ABOUT THIS SERIES

China is increasingly investing overseas, meeting with environmental and social challenges in the process. A detailed regulatory framework to guide Chinese overseas investment exists on paper. This series examines cases where environmental and social responsibility have been implemented in an exemplary fashion, effectively contributing to the avoidance of harm and a positive image of China as a responsible global player. The series aims to encourage local groups to constructively engage Chinese investors with these best practice references in mind. It also aims to help Chinese authorities in their efforts to effectively guide Chinese overseas investors towards routinely achieving an excellent environmental and social responsibility performance.

OVERVIEW

From 2012 to 2013, Sinohydro was planning to build the Agua Zarca Hydropower Project on the Gualcarque river in Honduras. The project is opposed by the local indigenous Lenca population who according to international right have to be consulted and give their consent. In 2013 Sinohydro pulled back from the project due to increasing violent conflict around the project, including deaths of local opponents. The local company continued to move forward with the project. In 2016, prominent opponent of the project and indigenous leader Berta Cáceres was murdered in her home, elevating the case to an international icon of violence against environmental defenders. By having left the project in time, Sinohydro avoided major reputational damage to its company and to China in consequence.
The proposed Agua Zarca hydropower project on the Gualcarque river in Honduras was a relatively small hydropower plant: 22MW, a 5 meter high dam, 3 kilometers of canals and tunnels and a reservoir the size of two football fields (Hidroeléctrica Agua Zarca website). It required an investment of 64 million US dollar. Since the sudden arrival of construction machinery at the site, local indigenous Lenca communities have been opposed to the project. They consider the Gualcarque river sacred. Substantial social conflict and violence has surrounded the project. After a member of the local opposition was killed during a peaceful protest, Sinohydro withdrew from the project. The project received some international attention when local indigenous leader Berta Cáceres won the prestigious Goldman Environmental Prize for her leadership of the resistance against the dam in 2015. In March 2016, Berta Cáceres was murdered in her home by men with links to the local construction company (GAIPE 2017). An international outcry ensued (“Berta Cáceres + murder” gives 144.000 results on Google). Finally the Finnish and Dutch financers of the project as well as the company providing the turbines withdrew as well.
TIMELINE

1993

Foundation of COPINH (indigenous peoples organization).

2006

Planning of four dams on Gualcarque river starts.

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Planning of four dams on Gualcarque river starts. Construction machinery arrives on site. Local assembly votes against the project and files complaints with government authorities and later the Inter-American Human Rights Commission for not having been consulted.

2009:
DESA bids for a concesssion to build a 6MW project on the Gualcarque river. Inter-American Commission on Human Rights orders the Honduran government to provide protective measures for Ms. Berta Cáceres.

2010

AUGUST: Concession for a 14.5MW project at Agua Zarca is granted to DESA.

2011

MARCH: DESA blocks access to the river.

APRIL: Communities start a road block to the construction site that will continue for several months.

APRIL/MAY: 4 violent evictions of community blocks.

MAY 24: Community leaders Berta Cáceres and Tomás Gómez are arrested on a trumped-up charge at a military checkpoint.

JUNE 23: Military intimidates community members, pointing fire arms at children and elderly people.

JUNE 29: Community member opposing the dam is attacked with a machete and gravely injured by dam proponents from the community.

JULY 2-4: International human rights observer delegation (La Voz de los de Abajo) visits the project area and sends a letter to Sinohydro sharing evidence of false accusations, intimidation and violence, led by the local company DESA and supported by police and military.

JULY 15: Rio Blanco community leader Tomás García is killed by a soldier stationed inside the DESA logistics headquarters during peaceful protests, his son Allan García is wounded.

JULY 15: Sinohydro suspends site preparation activities.

AUGUST 24: Sinohydro terminates contract with DESA.

SEPTEMBER 12: Government signs fake agreement on the project with community “representatives” of Rio Blanco who do not represent the community.

SEPTEMBER 20: A court follows DESA’s request and orders removal of a road block, while condemning three community leaders.

2012

DESA is set up, only for the purpose of the project.

NOVEMBER 16: Sinohydro signs contract with DESA.

2013

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**POLICY RELEVANCE**

**Responding to community opposition**

When local communities oppose a project, investors should listen closely. As long as no dedicated mechanism exists to facilitate this communication, the impression of Chinese institutions to be ‘black boxes’ will persist. Communication should flow freely between the company and the local community. Local concerns should be taken seriously.

**Corruption**

Honduras is plagued by corruption. Operating in such a context requires proceeding in a very cautious fashion. In the case of the Agua Zarca project, staff of the implementing firm (DESA) have been investigated for a number of crimes, including corruption and murder. Local partners should be selected based on complete information and a track record of correct behaviour. This was clearly not the case with DESA.

**Relying on government information**

The Honduran government has clearly not been a reliable source of information in this case. Unfortunately the implementation of international conventions such as the one on the Rights of Indigenous Peoples (UNDRIP) is lagging behind in many countries. They are nevertheless binding. When a company, lured in with promises by the local government, breaks the law of the host country, it also violates Chinese law. This is a serious risk which should be mitigated by looking for additional sources of information (e.g. NGOs, academics), independent from the promoters of the project in the local government.
Cancelling a project as best choice

In a case like Agua Zarca, withdrawing from the project altogether is the best way forward – and the sooner the better. Sinohydro is a huge company with many projects in many countries. Just one small and controversial project can ruin the reputation, because there are many forces out there waiting to discredit Chinese efforts and using bad examples as if they were the norm.

POLICY RECOMMENDATIONS

- Establish an independent grievance/complaints mechanism, independent from local/national government influence.
- Make respecting all relevant national and international legal obligations such as free, prior and informed consent part of due diligence before green light is given to an investment/contract by the embassy.
- Require a background check of the track record of business partners which includes corruption and human rights violation allegations.

SOURCES


Detention of the CEO of Honduran company DESA in charge of the project in March 2018

International protests following the murder of Berta Cáceres