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EUROPEAN POLICY BRIEF

THE ROLE OF THE MEKONG RIVER COMMISSION IN REGIONAL TRANSBOUNDARY WATER GOVERNANCE: PROSPECTS AND CHALLENGES



In the last few decades Mekong River Basin has experienced rapid hydropower development. Mekong River Commission (MRC), a regional institution established by Vietnam, Thailand, Laos and Cambodia, was committed to enhance governance of transboundary water resources. Nonetheless, MRC faces many difficulties caused by ambitious plans of hydropower development, especially in China and Laos. Furthermore, Beijing decided to launch a new mechanism – Lancang-Mekong Cooperation – expressing its growing interest in transboundary water governance. Disagreements among member states and the growing role of China in the Mekong basin raise questions regarding the mandate of the MRC and the alacrity of players outside the region, like the European Union, to leverage China’s influence on water issues.

Michał Zaręba, November 2020

INTRODUCTION

The Mekong River Commission was established in 1995 under the international treaty called “Mekong Agreement”. Crucial steps for the creation of a new hydropolitical regime were the approval of a consultation process known as Procedures for Notification, Prior Consultation and Agreement (PNPCA). The PNPCA consultation should be launched to analyse the potential impact of hydropower plant construction on the mainstream with regard to the situation in neighbouring states before any commitments are made.

In the past decades, the Mekong River has been transformed from a free-flowing river into one tamed by numerous dams. In the mid-90s China completed the construction of its first large-scale investment, Manwan hydropower plant. In the following years, China’s water energy potential developed, and more dams were constructed, including foremost investments like Xiaowan dam, built in 2010 (4200 MW), and Nuozhadu, in 2012 (5850 MW).

The desire for economic growth prompted lower riparian states to develop their hydropower potential, too. Laos announced the construction of several dams on the Mekong mainstream, and numerous objects on tributaries. The PNPCA mechanism was applied for the first time but controversies among MRC states arose. Despite a lack of compromise, two projects were implemented, Xayaburi hydropower plant (1 285 MW) in October 2019, and Don Sahong dam (260

MW) in January 2020. Regardless of disagreements, the Laotian government decided to push forward and submitted further dam projects to the PNPCHA process.

China, which carried out most of its crucial hydroenergy investment in the Mekong basin, has increased its presence in Mainland Southeast Asia. Growing activity of Chinese companies stands in line with rising political engagement in the field of hydropolitics. Despite being a dialogue partner of the MRC, its new initiative, Lancang-Mekong Cooperation, was proposed and officially launched in March 2016 in Sanya, Hainan. The new mechanism under the Chinese umbrella and discords among MRC states have raised concerns about China's growing influence among numerous actors involved in regional hydropolitics regarding the effectiveness of the Mekong River Commission and its future role in the basin.

EVIDENCE AND ANALYSIS

The Mekong River Commission plays the role of a diplomatic platform where water issues can be discussed. **Water diplomacy** engages member countries but also facilitates cooperation with dialogue partners (China and Myanmar), which is expressed in organizing MRC Summits every four years since 2010. The MRC also creates a space for discussion under the Stakeholder Regional Forum (SRF), where all actors can raise concerns regarding the negative impact of hydropower plants and enhance transboundary water cooperation in the Mekong basin. SRF involves many external partners which are crucial donors for the MRC. Besides the US, the World Bank, Japan or Australia, the European Union and its member countries (mostly Belgium, the Netherlands, Luxembourg, France, Germany and Sweden) have been closely collaborating with MRC. The European Commission signed several agreements with the Commission since 2003 which guaranteed financial support. Moreover, the EU and member states provide technical support on developmental issues and climate changes and organize additional meetings with MRC twice a year in the margins of MRC Council and MRC Informal Development Partners meetings. Furthermore, the EU is involved in the Friends of the Lower Mekong (FLM) mechanism, a platform under the US-led Lower Mekong Initiative, launched in 2009 to coordinate developmental assistance of all MRC's donors (Soutullo, 2019).

The engagement of external partners facilitated the creation of a publicly accessible database on hydrological and socio-economic issues. The PNPCHA process also enabled the acquisition of detailed data on hydropower plants and their potential impact, gathered by companies involved in investments. Consultation mechanisms lead to discussions on alternative scenarios and pathways, which could include less harmful solutions for the environment. **Sharing knowledge** regarding hydrological situations in the basin is an important pillar of MRC activity. It facilitates achievement of the crucial goal of the Commission which is defined as maintaining and improving **water security** in the member countries. Nowadays the Mekong River Commission is facing heavy criticism despite many accomplishments in the past and must adapt to new circumstances in the basin.

The PNPCHA mechanism failed in relation to consultations over the Xayaburi and Don Sahong dams. Dynamics of hydropolitics in the region have changed since April 2011 when the PNPCHA came to an end, and after the unilateral decision made in November 2012 by the Laotian government to continue the construction of Xayaburi despite disagreements. Moreover, PNPCHA was additionally undermined by controversies over Don Sahong hydropower plant, initially submitted as a channel dam. Despite Laos agreeing to handle this project under PNPCHA, MRC member countries did not reach consensus on how to proceed with this investment and announced that the problem should be discussed at governmental level. The effectiveness of the MRC has been challenged by Laotian plans of building hydropower plants on the mainstream and revealed disadvantages of the PNPCHA mechanism (Grünwald, Wang, Feng 2020).

Institutional weakness of the Mekong River Commission is not only derived from problems with the implementation of the "Mekong Agreement" but is also connected with the lack of energy policy on the MRC's agenda. Furthermore, due to the strategic importance of hydropower development, the process of dam construction is highly politicized and can be pushed forward regardless of controversies. This problem was visible in the case of Laos, which authorized its Ministry of Energy and Mines to liaise with the Mekong River Commission, putting emphasis on the

hydroenergy component (Hensengerth 2015). The MRC has no right to arbitrate over territories of riparian states, and the lack of enforcement mechanisms can create situations where some resolutions are non-binding. The cases of the Xayaburi and Don Sahong dams disclosed that the influence of the Commission on decision-making processes is limited undermining its role also in the eyes of local communities and NGOs. This led to strong opposition against the MRC by civil society networks, like Save the Mekong coalition, which boycotted consultations over Pak Lay hydropower plant in August 2018 (Middleton 2018).

Failure in implementation of PNPCA, growing mistrust among member states, and accusations of marginalizing the role of civil society challenged the mandate of the Commission. Hydropower development on the mainstream resulted in growing pressure from donors to become a more self-reliant organization on the financial level. Limited aid launched the restructuring process called **riparianization**, understood as transition into a self-financed institution by 2030 (Gerlak, Haefner 2017). Nonetheless, MRC's partners still continue their financial support. The European Union granted aid under the Multiannual Indicative Programme for 2014-2020 to Mekong states (Laos – 207 mln EUR, Cambodia – 410 mln EUR, Vietnam – 400 mln EUR, Myanmar – 680 mln EUR) which is distributed through institutional assistance of MRC. Additional financial support (8.92 mln EUR) was approved in 2018 when EU and Germany signed an agreement with the MRC to boost cross-border water cooperation covering the period 2019-2021. Funding is dedicated to enhancing joint transboundary projects between riparian states and bolster the implementation of strategic plan for 2021-2025 (Soutullo, 2019).

New hydro-political reality opened space for China whose growing activity in the region under the Belt and Road Initiative is also visible in the hydropower sector. Since the Lancang-Mekong Cooperation was announced, China built a formal structure by organizing annual foreign ministries' meetings and creating institutions such as the LMC Secretariat, a Water Resources Cooperation Center, both set up in March 2017, and the Lancang-Mekong Environmental Cooperation Center, established in November 2017 (Middleton 2018). The creation of parallel organizations appears as China's general strategy to replace existing institutions with new structures under the influence of Beijing to reshape political order (Truong-Minh, Mayer 2018). The Lancang-Mekong Cooperation mechanism as a comprehensive initiative creates possibilities of cooperation at many levels. A wide range of incentives provides Beijing with effective leverage during negotiations over the water resources. However, there is no doubt that China's growing involvement in hydro-politics of the Mekong river basin increases the risk of MRC's marginalization, and can undermine position of its partners, like the European Union and the US.

POLICY IMPLICATIONS AND RECOMMENDATIONS

1. The greatest challenge for MRC is to maintain its own legitimacy while simultaneously collaborating with China under the Lancang-Mekong Cooperation. The mandate of the Commission was undermined regarding PNPCA implementation. Riparianization process poses a challenge for MRC member states because of possible lack of financial resources. Lancang-Mekong Cooperation led by China, appears as more powerful than the Mekong River Commission and its comprehensive attitude towards lower riparian states encompassing many fields of cooperation may further marginalize the role of the MRC. Nevertheless, the EU and the other partners of the Commission can continue technical and substantive support, and further participate in the Stakeholder Regional Forum to facilitate the riparianization process and PNPCA consultation.
2. The role of the MRC in producing and sharing knowledge on water resources can also be questioned because of the intensifying activity of China's actors shaping new narratives over the Mekong resources' governance. Nonetheless, Beijing's position can be challenged by the European Union providing more technical support for MRC. Activities of the EU could be based on the experience of European countries regarding mechanisms such as the International Commission for the Protection of the Rhine and Danube which engage the EU institutionally by applying EU's Water Framework Directive. Moreover, there is a space for bilateral cooperation between European and Mekong states under the UE-MRC coordination

in sharing knowledge on detailed issues, like collaboration between Vietnam and the Netherlands concerning river delta areas.

3. The Lancang-Mekong Cooperation should be considered as a part of the Belt and Road Initiative and a tool of China's policy towards Mainland Southeast Asia. China's companies seen as a proxy of Beijing are getting more involved in the hydroenergy sector and electricity transmission, which is another step to make countries like Laos or Cambodia, and organizations like the MRC, more dependent on China. The growing presence of Beijing can be contained to some extent by the strict coordination of joint actions between the European Union, and other external partners of the Commission. The EU and its member countries should cooperate closer with the United States and other international institutions under the Friends of Lower Mekong Mechanism to balance China's activity and its growing impact on transboundary water issues.

RESEARCH PARAMETERS

Competing Regional Integrations in Southeast Asia (CRISEA) is an interdisciplinary research project that studies multiple forces affecting regional integration in Southeast Asia and the challenges they present to the peoples of Southeast Asia and its regional institutional framework, ASEAN.

CRISEA innovates by encouraging 'macro-micro' dialogue between disciplines: global level analyses in international relations and political economy alongside socio-cultural insights from the grassroots methodologies of social sciences and the humanities.

Coordinated by the Ecole française d'Extrême-Orient (EFEO) with its unique network of ten field centres in Southeast Asia, the project brings together researchers from seven European and six Southeast Asian institutions, with three objectives:

1. Research on regional integration

Multiple internal and external forces drive regional integration in Southeast Asia and compete for resources and legitimacy. CRISEA has identified five 'arenas of competition' for the interplay of these forces, investigated in the project's five research Work Packages. It further aims to assess the extent to which they call into question the centrality of ASEAN's regional model.

2. Policy relevance

CRISEA reaches beyond academia to engage in public debate and impact on practitioners in government and non-government spheres. By establishing mechanisms for dialogue with targeted audiences of policymakers, stakeholders and the public, the project furthers European science diplomacy in Southeast Asia and promotes evidence-based policymaking.

3. Networking and capacity-building

CRISEA reinforces the European Research Area (ERA) in the field of Asian Studies through coordinated EU-ASEAN academic exchange and network development. It connects major research hubs with emerging expertise across Europe and Southeast Asia. CRISEA also promotes participation of younger generation academics in all its activities, notably policy dialogues.

PROJECT IDENTITY

PROJECT NAME Competing Integrations in Southeast Asia (CRISEA)

COORDINATOR Andrew Hardy, EFEO, Paris, France, hardyv25@yahoo.com.

CONSORTIUM	<p>Ecole française d'Extrême-Orient – EFEO – Paris, France University of Hamburg – UHAM – Hamburg, Germany University of Naples l'Orientale – UNO – Naples, Italy Institute of Social and Political Sciences – ISCSP - Lisbon, Portugal University of Lodz - UL – Lodz, Poland University of Oslo – UiO – Oslo, Norway University of Cambridge – Cam – Cambridge, UK Chiang Mai University – CMU – Chiang Mai, Thailand The Centre for Strategic and International Studies - CSIS – Jakarta, Indonesia Ateneo de Manila University – ADMU – Quezon City, Philippines University of Malaya – UM – Kuala Lumpur, Malaysia Vietnamese Academy of Social Sciences – VASS – Hanoi, Vietnam The University of Mandalay – MU – Mandalay, Myanmar</p>
FUNDING SCHEME	<p>H2020 Framework Programme for Research and Innovation of the European Union – Research Innovation Action (RIA) – Europe in a changing world, Engaging together globally</p>
DURATION	<p>November 2017 – February 2021 (40 months).</p>
BUDGET	<p>EU contribution: €2,500,000.00</p>
WEBSITE	<p>www.crisea.eu</p>
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