

# MEKONG CONNECT

Volume 01, Issue 01, January 2019



# Chairman's Message

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As Chairman of the Asian Vision Institute (AVI), I would like to welcome you to AVI and this inaugural issue of Mekong Connect.

In an era of fast-changing regional and global geopolitics, Cambodia must cultivate adaptive and robust foreign policies to ensure that our strategic vision and tactical approaches remain ahead of the challenges presented by an evolving world order, typified by power contestation in the Asia-Pacific.

Capacity building and human capital will be more critical than ever if these challenges are to be met. Cambodia needs to invest in research capacity to have more informed foreign policy-making and develop a new generation of analysts and professionals capable of appreciating international trends as well as building trust and friendship around the globe.

To fill this gap, AVI has been founded to conduct academic and policy research in order to inform and propose practical recommendations for the benefit of Cambodia and the wider region. Multi-stakeholder dialogues on issues of national, regional and international importance are encouraged as Cambodia, and Asia more broadly, look for innovative ideas and well catered solutions to Asian challenges.

As an independent think tank in Cambodia, AVI is well positioned to capture and proliferate Asian paradigms of knowledge to help contribute to peaceful, inclusive, adaptive and sustainable societies in Asia. Cambodia has much to offer in this respect, and we, at AVI, seek to demonstrate this by promoting more active Cambodian participation as a stakeholder in the regional and global community. With emphasis on practicality and inclusivity, AVI will help Cambodia ride the tide of the Asian century.

H.E. Dr. SOK Siphana

Chairman of the Asian Vision Institute  
Senior Advisor to the Royal Government of Cambodia



*“As an independent think tank in Cambodia, AVI is well positioned to capture and proliferate Asian paradigms of knowledge to help contribute to peaceful, inclusive, adaptive and sustainable societies in Asia.”*

*H.E. Dr. SOK Siphana*



# Foreword

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Welcome to the inaugural issue of the Asian Vision Institute's Mekong Connect.

The Asian Vision Institute (AVI) aspires to be one of the top think tanks in Asia, providing rigorous academic research and analysis towards pragmatic and actionable policy solutions. With an emphasis on Asian knowledge and wisdom, AVI will champion the developmental and cooperative needs of our new global reality, where Asia is increasingly important.

It is for these reasons that this first issue of Mekong Connect, focusing on perspectives on sustainable and equitable cooperation on the Mekong/Lancang River, is emblematic of the newly launched AVI. Much like the nascent Mekong-Lancang Cooperation (MLC), which ushers in a new era of cooperative water resource management on the Mekong, AVI is well positioned to further paradigms of Asian knowledge to shape a common and shared Asian destiny.

This issue explores the conception, present status, and future hopes for the MLC from the perspectives of the Mekong River's riparian states. Considering the long, meandering history of Mekong governance frameworks, MLC is a modern initiative, launched only in 2014. Having quickly developed over the past four years, it has now become an indispensable part of the way we conceptualise Mekong River Governance.

MLC's rapid growth and gaining momentum merits analysis, and with any cooperative framework, can only be understood by aggregating its constituents. Through providing a spectrum of perspectives, we hope that this issue illustrates how individual voices coalesced in forming MLC, whilst also providing nuanced understanding of all the interconnected issues at play.

Mathew Bukit and Leng Thearith,

Mekong Connect Editors

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# The Indispensable Role of Intra-Asian Cooperation in Promoting Mekong Development

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*Sok Siphana*

In recent years, the Greater Mekong Subregion's (GMS) growth prospects and demographics have caught the interest of many investors from inside and outside the region. With an annual growth rate of 7%, the Mekong countries are already one of the main driving forces behind regional and global economic integration and growth.

The GMS is increasingly integrated with the establishment of the ASEAN Economic Community (AEC) three years ago, which marked an important milestone and shaped the ways businesses operate in Mekong countries in terms of regional and global value chains expansion. For example, Thailand has a strong automotive sector and Cambodia has started to become part of its alternative supply base. Viet Nam is also doing well in electronics and textiles.

However, global dynamics and trends threaten to constrain the development trajectory of the GMS. Since the global financial crisis, growth has been subdued and uneven across major economies. The International Monetary Fund (IMF) has labelled the global economy as entering a "new mediocre" period of protracted sluggish growth. Global trade liberalisation also appears to have hit a wall. Recent developments are very telling: the tension between the world's two largest economies over how to keep the trading system open without protectionism; the delay in concluding the ongoing negotiations of the Regional Comprehensive Economic Partnership (RCEP); the failure to issue a statement at the Asia-Pacific Economic Cooperation (APEC) Summit in Port Moresby, Papua New Guinea; and a continent away, the European Union (EU) and Britain finally unveiling its 585-page "divorce agreement".

On top of these economic challenges, a number of geopolitical trends are shaping and will continue to affect the GMS over the coming decade, including the shift towards a multipolar global power structure, unresolved and overlapping territorial and maritime claims, ethnic and religious strife and displacement of people, and various other transnational non-traditional issues.

In order to effectively respond to an increasingly complex and rapidly changing global and regional environment, it is imperative that we continue to make the necessary adjustments and together explore innovative ways to further deepen and broaden our cooperation. The GMS, and the Asia-Pacific more broadly, remain on the cusp of realising a new momentum of enhanced trade and connectivity.

## **Cambodia and the Mekong today**

Cambodia is conscious of these regional and global challenges. Cambodia's economic growth and development journey will be determined by its ability to react to the emergence of digital Science and Technology (S&T) and adopt and use digital technologies effectively, believing that S&T development is a key tool for transforming the country from an agrarian economy into an industrial knowledge-based economy.

Cambodia's Industrial Development Policy 2015–25 (IDP) stipulates this objective quite clearly. Other policies are aligned with the IDP as well: the National Science and Technology Council was established in 2014, with a mission to enable Cambodia's technological capability to catch up with that of other countries in the region; the Ministry of

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**Sok Siphana**, Chairman, Asian Vision Institute, and Senior Advisor to the Royal Government of Cambodia

Education, Youth and Sport is promoting STEM (science, technology, engineering, mathematics) education from primary school to post-secondary levels; and Cambodia's new Technical and Vocational Education and Training (TVET) Policy 2017–25 has set out to improve TVET quality to meet national and international market demand.

Following its recent elections last July, the Royal Government of Cambodia launched its Rectangular Strategy - Phase 4 to respond to two historic missions of the nation: *first*, striving forward with firm belief to fully achieve the Sustainable Development Goals (SDGs); and *secondly*, creating necessary pre-conditions and environment conducive for laying the strong foundation and in-depth transformation to become an upper middle-income country by 2030 and a high-income country by 2050.

In order to receive the full dividends from these national development strategies, Cambodia must further integrate itself into wider Asian and Global Value Chains (GVCs). This holds true to other Mekong countries too, as multilateralism across and beyond the GMS will help bring about more robust subregional economic growth. Such growth can contribute to narrowing the intra-ASEAN development gap.

There is a significant need for the Mekong countries to upgrade their respective infrastructure to take a larger share of the global manufacturing footprint. The promotion of free flow of goods, services, investment, and skilled labour among the GMS could further support intra-regional trade, which is currently still low, even by ASEAN standards. The subregion needs to capture a greater share of these global flows and in order to realise this, the funding of infrastructure development needs to be addressed. Despite an increase in availability of funds through various multilateral vehicles, like the ASEAN Infrastructure Fund (AIF), Japan's Expanded

Partnership for Quality Infrastructure (EPQI), China's Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), it is crucial for the Mekong countries to encourage more investment in infrastructure.

These systemic impediments to Mekong growth require sustained efforts towards deeper multilateral cooperation across and beyond the GMS if they are to be alleviated. Asian cooperative frameworks serve essential functions of promoting deeper regional and subregional economic integration whilst bridging and consolidating Mekong countries' national development strategies. Many such frameworks are rapidly gaining momentum and are redefining the way we conceptualise challenges and opportunities within the GMS.

### **The value of stakeholdership in the Mekong-Lancang Cooperation (MLC) Framework**

The MLC<sup>i</sup> Framework—comprising the six riparian countries along the Mekong/Lancang River—has achieved much in its short existence and continues to grow rapidly. Since its official launch in November 2015, there have been two Leaders' Meetings; one in March 2016 in Sanya, China, and one in January 2018 in Phnom Penh, Cambodia. The framework has transformed into a multi-layered structure, which now includes a Diplomatic Joint Working Group Meeting, a Senior Officials' Meeting, a Foreign Ministers' Meeting and, at its apex, a Leaders' Meeting.

Based on the three key pillars of cooperation—namely political and security issues, economic and sustainable development, and social, cultural and people-to-people exchanges—its members have agreed on the five priority directions: connectivity, production capacity, cross-border economic cooperation, water resources as well as agriculture and poverty-reduction. With all members excluding China being ASEAN member countries, the

congruence between MLC pillars and ASEAN communities have made for seamless cooperation with virtually no growing pains. Moreover, the MLC's 5-Year Plan of Action (2018-2022), which serves as the roadmap for future MLC activities, outlines a number of complementary areas, including finance, customs and quality inspection, forestry and environmental protection, culture, tourism, education, health, and media.

MLC now also includes various implementing mechanisms which include, at the technical level, a number of Joint Working Groups on MLC Key Priority Areas, a National Secretariat or Coordination Unit in each member country's respective Foreign Ministry, a Water Resources Cooperation Center, an Environmental Cooperation Center, and the Global Center for Mekong Studies.

Moreover, the USD300 million LMC Special Fund launched by China is currently being used to support small and medium scale cooperation projects proposed by member countries. In 2017, 16 of Cambodia's projects were approved and received funding support from the LMC Special Fund. So far, two of them have been successfully implemented, while the remaining projects are still in progress. In 2018, an additional 19 projects were also secured.

As a matter of illustration, a Seminar on Preventing the Theft, Clandestine Excavation, Illicit Import and Export of Cultural Property through the Mekong-Lancang Region was hosted in Cambodia by the National Secretariat of Cambodia for Mekong-Lancang Cooperation (NSC-MLC). This three-year project is designed as a phased capacity building project, which aims to develop a long-term framework through the stewardship of Cambodia's Ministry of Culture and Fine Arts and its partners, such as UNESCO and NGOs, to expand the scope of cultural related activities to ensure that future generations can benefit from the Mekong's unique Tangible and Intangible Cultural Heritages.

Uniquely positioned as a riparian state and thus a stakeholder in Mekong issues, China's leadership in promoting the growth of MLC allows the Mekong countries to exercise greater focus in charting the subregion's development. Mekong countries can feel assured about the trajectory of MLC, owing to the familiarity of the pillars of cooperation and knowing that promoting sustainable development and the protection of the Mekong's cultures are shared values that are important to all member countries.

### **Celebrating 10 years of Mekong-Japan Cooperation**

Two thousand and eighteen marked Mekong-Japan Cooperation's landmark 10<sup>th</sup> Summit, during which the six leaders of Japan, Cambodia, Lao PDR, Myanmar, Thailand, and Viet Nam reviewed the achievements of the 'New Tokyo Strategy 2015' and the 'Mekong-Japan Action Plan for Realization of the New Tokyo Strategy 2015'.

This initiative has originated from humble beginnings. From the initial 'Japan-Mekong Region Partnership Program' in January 2007, to the 1<sup>st</sup> Mekong-Japan Foreign Ministers' Meeting which was convened a year later in Tokyo in January 2008, the rapid momentum quickly led to a summit-level meeting just one year after that in November 2009. Japan recognises that the Mekong region has emerged as a potential growth centre, with the Mekong countries becoming more and more interdependent. For their part, the Mekong countries acknowledge that Japan has been a long-standing and indispensable development partner for the subregion. Year after year, Mekong-Japan cooperation has been strengthened with the elaboration of four important milestone documents, namely the 'Tokyo Declaration 2009', the 'Tokyo Strategy 2012', the 'New Tokyo Strategy 2015' and very recently the 'Tokyo Strategy 2018'.

The scope of the Tokyo Strategy was quite comprehensive, covering both the hard and soft connectivity aspects of development, with a strong focus on industrial human resource development. A series of concrete plans were subsequently implemented, such as the ‘Plan of Action for Realization of the New Tokyo Strategy 2015’, the ‘Mekong-Japan Connectivity Initiative’, and the ‘Mekong Industrial Development Vision (MIDV) and its Work Programme’.

To implement this strategy, Japan pledged around JPY750 billion in official development assistance to the Mekong subregion for a period of three years (2016-2018). By the time the 2017 Summit was held in the Philippines, Japan had already implemented more than two-thirds of its total pledge.

We have seen the tangible benefits from the construction of new regional highways, bridges and other infrastructure facilities in terms of their economic regeneration effect and impact on the future growth of the whole GMS. With Japanese loans, grant aid and technical expertise, the GMS is now intertwined through a series of strategic north-south, east-west highways and economic corridors which are stimulating more trade and investment.

Looking forward, there is strong desire and necessity to deepen Mekong-Japan cooperation. As rural populations continue to move to cities in search for better job opportunities, there is a clear imperative to improve urbanisation in the Mekong region through development of efficient and sustainable infrastructure solutions. Many of the fastest-growing towns and cities will become larger and larger and key logistics routes will need to be improved.

Economically speaking, we see the important role of Japan in helping the subregion boost its competitiveness in the face of soaring wages and insufficient industrial human resource

development. Strengthening regional supply chains and capitalising on regional networks of Japanese enterprises in the region is another consideration. So is accelerating subregional economic growth through science and technology to maximise the benefits from the Digital Economy and the Industry Revolution 4.0. With Japan’s cutting-edge technologies, Mekong countries could expect Japan to assist in developing their skilled workforce and enhancing technical, vocational, and STEM training. Moreover, Japan could support research and development and facilitate technology know-how and transfers.

The ‘Tokyo Strategy 2018 for Mekong-Japan Cooperation’ was adopted at the landmark 10<sup>th</sup> Mekong-Japan Cooperation Summit. With this comes a celebration of the significant achievements of the ‘New Tokyo Strategy 2015’, but also a renewed optimism about the future. The new strategy will be important for determining how Mekong countries can factor into Japan’s ‘Free and Open Indo-Pacific’ initiative whilst also providing the scope to seek synergies between Mekong-Japan Cooperation and intra-regional Mekong initiatives like the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS).

### **The Republic of Korea’s nascent ‘New Southern Policy’**

At the 20<sup>th</sup> ASEAN-Republic of Korea (ROK) Summit in October 2018, ASEAN Leaders expressed appreciation for the ROK’s ‘New Southern Policy’, and reaffirmed their support for promoting closer cultural cooperation and people-to-people ties, which are the key pillars of the ASEAN-ROK cooperation. Even more pertinent to Mekong development, the leaders also agreed that the Inaugural Mekong-ROK Summit will be held back-to-back with 2019’s Commemorative Summit marking the 30<sup>th</sup> Anniversary of ASEAN-ROK Dialogue Relations.



The main objective of the New Southern Policy is to diversify the political and diplomatic risk of great power dependency by improving closer ties with ASEAN and India. There is no doubt that the new policy offers opportunities to strengthen the foundation of Mekong-ROK cooperation. It can comfortably complement other existing regional cooperation mechanisms driven by development partners like Japan, India, China, and the United States, as well as multilateral initiatives such as the Mekong River Commission (MRC), the GMS Program, and the ACMECS, among others.

The ROK is well positioned to assist less advanced Mekong countries to be better prepared to seize opportunities arising from the Fourth Industrial Revolution. The ASEAN Smart Cities Network is another entry point for the ROK to contribute their digital innovation in the pilot cities in the Mekong countries.

Another area that the ROK could bring some serious contribution is narrowing the intra-ASEAN development gap and enhancing connectivity in the area of technology and innovation. ASEAN's 2018 theme of "resilience and innovation" encapsulates the essence of regional cooperation and the way forward for many years to come.

#### **New horizons for integrated value chains under Mekong-Ganga Cooperation**

From its inception in 2000, the Mekong-Ganga Cooperation (MGC) initiative has aimed to develop closer economic relations among its member countries, comprising India, Cambodia, Lao PDR, Myanmar, Thailand, and Viet Nam. Their ministers have long highlighted the objectives of facilitating movement of goods and people in the region, creating necessary infrastructural facilities in the Ganga-Mekong basin areas, and building value chains in the region. However, the MGC has not matured to the extent that was originally envisaged in 2000; its progress has been slow and uneven. Having taken the time

to build a strong foundation, the initiative is clearly still serviceable and has significant potential for deepening economic cooperation in the future. India's 'Act East Policy' has placed renewed emphasis on its eastern neighbours with focus on countries in East and Southeast Asia. Though in the past it has been slow-paced, there is cause for a new sense of optimism surrounding the future of the MGC.

Mekong countries are an integral part of ASEAN and India is one of the strategic partners of ASEAN. With a total population of 1.8 billion and a combined GDP of USD3.8 trillion, ASEAN and India together form an important economic space in the world. Presently, ASEAN has grown to be India's fourth largest trading partner after China, the European Union, and the United States. The ASEAN-India Free Trade Area has been completed with the entering into force of the ASEAN-India Agreements on Trade in Service and Investments in 2015.

Investment flows are also substantial both ways, with ASEAN accounting for approximately 12.5% of investment flows into India since 2000. FDI inflows into India from ASEAN were about USD49 billion between 2000 and 2016. Between 2007 and 2015, FDI outflows from India to ASEAN countries were about USD38 billion.

With the realisation of the AEC and the RCEP negotiations in full swing, ASEAN and India are poised to become another economic block powerhouse of Asia. The imminent conclusion of the RCEP would deepen integration among the member countries, while promoting goods and services trade, investment, the IT sector, competition, dispute settlement, and altogether facilitate the creation of many GVCs. While awaiting the realisation of the RCEP, ASEAN has already abolished intra-regional tariffs under the ASEAN Trade in Goods Agreement (ATIGA), which was a good starting point for creating opportunities for GVCs to flourish throughout the region. There is clear and convincing evidence that GVCs can speed up

industrialisation, growth and development. Advanced economies such as Japan and Korea often produce parts and components which are exported to emerging economies such as China, Thailand, Viet Nam, and Cambodia to assemble into finished products and then re-exported to global markets. These successes in connecting the GMS to East Asia have harshened criticism of the MGC. In order for the MGC to begin bearing tangible fruits of economic cooperation, Mekong countries need support in achieving the ambitious goals of moving up value chains by focusing on boosting connectivity.

Transport connectivity is an important component of this physical connectivity. There are two major initiatives in this area. *First*, the proposed protocol of the India-Myanmar-Thailand Motor Vehicle Agreement (IMT MVA). This agreement, when implemented, will play a critical role in realising seamless movement of passenger, personal, and cargo vehicles along roads linking India, Myanmar, and Thailand. *Secondly*, the extension of the India-Myanmar-Thailand Trilateral Highway (IMT TH) to Cambodia, Lao PDR, and Viet Nam is also under consideration. Furthermore, India's announcement of a Line of Credit of USD1 billion to promote projects that support physical and digital connectivity between India and ASEAN and a Project Development Fund of about USD73 million to develop manufacturing hubs in CLMV countries are clear indications of India's commitment to the subregion. When these initiatives come to fruition, MGC members are set to reap the dividends of connecting value chains from East Asia, through Mekong countries, all the way to India, connecting the entire Indo-Pacific in the process.

## Conclusion

Asian cooperative frameworks have had, and will continue to have profound implications on the regional and subregional development landscape for years to come. The rise of China as a global economic power along with its

'Belt and Road Initiative' and associated mechanisms like the Asian Infrastructure Investment Bank (AIIB); Japan's 'Tokyo Strategy 2018 for Mekong-Japan Cooperation'; the ROK's 'New Southern Policy' and Inaugural Mekong-ROK Summit; and India's 'Look East Policy' which has matured into a dynamic and action oriented 'Act East Policy', all reinforce belief and confidence in the future development of the GMS.

For Mekong countries to achieve ambitious goals of moving up the value chains and narrowing the intra-ASEAN development gap, it will require an unprecedented level of synergy across these various frameworks, as well as sustained coordination and cooperation between key agencies and ministries, the private sector, development partners, the research community, and educational institution.

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<sup>i</sup> The term Mekong-Lancang Cooperation (MLC) or Lancang-Mekong Cooperation (LMC) can be used interchangeably. The accepted practice is that the term MLC can be used when an event is taking place in a Mekong country and the term LMC is used when the event is held in China.

# Is the Mekong-Lancang Cooperation a “New Hope” for Water Resources Management in the Mekong?

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*Poowin Bunyavejchewin*

**T**ransboundary rivers have produced cooperation as well as conflict among the nations sharing them. The use of transboundary rivers and basins by one country has direct effects on other countries along the same watercourse. This sometimes results in tensions between upstream and downstream users, who consider river matters among their national interests and security risks. Shared rivers thus need shared solutions, which are only possible through a regional multilateral institution. Such an institution would bring all riparian countries together and coordinate their various interests and concerns to define common rules of water governance acceptable to all parties. Here, I use “institution” as an umbrella term to include commonly used terms, such as arrangement, framework, initiative, and mechanism.

Unlike in Europe and North America, where governing institutions have firmly and effectively governed shared watercourses, similar efforts to govern shared river basins and water resources elsewhere are likely to fail. This seems particularly true for mainland Southeast Asia, which is now usually referred to as the Mekong. In this essay, I will set out in brief the story of the decades-long unsuccessful effort towards creating an institution governing the joint use of the Mekong’s river basin. I will also share my opinion on the newly established Mekong-Lancang Cooperation (MLC), answering the key question: can it bring a “new” hope to water governance; and integrated, inclusive water resources management (hereafter, WRM) in the Mekong?

The Mekong River, as a transboundary water body, has possessed the potential to bring

about either cooperation or contention in the region. A few interstate hostilities concerning the river occurred between 1948 and 2008 (a total of 16 hostile incidents, out of which 13 have occurred since 2002), though they mostly involved only verbal exchanges among officials.<sup>1</sup> This suggests that the Mekong has been increasingly prone to tensions among co-riparian neighbors. Apparently, this propensity has been precipitated primarily by extensive development and infrastructure projects in the upper Mekong basin.

Notwithstanding the region’s proclivity for conflict, the Mekong River has witnessed various attempts by riparian countries, at different periods of time, to build a regional house to govern the shared usage of the river basin and water resources. Nonetheless, they have not been successful in developing robust governing institutions that are endorsed by all the riparian users. With a length of 4,880 km and rich resources, the river is the most important watercourse in the Mekong, with the seeds of conflict within itself. Moreover, the river’s riparian countries—from upstream to downstream: China, Myanmar, Laos, Thailand, Cambodia, and Vietnam—vary in terms of size, population, economic development, and most importantly, political voice. This is especially true when comparing China with its downstream neighbors. This disparity generates a variety of interests, concerns, and conditions, which are unlikely to be compromised, or even coordinated. Hence, effective Mekong River governance, endorsed by all the six riparian countries, has thus far appeared unlikely if not impossible.

For decades, one of the overriding issues of Mekong governance has been WRM and it is

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still an ongoing challenge. The issue is of prime importance since the Mekong river basin is pivotal to the livelihoods of communities living along the river's course, especially those residing in the lower parts of the Mekong river and its delta. In this regard, the river's governing institution administering the river basin and water resources has been indispensable.

The history of Mekong's governance can be traced back to the late 1940s, when a Mekong Consultative Committee, whose members were Laos, Cambodia, and Vietnam, came under French colonial influence. Nevertheless, it was not until the year 1954 when a short-lived arrangement called the Provisional Mekong Committee—one of the earliest river management frameworks in developing regions around the globe—was eventually formed by the Paris Convention of December 29, 1954. Through this committee, the three newly independent countries agreed to promote freedom of navigation on the lower Mekong River, and to have discussions about issues related to fluvial and maritime navigation. Even though the provisional body led to the creation of the Second Mekong Committee, whose aim was to be responsible for all aspects of international river navigation, it failed to yield policy outcomes. Despite several other circumstances, the exclusion of Thailand, another lower Mekong country, from membership of the governing framework is the compelling factor that doomed the river's governing processes to failure.

The colonial-designed Mekong governance framework was succeeded by the Mekong Committee (MC), incepted in 1957 with the support of the United Nations Economic Commission for Asia and the Far East (ECAFE). In contrast to its predecessor, this newly established governing institution included Thailand as a member. The height of the cold war in mainland Southeast Asia availed the formation of the MC, as

America's ECAFE pressured Mekong countries to choose sides, which in turn made joining the MC more favorable for small countries. Given that the MC operated amid a setting full of turmoil and militarized conflicts, along with political differences and diplomatic deficits among its members, it is remarkable that this governing institution has been able to deliver tangible policy outcomes, concrete plans for coordination, and the Mekong projects. Despite the drawbacks of its unanimity principle, which restrained the institution's capacity, the key decisions it made survived for nearly two decades.

The most notable legacy of the MC on Mekong governance is the *Joint Declaration of Principles for Utilization of the Waters of the Lower Mekong Basin*, adopted by members in January 1975. This is because it was the first time the four riparian countries tabled the principle of reasonable and equitable share to govern WRM in the Mekong River. The joint declaration also set down an Indicative Basin Plan to evaluate water resources development in the river basin and the needs of the riparian users, and to find the optimum solutions that would equitably satisfy those needs. But, the principle of reasonable and equitable share was never implemented because shortly after the four Mekong nations inked the joint declaration, the MC ceased to exist due to regime changes in Indochina. The unprecedented results yielded by the MC proved it to be a successful preliminary experiment in Mekong governance and provided a guide for subsequent efforts to drive WRM cooperation in the region.

After decades of enmity in the region, the Mekong was transformed in the 1990s from a Cold War battlefield into a marketplace, followed by rapid industrialization in all riparian countries. Market-oriented development became one of the top priorities for Mekong governments; this however is a double-edged sword. The negative edge of the

sword is evinced through the dry season, when nearly 60 million people in villages and communities who make a living from the shared river are badly affected by unnaturally quick changes in its water level. These rapid changes have primarily been precipitated by intensive development and infrastructure projects, especially dam building projects in China, furthest upstream along the river. Unlike its riparian neighbors in the lower basin, China considers the upper Mekong River—called Lancang by the Chinese—its national river, and unilaterally started to build a dam across it in the late 1980s. As the most upstream and powerful nation, China is indispensable to crafting a new governing institution that could set the rules for sharing river and water resources. Any such efforts without China's active involvement would be doomed to fail.

A new governing institution was founded in 1995, when the governments of Laos, Thailand, Cambodia, and Vietnam signed the *Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin* (hereafter, MRC Agreement). Unlike its predecessors, the Mekong River Commission (MRC) has a legal status as an international organization, through which its signatories are bound to implement the agreement. The MRC Agreement created new principles and rules for governing the usage of the Mekong River. It also established the MRC Secretariat, located in Vientiane. Thus, for some observers, the MRC became a new hope for the region's WRM efforts, or even a milestone in Mekong governance.

Although the MRC is supposed to have legal-binding authority, notwithstanding its legal status, it does not. Like the MC membership, MRC member countries have the sovereign right to govern the basin within their own boundaries, limiting the institution's enforcement capacity. They have obligations only to notify the MRC Secretariat in Vientiane for tributary development, and to

consult it in case of mainstream development. The MRC has a considerable role as a consultative dialogue and coordinating mechanism, collecting and sharing information, especially water-level data, among members. Yet it shares the same shortcomings as those of the previous institutions, namely weak institutional capacity and lack of inclusiveness.

For the MRC, the lack of inclusiveness of the most upstream country—aptly called the “China factor”—has been the weakest point of the institution. Even though the two upper Mekong countries—China and Myanmar—have been MRC dialogue partners since 1996, they have shown no interest so far in joining as members. Moreover, despite the fact that since 2002 China has agreed to provide real-time water-level data during the flood season—after a flooding in 2000 that killed hundreds of people living in the Mekong Delta—this data is often delayed. This has long caused difficulties for the lower Mekong countries to forecast water levels accurately, which is crucial to prevent flood and drought crises.

Apart from its slow and uncooperative moves, China has preferred to talk with its co-riparian neighbors in other arrangements. In 2000, for example, Beijing and all Mekong governments except Hanoi discussed issues related to the development of transport links. They then signed the *Agreement on Commercial Navigation on Lancang-Mekong River* under the Quadrangle Economic Cooperation (QEC) initiative, an economy-oriented framework created by Bangkok, rather than under the MRC. In contrast to its position on MRC cooperation, China's posture in Mekong's economic frameworks has been that of an active player. China's role in the Greater Mekong Sub-region (GMS) Economic Cooperation Program, for instance, has been increasingly active up until the mid-2010s. This is even though Beijing's central government is not a member. However,

China's provincial governments of Yunnan and the Guangxi Zhuang Autonomous Region (GZAR), and Japan, cast a shadow through the Asian Development Bank (ADB). All these factors have made the MRC a toothless institution, bringing into question its relevance for the Mekong.

An explanation of China's pattern of engagement is simple. By becoming a member of the river's governing institutions, regardless of their institutional weaknesses, China would be constrained to entering a game with pre-defined rules. This would restrain its foreign policy autonomy, and perhaps even affect its core interests. On the contrary, by joining regional economic institutions, China would gain the benefits of cooperation, serving China's needs in developing its South-West border region, Yunnan, and the Guangxi Zhuang Autonomous Region (GZAR), while also expanding Chinese influence in the region. Thus, the China factor, Beijing's cooperative posture, has proved to have been a decisive factor in making Mekong governance—especially the management of joint usage of water resources between upstream and downstream countries—achievable, or at least possible, within new geopolitical realities.

The China factor has appeared to be most at fault when considering the failure of Mekong governance, especially regarding integrated basin-wide WRM cooperation. This brings us to the MLC, a recently launched multilateral framework, that has gained momentum even before its inception in 2014, receiving considerable attention from both policymakers and scholars. Although MLC is not the river's governing institution *per se*, water-related issues—including WRM—have clearly appeared in key documents and speeches by leaders. Moreover, MLC, for many observers, has been seen as a turning point not only for the river's governance but also for wider regional politics. One scholar even divides Mekong River politics into pre-

and post-MLC.<sup>ii</sup> In this regard, simple questions arose: (1) is the MLC really an overriding framework? (2) if so, why? and (3) does it have far-reaching and wide-ranging consequences, especially concerning governance of the Mekong River and WRM?

Answering these questions is not easy. The lack of information on the MLC that is available to the public is one problem. But more problematic are the newly-opened files released by Thai government agencies. These tell a story that sometimes conflicts with the MLC narratives that have appeared elsewhere. Here, all questions will be addressed based on the Thai side of the story.

MLC has overridden all other existing frameworks in the Mekong, as its establishment immediately triggered considerable implications for the region, especially on water matters, which will be felt for years to come. The following derive from its idiosyncrasies.

First, China as a sovereign state is a full member and has been driving the regional processes since 2014. China has repeatedly voiced that its status differs from other Mekong donor countries such as Japan and the United States, in that it also shares the Mekong River with the five Mekong nations. For this reason, China is not a dialogue partner but a co-riparian country, claiming itself equal to all the other MLC members. Beijing is thus equal to the others in the MLC framework, notwithstanding its size and strength. More importantly, MLC has been essential to Beijing's Belt and Road Initiative (BRI), a grand overarching strategy. MLC's geographic coverage is indispensable for BRI's China-Indochina Peninsular Economic Corridor. Above all, one recently-opened document revealed that a month before the First MLC Foreign Ministers' Meeting (MLC FMM), a Chinese senior official in Bangkok said to Thai diplomats that "the MLC is the most important platform for China in

Southeast Asia.” Thus, the MLC has overridden the Association of Southeast Asian Nations (ASEAN) in China’s foreign policy priorities.

Another idiosyncrasy is the fact that MLC is the only Mekong framework with cooperation areas that include political and security issues. In fact, political and security cooperation are among the MLC’s three pillars. Political and security issues include security, law enforcement, transnational crimes, and joint operations. All these have long been untouched under other arrangements in the Mekong. One of the MLC’s top priorities has been the establishment of the Center for Comprehensive Law Enforcement and Security Cooperation in the Lancang-Mekong Sub-Region. Soon, this center will change the approach towards regulating the river basin and water resources.

While the China-led MLC process obviously has a substantial impact on Mekong governance and all-inclusive WRM, it is too early to determine whether its consequences are positive or negative. Nevertheless, the road ahead towards the basin’s governance and WRM might not be too gloomy. This is because water-related issues, specifically WRM, have been at the top of the Thai government’s agenda, Thailand being the original prime mover of the MLC. Though this fact is less-known, Thailand’s proposal of the International Cooperation on Sustainable Development of the Lancang-Mekong Sub-region (hereafter, ICSD) tabled in 2012 was actually the original design of the MLC. The Thai motivation behind the proposal was driven by the fact that *per se* there was no platform for Mekong countries to talk with Beijing’s central government about Mekong matters, especially on water-related issues.

Thailand’s plan to create the ICSD was, however, unsuccessful, as China rejected an invitation to take part in convening the first ICSD meeting. The reason given by China

was that the ICSD concept paper proposed by Thailand was too technical and focused overwhelmingly on water-related matters. In April 2014, China changed its mind and proclaimed its support for the Thai proposal. However, China would draft and table the concept paper of the new initiative, and political and security issues were included within its cooperative scope.

While China attempted to include political and security cooperation among MLC’s main areas of issues, Bangkok tried hard to push forward the river basin’s water agenda and for WRM to be included in the MLC’s key documents. For Thai policy-makers, the China-led MLC has provided opportunities for Bangkok to deal with Beijing on WRM, especially on its most pressing needs, real-time water data exchange, which is also what Vietnam expected to get from joining the MLC.

Thailand’s effort to push water-related issues and WRM under the MLC appears to have been moderately successful. The concrete outcomes of these efforts are best exemplified by both MLC’s five key priority areas and key documents. Other outcomes include the refining and addition of more water-related necessary issues important to all co-riparian countries, in the objectives of China’s early harvest projects, and the creation of the Lancang-Mekong Water Resources Cooperation Center.

Thailand’s interests and its diplomatic maneuverings in negotiating with China have played an important role in tabling water-related issues and WRM. Thailand’s leverage in dealing with China—because of its past political support—together with solidarity among Mekong countries, might moderate China’s “too fast, and too soon” agenda on the Mekong. Hopefully, this will make WRM more inclusive and integrated.

Is the MLC a “new” hope for WRM in the Mekong? Yes, it might help WRM cooperation for the better, but at what cost? Is the trading of the consequences of dredging waterways for real-time water data well worth it? Is that an acceptable trade-off for communities living along the river? Policy-makers in Mekong countries must think carefully about all these issues before making any decisions.

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<sup>i</sup> Heejin Han, “China, an Upstream Hegemon: A Destabilizer for the Governance of the Mekong River?,” *Pacific Focus* 32, no. 1 (2017): 34.

<sup>ii</sup> Sebastian Biba, “China’s ‘Old’ and ‘New’ Mekong River Politics: The Lancang-Mekong Cooperation from a Comparative Benefit-Sharing Perspective,” *Water International* 43, no. 5 (2018).



# Mekong Water Resource Security

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## Challenges and Solutions

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*Chheang Vannarith*

**W**ater resource security—which involves the sustainable use and protection of water systems, the mitigation against floods and droughts, and the sustainable development of water resources—is one of the emerging key regional security and development issues in Southeast Asia.

The Mekong River, running across six countries, provides critical resources sustaining the livelihood and food security of millions of Chinese, Burmese, Laotians, Thais, Cambodians, and Vietnamese. However, the mismanagement of this trans-boundary water resource and other related resources has been a source of tensions between the riparian countries.

Conflict over the use of water resources is becoming more complex and severe in the Mekong River Basin, as upstream and downstream countries are not legally bound to cooperate and manage the resources in a fair and sustainable manner.

The tragic collapse of the Xe-pian Xe-Namnoy dam in Laos in July 2018 inflicted great suffering for Laos, with some additional negative impacts on Cambodia. The disaster has exacerbated water security and forced regional stakeholders, especially political leaders and hydropower investors, to review their plans in constructing hydropower dams particularly along the mainstream of the Mekong River.

Questions relating to international hydro-politics and the geopolitics of the Mekong River are becoming more pertinent as riparian countries compete for access to this water

resource, which continues to increase in economic and strategic value.

The demand for water resources is driven by multiple factors, including population growth, urbanization, industrialization, intensive agriculture development, energy demand and climate change. The region is vulnerable to resource nationalism and populist politics, which further complicate and intensify tensions between the riparian countries over the management and usage of trans-boundary water resources.

Early policy interventions are critical at this stage. The riparian governments must exercise preventive diplomacy with the aim to form consensual diplomatic and political actions in order to prevent conflicts from arising or escalating, or to minimize the impact of existing conflicts. Voluntary briefings on the development of water resources and its usage should also be further encouraged. An early warning system based on existing mechanisms needs to be developed to prevent the occurrence and escalation of conflicts.

Regional cooperation mechanisms such as the Mekong River Commission (MRC), Greater Mekong Subregion (GMS), and Lancang-Mekong Cooperation (LMC) have been established with the objective to sustainably manage this trans-boundary water resource. However, these regional mechanisms lack synergy and coordination. Hence there is room for improvement and gaps need to be addressed, such as an institutional gap, knowledge gaps, and implementation gaps.

ASEAN is directly affected by geopolitical competition in the Mekong region. Efforts to

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narrow the development gap will be hindered if there is no effective mechanism to manage the differences arising from usage of the Mekong River.

In 2010, ASEAN and the MRC signed a cooperation agreement to facilitate dialogue and build the capacity of CLMV (Cambodia, Lao PDR, Myanmar, and Vietnam) in environmental governance, especially in dealing with water-related disasters. However, ASEAN has limited resources to flesh out the agreed joint projects.

Multi-stakeholder dialogue and partnerships are believed to help reconcile different interests between the riparian countries. A multi-stakeholder approach is a process of trust building and collaboration between the actors. The process needs to ensure that the views of the actors are heard and to integrate solutions that benefit everyone.

The statement from the MRC's development partners at the 3rd MRC Summit in April stressed that, "Transboundary cooperation and coordination among riparian countries and the open and meaningful involvement of all stakeholders are essential to minimize the negative impacts and optimize the benefits of water infrastructure and other economic development projects."

In order to prevent water conflicts along the Mekong River, it is necessary to strengthen the existing regional institutions, particularly MRC, and promote multi-stakeholder dialogue with more openness and transparency. China and Myanmar, and importantly MRC observers, need to be a part of that process.

The riparian governments need to enhance their working relationship and partnership with the development partners, private sector, and civil society organizations in order to develop a holistic solution to the whole issue of water security. Collaboration and partnership between these different stakeholders are vital

to the sustainable management of these crucial, life-saving water resources.

While policy consultation is ongoing, it is important for the MRC member countries to consider developing a "Code of Conduct for the Mekong River Basin". This policy proposal is inspired by the policy recommendation made by the Council for Security Cooperation in the Asia Pacific (CSCAP) in 2014.

There is no doubt that the Mekong River is at a critical turning point. It is now dependent on political will and commitment to sustain the flow of the river for the benefit of 70 million people whose livelihood very much relies on the rich ecosystem and biodiversity of the river.

The MRC's CEO Pham Tuan Phan noted that, "Considering the growing pressures on the basin—population increases, infrastructure development, and climate impacts—it is of utmost importance that we use this event as an opportunity to define a clear set of priorities. We need to work together, across borders and sectors, to ensure equitable sharing of water resources and related benefits."<sup>i</sup> In addition, Cambodia's Minister of Water Resources and Meteorology, Lim Kean Hor, observed that, "While some countries may stand to benefit substantially from hydropower generation more than others, vying for these diversified resources has been a source of conflict, negotiation and catalyst for peace and cooperation."<sup>iii</sup>

Mismanagement of the Mekong River can result in regional tensions and conflicts if preventive measures, crisis management, and a mechanism for conflict settlement are not in place.

The Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin adopted on April 5, 1995 is a legally binding document. It lays out principles and

norms of regional cooperation in managing the river basin. However, only four lower Mekong countries (Cambodia, Laos, Thailand and Vietnam) are signatories to the agreement.

The Agreement includes some key components that can be incorporated into future consideration for developing a code of conduct for the Mekong river basin, including prevention and mitigation measures of harmful effects, state responsibility for damages, and a dispute settlement mechanism.

The Agreement nevertheless does not have a compliance mechanism such as punitive measures for parties that violate the spirit and principles of the Agreement. The conflict resolution mechanism is also not clearly stipulated.

In the context of an emergency, direct notification and consultation have to be carried out between the parties concerned and the joint committee in order to take appropriate remedial action.

The joint committee is composed of one member from each member country. The main tasks of the committee are to implement the policies and decisions and propose rules of procedures to the MRC Council, which is the highest decision-making body comprising one member from each country.

The MRC is entitled to resolve differences or disputes arising between two or more parties. In the event that the Commission is unable to settle a difference or dispute, the governments have to resolve the issue by negotiation. The governments may seek mediation assistance through an entity or party mutually agreed upon, based on the principles of international law.

Concerning the freedom of navigation, “The Mekong River shall be kept free from obstructions, measures, conduct and actions that might directly or indirectly impair

navigability, interfere with this right or permanently make it more difficult.”

Things have changed over the past 23 years. It is time to review the Agreement in order to better address and resolve emerging issues and threats deriving from some unsustainable development practices in the Mekong River Basin.

A Code of Conduct for the Mekong River Basin should be considered in order to develop a more comprehensive cooperation framework on sustainable development of the river basin. Ideally, the six riparian countries of the Mekong River should convene discussion, either formally or informally, on the code on conduct which should include three main components: confidence building measures, preventive diplomacy and dispute settlement mechanisms. Hotline communication, early warning, and using the “good offices” of diplomacy are vital to prevent potential resource-driven conflicts between the riparian countries.

The Mekong countries should also strengthen water resource governance, defined as the “range of political, institutional and administrative rules, practices and processes (formal and informal) through which decisions are taken and implemented, stakeholders can articulate their interests and have their concerns considered, and decision makers are held accountable for water management.”<sup>iii</sup>

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<sup>i</sup> Mekong River Commission (MRC), 3<sup>rd</sup> MRC Summit sets out to strengthen joint efforts and partnerships for sustainable development in the Mekong River Basin, 29 March 2018, <http://www.mrcmekong.org/news-and-events/news/3rd-mrc-summit-sets-out-to-strengthen-joint-efforts-and-partnerships-for-sustainable-development-in-the-mekong-river-basin/>

<sup>ii</sup> Lim Kean Hor, “A fair balance on shared water”, Khmer Times, 29 March 2018, <https://www.khmertimeskh.com/50201981/a-fair-balance-on-shared-water/>

<sup>iii</sup> OECD (2015) OECD Principles of Water Governance, <https://www.oecd.org/cfe/regional-policy/OECD-Principles-on-Water-Governance.pdf>

# The Role of Regional Institutions in Management and Protection of the Mekong River's Water Resources in the 21<sup>st</sup> Century

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*Tran Diep Thanh*

From the Tibetan Plateau to Yunnan Province, Myanmar, Laos, Thailand, Cambodia and Vietnam, the Mekong River is one of the world's great river systems. The source of the river's great productivity is its seasonal variation in water level and range of wetland habitats. Its biodiversity is fundamental to the viability of natural resource-based rural livelihoods of a population of about 100 million people living in the entire basin.

Earlier regional cooperation on the Mekong River goes back to 1957 when the Committee for Coordination of Investigations on the Lower Mekong Basin (the LMB) was set up by the four LMB countries with support from the United Nations. However, regional cooperation on the Mekong River Basin (the MRB) has only been implemented fully since the 1990s. Many cooperation frameworks and mechanisms have been formed by the Mekong countries for the utilisation and management of the river's water and related resources. One of these is the Agreement on Cooperation for Sustainable Development of the Mekong River Basin (hereinafter referred to as the 1995 Agreement) signed by Cambodia, Laos, Thailand and Viet Nam on April 5, 1995 in Chiang Rai, Thailand. The 1995 Agreement established the Mekong River Commission (the MRC), a regional river basin institution of the LMB. Twenty-three years after the establishment of the MRC, this regional organisation comprising the four lower downstream countries has not completely achieved its functions and missions as outlined by the 'historic Agreement', which ushered in 'a new era of Mekong cooperation.' However, the MRC has

completed a number of works and issued a series of Procedures and Processes. At the beginning of the second decade of the 21<sup>st</sup> Century, the MRC received the plans for 11 proposed hydropower dams to be built on the Mekong's mainstream, starting with the Xayaburi project of Laos in 2010. Although some National Mekong Committees (NMCs) were not satisfied with the project and proposed to put it on hold for 10 years, the project is now under construction and will be finished in 2019 as planned. This sets a bad precedent for Laos' next hydropower dams including Don Sahong, Pak Beng and now the Pak Lay hydropower plan, which is currently under the Prior Consultation Procedure, and may be built without the MRC's consideration or considering the ideas of NMCs', local communities, international organisation and NGOs. As a result, the MRC is not an antidote to deal with controversies or issues on management and protection of water and related resources in sustainable ways.

The aim of this paper is to present current institutional frameworks and the role of the MRC in sustainable development and management of the MRB in the 21<sup>st</sup> Century.

## **1. Institutional framework set up by the 1995 Agreement**

On 5 April 1995, Cambodia, Laos, Thailand and Viet Nam signed the 'historic' Agreement on Cooperation for Sustainable Development of the Mekong River Basin. The 1995 Agreement established an institutional framework of mutual cooperation. It consists of legal principles of water and related resources utilisation in the MRB. In addition,

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the 1995 Agreement provided for a new regional organisation to implement its missions, the Mekong River Commission.

### ***1.1. General principles for utilisation and protection of the water and related resources***

The principles, including the principle of reasonable and equitable utilisation, the obligation not to cause significant harm, the principle of notification and negotiations on planned measures, and the duty to cooperate, were negotiated and signed by the four countries in accordance with customary international water law, which has been in existence for many years. However, 15 years after the implementation of the 1995 Agreement, there is an emergent issue relating to Article 5, “Reasonable and Equitable Utilization”, which sets the basic rules for Mekong utilisation. It points out three legal regimes: notification, prior consultation, and agreement. The technical term of “agreement” coming from “prior consultation” is ambiguous and is not compulsory for implementing a use or diversion of the river. If no agreement can be reached, the riparian that plans a use/diversion can still start with the use/diversion. Because of this unclear regulation, Laos is building two big hydropower dams without any unified agreement, though Vietnam, Cambodia, and Thailand have all raised their concerns about the negative impacts on the entire lower basin. Now, the other two ‘sustainable hydropower projects’ of Pak Beng and Pak Lay are under prior consultation with the same findings as scheduled.

### ***1.2. The founding of The Mekong River Commission***

The Mekong River Commission was established by the 1995 Agreement with the mission to promote and coordinate sustainable management and development of water and related resources for the four countries’ mutual benefit and the people’s wellbeing.

The MRC is a regional organisation involving a permanent apparatus of three bodies: The Council, Joint Committee, and Secretariat.

Since its establishment in 1995, the MRC has adopted a series of procedures, namely the Procedures for Water Quality, Procedures for Data and Information Exchange and Sharing, Procedures for Water Use Monitoring, Procedures for Notification, Prior Consultation and Agreement (PNPCA), and Procedures for Maintenance of Flows on the Mainstream, to provide a systematic and uniform process for the implementation of this Agreement. The MRC also has the right to carry out prior consultation in compliance with PNPCA for any hydropower projects such as Pak Lay and Pak Peng now, or the previous projects such as Xayaburi and Don Sahong. Although some of the MRC’s members disagree with these projects, they still were built or are under construction on the Mekong’s mainstream and its tributaries. Consequently, there is a clear doubt that the MRC is a guarantee of the 1995 Agreement. The MRC has not played an indispensable role in the cooperation of the MRB as leaders of the four lower countries had hoped. At the end of the last century, some scholars believed that the MRC would be more capable than any other actor in pulling the brakes on any developmental activity that infringed upon the protective side of the river, due to its international prestige and focus, and sufficient technical skills.

## **2. Problems with the Mekong River Commission’s role**

Although the MRC plays a role in cooperation, it still has three following issues:

### ***2.1. The MRC is a low capacity regional institution***

The MRC’s crucial activities come from the member states, other regional institutions and donors. The MRC is funded by contributions

from its member countries and its development partners of Australia, Belgium, the European Union, Finland, Germany, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United States, the World Bank and the Asian Development Bank... It is clear that when these developers and donors invest in any cooperation project, they are often tied to other stipulations. Consequently, the MRC must try to meet both the interests of countries in the LMB and the needs of funding partners. Now, a challenge that restricts the MRC from playing its role in the development and protection of the river is how to balance equally different interests and needs in donors and members. This leads the MRC to be unable to make decisions independently.

### ***2.2. The MRC lacks representation***

The entire Basin has a total of six countries but the MRC includes only four lower members. China and Myanmar are dialogue partners but they have not joined yet the common institution as the lower members have wished for two decades. China does not need the MRC and the country has continued to build more than a dozen large hydropower projects on the Lancang's mainstream. Moreover, China has applauded Laos by funding some hydropower projects and helped the four lower countries to develop infrastructure, agriculture, and transportation projects through the Belt and Road Initiative. As a result, the absence of China will significantly affect the role of the MRC.

### ***2.3. The MRC is the main body, but a weak authority***

The mission of the MRC is to promote and coordinate sustainable management and development of water and related resources for the countries' mutual benefit and people's wellbeing. The organisation must find a balance between developing the basin and not destroying the natural resources that the poor

rely on. However, some scientists have pointed out that due to its limited authority, the MRC has been unable to effectively manage water usage and development along the Mekong region. In fact, 11 'sustainable hydropower' projects involved in The Basin Development Plan, Phase 2 (BDP2) came about as Laos, Thailand, and Cambodia are to build mainstream Mekong dams.

Although a number of scientific and practical studies have warned about the negative impacts of hydropower mainstream dams on economic, environment, social areas, and on migratory species in particular, some of those 11 dams are under construction or under PNPCA process such as the Xayaburi, Don Sahong dams, and Pak Beng and Pak Lay dams of Laos without the MRC's consideration/assessments, and NMCs' conveying Vietnam, Cambodia and Thailand's serious and deep concerns. As a result, the MRC fails to successfully investigate, monitor, and notify governments of proposed projects that will have negative effects on the basin. It is clear that the MRC's role is limited so it could merely bring sides together but not force change. In fact, the MRC does not have enough authority to make binding decisions or impose sanctions on member states. This is demonstrated by the Xayaburi and Don Sahong affairs as well as the catastrophic dam break of the Xe-Pian Xe-Namnoy hydropower dam of Laos, which occurred on 23 July 2018.

In conclusion, although the four lower downstream countries have their current regional cooperation, including the 'historic' 1995 Agreement and the MRC, a number of hydropower dams and water utilisation projects are being unilaterally planned and conducted on the river and its tributaries. The MRC has to deal with those projects and must try to balance between developing the basin and not destroying the natural resources. However, regional institutions of the LMB have failed to fulfill

their vision and missions for the Mekong Basin.

Twenty-three years after the implementation of the 1995 Agreement, some legal principles and procedures, such as PNPCA, should be modified in order to cope with rising demands of water resources utilisation and protection in a sustainable way. The role of the MRC should be strengthened so that the organisation will have enough authority and capacity to make binding decisions or impose sanctions on member states. At the same time, with a series of cooperation programmes which the MRC and the lower countries coordinate, they could attach a proposal for the upper countries to join in the common framework for its full representation.

# Why do Knowledge-Based Policy Recommendations Play Crucial Roles in Sustainable Management of the Mekong River?

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*Keo Piseth*

**O**riginating from the Tibetan Plateau, the Mekong River flows through six countries, namely China, Myanmar, Thailand, Laos, Cambodia, and Vietnam, extending approximately 4,990 kilometres, making it the 8th longest river in the world.<sup>i</sup> Its drainage basin covers about 795,000 km, providing habitats for a wide range of wildlife including “20,000 plant species, 430 mammals, 1,200 birds, 800 reptiles and amphibians and an estimated 850 fish species.”<sup>ii</sup> It is home to the Irrawaddy Dolphin, a freshwater dolphin, and many giant river carps such as the Giant Pangasius, Siamese Giant Carp and the Mekong Giant Catfish, which can all grow up to three metres in length and 300 kilograms in weight. The river occupies one of the most biodiverse area in the world, second only to the Brazil’s Amazon River, and nourishes one of the most productive inland fisheries, yielding roughly two million metric tonnes (mt) of fish per year, and 500,000 mt of aquatic resources.<sup>iii</sup> This does not take into account yields from aquaculture.

These vast geographical settings and rich natural wealth provide significant economic, social, cultural, and environmental services to the region for generations. The whole river catchment is home to 326 million people,<sup>iv</sup> 60 million of whom settle in the lower Mekong delta.<sup>v</sup> About 40% of the populations in the lower Mekong basin “live within a 15-km corridor along the Mekong River, and most within 5 km of the mainstream of the lower Mekong Delta.”<sup>vi</sup> These people largely depend on the river for their subsistence of water and foods, religious and cultural practices, and income generation among many

other important tangible and intangible services.<sup>vii</sup> At national level, the river lays strong foundations for macro-economic growth supplying renewable energy, capture fisheries, aquaculture, transportation, and tourism and recreation, among others.

With its countless services, this transboundary river has, on the other hand, become the battle ground for multiple users wrestling with one another to control the access to and use of its resources. There is evidence of conflicts among riparian states over the common waters, in which the upstream states’ utilization of the river creates negative externalities to be borne by downstream countries.<sup>viii</sup> Conflicts between the states and their own citizens, particularly those living within the vicinity of the river, have also been rampant throughout the region. River development, which nicely fits within the popular narrative of national development, is frequently made at the expense of losses from the indigenous people, whose culture and livelihood have depended upon resources from the river for centuries.<sup>ix</sup> One of the most contested uses of the river in recent decades is hydropower dam construction to support the rapid population growth, economic development, and wealth growth in the region. A total of at least 216 projects are planned or under construction in the upper and lower Mekong basin.<sup>x</sup>

A comprehensive study conducted by the Mekong River Commission (MRC) illustrates that these hydropower dams have the potential to contribute 43-49% of macro-economic growth in the lower Mekong region.<sup>xi</sup> The gain from this hydropower development is,

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however, accompanied by a 15% loss in fisheries. A significant reduction of sediment flowing to the delta, riverbank erosion, loss of aquatic habitats, and associated effects on fish, fisheries, birds, mammals, among others are also reported. The report findings were presented to the 3rd MRC Summit, a once-every-four-year event, providing opportunities for leaders from the lower Mekong countries to meet, review the progress and take actions to promote partnership and cooperation in sustainable management and development of the river basin, with participation from China and Myanmar as observers.<sup>xii</sup>

This kind of report is essential for the sustainable governance of the Mekong River, as it is science-based and trustworthy. It takes into consideration both the negative and positive impacts of diverse water utilization schemes on macro-economics, society, and environment. It also provides both concise and detailed policy recommendations to mitigate the negative impacts and losses. The conciseness, clarity and completeness of the report make the discussion and decision-making processes much easier for the decision-makers. The declaration of the recent Siem Reap joint-action on ‘Enhancing Joint Efforts and Partnerships towards Achievement of the Sustainable Development Goals in the Mekong River Basin’ is an example of the importance of scientifically-based policy recommendations for high-level decision-making processes.

A trustworthy scientific and technical research, collaborative and transparent in the design and data collection process, while not being politicized—as seen in a number of other environmental cases—is essential for building mutual trust in negotiations and improving water diplomacy. It does not only help resolve conflicts between riparian states, but also paves the way for establishing collaborative and transparent platforms for multi-stakeholders ranging from civil society, international and national environmental non-

government organization (NGOs), private sectors, and government states to participate in research process, and policy formulation and implementation. Having shown the economic, social, and environmental impacts, this study has become a key reference for these diverse stakeholders to raise their concerns and find possible solutions that can benefit all parties concerned.

Nevertheless, this kind of high-quality research may not be recognized without effective communication. Even though MRC, which does not have any power to enforce rules for regional water governance, is sometimes labelled as a ‘paper tiger’, this institution has done a handy job in producing reliable policy papers and communicating findings well to decision-makers to discuss and agree on the paths that are sustainable, or least harmful, to the river.<sup>xiii</sup> Trust is key when it comes to sensitive political decision-making for such environmental issues as Mekong River governance. Most policy papers are left on the shelves when they are not considered credible sources or are politically driven by certain actors.

Similar kinds of research can also be conducted in the upper Mekong River through the Lancang-Mekong Cooperation, an initiative created by China in 2015 to strengthen collaboration and regional integration of the six countries in the Mekong.<sup>xiv</sup> With keen interest from China and other riparian countries, results from such studies can help build mutual understanding and develop collaboration for a holistic and ecological approach for basin-wide governance, where resources are managed based on the ecology, rather than following man-made boundaries, which frequently results in unsustainable practices or conflicts. Eventually, collaboration on sustainable management of the whole Mekong river will foster regional efforts to achieve of a number of the global sustainable development goals in 2030, including poverty and hunger reduction,

clean energy, climate change, clean water and sanitation, and inclusive and sustainable economic growth, employment, and decent work, among others.

In summary, knowledge-based policy research and recommendations play essential roles in the Mekong's sustainable governance, as it provides clear guidance, from general to specific levels, on the courses of actions to be taken to mitigate the impacts from a wide ranges of development projects. Science-based policy research can build mutual trust among riparian states and multi-stakeholders to collaborate for sustainable governance of the river, utilizing a holistic, ecological, basin-wide approach. There is certainly a need for the role of well-established regional policy research institutions, the MRC in this case or new ones, that are capable of conducting high-quality and non-politicized scientific and participatory research, and to effectively communicate findings with decision-makers and stakeholders involved or affected by multiple projects extracting resources from the river.

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# Mekong MRC Connect – Laos' Perspective

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With Focus on the Case of the Xayaburi Hydropower Development Project

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*Phanhpakit Onphanhdala*

The Mekong is one of the largest rivers in the world, with a basin of 795,000 squared km. The Mekong River flows nearly 4,500 km into the sea through six countries, from Tibet through China's Yunnan Province, Myanmar, Laos, Cambodia and Vietnam, making it the 10th longest in the world. The Mekong watershed is the home to approximately 60 million people. The major concern is in regard to trans-boundary issues. Riparian countries need more information on sediment trapping, nutrients, fisheries, biodiversity and socio-economic aspects of any project development relating to trans-boundary matters. Some of their concerns have been remedied or are being remedied by means of additional investigations. Others prompted implementation of certain design changes. Thus, the Mekong Agreement 1995 calls for regional cooperation within the Mekong region, among countries whose lands the Mekong River traverses. The objectives of the Mekong Agreement are to enhance cooperation in the utilization, management and conservation of water and related resources of the Mekong River Basin. Important issues included in the agreement are irrigation, hydropower, navigation, flood control, etc., with the aim of ensuring the realization of environmental plans and better usage of water and related resources in the Mekong River Basin. This sort of cooperation guards the interests of all the countries involved whenever there are divergent opinions concerning the use of the river.

Laos is a country rich in natural resources but poor in terms of capacity, infrastructure and workforce to spur industrialization. When the

World Bank and Asian Development Bank urged Lao PDR to attract private investment, hydropower was deemed to be the best opportunity. The Mekong Agreement 1995 does not prohibit building hydropower dams on the Mekong River, and the Xayaburi dam is the first built on the main watercourse of the Mekong. This analysis aims to review Laos' perspective on Mekong River cooperation through the case of the Xayaburi hydropower development project (hereafter, XHDP). In fact, Xayaburi is not the first dam to be built on the Mekong River. China will build and operate a cascade of seven large storage dams on narrow gorges of the Mekong (called the Lancang in China). The largest of these dams, Xiaowan, is nearly 300 meters high. The Xayaburi project will be the first on the mainstream of the Lower Mekong River Basin. Many storage dams have been built on tributaries of the Mekong, including the Nam Ngum, Nam Theun and Nam Chi rivers in Laos, and the Nam Moon in Thailand. Cambodia is building the Lower Sesan 2 dam on a tributary. Other dams will definitely be built on the mainstream in the future.

Why is Lao PDR building dams on the mainstream of the Lower Mekong? Since its founding, Lao PDR has gained valuable experience in hydropower development. For example, Nam Theun 2, completed in 2010, has been praised as a model of economic, environmental and social sustainability. Hydropower already accounts for about one-third of the nation's capital wealth and further development is needed to aid economic growth and lift the Lao people out of poverty. Laos has the potential to develop as many as 100

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hydropower dams with a total capacity of 26,000 MW. Currently, Laos is still far away from reaching its full development potential. The national energy policy is to maintain and expand affordable, reliable and sustainable electricity. With the goal of supplying cleanly generated electricity to domestic households and ASEAN neighbor countries, Laos is tapping into its very large hydropower potential with the participation of private developers. Given the importance of hydropower to the nation's capital wealth, hydropower development is the only way to create enough capital growth to enable Laos to leave Least Developed Nation status. Hydropower is a reliable, clean, zero-carbon-emission and affordable, renewable energy source that does not pollute the environment or consume water. No other method of power generation provides the additional benefits of water for irrigation and human consumption, as well as flood control and infrastructure improvement. Like many other countries, Laos wants to reduce dependence on fossil fuels; gas, oil and coal. At this time, nuclear energy is not an option.

There are numerous socio-economic benefits from the XHDP, firstly, the project will provide clean energy to about 1 million people in Laos; and secondly, electricity will be sold to Thailand to serve 3 million people there. Power purchase agreements, principally with the Electricity Generating Authority of Thailand (EGAT), will support poverty-reduction and infrastructure modernization programs. The economic impact of the XHDP will be in the range of US\$450 million a year, or nearly US\$4 billion over the 29-year concession. Direct benefits to the nation, derived from royalties, taxes and dividends, include new and improved roads, better living conditions and healthcare access for people in the region, as well as employment opportunities and training for skilled labor, technicians and engineers. The XHDP is the largest single hydropower investment in Lao PDR, and will provide thousands of

employment opportunities in one of the country's least developed regions.

Against the above-mentioned benefits, what guarantees the XHDP will be built in a sustainable manner? Perhaps more than any other country, Lao PDR depends on the Mekong River for its survival. In Laos, the Mekong plays an iconic and spiritual role in people's lives, sustains livelihoods, serves as a highway for the transport of goods and passengers, and attracts tourism. At the same time, Laos has a sovereign right to develop natural resources within its boundaries for the good of its people. The Lao Government has retained world-renowned consultants, with vast experience developing successful and environmentally friendly hydropower projects on Europe's international rivers. These consultants, including the Finnish company Pöyry and the French firm Compagnie Nationale du Rhône (CNR), have performed exhaustive technical and environmental studies to ensure that mainstream projects are built to international standards to be efficient, sustainable, and without significant impact on the river or natural environment in Laos and beyond. The Government of Laos and its development partners continue to be responsive to all concerns raised by legitimate parties.

Thanks to the Mekong Agreement 1995, Laos affirms and expands the "Spirit of Mekong Cooperation" by setting forth mutually accepted and fair objectives, and principles of cooperation for sustainable development and utilization of the Mekong River Basin. In 2003, the Mekong River Commission (MRC) adopted Procedures for Notification, Prior Consultation and Agreement (PNPCA), strengthening the commitment of the four countries to work together to address the protection of the environment and the ecological balance in the Mekong Basin. The objective of the PNPCA is to promote better understanding and cooperation among the Member Countries in a constructive manner to

ensure sustainable development, management and conservation of the water of the Mekong River. The Procedures recognize the sovereign equality and territorial integrity of the Member Countries, the principle of equitable and reasonable utilization, respect for rights and legitimate interests, and the need for good faith and transparency.

XHDP was the first hydropower project on the Lower Mekong to undergo the Prior Consultation Process. The Lao Government complied with all rules and procedures, provided full and frank information, and allowed MRC members to voice their concerns. XHDP engineering and operating concerns were reviewed by MRC national committees and panels of technical experts. The Lao Government responded to all legitimate concerns expressed during the six-month process. The Prior Consultation Process was completed in April 2011. No further action by the MRC was needed. However, the Lao Government commissioned additional consultant studies to mitigate potential adverse impacts. Finally, the major concerns of the riparian countries were addressed and incorporated in a revised design. Adaptations and enhancements to the project cost around US\$100 million. The changes were agreed upon before the start of construction on 7 November 2012. In more detail, among the XHDP documents presented were the Project Feasibility Study (March 2010), Outline Design (June 2010), Environmental Impact Assessment Report (August 2010), Strategic Environmental Assessment (October 2010), Concession Agreement (October 2010), Power Purchase Agreement with Thailand (December 2010), Compliance Report by Pöyry (August 2011), and the Peer Review Report by Compagnie Nationale du Rhône (March 2012).

The PNPCA will help resolve downstream states' concerns with the dam-building in Laos. Construction of XHDP is compliant with the Procedure on PNPCA under the 1995 Agreement in accordance with Article 44 of

the Law on Water Resources, which outlines that the use of water between countries shall comply with an agreement or international convention. Public participation is important for the successful building of dams. The Government of Lao PDR has strictly implemented the Mekong River Agreement 1995, which regulates PNPCA being conducted over only a 6 month period. However, in accordance with international policies based on solidarity and unanimous agreement between the countries of lower Mekong River, Laos extended the period of consultation by conducting the trial at AIT University. This trial scientifically demonstrated that construction of the dam would cause only minimal social and environmental impact. All stakeholders were thus amicable to the design of the dam, unlike in previous periods, and construction began in 2012 and continues presently. Moreover, providing the public with the opportunity to participate in the decision-making process will improve the public's understanding and support of hydropower projects. Villagers are able to understand and cooperate in accordance with the development guidelines of the central and provincial Governments. In addition, tax preferences are helpful for the success of big projects, such as Xayaburi in Laos. Before construction began, the Government and private sector stakeholders evaluated the risks and economic benefits. The Government has complied with investment promotion policies in accordance with the Law on Tax, Article 29 which requires enterprises to pay 24% tax on profits. But for construction of Xayaburi Dam, or other dams in Lao PDR, only 3% is collected, due to the fact that it is perceived as essential for the government to support dam building.

In sum, construction of the XHDP, as well as construction of dams along river branches within Lao PDR, will mainly contribute to socio-economic development for poverty-reduction, decreasing disorderly slash and burn in villages, creating permanent jobs and

income, development of infrastructure; schools, hospitals, temples and others. Now is the ideal opportunity for this project due to the following reasons. One is that construction materials (steel, stone etc.) are still inexpensive. Another is that the cost of villages encroaching into the region is presently not large. In another 10 years, villages and village populations would have grown which requires budgetary increases for the resettlement of villagers in the vicinity of the project.

XHDP can be a model project on the Mekong River, because the Government of Lao PDR has taken foreign policies into consideration. This includes PNPCA compliance and the design of fish ladders and fish passing facilities, a navigation lock which can support ships weighing up to 500 tons, and eight sedimentation releasing channels, all in accordance with the proposals of all parties without objection. Consultations with all related parties have been carried out, especially considering the comments of affected villagers during the project development process. Many issues raised have been addressed through the necessary regulatory frameworks in order to improve the living conditions of affected villagers. The experience of the XHDP may be a helpful model for Cambodia in construction of her own dams on the Mekong River. Ten more dams are planned for construction along the Mekong River, of which two will be built in Cambodia. Construction of these dams shall be similarly compliant to the regulations that guided the construction of the XHDP. In the event that the Government of Lao PDR raises a comment on the design and construction process, the Government of Cambodia shall transparently share information, including amendments to the design of the dam if considered necessary.

# Imbalance of Power in the Mekong Subregion

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## What Does This Mean for Cambodia?

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*Leng Thearith*

**P**ower competition not only occurs in the South China Sea, and is increasingly prevalent within the Mekong Subregion. China's Lancang-Mekong Cooperation (LMC) and Japan's Free and Open Indo-Pacific are initiatives that have recently tried to lure the Mekong countries into their respective spheres of influence. This competition provides benefits to the Mekong countries, especially Cambodia, but at the same time, poses risks that cannot be underestimated.

China, through the January 2018 Lancang-Mekong Summit, pledged over US\$1 billion in concessional loans for infrastructure and industry projects within the five downstream countries, namely Cambodia, Laos, Myanmar, Thailand and Vietnam. Japan, wary of Beijing's growing influence in the subregion, initiated the Free and Open Indo Pacific just before the Greater Mekong Subregion Summit in March 2018, under which they promised to promote massive infrastructure and economic development along the East-West and Southern economic corridors.

This competition for influence creates a balance of power, triggering multiple channels for the Mekong countries to obtain funds for improving physical infrastructure. Nevertheless, it is still too early for celebration. China has wielded a stronger influence in this subregion owing to two main factors. Firstly, Beijing's assistance is generally unconditional, whereas Japanese assistance is not. Regional countries feel more comfortable cooperating with Beijing for this reason.

Secondly, Mekong countries are vulnerable to China's river construction activities, given that China is the upstream country with the majority of dams constructed along the river. Thus far, seven mega dams have been constructed, and over 20 are planned or under construction in China. This means that China can exert its leverage over countries in this subregion, pushing them to opt for Chinese cooperation over water and resource management in the Mekong River.

Cambodia may benefit from such an imbalance due to close ties with China. As a downstream country, Cambodia is at times under pressure from other upstream Mekong countries. China can potentially play a mediating role or even checker against those countries. Conversely, it is quite unlikely that Beijing will cause any major disruption to the water flow to Cambodia at this time for two reasons. Firstly, China still needs Cambodia to back its interests relating to the South China Sea. Cambodia is well positioned to seek ways to mediate between China and ASEAN in a constructive manner. Secondly, the strong ties between the two countries are built on a long history and mutual trust. Cambodia has forged close relations with China since the Sihanouk era, with the late King father recognising the People's Republic of China in 1958.

The most tangible benefit Cambodia may receive from China is continuous support for the Kingdom's future dam construction projects. Cambodia is in desperate need of more electricity to meet its growing demand. As Dr. Sok Siphana, Senior Advisor to the Royal Government of Cambodia put, "To me, infrastructure matters ... if electricity charges

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**Leng Thearith**, Director of the Center for Strategic Studies, Asian Vision Institute

are much higher than your neighbours and you happen to be a small market, not like Vietnam, Thailand or Myanmar.” Cambodia not only attempts to meet its domestic demand but also aspires to export surplus energy to neighbouring countries, where approximately 70% of the electricity generated by the dams would be exported to Vietnam and 10% to Thailand.

In spite of the aforementioned benefits, the kingdom may face environmental and social risks as a result of China’s dominant position in the Mekong Subregion in the long run. China is able to build as many dams as it deems necessary without taking due consideration of the downstream countries, which could cause long-term reductions in water flow and fish stocks in the Mekong Subregion. Specifically, Cambodia will potentially depend on Chinese sympathy in the future. According to the Lowy Institute, the dams already constructed in China can hold up to 27 per cent of the Mekong’s annual flow, enabling them to dominate water and other related river resources. China’s river resource domination is likely to fuel discontent among the Cambodian population, for some opine that the Chinese are heavily exploiting Cambodian national resources.

China’s increasing influence through the LMC could marginalize the Mekong River Commission (MRC). The MRC is believed to represent the collective voices of the small states of Cambodia, Laos, Thailand and Vietnam, but this organisation may face the calamity of being absorbed by the LMC, given the strong potential of funding from China. In this case, Cambodia could become economically and politically dependent on China in the future.



# Cambodia as a Bridge in the Mekong

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## What Can the Asian Vision Institute do?

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*Cheunboran Chanborey*

**T**he Mekong River stretches nearly 5,000 kilometres and nourishes diverse and splendid cultures along its flow. Regional cooperation efforts have dramatically increased since the early 1990s, with the establishment of the Greater Mekong Sub-region (GMS) in 1992, which links two provinces of China with five neighbouring Mekong countries – Cambodia, Laos, Myanmar, Thailand, and Vietnam.

At present, there are approximately 15 cooperation mechanisms in the Mekong region, including the Mekong River Commission (MRC), Cambodia-Laos-Vietnam Development Triangle (CLV), Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMES), Mekong-Lancang Cooperation (MLC) with China, Mekong-Japan Cooperation, the Lower Mekong Initiative (LMI) with the US, and the Mekong-Ganga Cooperation (MGC) with India.

These mechanisms have been crucial for the promotion of regional cooperation, economic development, and the values of ‘unity in diversity’. Having said that, those mechanisms have not unleashed their full potential due to the lack of synergies between different cooperation arrangements, diverse value systems, historical embeddedness, territorial disputes and strategic mistrust among the Mekong countries, as well as the strategic competition between external powers for influence in the region.

Cambodia is well positioned to be part of the solution to these constraints and challenges. In this regard, this paper attempts to envision the

roles of the newly established Asian Vision Institute (AVI) in helping Cambodia bridge the Mekong Region on five fronts: physical connectivity, economic development, people-to-people contacts and knowledge sharing, the building of strategic trust among the Mekong countries and with external powers, and the narrowing of gaps within ASEAN.

However, there is no mechanism that can align all these different frameworks’ connectivity projects to address the physical infrastructure development needs in the region. Given its location at the heart of mainland Southeast Asia, Cambodia can be a regional hub of physical connectivity and a potential point of synergies between Beijing-led projects and Tokyo-funded programs, as well as between other infrastructure schemes. Therefore, one goal for AVI should be to research and study the complementary aspects and misalignments of different infrastructure projects in the Mekong region, as well as how Cambodia can optimally benefit from those projects. Another important research that needs to be done is to identify strengths and weaknesses of Cambodia and to provide policy recommendations in order to allow the Kingdom to serve as a hub of the regional physical connectivity.

Second, all Mekong Cooperation mechanisms are crucial for regional countries to promote economic growth and to realise their UN 2030 Sustainable Development Goals. Individually, countries in the region have geared up their efforts to achieve those goals. For example, the Royal Government of Cambodia (RGC) has declared its development vision is for

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**Cheunboran Chanborey**, Member of the Board of Directors, Asian Vision Institute

Cambodia to become a higher-middle income country by 2030 and a high income country by 2050. A new development approach – TECHO, which stands for Technology and Thought, Education and Ecology, Culture and Community, Humanity and History, and Organic and Origin – has been adopted to actualise this vision. Subsequently, the TECHO 100 Model Villages Project was initiated and adopted by the RGC during the official launch of the Asian Cultural Council (ACC) in Siem Reap on 15-16 January 2019. The Project will be managed by AVI. If successful, this model will be scaled up nationwide and can be further implemented in other parts of the Mekong and beyond.

A challenge, however, is how to align and synergise the national development of countries in the region with Mekong cooperation mechanisms. To this end, AVI can bring together national leaders and pioneers from different sectors to work together for the common development and prosperity of the region. AVI should also explore the possibility of organising an annual Mekong Economic Forum. This forum will definitely contribute to the promotion of multi-stakeholder dialogues and partnership in search of innovative solutions to the emerging social, economic, and political challenges that the region faces.

Third, people are the core of development and a people-centred approach makes economic development more balanced and sustainable. In this regard, there is a need to further promote people-to-people connectivity in the region through people-to-people contacts, including sports and cultural exchanges, exchanges among youth, exchanges between local authorities, tourism, and cooperation in broadcasting programs. In this regard, Cambodia has pioneered the use of culture as a tool to promote peace, sustainable development, human connectivity, and innovation. This was the theme of the ACC launch, proposed by Cambodia as the host of the event.

Moreover, knowledge sharing is also a key part of the people-to-people connectivity. Given the fact that Cambodia's political and economic system is relatively liberal and open, the Kingdom can play a positive role in shaping regional and national governance. In this respect, AVI can serve as the knowledge sharing and promoting centre on governance and democracy in the region. More importantly, the history of animosity remains a hindrance for regional cooperation. AVI can organise fora and conduct research projects to promote mutual understanding among peoples in the Mekong and enhance social diversity, civilisation connectivity, and regional harmony and peace.

Fourth, strategic trust is the key to consolidating political cooperation and deepening economic ties among the Mekong countries, and between the Mekong region and external powers. However, mistrust remains problematic in this part of the world due to contentious issues related to water resource management and territorial disputes. It has been reported that mistrust and disagreement among the Mekong countries have slowed down the cooperation and joint development projects in the region.

On top of that, the Mekong region has recently become a new strategic frontier of external power competition, where Mekong Cooperation mechanisms have been used to promote their interests. It is evident that China has used LMC as an important tool for its Belt and Road Initiative (BRI) in the Mekong region. Similarly, Tokyo has recently put forward the Free and Open Indo-Pacific in meetings under the Mekong-Japan Cooperation framework. This can be viewed as a response to BRI and China's growing influence in the region. Likewise, the US initiated the LMI in 2009 as part of its overall commitment to contain the Chinese ascendancy in Southeast Asia.

Cambodia, as a neutral state with good relations with other Mekong countries and with all relevant major powers, can serve as a bridge to narrow mistrust and misperception. To this end, AVI has an important role to play through its Mekong Strategic Dialogue, with the objective of promoting the understanding of geopolitical risks in the region, enhancing strategic trust, and promoting economic cooperation and integration. Track 1.5 strategic consultations and joint research projects can help build trust and promote mutual understanding.

Finally, Mekong cooperation mechanisms should not be seen as a threat to further geopolitically divide mainland and maritime Southeast Asia. They should be considered as catalysts for ASEAN Community building by helping CLMV countries to realise the 2025 Master Plan on ASEAN Connectivity and to catch up with other ASEAN Members to narrow the development gap within ASEAN, which is the vision of the Initiative for ASEAN Integration. Therefore, for the sake of regional peace, cooperation and development, Mekong cooperation mechanisms should not be linked to other contentious security issues, such as the South China Sea.

The Asian Vision Institute, through its four centres – the Center for Strategic Studies, the Center for Governance and Democracy, the Center for Sustainable Development and the Center for Culture for Peace and Studies – will significantly contribute to the realisation of Cambodia's development visions and help the Kingdom to promote regional harmony, peace, integration, and prosperity.

# Cambodia in the Context of Mekong-Lancang Cooperation

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## Progress and Ways Forward<sup>i</sup>

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*Pich Charadine*

During the 17<sup>th</sup> ASEAN-China Summit held in Myanmar in 2014, Chinese Premier Li Keqiang put forward an initiative to establish the Lancang-Mekong Cooperation (LMC) framework.<sup>ii</sup> As a follow-up, the First and Second LMC Senior Officials' Meetings were successfully convened in April and August 2015, respectively. Further commitments were realised at the First LMC Foreign Ministers' Meeting in Jinghong City, Yunnan Province, on 12 November 2015 at which China endorsed the concept paper, which essentially proclaimed that the MLC will adhere to the spirit of openness and inclusiveness, and thus complement the priority areas of ASEAN Community building, ASEAN-China Cooperation, and synergise with several existing sub-regional cooperation frameworks including the Greater Mekong Sub-region (GMS) Economic Cooperation Program, ASEAN Mekong Basin Development Cooperation (AMBDC), and the Mekong River Commission (MRC). The MLC is based on the principles of consensus, equality, mutual consultation and coordination, voluntarism, common contribution, shared benefits, and respect for the United Nations Charter and International Laws.

The MLC framework was then formally launched at the First LMC Leaders' Meeting in Sanya, China on 23 March 2016 with the participation of leaders from Cambodia, China, Laos, Myanmar, Thailand, and Vietnam. The *Sanya Declaration* was officially formulated, under the benchmark of "*A Community of Shared Future of Peace and Prosperity among*

*Lancang-Mekong Countries*". On 10 January 2018, the Second MLC Leaders' Meeting was held in Phnom Penh under the theme of "*Our River of Peace and Sustainable Development*", through which the *Phnom Penh Declaration* was formulated. Institutionally speaking, in less than three years, MLC could be labelled as one of the most successful regional cooperation frameworks when compared to other existing Mekong mechanisms, addressing a broader range of issues and taking a much more comprehensive approach to the development challenges that confront the region at large as well as the specific needs of all its member states. Currently, MLC's five key priority areas are: (1) connectivity, (2) production capacity, (3) cross-border economic cooperation, (4) water resources and agriculture, and (5) poverty reduction.

The heads of states/governments of China and the five Mekong countries – CLMTV (Cambodia, Laos, Myanmar, Thailand, and Vietnam) reaffirmed their shared vision that the MLC would contribute to the economic and social development of the sub-regional countries, enhance the wellbeing of the people, narrow the development gap between regional countries, and support ASEAN Community building as well as promoting the implementation of the UN 2030 Agenda for Sustainable Development and advancing South-South cooperation. The initiative was also driven by the desire of MLC members to institutionalise cooperation among the six

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**Pich Charadine**, Assistant Director, Cambodian Institute for Cooperation and Peace (CICP)

countries to help maintain regional peace and stability, to take advantage of economic complementarities across national markets, and provide greater support for the region's social and economic development.<sup>iii</sup>

Despite its concrete inception coming only in 2016, the MLC has significant economic and strategic influence on the Mekong sub-region. There is a need to look into a plausible cooperation mechanism between China, the five Mekong member states, and external partners for collective efforts and mutual development. By having strong political will and economic resources available, as well as shared objectives for spurring regional development, MLC should be welcomed with open arms as complementary to existing Mekong mechanisms — which often face resource constraints — rather than being perceived as competition. More concrete and sincere determination on coordination between the MLC and the existing eight Mekong mechanisms is needed. The establishment of coordination plans, fostering institutional collaboration, creating information-sharing platforms, a joint special fund between the MLC and other Mekong existing mechanisms, as well as jointly-hosted Mekong Plus Summit ought to be considered.

Despite strong political will and the commitments made by each member government in support of the MLC, many regional scholars within the academic community perceive it as Chinese assertiveness or expansionism, seeking to compete with other major powers (the United States, Japan) and project Beijing's influence in the Mekong sub-region and Southeast Asia as a whole. One should not overlook criticism from experts who closely watch the

development and implications of the MLC framework. Many analysts see a hidden agenda seeking to neutralise mainland Southeast Asia's position on the South China Sea dispute, which would negatively impact ASEAN unity and centrality.<sup>iv</sup> Others have even asserted that the Mekong issue could potentially become the largest ASEAN-China conflict after the long-running South China Sea dispute.<sup>v</sup> Others have gone even further, stating that Beijing's strategic objective is to exert control over both the Mekong River and the riparian countries' development in order to accelerate its rise and facilitate its "exportation of influence" into ASEAN.<sup>vi</sup>

Nevertheless, one should frame the MLC in a different context and focus on more positive aspects. As expressed by a Chinese expert on the region, it was clearly stated that when leaders of the five Mekong countries agreed on the proposed mechanism, it was intended that the MLC would be "different" from existing institutions.<sup>vii</sup> It was different from the existing frameworks in the sense that all the six riparian states put forward this initiative together and reaffirmed their commitment towards concrete projects and actions rather than merely serving as a 'talk shop'. As a rising power, both politically and economically, China is ready to assist its neighbouring countries in order to foster inclusive growth and development.<sup>viii</sup> Therefore, the MLC should not be perceived as a competitor or substitute to the existing Mekong mechanisms, but rather as complementary and to seek room for better synergies among the member states. After all, the goal of the MLC, as elucidated in the founding documents, is cooperation for the betterment of the Mekong countries' development and their partnering countries.

Looking at the structure of the MLC, it is meant to incorporate existing mechanisms through its “3+5+X” vision – i.e. 3 pillars, 5 priority areas, and a better synergised mechanism with Chinese characteristics.<sup>ix</sup>

In 2018, as the rotating co-chair of the MLC, Cambodia positioned itself prominently in steering the framework. This paper serves to draw more attention as to how the MLC has contributed to, and might contribute to, shaping the geography, environment, politics, society, security, and economics of the Mekong region as a whole and Cambodia in particular. Although the MLC has achieved remarkable success at the institutional level, the comprehensive detail of project implementation is quite limited, with certain restraints that leave the public with doubts and suspicion.

Cambodia has undertaken its national development in accordance to *The Rectangular Strategy for Growth, Employment, Equity and Efficiency* for the last three phases.<sup>x</sup> The government has set out four strategic objectives and four priority areas in the *Rectangular Strategy – Phase III* which was adopted in 2013.<sup>xi</sup> The four *Rectangular Strategies* are: (1) Promotion of Agriculture, (2) the Development of Physical Infrastructure, (3) Private Sector Development and Employment, and (4) Capacity-Building and Human Resource Development. As the country strives to become an upper-middle income country by 2030 and high-income country by 2050, the MLC’s five priority areas are indeed parallel with the country’s national development strategy.<sup>xii</sup>

Apart from the *Rectangular Strategy*, the MLC priority areas also complement some of the

objectives in the *Industrial Development Policy (IDP) 2015-2025* of Cambodia.<sup>xiii</sup> The IDP has four strategies: (1) attracting foreign and domestic investments, (2) modernising and developing SMEs, (3) revisiting the regulatory environment to strengthen the country’s competitiveness, and (4) coordinating policies including the development of human resources and infrastructure. With these targets, the MLC’s priority area, specifically cooperation on production capacity, emerges as a major component to assist the implementation of the IDP. In the *Joint Statement on Production Capacity Cooperation among Lancang-Mekong Countries* released in 2016, along with the *Sanya Declaration*, the MLC leaders agree that their focus will be on “jointly promoting economic development and industrial transformation and upgrading.”<sup>xiv</sup> Apart from this, the prospects of establishing the Lancang-Mekong Business Council and exploring the development of a service alliance for SMEs, as incorporated into the *Five-Years Plan of Actions on LMC*, are well aligned with the objectives of Cambodia’s IDP. If the two ideas can be put into practice in a timely manner, they will expedite the rapid creation and development of the Kingdom’s SMEs.

Some key achievements and notable progress of the MLC in Cambodia include rapid institutionalisation as well as project implementation and fund availability. Two major aspects to look into are the speed of institutionalisation of the MLC mechanism, including both at the national level as well as through Track II diplomatic channels, and the pace of project implementations in the country mainly due to backing-fund availability.

Nevertheless, some drawbacks and challenges need to be seriously considered. Firstly, MLC is still new and young in nature. Until now, there is no clear-cut framework. The three main publicised MLC documents, such as the *Sanya Declaration* from the First LMC Leaders' Meeting, the *Phnom Penh Declaration* from the Second MLC Leaders' Meeting, and the *Five-Year Plan of Action on LMC (2018-2022)*, all serve as guidelines rather than concrete plans. Second is the unequal distribution of projects, which can potentially lead to mechanism dysfunction due to potential mistrust and misunderstanding. Third is limited information and engagement among relevant stakeholders and the public at large. The awareness of MLC is still minimal due to the limited disclosure of information, and in-depth project specifications remain unknown.

Another critical challenge are the blurred distinctions between projects listed under the [Sino-Cambodia] bilateral deals, the MLC, and the Belt and Road Initiative (BRI) in projects such as China-invested airports in Siem Reap, Koh Kong, and Phnom Penh among others, making cost-benefit analyses and risk assessments difficult. It is also confusing for governmental departments and relevant agencies to provide pragmatic coordination in order to facilitate project implementation. If the current conditions continue, this might not only slow implementation but could also trigger bureaucratic competition for projects. In addition, one major public concern is the unsustainability of Chinese investment without proper socioeconomic assessment and compensation. China has already gained a bad reputation in Sihanoukville, leading to public discontent and social unrest. Even the Chinese Ambassador to Cambodia has acknowledged

negative incidents and called for Cambodia's government to take more serious actions against Chinese nationals who violate the country's laws.<sup>xv</sup>

There is also an overwhelming concern over potential debt-trap diplomacy, as the large majority of MLC's financial assistance is under the category of concessional and preferential loans, rather than grants. According to the Ministry of Economy and Finance, Cambodia's total foreign debt was \$9.685 billion in late 2017, of which \$6.377 billion was borrowed from other countries on a bilateral basis.<sup>xvi</sup> Among the bilateral debt, China alone owned \$4.052 billion, or around 63%.<sup>xvii</sup> Although debt remains healthy compared to the country's \$20 billion GDP last year, this striking figure could have serious implications for Cambodia's foreign policy and territorial integrity. The recent handover of Sri Lanka's strategic Hambantota Port in a 99-year lease to China in exchange for \$1.12 billion debt repayment has raised many debates and provided lessons for other loan recipients to take into consideration.<sup>xviii</sup> In order to drive the MLC forward to become a sub-regional platform that can fuel further growth, build more trust and confidence among its member states, and to facilitate more positive coexistence with other Mekong mechanisms, the following proposals should be considered:

- ❖ The third pillar of the MLC framework on "Cultural and People-to-People Exchanges" should be mainly prioritised;
- ❖ The MLC should prioritise grants over loans, especially in the aspect of human resources and production-capacity development;

- ❖ More careful socioeconomic assessments should be made by MLC donors and investors;
- ❖ Accurate information on the specifications of each project should be publicised;
- ❖ Relevant ministerial stakeholders should intensify their efforts to create a comprehensive MLC website to serve as an information-sharing platform for public consumption;
- ❖ Greater emphasis should be placed on the coordination efforts on dual-track diplomacy between Track I and Track II with relevant governmental agencies and departments, working on Mekong-related issues.

<sup>i</sup> This article is the excerpt of its original. The full publication is accessible at < <https://www.kas.de/web/kambodscha/single-title/-/content/kambodscha-im-kontext-der-mekong-lancang-kooperation-mlk-?fbclid=IwAR1uDzDMON3RaQ7FxywcvAMm9nx5NnF0u0SgJU9LbwO4bG-fk-QUUA50xMA> >

<sup>ii</sup> Throughout this paper, LMC and MLC will be used interchangeably, i.e. if the meeting was held in any of the five Mekong countries, MLC is used. Likewise, if the meetings were held or the documents were signed in China, LMC is used. On a side note, MLC is mainly used therein, for the unwritten diplomatic norm, unless otherwise stated.

<sup>iii</sup> Opening Remark by Ambassador Pou Sothirak, Executive Director of the Cambodian Institute for Cooperation and Peace (CICP), during the Launching Ceremony of the Global Center for Mekong Studies (GCMS) – Cambodia Center on June 08, 2018 in Phnom Penh.

<sup>iv</sup> Chheang Vannarith (2016). “A New Strategic Frontier”. *ASEANFocus*. PP. 12-13. Issue 10.

<sup>v</sup> Catherine Wong (02 January 2018). “Is Mekong River set to become the new South China Sea for regional disputes?”. *South China Morning Post*. Available at: <<http://www.scmp.com/news/china/diplomacy-defence/article/2126528/mekong-river-set-become-new-south-china-sea-regional>>

<sup>vi</sup> Ibid.

<sup>vii</sup> Personal interview with Dr. Rong Ying, Director of Global Center for Mekong Studies (GCMS) – China Center and Vice President of China Institute for

International Studies (CIIS) on August 10, 2018 in Beijing.

<sup>viii</sup> Ibid.

<sup>ix</sup> Ibid.

<sup>x</sup> The latest phase, Rectangular Strategy - Phase IV, has been recently adopted in September 2018 after the sixth legislative national election. The assessment of this context still referred to Phase III due to the unavailability of Phase IV official document by the time of analysis.

<sup>xi</sup> Rectangular Strategy - Phase III of the Fifth Legislature of the National Assembly (2013-2018). Available at: [http://www.cdc-crdb.gov.kh/cdc/documents/Rectangular\\_Strategy\\_Phase\\_III.pdf](http://www.cdc-crdb.gov.kh/cdc/documents/Rectangular_Strategy_Phase_III.pdf)

<sup>xii</sup> “National Strategic Development Plan 2014-2018”. Page 105. Available at: <[http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/genericdocument/wcms\\_364549.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/genericdocument/wcms_364549.pdf)>

<sup>xiii</sup> “Cambodia Industrial Development Policy (2015-2025”. Available at: <[http://www.mih.gov.kh/File/UploadedFiles/12\\_9\\_2016\\_4\\_29\\_43.pdf](http://www.mih.gov.kh/File/UploadedFiles/12_9_2016_4_29_43.pdf)>

<sup>xiv</sup> “Joint Statement on Production Capacity Cooperation Among Lancang-Mekong Countries”. Available at: <[http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t1350040.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1350040.shtml)>

<sup>xv</sup> Hor Kimsay and Bredan O’Byrne (08 February 2018). “Chinese Embassy admits to issues in Sihanoukville while lauding overall impact of investment. *The Phnom Penh Post*. Available at:

<<https://www.phnompenhpost.com/business/chinese-embassy-admits-issues-sihanoukville-while-lauding-overall-impact-investment>>

<sup>xvi</sup> Ministry of Economy and Finance. (March 2018). “Cambodia Public Debt Statistical Bulletin”. Page 16. Available at:

<<http://www.mef.gov.kh/documents/shares/publication/public-debt-bulletin/Cambodia-Public-Debt%20Statistical-Bulletin-Volume%205.pdf>>

<sup>xvii</sup> Ibid.

<sup>xviii</sup> Reuters (09 December 2017). “Sri Lanka hands port formally to Chinese firm, receives \$292M”. Available at: <<https://www.reuters.com/article/sri-lanka-china-ports/sri-lanka-hands-port-formally-to-chinese-firm-receives-292-mln-idUSL3N1O908U>>



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