



## CHAPTER I

### INTRODUCTION

#### 1.1 Background to the Study

The Mekong River Commission (MRC) was established in 1995 by the four lower riparian governments of Laos, Cambodia, Vietnam, and Thailand and builds on over forty years of institutional cooperation in the area of transboundary management within the Mekong Basin. The MRC helps to promote and coordinate the sustainable management of the Mekong's resources in the lower Mekong basin, while the Mekong Agreement serves as the legal instrument from which legal rights and responsibilities are derived. Despite a long institutional history of Mekong cooperation between the Lower Mekong Basin states, China (and Myanmar) has remained outside the framework.

There are many reasons why states cooperate over common agendas. A realist perspective suggests that states are guided by the concept of national interest regarding exploiting natural resources for economic development. States will cooperate when the perceived benefits outweigh the costs of compliance. Some states have more capacity to exploit shared resources over others based on their geographic position and relative power. This is perhaps a simplistic view, as there are domestic, as well as external factors that influence a state's national agenda, which can shift according to changes within the domestic or international environment (Elhance, 1999; Sadoff & Grey, 2005). The decision-making process is considerably complex for all countries as actors and agencies are pitted against each other, with some interests overriding others. For the Lower Mekong Basin states, the particular political and economic context of Cold War politics was a primary driver for states to cooperate early on over water, as cooperation in the area of water was deemed to have spill-over effects to other areas of high-politics. Historical ideological divisions between Communist China and the western-backed Lower Mekong states precluded China's involvement. With the end of the Cold War in 1991, and emergence of new

basin-wide challenges – for instance, burgeoning populations, expanding market-driven orientations, and increasing energy needs --cooperation over developing the Mekong's resources has taken on a new emphasis within the basin. Indeed, the Mekong River plays an increasingly important role in the economies and social life of each of the basin states, with each state deriving different level of risks and benefits based on the prominence of the river within the economic, political, and social life of the State. For instance, the Mekong River plays an important role in promoting economic security by way of irrigation for agriculture, hydropower development, and sustaining subsistence livelihoods, to name a few. Economic security is a key feature of a state's national security. Changes within the political economy of the basin create new security issues as multiple interests compete for the Mekong's shared resources. China has begun developing the upper portions of the Mekong River. As these developments have the potential to change the quantity and quality of downstream flows, China's development requires a more in depth look on the possibilities for conflict or cooperation in the basin.

## **1.2 Why the Need for Cooperation between the MRC and China?**

China has undertaken major development projects along the main stem of the Mekong River, including dam construction and channel clearing for navigation. Over the past few decades, China has witnessed unparalleled growth, which has created serious environmental stresses, not least of which are acute electricity shortages in the eastern provinces of China, and water shortages in the north. At the same time, China faces increasing economic disparities between its industrial eastern cities and more agricultural western provinces. The Mekong River (known as the Lancang River in China) now features as an important part of China's economic development agenda (See Map 1). The Lancang River drops 1,780m in elevation as it snakes through Yunnan Province, giving the region an estimated annual "hydropower generating capacity of more than 100 terawatt-hour (TWh), slightly more than that of Laos, and between two and 20 times more than that of the other four Mekong countries" (Magee, 2006, p. 29). Magee suggests that an average of 80 TWh per year would be needed to power Guangzhou, Shenzhen, Dongguan and Kunming combined (Magee,

2006, p. 29). Not surprisingly, China has launched a plan to build a series of 8 cascade dams to tap into this potential. China has already constructed two dams on the main stem of the Lancang River, with two more in the building stages, and four more proposed for later development (Magee, 2006; Dore, 2004; Osborne, 2004). China has also embarked on a channel blasting project, along with Myanmar, Laos, and Thailand, to expand cross-border navigation from Simao to Louangphrabang. The first phase of what was to be a three phase plan, blasted eleven rapids to allow vessels of 100-150 deadweight tons to travel the river. The last phase, which has been suspended, would allow ships of up to 500 deadweight tons to pass along the Lancang-Mekong.

Map 1: Map of Southeast Asia



*Note.* From M. Osborne, 2004, *River at Risk: The Mekong and the Water Politics of China and Southeast Asia*, Sydney: The Lowy Institute. Copyright 2004 Lowy Institute.

China has been reticent about cooperating with the Lower Mekong states, and has not included, nor notified, the MRC regarding its development projects. MRC Members, most notably Vietnam and Cambodia, have raised concern that the plans will disrupt the normal flow regime of the river, which provides important silt and other nutrients for fertile agriculture, and serves as an important spawning ground for over 90 percent of the species of fish found in the river. As nearly eight out of ten who live in the basin live in rural areas and rely on the river's ecological system for



their livelihood, either through fishing, agriculture, or river bank cultivation, a disruption of the river could create national security issues.

China as headwater State has not needed to include its downstream neighbors in its decisions regarding its sovereign right to use water resources within its territory, especially as China's available supply of water cannot be affected by downstream actions. However, China's development behavior may have effects downstream as it can, through the use of dams and other development projects, regulate the flow of water for its downstream neighbors. China's position on the river is of particular importance especially as its own development needs expand. International rivers create economic, political, environmental, and security interdependencies between states where the shared nature of the resource ensures that divergent interests and demands on the river have an inevitable impact on other riparian states' ability to use the same resource. Indeed, water not only plays a key role in nearly every function of life from basic health to irrigation and food production, but is also crucial for economic trade and development in terms of generating energy through hydropower development, and serving as a navigable trade route for new export markets.

Given the multiple uses of water, unilateral development of shared resources within this interconnected environment can create conflict for both downstream and upstream states as it creates negative externalities in the form of diminished water supply and increased tension within the basin as states 'securitize' water by elevating water-related issues to higher levels of political engagement. Something is securitized when a securitizing actor, "either an affected riparian state with a strategic interest in a given international river basin, or a lead actor that is not a riparian state" elevates an issue, or the "perception of economic and social stability by the political elite of a specific riparian state with a strategic interest in a given international river basin" in order to mobilize resources towards securing those interests, usually through political or military means (Turton, 2003, p. 29). Securitization may also include lower level activities such as securing shared resources for unilateral use.

Unilateral development creates negative externalities for other states as resources are extracted and no longer available for other states to use. This leads to over-utilization of resources, which can lead to uncertainty, and tension within the basin, as well as cause adverse ecological impacts that could negatively impact on the economic and social functions of the river. River basin organizations like the Mekong River Commission promote the joint-management of shared resources in order to mitigate conflict and promote the sustainable use of the basin resources. Efforts to regularize basin management has led to the concept of Integrated Water Resource Management (IWRM), which is a process that “promotes the coordinated development and management of water, land and related resources in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems, and emphasized that water should be managed in a basin-wide context, under the principles of good governance and public participation” (GWP, 2006). Similarly, according to customary international law, states sharing a common watercourse must utilize international waters in an equitable and reasonable manner with a view towards promoting the optimal use and sustainable utilization in light of other interests towards those resources. As one state uses resources unilaterally, it creates uncertainties in terms of the quantity and quality of water available for use downstream, making equitable management of these resources difficult.

A holistic view towards basin management is particularly important within the Mekong Basin where sustaining the natural flood regime is crucial to the ecological functioning of the river and the service-related industries dependent on it. Perhaps more so than in other basins, development of the basin’s resources must take into the ecological balance of the river. The Mekong River Commission is the principle agency to implement IWRM within the Mekong River subregion. Its vision is to create an economically prosperous, socially just, and environmentally sound Mekong River basin.

For the MRC specifically, the lack of cooperation and information exchange with China complicates the MRC’s ability to plan and manage basin resources. The

1995 Mekong Agreement calls on states to promote the sustainable development of the basin, which includes protection of the ecological balance of the Mekong River Basin. These key functions of the MRC rest on accurate and reliable data. For instance, the Agreement requires members to negotiate terms for the utilization of the Mekong's waters based on the principle of equitable sharing and reasonable use of the water. In so doing, the Agreement requires establishing minimum flows and the natural levels for the Tonle Sap (Article 6), and the processes for establishing these rules are further identified in Article 26. Fluctuations in flow would impede the MRC's ability to establish minimum flow standards as required under the Agreement. Also, the Basin Development Plan's scenario building uses data collected on water flows to provide predictions on the impacts of various development projects. The Agreement also requires that members develop plans that take into account potential harm to other states. Article 5 specifies the conditions under which Members must inform other states regarding development projects, in order to ensure that projects do not adversely impact other riparian states. Cooperation with China is important in order for the MRC to carry out key functions and to ensure balance between economic, social, and environmental needs and interests.

The issue of cooperation over shared water resources comes at an interesting time for the region. Overall, the Mekong (known as the Lancang in China) has played a relatively minor role in China's national and foreign policy formation. The Mekong River forms only a small, relatively undeveloped portion of China. Regulation of the Mekong River held little importance, as evidenced by the fact that it falls within the jurisdiction of the Yangtze River authority, one of nine agencies created to manage China's waters. Similarly, the MRC has not featured within China's foreign policy agenda, unlike other organizations like the World Bank and Asian Development Bank, whose water-related development strategies include China. The MRC has not yet developed the institutional or organizational capacity to effectively manage the basin's resources, or translate basin knowledge into sound decision-support frameworks in order to facilitate the basin-planning process. This is partly due to a lack of political will on the part of the MRC Member states towards the principles of integrated water resource management. The MRC has had difficulty asserting itself

within the region as a credible and effective river basin organization. These issues, as well as China's upstream position, have helped marginalize the MRC in terms of China's involvement within the region.

However, the Mekong River plays an increasingly important economic role for China's domestic growth, as well as for providing hydropower for the downstream countries. More importantly, the Chinese Government has highlighted regional economic development and stability as important to its own economic security and growth. Positive relations with its downstream neighbors are crucial in this regard. Therefore, unilateral development may not be the best option to meet China's national interests in terms of economic development. China may need to cooperate with the MRC to mitigate tension and meet its economic needs.

### **1.3 Research Questions and Objectives**

Placing MRC and China relations within the context of a hydropolitical complex, this research seeks to answer: what is the current state of cooperation between the MRC and China, and, given the economic, environmental, and political dynamics of the basin, in what areas may mutual cooperation be pursued. By doing so, this research seeks to analyze factors that contribute to, or impinge, cooperation between China and the MRC. Special attention is devoted to China's role within the region, specifically the extent to which China's development goals for the Mekong River requires cooperation with the MRC.

In so doing, this research has the following objectives:

- To provide an analysis of the institutional and governance structure of the MRC
- To assess the current level of cooperation between the MRC and China in terms of formal and informal interactions



- To analyze the key hydropolitical drivers that influence cooperation between China and the MRC, looking particularly at why cooperation between China and the MRC exists in its current state.

#### **1.4 Research Methodology**

This research is based on the assumption that the continuum between enmity and amity is not static. Each state's perception of tradeoffs and benefits determine the extent to which they cede some aspects of sovereignty for collective cooperation over water. States adapt their interests according to the hydropolitics of the basin, or the specific economic, political, environmental, and social context of each state and of the basin as a whole. Increased economic integration between all riparian states, as well as growing regional involvement on the part of China may create areas for cooperation between China and the MRC within the Mekong basin. Purely economic cooperation that ignores the ecological balance and sustainable development of the river may diminish the role of the MRC in managing and promoting the equitable use and sustainable development of the river's resources, and may jeopardize the livelihoods of those living within the basin. The Mekong River development has taken on a new interest for all parties and the manner in which cooperation is carried out has important implications for the basin as a whole.

This study is derived from qualitative research, using a combination of in-depth interviews with officials within the MRC Secretariat, former National Mekong Committee Members, and China's UNESCAP division, as well as key informants close to the issue. Those interviewed were selected based on their expertise and relevance to the study. (See Appendix B) Personal interviews were conducted during field visits to Lao PDR, Kunming, China, and Bangkok, Thailand, as well as via telephone. A framework of open-ended questions was pre-established and standardized for each interview. (See Appendix C) These interviews supplemented information on cooperation between the MRC and China provided by several databases: 1) MRC website under "MRC News" and "publication/proceedings"; 2) Minutes of Dialogue Sessions (2000-2005); 3) Oregon State University's Basins-at-

Risk; 4) China's Embassy to Thailand website "speeches"; and 5) China's Ministry of Foreign Affairs website "official statements". These databases contain the most up-to-date information on cooperation between China and the MRC. Evidence of cooperation was categorized according to two criteria: 1) exchange of information, 2) informal or formal cooperation on common agendas.

Documents from the MRC database provided information regarding the current state of the river in relation to the development needs of the riparian states, quantitative data of fish stocks, and river flow. Secondary research provided by peer reviewed journals and within the MRC database "Mekonginfo" was used for a thorough review of the institutional history of the Mekong River Commission, and its predecessor, the Mekong Committee. The Center for Strategic and International Studies Quarterly E-Journal on East Asian Bilateral Relations provided additional information on China's bilateral and multilateral engagement within Southeast Asia, and with regional organizations like the MRC.

The combination of interviews and use of secondary database research provided a current perspective on cooperation between the MRC and China, and the factors promoting conditions of amity (cooperation) or enmity (impinging cooperation) between the two entities.

### **1.5 Scope of the Study**

The scope of this study focuses on two aspects: 1) the informal and formal interactions between China (Beijing) and the MRC (Secretariat, Joint Committee, the Council) from the period of April 1995 to July 2006; and 2) the specific hydropolitical dynamics of the basin from 1957-2006, looking specifically at political, geopolitical, and economic changes that have occurred within this period. These changes lend context toward understanding the interactions between China and the MRC.

The Mekong Basin comprises six sovereign states; however, this study focuses only on China and the MRC Member states of Lao PDR, Thailand, Cambodia, and

Vietnam. Additional research should include an analysis of Myanmar's role within the basin. Further, the study addresses the MRC and China as monolithic entities; arguably, China and the MRC are much more complicated to warrant such reductionism. Indeed, the decision-making structures for all the basin countries are variegated and complex, and involve multiple actors with competing agendas. The complexities behind state's and state decision-making limits any study analyzing causal factors behind cooperation or conflict to generalizations. This is made even more complicated as this research focuses on cooperation between the MRC, an organization comprised of four sovereign states and four national agendas, as well as China, a state with equally complicated decision-making structure. The MRC is the only transnational organization comprised of governments that has a legal mandate to manage the Mekong's waters. This is made manifest by the MRC's constituting document -- the Mekong Agreement. The State of China, as represented by the government in Beijing, has embarked on development projects along the Mekong that present a key challenge to the MRC's mandate, and to basin-wide management of the river. Therefore, these two entities -- Beijing and the MRC -- serve as the primary focus of the study.

### **1.6 Limitations of the Study**

This research is limited by the complexity of the decision-making structure within each state, as well as the multitude of internal and external factors that influence how state's perceive conflict or benefits to cooperation. For instance, China has nine water 'dragons' alone for water resource management. Further, water-related issues are guided not only by the State Environmental Protection Agency, but also the more development oriented National Development and Reform Commission. National line agencies within each MRC Member state also are important in this regard. These agencies represent only a small proportion of a nation's overall national agenda. Bureaucratic competition may be an important factor on how states draw conclusions about costs and benefits of cooperation. Also, donor interests, as well as, organizational politicking, push and pull state's into cooperative frameworks. This is particularly important as other agencies, like the ADB and the World Bank

emerge with water-related mandates. These issues influence relations between China and the MRC and warrant further study. Indeed, this research must go hand in hand with deeper analysis of the internal dynamics of each country that not only impede interactions between China and the MRC, but prevent the full implementation of the MRC Agreement. Finally, the sensitive nature of the topic restricted access to documents or to speaking with key decision-makers, thereby limiting the breadth of perspectives and information upon which to draw conclusions.

### **1. 7 Organization of Chapters**

This paper seeks to first provide a background to the benefits derived from cooperation. With this as a foundation, it then analyzes the institutional and organizational structure of the Mekong River Commission as the primary institution mandated to manage the Mekong's shared water resources. It then provides a basis for increased cooperation with China and then analyzes the current state of cooperation between the MRC and China. It then provides an analysis of the economic, social, political, and environmental factors that influence interactions between the two. It closes with an analysis of the potential impact cooperation may have on the MRC.

Chapter 1 provides an introduction to the topic, including the rationale of the paper, as well as an explanation of key concepts.

Chapter 2 provides a literature review and explores the concept of cooperation and the possible benefits to be derived from cooperating over shared resources. This chapter also outlines the theoretical framework for the research.

Chapter 3 establishes the geographic setting behind institutional cooperation in the region. It then reviews the emergence of the Mekong Committee and the Mekong River Commission. It ends with an analysis of the Mekong River Commission, including its institutional structure (i.e. rules and regulations), as well as the governance structure (i.e., the MRC organizational framework). Close attention will



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Chapter 4 establishes the basis for more cooperation by looking into China's development projects on the river and its interactions with the MRC.

Chapter 5 analyzes these interactions according to specific economic, political, social, and environmental dynamics within the basin that may influence interactions between China and the MRC. It specifically analyzes China's patterns of change in terms of economic development, its specific demands on resources in the region (including energy demands in the form of hydropower construction on the mainstream Mekong), and its regional/bilateral involvement with its downstream neighbors. It also looks at key drivers within the MRC that may influence cooperation.

Chapter 6 concludes by analyzing the context of cooperation and various benefits and costs derived from it