Infrastructure as a Tool of Diplomacy and Statecraft? China’s hydroelectric development in Greater Mekong from Go Out to Belt and Road
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Introduction
Over the past two decades, policy and academic circles have become increasingly interested in China’s foreign economic diplomacy in which infrastructure development has become the premier tool. Particularly since the launch of the Belt and Road Initiative (BRI), the world has witnessed a rapid expansion of Chinese-financed infrastructure projects and concomitantly, a soaring amount of data and information compiled by academia, think tanks, government/non-government organizations, and business consultants aimed at measuring the costs and scale of these projects. Importantly, these endeavors are pointing to the conclusion that Chinese economic statecraft and influence on host countries increases along with the rise of Chinese-financed infrastructure projects in them.

However, infrastructure is at many levels a risky, if not difficult, tool of diplomacy and statecraft, as many projects require long time periods to complete and to produce socio-economic returns, carry high social and environmental costs, and involve complex stakeholder relations. For host countries, they face high domestic audience “costs” in implementing infrastructure projects, particularly large and controversial ones.1 The challenges of infrastructure diplomacy are increasingly emerging, as in recent years more and more Chinese-financed megaprojects are delayed or compromised, or cause diplomatic trouble for China. Nonetheless, to date, few have systematically examined the implementation status of Chinese-financed infrastructure projects, how successful their agreements have been followed through with since they were announced, and to what extent they have faced complications during the implementation process. In other words, project implementation—often assumed away in current studies—is an important factor in understanding how realistic the notion of infrastructure diplomacy is, in what circumstances infrastructure funding and development may, or may not, serve diplomatic goals, and what impediments in host countries may undermine its purpose.

To fill this gap, we examine and compare China’s hydropower development in three countries in Greater Mekong: Cambodia, Laos, and Myanmar. Based on a variety of primary and secondary sources, including many grassroot environmental groups, we compile a dataset that examines the implementation status of Chinese-financed hydroelectric projects in the three countries from 2000 to 2018. With this data, we present a cross-country analysis explaining the implementation outcomes of China’s infrastructure diplomacy within different contexts in terms of political institutions and state-society relations. Our research scope is set for three reasons. First, hydroelectric development has been a key area in China’s infrastructure diplomacy since the early 2000s when China launched the Go Out campaign, the precursor of the BRI. Given the region’s geopolitical importance and geographical proximity to China and its hydroelectric potential, these

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three Southeast Asian countries have been the first place China and its state owned hydropower firms have “gone out,” and this effort has expanded rapidly since the announcement of the BRI in 2013. Because of this long track record, crossing both Go Out and BRI eras, we can more sufficiently examine the implementation status of these projects. Most importantly, we aim to contribute to a frequently debated question, that is, to what extent China’s economic diplomacy, particularly via infrastructure development, may work in authoritarian countries, or put differently, how appealing China’s infrastructure diplomacy may be to autocracies. Cambodia, Laos, and Myanmar, while all under authoritarian rule, present noticeable variation in terms of the strength of state authority and autonomy, political freedom within the society, and how these attributes have changed over time. A cross-country, over time examination of their project implementation record may help shed light on the related debate.

We reach two conclusions. The record of China’s hydropower development in the three countries paints a mixed picture for using infrastructure development as a diplomatic tool to appeal to authoritarian states. Many projects in the three countries are followed through to completion in spite of frequent resorts to coercion alongside with delays, interruptions, and other problems; others, particularly big ones, face difficulties and are suspended, or even cancelled; and still a substantial number of projects remain at the proposed/planning phase, many without clear implementation timelines. This suggests that autocracies, while having advantages in overriding opposition, implement dam projects at a pace in accordance with the fluctuation of their domestic audience costs. Second, the cross-country analysis lends support for the Chinese-aid-for-authoritarian-state argument as project implementation faces fewer complications during periods when authoritarian states have the most consolidated power.

**China’s idiosyncratic approach to infrastructure diplomacy: An analytic framework**

- *China’s infrastructure diplomacy from Go Out to BRI*

Infrastructure had long been used as a foreign policy instrument in the People’s Republic of China. During the Cold War era, Beijing routinely delivered ‘infrastructure aid,’ like power plants and bridges, to other communist countries as part of its diplomatic practice. Nonetheless, such infrastructure aid was small in scale given the limitations of China’s economic capacity at the time. It was not until China’s economic boom and its subsequent launch of the Go Out (走出去) policy that infrastructure became the prominent feature of China’s foreign policy plan. In the early 2000s, Beijing embarked on a campaign-style effort to expand China’s global influence in both political and economic terms and to help achieve this goal, Beijing began dedicating substantial efforts and resources to assist other countries in developing their infrastructure systems.

China’s infrastructure diplomacy under the Go Out campaign is carried out in three distinct ways. First, the Go Out campaign expanded China’s foreign aid budget while incorporating other types of non-concessional official financing into the so-called ‘Chinese aid’ system. The mixture of aid and non-aid financing helps Beijing pool more capital for infrastructure projects, particularly big ones. Not fitting the strict definition of foreign aid, those infrastructure projects are referred to
by Beijing as South-South Economic Cooperation programs, which aimed to ‘promote multi-form and mutually-beneficial cooperation.’ As such, China’s infrastructure diplomacy has emphasized power generation facilities as one of the target projects, which in recent years have developed both features of public goods and private equity under the power market reforms in many developing countries as we later explain in detail. Second, China’s infrastructure diplomacy operates under the distinct request-based system, a practice enshrined by Japan’s aid agency, which influenced Beijing after the decade-long experience as a Japanese aid recipient. The system allows foreign governments, or their affiliated business entities, to request financial support from Beijing for particular programs. In reality though, as Go Out campaign aimed to promote Chinese state-owned enterprises (SOEs) in overseas market expansion, Beijing encourages SOEs to take the lead in approaching their foreign counterparts in initiating projects that suit their business interests. Two policy banks, the Export and Import Bank of China (Exim China) and the China Development Bank (CDB), have been created to meet those project requests through providing a variety of financial products, from export credit guarantees and buyer’s credits to direct loans. Finally, China, not a part of the Paris Club, is not obliged to follow the “global standard” practice in foreign aid and export credits, which over the years have adopted numerous rules on financing, social, environmental, or governing issues. Beijing imposes no political conditionality and requires a high percentage of ‘China-content’ in its foreign lending. While the official guidelines of Exim China and CDB demand borrowers to fulfill socio-environmental assessment for the project that the loan intends to serve, it is in reality loosely enforced and depends on the discretionary power of the host governments.

In late 2013, under the announcement of the then newly inaugurated president Xi Jinping, BRI replaced Go Out as China’s premier foreign policy framework, taking China’s infrastructure diplomacy to the next level. To be sure, China’s infrastructure diplomacy under the Go Out campaign had already undergone important transformation in terms of its geographic coverage and development scale. It began with a focus on the neighboring countries, of which three countries discussed in this research were of particular importance, but in the mid-2000s, it quickly expanded to other parts of the developing world. Following the 2008-9 financial crisis, Beijing injected a $590 billion stimulus, prompting further Chinese policy banks’ overseas lending and strengthening Chinese SOEs’ foothold in overseas infrastructure development. Since then, Beijing has begun supporting more and more megaprojects, ranging from railways and roads to power supply facilities. This “going big” trajectory has intensified further since BRI, as President Xi increased financial backing for overseas infrastructure development and adopted infrastructure diplomacy into a formal policy framework. In 2015, China’s top economic planning agency, the National

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2 People’s Republic of China, Ministry of Commerce Department, China’s Foreign Aid Whitepaper (Beijing: Information Office of the State Council, 2011). According to the Whitepaper, by 2009, China financed at least 160 aid projects in the categories of energy and resource-extraction.

Development and Reform Commission (NDRC), constructed the BRI Action Plan and a BRI Leading Small Group was set up in the State Council to facilitate coordination of BRI-related tasks. Several regulatory changes since the BRI announcement, such as limiting ‘irrational’ overseas investments (in real estate and sports) and the registration-approval requirement,\(^4\) aimed not only to make infrastructure a core sector for China’s outbound foreign direct investments but also to enhance Beijing’s supervision over their implementation in advancing its diplomatic goals.\(^5\)

In turn, the Go Out campaign becomes ‘go-big’ as megaprojects have become an essential part of Beijing’s diplomatic repertoire and have expanded rapidly across the developing world in terms of both number and scale.

- **Debates on infrastructure diplomacy, authoritarian regimes, and China’s hydropower development in Greater Mekong**

Although infrastructure diplomacy serves China’s political and economic interests, Beijing also aims to court countries in the developing world with straightforward reasoning: these countries need infrastructure but have limited financial means to acquire it; by bringing infrastructure to them, China may help improve livelihood, growth, and jobs in these countries and thus advance their bilateral relations. Moreover, such infrastructure development aims to promote broader economic connections between China and the recipient countries to foster stronger relations with complex interdependence. This thought is best exemplified by Xi’s remark in his BRI announcement in Jakarta, pledging Beijing’s endeavor in overseas infrastructure development in order to “facilitate trade routes” and enhance economic exchanges between China and other countries in strengthening their bilateral relations.\(^6\)

In contrast to Beijing’s reasoning, critics offer a rather different—and less benevolent—explanation on how China’s infrastructure diplomacy may work. Calling it ‘rogue aid,’ they see Chinese infrastructure assistance as catering to the interests of political elites more than the public interest in host countries.\(^7\) They argue that given no political strings and other requirements attached, Beijing allows these political elites, particularly those in a political system lacking checks and balances, rather sufficient autonomy in utilizing Chinese infrastructure loans in a way much like payoffs to gain their diplomatic support. Regardless of the differences, both explanations are predicated on a common assumption: infrastructure is effective in facilitating China’s diplomacy and its exercise of economic statecraft.

This assumption is questionable, however. While developing countries need infrastructure, it does not mean infrastructure projects are welcomed by all in host societies. Infrastructure may not be an effective diplomatic tool for many reasons. Generally, infrastructure projects face three

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types of challenges—socio-environmental, financial, and technical—and they are interconnected in a way that often complicates, if not jeopardizes, the intent of infrastructure diplomacy. To start, infrastructure projects, while having the potential to generate social and economic returns, may have negative social, economic, and environmental impacts on and encounter opposition from host societies. The larger the project, the more controversy it may provoke, and the more opposition and complications it may face. Secondly, infrastructure development, even with concessional lending support, remains capital-intensive and incurs financial burdens on host countries. Especially when small, poor countries consider major projects, if these projects fail to generate sufficient revenues or economic gains, they may damage these countries’ fiscal health and growth prospects. Financial hardship may complicate project implementation on the one hand and on the other make the host government reject, suspend, or even cancel a project. A different but related challenge comes from the technical aspects. Infrastructure projects require certain professions and managerial skills that are often lacking in developing countries. The larger an infrastructure project is, the more technical and subsequent problems, such as delays and cost overruns, it may encounter. For big-ticket projects in particular, given their scale and implementation duration, unexpected issues from all three aspects are even more likely to occur and obstruct their implementation, a phenomenon commonly referred to as “black swan”.

All these challenges point to the grievance-prone nature of infrastructure investments.

From the financiers’ viewpoint, infrastructure investments are of high risk because of their asset specificity (immobility) and longtime horizons of financial recovery. They face the extreme of what Vernon termed the “obsolescing bargain”: the loss of bargaining power with host governments once fixed assets are in place. To shield their assets from risk factors, the financiers have developed long, thorough procedures in feasibility and viability studies, public consultations, social and environmental impact assessments and safeguard installation. That is part of the reason that over the past three decades, Western development banks or private investors have increasingly demanded their borrowers improve standards in those procedures. Nonetheless, these financiers continue to see infrastructure projects as high risk and have scaled back their investments in them to avoid controversies and criticism. Such financial gaps, along with the technological sophistication needed for infrastructure development, are opportune for Beijing to woo developing countries. Still, Beijing faces as many risks as opportunities, especially given its distinct approach to infrastructure financing—i.e. market orientation, less stringent lending rules, and more importantly, campaign-style financing push—which exposes Beijing, along with Chinese SOEs, at the frontline of the opposition against their sponsored projects. As such, this opposition may

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11 Saori N. Katada and Jessica C. Liao, “China and Japan in pursuit of Infrastructure Investment Leadership in Asia: Competition or Convergence?” Global Governance (Forthcoming).
affect the degree of China's success in implementing infrastructure projects and using them to promote diplomacy.

The above discussion raises important questions about host country governments’ handling of the opposition against infrastructure development. Specifically, how do the above-mentioned factors about infrastructure projects provoke the opposition against authoritarian states as well as Chinese financiers and developers? How effective are authoritarian states in overriding this opposition and implementing these projects? Is Beijing’s infrastructure diplomacy more likely to work in countries with those types of regimes? The political regime, according to Schmitter and Karl, comprises “an ensemble of patterns that determines the methods of access to the principal public offices; the characteristics of the actors admitted to or excluded from such access; the strategies that actors may use to gain access; and the rules that are followed in the making of publicly binding decisions.” An authoritarian state refers to a government that has restricted policymaking access and relies on a small part of the society as the “winning coalition.” When an autocracy proposes a China-backed project, it may face opponents--driven by either socio-environmental or economic considerations discussed above--from both mass and elite levels. Their interactions, coupled with their influence on broader constituencies, affect the project implementation decision. Given the range of methods they have in blocking such interactions and preventing it from entering the policymaking process, autocracies are often more capable of implementing a policy decision or international agreement in spite of the opposition.

Two points need to be considered though. Regardless of the merit of their consideration of infrastructure projects and their advantages in enforcing them, political elites in autocracies still face domestic audience “costs” for their decisions. They must consider the preferences of those from the winning coalition as well as the opinion of mass audiences, particularly among those most negatively affected by the project, even though the latter group is less politically important in such a political setting. Still, these political elites also face international audience costs, which are especially critical when the foreign partners are able to provide or impose substantial benefits or costs on their bilateral relations. Thus, autocracies that agree to a foreign-sponsored infrastructure project have to contemplate the costs of both sides in considering whether to complete the project. Secondly, even within authoritarian states, varieties exist in terms of political access, the size of the winning coalition, and the associated political institutions. For example, commonly used measures of regime type, such as Polity IV and Freedom House, are aggregate measures based on underlying subcategories of the characteristics, such as political stability, rule of law, accountability, and judicial constraint. Authoritarian regimes are therefore more usefully thought of as a continuous rather than dichotomous concept in understanding the extent of power consolidation in a regime. As regimes become less autocratic, power is more dispersed among a larger winning coalition, which, in truly democratic regimes includes the mass

public. Importantly, an expanded winning coalition may raise domestic audience costs, as well as hurdles, for autocracies in implementing foreign-sponsored projects, especially when the projects are controversial.

China’s rapid overseas expansion in hydropower development provides a testing ground to examine questions about authoritarian regimes and infrastructure project implementation.\textsuperscript{15} As Blake and Barney wrote, “Dam projects have long been associated with human insecurity, injustice and even indirect and direct forms of violence.”\textsuperscript{16} A 2016 letter by International Rivers to the United Nations documented incidents across the world where hydropower dams induce incidences of intimidation, coercion and forced resettlement of affected persons by companies as well as host government agencies.\textsuperscript{17} The larger the dam projects, the more such incidents have happened, the letter concluded. In a similar vein, other studies have found that dam projects, particularly large ones, are frequently linked to authoritarianism, social inequality, and as well as complex webs of corruption or particular financial interests.\textsuperscript{18} In particular, International Rivers’ letter highlighted the recent situation in Cambodia, Laos, and Myanmar, three authoritarian states with distinct characteristics as later explained in detail. Since the 2000s, along with their electricity market liberalization and reform, the three countries have become among the world’s most active promoters of hydropower development, with dozens of dams at various sizes built on the Mekong mainstream and other rivers and many more planned.\textsuperscript{19} Among the numerous incidences of dam building-related violence in the three countries the letter described, many are directed at Chinese-developed dams. In fact, China has been the largest foreign player in the hydropower sectors of the three countries, accounting for about 46 percent of their overall hydropower capacity, according to a 2013 estimate by the U.S. Energy Information Administration.\textsuperscript{20} The scale of Chinese hydropower development in these countries seems to suggest that China’s promotion of infrastructure diplomacy-- in the case of hydropower dams-- works particularly well in the context of authoritarian regimes.

Nevertheless, over the course of their hydropower boom, Cambodia, Laos, and Myanmar have experienced various degrees of changes in their authoritarian rules as well as social unrest.

\textsuperscript{19} International Rivers, 2016.
caused directly or indirectly by dam building.\textsuperscript{21} The most prominent example of this trend were protests targeting the Myitsone dam project in Myanmar during its liberalization period, which erupted and unfolded so rapidly that the junta government was forced to put the project on halt as well as cool down relations with China. In this case, authoritarian states, facing increased domestic audience costs, cannot always guarantee implementation of controversial infrastructure projects. It is therefore important to make a systematic inquiry of how China-financed dam projects have been implemented and make an overall assessment of Beijing’s infrastructure diplomacy.

\textbf{China’s hydropower development in Cambodia, Laos, Myanmar 2000-18: An overview}

First, a policy background provides a useful context for discussing the dataset. China’s hydropower development in Cambodia, Laos, and Myanmar can be divided into three policy phases. The first phase began with the Go Out campaign, which was intricately tied to China’s Good Neighbor policy in Southeast Asia. In 1997, the first ASEAN (Association of Southeast Asian Nations) Plus Three Summit in 1997 was held where China and ASEAN nations vowed to enhance friendly and mutually beneficial relations; good neighborliness had been the primary principle of China’s Southeast Asia policy. Importantly, this policy coincided with a time that over-damming, increased environmental issues, and ever-growing domestic power demands made Chinese SOEs in the dam-building and power-generating sectors shift toward a new focus on overseas markets.\textsuperscript{22} Soon the Go Out campaign began and turned the Good Neighbor policy increasingly rested upon delivering economic cooperation programs.\textsuperscript{23} Beginning with the 2002 China-ASEAN Framework Agreement on Comprehensive Economic Cooperation, Beijing signed multiple bilateral economic cooperation agreements with Laos, Cambodia, and Myanmar, of which hydropower dam projects accounted for a big part.\textsuperscript{24} Hydropower dams then became critical to China’s policy towards the three countries. After the 2008 global financial crisis, China’s hydropower development entered its boom phase. As Beijing injected massive stimulus into Chinese banking sectors to counter the crisis, Chinese dam developers got a booster dose for their overseas business ventures, which, compared to the previous phase, were of higher capacity, larger construction scale, and more capital intensive. Such development in part reflected regulatory changes of the electricity markets in the three countries to attract foreign investors as the following section details. Finally, since the BRI announcement, the expansion and going-big tendency has intensified as to fulfill the increased importance of infrastructure diplomacy. Exim China and CDB, among other Chinese banks, continued to extend financial lifelines for those megaprojects.

\textsuperscript{21} International Rivers, 2016.
\textsuperscript{23} Ibid.
\textsuperscript{24} Ibid.
According to recent reports, the BRI has effectively expanded Chinese hydropower development across the world, particularly these three countries of the Mekong region. We develop an original project-based dataset that details how China-financed hydropower dams in Cambodia, Laos, and Myanmar have been implemented throughout these three policy phases, specifically, the early Go Out phase (2000-2007), the post-2008 Go Out phase (2008-2012), and the BRI phase (2013-present). Based on the data, we make quantitative and qualitative assessment of Beijing’s infrastructure diplomacy and how differently, or similarly, these three governments have responded to Beijing and implemented their Chinese hydropower dam contracts. It is important to note that we include only Chinese-financed projects—either partially or entirely—in this data; projects where Chinese participated solely as contractors without financial contributions are not included as they have less control over project implementation. We understand that the process to implement an infrastructure project is technocratic as well as business confidentiality reasons. To overcome this challenge and obtain the relevant information, most researchers on this subject use triangulation methods, based on multiple news media sources. We use a similar strategy. Yet, to enhance the data completion and accuracy, particularly pertaining to the project implementation status, we construct a composite data based on datasets collected by International Rivers (dated to May 2017), the Myanmar Office of International Financial Corporation (dated to February 2018), and Radio Free Asia Lao Ministry of Energy and Mine (dated to June 2016).

The key challenge for this data collection is the fact that Exim China and CDB, along with other Chinese banks that own overseas hydropower assets, do not disclose their lending records for technical as well as business confidentiality reasons. To overcome this challenge and obtain the relevant information, most researchers on this subject use triangulation methods, based on multiple news media sources. We use a similar strategy. Yet, to enhance the data completion and accuracy, particularly pertaining to the project implementation status, we construct a composite data based on datasets collected by International Rivers (dated to May 2017), the Myanmar Office of International Financial Corporation (dated to February 2018), and Radio Free Asia Lao Ministry of Energy and Mine (dated to June 2016). For further cross-examination, we compare their data.

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26 For example, American Enterprise Institute’s China Global Investment Tracker and College of William and Mary’s China Aid Data collect media-based data on Chinese overseas investment and foreign aid data.

with two other scholarly datasets on Chinese hydropower projects in Southeast Asia.\textsuperscript{28} In addition, we use the names of each dam project as keywords to search news reports at the newspaper dataset, Nexis Uni, to update the information of project implementation status after the respective data collection dates.

We identify a total of 103 China-financed hydropower dams. This number confirms the rapid hydropower expansion in Cambodia, Laos, and Myanmar and the sequential effect of the Chinese policy: 26 projects were announced at the early Go Out phase, 45 at the post-2008 Go Out phase, and 10 at the BRI phase.\textsuperscript{29} In terms of project scale, projects before 2008 are mainly small and medium scale, and the majority of large-scaled dam projects were announced after 2008. The general data suggest the effectiveness of China’s infrastructure diplomacy in hydropower expansion in these three authoritarian countries. However, a closer look at the data suggests a more mixed picture in terms of effective project implementation. As Figure 1 shows, within the projects, 33\% are completed or currently in operation and 14.6\% currently under construction, with some of the big ones being delayed due to protests or other reasons. Notably, 9.7\% and 2.9\% of the projects have been suspended or cancelled respectively. Further, these projects are also among the largest and most capital-intensive projects China proposed in the region. Another telling fact is that 39.8\% of projects are marked as “proposed/planning” even though among them many big-ticket ones have no clear implementation timelines due to public opposition. For example, the Chinese developer, State Power Investment Corporation (SPIC), of six mega-dams (Renam, Khaunglanphu, Pisa, Wutsok, Chipwi) with a total installed capacity of 11,100 Megawatts (MW) marked these projects as “suspended due to arm conflicts” on its website in 2013. International Rivers also marked them as suspended as of May 2017. However, the Myanmar government, based on the IFC report as of February 2018, still listed their official status as “planned.”\textsuperscript{30} This indicates that the Burmese government remains strongly interested in these projects but has paused its plans due to the increased domestic audience costs.

While the above numbers provide an overview, there are clear differences between these three countries in their records of project implementation. As Figure 2 shows, Myanmar hosts the most China-backed dam projects but also has the most suspended or cancelled cases. Laos is catching up with Myanmar in implementing dam projects, especially since 2010, and has neither suspended nor cancelled any projects in spite of reports of delays in projects currently under construction. Finally, Cambodia hosts fewer projects compared to Myanmar and Laos, and its project completion record falls in between the latter two countries. To explain in detail this cross-country, over time variation, the next sections are comprised of three case studies that compare

\textsuperscript{28} Liao, 2018; Philip Andrews-Speed, Mingda Qiu, and Christopher Len, ‘Chinese engagement in Southeast Asian energy and mineral resources’, Eurasian Geography and Economics 57(3), (2016), pp. 316–42
\textsuperscript{29} There are 23 projects that we cannot identify the years of their announcements or construction groundbreaking.
\textsuperscript{30} Upstream Ayeyawady Confluence Basic Hydropower Co, SPIC.
and analyze how differently, or similarly, these three distinct authoritarian states have implemented their dam projects.
Classifying three authoritarian regimes: Laos, Cambodia, and Myanmar

Among the largest hosts to China’s overseas hydropower dam projects, Laos, Cambodia, and Myanmar provide both cross-national and over time variation in regime type and associated audience costs. One party Laos is the exception in terms of within-country variation; there has been relatively little weakening of the Communist Party’s grip on policy nor much increase in its responsiveness to the public over the past two decades. In contrast, Cambodia has been under a hegemonic party in a multiparty system that had some competitive characteristics. But when long-time Prime Minister Hun Sen’s rule was threatened by the opposition after their strong showing in the 2013 elections, the government’s response was initially greater pluralism but then authoritarian backsliding as a threat to their rule became apparent. Finally, since 2011, Myanmar has experienced a period of liberalization as the decades-long rule of the military junta came to an end and long-time opposition leader Aung San Suu Kyi has led her National League for Democracy to a majority in parliament. It is this variation in the degree of authoritarianism within and among these regimes that provides us leverage in testing our contention that the variation in authoritarianism shapes the implementation outcomes of China’s hydropower infrastructure agreements.

Diamond (2002) provides a useful typology of non-democratic regimes based on their level of openness to political competition: “competitive authoritarian,” “hegemonic electoral authoritarian,” and “politically closed authoritarian” regimes, as well as “ambiguous” regimes - between electoral democracy and competitive authoritarianism (26). In 2002, he classified both one-party Laos and military-ruled Myanmar (Burma) as politically closed authoritarian regimes and Cambodia as a somewhat more open hegemonic electoral authoritarian regime. It is necessary for our purposes to characterize any changes to those classifications over the subsequent two decades.

Laos is the simplest case, as it has experienced the least variation in the formal and informal political institutions that most impact regime classification. Led by the Lao People’s Revolutionary Party (LPRP), which has ruled the country, like its sister party in Vietnam, since 1975, Laos has long fit the description of Diamond’s “politically closed authoritarian” regime, lacking the “architecture of political competition and pluralism (26).” As the BTI country report on Laos states:

As a single-party Marxist-Leninist state, political power in Laos is monopolized by the LPRP. Although it has become more outspoken in recent years, the National Assembly is not elected in a free and fair manner and is entirely dominated by the party, as are all levels of government and administration. In practice, the judiciary is also a party instrument...As all political and state institutions are part of
the LPRP-dominated party-state, there are no democratic institutions in Laos.”31
Despite the durability of LPRP rule, state capacity is relatively weak, which may, somewhat counterintuitively, explain a preference for massive infrastructure projects for which both the fiscal and physical capacity can be imported.32

For nearly a half century under military rule, beginning with a coup in 1962, Myanmar was also a politically closed authoritarian regime. The key political institutions, including the Burmese Socialist Programme Party (1962 to 1988), the State Law and Order Restoration Council (SLORC; 1988-1997), and the State Peace and Development Council (SPDC; 1997-2011) gave the leadership rule over the Burmese military, state, and government. The military governments crushed pro-democracy demonstrations, most notably the 8888 Uprising in 1988 and Saffron Revolution in 2007 and ignored the victory of Aung San Suu Kyi and her National League for Democracy (NLD) in the 1990 elections, placing the former under house arrest for most of the next decade and a half. Reform of Burmese political institutions began quickly and unexpectedly after former junta member Thein Sein was elected president by the military-dominated parliament in 2011. By mid-year, he had begun to release political prisoners, signed a law legalizing peaceful demonstrations, allowed for greater press freedoms and civil society activity, and agreed to hold a general election in 2015.

In that election, the NLD earned majorities in both houses of parliament, despite a guaranteed 25% reserved for the military. The party then created the post of State Counsellor for Aung San Suu Kyi, barred by the constitution from the presidency. She thus became the de facto woman on the throne, rather than behind it. With these changes, Myanmar has become more liberal and democratic; nevertheless, it is still far from being a liberal or even an electoral democracy, given the continued political influence of the military. It perhaps currently best fits Diamond’s “ambiguous” category.

The Cambodia case has been both less static than Laos and less linear than Myanmar. At times, it appears to aptly be described by Levitsky and Way’s “competitive authoritarian” regime type: a form of autocratic rule in which “formal democratic institutions are widely viewed as the principal means of obtaining and exercising political authority. Incumbents violate those rules so often and to such an extent, however, that the regime fails to meet conventional minimum standards for democracy.”33 Violations include dominating media coverage, manipulating results, harassing journalists and opposition politicians and, at times, even murder.34

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34 Ibid. p. 53
Diamond notes that such regimes present a façade of democracy, which “masks the reality of authoritarian domination.” Leaders adopt these formal democratic institutions due to international norms that see democracy as the only legitimate form of regime. Indeed, this explains why Hun Sen played politics under pseudo-democratic rules while reliant on foreign aid from Western states, Japan, and the international institutions they dominated.

General election results in Cambodia long reflected this competitive authoritarianism but with an increasingly hegemonic CPP. The party’s seat share in the National Assembly rose from 53% in 1998 to 59% in 2003 and 73% in 2008. This rising CPP electoral dominance was dealt a stunning blow in the 2013 elections in which the ruling party did not receive a majority of the votes for the first time since 2003 and achieved its lowest seat share (55%) since 1993. Major opposition groups, running under the banner of the Cambodia National Rescue Party, received 44% of the vote, the highest share for an opposition party since 1993. A year of protests culminated in a compromise in mid-2014 that allowed long-time opposition leader Sam Rainsy to take that role formally in the parliament and briefly ended the dominance of the CPP over the National Election Committee. Cambodia appeared to be transitioning toward true “electoral democracy.” However, Hun Sen and the CPP quickly chafed at the newly invigorated parliamentary opposition. By the end of 2015, the ruling coalition had forced key members of the CNRP, including Rainsy, to flee in exile abroad. In the year before the 2018 election, the government jailed Rainsy’s successor, Kem Sohka, and banned the CNRP, enabling the CPP to secure all of the seats in the National Assembly in 2018. It had become clear that Hun Sen no longer felt the need to present even a façade of democracy under competitive authoritarianism, and that the regime once again, best fit the “hegemonic electoral authoritarian” classification.

This qualitative overview of the three countries’ recent political history is also evident in a range of measures of competitiveness of authoritarian regimes. Figure 3 compares the WGI voice and accountability ranking for the three countries over time. In 2000, Myanmar was near the bottom of the ranking and remained there for the rest of the decade. Its ranking began to improve dramatically after 2010. Laos remained low throughout the period while Cambodia fell from the 25th percentile at the turn of the century to under the 15th in the most recent ranking. V-Dem Freedom of expression scores (Figure 4) were also near the bottom for both Laos and Myanmar from 2000 to 2010; while Myanmar has improved substantially since then, Laos has fallen further. Notably, Cambodia also falls during this decade as the threat of serious opposition to Hun Sen’s rule becomes apparent. The V-Dem accountability index (Figure 5) also shows a consistently very poor performance by the LPRP over past two decades, while Myanmar has experienced a significant improvement over the past decade and Cambodia a decline. Finally, the WGI political stability indicator (Figure 6) shows rising stability, and therefore fewer threats to both the Lao and Cambodian governments but tremendous instability in Myanmar. Each of these indicators suggests that Laos has the greatest latitude to ignore mass domestic audience costs and opposition to unpopular hydropower projects. The increasingly stable regime of Hun Sen also appears to need

36 ibid.
to respond less to mass opposition than to the desires of those in his ruling coalition who benefit from Chinese hydropower projects. The Burmese regime, on the other hand has become more accountable but, somewhat counterintuitively, not more stable. Much of the “audience” in Myanmar affected by foreign hydropower projects is not only well organized but also well armed.

**Figure 3: Voice and Accountability Rank (WGI)**

![Voice and Accountability Rank (WGI)](image)

*Source: Worldwide Governance Indicators.*

**Figure 4: Freedom of Expression (V-Dem)**

![Freedom of Expression (V-Dem)](image)
Figure 5: Accountability Index (V-Dem)

Figure 6: Political Stability Indicator (WGI)

Source: Worldwide Governance Indicators
Next we will utilize this cross-national and over time variation in the degree of authoritarianism to examine to what extent the implementation of bilateral hydropower agreements with China is impacted by the relative openness of the regime and, relatedly, its relative responsiveness to negatively impacted audiences.

**Chinese hydropower in one party Laos**

There is little question that China and Laos are close, literally and figuratively; China has no other bilateral partner with which it shares more recent historical, social, political, and developmental similarities other than its regional rival, Vietnam. Chinese “aid” (grants and loans) to Laos is increasing rapidly as Western “donor fatigue” appears to be setting in. And China is the dominant player in the Lao hydropower sector. Our data show that there are forty proposed, planned, or constructed hydropower projects with funding from China in Laos. Vietnamese and Thai firms are also active in the sector as they, like China, provide export markets for the energy produced by these hydropower plants, part of the Lao drive to become “the battery of Southeast Asia.”

Our data also show that none of these projects has been canceled or seriously delayed, despite domestic, regional, and international opposition. The only exception came following the July 2018 collapse of a saddle dam in the Xe-Pian Xe-Namnoy project, developed by a South Korean firm, leading Vientiane to announce the suspension of projects currently in the planning/proposing phase. Still, projects currently under construction have continued. Given the political institutions and political culture in Laos, it is unsurprising that none of these projects, despite tremendous financial, environmental, and cultural costs, have been significantly delayed by opposition. According to Mathews, the lack of both transparency and accountability along with weak civil society allows projects to be implemented despite local opposition and strong environmental laws in Laos:

Lao PDR’s predominantly rural population, state-controlled press and authoritarian government have contributed to weak grassroots civil society movements throughout the country. Domestic civil society is almost non-existent…the GoL has strict rules under which INGOs can operate within the country, and does not allow the formation of grassroots civil societies…their (INGOs) effectiveness in influencing hydropower decision-making has been limited and reactive as many decisions are made behind closed doors (403).

Thus, the politically closed authoritarian rule of the LPRP allows the government to implement hydropower agreements relatively unencumbered by opposition outside of the leadership; the

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domestic audience is relatively easily ignored. Blake and Barney make the claim that these large-scale hydropower projects have actually “opened new ways for concentrating state power and authority.” This allows the regime to both be more repressive and, therefore, less responsive.

Thai journalist Songrit Pongern points out that public hearings on these projects are not required because the dams are funded by China, and not, for example, the World Bank. Pianporn Deetes, from International Rivers, also based in Thailand, notes the Chinese are particularly unforthcoming at providing information to the public; those likely to be impacted lack information about how they will be affected and fear reprisals should they publically act. As Deetes stated bluntly, “In Laos, no one dares to campaign against hydropower dams at all.” Professor Kanokwan Manorom from Ubon Ratchathani University concurs, “Free media, experts, civil society organizations and NGOs working in Laos about hydropower are heavily controlled….Getting dam-affected people’s views about hydropower is impossible.” It is emblematic of the lack of civil society and press freedom in Laos that so much of the public opposition and analysis of hydropower there is by groups based in Thailand.

Given the Lao party-state’s ability to implement policy while largely ignoring mass audience costs, there are no exceptional cases of delays or cancellation of Chinese hydropower projects there, in contrast to our two other cases. Public opposition to Nam Mang 3, an early project funded by Exim China and constructed by the China International Water and Electric Corporation, is the exception that proves the rule: rural opponents most affected by these projects have neither the information nor the voice and influence to stop construction. In 2003, armed villagers fearing eviction and having received no information about relocation, protested at the construction site and threatened workers. This first ever known public protest against a hydropower project in Laos resulted in a construction delay of just five days. The lack of information from the government or media as well as the political culture of fear and repression work synergistically to prevent opposition action.

As one journalist noted in interviewing locals affected by the massive Nam Ou River Cascade Hydropower project, pushed by PowerChina as essential for BRI:

Villagers who are displaced and resettled by such projects in Laos seem to simply comply without any struggle. Locals here indicate that they have no choice, as they all have heard about the incident where those protesting against the golf course construction in Luang Prabang were incarcerated, a punishment known euphemistically as

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40 Blake & Barney “Structural Injustice, Slow Violence?”
“attending a seminar”. It has been quite a few years now but those protesters, they say, remain incommunicado. The Cascade will adversely impact portions of the Phou Den Din National Protected Area and construction continues even though only one environmental impact assessment for the seven dams has been made public, violating Lao state regulations.\textsuperscript{44} In a February 2019 “Submission to the United Nations Special Rapporteur on Extreme Poverty and Human Rights,” International Rivers wrote, “Due to a weak and compromised judicial system in Laos, affected people face major barriers and little hope of success in filing complaints in Lao courts, and fear security threats and reprisals from accessing international and investor complaint mechanisms.”\textsuperscript{45}

There is little doubt that Laos is a relatively trouble free investment environment for China’s hydropower SOEs. As authoritarian, Communist Party partners, the governments of the PRC and Laos are relatively unconstrained in their ability to make agreements and implement them. Both countries control the media, deny voice to opponents of their policies, and prevent the rise of alternative political parties. In short, there is little of the pluralism that could bring transparency to these bilateral agreements and allow them to be openly debated. Audience costs from unpopular projects for these regimes are, therefore, relatively low; they do not threaten the regime’s political survival. Therefore, the bilateral agreements that are announced and contracts that are signed eventually lead to completed hydropower projects.

**Liberalization and hydropower in Myanmar**

Myanmar’s military government promoted hydropower projects proposed by Chinese SOEs and backed by Chinese policy banks as a means of addressing electricity shortages as well as rapidly rising demand (as has Cambodia’s government). In Myanmar only a third of the population has access to electricity and 84\% of rural households do not.\textsuperscript{46} Whether Myanmar (or Laos or Cambodia) is capable of handing the long-term debt and whether these projects are the most efficient way to address electricity needs is up for debate.\textsuperscript{47} Nevertheless, Chinese firms constructed six plants in the decade beginning in 1996 that accounted for one-third of the country’s power generation, and hydropower currently provides two-thirds of the electricity produced in Myanmar. Dozens of agreements were signed under the Burmese military government and


Opponents of Myitsone and other Chinese-built hydropower projects ranged from thousands of potentially displaced local residents, to domestic and international environmental NGOs, to ethnic separatist groups. The Karen National Liberation Army (KNLA) was responsible for a grenade attack on the Thaukyegat hydroplant, built by Sinomach and operated by Asia World. Three bombs also exploded at Asia World facilities at the Myitsone project in Kachin State.

Despite widespread opposition, government support for Myitsone and other projects by Chinese SOEs remained firm until it dissipated abruptly in 2011 after the Presidential Electoral College elected Thein Sein to the presidency. The Prime Minister had stepped down from his role as one of the top five generals in the junta a year earlier in order to run for parliament as a civilian. He took office in March and by the end of September had halted progress on a number of Chinese projects agreed to by the military regime. He announced the postponement of the Myitsone project in terms clearly aimed at a broad domestic audience:

> Being the government elected by the people, it upholds the aspiration and wishes of the people…It is also responsible to solve the problems that worry the public. Therefore, the government will suspend the Myitsone dam project during its tenure.\footnote{Thomas Fuller. 2011. “Myanmar Suspends Construction of Myitsone Dam.” The New York Times, September 30, 2011, sec. Asia Pacific. https://www.nytimes.com/2011/10/01/world/asia/myanmar-suspends-construction-of-controversial-dam.html.}

Both the Naypyitaw and Beijing governments had to rethink the societal impacts of hydropower in Myanmar. As Chan concluded: “Social opposition generated a high level of audience costs for Naypyitaw and made the maintenance of the status quo…more difficult.”\footnote{Debby Sze Wan Chan. 2017. “Asymmetric Bargaining between Myanmar and China in the Myitsone Dam Controversy: Social Opposition Akin to David’s Stone against Goliath.” The Pacific Review 30 (5): 674–91. https://doi.org/10.1080/09512748.2017.1293714.} She found variation in Beijing’s level of flexibility in negotiations over its Burmese investments, as well as China’s efforts to gain public support for them, to be a function of the level of Burmese societal opposition.\footnote{Debby Sze Wan Chan. 2018. “China’s Diplomatic Strategies in Response to Economic Disputes in Myanmar.” International Relations of the Asia-Pacific, October. https://doi.org/10.1093/irap/icy026.}

In addition to Myitsone, several other projects in which Chinese SOEs are major shareholders have been subject to opposition, particularly megaprojects slated for development on the upstream Ayeyarwady (Irrawaddy) and Thalwin (Salween) rivers. These dams have included Ywathit in Karrenni State, Hutgyi in Karen State and KunLong, Naopha, and Mong Ton (Tasang), all in Shan State. Hatgyi, Kunlong and Naopha have all been postponed by the Burmese
government. Construction of the massive 7000 MW capacity plant at Mong Ton is on hold as China Three Gorges responds to a proposal by the MOEE to split the project into smaller-scale dams.\textsuperscript{52} The Karen (Kayin) state government announced that Hutgyi had been canceled due to continued disagreements with Karen National Union forces.\textsuperscript{53} Hengsuwan argues that the project was actually part of an effort to remove non-state armed forces from the area.\textsuperscript{54}

Anti-government violence, therefore, is another form of political risk and societal opposition that threatens Chinese investments in Myanmar, particularly fixed infrastructure projects. The Chinese government has long been accused of playing more than one side in the conflicts and of using rebel groups as leverage over the regime. But the Beijing and local Chinese governments have also played a role in attempting to mediate disputes. These are necessary strategies to protect investments in a state in which the government does not have sovereignty; there is nothing riskier for foreign investors than intrastate war. As Wang Ping, head of CPIYN’s Department of Public Affairs has stated: “Without permanent peace, nobody will be willing to invest.”\textsuperscript{55}

Indeed, much of the opposition to Chinese hydropower projects in Myanmar is related to ethnic separatism and contestation over sovereignty in Kachin, Shan and several other states. As the \textit{Strategic Environmental Assessment of Myanmar’s Hydropower Sector}, produced by the Ministry of Natural Resources and Environmental Conservation (MONREC) and the Ministry of Electricity and Energy (MOEE) along with the government of Australia and the IFC at the World Bank stated:

> Armed conflict…poses a challenge to hydropower development and is associated with the potential projects could be delayed or prevented (al)tgether. Armed conflict is a significant risk – a potential show(stopper)...Hydropower development also has the risk to initiate or exacerbate conflict in areas where territories are contested... (128).\textsuperscript{56}

The report rated most of the main river sub-basins in both Kachin and Shan states, bordering China, as having “high or very high vulnerability for conflict, due to the presence of multiple armed


groups and high levels of conflict and population displacement.” Development of hydropower on the mainstream of the Thanlwin River, one of the few free-flowing rivers left on the planet, faces the highest “conflict vulnerability ratings” in their study, as did areas in the Ayeyarwady basin, home to Myitsone (74).

While the report’s Sustainable Development framework calls for “mainstream river stretches to be maintained” (x), the report was hammered by NGOs, even before it was published. As the Action for Shan State and Rivers (ASSR) stated: “Any central government attempt to proceed unilaterally with dams in ethnic conflict areas, when control over natural resources is still being negotiated, is dangerous and provocative.” The umbrella NGO called the report “a ploy to push ahead with the building of large dams…against the wishes of local communities.”

Since the 2015 elections that brought the NLD to power, locals have been more vocal in opposition to many of the projects slated for the Thanlwin. As the IFC report states: “Opposition to hydropower development is most pronounced in the Thanlwin basin, crossing ethnic identity lines and giving rise to vocal civil society movements objecting on conflict, environmental, and social grounds (39).” In June of 2016, 20,000 people living near the river signed a petition to Aung San Suu Kyi opposing hydropower development. Residents and their representatives decried the lack of transparency and consultation. And in December 2017 roughly 1000 protested in Tangyan in Shan State against the Naung Pha project. According to the Shan Human Rights Foundation, this HydroChina project is in a particularly high conflict area; United Wa State Army, the most powerful military force outside of Tatmawdaw, controls territory on the East side of the project. To the west, the government is fighting armed separatist groups including Shan, Kachin, and Ta’ang armies.

The “Pauk-Phaw” (“brotherly”) bilateral ties between the Chinese and Burmese one-party states were enough to guarantee approval of controversial investments by Chinese SOEs in Myanmar; however, they were not enough to guarantee smooth implementation once Myanmar’s regime began to liberalize. While Burmese political institutions are still far from a democratic ideal-type, the process of liberalization and democratization beginning in 2011 was the actualization of political risk faced by Chinese firms investing in Myanmar. Despite significant reforms, once again Myanmar’s government is facing international isolation due to its handling of the conflict with the Muslim minority Rohingya population. Stung by the criticism, the government

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57 Ibid.
has also engaged in a press crackdown. Concomitant with this authoritarian backsliding, the Burmese government has once again begun to strongly rely on China for diplomatic and financial support. Currently, the governments are renegotiating the cross-country rail line and China and its State Power Investment Corporation continue to press Myanmar to reopen Myitsone.

**Chinese hydropower and the façade of democracy in Cambodia**

The most controversial state funded Chinese projects in Cambodia have been those requiring land concessions. Concessions provide revenues to the Cambodian government but are often in environmentally sensitive areas and require the relocation of citizens. Such projects include hydropower but also agriculture and real estate developments. Despite foreign hydropower firms facing not only domestic and international opposition but also Vernon’s “obsolescing bargain,” there are currently seven Chinese built, funded, and operated hydropower dams $2.4 billion (including the Lower Sesan project, a joint venture with Cambodia and Vietnam). All currently operating major dams have been constructed by Chinese firms. Given the high risk they face, Chinese hydropower firms seek - and receive - formal payment guarantees with the support of Hun Sen from the Cambodian National Assembly.\(^6^2\) This legislation, pushed by Hun Sen,\(^6^3\) is designed to protect these investments from political risk; according to Minister of Industry, Mines and Energy Suy Sem: “In the case of any political incident that causes these operations to suffer losses, the government will be responsible.”\(^6^4\)

As Hun Sen’s regime has become more politically stable over time, the risk of anti-government violence has dissipated, and the regime had been increasingly able to ignore domestic opposition to its policies, including hydropower agreements. This briefly changed with the 2013 elections; the government found itself needing to gain the support of a broader domestic audience than the small ruling coalition within the selectorate that it had relied on for political survival. Therefore, despite civil society opposition and frequent protests against many Chinese hydropower projects, it was not until mid-2014, in an effort to end the political stalemate resulting from the close election the previous year, that the Hun Sun-led government began to allow greater political space and voice for the opposition to these projects. There was even a brief oversight by the parliament of the Lower Sesan 2 hydropower project with the Minister of Mines and Energy Suy Sem called before parliament to answer questions about population displacement and environmental impacts. This was unprecedented legislative branch oversight of a hydropower project.

At the urging of the CNRP, and in an effort to gain electoral support, Hun Sen even announced the delay of the Cheay Areng dam until after the 2018 elections; protesting local

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villagers had slowed Sinohydro’s work on the project, and military police had intervened to protect the Chinese SOE giant’s local headquarters. Opponents, including local human rights groups and opposition politicians, claimed the project would flood protected forests, force the removal of approximately 1500 villagers from their homes, and threaten endangered species. The project was never finished as it was replaced by the expansion of a coal power plant.

As noted above, however, Hun Sen’s flirtation with competitive authoritarianism quickly came to an end, as providing voice to the political opposition increased the probability of losing power in 2018. CNRP leaders fled abroad or were jailed and the party and many of its members banned from politics. Having shifted Cambodia from a competitive authoritarian to a hegemonic electoral authoritarian regime, in the July 2018 election, Hun Sen’s Cambodian People’s Party won all the seats in the National Assembly with 77% of the vote.

The categorization of the Cambodian regime is important for understanding Sino-Cambodia bilateral relations; it illuminates why a recent abundance of non-conditional aid and loans from China, such as those funding hydropower projects - and accelerated by the 2013 announcement of BRI - would allow Hun Sen to put a wrecking ball to any façade of democracy and ignore the broader domestic audience comprising the electorate. Those policies include hydropower projects and his government’s close ties to China generally. In 2019 the government denied it was considering reopening the Cheay Areng project after reports that Sino Resources Ltd. had been given the right to do preliminary geological work in the land concession for it. And construction contracts have not yet been signed for what could become the largest dam in Cambodia, the 11 mile, 2,600-megawatt Sambor Dam, which opponents argue could potentially be the final nail in the coffin for the Mekong River. If Hun Sen continues backsliding into closed authoritarianism, we would expect more controversial projects to be, not just approved, but also implemented.

**Conclusion: coercive hydropower development and implications to China’s infrastructure diplomacy**

The above analysis illuminates a causal link between the degree of authoritarianism of a political regime and the ease of implementation of Chinese-funded hydropower projects in the three Southeast Asian states fundamental to both the Go Out and Belt and Road initiatives. Projects have been implemented successfully under politically closed authoritarian regimes in Laos and in Myanmar until the latter began political reforms after 2010. Thein Sein’s efforts to make the Burmese political regime more liberal and democratic had an immediate impact on seven Chinese megadams, including Myitsone. However, the relatively open regime (compared to the extreme repression under the ruling junta) also unleashed opposition to other Chinese megadams afterward.

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particularly along the Thanlwin Rivers where ethnic minority groups comprise the majority of the population. Finally, while Hun Sen has been one of China’s closest political partners in ASEAN and has greenlighted a wide range of controversial Chinese investments in Cambodia, electoral overconfidence in 2013 provided an opening for the political opposition within competitive authoritarian institutions. This led to a year and a half of relatively open opposition to the government and its agreements with China - as well as some responsiveness to this broader domestic audience - that were brought to a halt as they appeared to put in jeopardy the continued rule of Hun Sen and the CPP.

This study also calls into question assumptions that are commonly held among both policymakers and academics, as well as raising additional questions. Most important, while as part of both the Go Out and Belt and Road initiatives, China has announced a wide range of bilateral infrastructure agreements, including but not limited to hydropower, there is a very long road between announcement of an MOU and the actual construction of a project. And that road is laced with hurdles that can jeopardize that implementation. Our analysis suggests that those hurdles are both more frequent and higher when authoritarian institutions become more open and competitive. There is no reason to believe that this finding is unique to hydropower; other infrastructure projects of high (financial, societal, and environmental) costs, such as rail and pipeline ventures, are likely to face similar opposition when that opposition is given voice and political space.

This further calls into question the assumed efficacy of China’s infrastructure diplomacy. Even the announcement of these projects can stir up domestic opposition in the host country as well as concern among geopolitical rivals about China’s influence. And if the project is not completed, neither China and its firms, nor its bilateral partner, will receive the claimed “win-win” benefits of these bilateral agreements. Nevertheless, the longer political time horizons of authoritarian regimes and the dual role of SOEs as profit-maximizers but also agents of the state means that China can be relatively patient; it can attempt to wait out the opposition to these agreements while continuing to use a range of carrots, along with some sticks, to influence the host government eventually to implement them. Interestingly, political liberalization in China’s partner also provides it with negotiating leverage due to the “hand tying” effects of democracy; the domestic government can claim that the agreement will simply not be accepted in its present form. This is clear from renegotiation of major Chinese projects in Myanmar under Aung San Suu Kyi’s government and also in Malaysia following Mahathir’s recent return to power.