

ASIA PACIFIC

A Chinese-Backed Dam Project Leaves Myanmar in a Bind

By MIKE IVES MARCH 31, 2017

AUNG MYIN THA, Myanmar — For six years, Daw Kaw Bu has waited to return to the village she was forced to leave to make way for a dam that has yet to be built.

“I pray to God to let me work on my own land again,” she said on a recent afternoon, sitting outside the wood-shingled home in Aung Myin Tha, where she was resettled in early 2011.

She may get her answer soon, when a government-appointed commission makes a recommendation on the fate of the \$3.6 billion, Chinese-financed Myitsone Dam.

The decision is a daunting test for Myanmar’s leader, Daw Aung San Suu Kyi, who risks angering China, the region’s economic powerhouse, if she cancels the project, or the public if she lets it go forward.

Analysts say the commission’s report would provide her the political cover to

kill an unpopular white elephant that she inherited from Myanmar's former military government.

But getting out of the deal would be difficult. If her government cancels the project outright, it could have to repay some \$800 million that the state-owned Chinese developer says it has already spent on the project.

If Myanmar offers China other dam projects in return, a compromise her government has floated, they are likely to impinge on disputed ethnic areas where they could threaten the peace talks she has championed since her political party came to power last year.

"If she is the leader she claims to be, I think she should cancel" the dam, said Yun Sun, a specialist on China-Myanmar relations at the Stimson Center, a nonpartisan think tank in Washington. "But then she has to somehow deal with an \$800 million disbursed investment: It cannot be swept under the carpet without giving China something major, and I cannot think of anything that she could give to China without generating a bigger pushback."

The Myitsone Dam is among the largest of many Chinese-financed energy and mining projects approved by the military junta that ruled Myanmar until 2011. It is especially contentious because it would be the first dam to cross the Irrawaddy River, the mythic cradle of civilization for Myanmar's ethnic Burman majority.

But as Myanmar moved toward democracy and controls loosened on public expression, rising anti-Chinese sentiment burst into the open, and the dam became a focus of protest. While officials said the dam would provide Myanmar much-needed cash and electricity, critics said it would cause irreparable harm to the river, destroy fish stocks downstream and displace thousands of villagers.

But perhaps the most incendiary objection was that under the deal struck by the ruling generals, 90 percent of the dam's electricity could go to China. As protests spread to Myanmar's cities, Ms. Aung San Suu Kyi, the country's revered pro-democracy leader at the time, spoke out against the dam.

In 2011, the military-backed transitional government yielded to public pressure and suspended the project.

The decision, widely seen as a victory for the forces of democracy, shocked Chinese officials and businessmen. Many remain incredulous that the dam was delayed at

all in a country that needs more electricity to power its fast-growing economy.

Although the contract has never been publicly disclosed, details have leaked out over the years. A person who supports the dam and is familiar with the contract, who spoke on the condition of anonymity, said Myanmar was guaranteed 10 percent of the dam's electricity at no cost and could buy more on request.

The government's 15 percent stake in the dam would earn it about \$18 billion over a 50-year concession period, analysts and local news reports said.

Asia World, a domestic conglomerate with deep ties to the military and roots in the heroin trade, owns 5 percent and also stands to profit handsomely, they said. Asia World is subject to American sanctions because of its ties to the junta.

The Chinese developer owns the remaining 80 percent.

The Myitsone was meant to be the first and largest of seven dams planned by the Chinese developer. It would generate more power than the entire country produces now, according to some estimates, but would still not cure the country's chronic energy shortages.

One reason for that, experts say, is that there is no grid connecting the dam to Myanmar's major towns and cities.

"Does Myanmar need electricity? Yes, for sure," said David Dapice, an economist at Harvard who has studied Myanmar's hydropower sector. "Does it need Myitsone? No. There are many other hydro sites that could be developed. And in the country's south, gas generation would be cheaper than transmitting hydro over long distances."

Canceling the dam, however, would upset relations with China, Myanmar's biggest trading partner.

Recognition is growing among Chinese officials and experts, analysts said, that the diplomatic and business strategies that worked well when Myanmar was ruled by generals are no longer viable.

"We've learned our lesson from focusing too much on the elites, and now we know that deals and agreements are not solid if they are not based on people-to-people relations," said Fan Hongwei, a Myanmar specialist at Xiamen University in China.

But the dam's developer, State Power Investment Corporation, has already spent \$800 million on feasibility and technical studies, bridges, electrical grid updates and other supporting infrastructure, the person familiar with the dam contract said. The money was borrowed from commercial banks, he said, so the cost keeps growing as the loans accrue interest.

Executives at the company declined a request for an interview. But in a written statement, Wang Qiyue, the project's general manager, said that the company would "listen carefully and offer our practical advice" to any new proposals from Myanmar officials.

The dam would provide Myanmar "its own cheap, renewable energy," he said, a better option than importing power or using more expensive or nonrenewable energy sources.

Officials close to Ms. Aung San Suu Kyi have said that negotiations were underway for Myanmar to pay China, or apply the money to other projects, if the dam is not built.

Ms. Aung San Suu Kyi's spokesman, U Zaw Htay, said last year that as a compromise for not building the Myitsone Dam, she was prepared to offer the Chinese a series of smaller hydropower projects that are less of a threat to the environment.

But Myanmar's best potential hydropower sites are all in conflict areas, said Tom Kramer, a researcher in Yangon at the Transnational Institute, a Dutch organization that studies ethnic issues in Myanmar. Approving new projects there, he said, could set off renewed fighting among the very armed groups that Ms. Aung San Suu Kyi is struggling to bring to the negotiating table as part of a fragile national peace dialogue.

But whether the money is used to repay China or build alternative dams, it is not clear where Myanmar would come up with \$800 million, a sum greater than its roughly \$600 million health budget.

A more palatable alternative, some analysts say, may be for Myanmar to grant further concessions to China in the western port town of Kyaukpyu, where state-owned Chinese companies have already won contracts to develop an industrial zone and a deepwater port.

On a recent afternoon near the site of the Myitsone Dam, there was no sign of Chinese workers or dam-building equipment. From the bank of the Irrawaddy, the only movement visible near the unfinished dam site was a slender fishing skiff that drifted lazily on the current.

Residents of Aung Myin Tha, a nearby village where about 300 families were resettled, said it had some advantages, like the 16-bed hospital and roads built by the dam developer. But most families now have less farmland and diminished access to the Irrawaddy and traditional hunting grounds, and opposition to the dam remains strong.

“If the Lady lets it happen, Kachin people will protest,” said one villager, Daw Ja Khawn, using the popular moniker for Ms. Aung San Suu Kyi. “We’ll get the whole country behind us, which will be easy because the whole country is already against it.”

Dozens of families have taken matters into their own hands, moving back to their old villages, even though electricity was cut off there.

“I built my house to challenge the Chinese,” said one, Daw Lu Ra, who was eating a freshly caught fish by candlelight at a restaurant overlooking the headwaters. “Even if they told me to move again, I wouldn’t.”

Wai Moe contributed reporting from Yangon, Myanmar. Yufan Huang contributed research.

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