

China, Japan, and Korea in Laos' Hydro Power Business Ventures: The Hydro-Hegemon Prevails

Michelle R. Palumbarit

Asian Center, UP Diliman

The Mekong region has witnessed 'old' and 'new' players in the development of the Mekong river basin since the conclusion of the Cold War. Of specific interest is the participation of the three Northeast Asian countries, China, Japan, and South Korea. Two interesting questions come into play and shall be answered in this exploratory research note. First, why and how do China, Japan and Korea participate in the hydro power projects in Laos? Second, what are the implications of their participation in the geo-politics in the Mekong region? This paper contends that the three countries are not only taking advantage of the economic benefits they can derive from developing Laos but also carving their own respective geopolitical influence in the country. Of the three, sources reveal that China exerts its own dominance in the Mekong region as the hydro-hegemon by 'overpowering' its challengers through its overwhelming hydropower projects in the country and through non-cooperation with Japan and Korea.

Keywords: hydro-hegemon, hydropower, Laos, Mekong river

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Corresponding Author

Michelle R. Palumbarit

Asian Center, University of the Philippines
Diliman

E-mail: mrpalumbarit@up.edu.ph

INTRODUCTION

The Mekong River Basin Development is considered to be the longest river basin development in the world. Interestingly, efforts in exploring and developing the basin materialized when the Cold War was brewing, particularly in the East Asian region. Numerous countries, including Asian countries like Japan, India, and the Philippines, provided financial and technical assistance to develop the said basin (Palumbarit, 2016; Palumbarit, 2017).

The end of the Cold War brought the 'old' players back to the Mekong river development. Among these are the three Northeast Asian countries of Japan, China, and Korea. Japan, through the Asian Development Bank (ADB), established the so-called Greater Mekong Sub-region (hereafter GMS) in 1992 and the Mekong-Japan Cooperation the following year. China, on the other hand, co-established the Quadripartite Economic Cooperation (QEC) or the Golden Quadrangle in 1993 with Thailand. Laos and Myanmar were its only members. It was not until 2011 that Korea also established its own initiative in the region, the Mekong-Republic of Korea Comprehensive Partnerships for Mutual Prosperity (Mekong-ROK COMP).

One great interest among the three in developing the Mekong region is exploring the hydroelectric generation capacity of Laos, a land-locked country, which is considered to have the most hydroelectric potential of all the Mekong countries. Of specific interest is the participation of three Northeast Asian countries, China, Japan, and South Korea. Two interesting questions come into play. First, why and how do China, Japan and Korea participate in the hydro power projects in Laos? Second, what are the implications of their participation in the geopolitics

in the Mekong region? This paper contends that the three countries are not only taking advantage of the economic benefits they can derive from developing Laos but are also carving their own respective geopolitical influence in the country. Of the three, sources reveal that China exerts its hydro-hegemonic dominance in the region by 'overpowering' its challengers through its overwhelming dam projects in the country and through non-cooperation in the said projects with Japan and Korea.

FINDING ONE'S PLACE IN THE MEKONG

The Qinghai-Tibet Plateau in China is where the Mekong River springs from. It then flows through China, Myanmar, Thailand, Lao PDR, Cambodia, and Viet Nam (Mekong River Commission, n.d.). Interestingly, on the Chinese border, the Mekong River is called Lancang. When it reaches downstream to the four riparian states, the river is labeled as Mekong. This demarcation is clearly demonstrated in the Lancang-Mekong Cooperation (LMC), a platform for cooperation for all riparian states which was founded by China. Simply put, Lancang and Mekong is just one and the same river. It is a critical resource for the socio-economic needs particularly of the lower riparian states. For Cambodia, the Mekong River gives water to Tonle Sap, the lake which provides fish and supports the irrigation of rice in the country. From the Tonle Sap, the water crosses the border to Viet Nam where it also plays a critical role in its agricultural economy. It is observed that the Mekong delta is responsible for almost half the rice production of the country (Tho and Umetsu, 2022:1). As for Thailand, the Mekong river is crucial for the



Fig. 1. Map of the Mekong River

Source: Wet land and Aquatic Resource Center, 2019 (<https://www.usgs.gov/media/images/lower-mekong-river-basin-0>)

agricultural development of its Northeastern region. In the least developed and landlocked in the region, Laos, hydropower poses the most fundamental resource for its economic development. It is greatly indispensable that according to Khy Tainglim, Vice Chairman of Cambodia's National Mekong Committee, it is like Laos' "oil or gold" ("Millions Face"; Palumbarit, 2016:50-51).

Various initiatives for developing the region have been created right after the Cold War era. Based on Table 1, economic development is the common denominator for all. This is not surprising as the region has rich natural, mineral and human resources, factors needed to fuel the economies of developed as well as developing economies.

Among the three Northeast Asian states, Japan was the first to become involved in the Mekong River's development. Its participation can be traced back to the beginning years of the Mekong Committee (hereafter MC) in the 1950s. It provided financial and technical assistance. Such assistance, unlike other powers, did not falter. Instead, it became more active and aggressive when it spearheaded the Greater Mekong Subregion (hereafter GMS) through the Asian Development Bank (hereafter ADB) in 1992. The GMS considers Laos "in a unique geographic position being at the heart of the GMS" (Bando, 2019) and that due to its hydropower potential, it "is playing a key role in efforts to enhance greater energy connectivity" (Bando, 2019). As noble as it looks, Yoshimatsu (2010) contends that such action primarily aims at balancing China's growing political and economic interests in the region.

China, being the upper riparian state itself of the Mekong Basin, has been aggressively pursuing its own interests in the region since the 1990s. In fact, it is explicit in its motive of developing its portion of the river by building more dams as a viable source of hydroelectricity. Compared with other initiators such as Japan, however, China was not as aggressive as they are in terms of forming initiatives in the Mekong basin until the second half of the 2010s. In 2016, it established the Lancang-Mekong Cooperation (LMC) as part of its "foreign policy of making friends and

Table 1. Mekong development initiatives

Project	Founding country/ institution	Member countries	Year formed	Area of interest
GMS (Greater Mekong Sub region)	ADB	Cambodia, China, Laos, Myanmar, Thailand, Vietnam	1992	Economic development
Mekong-Japan Cooperation	Japan	Cambodia, Laos, Myanmar, Thailand, Vietnam	1993	Economic development; cultural exchanges
ASEAN-MBDC (ASEAN-Mekong Basin Development Cooperation)	ASEAN	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam	1996	Economic integration
ACMECS-CLMV Ayeyawady-Chao Phraya- Mekong Economic Cooperation Strategy-Cambodia-Laos- Myanmar-Vietnam)	Thailand	Cambodia, Laos, Myanmar, Vietnam	2003	Technical assistance
QEC/Golden Quadrangle (Quadripartite Economic Cooperation)	China-Thailand	Laos, Myanmar and Thailand	1993	Transportation and tourism
LMI (Lower Mekong Initiative)	US	Cambodia, Laos, Myanmar, Thailand, Vietnam	2009	Integrated sub-regional integration
Mekong-ROKCPMP (Mekong-Republic of Korea Comprehensive Partnerships for Mutual Prosperity)	Korea	Cambodia, Laos, Myanmar, Thailand, Vietnam	2011	Economic and development cooperation
Lancang-Mekong Cooperation	China	Cambodia, Laos, Myanmar, Thailand, Vietnam	2016	Multifaceted cooperation

Source: Yoshimatsu, 2010; <https://www.mekongeye.com/2017/10/11/the-lancang-mekong-cooperation-framework- chinas-real-motivation/>

partners in the surrounding areas and fostering an amicable, stable, and prosperous neighborhood” (Diao, 2009). Until then, it was keen on engaging the riparian states bilaterally (Ho, 2014).

Korea has been trying to revive its involvement in the region. It should be noted that it provided aid both in cash and in kind during the first half of the 1990s to the MRC. Compared to other countries, particularly Australia, France, Germany, Japan, and the United States, Korea was not as active as the former in the development of the region in terms of funding and technical assistance. It was not until the second half of the 1990s that Korea started to actively pursue its own interests in the region through a focus on its bilateral relations with the lower riparian states of the Mekong. In 2011, the Mekong - Korea partnership was established and a Mekong-Korea Cooperation Fund (MKCF) was agreed in 2013.

LAOS IS AT THE HEART OF IT ALL

Among the six riparian states of the Mekong River, Laos has the smallest population and is one of the poorest with the GDP per capita of USD 2,626 as of 2021 estimate (ASEAN & Korea in Figures, 2022). Yet, it is blessed with the richness of the Mekong river. In fact, “more than half of the potential hydropower capacity of the Mekong Basin is in the rivers, streams, and lakes of Laos” (Weatherbee, 1997:174).

With a high rate of poverty but blessed with the abundant hydropower potential of the Mekong river, the Lao government has zeroed in on utilizing it to the maximum. It considers hydroelectricity its ‘gold’, or ‘oil’ and aims to become the “battery of Southeast Asia” (Schmeier, 2009: 34). Revenues from exporting it abroad could well provide the needs of its people. Moreover, by aggressively pursuing investments in this area, the government obtains a sense of legitimacy in the eyes of its people. These “large infrastructure projects are forms of propaganda, providing visible evidence of government actions towards the well-being of its people” (Williams, 2020: 12886). Furthermore, enticing other investors like Japan and Korea in the hydroelectricity sector is one strategic move to reduce its reliance on China and Thailand. As such, it “... welcomes new investors as yet another means to counter dependency besides the diversification of exports towards China and Vietnam” (Schmeier, 2009: 35).

According to the ASEAN-Korea Centre, from 2000 until 2014, hydroelectricity was the sole source of its energy production (ASEAN & Korea in Figures, 2022). Though it also ventured into coal after then, hydroelectric power still dominates its energy production. In fact, 30 percent of its exports is on the sale of hydroelectricity specifically to neighboring countries of Thailand, Vietnam, and Cambodia (IHA, n.d.). The Consultative on International Agricultural Research (CIGAR) observed that Laos “has the most planned hydropower dams in the Mekong River” (Geheb, n.d.) as of 2016.

HYDROPOWER, ECONOMICS AND GEO-POLITICS

It was in 2000 onwards when Laos announced its 6th Five-Year Plan that Foreign Direct Investment (FDI) rushed to the country. Of the three Northeast Asian countries, China invested the most in the country with a total of USD 559 million, followed by Korea with a total of USD 83 million and Japan with a total of USD 77 million from 2001 to 2012 (United Nations Conference on Trade and Development, n.d.). In 2017, Korea ranked the fourth largest investor in the country after China, Thailand, and Japan (Lindsay, 2018). In 2021, Japan and Korea were still among Lao’s major trade partners, but it was China that was on top. Next to Thailand, it was the top export and import country among the three (ASEAN & Korea in Figures, 2022). In terms of hydropower investments, China has also come on top.

As a co-riparian and with Laos as its next-door neighbor, geographical proximity is China’s strong advantage over other non-riparian states. China sees Laos in a “favorable position for cooperation” (Li, 2016) as they share a “common home”, and “drink the same water, water that nourishes without contention” (Li, 2016). Moreover, a



Fig. 2. Key statistics from the Greater Mekong Hydropower Map (July 2016)

Source: Geheb, n.d. (<https://wle-mekong.cgiar.org>)

similar political system also factors in in the equation of cooperation for “Beijing is also an important political and diplomatic supporter of those authoritarian states” (Radio Free Asia, n.d.).

It is observed that China invested the most in the electricity sector, more than Japan and Korea (Oraboune, 2010). Eager to develop its southwestern region, specifically the Yunnan province, it has invested heavily in dam projects in Laos, the country with the most hydropower potential in the region. In fact, it was, and still is, “involved in about half of Laos’ hydropower projects and poured at least USD 11 billion in development financing into the country, much of it for dam building” (Radio Free Asia, n.d.). In the existing sixteen hydropower joint projects with Laos, China co-owned seven where it has at least an 85 percent share for each (EDL-Generation Public Company, n.d.). In 2016, seven of its projects were completed and it planned to have twenty-eight more finished between 2020 to 2030 (Radio Free Asia, n.d.).

Japan, on its part, funded the Nam Ngum Dam, the very first hydropower project Laos had. It loaned a total of 5.19 billion yen to it in 1974 and 1978 (Mekong Watch, n.d.). In 1996, it also funded the Nam Leuk Hydropower plant through a loan of 3.9 billion yen (Mekong Watch, n.d.). Aside from that, it also contracted the Nam Song hydropower plant that started to operate in 2012 (Inclusive Development International and International Rivers, 2019).

Unlike China and Japan, Korea’s investment in the hydropower projects came much later. In 1993, Daewoo E&C partnered with Laos and Thailand in constructing the Houay Ho dam. In 1994, Korea further ventured into hydro power projects in Laos when “Dong Ah Construction, a Korean conglomerate, began exploring the possibility of

dam development in the Xe-Pian and Xe-Namnoy watersheds that would supply electricity to Thailand” (Inclusive Development International and International Rivers, 2019). In 2003, Korea signed a Memorandum of Agreement (MOU) with Laos on the building of Xepian-Xe Namnoy hydropower plant and loaned it about USD 11 million (OpenDevelopment Mekong, 2015). . It was not Dong Ah Construction but the SK Engineering and Construction Company (SKEC) and the Korean Western Power Company (KOWEPO) that ventured into this project (Mekong Watch, n. d.). Unfortunately, the dam collapsed in 2018. It is reported that there were 71 people dead, 7000 Laotians displaced in Attapeu and 15000 Cambodians affected in Stung Treng Province of Cambodia (Inclusive Development International and International Rivers, 2019).

CONCLUSION

From trade to investments in hydropower in Laos, China is without question on the top of the three Northeast Asian states, and dwarfs Japan and Korea in these areas. It can be observed further that it exercises not only its economic hegemony via trade and FDIs but also its hydro hegemonic dominance in this area over the other two players. It is co-owned and has invested in most hydropower projects in the country. In its quest for an alternative source of renewable energy, it is no surprise to see it building and planning more dams in the country. More interestingly, without any trace of partnering with Japan and Korea in this kind of investment projects, China seems to exclude them in the region. The message is crystal clear: China, the most powerful player in the Mekong basin, does not, and will not, tolerate any challenger in this part of the world.

Despite the socio-cultural and environmental repercussions of these dam projects such as the case of Xe-Pian and Xe-Namnoy, the international community will not see a reduction, to more of these kinds of investments in Laos in the near future. More than ever, China is leading the way. Though it claims to strongly support poverty alleviation and sustainable development in the Mekong basin, the environmental impacts of its dams not only in Laos but also to the rest of the Mekong countries have already caused alarm. How sustainable these projects are remains to be seen.

To further deepen the understanding of China's, Japan's, and Korea's involvement in Laos, it would be interesting to examine their participation in the hydropower projects in other Mekong countries or other river basins where China is also considered a riparian state. This includes Brahmaputra, Irtysh, and Ili rivers. By the same token, identifying not only the environmental impacts but also the geopolitical implications of their hydropower investments can help us better understand why and how these three states behave in competition and/or cooperation with each other. It would be an interesting query worthy of further exploration to analyze if China also exerted hydro hegemonic dominance in these regions, as it has shown in Laos.

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