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The role of water in re-structuring China's security relations with Cambodia and Laos. What effects on the environment? By Oliver Hensengerth

LSE IDEAS

As China's population grows and the Chinese economy is booming, China is seeing an ever-widening freshwater problem. China notably has both water scarcity and water stress, sees rising protest against its dam-building programme, and the population is increasingly willing to demonstrate against the ongoing environmental pollution. This should make Beijing attentive to similar problems in countries of continental Southeast Asia, particularly as Chinese investment is exacerbating the environmental degradation in those countries.

In the continental Southeast Asian countries of Laos and Cambodia, inland fisheries are an important source of food security, providing around 2/3rd of the animal protein consumed by the local population. The Mekong River, including its tributaries and dependent lakes, is the most important source for this. Laos lies almost entirely within the Mekong Basin, and Cambodia's Tonle Sap – the country's most important source of fish – is dependent on the high waters carried by the Mekong in the rainy season.

With economic growth in Laos and Cambodia, food security comes increasingly into conflict with energy needs. Both countries see hydropower as crucial to their energy security. The Laotian government has also identified hydropower as major source of government revenue as it can be sold to neighbouring countries, in particular Thailand. Of the dams planned in Laos, nine are to be built on the Mekong. Four of these are Chinese-invested projects. The Cambodian government is currently operating and planning 23 hydroelectric dams. Two of the dams in the planning stage – Stung Treng and Sambor – are to be built on the Mekong River. Twelve of the 23 dams, including Sambor, are Chinese projects.

Investment by Chinese companies has surged since the launching of the Going Out strategy. It is subsidized by the Chinese government through export credits extended by the China Export Import Bank. As a consequence, Beijing is actively supporting the development of the hydropower markets of the countries at China's southern periphery.

This economic interest has a security component. The countries of continental Southeast Asia occupy a special role in China's security outlook. Since the erection of colonial empires in continental Southeast Asia – French Indochina and British Burma along with the enforced exit of Siam from the Chinese sphere of influence – the Chinese government has been alerted to the fact that the area can become a focus of external great power interests that use it as a platform to exert pressure on China.

After the Second World War, French and British colonialism was replaced by U.S. involvement in anti-communist containment politics. After the end of the Vietnam War, U.S. hegemonic interest was replaced by Soviet backing of Vietnamese expansion strategies into Laos and Cambodia. Therefore, as Zhao Suisheng has remarked, during the Cold War period China became accustomed to treating the countries along its southern border as a function of Beijing's relations with both superpowers.

The end of bipolarity also signaled a change in the Chinese security perception. A new focus on Southeast Asia enabled the development of policies designed to structure relations with the countries directly. The result was the so-called 'good neighbourhood policy' or 'periphery policy' of the early 1990s. Both countries' governments owe their existence to Vietnam at a time of increasing Chinese-Vietnamese alienation: the Laotian communists, who took power in 1975, were trained by Vietnamese communists; and the key personnel of the Cambodian government, including Prime Minister Hun Sen, Senate President and Chairman of the ruling Cambodian People's Party Chea Sim, and Speaker of the National Assembly Heng Samrin owe their rule to the Soviet-backed Vietnamese intervention in Cambodia in 1978 that ousted the anti-Vietnamese, pro-Chinese government of Pol Pot. Thus, Vietnam managed to entrench itself in Indochina and managed to temporarily block off Chinese influence in the area.

Today, both countries' links with Vietnam are decreasing in importance relative to links with China, for economic and security reasons. In the economic field, China is a source of tremendous economic advantage – exports, aid, investment, scholarships, human resources training, and military exchange. China has also become the largest investor in Cambodia and Laos – in 2010, Chinese investment replaced the long-standing Thai dominance in Laos (<http://asiapacific.anu.edu.au/newmandala/2010/07/20/china-the-largest-foreign-investor-in-laos/>). Chinese companies have significant economic interests in mining, plantation agriculture, textiles and hydropower. China is also the largest bilateral donor to Cambodia.

In 1997, after the Asian Financial Crisis, Beijing decided to bail out Laos – a development which has greatly improved the standing of Beijing's leadership in Laos and which proved to the Laotian government that the Chinese rather than the Vietnamese economy is a source of growth.

In the security field, the Chinese leadership has exerted pressure on Cambodia and Laos to defer to its security needs. The diplomatic pressure along with the increasing economic advantages generated through positive relations with Beijing has political consequences. In 2008, Laos' Prime Minister Bouasone Bouphavanh condemned the Tibetan uprising. The Cambodian government meanwhile was eager to close the Taiwan representative office in Phnom Penh in 1997 and has since repeatedly refused requests by the Taiwanese government to re-open a trade office.

The economic and political closeness coupled with the interest of Vientiane and Phnom Penh to develop the national water resources gives the Chinese government and Chinese companies tremendous influence. Chinese investments in hydropower are among the largest foreign invested projects in Cambodia. Sinohydro's investment in Cambodia's Kamchay Dam in Kampot province, agreed in 2006, was at US\$280 million the largest foreign-invested project in Cambodia at the time. Sinohydro was allowed to start constructing the Kamchay dam in the midst of the official approval process when the environmental impact assessment process was still incomplete. To supply the construction site, Sinohydro was also allowed to arrange for the construction of a separate road to be built alongside the main road that links Kampot to Phnom Penh. The purpose of the separate road is to connect the dam construction site to a quarry that supplies building material for the dam.

China's increasing economic influence begs the question to what extent non-Western norms become entrenched in the area. Looking at the environment, while the Laotian and Cambodian governments have been dragging their feet in implementing robust environmental impact assessment regimes, China domestically has made substantial improvements to its environmental laws and water protection policies. So far, a Chinese emphasis on non-intervention into a country's domestic affairs has prevented the application of Chinese environmental safeguards in Chinese foreign direct investment.

The intense debate on the environmental effects of Chinese companies has led to a publication in China in 2010, entitled *Environmental Policies on China's Investment Overseas Investment* (http://www.chinadialogue.net/book_roundups/show/single/en/3811-Environmental-Policies-on-China-s-Investment-Overseas-). The book was written in collaboration with the Ministry of Environmental Protection. This mirrors ideas floated by the Ministry of binding Chinese companies to Chinese norms, especially in countries that lack environmental regulation.

If the ideas come to fruition, this development would bode well for companies from OECD countries, which are bound by the OECD Common Approaches ([http://www.oecd.org/document/29/0.3343.en_2649_34181_46163165_1_1_1_37431.00.html](http://www.oecd.org/document/29/0,3343,en_2649_34181_46163165_1_1_1_37431.00.html)), that link export credits to environmental safeguards. Pending a positive development in China and a robust implementation mechanism that would for example link the granting of export credits to proof that environmental impact assessments were conducted, the binding of Chinese companies to Chinese environmental norms may well improve the environmental performance of Chinese companies abroad. While in the security arena, both countries seem firmly embedded into the Chinese sphere of influence, in the environmental policy sub-arena, the influence of China may generate positive results in countries that have become increasingly tired of Western paternalism.

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