

Agents of Mass Destruction

Export Credit Agencies in the Asia-Pacific region

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1. Introduction

Export Credit Agencies have financed and guaranteed some of the most extraordinarily destructive and dangerous mega-projects in the Asia - Pacific region, from nuclear power plants close to crowded urban areas, to voracious paper and pulp mills leading to deforestation and the forced seizure of indigenous lands, to massive dams and mines slated to displace, all told, millions of people. Environmental devastation, human rights violations, increasing militarization and terror have been regularly associated with ECA-supported projects. Over the past few years, however, non-governmental organizations (NGOs) and peoples' movements have begun to subject these secretive publicly-held financial institutions to long-overdue scrutiny.

Unfortunately, however, it is still quite difficult to obtain accurate and timely information on the projects planned, financed, or guaranteed by ECAs. Some countries go so far as to classify details on ECA project finance as a state secret, unavailable for public scrutiny.

This paper presents the preliminary stage of an attempt to identify and track existing and planned Export Credit Agency support for projects throughout the Asia-Pacific region. This paper also presents information on a series of Indian power plants in the planning stages, currently negotiating with ECAs for coverage.

Given the secretive nature of the records of ECA finance, this presentation is both a work in progress and a request for input.

Our hope is to distribute our initial findings to colleagues in the Asia Pacific region and in the home countries of the ECAs active in the Asia Pacific region in order to:

1. Identify which ECA-supported projects have caused or are likely to cause significant environmental or social problems;
2. Identify ECA-supported projects not already captured by our admittedly-crude research methods.

2. Overview of Data: 600 projects, of which 253 are valued at US\$160 billion

We have combed through information on thousands of projects in 25 countries in the Asia-Pacific region, primarily from newspaper articles, ECA web sites, and an increasing number of studies on ECA finance by NGOs around the world. The data are often contradictory in nature, incomplete or erroneous which has meant a need for constant cross-checking.

So far, we have identified over 600 existing and planned ECA-supported projects in the Asia-Pacific region. Of these projects, 548 have been reported with signed ECA finance packages. However, at this moment, we only have information on the total project value for 253 of these projects, worth over US\$160 billion. Data on the amount of exact ECA finance within a given project is difficult to come by. For now, we are utilizing the total project value to indicate the amount of private sector and public sector finance leveraged by ECA support. We are in the middle of research to identify the project value of the remaining 295 projects. In addition, we have identified close to 60 projects in the planning or "unknown" stages which appear to be in negotiations with ECAs for finance. These planned and "unknown status" projects are valued at close to US \$34 billion. Most of the graphs of project finance included with this paper, therefore (as noted on each graph), are drawn from the subset of 253 projects with signed ECA finance packages and for which we have information on total project values.

Our hope is to work with partners in countries which are both recipients of and suppliers of ECA finance to produce a series of Asia-Pacific Country Reports – parallel to the December 2000 report titled, "Export Credit Agency Finance in Indonesia," done in partnership with the Indonesian NGO, Bioforum, under the guidance of Titi Soentoro.

One of the caveats of working with our data set is the fact that it is likely to be highly biased by differential levels of access to data from each ECA. For example, the U.S. Export-Import Bank publishes the minutes of its board meetings on the web so it is a relatively straightforward process to obtain information about existing and planned USEXIM projects. The Japan Bank for International Cooperation, on the other hand, is the largest public financial institution in the world and, one would suspect, the largest player on the Asia-Pacific ECA scene. However, relatively little information is available on JBIC projects, compared to USEXIM. Therefore, our research results likely reflect a higher profile for USEXIM and a lower profile for JBIC than actually warranted. In addition, the Canadian NGO, Probe International, has conducted extraordinarily painstaking reviews of newspaper clippings and has built a database – posted on the web -- spanning four decades of Export Development Canada loans and guarantees. This incredible documentation vastly enriches our understanding of EDC activities in Asia and may elevate the position of EDC relative to other equally active ECAs which have not been the subject of such tireless scrutiny.

Please note that we have only just begun to research the project support provided by other public financial institutions, such as the World Bank Group and the Asian Development Bank, for projects which receive ECA finance. We hope to trace the nexus between multilateral and bilateral finance in the Asia-Pacific region.

3. Request for Assistance

We would like to request that those of you who identify ECA-supported projects not already captured on our lists send this information to us. In addition, please notify us if you find errors, or if you have

additional information regarding the amount of finance provided by ECAs, new ECA involvement, or additional information regarding total project values. Please indicate the source (author, title of article/publication, place and date of publication) of your information.

It is our goal to track and identify projects supported by ECA finance in the Asia Pacific region and to provide this information to peoples' movements and organizations around the world and to governments and financial institutions interested in reform. With your help, we hope to develop a more complete and "clean" data set.

4. Asia-Pacific Country Overview: Top 10 Countries

With these caveats about the data in mind, the top ten countries in the Asia-Pacific region with ECA-supported projects for which total project finance data is available are **China, Indonesia, India, Philippines, Thailand, Pakistan, Malaysia, South Korea, Kanaky/New Caledonia, and Japan.** (See Tables 1 – 8 and Figures 1 – 9 for details.) China is by far the largest country represented in our subsample of projects with known finance totals. The Three Gorges Dam, supported by ECAs from six countries, adds up to US\$75 billion in project costs. China's largest projects include nuclear and coal power plants and seventy-two airplane deals. Indonesia's top projects include the corruption-plagued Paiton power plant, notorious gold and nickel mines and some of the most damaging paper and pulp operations in the world.¹ India's top projects include Enron's scandalous Dabhol plant, the Russian-financed Kudankulam nuclear plant, a massive project to support 24 Coal India mines (in partnership with the World Bank), the Tehri dam, and the Chamera I and II dams. ECA finance was planned for the proposed Maheshwar Dam, but a vigorous peoples' movement campaign linked to an ECA campaign led to the withdrawal of companies involved in that financing package. The top four projects in the Philippines include the notorious Sual power plant, the San Roque Dam, Enron's Batangas power plant and the Bataan nuclear plant. For details on projects in other countries, see Tables 1 – 8. It is interesting to note that tiny Kanaky/New Caledonia – a biodiversity hot-spot with 75% of its flora endemic and with immense nickel wealth located on indigenous lands, makes it onto our top ten list and is likely to be increasingly targeted by ECAs partnering with multinational mining companies. Indigenous rights activists, environmentalists, and a targeted finance campaign recently succeeded in delaying \$350 million of French subsidies leading, in December 2002, to the indefinite postponement of a gigantic proposed Kanaky nickel venture. (See below: Mining).

5. Sectors Supported by ECA Finance

The power sector -- nuclear, big dam hydropower, fossil fuel -- represents by far the highest value sector for projects for which total finance data is available. This is followed by aircraft deals, mining, oil and gas, telecommunications and information technology, rail (often linked to coal extraction) and paper, pulp and timber.

5.1 Nuclear power

Since the 1960's Export Credit Agencies have supported the spread of nuclear power through the Asia-Pacific region by supporting the construction of at least **17 nuclear power plants.**² For example, the U.S.

¹ See, S. Fried and T. Soentoro, "Export Credit Agency Finance in Indonesia," December 2000.

² See Sierra Club of Canada et al, "Financing Disaster: How the G8 fund the Global Proliferation of Nuclear Technology," June 2001; Probe International, "Projects Supported by Export Development Canada," "Lingao Nuclear Power Station, China", www.power-technology.com, The Website for the Power Industry"; "Lingao in China", No Nukes Info Source.

Export-Import Bank helped Japan launch the expansion of its nuclear industry. In the 1960's, Canada's EDC helped Pakistan fund the Karachi Nuclear Power Project. The largest French export finance coverage in history was arranged for China's Ling Ao 2/Daya Bay 2 reactor, located alarmingly close to Hong Kong. Some examples of ECA-supported nuclear projects include:

China: Lianyungang, Ling Ao 2/Daya Bay 2, Qinshan Power Plant, Qinshan II, Qinshan III

India: Kudankulam, Rajasthan Atomic Power Plant (RAPP –1), RAPP – 2

Japan: Fukushima 1 and 2, Fukushima 6, Tokai II, Tsuruga 1

Pakistan: Karachi Nuclear Power Project/KANUPP

Philippines: Bataan Power Plant

South Korea: Wolsong 1

5.2 Fossil Fuel Power Plant Orgy

ECAs have supported over US \$20 billion of fossil fuel plants in Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Laos, Malaysia, New Zealand, Pakistan, Philippines, Thailand

5.2.1 Activists Take Note: Indian Power Plants in the Planning Stages, Currently Negotiating with ECAs for Finance

According to Indian power and finance publications, proponents of the following twelve power plants are in the process of attempting to secure support from ECAs in Germany, Switzerland, Britain, France, Belgium, the United States, Korea, Italy, and Japan:

Coal

Videocon Power Project/ Ennore; (Germany's Hermes; Switzerland's ERG)

Central India Power Company/Bradrawati; (Britain's ECGD; France's COFACE)

Vizag/Power Hinduja National power/ Vishakhapatnam (Britain's ECGD, Belgium's OND)

Mangalore Power Company/ Nandikur (US Export Import Ban, Britain's ECGD)

BPL Power Projects/Ramagundam (Japan's JBIC)

Talcher Transmission (Germany's Hermes)

Korbra Power (Korea's Export Import Bank; Italy's SACE, Germany's Hermes)

Naptha:

Dholpur Power Company (Germany's Hermes)

Gas:

Vypeen Power Project/ Puthuvypeen (Switzerland's ERG)

Bellary Power Project, Bellary (U.S. Export Import Bank)

Gas/Naptha:

PPN Power Generating Co/Pillaiperumalnallur (Japan's JBIC)

Hydro:

Dhaultiganga Hydroelectric Power Plant (Japan's JBIC)

5.3 Damming Asia's Rivers

Below are a few examples of ECA-supported dams in the Asia-Pacific region

China's **Three Gorges Dam** – ECAs from six countries are supporting this project – valued at up to US\$75 million which the World Bank refused to fund and which may lead to the forcible resettlement of up to 2 million people.

Philippines: San Roque Dam -- fiercely opposed by thousands of indigenous Ibaloi peoples; estimated more than 35,000 indigenous people will be adversely affected.

India Dams

Tehri Dam: located in an earthquake zone, potential relocation of over 100,000 people;

Chamera Dams I and II: plagued by technical problems; led to increased deforestation and desertification, depleted fish stocks, families displaced remain landless and jobless.³

Maheshwar Dam: a massive public campaign led to the withdrawal of company-linked ECA support.

5.4 Notorious mining operations

ECAs have provided support for mines in China, India, Indonesia, New Caledonia, Papua New Guinea, Philippines.

India: Japan's JBIC partnered with the World Bank, as agency agreed to provide US\$530 million for a "Coal Sector Rehabilitation" package to support twenty-four of Coal India's opencast coal mines. The World Bank loan was to be tied to a structural adjustment agenda of the liberalization of coal imports, deregulation of coal prices and the "retrenchment" of personnel – possible lay-offs of 200,000 people.⁴ There are currently at least seven major coal power plant projects seeking ECA finance (see below under "Power").

Indonesia:

Newmont's Batu Hijau copper and gold mine in Sumbawa, Nusa Tenggara Barat. Involved in the forced seizure of lands from the surrounding villages, the destruction of fishery resources and turtle habitat, increased militarization of the region apparently leading to shootings, the Batu Hijau mine is designed to dump its waste into the ocean (submarine tailings disposal), a heavily criticized process which can lead to contamination of the marine ecosystem by heavy metals and other toxins. ECAs: JBIC, USEXIM. Additional funding provided by German development bank, KfW (which is not an ECA, but which often acts in tandem with ECA support).

PT. INCO nickel mining concessions, Sulawesi: PT Inco has been involved in significant conflicts with local and indigenous communities as a result of land seizures, air and water pollution, forest destruction. ECAs: JBIC, EDC

Papua New Guinea: Lihir, Porgera, and Ok Tedi mines -- all linked to massive environmental

³ International Rivers Network, "San Rogue Hydropower and Irrigation Project", May 2002; Reckless Lending II: How Canada's Export Development Corporation Puts People and the Environment at Risk

⁴ P. Bosshard, "Mainstreaming Sustainability? The World Bank and the Rehabilitation of the Indian Coal Sector," Berne Declaration, 4/26/96

destruction and human rights problems

Philippines: Dizon copper mine, Marcopper mine, linked to toxic pollution, deaths of villagers

New Caledonia: Planned US\$1.4B Inco Goro Nickel mine on indigenous lands in the middle of botanical reserves, adjacent to one of the world's largest reef and lagoon systems. The mine was to use an untested sulphuric acid leaching process. France's Agence Francais de Developpment (AFD) provided an initial loan for the mine's coal-fired power plant. Thanks to vigorous public & NGO protests and a public finance campaign, in December 2002, construction at the site was postponed indefinitely.

5.5 Oil and Gas

ECAs have funded oil and gas projects in China, India, Indonesia, Malaysia, Myanmar Pakistan, PNG, Thailand, including

Myanmar: JEXIM support for the Yetagun gas field operation -- linked to militarization and massive human rights abuses;

Indonesia: Expansion of Unocal operations. West Seno I and II, East Kalimantan: Involved in significant conflicts with local communities, including blockades of Unocal transportation lines in 2000, Unocal has been accused of causing severe air and water pollution. The Unocal deal, representing a return to financing large Indonesian projects on the part of the U.S. government, was apparently announced as an "instant reward" by the Bush Administration for President Megawati's "commitment to join the global war against terrorism."⁵ ECA: OPIC, 2/2/02

5.6 Logging and Pulping Asia-Pacific Forests and Forest Peoples

ECA's have provided support for some of the largest and most destructive paper and pulp mills in the world. ECA support for the paper, pulp, and timber sector is found in China, Indonesia, Malaysia, Thailand, Vietnam, Western Samoa.

Indonesia: Notorious & bankrupt APRIL, APP mills and PT. TEL-- human rights violations, destruction of Sumatra's remaining forest

Malaysia: Sabah Forest Industries; South Saba Paper & Pulp

Vietnam: eucalyptus & acacia plantation

5.7 Health Care: More cigarettes for China!

In June 2002, Germany's Hermes signed a contract to provide support for a cigarette mill in China.

⁵S. Fried, "Deceived Again? The "War Against Terrorism", OPIC, and UNOCAL Operations in East Kalimantan," June, 2002