

Myanmar

Construction Sites off the Silk Road

Uwe Hoering, January 2021 (updated February 4, 2021)

Since October 2020, China's Foreign *Minister* Wang Yi has visited every country in Southeast Asia except Vietnam. In this initiative to cultivate neighbourly relations in the region so important to China, he stopped in Myanmar in the second week of January this year, exactly 12 months after a state visit by President Xi Jinping. Although no major new projects were agreed upon at the time, both sides hyped the visit as a "new era" in the relationship - big words are a staple of state visits, as we all know. Likewise, since the Corona pandemic, this also includes the announcement of vaccine supplies, which Minister Wang Yi combined with offers of deepened economic cooperation. The timing of the visit was astute, coming after the party of head of government Aung San Suu Kyi, the *National League for Democracy*, was re-elected for a second term in the November 2020 elections.

Ambitions downsized

The country has a special significance in Beijing's plans. In the early days of the new Silk Roads, the planned BCIM economic corridor¹ was supposed to integrate Myanmar, Bangladesh, China's southwest and India's east regionally. But the quad is not making much headway, in part because India sees it as a challenge to its own ambitions as a regional power. Since then, China has tended to shift its focus to bilateral relations with Bangladesh and Myanmar. Close political and economic ties existed with the latter during the former military government. After their cool-down following the economic and political opening in 2011 and the turn toward the West, they have intensified again since the government has become increasingly isolated internationally because of the mass expulsion of the Rohingya to Bangladesh.

Just over three years ago, BCIM was already shrunk to a bilateral project, the *China Myanmar Economic Corridor* (CMEC). In addition to the existing oil and gas pipelines between the Indian Ocean and Mainland China's southwestern Yunnan province, a network of rail lines, roads and new cities is to be built. But even in this scenario, progress has been sluggish and has been further delayed by the effects of Corona. In particular, the expansion of the Kyaukphyu deep-sea port as a bridgehead for southwest China's access to the sea and a huge special economic zone has been slowed for fear of debt and oversizing.

Alternative development model

Amara Thiha, a researcher at the *Myanmar Institute for Peace and Security* (MIPS), also identifies approaches to an "alternative model" of China's engagement with Myanmar that is economically more viable and leverages its strategic strengths, innovation and technology to better expand its influence.²

In the energy sector, for example, companies from China have won contracts for almost every solar energy project. They supply the equipment, which is mostly financed by state-owned Chinese banks, while domestic partner companies provide the land - thus ensuring that disputes with the population are settled.

Chinese companies are also making big inroads into e-commerce and mobile payment services: In May 2020, FinTech *Ant Financial*, a subsidiary of *Alibaba Group*, announced a multimillion-dollar investment in Myanmar's leading payment service, with the parent company itself acquiring the largest e-commerce platform. Myanmar's largest retail bank is partnering with *Huawei* to expand domestic Internet banking.

Amara Thiha mentions the equipping of Mandalay, the second largest city, and the capital Naypyidaw with surveillance systems, including facial recognition, as a third area of this alternative model. Chinese companies have no competitors to fear here and can hope for further contracts for "safe cities".

This development of additional commercial areas is consistent with Beijing's new economic policy of seeking diversification in the face of the trade war with the United States. Even without the completion of more major infrastructure projects under the CMEC economic corridor, this makes Beijing's dominance more multi-layered.

At the same time, these areas are less controversial than large-scale Chinese projects such as the Myitsone Dam, which the Naypyidaw government has stopped after fierce protests, oil and gas pipeline constructions that have been pushed through since 2009 despite widespread opposition, or the most recent prestige project, New Yangon City, a huge urban development project being planned by state-owned Chinese construction company CCC. Such investments even promise to contribute to the protection of the environment - to a "Green Development" by China, instead of environmental destruction and displacement.

Beijing as peacemaker

However, the further development of the Kyaukphyu port remains a "crystal clear priority" for China, according to Amara Thiha. Without it, investment in Myanmar would be unattractive in view of political instability caused by numerous armed conflicts with ethnic minorities and strong reservations about Chinese involvement. Beijing is less interested in buying friends with generous loans than it used to be, he said. Priority is now given to economic viability and strategic benefit.³

But there is a big But: There is a new stumbling block to the implementation of the ambitious plans for Kyaukphyu: In Rakhine State, where the port and economic zone are located, violent clashes between the military and the Arakan Army, an ethnic regional movement, have been going on for almost three years. More than 230,000 people have now been displaced, and hundreds have been killed. There are reports⁴, that the tight situation and the Corona pandemic are being used to push the buyout of land for investment projects. People would be intimidated, projects would be pushed through.

A cease-fire to mark last October's elections has offered some hope. And Beijing is presenting itself not only as a supplier of vaccine and as an economic cooperation partner, but also as a peace-builder: Foreign Minister Wang Yi promised support in resolving Myanmar's countless ethnic conflicts - not altogether altruistically.

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A quick check shows that first reactions from China to the overthrow of the elected government in Myanmar are rather reserved. Media outlets such as *Global Times* and government spokespersons are reluctant to call it a military coup, claiming that they do not want to judge internal affairs prematurely. Commentators use the opportunity to cite Myanmar as another example of the failure of the Western model of democracy. Conversely, the coup was used in Western commentaries to once again lament China's geopolitical ambitions. Most perceptions expect the resurrected military regime, if it endures, to help Chinese agendas – including insinuations of a Chinese finger in the pie.

There is no doubt that Beijing, while cultivating relations with Aung San Suu Kyi, has also maintained its good connections with the military political-economic complex. Initial reactions by foreign companies to freeze investment, and possibly sanctions by the West, certainly open up the space for further Chinese involvement. And controversial projects such as the Kyaukpyu deep-sea port and the Myitsone dam may be easier to push through with a military government. At the same time, however, it is said that there would also be strong reservations in the military about China dominating too much – though if, as in the past decade, there is a lack of opportunities in the future to balance Chinese influence with investment from Asia or aid from the West?

Translated with www.DeepL.com/Translator (free version)

¹ http://www.globe-spotting.de/fileadmin/user_upload/globe-spotting/BRI/Meine_Welt_Kollisionskurs-auf-der-Seidenstrasse.pdf

² <https://thediplomat.com/2021/01/beijings-new-toys-in-myanmar/>

³ <https://consult-myanmar.com/2020/01/09/xis-upcoming-visit-to-myanmar-could-reshape-the-indian-ocean-region/>

⁴ <https://thediplomat.com/2020/12/a-hitch-in-the-belt-and-road-in-myanmar/>