

“The Belt and Road Initiative” (BRI) and Its Implication on Myanmar

Mi Mi Gyi¹

Abstract

This paper is a study on the opinions and views of various Myanmar personnel such as academics, businessmen, politicians, writers, artists and other people from grass root level towards China’s “The Belt and Road Initiative”(BRI). In doing research, the analytical study method is used to point out the important feelings and sentiments of Myanmar on the BRI project. The research argues that Myanmar people are deeply skeptical about the benefits that CMEC will bring them. Myanmar may urgently need Chinese capital and expertise for the infrastructure development in Myanmar, but China needs to adjust its approach and be more sensitive to wishes and complaints on the ground if it wants CMEC to succeed. It is believed that the paper will help the Myanmar leaders in making important policy decisions on regional cooperation and Myanmar’s economic development.

Keywords: Belt and Road Initiative, BRI, CMEC, China, Myanmar, public opinion

Introduction

The Belt and Road Initiative (BRI) which is also known as “One Belt One Road” is Chinese President Xi Jinping’s signature foreign policy project which was unveiled in 2013. The project aims to build a network of roads, railroads and shipping lanes linking nearly 70 countries from China to Europe passing through Central Asia, the Middle East and Russia, fostering trade and investment. The objective of BRI is creating networks that will allow for a more efficient and productive free flow of trade as well as further integration of international markets both physically and digitally. There are five major goals for BRI. They are policy coordination, facilities connectivity, unrestricted trade, financial integration, and people-to-people bonds.

The BRI plans for the Construction of highways, pipelines, railroads, deep-water seaports, airports, new cities, special economic zones, and power grids, along with related port and logistics upgrades in maritime partner countries. Currently, One Belt One Road (OBOR) consists of 65 countries including 11 ASEAN countries, 8 South Asian countries, 7 Central Asian countries, 16 West Asian and North African countries, 16 central and Eastern European countries, 7 CIS countries and China. According to estimates, the total Investment in OBOR is between \$800 billion and \$1 trillion, covering 890 projects in over 60 partner countries.²

Literature Review

Many authors have already written on China’s Belt and Road Initiative and its impact on Myanmar. The article was written by J. Mohan Malik (2018), “Myanmar’s Role in China’s Maritime Silk Road Initiative”³ is about the role of

¹Dr., Pro-rector, Mandalay University of Foreign Languages, Mandalay

²“One Belt-One Road Initiative and MYANMAR Connectivity: Synergy Issue and Potentialities” *Global New Light of Myanmar*, March 18, 2018.

³Malik, J. Mohan, (2018)“Myanmar’s Role in China’s Maritime Silk Road Initiative”, *Journal of Contemporary China*, Issue 111, Volume 27, UK, pp.362-78.

Myanmar in China's Belt and Road Initiative (BRI). China has already initiated BRI since the 1080s and after three decades, Myanmar becomes more important in China's grand strategy of Maritime Silk Road. It analyzed the Chinese BRI from the geo-economic and geostrategic points of view and tried to calculate costs and benefits for Myanmar. It also discusses possible barriers, deviations, flaws, and mistakes in the implementation of the Maritime Silk Road Initiative.

In the other article "Myanmar and China's One Belt One Road Strategy,"¹ the author, Thomas Chan (2015) compares proposed China-Myanmar railway, Japanese focus on East-West corridors and India's multi-modal projects in Western Myanmar. The paper explains the geostrategic importance of Myanmar in China's One Belt One Road strategy and Japan and India's attempts at regional integration. It also discusses China's strategy in Myanmar. There are also other research papers on the BRI and Myanmar. They, however, didn't evaluate Myanmar public opinions on China-Myanmar Economic Corridor (CMEC) in detail and examine the challenges and opportunities Myanmar faces.

Research Questions and Research Method

This paper examines whether the China-Myanmar Economic Corridor (CMEC), part of China's BRI is an Opportunity for Myanmar or it is just an expansion of Chinese interest in Myanmar. In so doing, the researcher scrutinizes China's motivations for BRI, CMEC projects and Myanmar public opinions towards the CMEC and the BRI. Data are collected from Myanmar official newspapers and documents and various articles from internet websites. An analytical method is used in doing this research.

Findings and Discussion

1. China's Motivations for BRI

Beijing's multibillion-dollar Belt and Road Initiative has been called a state-backed campaign for global dominance, a stimulus package for a slowing economy, a Chinese Marshall Plan and a massive marketing campaign for Chinese investment around the world. Between 2014 and 2016, China's total trade volume in the countries along the Belt and Road exceeded \$3 trillion. China is also trying to use the Chinese currency "Yuan" along the Belt and Road. That is why some critics accused the BRI as the Chinese Marshall Plan. It is assumed that through BRI, President Xi Jinping intended to provide several infrastructure-focused state-controlled firms with profitable business opportunities so that China will be able to maintain high GDP growth.

As a world leader in infrastructure investment, China has pursued an infrastructure-based development strategy. The result is engineering and construction expertise and a wide range of projects including roads, bridges, tunnels, and high-speed rail projects. Thanks to the BRI, Chinese construction, transportation and communication companies are engaging in construction work

¹Thomas Chan, (2015) "Myanmar and China's One Belt One Road Strategy," China Trade Research, The Hong Kong Polytechnic University, China Business Centre, <<http://china-trade-research.hktdc.com>>

across the globe tremendously. In 2018, Chinese companies have secured more than \$340bn in construction contracts along the Belt and Road and the majority of them are in Asia.

China has already invested billions of dollars in basic infrastructure projects of some South Asian countries such as Pakistan, Nepal, Sri Lanka, Bangladesh, and Afghanistan and the result was the expansion of Chinese trade and investment. In India, Chinese foreign direct investment has grown quickly year by year. So it is believed that the belt and road initiative is inspired not only for trade expansion but also for China's need to channel excess capacity at home. Another aspect of Beijing's motivations for BRI is to give an outlet to the Indian Ocean for China's landlocked less-developed western provinces such as Xinjiang and Yunnan.

2. One Belt One Road and Myanmar China Economic Corridor (CMEC)

Beijing's One Belt One Road means the Silk Road Economic Belt and 21st Century Maritime Silk Road. "The 21st Century Maritime Silk Road" has two main directions. The first is from China's coastal ports to the Indian Ocean and it extends to Europe. The second is from China's coastal ports through the South China Sea to the south Pacific. Maritime Silk Road starts from four Chinese provinces and one municipality, namely Fujian, Guangdong, Zhejiang, Hainan, and Shanghai. Outside of China, there includes over 50 countries along the belt and the road.

Major Port Cities along the belt and road are Kuantan in Malaysia, Kyaukpyu in Myanmar, Jakarta and Batam Island in Indonesia, Colombo and Hambantota in Sri Lanka, Gwadar in Pakistan, Djibouti near the red sea, Mombasa in Kenya, and Piraeus Greece. Silk Road Economic Belt consists of six economic corridors. They are:

- 1) The New Eurasia Land Bridge Economic Corridor
- 2) The China-Mongolia-Russia Economic Corridor
- 3) China-Central Asia-West Asia Economic Corridor
- 4) China-Indochina Peninsula Economic Corridor
- 5) China-Pakistan Economic Corridor and
- 6) Bangladesh-China-India-Myanmar Economic Corridor.¹

Among the above-mentioned economic corridors, this paper would emphasize on Myanmar China Economic Corridor (CMEC) which is a branch of the Bangladesh-China-India-Myanmar Economic Corridor. On 9 Sep 2018, Myanmar and China signed a 15-point Memorandum of Understanding (MOU) agreeing to establish the CMEC as part of China's BRI. CMEC is a 1,700-plus kilometer corridor. It will run from Kunming in the Yunnan province of China and cross the Sino-Myanmar border at Muse and continue to Mandalay. There, it will split into two. One section will run to Kyaukpyu in Rakhine state which faces the Bay of Bengal. The other section will run to Yangon, the business center of Myanmar. Kyaukpyu-Kunming route will run parallel to gas and oil pipelines

¹Nan Lwin, (2018) "China, Myanmar Agree 15-Point MoU on Economic Corridor," *The Irrawaddy*, 6 July 2018.

built by China since 2013 and 2017 respectively. CMEC will stimulate an enormous amount of foreign direct investment into Myanmar. That is why the government is quick to sign the CMEC hoping for a quick economic lift for Myanmar.

Myanmar's geographical location is unique and significant for the BRI. At the junction between South Asia and Southeast Asia, and between the Indian Ocean and China's landlocked Yunnan province, Myanmar provides China with overland access to the Indian Ocean. From the strategic point of view, Myanmar and Pakistan are only two direct access countries to the Indian Ocean for China among the BRI participants. So they are parts of both the Belt and Road. If China can be able to use the Kyaukpyu deep-sea port, it will help China to cut 5,000 km off the travel distance for shipments from China to South Asia, West Asia, Africa, and Europe.

3. CMEC Projects: Is Kyaukpyu Project Debt-trap Diplomacy?

The initial proposal of CMEC incorporates over 20 projects as early harvest projects within CMEC for an estimated budget of \$2 billion. It, however, does not include the cost of major infrastructure projects to be implemented by the Myanmar Ministry of Construction and Ministry of Transportation and Communication. There are three major road upgrade projects, the construction, and renovation of airports, and the development of inland port projects. However, these projects are just anticipated without sound research and data collection and there have not been budget estimates for them yet. New cities, industrial parks, business districts, resorts, and urban development projects have also been proposed by private sector entities as private priority projects related to CMEC. Their estimated budget is also more than \$100 billion.

Among the project proposals under the CMEC framework, New Yangon City Development Project is one highlight of these proposals. The Memorandum of Understanding (MoU) between China Communications Construction Company (CCCC) and the Yangon government is expected to be signed soon. Moreover, the contract for the Yangon elevated highway is to be decided in the coming months. It may be financed as part of CMEC. It is very likely that Myanmar will have to rely on Chinese loans in these infrastructure development projects.

There are other proposed projects in Mandalay, Muse, and Patheingyi which are beyond the primary CMEC area. At the Ayeyarwady delta, "Patheingyi Industrial City project" was described as part of the CMEC project. The China Textile City Network signed a deal with Myanmar government to build garment factories in Patheingyi. This project was reported as one of the largest foreign direct investments in the Ayeyarwady delta area in decades. Meanwhile, Naypyidaw has already permitted surveying the Kyaukpyu-Kumming high-speed railway. Myanmar would take a package loan from China to upgrade the railway carriages. It can be considered as one of the first development projects of CMEC.

In June 2018, China proposed a list of projects including the construction of Kwanlon Bridge and a highway and railroad connecting Chinshwehaw and Lashio in Shan State. The Chinese also proposed approving Chinshwehaw as an international border gate and construction of a Special Economic Zone in the town as part of efforts to boost trade and tourism between China and Myanmar.

Currently, all of these projects are still only drafted on paper. Negotiations are still in the initial stage and need substantial negotiation. The biggest concern is how to finance these infrastructure developments.

Concerning the BRI, some criticize that China is practicing of Debt-trap Diplomacy in implementing the infrastructure development projects of BRI. For instance, in the case of Hambantota port, Sri Lanka borrowed heavily from China for the 1.3 billion Hambantota port's construction at a high rate - 6.3 percent interest - during the President Rajapaksa's government. Typically, multilateral development banks offer loans at rates closer to 2 or 3 percent, and sometimes even closer to zero. From a commercial perspective, the port was a disaster. In 2015, the president of Sri Lanka was removed from the office by the vote, however, the new government faced to repay the debt he borrowed. Not being able to repay the loan, the new government handed over the port and 15,000 acres of land around it to the creditor -China - for 99 years in December 2017.¹

There are also other eight more Belt and Road countries that are at serious risk of not being able to repay their loans. These countries are Djibouti, Kyrgyzstan, Laos, Maldives, Mongolia, Montenegro, Pakistan, and Tajikistan. They are also among the poorest in their respective regions. They owe more than half of all their foreign debt to China. That is why some academics, politicians, and activists in Myanmar worried that China could use the debt borrowed for infrastructure development projects from China to extract strategic concessions from them. The other example is Tajikistan. In 2011, Tajikistan had to hand over 447 sq. miles of the disputed territory to China in exchange for an undisclosed debt owed by it.

Kyaukphyu has triggered similar apprehensions among the public. They worry over sovereignty, control, and indebtedness to China. The Kyaukphyu project has two components. According to the original project, it included a US\$7.3 billion deep-sea port and a US\$2.7 billion 1,000-acre industrial park. During the then-President U TheinSein government, Myanmar and China agreed that China would hold an 85% stake in the project, while the Myanmar government would hold 15%. The project was deeply unpopular stimulating the government to renegotiate the shareholder agreement. The result was 70% for Myanmar and 30% for China respectively. The NLD government was concerned about the large loans that such a massive port project would necessitate. Because of this fear, Myanmar scaled down the size of the Kyaukpyu project. Currently, Myanmar officials are in talks with a Chinese consortium led by state-owned investment company Citic Group to reduce the project's original US\$7.3 billion price tag to US\$1.3 billion.² The new port project would include two berths instead of the originally proposed ten.

4. Chinese Investments and Credit in Myanmar

BRI projects are usually implemented bilaterally between China and different partners. For the BRI projects, Beijing created a US\$40 billion Silk Road development fund in November 2014. There is also the Asian Infrastructure

¹Abi-Habib, Maria, (2018) "How China Got Sri Lanka to Cough Up a Port", *The New York Times*, June 25 2018.

²"Myanmar scales back China-funded KyaukPyu port project in Rakhine state due to debt concerns," *South China Morning Post*, Reuters, 2 August 2018.

Investment Bank (AIIB) led by China if BRI projects meet international standards. According to Myanmar's Directorate of Investment and Company Administration (DICA), China invested USD20.01 billion between 1988 and May 2018 in Myanmar.¹ At the end of 2017, Myanmar external debt was US\$9.1 billion. Forty-one percent of it is owed to Beijing. It is also said that Myanmar external debt currently reached US\$12 billion. Although the debt load is relatively manageable at present, it could grow enormously if CMEC would proceed in its original form.

5. China as a Mediator in the Myanmar Peace Process

Beijing likely understands that the viability of CMEC is closely tied with the restoration of peace and stability in Myanmar. CMEC includes the construction of a highway and high-speed railway along the CMEC corridor which includes some areas of northern Shan state where interethnic and religious conflicts exist. Therefore, ethnic conflicts and fighting would be major obstacles to the realization of CMEC. To ensure stability and security in the region, especially in the Sino-Myanmar border regions and Rakhine State, China has taken on a mediator role in Myanmar's numerous internal conflicts. In November 2017, for instance, China put forward a three-phase plan for ending the Rohingya refugee crisis and restoring stability in the region. China has also contributed to the reconstruction of Myanmar by setting up poverty alleviation projects. It is also working towards the repatriation of Rohingya refugees who had fled to Bangladesh.

While many of Myanmar is worrying about the potential for unmanageable debt, the Chinese government's concern is threats to the security of Chinese workers and Chinese-built infrastructure. So China is involved in Myanmar's peace process including negotiations for National Cease-fire Agreements (NCA). China is also talking to the armed groups outside the NCA, such as the Arakan Army (AA), the Kachin Independence Army (KIA) and the United Wa State Army (USWA), and also accommodating secret talks between the Myanmar military and the armed militias on Chinese soil. China, however, has taken sides in conflicts in Myanmar, instead of behaving as an impartial mediator. For instance, it is known that the Chinese have supplied weapons to outfits to the USWA. China has not also been reluctant about using its links with the ethnic militias to pressure the Myanmar government. Generally, China appeared to be more interested in stability than in solving the fundamental causes of the conflict and building sustainable peace in Myanmar.

6. Public Opinions: Is CMEC an Opportunity for Myanmar?

There are both negative and positive opinions towards the Chinese-led BRI and CMEC. The renegotiation of the equity ratio for Kyaukpyu and ongoing negotiations over New Yangon City has contributed to the anti-Chinese sentiment among the local population. There are worries about China's influence over Myanmar sovereignty and rising debt levels. The lead researcher at the Institute

¹Nan Lwin, (2018) "Gov't Signs MoU with Beijing to Build China-Myanmar Economic Corridor", *The Irrawaddy*, 13 September 2018.

for Strategy and Policy (ISP), KhinKhinKyawGyi said: “Many in Myanmar have mixed feelings about CMEC. While they welcome investment in infrastructure, they are concerned about the negative consequences of massive development projects envisaged under BRI.”

On the other hand, political analyst U Ye Htut said: “China’s role in Rakhine affairs, peace matters, and investment is important for Myanmar. Naypyitaw signed up to the deal quickly to secure Chinese investments as well as Beijing’s support for the peace process.” Dr. MaungMaung Lay, the vice president of the Union of Myanmar Federation of Chambers of Commerce (UMFCCI) believed: “Myanmar can’t sidestep the One Belt One Road Initiative, even though there are many views regarding the debt threat. We need to be cautious when negotiating the details of the deals but overall if the projects provide jobs, security will be better and undesired drug issues can be eliminated.” Regarding the question about “Is the infrastructure of Myanmar ready for CMEC”, U AungNaingOo, the director general of DICA and secretary of the Myanmar Investment Commission (MIC) replied: “Myanmar infrastructure is ready for BRI. It has already adopted investment law and company law. Other necessary business laws and regulations are also in progress. The framework for private-public partnership has also already been drawn.”

There is also the public opinion of China threat. When cooperating with China under OBOR, many in Myanmar also worries about Myanmar national sovereignty and security, as well as China’s influence in Myanmar. They worry that expanded Chinese commercial presence around the world will eventually lead to the expanded military presence. In 2017, China established its first overseas military base in Djibouti. Analysts argued: “almost all the ports and other transport infrastructures being built could be dual-use for commercial and military purposes. If it can carry goods, it can carry troops.” During the implementation of the OBOR, China needs to pay more attention to the “China threat” and take measures to enhance Myanmar’s confidence in cooperating with China.

Some worries about the “poor record” of China’s Corporate Social Responsibility (CSR) in previous investments in Myanmar. Protests greeted the US\$3.6 billion Myitsone Hydropower Project. It is an enormous dam situated in the Kachin State, near Myanmar’s northern border with China. In the case of Letpadaung Copper Mine, local communities strongly opposed to the large mine project operated by the Wanbao Mining copper Ltd. company, in cooperation with the Union of Myanmar Economic Holdings Ltd (UMEHL) owned by the Tatmadaw.

Conclusion

In 2018, Myanmar’s relationship with the West has become worse as the Bengali issue in Rakhine state is deteriorating. Myanmar’s economy is stagnating and FDI declining. Myanmar needs for high investments to keep the economy afloat. In this situation, CMEC is very attractive for the government in Naypyidaw. CMEC presents an opportunity to initiate a flow of new investment and lift the economy. It is also a chance for Myanmar to take a free ride on China’s rapid economic development. However, many remain skeptical given concerns over the risk of a debt trap and a growing Chinese influence in Myanmar. Such a kind of possibility is very unpopular among the public. Transparency,

accountability and public participation in decision-making would be critical determinants to the success of CMEC.

If China wants to link its landlocked Yunnan province with the Indian Ocean via Myanmar, it will have to support the Myanmar peace process and make an effort for the positive responses from the local communities. Myanmar people are deeply skeptical about the benefits that CMEC will bring them. Myanmar may urgently need Chinese capital and expertise for the infrastructure development in Myanmar, but China needs to adjust its approach and be more sensitive to wishes and complaints on the ground if it wants CMEC to succeed.

References

- Abi-Habib, Maria, (2018) "How China Got Sri Lanka to Cough up a Port", *The New York Times*, June 25, 2018, <<https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>>
- Chan, Thomas,(2015) "Myanmar and China's One Belt One Road Strategy," China Trade Research Article,The Hong Kong Polytechnic University, China Business Centre, 26 November 2015 <<http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/11X00000/1X0A36B7.htm>>
- Hammond, Clare,(2018) "The grand plan for the China-Myanmar Economic Corridor" *Frontier*, September 26, 2018, <<https://frontiermyanmar.net/en/the-grand-plan-for-the-china-myanmar-economic-corridor>>
- Malik, J. Mohan, (2018) "Myanmar's Role in China's Maritime Silk Road Initiative", *Journal of Contemporary China*, Issue 111, Volume 27, 2018 <<https://www.tandfonline.com/doi/abs/10.1080/10670564.2018.1410969>>
- Nan Lwin, "China, Myanmar Agree on 15-Point MoU on Economic Corridor," *The Irrawaddy*, 6 July 2018, <<https://www.irrawaddy.com/news/burma/china-myanmar-agree-15-point-mou-economic-corridor.html>>
- Nan Lwin, (2018) "Gov't Signs MoU with Beijing to Build China-Myanmar Economic Corridor", *The Irrawaddy*, 13 September 2018 <<https://www.irrawaddy.com/news/burma/govt-signs-mou-beijing-build-china-myanmar-economic-corridor.html>>
- Olivia, (2017) "What is One Belt One Road?" *Myanmar Insider*, June 2017 <<http://www.myanmarinsider.com/what-is-one-belt-one-road/>>
- Thiha, Amara, (2018) "Can Myanmar Afford China's Belt and Road?" *The Diplomat*, August 29, 2018, <<https://thediplomat.com/2018/08/can-myanmar-afford-chinas-belt-and-road/>>
- Wheeler, Andre, (2018) "Will Belt and Road be good for Myanmar?" *Myanmar Times*, 3 August 2018, <<https://www.mmmtimes.com/news/will-belt-and-road-be-good-myanmar.html>>
- "Myanmar scales back China-funded KyaukPyu port project in Rakhine state due to debt concerns," *South China Morning Post*, 2 August 2018, Reuters, <<https://www.scmp.com/news/asia/southeast-asia/article/2158015/myanmar-scales-back-china-funded-kyauk-pyu-port-project>>
- "One Belt-One Road Initiative and Myanmar Connectivity: Synergy Issue and Potentialities" *Global New Light of Myanmar*, March 18, 2018, <<http://www.globalnewlightofmyanmar.com/one-belt-one-road-initiative-myanmar-connectivity-synergy-issue-potentialities/>>
- "What is China's Belt and Road Initiative?" *The Guardian*, 30 July 2018, <<https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>>