
Laos: Norwegian and Chinese “aid” helps dam the Xeset River

Late last year, Norconsult, a Norwegian consulting firm, won a US\$1.5 million contract to supervise construction work of the Xeset 2 dam in the south of Laos. Norconsult won the contract, which is funded by the Norwegian Agency for Development Cooperation (Norad), without any competitive bidding.

Norconsult has plenty of experience of working on the Xeset River, having worked on the planning and construction of the 45 MW Xeset 1 dam, which was completed in 1991, with funding from Sweden, Norway, the Asian Development Bank and UNDP. During the dry season, the Xeset 1 dam produces virtually no electricity, because of the low water flow in the Xeset River.

Eight years after Xeset 1 was completed, Norconsult was hired again to carry out a feasibility study for the Xeset 2 and Xeset 3 dams. Norad provided US\$1.8 million towards the cost of the study. The Xeset 2 and Xeset 3 dams are upstream of the Xeset 1 dam and by transferring water from nearby rivers into the Xeset River, will increase the amount of water flowing through the turbines of the Xeset 1 dam. As with the Xeset 1 dam, most of the electricity from the 76 MW Xeset 2 dam is to be exported to Thailand.

Building more dams to attempt to solve problems with existing dams is obviously an attractive proposition to a dam building consulting firm such as Norconsult. But more dams means more rivers and fisheries destroyed and more local people's livelihoods destroyed.

Two years ago, Phetsavanh Sayaboulaven carried out a series of interviews with villagers in the area of the Xeset 2 dam. Almost all the people living in the area are indigenous, mainly belonging to the Jru (Laven) and Kouay ethnic groups. One villager told Phetsavanh, "We do not want them to build the dam. It will badly affect our land and the environment. The official compensation will not be adequate, just like in the case of the Houay Ho dam. But we dare not oppose government officials."

China plays a major role in the Xeset 2 dam. The Import-Export Bank of China is funding 80 per cent of the US\$135 million project with the remainder coming from Electricité du Lao. The main contractor is the China North Industries Corporation (Norinco), a company better known as a major armaments manufacturer than as a builder of dams. Construction of the Xeset 2 dam is under way and completion is due in 2009.

When Norinco started building the dam, villagers started stealing. Iron bars, roofing tiles and large amounts of petrol disappeared from the construction site. Some villagers became rich very quickly. The theft could be seen as a form of resistance to the dam – or an attempt by villagers to make sure they would at least get some compensation. Lao people working for the Chinese construction firm helped villagers to steal petrol. Firing Lao workers made no difference because the people hired to replace them also helped the thieves. Things turned violent when villagers killed a Chinese worker who tried to stop them from stealing petrol.

Probably in an attempt to cool down the situation at the construction site, the Lao government made

sure that villagers received some compensation. Recent research in Laos indicates that villagers in the immediate area of the construction site have received a total of about US\$150,000 in compensation for lost land and lost coffee plants.

But villagers so far unaffected by the construction activities have not received anything. More than 12,500 villagers living along the Tapoung River will face seriously reduced water flows when water is diverted to the Xeset 2 reservoir. These villagers do not know whether they will receive any compensation or how it will be calculated if they do.

Villagers use water from the Tapoung River for dry season rice cultivation. They farm the riverbanks and land next to the river, growing a wide range of crops. Many wild plants grow along the Tapoung River, including edible plants and medicinal plants. Fish, shrimp, crabs and snails are an important source of protein for local people. The river also provides the main source of drinking water for many villages during the dry season. "If they build the dam and stop the water from flowing in this river, I will be very sad," an old woman told Phetsavanh. "The river has been feeding me since childhood and into my old age."

When Norconsult decided, in 1999, that the Xeset 2 and 3 dams were feasible, its consultants knew that their company stood to benefit through future contracts from this decision. Norconsult's decision was challenged four years later when an Asian Development Bank-funded study determined that the Xeset 2 and 3 dams were "not viable". Norconsult declined to comment when I asked how come its consultants reached the opposite conclusion.

The perverse situation on the Boloven Plateau is that a Norwegian consulting firm is benefiting from Norwegian "aid", a Chinese construction firm is benefiting from Chinese "aid", and Lao villagers are left to pay the costs of destroyed rivers and livelihoods.

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