can be seen as a 'baseline' for future work on Chinese investment in the region, particularly in the energy sector. The framework focuses on the motivations, actors, beneficiaries, and impacts (both positive and negative, direct and indirect) of investment. Recent use of this framework in assessing China's investment in Mekong hydropower development (Urban et al 2013b) identifies four main motives for China accessing hydropower resources. These include the following: 1) to increase energy security, and to fuel economic growth and development, but due to limited domestic availability, must go beyond its own borders; 2) to avoid ecological destruction of domestic rivers and associated resettlement impacts within China; 3) to improve regional cooperation and "create interdependencies" among neighbouring countries; and 4) to achieve the greening of energy development (Urban et al 2013b: 305).

While we build on insights gained from the rising powers framework to consider more acutely the social and political aspects of this increasing investment, we also argue that, based on our research, these four motives do not necessarily fit with experiences "on the ground", and we draw this out with particular focus on our two cases of hydropower development in Vietnam and Myanmar. For instance, while Urban et al. move to address knowledge gaps by analyzing trends across the region, as well as assessing the indirect impacts, there is the overlooked but important issue of how civil society's responses have shaped and been shaped by the specific histories and the broader xenophobic/anti-Chinese discourses within the current landscape of investment and development in Southeast Asia. Second, their framework also focuses on the motivations and impacts of China alone, and not the motivations or impacts for Southeast Asian countries like Vietnam to partner with Chinese investors in the hydropower sector. Third, and building on this privileging of China's motivations, although the framework authors acknowledge the importance of power relations, these relationships are not considered within their analysis. Within this paper, we consider public responses, the motivations of Southeast Asian countries, and impacts.

Building on a political ecology approach that considers the multi-scale context of increasingly trans-boundary investments in hydropower within the region and their implications for the livelihoods of residents in the river basins (Dao 2011, Lamb 2014, Sneddon and Fox 2006, 2007, Baird 2009, 2011, Bakker 1999, Hirsch 1996, 1998, 2007, 2010, Noam and Deetes 2007), we examine two cases. The first is investment in Vietnam's hydropower sector, with an examination of more difficult to document investments in the form of increased labour, equipment, construction, and bidding. Second, in Myanmar, we consider the broader context of expanded hydropower development in the country, with attention to the Hatgyi dam proposed on the Salween River near the Thai-Myanmar border. By providing both a broader national scale of assessment and historical and political context for these investment trends in hydropower, the paper will contribute to a better understanding of China's investment in hydropower in these countries.

In the case of Vietnam, for instance, the motives for China to invest in hydropower are framed  
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differently from, for instance, Laos or Cambodia. China does not import electricity from Vietnam, but rather the reverse is true – Vietnam purchases electricity from China. In terms of political responses to Chinese investment, the response in the hydropower sector has been rather limited, although Vietnam has also seen increasing anti-Chinese sentiment of late, particularly around the South China Sea conflicts. We identify that this lack of public acknowledgement or engagement is potentially related to the ‘informal’ nature of these investments.

In Myanmar, while the media continues to publicize the increasing Chinese investment in the country, particularly in hydropower, at the same time, xenophobic, anti-Chinese sentiment is increasingly seen across the country and in media coverage. This is perhaps most notable in the lead up to the government’s decision to stall the Chinese-backed Myitsone dam proposed near the headwaters of the Irrawaddy River. As *Chinese Dialogue* notes, “At a popular level, anti-Chinese resentment abounds. [Many residents have] said they felt the Chinese had trampled over local interests, propped up the unpopular military regime and pillaged the country’s natural resources.” We consider the overall situation in Myanmar, including specifics of the case of the Hatgyi dam, a Chinese-backed project with a “Thai face,” and the role of China’s investment according to the limited economic data that is presently available.

In the next section, we explain our case selections, their significance, and the methods used.

## Methodology

We conducted this research into Chinese investment practices and perceptions in Vietnam and Myanmar’s hydropower sectors, because of our previous doctoral work (Dao 2012, Lamb 2014) and our work/research experience in the region. Within the national context of our two cases, China is heavily involved and invested in hydropower development. In Vietnam, Chinese institutions are currently involved in almost all Vietnamese hydropower projects either as contractors (designers, constructors, or equipment suppliers), investors, regulators or financiers.<sup>6</sup> In Myanmar, Chinese FDI accounts for the majority of investment in the power sector, with 56 projects proposed, under construction, or completed (International Rivers 2013). Sinohydro, a Chinese company, is singularly linked to 17 of these projects. As one Chinese commentator points out, Sinohydro’s projects in Myanmar account for one in eight of all Sinohydro’s projects outside of China, highlighting the importance not only of Chinese investment to Myanmar, but of Myanmar projects to Sinohydro (China Bystander 2012). We argue that consideration of these different cases will provide nuance and understanding of the multi-faceted links to Chinese investment in the region.

To examine these investments, we investigated the details of Chinese hydropower investment in Vietnam and Myanmar, as well as the discourses and perceptions of Chinese investment in the region through an analysis of newspaper articles. Based on our professional experiences in NGO advocacy, and our participant observation at civil society network activities (in Myanmar/Thailand in March-April 2014 by Vanessa Lamb, in Vietnam May- July 2014 by Nga Dao), we also examine and discuss the perceptions of Chinese investment by those who are advocating for better governance and civil society participation in hydropower development. In addition, we examine newspaper articles in English (including *Bangkok Post*, *Vietnam News*, *Wall Street Journal*, and the *Guardian*)<sup>7</sup>, and Vietnamese (*Thanh Nien*, *Dantri*, *Vietnamnet*) on Chinese investment. Our analysis focuses on coverage of Chinese investment to draw out themes (descriptive and thematic) in the way that Chinese investment is presented in the media and on the ground.

As a complement to this analysis, we also provide detailed research carried out on the investments and governance processes surrounding the two projects in order to tease out both the discrepancies within the

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<sup>6</sup> Interviews with staff from the Institute of Energy Research on 5 July 2014.

<sup>7</sup> Thai language papers (including *Matichon Daily*) were also reviewed but were not of significance for our overall analysis.

media coverage and the potential opportunities to identify similarities/differences across the two cases, and then examine what this contributes to our understanding of broad trends already identified. We want to acknowledge that we present the cases with different focuses: in the case of Vietnam, we provide more of an overview of the historical relationships, while in the case of Myanmar we consider more contemporary investment trends as part of the post-2010 opening up of the country. This is not to discount either the historical or contemporary in either case, but due to limited space, to provide what are seen as the most significant contributions.

## Chinese investment in hydropower in Vietnam

At present, the Vietnamese government views hydropower development as a tool to alleviate poverty and accelerate economic growth (Dao 2011). At the same time, energy development has been used to solidify ties with neighbouring countries, such as China, and historically has mirrored broader political trends and relationships. While the focus here will mostly be on Chinese investment in hydropower in Vietnam, and the impacts and the narratives that are presented about it (both positive and negative), we also consider some of the broader changes as noted in order to more fully consider the motivations for Vietnam to partner with China for hydropower development.

In doing so, we present three key points: First, we consider the motivations and implications for Vietnam to purchase electricity from China, even in the face of economic loss. While China's investment in hydropower in the country may not be one of the top sectors, China is Vietnam's largest trading partner (HBF). Moreover, while China's role in hydropower may appear minor, China does supply equipment, workers and bidding for parts of larger contracts headed by Vietnam.

Second, we provide analysis of the less visible, more difficult to document flows linked to the contract bidding process and construction equipment and labour provision in Vietnam which are a significant part of the country's hydro development landscape. Third, we also consider the ways these investments are framed in Vietnamese media, flagging both concerns about what broad "anti-Chinese" narratives accomplish, but also considering the ways that local concerns around development in Vietnam may be mobilized through such narratives.

To begin, after Urban et al. (2013b), we consider the broader changes to the political landscape and their links to dam development, not as 'cause and effect' but as part of a solidifying of relationships and bilateral ties. Instead of focusing on China however, we consider Vietnam's motivations and historical political relationships.

As observers know well, the relationship of the two neighbouring countries has been through many different stages.<sup>8</sup> Since normalization in the early 1990s, China has increasingly engaged with Vietnam. Cooperation has been steadily increasing through various sectors including investment, trade, innovation, and aid. As the editor in chief of the China Research Journal, Do Tien Sam, asserted 'political leaders of both countries planned to maintain stable bilateral relations and promote cooperation' (Asean Investor 2014). This policy goes along with other geopolitical factors through which China is exercising power in the region, such as diplomacy, military issues, and disputes in the South China Sea. China's aim for economic cooperation is tightly linked to its trade ties and diplomatic policies. As part of making that relationship stronger, the economic cooperation "creates interdependencies" for Chinese imports and exports to China

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<sup>8</sup> During the Vietnam (or American) War, China supported Vietnam as a communist ally until the war ended in 1975. In contrast, there were multiple moments that China attempted to invade or control Vietnam (Dinh 1979). For instance, soon after the Vietnam War, China invaded Vietnam in the 1979 "border war"; the conflict resulted in closure of the border between the two countries and limited cooperation in any aspect between the two countries until early 1990s when the "normalization" period began.

with more advantage for the Chinese side (Urban et al. 2013b). For example, in terms of trade, Vietnamese imports from China have significantly increased 76-fold from 2004 to 2014 (BBC 21 Feb 2014). China is the largest import market for Vietnam, accounting for 25.3 percent of the total trade deficit in Vietnam (Vietnam Investment Review 2014).<sup>9</sup> Following this interdependency in trading and investing, the influence Chinese institutions have on political, environmental and social practices in Vietnam has also been on the rise. This not only creates diplomatic relations and increases bilateral cooperation, but also has increased the influence of Chinese institutions at other governance levels.

### ***China-Vietnam Electricity Trade***

When considering the energy trade between China and Vietnam, Vietnam's relationship to China is distinct from other GMS countries such as Myanmar, or even neighbouring Laos or Cambodia, and this is important to acknowledge when addressing motivations. For instance, Vietnam is emerging as regional leader in hydropower development, with its own investments in neighbouring Laos and Cambodia. In addition, while both Vietnam and Laos border China, and while the Laos government aims for the country to be the "battery" for Asia, in Vietnam, Chinese investors are involved not only in the development of new Vietnamese generators, but also in selling electricity to Vietnam for its own domestic use. Over many years, Vietnam has continued to purchase a large amount of commercial electricity from China in order to meet domestic demand. Mainly used during peak demand periods, electricity from China accounts for four percent of the total consumed electricity in Vietnam (Dantri 2014). However, the conditions of the sale continue to attract attention (Tordesilla 13 Aug 2012, Business Times 10 Aug 2012, Vietnam Net 17 Jul 2014, Tuoi Tre News. 29 Oct 2014).

In the past, when the domestic power generation was still limited, there were no questions or negotiations about the purchase, due to both demand and historical relationship between the two countries. The contracts were not necessarily seen as beneficial to Vietnam, but as "necessary" (i.e. Vietnam Net 17 Jul 2014), and included provisions that if Vietnam decided not to purchase the power from China as agreed, it would incur penalty. The purchase agreements contained other conditions as well; specifically, Vietnam has agreed to continue to buy electricity from China for a higher price than what was offered by domestic power producers. This occurred even during periods when electricity produced in Vietnam was abundant, at times when the local plants were not able to sell to the national grid (Tordesilla 13 Aug 2012, Vietnam Net 17 Jul 2014). One of the public's concerns is that the Electricity of Vietnam (EVN), the state-owned largest utility company, is buying electricity produced by domestic plants at just one third of the price paid to Chinese providers (Datviet 2014).

Interesting, considering the role of China and rising anti-Chinese sentiment, due to public concerns about price, the Vietnamese government has made available regular declarations to the public of the amount of electricity imports from China, and notices on days when "not a single kWh of Chinese-originated electricity was used" (Tuoi Tre News 29 Oct 2014).

### ***The Chinese role in Vietnamese hydropower: Equipment, workers, and the bidding process***

When considering the role of Chinese investment in the hydropower sector in particular, it is important to note that over the last two decades, more than a thousand hydropower plants have been approved in Vietnam (MOIT 2013). Even with this increase, however, there has been almost no systematic research on the effects of Chinese investment in hydropower development in Vietnam. The data are scattered, often informal and

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<sup>9</sup> Also see [http://www.bbc.co.uk/vietnamese/business/2014/01/140128\\_vietnam\\_china\\_trade\\_deficit.shtml](http://www.bbc.co.uk/vietnamese/business/2014/01/140128_vietnam_china_trade_deficit.shtml) Posted 28 January 2014, access 8 April 2014

even contradictory in some cases. Yet, while on the surface, many of the large hydropower projects in Vietnam may not be referred to as “Chinese” or receiving “Chinese investment” there are many ways that Chinese investors have been involved in the expanded hydro development in Vietnam, in addition to the purchase agreements mentioned above. This includes the less visible, more difficult to document, involvement of Chinese companies in bidding on large portions of EVN hydropower construction and other work (these projects can still be seen as EVN projects, but have Chinese equipment, construction, engineers, etc.). These are “less visible” because, even though Chinese companies are involved in construction of projects with different sizes, the majority of the projects have a capacity below 30MW. This makes tracking or documenting the investment difficult because government reporting on bidding/contracts awarded for small projects is not required.

In our analysis, we see that Chinese involvement in this sector has steadily increased over the last two decades. Chinese investors are often involved in one of three types of investment in hydropower. Specifically, this includes: project design, construction, and/or equipment provision.<sup>10</sup> Among the three types, equipment provision represents the largest sector. It is estimated that in general, Chinese companies provide up to ninety percent of equipment<sup>11</sup> for hydropower all over Vietnam.<sup>12</sup> For most of the projects run by Electricity of Vietnam, the largest state-owned utility in Vietnam, even though the Vietnamese companies are hired for design implementation and construction, equipment is provided by Chinese companies. Chinese companies are least involved in the designing stage, except for projects they implement as a package from design to construction and equipment provision. As noted earlier, based on the second author’s analysis it is estimated that Chinese companies provide up to 90 percent of the equipment for the overall hydropower sector in Vietnam.

With this, we would like to consider some of the key examples and narratives of Chinese investment in Vietnam, with a focus on local job creation, the reliance on Chinese workers in the hydropower sector, alongside the expected economic development and poverty alleviation benefits.

Standard assumptions around foreign investment, including work by Urban et al. (2013b: 317), identify “local employees and workers” as “beneficiaries” of Chinese investment in hydropower, assuming local job production (although Urban et al. 2013b do not provide any evidence or references to support these claims). At the same time, the authors note that worldwide, according to the World Commission on Dams (WCD 2000), “there is little evidence that the local population in developing countries, especially the poor, are beneficiaries of dam developments” (2013b: 317). While this runs in contrast to the Vietnamese government’s views on hydropower development as a tool to alleviate poverty, what we present here on employment and job creation in the hydropower sector supports the WCD assessment. However, while we recognize that a large number of foreign workers would have local impacts, we are also concerned about the xenophobic narratives of Chinese workers presented. A study by HBF on Chinese investment in the natural resources sector in Vietnam, Cambodia and Laos also presents similar caution:

The question of Chinese ethnicity is a complex and sensitive subject, with millions of people who were born and raised in the three lower Mekong countries claiming Chinese heritage. Vietnam, naturally, carries the collective memory of China as a historical colonial power. ...  
The divergence between the perspectives of the elite and the grassroots on the growing

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<sup>10</sup> There are two types of equipment: First, generating equipment (including generators, turbines, etc.) and still house (including valves, gates). The second type is linked to hydropower construction. Even though Chinese investors are involved in construction of projects with different sizes, many of projects have a capacity below 30MW.

<sup>11</sup> The two types of equipment are key, a) generating equipment, such as generators, turbines, and b) still house, including valves, gates.

<sup>12</sup> Interviews with officials from Electricity of Vietnam, July 2014.

influence of China presents considerable challenges for Cambodian, Lao and Vietnamese leaders (HBF 2008: 3).

In Vietnam, the reliance on labourers from China, rather than local workers, has indeed been criticized locally. Since 1975, Rigg notes that in general, scholars are inclined to talk about the "Chinese community" in Vietnam as a problem for authorities (2003: 97). Example headlines of late include, "Chinese workers upsetting balance at central Vietnam commune" (Thanhnie News 18 Jun 2013, reporting on one hydropower project in central Vietnam) and "Illegal Chinese workers told to submit papers in southern Vietnam" (Thanhnie News 17 March 2014). The latter is one of among many headlines that focus on the workers' ethnicity *and* legal status (Thanhnie News 9 Oct 2014, Thanhnie News 1 Apr 2014).

Their legal status is of significant concern. Tens of thousands of Chinese workers at all levels of skill have entered Vietnam to work on projects that Chinese investors won the construction bidding, including those with and without working permits. Vietnam's labor ministry released a report in August 2012 indicating that approximately 33 percent of over 77,000 foreign workers in Vietnam are working without permits (Thanhnie News 18 Jun 2013). Many have entered Vietnam by tourist visa and stay to work on construction sites. The preference to hire Chinese nationals who are "more used to long hours of work" expected by Chinese managers is attracting similar attention. In addition, company practices lead to discontent in communities that believe that Chinese companies are not contributing enough to increasing local employment and strengthening the local economy. In Dong Giang district, Quang Nam province in Central Vietnam, a "Chinese village" was established by Chinese workers who came to work for Za Hung and Song Kon 2 hydropower projects.<sup>13</sup> In these two hydropower projects, Vietnamese workers were considered less competitive and in a "marginal position" in their own hometown. This created tensions locally, and it was reported that the Vice Chairman of the District People Committee of Dong Giang district directly stated his concerns, noting that, "Before the project started we asked the investor to give priority to local workers. They agreed and hired just a few local workers. Compared to the number of Chinese workers in these projects, the number of local worker is insignificant" (VNTD News 8 May 2009).

While the presence of thousands of workers is obviously of concern, particularly considering the Vietnamese government's goals of "poverty alleviation" for local people, media portrayals and reporting on undocumented migrant workers from China is completely xenophobic, emphasizing and homogenizing ethnicity or nationality over other details. The anti-Chinese rhetoric has intensified since May 2014 South China Sea protests, which saw thousands of Chinese workers flee the country (Banyan 18 May 2014, Mullen 19 May 2014). However, these anti-Chinese narratives are also seen above in the report on the "Chinese village" (VNTD News 8 May 2009), or the *Thanhnie News* piece titled above, of which the first two lines of the article read, "Illegal Chinese workers at a hydropower plant project in central Vietnam's Quang Nam Province have disturbed the peace by attacking local residents. One of the workers also abandoned his pregnant Vietnamese girlfriend" (18 Jun 2013). Such reports may seem strange or even innocuous, but they perpetuate a narrative that links 'disturbance,' 'attacks,' and 'abandonment' to 'illegal Chinese workers'. While there may indeed be concern for both the Chinese and Vietnamese labourers working on hydropower construction, the moral judgements are reserved for the Chinese as a homogenous group. Moreover, no attention is given to the 'illegal' workers' precarious situations. Even in a recent construction accident at the Thuan Hoa hydropower in northern Vietnam, which saw three workers dead and one injured, the focus was on the ethnicity of the workers rather than on the labour conditions (Tuio Tre News 22 Jan 2015, Thanhnie News 22 Jan 2015). In fact, very little is known of the labour conditions, even in these exceptional situations. This makes us reconsider both what this accomplishes and what else is being presented in such narratives.

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<sup>13</sup> Once these two projects are complete, reports note that the workers will move to the other hydropower projects in the Central region already in the pipeline.

There have been suggestions by various individuals and institutions that in order to prevent Chinese workers from entering the country and workforce, it is necessary to have regulations implemented by the Ministry of Construction to only allow foreign (namely, Chinese) bidders to win less than 50 percent of total value of the project. There is also pressure for better monitoring mechanisms to mitigate problems caused by Chinese contractors (Vietnamnet 23 Jul 2012). While this may appear as a pragmatic solution, and may address the “different kind of investment package that China brings to the table” (HBF 2008), the focus on “Chinese” contractors and bidders alone seems misguided. As we noted above, many Vietnamese companies and projects rely on workers from China. Even in the case of hydro projects funded by the Asian Development Bank (ADB), Vietnam has seen an influx of Chinese workers. This includes the Song Bung 4 hydropower project in Quang Nam province, which in November 2013 received an administrative fine for illegally using Chinese workers at the project site (Dantri 26 Nov 2013).

At the same time, while there may be discontent and push for greater regulation, due to the political relationship between the two countries, the media has not actively covered such issues until very recently, making analysis of the situation more difficult. That there has also been no published research on the impacts of Chinese investment in hydropower in Vietnam, and with statistical data on the number of projects and the budgets hard to find, it makes this increasingly difficult. In contrast to Myanmar, which will be discussed next, no protest or demonstration against Chinese contractors or against the role of China in hydropower projects has actually occurred in Vietnam. However, there have been discussions that citizens are taking advantage of key moments – such as organizing around the South China Sea, to which the government appears sympathetic – to publicize either broader concerns or local tensions regarding Chinese investment in the country (Flannery 27 May 2014).

In brief, while Chinese investment in Vietnam has increased in the last two decades, we argue that there is also a need to examine the policies and less documented investments in hydropower that facilitate destructive development practices, such as large-scale hydropower, more broadly. Let us turn now to the case of Myanmar.

## **Chinese investment in hydropower in Myanmar: Overview and examination of the case of Hatgyi Dam on the Salween River**

To most observers it has been clear that since 2010, when Myanmar held their first democratic elections in decades, Myanmar has seen dramatic changes to the development and investment landscape, increasingly attracting foreign direct investment (FDI). In 2011 alone, the country attracted nearly USD 20 billion, “more than the previous twenty years combined” (Bissinger 2012: 24). More recently, following the Myanmar Investment Commission’s press announcement in October 2014, headlines read “Foreign investment figures highlight China’s dominance” (Mizzima News 29 Oct 2014). China’s FDI accounted for one-third of all FDI in Myanmar in 2013 (Song 29 Oct 2013), over USD 14 billion. If we consider all investments since 1988, then “China’s long-held position as the biggest investor in Myanmar” (Mizzima 29 Oct 2014) is supported by the government of Myanmar’s own figures indicating China has accounted for one third of all approved foreign investment since 1988.

As new opportunities for foreign investment in Myanmar have been heralded, concerns have also arisen about the relationship between these investments and human rights, the environment, and accountability. Concerns have also been expressed about whether Chinese investment was indeed increasing the way that it is has been portrayed.<sup>14</sup> These concerns paint a more complicated picture; not only of China “on the rise”

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<sup>14</sup> The MIC (Myanmar Investment Commission) excludes informal flows and some sensitive deals involving the military.

but, while it is easy to see how there has been a flurry of attention to the increase of Chinese investment, FDI has actually dropped since 2011.<sup>15</sup>

Even if we take the USD 14 billion figure for Chinese investment at face value, these investments have not been evenly distributed. Chinese investments have been mainly focused within just two sectors: power and extractives, and not towards tourism or manufacturing.<sup>16</sup> When considering hydropower investment, the last few years have in fact solidified the power sector as the top sector for FDI, and for China's investments: there are 56 Chinese-backed projects proposed, under construction, or completed in Myanmar (International Rivers 2013). Power and extractives investments have captured 86 percent of total FDI into Myanmar (IHLO 2014). The Beijing-based company Sinohydro, increasingly infamous for its role in building the Three Gorges Dam and its dam-building spree in Africa and the Middle East, is linked to 17 of these projects. As *China bystander* points out, Sinohydro's projects in Myanmar account for one in eight of all Sinohydro's projects outside of China, highlighting the importance not only of China to Myanmar, but of Myanmar-based projects to this company. These trends in the power sector, and in hydropower in particular, do tend to fit with the broader trend of increasing Chinese investment in Southeast Asia.

However, when we look more closely at China's "dominance" in this sector, it reveals the significance of the scale of the individual investments. For instance, energy development in the country includes proposed investments such as the USD 3.6 billion Myitsone project proposed on the Irrawaddy, and Salween River projects such as the USD 6-8 billion Tasang dam and the USD 3 billion Hatgyi hydropower project, to be sited in Shan and Karen States respectively. While the Salween projects have both Chinese and Thai investment, the Myitsone project was solely a Chinese investment. In terms of scale of investment, comparison with other sectors such as manufacturing show that those sectors attract smaller but more frequent investments (Bissinger 2012: 29). We note this in order to emphasize that these dramatic increases in investment as of late are not necessarily only due to increases in total investments, but are also related to the large scale of investments in the power sector. This also highlights the significance when single projects are postponed, as occurred with the Myitsone dam in 2011.

Accounting for the rise in foreign investment in Myanmar, many have pointed to changes since 2011, which not only made the investor climate increasingly friendly, including better banking and other improvements to infrastructure, but have also opened up more space for civil society participation and resistance.

As civil society space has increased, there has been a rise in anti-Chinese sentiments expressed across the country (Wong 26 Jan 2015, Parameswaran 7 January 2015, Walker 2014, Fuller 19 May 2014, Horton 15 March 2013). As one *New York Times* headline reads, "Resentment of China Spreading in Myanmar" (Fuller 19 May 2014). Discussions have focused on how Myanmar "has become a more difficult place for Chinese companies to operate" (*China Dialogue* 2014). Or, as Wong reports, in the increasing opposition to China's role, there are concerns by Myanmar business leaders that "Chinese companies last time didn't care about our people's vision" (Wong 26 Jan 2015). There has also been a shift in policy at the government level, with "western" investment described as more desirable by politicians and in the media. As seen in Vietnam, in Myanmar there are discrepancies between 'local' and 'elite' concern about China's role (Walker 2014, Wade 4 Dec 2012).

Local concerns stem from the controversies related to past Chinese investment projects such as Shwe Gas Pipeline Scheme and Letpadaung copper mine protests in 2012, which saw a violent and very public

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<sup>15</sup> Since the halting of the Myistone hydropower project, there seems to be a standstill in Chinese investment in the power sector. As noted above, this is related to the scale of investment and that the removal of one larger FDI power project such as Myistone (USD 3.6 billion) can alter the overall statistics substantially.

<sup>16</sup> According to Bissinger's account "China had USD 8.25 billion of approved investment in the fiscal year 2010-11 (which in Myanmar runs from April to March), all for projects in the extractive and power sectors" (2012: 23-24).

crackdown on monks who were calling for an EIA and better care for the local people (Burke and Win 29 Nov 2012, MacGregor 9 Jun 2014, Amnesty 2015).

As noted, the Chinese-backed Myitsone project is particularly important to consider here. The more than USD 3 billion dollar project was stalled in 2011, mainly as a response to broad-based resistance to it, which was itself linked to anti-Chinese mobilizations across the country. This was a great success for the environmental movement, but some have been concerned about the way that the opposition was mobilized using xenophobic, nationalist ideologies and narratives (personal communication with local NGOs and journalists in 2014). The project attracted concerns that “tensions have flared up among Myanmar people who believe their government is selling off the country’s natural resources to Chinese buyers without protecting the environment or local workers” (Spegele 3 Oct 2011). The narratives focused on the loss of natural resources to China, and tend to ‘nationalize’ resources, while overlooking histories of the oppression of ethnic minorities through development projects and militarization. It also obfuscates more fundamental concerns regarding the future of the country’s energy development, particularly around how to meet domestic use (much of the China-backed developments, or Hatgyi discussed below are for export) or how to make national or state-level environmental decision-making and governance more participatory and effective.

Walker points to the public nature of these controversies, and the apparent lack of adequate response from China or Myanmar officials: “In spite of these challenges – and the level of investment at stake – Chinese companies have taken little meaningful action to address concerns. Instead, their failures to appease local communities have made them a focus of protest for Myanmar’s conflicted and ethnically diverse population to rally around” (Walker 2014). This also points to concerns about local or national officials’ roles in environmental governance.

Public responses to Chinese investment in Myanmar have, similar to Vietnam, focused on the flows of Chinese workers, as well as on low environmental and social standards. Fuller explains that in Myanmar, local residents “complain of what they call unacceptable behaviour by the Chinese company and its employees.” For instance, as one resident explained, “Chinese workers are strangers... They don’t know our local customs. So we feel they are arrogant” (Fuller 2014). In the Hatgyi case, discussed below, this echoes one of the key concerns voiced by local residents about the prospect of the dam’s construction.

As already noted, media attention has been mainly negative, focusing on China’s lack of accountability, increased displacement of people, increased military conflict, and with an emphasis on the timing: project-related unrest and militarization are occurring at a time when peace and security is expected to be increasing (Mang and Yan 2013, Saw Eh Na 17 March 2012).

For example, Myitsone also received attention for “rekindle[ing] a 17 year cease-fire” (*China Dialogue* 2011). While increased militarization around development projects in Myanmar’s ethnic states is not necessarily limited to “Chinese” projects, some have speculated that an absence of safeguards and guidelines exacerbate the potential for conflict (Spegele 3 Oct 2011, Saw Eh Na 17 March 2012, Mang and Yan 2013). We do not include these concerns to reinforce anti-Chinese narratives, but this overview would not be complete without consideration of the public responses and concerns raised about Chinese investment. Overall, you can also see how this attention to China is having an influence (and being influenced), not only on the amount of investment but on the forms and methods of investing, but raises questions about broad based mobilizations on a xenophobic premise.

This is important for future investments in the country, as competition from other foreign investors is increasing, and far from predictions that China alone will increase its investments in hydropower – it remains an open question (Sun 19 Feb 2014, Mann 27 Jun 2014, Horton 15 March 2013). In addition, Thailand has not been far behind China (Khine 2008, Song 29 Oct 2013, Bangkok Post 29 April 2014). In fact, Thailand has a long relationship with Myanmar, with historic ties and more recent moves to be the “better neighbour” (Khine 2008). With Thailand as the second highest investor with nearly USD 10 billion (Bangkok Post 29



April 2014)<sup>17</sup>, anti-Chinese movements may provide a new opening for Thailand in Myanmar. However, we see very different responses to the two country's investments in Myanmar. While Thai investment has been met with "excitement" (i.e., Deboonme 20 Oct 2014, Kyaw and Win 28 Jul 2014) and seen as increasing regulation (as seen in the case of Hatgyi), the responses to Chinese investment are quite different as seen in the halting of the Myitsone hydropower project. Let us consider the Hatgyi project, which is proposed on the Salween River in Karen State, Myanmar and has investment from Chinese and Thai sources.

### *Specifics of the Hatgyi hydroelectric project, Salween River, Karen State, Myanmar (Burma)*

Within the broader context surveyed above, the Hatgyi hydroelectric project provides some interesting lessons and points for comparison. Hatgyi has been proposed as a large 1,350 MW hydropower dam, to be sited in Karen State, near the Thai-Myanmar border. It would be built on the Salween River (also known as the "Thanlwin" in Myanmar, "Nu" in China), which runs through China, Thailand, and Myanmar. The Hatgyi dam has not faced the same anti-Chinese movement as Myitsone or other projects on the Irrawaddy. It is considered more peripheral, although it has attracted increasing attention internationally, particularly from the Karen Diaspora (Simpson 2013).

At present, even though China's Sinohydro is the majority shareholder, Thailand is largely seen as the "face" of the project. This has been true for the Thai and Karen peoples along the Salween River who would be impacted by the project, and is a perception that has been reinforced in consultations carried out by the Thai EIA team with local residents (e.g. Saw Yan Naing 22 May 2013), and promises made by the Thai consultants and EGAT staff to these residents in 2010-2011 (Lamb 2014). The project has also been described as a Thai project more broadly in the media, and the international arm of the Electricity Generating Authority of Thailand (EGAT-i) refers to itself as the "project manager."

There is an additional element of this case that is important to consider. It was not until 2011 that China was said to surpass Thailand for investment in Myanmar; Vietnam was also a top investor in Myanmar at that time. This project not only sees a combined role for Thai and Chinese investors in Myanmar, but the majority of the planned electricity production is destined for Thailand, not China. According to the 2010 MoA, 90 percent of the electricity from the project will be sold to Thailand/EGAT; originally, the entire production capacity was to be sold to Thailand.<sup>18</sup>

This MoA was signed by Sinohydro, EGAT, Myanmar Ministry of Hydropower, and the Burmese company, IGE, with the original MoA for the project (agreed to in 2005) now being considered a "Pre-MoA". The two versions differ in several ways, including the participation of IGE and the allotment of 10 percent of electricity production for Myanmar in the 2010 contract.

Regarding the actual character of the investment from China and Thailand, there are very minimal details available, as others scholars have encountered in this kind of research (Urban et al. 2013a: 258). In fact, very few details of the investment terms and the overall project are publicly available – even the environmental impact assessment (EIA) completed in 2008 was not released publicly, having been declared a "state secret". This is a point of tension for many who have followed the project, particularly because this goes against international standards, and there has been much work to advocate for the public release of these documents.

We consider the MoA document here, alongside some examples from the planning process, to highlight the impacts, concerns, and narratives around the project. Examination of the 2010 MoA illustrates a few key

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<sup>17</sup> Thailand is in second largely due to the large-scale investments in natural gas by the PTT Group.

<sup>18</sup> EGAT faces a potential conflict of interest in this case because the agency is both the producer and purchaser of electricity (Sukkmnoed 2006).

issues, as the MoA includes reference to foreign workers and contractors (articles 3.2.1.3 to 3.2.1.8,) as well as to exemptions on taxes and duty for equipment coming from outside Myanmar (article 3.2.1.10). Overall, even in the early planning stages it is clear that there is an expectation that workers and equipment will be imported (MoA 2010: 6, Article 3.1.3).

Perhaps the most important, are the delineation of responsibilities detailed in article 3.4: “EGAT-I shall be the first priority for operation and maintenance of the Project at the reasonable price and SINOHYDRO shall be the first priority for the Engineering, Procurement and Construction (EPC) contract at the reasonable price.” This delineation and the mentions of foreign workers and contractors fits with more general trends of Chinese investment and involvement in hydro projects in Vietnam and internationally: the expectation for Chinese engineers, labourers, contractors, and equipment in the construction of the project.<sup>19</sup> This plan for foreign workers and contractors is significant in light of what many consider or highlight as the benefits of these projects, namely local job creation (Urban et al 2013b), and in the context of the Vietnamese case presented above.

The MoA also includes guidelines for development and resettlement, including a word-for-word reference to WCD (2000) guidelines, namely that “measures are to be taken so as to maintain the economical status not lower than their original status of the people as mentioned in the EIA who are moved [sic]” (MoA 2010:8, Article 3.1.4-f). However, concerns remain about whether the guidelines will be followed, and if they are followed, will they include compensation and resettlement allowances for undocumented or stateless people living along the border, denied citizenship from either state (Lamb *forthcoming* 2015).

As part of the planning process, there has also been, as noted above, an EIA carried out which was initially “finalized” in 2008 and then amended in December 2013.<sup>20</sup> The Thai consultants hired to conduct the EIA (Chulalongkorn University’s Earth Research Institute) also conducted stakeholder consultations in Myanmar. This is according to their own public statements and the draft copy of the 2008 EIA that I have reviewed privately.

As part of the consultants’ work, there was a second set of consultations billed as “information meetings” that were held in Thailand near the Salween River-border in 2010-2011. These meetings in 2010-11 were the result of a longer process of review under the “Hatgyi Subcommittee” of Thailand’s Abhisit government. When the Hatgyi Subcommittee was created in 2009, the project was being discussed as a kind of “model” for future development in the newly opening country (Lamb 2014). At this point, there was speculation that Thailand was actually the largest investor in Myanmar. As one of the early EIAs conducted in the country, the Hatgyi EIA and those who were part of carrying it out were also part of the conversations in drafting the Myanmar government’s EIA bill (BEWG 2011). There was an overall sentiment that the project would be an example of “good governance” (Lamb *forthcoming*).

However, by the end of the Thai-led consultation process, it was considered by some as a model of what *not* to do in environmental governance (personal communication with EIA committee 2011, 2014, International Rivers personal communication 2014). This was due to several factors: the process saw local concerns dismissed, and the project site has seen increased militarization by the border guard force during the stakeholder consultations. In our assessment, Chinese investment in the project was invoked in the consultation process in a very strange way. In the 2010-2011 meetings, while it was discussed that China was an investor in the project, “China” was only spoken about as a way to highlight the preferred “Thai way”. In an interview conducted with a member of the consultant team, who was also part of the Hatgyi subcommittee, as part of a broader discussion on the project’s development I was told that:

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<sup>19</sup> In contrast, EGAT’s duties include no reference to foreign workers, but focus on: master planning, field survey, investigation and design, and verification of the development plan.

<sup>20</sup> This amendment to the 2008 study included a survey of the impacts in Thailand; the original study only focused on the impacts in Myanmar even though communities in Thailand depend on the river for their livelihoods.

Well, it's not that I'm saying I support [Hatgyi dam], but we [implying: Thai people] have to look forward to a scenario that if we don't do it [build the dam], the other country [implying: another country, like China] will do it. I can say that it's not sure whether or not China will provide compensation such as school, hospital to Burma; we don't know. If we do it, we control it [environmental and social impacts] and control water levels; it takes money to do these things; so we also solve problems for Thai side; "those people" [villagers in Burma] will not have to flee here [Thai side] (May 2011 Interview).

Sentiments about China's role were reinforced by subsequent EGAT visits to affected areas. As reported in the *Irrawaddy*, "The EGAT delegation told the villagers that if Thailand does not help build the dam, China would step in to complete the project" and the deputy headman explained that, "We can do nothing, even we don't like [the dam] they will build it anyway. So, we told them that the authorities have to find a new relocation site for us and provide us with proper compensation," (Saw Yan Naing 22 May 2013). It is evident here that even as China invests in this project, Thai investors were relying on standard narratives and fears about China to push the project forward.

Reactions to Chinese involvement must be compared with perceptions about and public responses to Thailand's investment, which focused on, for instance, "better governance" in the case of Hatgyi being used as a model for future EIAs (International Rivers personal communication 2014; Lamb 2014).<sup>21</sup> Moreover, with Thailand as the "face" of Hatgyi, the project has received limited coverage and has not become a target of broad anti-Chinese mobilization.

What this brief explication of the Hatgyi case highlights is the significant role that Thailand plays, even with Sinohydro as the majority shareholder. Pointing out the manners in which different national investors are perceived, and how this shapes what happens and how advocacy and governance happens, matters. A predominate focus on only the role of China in Myanmar would tend to overlook the Hatgyi project, and the role of Thailand, as well as the role of local government and ethnic governments, as we draw out in discussion.

## **Discussion & Conclusion**

In mainland Southeast Asia, it is clear that a boom in hydropower dam construction is underway. This is despite the fact that large hydropower dams constructed in the region to date have affected river ecosystems and local livelihoods (Middleton, Garcia, and Foran 2009). Competing with Thai and Vietnamese hydropower developers in the region, Chinese companies have featured prominently, reflecting a global trend as China's hydropower industry expands overseas (McDonald, Bosshard and Brewer 2009). In the region, Chinese institutions are currently involved as contractors, developers, financiers, and regulators in over 100 hydropower projects, large and small, since 2000 (International Rivers 2013). Alongside this expansion, China's role in the politics of hydropower dam construction has been increasingly scrutinized by civil society groups, academics, and the media (Marks 2012, Bosshard 2009, Rutherford, Lazarus and Kelley 2008, Osborne 2006).

Considering the situation in Vietnam and Myanmar, we share this concern, while also cautioning against scholarship and arguments that perpetuate anti-Chinese narratives, which tend to simplify complex relationships by focusing only on ethnicity. What we present here is part of our efforts to consider the

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<sup>21</sup> See also: the case of Dawei concerns about Thai involvement taken to the National Human Rights Commission of Thailand (Oct 2014).

impacts of Chinese investments in hydropower in mainland Southeast Asia, and at the same time, turn a critical eye to pronouncements against the “Chinese straw man”. This matters because there is a need to recognize differences across the region, so we can better address them. We caution against reinforcing overly simplistic narratives of China as good or bad, and acknowledge that in many instances there are multiple investments at different stages of a single hydropower project. For instance, a single project like Hatgyi may receive technical assistance from ADB as part of the energy grid, while China may act as an investor for particular equipment, and Thailand provides EIA expertise. This emphasizes the multi-faceted nature of these investments in development, which operate at multiple scales.

Side by side, the situation for Chinese investment in hydropower in the two countries could not be more different. China is the major player in hydropower development in Myanmar. In Vietnam, while we highlighted the rise of imports and workers, and the trade of goods between China and Vietnam is of much greater significance than China’s FDI in hydropower in Vietnam. In fact, the Chinese role in energy development in Vietnam that has attracted more attention is the sale of China’s energy across the border. And while we build on insights gained from the rising powers framework, we also focus on the distinctions of our two cases of hydropower development in Vietnam and Myanmar. For instance, while Urban et al. move to address knowledge gaps by analyzing trends across the region, there is the overlooked and important issue of how civil society’s responses have shaped and been shaped by the specific histories and the broader discourses within the current landscape of investment and development in Southeast Asia.

What we see, in both countries, are increasing public expressions of anxieties, much in the form of anti-Chinese narratives which play on China’s historical, colonial relationships with mainland Southeast Asian countries, and that emphasize China’s ‘dominance’ and the uneven, and historically-situated, power relations.

At the same time, however, we are concerned about what an innate focus on Chinese investment overlooks. In other words, what do these anti-Chinese narratives accomplish? In the case of hydropower development, our concern is that focus on the “new” role of Chinese investors overlooks more foundational concerns regarding participation, environmental governance, and hydropower development, and also overlooks the role of Vietnam and Thailand, as national governments and private companies, in regional energy development. While there is hope that efforts to develop policies and guidelines to govern Chinese investment overseas will impact national policies abroad (HBF 2008), there is also a very important role for the laws and regulations of Southeast Asian states, both in terms of establishment and enforcement. What are the responsibilities of Vietnamese or Myanmar governments to their citizens in these scenarios? Moreover, while tacit approval for anti-Chinese mobilizations by governments in what are largely difficult contexts for environmental justice may allow for expression of additional concerns, it raises further concern for what is overlooked and possibly facilitated as a result.

In the case of Hatgyi, the first author would argue that a focus on China diverts attention from existing governance problems that may be more difficult to address within the country of Myanmar (not necessarily related only to “Chinese” investment, but are also seen in the role of Thai investors). In both cases, we also see how broad-based xenophobic fears – now evident across Southeast Asia – have been mobilized in the service of broader environmental concerns. We remain concerned that this reliance on xenophobia will not produce more socially just policies or governance systems.

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# Working Paper Series

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