

## Article

# The China Myanmar Economic Corridor: A Reality Check

Jaideep Chanda

### Abstract

*This paper traces the evolution of the proposed China-Myanmar Economic Corridor (CMEC) and identifies the deliverables as gleaned from the BRI Fora. It gleans information on the components and scope of the CMEC from newspaper reports, documents signed, and statements made, especially during Xi Jinping's January 2020 visit to Myanmar and other open sources. The paper looks at the status of the Myanmar-China Oil and Gas Pipelines, which predate the BRI but has now got subsumed into it. The paper dwells on the Chinese concept of 'guanxi' and the reciprocal Myanmar concept of 'ah nar de' to understand how China seeks to obligate Myanmar into providing access to the Bay of Bengal. It argues that the Chinese strategy in Myanmar has changed post the Myitsone project debacle and that China has re-packaged the BRI to make it more acceptable. Lastly, it proposes a three-pronged strategy for India to become a preferred partner in Myanmar's journey towards development, thereby securing its own flank.*

When the Chinese President Xi Jinping made the first mention of an “*economic belt along the Silk Road*”, on 7 September 2013 at Nazarbayev University, Kazakhstan,<sup>1</sup> and later when the National Development and Reform Commission (NDRC) of the Chinese Ministry of Foreign Affairs and the Ministry of Commerce formally issued the ‘*Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*’ on 28 March 2015, there was **no** mention of the China Myanmar Economic Corridor.<sup>2</sup> This NDRC document clearly articulated the six corridors<sup>3</sup> which had been planned and out of

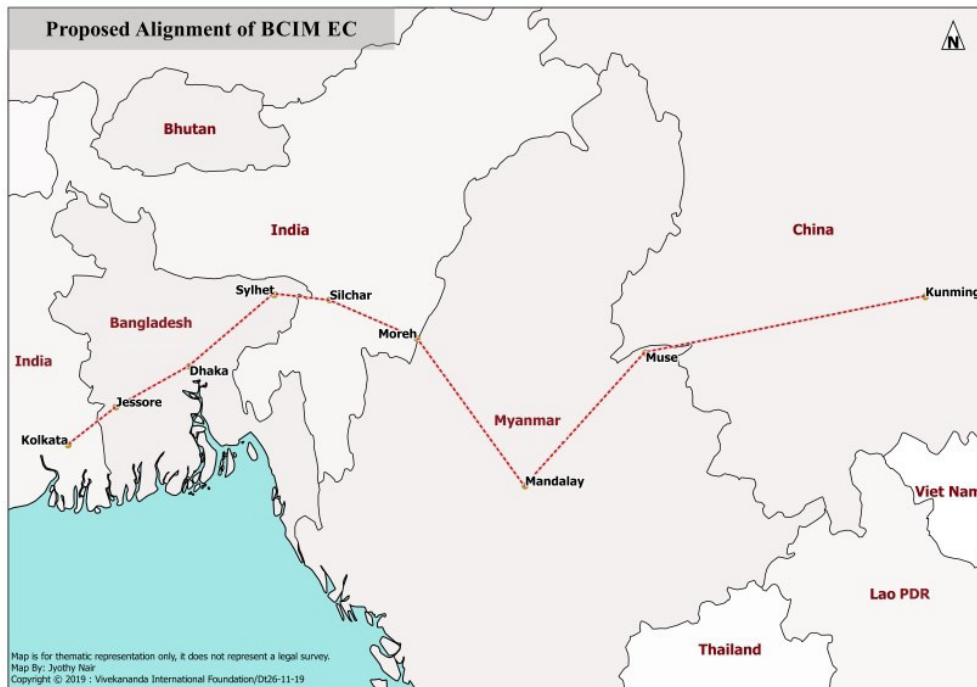
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these, the two<sup>4</sup> which impacted Myanmar were the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) and the China-Indochina-Peninsula Economic Corridor (CIPEC).<sup>5</sup> The former aimed to connect Kunming, the capital of Yunnan province in China with Kolkata, via Mu-Se, Mandalay and Lashio in Myanmar; Moreh (Manipur) and Silchar (Assam) in India; into Bangladesh through Sylhet to Dhaka, Jessore and finally re-entering India and terminating in Kolkata. This remained a non-starter due to India's security and economic concerns.<sup>6</sup> During the 13<sup>th</sup> BCIM Regional Cooperation Forum in June 2019, which also marked the 20th anniversary of the establishment of the BCIM, a fresh impetus was sought to be given to the initiative.<sup>7</sup> However, in the aftermath of the Chinese aggression in Ladakh in June 2020 it is unlikely that such a corridor will be endorsed by India any time soon and therefore will be implemented.

**Figure 1: Proposed Alignment of the BCIM EC**

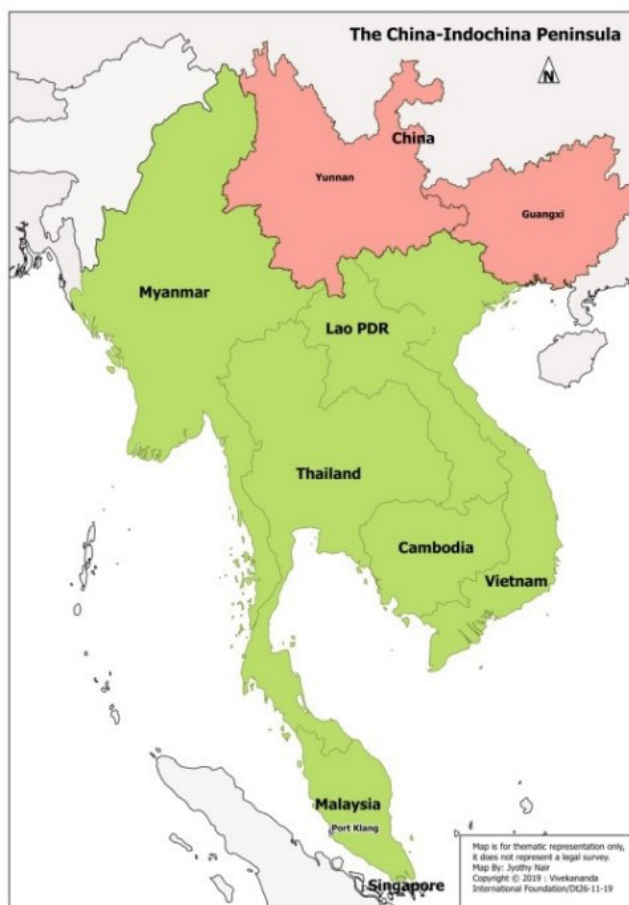


Source: Prepared by Jyothy Nair © VIF India

The second proposal, i.e., the CIPEC, was to extend from China's Pearl River Delta westward via Nanning and Pingxiang to Hanoi and Singapore. This land bridge connects China with the Indochina Peninsula and connects Vietnam, Lao, Cambodia, Thailand, Myanmar and Malaysia and is expected to boost China's cooperation with the ASEAN countries.<sup>8</sup> The only project which has seen the light of day in this corridor<sup>9</sup> is the 688 km East Coast Rail Link (ECRL), connecting Thailand in the North to Port Klang on West Coast

of Malaysia, thus connecting the East Coast to the better developed region around the capital of Kuala Lumpur. The strategic significance of Port Klang, which is located on the Straits of Malacca, to China is immense as it directly impinges on its strategic vulnerability of overdependence on the Malacca Straits for energy supplies.<sup>10</sup>

Figure 2: The China Indochina Peninsular Region



Source: Prepared by Jyothy Nair © VIF India

The ECRL construction began in August 2017 but on 3 July 2018, the newly elected Malaysian PM Mahathir Mohammed suspended all work as he followed through on his pledge to renegotiate the 'unfair' deal approved by his predecessor Najib Razak. The suspension was lifted a year later, on 25 July 2019 after a supplementary agreement between the two sides brought down the cost by nearly 30% and a marginal reduction of the scope of the project.<sup>11</sup> The progress of the ECRL is symptomatic of the BRI projects around the world as we shall see subsequently.

Figure 3: ECRL



### Evolution of the CMEC

When Myanmar President U Htin Kyaw attended the 70<sup>th</sup> Anniversary Celebrations of the founding of the People’s Republic of China in October 2019, a joint China Myanmar news release was issued which also included a mention of the BRI; *“Under the cooperation framework of the ‘Belt and Road’ initiatives and the Bangladesh-China-India-Myanmar Economic Corridor, the two countries will make coordinated promotion of cooperation in infrastructure connectivity such as ports, roads and railways.”*<sup>12</sup> A similarly worded joint press release had marked the bilateral visit of Aung San Suu Kyi to Beijing in August 2016. It read *“Myanmar welcomes China’s ‘Belt and Road’ initiative and the cooperation initiative on the Bangladesh-China-India-Myanmar Economic Corridor.”*<sup>13</sup>

However, Myanmar effectively boarded the BRI when Aung San Suu Kyi attended the First Belt and Road Forum for International Cooperation in Beijing in May 2017 and a Memorandum of Understanding on '*Cooperation within the Framework of the Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road Initiative*' was signed during the visit. Xi Jinping even mentioned Myanmar in the context of the BRI in his speech at the Forum.<sup>14</sup> Aung San Suu Kyi subsequently also attended the Second Belt and Road Forum in April 2019 where nine deliverables, including three bilateral ones, were agreed upon out of the 38 proposed by China as 'early harvest' projects. The three bilateral agreements included an accord on economic and technical cooperation, an MoU on a five year economic and trade development cooperation plan (with a 1 billion yuan, i.e., US\$ 144.5 million grant), and an MoU on the China-Myanmar Economic Corridor (CMEC) Plan spanning 2019 to 2030.<sup>15</sup> The 29 other projects proposed by China which were not agreed to, is due to the State Counsellor Daw Suu Kyi and her team adopting a conservative approach given the dubious Chinese reputation in matters of debt.<sup>16</sup>

**Myanmar remains the shortest route for China to reach the Bay of Bengal, Indian Ocean and beyond**

The Chinese strategy was the epitome of opportunism at its best; to woo Myanmar at a time when Myanmar was increasingly under international pressure owing to its mismanagement of the Rohingya crisis. Myanmar needed Chinese diplomatic support to resist the global scrutiny and sanctions and gain investments<sup>17</sup> whilst China needed access to the Indian Ocean. Hence it pushed for the CMEC as Myanmar remains the shortest route for China to reach the Bay of Bengal, Indian Ocean and beyond--which is an inescapable requirement for creating the redundancies and capacities to augment its strategic vulnerability in the chokepoints of the Malacca Straits.

### **List of Deliverables for Myanmar**

The overall list of deliverables as compiled from the reports of the two Belt and Road Fora<sup>18</sup> is shown at Table 1 below. This list is a macro-level compilation of the strategic deliverables articulated during the 1<sup>st</sup> and 2<sup>nd</sup> Belt and Road Forum. This list simply gives a sense of the big picture that China is painting as part of the BRI for Myanmar. Many of these are generic and common with other countries.

**Table 1: List of Deliverables for Myanmar**

	List Heading	Sub Head
1 <sup>st</sup> B&R Forum (May 2017)	<b>Synergize Connectivity of Development Policies and Strategies</b>	The Chinese government signed memoranda of understanding on Belt and Road cooperation with the government of Myanmar and other countries.
	<b>Deepen Project Cooperation for Infrastructure Connectivity</b>	Ministry of Transport of China signed the memorandum of understanding on <b>transport cooperation</b> with the relevant government departments of Myanmar.
		The Export-Import Bank of China signed the loan agreement on the airport development project with Yangon <b>Aerodrome</b> Company of Myanmar
	<b>Expand Industrial Investment, Enhance Trade Connectivity</b>	The Chinese government signed the economic and trade cooperation agreement with the government of Myanmar
Ministry of Commerce of China signed the Memorandum of Understanding on the Establishment of <b>China-Myanmar Border Economic Cooperation Zone</b> with the Ministry of Commerce of Myanmar.		
2 <sup>nd</sup> B&R Forum (April 2019)	<b>Bilateral and Multilateral Documents Signed during or Immediately before the Second BRF</b>	The National Development and Reform Commission of China signed a cooperation plan on China-Myanmar Economic Corridor with the Ministry of Planning and Finance of Myanmar.
		The Ministry of Agriculture and Rural Affairs of China and the Ministry of Agriculture, Livestock and Irrigation of Myanmar jointly released the Statement of Intent for Cooperation on <b>Promoting Specification-setting for Pesticide Quality under the Belt and Road</b> Initiative, along with several other countries.
		The Ministry of Commerce of China signed the MOU on the Formulation of the Five-Year Development Plan for <b>Economic and Trade Cooperation</b> with the Ministry of Investment and Foreign Economic Relations of Myanmar.
	<b>Multilateral Cooperation Mechanisms under the BRF Framework</b>	The Ministry of Ecology and Environment of China jointly launched the BRI International Green Development Coalition with the <b>environmental departments</b> of 25 countries including Myanmar, international organizations, research institutions and businesses.
		The China Council for the Promotion of International Trade, China Chamber of International Commerce, together with the industrial and commercial organizations and legal service agencies from over 30 countries and regions including Myanmar jointly established the <b>International Commercial Dispute Prevention and Settlement Organization (ICDPASO)</b> .
	<b>Investment Projects and Project Lists</b>	The National Development and Reform Commission of China signed the document on the early harvest projects list of <b>China-Myanmar Economic Corridor</b> with the Ministry of Plan and Finance of Myanmar.
		The China Railway Group Limited handed over the Feasibility Study Report (Technical Part) of the Muse-Mandalay Railway to the Ministry of Transport and Communications of Myanmar.
	<b>Projects by Local Authorities and Enterprises</b>	Local authorities and enterprises upgraded and constructed the Project of Chan Mya Shwe Pyi <b>Bus</b> Terminal in Mandalay, Myanmar

Note: A large number of other non-country specific, generic deliverables have been listed out in the List of Deliverables of both the 1<sup>st</sup> and 2<sup>nd</sup> Belt and Road Fora which will impact Myanmar. This list is only of those deliverables where Myanmar is directly affected.

Source: Compiled by the author from the complete List of Deliverables of the 1<sup>st</sup> and 2<sup>nd</sup> Belt and Road Fora for International Cooperation accessed at <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/13698.htm> and <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/88228.htm> on 3 November 2019.

## Deciphering the CMEC

While the macro level deliverables (Table 1) have been articulated by the Belt and Road Forum, however the details of the CMEC projects have been kept vague, both by China and Myanmar, as is the norm with all BRI projects. This lack of transparency with regards the CMEC prevents us from getting a consolidated picture of the projects that would comprise the corridor. Various open-source reports were examined to try and decipher the components of the CMEC. Xi Jinping's visit to Myanmar in January 2020 revealed some aspects<sup>19</sup> and hence it is important to analyse the visit from the perspective of the BRI.

The first clue we received was from Xi's signed article preceding the visit to Myanmar, where he wrote, *"Our two sides need to deepen results-oriented Belt and Road cooperation and move from a conceptual stage to concrete planning and implementation in building the CMEC. Efforts need to be made to promote the **three pillars of the CMEC**, namely the **Kyaukpyu Special Economic Zone**, the **China-Myanmar Border Economic Cooperation Zone** and the **New Yangon City**. We also need to deepen practical and mutually beneficial cooperation in such areas as connectivity, electricity, energy, transportation, agriculture, finance and livelihood to deliver more benefits to both peoples."*<sup>20</sup> This effectively identifies the Kyaukphyu Special Economic Zone, the Border Economic Zone and the New Yangon City project as the three pillars and hence undisputed components of the CMEC. Ironically, the Kyaukphyu Deep-Sea Port does not find mention here, while that is the only project for which agreements have been signed. One wonders whether this is a deliberate move to keep the Deep-Sea Port, without which the Special Economic Zone is meaningless, out of public eye given the potential military importance of the port. Some reports suggest that the Deep Sea Port is in fact a part of the Special Economic Zone.<sup>21</sup> Further, researchers have alluded to the CMEC as being the 'signature project' of the BRI, seeming to suggest that there are more projects under the BRI in Myanmar, which fall outside the ambit of the CMEC.<sup>22</sup> U Myint, Economic Advisor to the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) associates the Kyaukphyu Special Economic Zone with the CMEC and states that the agreement to develop the Deep Sea Port is 'related' to the Special Economic Zone.<sup>23</sup>

Open sources have revealed that there are six to seven agreements which are required to be signed for commencement of the work on the Kyaukphyu Deep Sea Port. The first agreement was the Framework Agreement signed on 8 November 2018 at Nya Pyi Taw, Myanmar<sup>24</sup> between the CITIC<sup>25</sup> Consortium<sup>26</sup> and Kyaukpyu Special Economic Zone Management Committee. The agreement was signed by Myanmar's Deputy Minister of Planning and Finance and Chairperson of the Management Committee of the Kyaukphyu

Special Economic Zone, U Set Aung and the President of CITIC Group Chang Zhenming. This was followed up in January 2020 during Xi Jinping's visit to Myanmar, where two more agreements viz. the Shareholder's Agreement and the Concession Agreement were signed.<sup>27</sup> Another few agreements, including possibly an agreement for provision of land are also required to be signed before the work starts. Notably, the Kyaukphyu Deep Sea Port has been renegotiated from \$ 7 billion to \$1.3 billion. Dr. Sean Turnell, Special Economic Consultant to the Myanmar State Counsellor and director of research at the Myanmar Development Institute (MDI), in an interview had stated that projects of the nature of the Kyaukphyu Deep Sea Project or any large-scale infrastructure projects with large financial, environmental, social, human rights, and other complexities have to be put through strict procedures and such "backbone" schemes must be properly assessed before they

**...the Kyaukphyu Deep Sea Port has been renegotiated from \$ 7 billion to \$1.3 billion.**

are approved.<sup>28</sup> During the interview on the strategic implications of the Deep Sea Port, Dr Turnell skilfully sidestepped the question stating '*Chinese projects are approached, via the Project Bank and other procedures, in the context of the broadest consideration of Myanmar's national interest, including the strategic*'.

The Myanmar-China Border Economic Cooperation Zones (BECZ) alluded to by Xi Jinping refer to three locations approved by the Myanmar government<sup>29</sup> include Kanpiketi near Myitkyina, Kachin State, Chinshwehaw in Laukkai Township of Kokang Self-Administered Zone and Muse in Shan State. Muse and Chinshwehaw are existing major trade hubs. However, Kanpiketi, which was also a trading point with China, was to receive \$5 million for development. The proposed BECZ for Muse possibly aims to legitimise and organise the humongous existing legal and illegal trade on the route to Mandalay. Incidentally, apart from the BCEZ in Myitkyina, there is another major China driven initiative, with dubious terms and conditions,<sup>30</sup> in the region which threatens to disrupt the area -- the Myitkyina Economic Development Zone. The US\$400 million (612.5 billion kyats) project, also known as the Namjim Industrial Zone, is 25 km from Myitkyina, the Kachin capital, and will comprise nearly 5000 buildings and 500 factories spread over approximately 19 sq. km along the historic Ledo Road.<sup>31</sup>

The Chinese interest in Yangon and the development of New Yangon City seems to be driven as much by a Myanmar requirement to decongest Yangon and a Chinese desire to remain at the controls in the capital city.

The second indicator of the projects comes from the list of documents signed during Xi Jinping's January 2020 visit. A total of 33 documents were signed during the visit



and these comprise Memoranda of Understanding (MoU), Handover Certificates, Exchange Letters, Letters of Intents, Protocol Documents and Implementation Agreements. A sector wise classification of the projects is as under:

Nature of Document	Pertains To
<b>Equipment/Infrastructure</b> Hand Over, Exchange Letter, Implementation Agreement-- MoUs	<ol style="list-style-type: none"> <li>1. <b><i>Yangon Police Command Centre</i></b></li> <li>2. <b><i>Six Patrol Boats for Myanmar Police Force</i></b></li> <li>3. 28 Passenger Coaches via Interest Free Loans</li> <li>4. <b><i>Upgradation of No 2 Industrial Training Centre</i></b></li> <li>5. Kunlong Bridge Project</li> <li>6. Yangon River Estuary West Bank Protection Project</li> <li>7. Handover of Muse-Mandalay Railway Feasibility Study Report</li> <li>8. Handover and Receipt of Detailed Feasibility Study Reports of Mandalay-Tigyaing-Muse Expressway and Kyaukphyu – Nya Pyi Taw Highway Project</li> <li>9. Mutual Provision of Embassy Lands and Buildings</li> </ol>
<b>Feasibility Studies-MoUs</b>	<ol style="list-style-type: none"> <li>10. Myanmar China Power Interconnection Project</li> <li>11. Mandalay-Bagan Railway Line Project</li> <li>12. Watalone Tunnel Project</li> <li>13. <b><i>3-Year Development Plan of Border Areas</i></b></li> </ol>
<b>Agriculture, Sericulture and Livestock</b> Protocols and Exchange Letters	<ol style="list-style-type: none"> <li>14. Plant Inspection and Quarantine Requirements for Rice Export to China</li> <li>15. Head Processed Cocoon to be exported to China</li> <li>16. Quarantine Health Requirements for Slaughter Bovine to be exported to China</li> <li>17. Hybrid-Rice Research Centre</li> <li>18. Agricultural Product Quality Control Centre</li> </ol>
<b>Media</b> MoUs and Agreements	<ol style="list-style-type: none"> <li>19. Cooperation between National Radio Television Administration of China and Ministry of Information, Myanmar</li> <li>20. MoU on Co-ordinating the Myanmar Day 2020 Lacang- Mekong TV Week under the Framework of the Asia Film and TV Exchanges and Cooperation Initiative</li> </ol>
<b>Trade &amp; Economic Infrastructure</b> Agreements, MoUs	<ol style="list-style-type: none"> <li>21. <b><i>Accelerating Negotiation on the Framework Agreement on the China-Myanmar Muse-Ruili Cross Border Economic Zone</i></b></li> <li>22. <b><i>Establishment of Working Group for Promotion of Smooth Trade</i></b></li> <li>23. <b><i>Promoting Production Capacity and Investment Cooperation</i></b></li> <li>24. Enhancing Infrastructure Development Cooperation</li> </ol>
<b>Human Resource Development</b> MoUs	<ol style="list-style-type: none"> <li>25. Human Resources Development Cooperation</li> <li>26. Feasibility Study for Resettlement Project for IDPs in Kachin State</li> <li>27. Establishment of Friendship Province/Region Relationship</li> <li>28. Cooperation between Football Associations of both countries</li> <li>29. Strengthening Cooperation</li> </ol>
<b>Major Projects</b> MoU, Letters of Intent and Concession and Shareholders Agreements	<ol style="list-style-type: none"> <li>30. Concession and Shareholder's Agreements on Kyaukphyu Special Economic Zone Deep Sea Port Project</li> <li>31. New Urban Development of Yangon City</li> <li>32. Local Cooperation under the Framework of Joint Building China Myanmar Economic Cooperation (CMEC)</li> <li>33. Acceleration of Meel-in-gyaing integrated LNG to Power Project</li> </ol>

Source: Compiled by author from open sources. Serials 1, 2, 4, 13 and 21 – 23 have been made bold and italicised by author to depict projects for which the exchange of documents were witnessed by Xi Jinping and Daw Aung San Suu Kyi.

Here too, Kyaukphyu emerges as the dominant hub of activity with other projects essentially building up to Kyaukphyu such as the Handover and Receipt of Detailed Feasibility Study Report of Kyaukphyu – Nya Pyi Taw Highway Project. One needs to see the connectivity to China's Yunnan Province in two parts, i.e., first, from Kyaukphyu to Mandalay/Nay Pyi Taw and in the second part from Mandalay/Nay Pyi Taw to Ruili in Yunnan and beyond. The Mandalay/Nay Pyi Taw vertical alignment is also the place from where one branch of the corridor is expected to peel off to Yangon. At present, due to trade influx from Muse, the connectivity between Yunnan and Mandalay is of a high order and sustains high volumes of traffic where *daily trade* is estimated to touch US\$5 million. However, on the axis from Mandalay to Kyaukphyu, apart from the alignment of the gas and oil pipelines, there is no major connectivity. This is going to be a priority for China.

The third inkling of the relative sense of priority given to the projects can be drawn from the optics given to them. Thus, there were only seven projects for which the document exchange was witnessed by Xi Jinping and Daw Aung San Syu Kyi. These are in bold and italicised in the list above. Three out of the seven were relatively minor and not worthy of summit level optics, e.g., construction of the Yangon Police Command Centre, handing over of six patrol boats and upgradation of an Industrial Training Centre. Three others were macro level and included a Three-Year Development Plan for Border Areas, the Establishment of Working Group for Promotion of Smooth Trade and Promoting Production Capacity and Investment Cooperation. The seventh one was a specific one keeping in line with Xi's statement on Border Economic Zones. This one was the agreement on Accelerating Negotiation on the Framework Agreement on the China Myanmar Muse-Ruili Cross Border Economic Zone. The development of Yangon; the Cross Border Economic Zones; the overall development of Border Areas and greater institutionalised cooperation in trade, emerge as the major focus areas.

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From a study of other open-source media, one gets a hint of other projects which could possibly be part of the BRI, but not necessarily part of the CMEC. This is clear from the details available in open sources and news reports, especially those pertaining to the visit by Xi Jinping. The details have been tabulated at Table 2.<sup>32</sup>

**Table 2: Other BRI Projects in Myanmar**

**(Not mentioned in the 33 agreements signed during Xi Jinpings January 2020 visit)**

Ser No	Project	Available Details
1	Mandalay Yida Economic and Trade Cooperation Zone	\$4 billion project
2	Irrigation Systems	Ministry of Livestock, Agriculture and Irrigation amounting to \$400 million
3	Letpadaung copper mine project	\$1 billion
4	Tagaung Taung (Dagongshan) Nickel Industry Development Project	\$820 million
5	Pathein Industrial City	Project signed with the China Textile City Network to build garment factories in Pathein. This would be one of the largest foreign direct investments in the Ayeyarwady delta area in decades
6	Pathein Industrial Seaport	NK
7	Roads in Shan (1)	NK
8	Roads in Shan (2)	NK
9	Airports	NK
10	Inland Ports	NK
11	Urban Development Projects	NK
12	Resorts	NK
14	Business Districts	NK
15	Industrial Parks	NK
16	Myitsone Hydropower Project	The Chinese Ambassador had pushed for resumption of the project. This \$3.6 billion project was suspended by President U Thein Sein in 2011 post protests since it was expected to displace 10,000 plus people and submerge area equivalent to that of Singapore. It goes against the national sentiment towards the Irrawady River. <b>Note, technically the project is suspended but <i>not cancelled</i> which leads to speculation that it may be revived.</b>

Source: Compiled by author from open sources.<sup>33</sup> This list is not exhaustive.

What emerges is a list of ambitious projects mired in opacity with a high probability of most getting stalled due to various issues such as land acquisition problems and ethnic violence-- ironically fuelled by decades of Chinese duplicity in trying to play both the sides, i.e., the Myanmar Government as well as the ethnic armed groups.<sup>34</sup>

### **The Myanmar-China Oil & Gas Pipelines**

The Myanmar-China Oil & Gas Pipelines predate Myanmar joining the BRI but is now likely to provide a pre-existing framework along which the economic corridor will run. The transport components of the CMEC are slated to run astride these pipelines. A look at

these pipelines provides us with an understanding of how the proposed corridor will unfold.

The crude oil<sup>35</sup> and gas pipeline<sup>36</sup> projects starting in Kyaukpyu Township in Myanmar's Rakhine State run parallel to each other and carry supplies to Ruili in southwestern Yunnan province in China.<sup>37</sup> The oil pipeline can carry up to 22 million tons of oil annually, which is equivalent to 6% of China's total imports in 2016. The gas pipeline draws from Myanmar's offshore fields and possesses an annual capacity of up to 12 billion cubic meters (bcm) of natural gas, of which Myanmar receives 2.5 bcm a year. China's gas import in 2018 was 123.4 bcm<sup>38</sup> and hence the 10 bcm piped into China from Myanmar is about 6.56% of China's 2018 gas imports. Total gas imports stood at 45.3% of China's overall gas demand.<sup>39</sup> The Myanmar-China Gas Pipeline Project is jointly invested and constructed by South-East Asia Pipeline (SEAP) Company, Myanmar Oil and Gas Enterprise (MOGE), POSCO DAEWOO, ONGC CASPIAN E&P B.V. (OCEBV), Gas Authority of India Limited (GAIL) and Korea Gas Corporation (KOGAS) and the South-East Asia Gas Pipeline Company Limited (SEAGP), is responsible for its operation and management.<sup>40</sup>

Thus, the gas pipeline is a multinational entity where even India is a stakeholder. But all is not well here as now protests have also arisen as people along the route are seeking fair compensation from the Chinese for the negative impact on their livelihoods due to loss of land. Additional land is now being sought by the Chinese for the transportation corridor

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to be constructed astride these pipelines, adding fuel to the fire. To assuage their grievances, the SEAGP has now donated over \$25 million for construction of schools, clinics and water supply systems for rural communities along the pipeline route.<sup>41</sup> A study of the Corporate Social Responsibility brochure reveals a carefully worded Corporate Citizenship Philosophy and an International Cooperation Principle. It would not be amiss to conclude

that the presence of the other international stakeholders in the SEAGP would be having a substantial say in the uncharacteristically ethical nature of the functioning of the SEAGP, despite it being run by the China National Petroleum Corporation.<sup>42</sup>

### Status in March 2020

Three years after Aung San Suu Kyi signed the first MoU and after two Belt and Road Fora, a series of non-binding MoUs, a few projects which predate the BRI, and the signing of agreements for the Kyaukphyu Special Economic Zone are all that Myanmar has seen. A few projects are also being undertaken at the State Government (provincial) levels, but these too have developed credibility issues. Take for example the Kachin State government

proposal to establish a China-backed economic zone, under the CMEC, based on a May 2018 MoU with Yunnan Tengchong Heng Yong Investment Company (YTHIC) for implementation of the Myitkyina Economic Development Zone.<sup>43</sup> This \$400 million Namjim Industrial Zone is 25 km from Myitkyina, the Kachin capital, and will comprise nearly 5000 buildings and 500 factories spread over approximately 19 sq. km along the historic Ledo Road. Nan Lwin, Senior Reporter, *The Irrawady*, wrote on 7 October 2019, that the development zone is one of the lesser-known Chinese-backed projects in Kachin State and has received criticism for lack of transparency and for keeping even its own people in the dark.

According to the MoU, YTHIC and the Kachin State Government have agreed on the following:

- To establish a **joint-venture** company to implement the zone.
- Government to **transfer the land rights within 90 days** of the company's establishment.
- The joint-venture company will **get a 50-year lease** for the land.
- **No similar project will be allowed near Myitkyina for 15 years.**
- The Chinese company has **full authority to invite third-party investors.**
- YTHIC would **loan the money** to pay for feasibility studies and the environmental impact assessment.
- Joint Venture Company must **repay YTHIC for the expenses.**
- Form investment organizations for the zone.
- To secure official permission for the project and apply for tax exemptions.

Land acquisition for the project remains contentious since land-grabbing is a major issue in Kachin State, especially in Waingmaw Township, Myitkyina, where there is a proliferation of Chinese-operated banana plantations. The Kachin Parliament's Complaints Committee said it had received 345 complaints since the NLD took office in 2016, including 179 complaints over land seizures. A group of landowners have negotiated over 2.6 sq. km inside the site but are yet to receive a reply from the government about compensation. As on 27 February 2020, the Kachin Government has given approval for the project, but without any clarity on the final terms. The area is controlled by the New Democratic Army-Kachin (NDAK) militia, which is allied with the Myanmar military. This is a project designed for the elites and by the elites on both sides--the locals are unlikely to get any benefit from this.

The project is being developed by Myanmar Heng Ya Investment Development Company, a joint venture of Myanmar's Kampaiti Development Company and China's Yunnan Tengying Trading Company. The sons of NDAK militia founder Zahkung Ting Ying are directors at Kampaiti Development.<sup>44</sup>

While economists will make better sense of the terms, a basic perusal of the MoU terms makes it clear that this project will be an economic disaster for Myanmar in which the Kachin elites and the Chinese businesses will be making a lot of money at the expense of the Kachin locals. The deadline for land transfer in 90 days without consultation with the locals raises suspicion and this could well sow the seeds for a micro-insurgency in the area. This will ensure that the economic zone, even after construction, would remain hostage to violence as was seen along the Muse-Mandalay Road in August 2019 when total trade value through the Muse border trade zone between the two countries declined approximately 90% from around US\$5 million (7.6 billion kyats) per day to around \$700,000 per day.<sup>45</sup>

### **The Hambantota Effect<sup>46</sup>**

The Chinese have long been trying to depict the BRI in Myanmar as a 'win-win' deal for both.<sup>47</sup> Myanmar based scholars wryly comment that both the 'wins' in the deal are for China! Objectively, benefits have accrued to the locals at least in the case of the gas pipeline project. But this was a project which predates BRI and is a multinational one, sans the typical Chinese characteristics.<sup>48</sup> However, as was seen in the very symptomatic ECRL deal renegotiation, realisation is emerging for the need to guard against debt trap; to prevent a Hambantota type of situation. In August 2018, Myanmar deputy finance minister Set Aung negotiated an 80% cost reduction to the proposed Kyaukphyu Deep Seaport, trimming the project from over US\$7 billion to US\$1.3 billion, baulked by the risk of an excessive debt burden.<sup>49</sup> Myanmar has also proposed five-year plans to ensure better implementation.<sup>50</sup> The table below lists out some BRI projects which did not run as planned, thereby revealing the underlying core intent of the Chinese government.

The Hambantota Effect runs both ways. It affects China as well as the host nation. In Hambantota, the basic economic viability of the port had long been questioned. Now that China has the port on lease for 99 years, it has a strategic asset without any immediate economic advantage, though there is no scope for basing troops as per the agreements, and the world's emptiest international airport for which Sri Lanka has run up a huge debt!<sup>51</sup> With the sharp economic slowdown as a result of Covid-19, even China has started slowing down on its BRI investments.<sup>52</sup>

**Table 3: Beleaguered BRI Projects**

Ser No	Country	Project	Remarks	Source
1	Bangladesh	Highway	Scrapped (For attempting to bribe a Government Official)	<a href="https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html">https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html</a>
2	Kenya	Mombasa Port	Facing get debt trap	<a href="https://economictimes.indiatimes.com/industry/transportation/shipping/-/transport/kenya-risks-losing-port-to-china-casting-shadow-over-indias-outreach-in-eastern-africa/articleshow/72136046.cms">https://economictimes.indiatimes.com/industry/transportation/shipping/-/transport/kenya-risks-losing-port-to-china-casting-shadow-over-indias-outreach-in-eastern-africa/articleshow/72136046.cms</a>
3	Malaysia	East Coast Rail Link	Renegotiated	<a href="https://www.channelnewsasia.com/news/asia/china-malaysia-restart-belt-road-east-coast-rail-link-11752570">https://www.channelnewsasia.com/news/asia/china-malaysia-restart-belt-road-east-coast-rail-link-11752570</a>
4		Multi-Product Pipeline (372-mile pipeline connecting Melaka and Port Dickson to Jitra in Kedah State)	Scrapped	<a href="https://thediplomat.com/2018/08/malysias-canceled-belt-and-road-initiative-projects-and-the-implications-for-china/">https://thediplomat.com/2018/08/malysias-canceled-belt-and-road-initiative-projects-and-the-implications-for-china/</a>
5		Trans-Sabah Gas Pipeline (411-mile gas pipeline from the Kimanis Gas Terminal to Sandakan and Tawau)	Scrapped	
6	Myanmar	Kyaukphyu Deep Sea Port	Renegotiated	<a href="https://www.scmp.com/news/asia/southeast-asia/article/2158015/myanmar-scales-back-china-funded-kyauk-pyu-port-project">https://www.scmp.com/news/asia/southeast-asia/article/2158015/myanmar-scales-back-china-funded-kyauk-pyu-port-project</a>
7	Nepal	US\$2.5 billion 1,200-MW Budhi Gandaki hydropower	Scrapped	<a href="https://www.hydroreview.com/2017/11/13/nepal-cancels-current-construction-plans-for-1-200-mw-budhi-gandaki-hydropower-project/">https://www.hydroreview.com/2017/11/13/nepal-cancels-current-construction-plans-for-1-200-mw-budhi-gandaki-hydropower-project/</a>
8	Pakistan	\$2 billion coal power project	Scrapped	<a href="https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html">https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html</a>
9		Rail projects from \$8.2 bn to \$6.2 Bn	Renegotiated/ but no Chinese funding as yet	
10	Sri Lanka	Hambantota Port	Debt trapped	
11	Sierra Leone	China-funded \$318-million airport outside the capital, Freetown	Scrapped (First by an African nation)	<a href="https://economictimes.indiatimes.com/news/international/world-news/africa-cancels-a-bri-project-for-the-first-time/articleshow/66363312.cms?from=mdr">https://economictimes.indiatimes.com/news/international/world-news/africa-cancels-a-bri-project-for-the-first-time/articleshow/66363312.cms?from=mdr</a>
12	Tanzania	\$11 billion port	Renegotiated	<a href="https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html">https://www.cnb.com/2019/01/18/countries-are-reducing-belt-and-road-investments-over-financing-fears.html</a>

Source: Compiled by author from open sources. This list is not exhaustive.

## **'Guanxi' versus 'Ah nar de' - An Overview of the Chinese Strategy Post-Myitsone**

The Myitsone Dam Project Agreement was signed in 2006 by former Vice Senior-General Maung Aye and the then Chinese Vice President Xi Jinping at an estimated cost of US\$3.6 billion. Construction of the 6,000 MW dam began in 2009 below the confluence of the Maykha and Malika rivers 42 km north of Myitkyina. As it panned out, Myitsone dam became highly unpopular in Myanmar since the people in the country were unanimous that the dam would harm Myanmar in many respects and that it should be terminated. Responding to this widespread public concern President U Thein Sein suspended the dam project in September 2011 saying it was “*against the will of the people*”. The technical aspects of the dam provided by environmentalist Dr. Myint Zaw pointed out that based on international examples and local surveys, Myitsone Dam would:

*...kill the Irrawaddy, and destroy the social security of millions of people who live along the river. A river flows not just to convey water, but also to preserve the balance of nature. Its ecological balance sustains the lives of the majority of farmers and fishermen in the country. The blocking of the natural flow of the river will cause huge changes in the flow of the entire river downstream. This will affect the agriculture and livestock farming of millions of people, not to mention changes in the waterway, river temperature, and erosion of riverbanks. The changes will be felt right down to the Delta. It has become clearer, according to recent international surveys, that the middle part of the river and the Delta areas will be hit hardest by the downstream impact.<sup>53</sup>*

Khin Khin Kyaw Kyee, Executive Director, Institute for Strategy and Policy – Myanmar has identified significant changes in the Chinese strategy of engagement with Myanmar following the suspension of the Myitsone dam project in 2011.<sup>54</sup> She calls the new strategy ‘multi-layered’ and characterised by the shift from a single-track government-to-government relation to one which targets the entire spectrum of stakeholders in the society. This new approach involves multi-faceted cultural, social, educational exchange programmes; art exhibitions; media campaigns; scholarships for students and civil servants to study in China and targets military and government officials, politicians, civil society organisations, non-governmental organisations (NGOs), community and religious leaders and academics. Similarly, a social media blitz has complemented this push resulting in a peculiar situation where a Xinhua created Facebook page on Myanmar has garnered over 30 million ‘likes’ since 2014, in process out-ranking popular local media. Further China has also



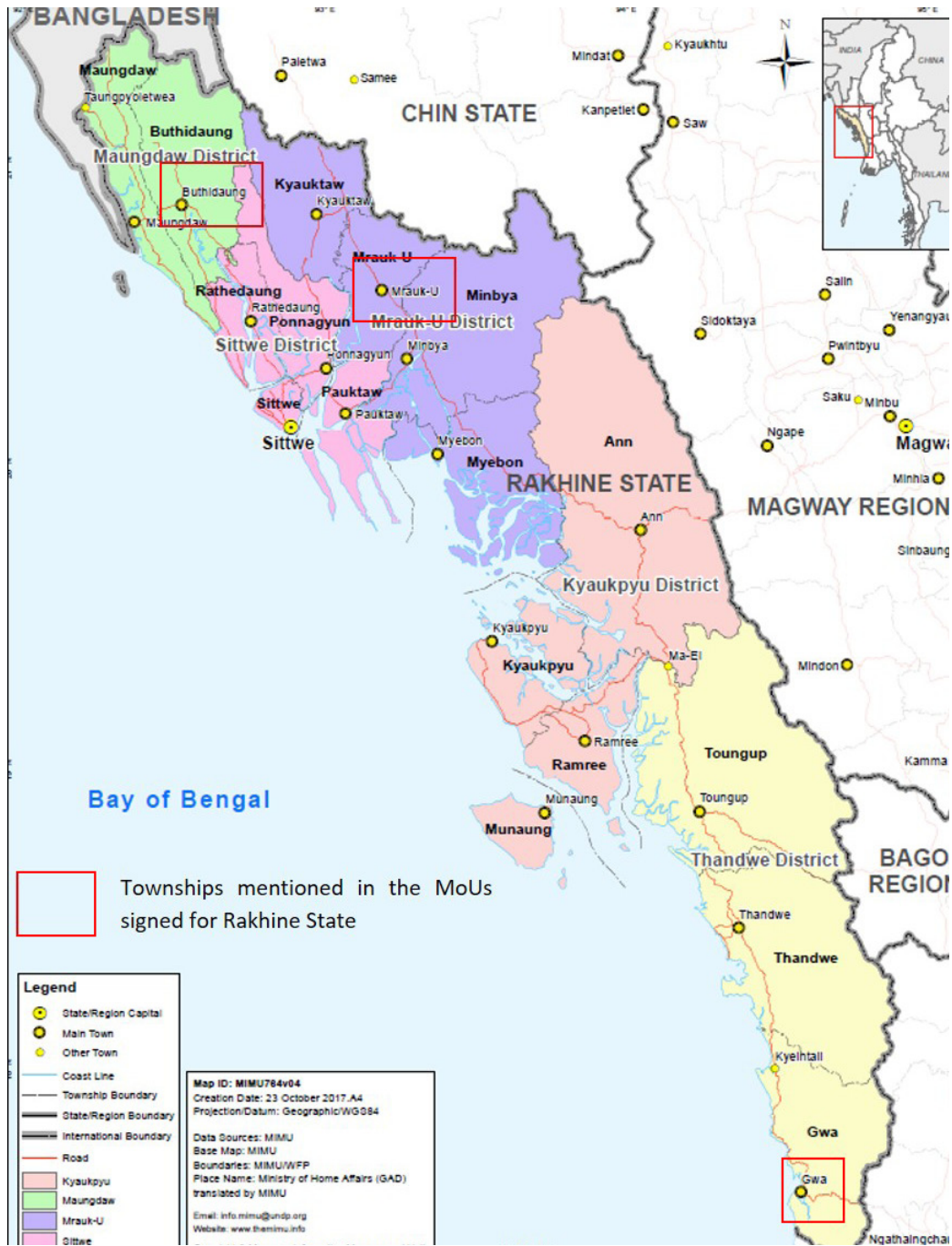
cultivated its relations with the National League for Democracy (NLD) even as it continues to engage the Tatmadaw.

The theory behind this outreach is the Chinese social behavioural concept of “*Guanxi*”. *Guanxi* is created when one party provides a favour to another party with the expectation of reciprocity. The aim being to put the beneficiary under the obligation to return the favour in future. The reciprocal social concept in Myanmar is “*ah nar de*” which implies that the recipient of the benefits feels obliged to reciprocate similarly, failing which he experiences social discomfort when unable to meet a request. Khin Khin Kyaw Kyee has identified three objectives of this exercise. First, to generate local support for China’s economic and geo-strategic interests in Myanmar; second, to promote a Chinese model of governance and economic development, and lastly to generate support for the Communist Party of China and its territorial claims in the South China Sea and other issues.

### **Visit of President of Myanmar to India (26-29 February 2020)**

This quiet visit to India within a month after Xi Jinping’s visit to Myanmar, apparently came about as Myanmar put in place a foreign policy of strategic balance to hedge against overdependence on China. Timed as it was in the wake of the visit by President Trump to India, the visit saw the signing of 10 MoUs and the issue of a very comprehensive Joint Statement which revealed several new initiatives.

That Rakhine features high on India’s priority was signified by the presence of Chief Minister of Rakhine State U Nyi Pu in the 26-member delegation which included three ministers --U Kyaw Tin, Union Minister for International Cooperation, Thura U Aung Ko, Union Minister for Religious Affairs and Culture, U Thant Sin Maung, Union Minister for Transportation and Communication. Four of the 10 MoUs were dedicated for Rakhine State alone and it is assessed that the other MoUs could also benefit Rakhine State. In Rakhine, the MoUs targeted the most violence hit townships, including Buthidaung and Mrauk Oo. Five townships of Rakhine will be electrified using solar power; Mrauk Oo township hospital will have an incinerator constructed; seed storage houses and water supply systems will be implemented in Gwa township; two roads will be constructed in Buthedaung --all these under the Rakhine State Development Programme. Under Ministry of Social Welfare, Myanmar and the Embassy of India, preschools will also be constructed in the State. Currently two crises are concurrently under way in the state-- the Rohingya Crisis and the ethnic Rakhine Crisis involving the Arakan Army-- which are causing heavy losses to the Myanmar Army and the Arakan Army, but most of all to the innocent civilians in the crossfire.



Source: (c) Myanmar Information Management Unit Map, modified by author  
(c) Vivekananda International Foundation

The details of all the MoUs are tabulated below for reference:

**MoUs signed during visit of President U Win Myint,  
President, Republic of the Union of Myanmar**

Ser No	Nature of Document	MoU For	Remarks
<b>Pertaining to Rakhine State</b>			
1.	Project Agreement	<ul style="list-style-type: none"> <li>Construction of incinerator in Mrauk Oo township hospital</li> <li>Construction of seed storage houses and water supply systems in Gwa township</li> </ul>	Project Agreements between Rakhine State Government and Embassy of India, Yangon under Rakhine State Development Programme
2.	Project Agreement	<ul style="list-style-type: none"> <li>Distribution of electricity by solar power in five townships of Rakhine State</li> </ul>	
3.	Project Agreement	Construction of <ul style="list-style-type: none"> <li>Kyawlyaung- Ohlphyu road,</li> <li>Kyaung Taung Kyaw Paung road, both in Buthedaung Township</li> </ul>	
4.	Project Agreement	Construction of preschools in Rakhine State	Project Agreement between Ministry of Social Welfare, Relief and Resettlement and Embassy of India, Yangon
<b>Other Projects</b>			
5.	MoU	Cooperation for Prevention of Trafficking in Persons; Rescue, Recovery, Repatriation and Re-Integration of Victims of Trafficking	
6.	Agreement	Indian Grant Assistance for Implementation of Quick Impact Projects (QIP)	Agreement between the Government of the Republic of India and the Government of the Republic of the Union of Myanmar
7.	MoU	Cooperation on Combating Timber Trafficking, and Conservation of Tigers and other Wildlife	
8.	MoU	Cooperation in the field of Petroleum Products	MoU between India (MoPNG) and Myanmar (Ministry of Electricity & Energy)
9.	MoU	Cooperation in the field of Communication	MoU between the Ministry of Communications of the Republic of India and the Ministry of Transport & Communications of Myanmar
10.	MoU	Cooperation in the field of Health Research	MoU between Indian Council of Medical Research (ICMR) and Department of Medical Research (DMR), M/o Health & Sports of Myanmar

## India-Myanmar Joint Statement

The Joint Statement revealed several initiatives. Under the connectivity schemes, the Statement called for early conclusion of the Motor Vehicles Agreement and lauded the launch of the Imphal – Mandalay Bus Service from 1 April 2020; the appointment of a Port Operator for Sittwe Port with effect from 1st February 2020; early completion of the Zorinpui – Paletwa axis was alluded to, and Myanmar provided access to the area from Mizoram for induction of labour, plant and material. The early completion of Kaleywa –Yargi segment of the India-Myanmar-Thailand Trilateral Highway was mentioned. The India-Myanmar Border Area Development Programme was appreciated for development of schools, health centres, bridges and roads. Rakhine too found special mention in the Statement with India dodging the disputed 'Rohingya' word in deference to Myanmar's sentiments, but pushing for repatriation of displaced persons from the Rakhine region, presently located in Cox's Bazaar, thereby leaving no doubt on the intent. The Rakhine State Development Programme was alluded in the Statement as also in the MoUs. Several educational projects found mention including the Myanmar Institute of Information and Technology (MIIT); the Advanced Centre for Agricultural Research and Education (ACARE); Myanmar-India Industrial Training Centres at Pakokku and Myingyan and establishment of two new ones at Monywa and Thaton and upgradation of the Women's Police Training Centre at Yamethin. To improve bilateral trade, the launch of Indian RuPay Card in Myanmar and the creation of an India-Myanmar digital payment gateway for cross border remittance between the two countries were agreed upon. The Statement also called for greater cooperation in regional subgroupings such as BIMSTEC. In addition, the Statement touched upon provision of medical radiation equipment "Bhabhatron-2" for treatment of cancer patients; capacity building programmes, exposure visits and lecture series by India for Myanmar civil servants, sportsmen, parliamentarians, judicial and electoral officers and security personnel; the extension of its National Knowledge Network (NKN) to Myanmar Universities; support for the establishment of the Myanmar Diplomatic Academy; provision of technical assistance to the national ID project of Myanmar, based on India's "Aadhar"; restoration and repair of 12 pagodas in Bagan and cooperation on Solar Power and enhancement of Disaster Resilience. This is not an exhaustive list--it only highlights those aspects the author perceives were lesser known.<sup>55</sup>

Analysis of the Joint Statement between India and Myanmar invariably lends itself to comparison with the Chinese initiatives in Myanmar and casual remarks on the stark difference between the two are highlighted. This needs to be curbed and there is a lot of merit in the nature of the projects being engaged and their location. Unlike Chinese projects which are all about large size of loans and investments and scales, the Indian initiatives

touch the hearts and minds of the locals. This matters as the people are reassured about the genuine intent of the initiatives. The projects are targeted at sectors and locations where they are most needed and most importantly, they do not involve upheavals or displacement for the locals. The initiatives pitch India's strengths where it matters and avoid the 'dollar-for-dollar' trap. It works on the basic premise that what is good for the neighbour, is good for India. This is especially so since a stable Myanmar means a stable North-East, which is essential for the rapid growth and stability of the country.

### Coronavirus

There is a lot of speculation in the media that even as Xi Jinping was wooing Myanmar, the coronavirus had already become an epidemic, outside the control of the medical authorities in Wuhan. The coronavirus has affected Myanmar in five ways. It has denied connectivity to China and thereafter India with borders being sealed; it has ruptured trade with China, Thailand and India; the closure of markets has hit the industry hard with bankruptcy and layoffs, especially in the textile sector; finally, the perishable goods industry has been hit hard with surplus stocks rotting, unable to reach the markets.<sup>56</sup>

However, though the virus will have a massive negative effect on the economy, the impact on the local population, the bulk of whom are rural, will be relatively small. This is because subsistence level farming is the norm, and it is unlikely that there will be any starvation related deaths. Secondly, with the fishery industry faring better than agriculture, it is felt that the overall impact on the economy may be somewhat mitigated. The loss of jobs and the closure of factories is unlikely to be long term and given that the local population is by and large used to insulation and isolation, they will fare better than their compatriots in the Western countries<sup>57</sup>. India included Myanmar students in its evacuation from Wuhan and other places in China, which does well for bilateral relations.

**India remains a safe and preferred alternative to China, in the Myanmar psyche.**

### India's Options<sup>58</sup>

India remains a safe and preferred alternative to China, in the Myanmar psyche. The reason for this lies in the historical difference between the Indian and Chinese approaches to Myanmar. China's stance was historically aggressive and all-consuming as seen in the way the Chinese Mongols conquered and destroyed the Pagan Kingdom which represented the Golden Age of the Burmese Kingdom. The tributary system that the Chinese Emperors imposed on the Burmese Kings effectively relegated them to a secondary status in relation

to China. This is further reinforced by the way the Nanchao Kingdom destroyed the Pyu city state that led to the eradication of the Pyu as a separate Burmese identity.<sup>59</sup>

This aggression remains an undercurrent even today, as seen in the statements of Ambassador Hong Liang of the Chinese Embassy in Yangon published in the Embassy's Facebook page. He contended that Myitsone project was an important part of BRI and that any further delays could hamper bilateral relations. He also warned that if the Myitsone issue is not resolved, it would seriously hurt the confidence of Chinese entrepreneurs. Similarly, Mr. Ding Gang, a Senior Editor of the Chinese Communist Party mouth-piece

**High-handedness, veiled threats, and disdain for locals are hallmarks of Chinese loan and investment deals in Myanmar.**

*People's Daily*, noted that though the reasons behind the dam's suspension were complicated, however, since the deal was signed, Myanmar would be in breach of the contract if it decided to scrap the project and compensation payments would be required. He added that if there were new public demands or environmental concerns, talks should have been held; stoking nationalism was not a solution. Hence, how the stalled

project is dealt with as per international practices would determine Myanmar's investment environment, the government's credibility and the long-term development of the country.<sup>60</sup> High-handedness, veiled threats, and disdain for locals are hallmarks of Chinese loan and investment deals in Myanmar.

By the above logic, Myanmar should be turning to India and not China to meet its requirements. This has not happened due to India's inability to provide the much-needed investment that Myanmar needs. Reasons range from an unenviable track record of not fulfilling commitments made due to bureaucratic processes and approaches, poor political oversight, weak corporate sector capacity to undertake mega-projects in other countries and lack of funds. However, the most important reason is a psychological lack of '*Myanmar consciousness*' within the political and policy elites. For a nation which has a dedicated policy to look and act 'East', the next step must be to look beyond the eastern borders. The national psyche, however, is steeped in Pakistan centricity and increasingly China -- neighbours that pose the principal security threats. The latest example of the elite's lack of Myanmar consciousness was displayed by the media, as it completely missed out on the visit of the President of Myanmar to India in the aftermath of President Trump's visit. While there are many scholars and experts on China, Pakistan, Afghanistan in the country, there are only a handful on Myanmar.

Since India's vision for Myanmar is a direct result of Myanmar's geo-strategic location, a brief look at the geo-strategic importance of Myanmar for India is called for. Located at the Bangladesh, China and India tri-junction and on the Bay of Bengal rim straddling Indian's South-Eastern land and sea routes, Myanmar shares a 1643 km border with India touching the four sensitive states of Arunachal Pradesh, Nagaland, Manipur and Mizoram. This translates to India forming 25% (third longest border after China and Thailand) of Myanmar's borders and Myanmar forming 11% (the fifth longest border<sup>61</sup> after Bangladesh, China, Pakistan and Nepal) of India's borders. Myanmar in effect also acts as a buffer state against China and its Mergui Archipelago extends from Malacca Straits into the Andaman Sea close to the Andaman Islands. Myanmar provides access to the Southeast Asian landmass from India's North-East. Economically, natural resources, gas and oil are the major potential areas for cooperation.

India-Myanmar relations are bound by a shared heritage of religious, linguistic and ethnic ties. India looks at Myanmar as a responsible country looks at its neighbour, i.e., with a sense of partnership. A stable Myanmar is essential for a stable North--East India. The security situation in North-East is linked to developments in Myanmar, especially Western Myanmar. Thus, the genuine development of Myanmar is an Indian goal. Assisting Myanmar will enable it to stand on its feet and reduce dependence on China, thereby improving its own and India's security posture.

It needs to be understood and acknowledged that India's economic support to Myanmar cannot match Chinese investments dollar for dollar. However, given the Indian goodwill in Myanmar, its investments and engagements need to be carried out through the prism of 'hearts and minds'. The concept of 'hearts and minds investments' involves reaching out to the locations and sectors which need multiple smaller scale investments. The 'hearts' component involves identifying those areas and fields where investment is scarce and would have maximum impact for the locals without uprooting them from traditional ways of life. The 'minds' component is to ensure that while meeting the requirements of the heart, the financial viability of projects is not compromised. Thus, low but consistent and long-term profits, smaller scales of operations with lesser bureaucratic hurdles needs to take precedence over mega-projects. Investment should also be targeted at geographical locations which are otherwise neglected. These investments would benefit the common man and not just the local elites and the investors.

Ironically, the Chinese approach is also evolving as they execute their OODA loop<sup>62</sup> and come out with solutions to tackle the global wariness towards the BRI. Yun Sun, a Senior

Fellow and Co-Director of the East Asia Program and Director of the China Program at the Stimson Center, writes:

*The traditional Chinese approach to major infrastructure projects – the provision of Chinese loans and contracts for Chinese companies – faces many obstacles in Myanmar. These obstacles include the bureaucratic setups and public scrutiny to which all foreign investment is subject to, as well as deeply entrenched historical factors and emotional reactions, and long-lasting perceptions and suspicions that are unique to Chinese investment.*

*Contrary to the common perception that CMEC will bring in massive Chinese financing for infrastructure, the level of investment, the lack of major projects and the incremental nature of project negotiations all suggest that CMEC (either willingly or reluctantly for the Chinese) represents a different type of BRI campaign – one that is **based on genuine mutual consultation and Chinese adaptation**. Reining in Chinese ambitions so they align more closely with Myanmar’s more moderate aspirations and capacity appears to be a key theme of the CMEC. Ironically, perhaps, this scaled-down version – a kind of “BRI-lite” – may not only better serve the goals of Myanmar’s government and people, but also prove to be a model for Chinese-funded development elsewhere.<sup>63</sup>*

**The traditional Chinese approach to major infrastructure projects – the provision of Chinese loans and contracts for Chinese companies – faces many obstacles in Myanmar.**

Implicit in this statement is that hitherto, Chinese investments in BRI campaigns were NOT based on genuine mutual consultation! Recently, delegates of a think tank in New Delhi heard with amusement and disbelief, their Chinese counterparts from Fudan University frantically and emphatically throw around words like ‘soft power’ and ‘use of local labour’ in a discussion on the BRI.<sup>64</sup> This seems to be based on a new strategy where “*development-oriented approach towards conflict resolution has resulted in northern Myanmar’s conflicts becoming intrinsic components of China’s ambitious Belt and Road Initiative*”.<sup>65</sup>

The possibility of multi-national joint ventures needs to be considered and pushed by Myanmar and accepted by both China and India, rather than traditional bilateral ventures, especially between China and Myanmar. A good example of this model that runs astride the proposed China Myanmar Economic Corridor, is the Myanmar-China Gas Pipeline Project which is jointly invested and constructed by South East Asia Pipeline (SEAP) Company, Myanmar Oil and Gas Enterprise (MOGE), POSCO DAEWOO, ONGC CASPIAN E&P B.V.



(OCEBV), Gas Authority of India Limited (GAIL) and Korea Gas Corporation (KOGAS). The South-East Asia Gas Pipeline Company Limited (SEAGP) is responsible for its operation and management.<sup>66</sup> Involvement of multi-national entities brings expertise to the fore and by default induces checks and balances into the systems which tend to neutralize Chinese monopoly and brings objectivity into the projects. This way Indian investors get a stake in the activities and the presence of Indian and other investors increases the confidence of Myanmar investors and people. India driven alliances may provide the reliable alternative source of 'heart and minds investments' using groupings involving BIMSTEC, the India-ASEAN networks or even as an alliance with Japan.<sup>67</sup>

Finally, India has no option but to evolve systems to deliver projects on timelines and within the budgeted costs. The implementation of the Kaladaan Multi-Modal Transit Transportation Project is a case in point; despite over two decades since commencement, it has not been completed. This is a result of a systemic culture of bureaucratic indifference and total lack of accountability. The negative reputation that India has garnered across the neighbourhood of being unable to deliver on its promises, is greatly affecting its stature and aspirations for regional leadership.

In conclusion, the CMEC is far from fructification. Notwithstanding China's protestations, the fact is that hard negotiations, re-negotiations and rescinding of contracts where required will be the new normal in the BRI circuits, as has been the case in Myanmar and Malaysia. Chinese strategic concerns cannot take precedence over the strategic concerns of the host nation, despite the volume of promised loans. It is a strategic

**India has no option but to evolve systems to deliver projects on timelines and within the budgeted costs.**

imperative for Myanmar to balance development with security and in a traditionally xenophobic country, any perceived affront to sovereignty will raise hackles of locals and the government. India needs to implement a hearts and minds investment strategy to offset the Chinese impact in Myanmar. It needs to ensure that

every rupee invested makes a positive impact to the common man especially along the India-Myanmar border. India also needs to mobilise more funds for investments by engaging multiple partners from the neighbourhood -- the ASEAN, Japan, Korea. Notwithstanding anything, India needs to deliver on its promises, and be known to deliver, every time. Only then can it expect to have credibility as an aspiring regional leader.

The CMEC in the current form provides more benefit to China, than it does to Myanmar.<sup>68</sup> Myanmar has so far shown remarkable spine and appreciably held out against the Chinese debt trap. However, international isolation in the post- Rohingya crisis and the

military coup has enhanced its dependence on China with correspondent rise in its debt to it. Myanmar needs to find a way to ensure that the China Myanmar Economic Corridor does not metamorphose itself into China's Myanmar Exploitation Corridor. What is clear is that the CMEC and the BRI will have to re-invent themselves to appear humane, and financially and socially viable for the locals. Unless that is done, it is likely to stumble along the path of history, possibly into oblivion.

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