Mekong Vision 3.0: Stakeholder Consultations

***Interview with Jake Brunner, Head, IUCN Indo-Burma Group (Hanoi), October 23, 2020.***

**Notes**: Unless indicated as a direct quote, these notes are not verbatim, and reflect the interviewers’ interpretation of what was said.

The interview was introduced by Klomjit Chandrapanya (World Bank), who summarised the World Bank’s (WB) history of engagement in the Mekong, and provided a background to the Mekong 3.0 initiative. She then handed over to the Mekong Futures interview team.

**Question 1: What do you think are the current challenges to sustainable development in the Mekong –Lancang region?**

This is a pretty good place to live. The rate of (economic) growth has been high and steady. What made sense politically and economically 25 years ago has now changed. The quality of growth is a concern. In the Mekong Delta, Vietnam has abandoned the third rice crop, which is good. Their recent agreement with the EU will introduce new standards to manufacturing and food safety.

Covid could expose the reliance on national exports and national budgets. Countries could be In Thailand, growth is lower, and they have an ageing population. Mr Brunner feels that higher quality growth and compliant FDI is being sought regionally, and that this is very positive. Many problems remain, nevertheless.

**Question 2: What does regional cooperation mean to you? What are the opportunities for regional cooperation to support sustainable development in the Mekong- Lancang?**

Future SD margins (of growth) will depend on cooperation. At higher levels, it is possible to see cooperation, but not so much at lower ones. The magnitude of trade between the Mekong countries is fairly low as compared to that with external markets.

There are many opportunities in energy cooperation. If you focus only on water, it tends to be a zero-sum game; but if you add in other factors, such as fisheries or sediments, then opportunities for reciprocity merge.

He mentions an IUCN-supported initiative to have a national park, Hin Nam Na (primarily in Lao PDR), is in the process of World Heritage Site declaration, which requires both Vietnamese and Lao PDR endorsement.

**Question 3:** **From your experience, are there examples where some or all of the Mekong-Lancang countries have cooperated to yield a clear and positive trans-boundary river management outcome?**

The Lancang dam cascade has, Mr Brunner says, made Lao run-of-river (ROR) dams viable. I don’t know if there was a specific plan for this. The ‘new operation’ of the cascade, however, presents a grimmer picture and existential threat for the Tonle Sap’s fisheries, for example. On the Lancang, there is a very large difference between expected flows and observed ones. It shows the dams are holding back very large quantities of wet-season contributions to the Mekong. He argues that this is because of a new high-voltage line from Yunnan to Guangzhou, which means that the hydropower companies are looking to withhold water to take advantage of higher dry-season cost per unit electricity. China, he says, has never really rebutted this argument. In their response to the Eyes on Earth Report, Tsinghua University argues that lower wet season and higher dry season flows were a good thing for downstream flood control and management.

The MRC’s five procedures are good transboundary outputs – they are not, he stresses, outcomes. The exclusion of the tributaries is an important omission. There are lots of outputs, but Mr Brunner cannot think of any outcomes.

**Question 4: What are the relative advantages/merits of the different mechanisms for cooperation, and do you see any opportunities for improvements?**

The MRC, the IUCN says, is a vital organisation, but severely limited. Five years ago, IUCN did a study that showed a huge difference between the MRC and the Convention on International Water Courses which, Mr Brunner felt, is the gold standard for river basin organisations. The MRC, he said, should be reformed. There are those that argue that revisiting the 1995 Agreement will cause everything to unravel; but this risk can, he said, be managed. If this is not done, he said, the MRC stands to die a slow death.

The MRC is the only legal framework in the region – not even the LMC or BRI.

There is huge interest in the Mekong Region. When the new Japanese prime minister took office, the first foreign country he visited was Vietnam. China, he says, sees the Mekong as the second front by which to isolate Vietnam. The primary Chinese interest in Lao PDR and Cambodia is economic, although they also have political concerns. “The Mekong is a good place to do business”. For the US, the interest is mainly political – it sees China’s moves into the Mekong as unacceptable expansionism.

Vietnam is the political and economic outlier. Anti-Chinese sentiments are not as evident in Thailand.

**Question 5:** **In your opinion, when cooperation occurs between Lancang-Mekong countries, what indicates its success? How do you know if cooperation is successful?**

When it comes to successes, he references the Lao PDR Prime Minister’s 2016 decree to clamp down on illegal logging. This has a huge (positive) impact, although some illegal logging remains. He also feels that last week’s agreement to increase Lao electricity exports to Vietnam from 500 MW to 5,000 is an example of successful cooperation.

He talks about the IFC recommendation to keep the Sekong mainstream free of dams as positive and funding the southern Lao-Vietnam backbone grid.

There is, he says, a fine line between success and failure of HP projects and operation that can be quantified. This could show the degrees of cooperation and compliance success. There has not been systematic energy planning and cooperation in the region. Comprehensive evaluation of alternative energy planning strategies, including env impacts is an important step (e.g. y% of exports with x% of impacts). “If that happened, we could all sleep better at night”.

The jury is still out, Mr Brunner says, as to whether or not the LMC wants ‘real’ cooperation. China does not want to be constrained by legal agreements. They want to maintain their ‘margin of manoeuvre’ – whether through debt, water or electricity. They see ambiguity as advantageous. For Mr. Brunner, ‘real’ cooperation would include things such as China discussing their hydropower development plans with Laos; or perhaps revealing when they would be making releases from their dams, and jointly modelling the impacts of this. But there is no forum for this – the Eyes on Earth study shed light on this, and was embarrassing all round. But may have provoked China to release real time water flow data. Critical information to allow downstream countries to plan and adapt for flow conditions.

As economies become integrated, surrendering some sovereignty yields benefits over the long-term. The ability to do this is, in some senses, a sign of political maturity. Obviously, when it comes to the 1995 Agreement, the countries did not want to surrender sovereignty. Now, however, Vietnam really does want to see this (surrender of some sovereignty).

The other ‘game-changer’ Mr. Brunner believes, is the southern Lao backbone grid.

**Question 6:** **From your experience, for what types of Lancang-Mekong problems has cooperation been most effective?**

There is a growing amount of cross-border trade. Perhaps the most successful cooperation has been in telecommunications. There has been very little cooperation on natural resources. But external pressure can force countries to be ‘better citizens’. He provides the example of the EU issuing a ‘red card’ to Vietnam because of their illegal fishing in the Gulf of Thailand and subsequent yellow card for seafood exports.

Cross border FDI (from Thailand) has meant lower growth for Thailand but less externalities and pollution in Thailand.

Laos, he says, seems sincere in its commitment to a green economy. In the Vietnamese data, the government has fundamentally changed course. The ‘light touch’ embodied by the 1995 Agreement, he says, is no longer relevant. For the MRC, he says, all energy is hydropower – which means that it does not promote a focus on alternatives.

Additional cooperation can yield significant environmental and economic benefits.

**Question 7:** **In your view, which factors prevent cooperation? And which factors enable it?**

Note: Mr Brunner had another appointment to go to, so the online verbal interview was terminated once Question 6 had been responded to. The remaining responses were provided by Mr Brunner in writing.

The countries are still wary of cooperation. Nor is there a venue other than MRC for the MRC members to discuss broader planning and investment opportunities. Fundamentally, there’s lack of trust. One of the reasons Vietnam has been reluctant to rely on Lao or Cambodia (let alone China) for electricity imports is that they simply don’t trust their neighbors to honour their contracts. So, lots of formal meetings between ministers and heads of government levels but very little cooperation at lower levels. But I think that’s changing. Cambodia is now importing power from Don Sahong and a future coal power station via the LS2 transmission line to Phnom Penh. Vietnam is increasing power imports from Lao. One barrier to cooperation is that planning is done sector by sector, which limits the scope to capitalise on mutual benefits by considering multiple sectors at same time. We discussed the case of Lao needing Vietnamese support to implement Decision 15.

**Question 8:** **From your experience, when Lancang-Mekong countries cooperate for sustainable development of the basin, who are the most influential actors?**

China is obviously the #1 investor although it’s suffered reputation damage with its manipulation of the Lancang to maximise profits from the dam cascade. Western countries could be much more influential in their cooperation on development policy and financing. That seems to be happening with formal cooperation between US and Japan. A paradox is why hasn’t Vietnam, the most vulnerable country to upstream development, been more vocal in advocating non-hydro renewables and power trade as a way to reduce risks to the delta. One reason is that within the Vietnamese government there are different constituencies, which seem to cancel each other, leading to policy paralysis. MOIT’s failure to come with a coherent power plan led to the intervention of the CPV, which issued Resolution 55 in February 2020 that marked a decisive move into solar, wind, and environmentally friendly alternatives.

**Question 9:** **In your opinion, how can governments balance natural resources sustainability with economic development goals?**

I would frame the question differently: How can government deliver broad-based economic growth and social security at minimum environmental risk? I like Ziv et al’s definition in the context of dams and fisheries: Although socioeconomic progress is desirable, sustainable development requires that unnecessary risks to ecosystems and environmental services, such as fish production and biodiversity, be avoided. The good news is that with new technologies and greater transboundary cooperation, the tradeoffs are increasingly less painful.