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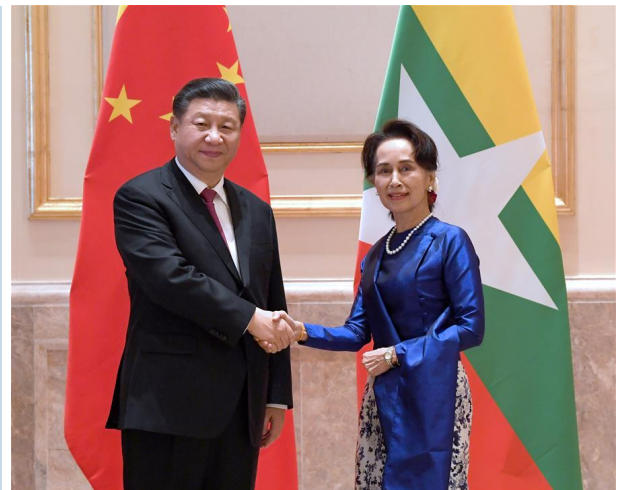
China Rises Further in Myanmar

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(Photographs top to bottom)

Chinese President Xi Jinping inspects the guard of honour in the company of Myanmar President U Win Myint during the welcome ceremony at the presidential palace in Nay Pyi Taw, Myanmar on January 17, 2020.

Source: Xinhua: Hindustan Times

Chinese President Xi Jinping meets Myanmar State Counsellor Aung San Suu Kyi in Nay Pyi Taw on January 17, 2020. Source: Xinhua

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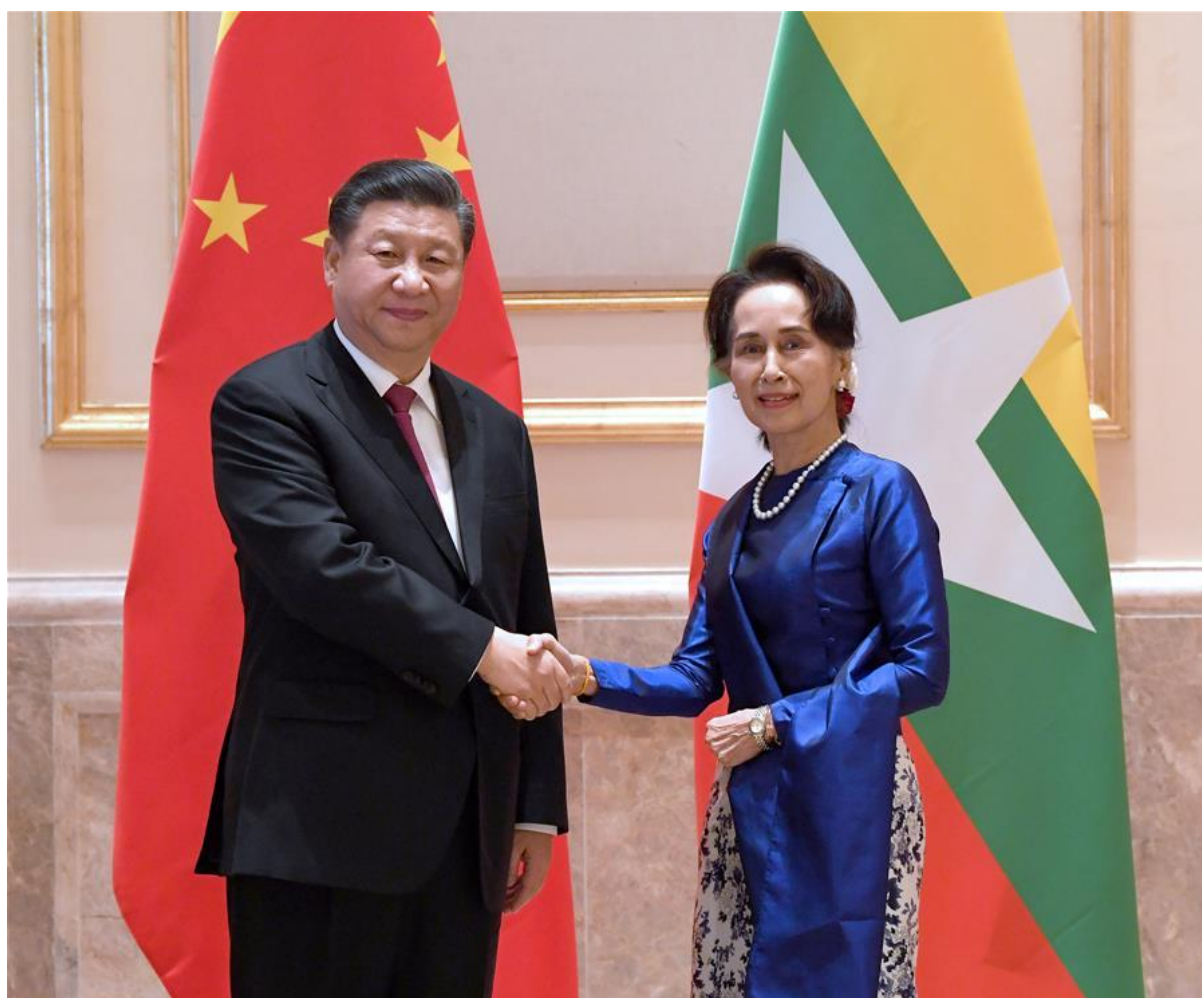
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China Rises Further in Myanmar

by

Dr. V.S. Seshadri

A concession and a shareholder agreement to build a US\$ 1.3 bn deep sea port as part of an SEZ in Kyaukphyu in the west of Myanmar was among 33 MOUs¹ and other instruments exchanged between China and Myanmar during the just concluded state visit of President Xi Jinping to Myanmar.



Chinese President Xi Jinping meets Myanmar State Counsellor Aung San Suu Kyi in Nay Pyi Taw on January 17, 2020. Source: Xinhua

Such a head of state level visit, coming after nineteen years and on the seventieth anniversary of diplomatic relations between the two neighbours, had raised a lot of expectations. China had mounted considerable pressure on

¹ Titles of the 33 instruments can be seen at <http://mizzima.com/article/china-inks-deal-myanmar-33-mous-including-kyaukphyu-and-yangon-development-projects>

Myanmar for commencing implementation of several of the identified projects under the proposed China Myanmar Economic Corridor (CMEC) that is a key arm of Xi's signature Belt and Road Initiative (BRI). A series² of MOUs had also been signed by China and Myanmar in connection with these projects in the last three years since Aung San Suu Kyi attended the first BRI forum meeting in 2017. These MOUs had, however, been cast more in terms of planning or conducting studies.

What was eventually agreed on the Kyaukphyu project at the summit may seem somewhat modest considering that this project has been under discussion for almost a decade now and has more recently come under the rubric of CMEC. Even so, it clearly signalled a movement from the concept stage towards more concrete development of the CMEC projects, as was underlined in the Joint Statement³ issued during the visit.

Apart from the Kyaukphyu port, development of New Yangon city to the west of Yangon and establishing economic zones on the China-Myanmar border were referred to in the Joint Statement as three pillars of CMEC. This echoed an identical reference by President Xi in an op-ed⁴ titled "Writing a new chapter in our millenia old Pauk-Phaw (meaning siblings from the same mother) friendship" published in Myanmar just a day before his visit. However, the agreements arrived at appeared more preliminary on the latter two projects. A letter of intent was exchanged on the New Yangon project, which has been under discussion for some time. The MOU signed on the Ruili-Muse border economic zone (first of three such projects identified in 2017) called for accelerating negotiation on the framework agreement.

The progress made was also unclear on the railway and expressway corridors under CMEC that would provide a direct land route access to the Indian Ocean for China's trade and commerce, supplementing the existing cross country gas and oil pipelines traversing the 750 plus kilometres between Kyaukphyu and the China border next to Muse town. An official Press Release⁵ by Myanmar only indicated that the Chinese side handed over detailed feasibility studies on the Muse-Mandalay and Kyaukphyu-Nay Pyi Taw expressway projects and the

² See for example the article by K.Yhome on "Emerging dynamics of the China-Myanmar economic corridor" dated 15 May 2019 at <https://www.orfonline.org/expert-speak/emerging-dynamics-of-the-china-myanmar-economic-corridor-50847/>

³ Text of the Joint Statement can be seen at <http://mizzima.com/article/myanmar-government-issues-statement-occasion-chinese-presidents-visit>

⁴ Text of the Op-ed can be seen at pages 8 and 9 of the Myanmar daily Global New Light of Myanmar of 16th January 2020.

⁵ The Press Release can be seen at pages 8-9 of 19 January 2020 issue of Myanmar daily, The Global New Light of Myanmar

Muse-Mandalay railway project. The study on the railway project had been handed over even earlier.

These initial steps should not, however, underestimate the breadth of areas spanned by the 33 agreements that ranged from infrastructure to capacity building and from agriculture to settlement of internally displaced persons in the Rakhine State. The Joint Statement also heralded a new era elevating China-Myanmar relations towards building a Myanmar-China community with a shared future, Xi's preferred byline for China's influence building initiatives.

It is no secret that the Myanmar public harbours great unease about increased Chinese involvement in their country. With general elections due later this year, Aung San Suu Kyi had to be very careful in not being seen as giving in too easily to Chinese pressure.

But Myanmar is in a highly vulnerable position internationally for its handling of the Rohingya issue. Continuing to be shielded by a strong and veto holding China was clearly important at this juncture. The verdict by the International Court of Justice is also due on January 23, 2020 on Gambia's case⁶ alleging genocide and seeking emergency provisional measures against Myanmar.

China's support is, moreover, needed by Suu Kyi in moving forward the ethnic peace process. China plays a dubious role here. It plays broker on the one hand between the government and the ethnic armed rebel groups but is a benefactor too to the latter, even though China denies providing arms assistance to the rebels. President Xi was quoted⁷ during the recent visit as saying "We categorically deny allegations of supplying arms to ethnic armed organizations in Myanmar but they can acquire these arms by other means, so that we will look into this issue thoroughly to resolve it."

China's dual role came under test during Thein Sein's Presidency when the West and the United Nations took an interest in promoting ethnic peace. But the role of the West and the UN has diminished with Myanmar coming under attack on human rights. This has left the field among external actors largely to Chinese special envoy Sun Guoxing, who has become actively involved in

⁶ <https://www.reuters.com/article/us-myanmar-rohingya-world-court/world-court-to-rule-on-emergency-measures-in-myanmar-genocide-case-on-january-23-gambia-idUSKBN1ZD2FE>

⁷ See <http://mizzima.com/article/chinese-president-denies-supplying-arms-ethnic-armed-groups>

engaging with the ethnic armed organisations on the one hand and the Myanmar government on the other.

Suu Kyi is also under pressure to provide some compensation to China for the suspension of the controversial US\$ 3.6 bn Myitsone dam project in 2011 by the Thein Sein government. China had already undertaken 30 per cent of the construction by the time the project was suspended.



Chinese President Xi Jinping inspects the guard of honour in the company of Myanmar President U Win Myint during the welcome ceremony at the presidential palace in Nay Pyi Taw, Myanmar on January 17, 2020. Source: Xinhua

U Myint, who was Chief Economic Adviser to President Thein Sein, had suggested⁸ last year that the Myitsone dam could be replaced by Myanmar's commitment on CMEC. But he cautioned that environmental, social, economic and corruption risks needed to be factored in the negotiations. Indeed, in a public speech by Suu Kyi during the Xi visit, she underlined⁹ that in implementing CMEC projects, it was very necessary to be in line with prioritised national development plans, take measures against environmental

⁸ See U Myint's article titled "Thinking Fast and Slow" on the Belt and Road: Myanmar's experience with China dated 29 October 2019, at https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_90.pdf

⁹ See page 5 under the caption "Myanmar China mark 70th anniversary diplomatic relations, launch bilateral cultural, tourism year" in the 18th January 2020 issue of the daily "The Global New Light of Myanmar"

degradation and contribute to social life. Myanmar had already substantially reduced the outlay of the Kyaukphyu port project that was earlier projected at US\$ 7.3 billion and enhanced its own equity from 15 to 30 per cent.

The Myitsone dam, however, did not figure in any statement during the Xi visit. It has not been cancelled either, as had been demanded by several social rights activists in Myanmar on the eve of the visit. China would likely keep it as a pressure point in pushing forward its interests.

India will need to carefully examine the outcomes of the visit and monitor future developments, not least as its implications are several on the trade, security and strategic fronts. When the Kyaukphyu port project is implemented along with the SEZ, that could bring Chinese export oriented investments closer to India's periphery. Perhaps there may also be some opportunities for Indian businesses, but the SEZ will clearly dwarf the Kaladan project promoted by India in Myanmar that is not far away from Kyaukphyu. It could also wean away any foreign investment that we may have anticipated along the Kaladan corridor.

The port and the SEZ may also lead to an increased Chinese maritime presence in the Bay of Bengal region on the pretext of providing security for Chinese assets beyond the pipelines and terminals already located in Kyaukphyu.

That the Arakan Army is now making its presence felt both in the Rakhine region and the neighbouring Chin state is also a matter for concern for India. Violent attacks by this ethnic armed group¹⁰ have been reported around Paletwa where the inland waterway terminal is located for the Kaladan project and from where a road has still to be constructed to the Indian border.

China is trying to broker¹¹ some reconciliation between the Myanmar government and the four member Northern Alliance (of which Arakan Army is a part) and make them join the National Peace Process. But China will also work on advancing its own interests. India will need to guard against these inroads with Myanmar's cooperation.

There are also some takeaways for India from China's experience. Foremost among these is the need to complete a number of pending connectivity projects from our side that include the India-Myanmar-Thailand trilateral highway, the 69 bridges to be renovated on the Tamu-Kalay corridor, the Rhi-Tiddim project and the road component of the Kaladan project. These projects

¹⁰ See for example <https://elevenmyanmar.com/news/aa-attacks-vessels-carrying-materials-for-paletwa-bridge-project>

¹¹ See for example <https://www.irrawaddy.com/news/burma/chinese-envoy-meets-members-myanmars-northern-alliance-yunnan.html>

are at various stages of construction, as can be seen from news reports, but have been pending for far too long and need to be brought to closure quickly. At the very least we need to adhere to the 2021 target that appears to be the case now.

But even as their completion is underway, plans need to be put into operation into how these connectivity corridors can transform into trade and development corridors of benefit to both sides. Much has been written on this subject, including a report by this author¹². The corridors will be meaningful and can be sustained and strengthened only if this critical aspect is attended to even as project construction remains underway.

Another lesson from the Chinese experience is to look at border trade, investment, connectivity, development cooperation and security in a co-ordinated manner rather than engaging in silos. Activities by India's North East rebel groups along the India-Myanmar border inhibit border trade which presently takes place informally only on the Myanmar side of the border. This may benefit Myanmar whose security forces, at junior levels, continue to look the other way when our rebel groups take shelter on their side of the border. This is even as, at senior levels, we receive assurances that Myanmar does not provide any such shelter to Indian rebel groups on their side. If this scenario persists, even after India's connectivity corridors get completed, they may not provide meaningful gains.

A changed but coordinated paradigm has to emerge that looks at larger trade flows and investments in both directions through the land border. Our resources may not match the scale and size of Chinese investments nor can we adopt Chinese values in pursuing objectives. Assured development and greater political understanding can, however, provide both Myanmar and the Indian rebel outfits sufficient incentive to change course. A secure environment for formal economic activity, including trade in services, is essential. We should be able to bring more trade and infrastructure to the border region, including hospitals and higher education institutions, that will also make full use of our emerging corridors. This would provide ample scope for cross regional development between India's North East and the adjacent areas of Myanmar. Bilateral consultations should be undertaken with Myanmar even as India continues to pursue ongoing efforts to bring rebel groups back into the national mainstream.

¹² See <https://www.ris.org.in/transforming-connectivity-corridors-between-india-and-myanmar-development-corridors>



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