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Trends in
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CHINESE INVESTMENT AND MYANMAR'S
SHIFTING POLITICAL LANDSCAPE

SU-ANN OH AND PHILIP ANDREWS-SPEED

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FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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Chinese Investment and Myanmar's Shifting Political Landscape

By Su-Ann Oh and Philip Andrews-Speed

EXECUTIVE SUMMARY

- China has targeted Myanmar's resources to enhance and provide resources for its economic growth. Myanmar's proximity and pariah status (before 2010) made it both feasible and convenient for this purpose.
- Chinese investment in Myanmar intensified in the mid-2000s and has continued to increase. The largest increase in approved and actual Chinese FDI over the years has taken place in the energy (oil and gas) and mining sectors.
- The considerable rise in Chinese investment in the mid-2000s applies to the other Southeast Asian countries as well. If we exclude Singapore, China's stock in Myanmar was the highest between 2009 and 2012, but this was overtaken by stock in Indonesia in 2012.
- Since 2012, more companies from other countries have had their projects approved in Myanmar; this means that approved investment from mainland China as a percentage in total FDI per year is falling.
- There has been a groundswell of opposition to large oil and gas, hydropower and mining projects on the grounds of poor governance (e.g. land acquisition and compensation, the destruction of livelihoods), and secretive, inequitable wealth sharing.
- The Thein Sein administration has dealt with these conflicts by suspending projects; establishing an inquiry commission and an implementation committee; re-negotiating contracts and preparing to become a member of the Extractive Industries Transparency Initiative (EITI).
- These unprecedented measures will likely take place on an ad hoc basis rather than across the extractive industry. Dramatic changes

to contracts are more likely to take place with Chinese (and other) corporations that are involved in large-scale rather than small-scale projects.

- The changing political circumstances — Myanmar no longer being reliant on a handful of countries for strategic and financial support and the necessity of taking into account the wishes of its electorate — means that the political landscape has shifted under the feet of stakeholders.
- Chinese firms have responded by acceding to demands for improved profit-sharing and environmental and corporate social responsibility programmes. They have also begun diverting their interests to Indonesia and other Southeast Asian countries and are being cautious about investing in large projects in Myanmar.
- Given the deep strategic inter-dependence between Myanmar and China, the changed political circumstances will take the gloss off the previous exclusive bilateral relations between the two countries but is unlikely to prevent them both from working hard to maintain a good working partnership.

Chinese Investment and Myanmar's Shifting Political Landscape

By Su-Ann Oh¹ and Philip Andrews-Speed²

INTRODUCTION

This article presents detailed information on China's investment in Myanmar for the purpose of analysing Chinese interests in the country. Using new datasets created by the Energy Studies Institute, and official statistics from China and Myanmar, we show that China's investment in Myanmar has to be considered in the context of its region-wide investment, the state of foreign investment in Myanmar in general, and the political changes wrought in Myanmar since 2010.

The data indicate that Chinese investment in Myanmar, while wide-ranging, is predominantly clustered in the energy (gas, oil and hydropower) and natural resource (mining, logging, agribusiness) sectors. However, looking at China's global investment, it becomes apparent that the energy sector is being targeted by Chinese overseas investment in other countries as well, notably Indonesia in Southeast Asia, the Middle East, Africa and central Asia. In other words, at this point in time, Myanmar is not being singled out by China, but rather forms part of the latter's global energy acquisition strategy.

Further, the loosening and reduction of sanctions on the part of Western nations since the elections in 2010 in Myanmar has brought

¹ This paper was commissioned by ISEAS as part of its project on Chinese Immigration and Capital into Cambodia, Laos, Myanmar and Vietnam. Su-Ann Oh is a Visiting Fellow at the Institute of Southeast Asian Studies.

² Philip Andrews-Speed is a Principal Fellow at the Energy Studies Institute, National University of Singapore. He would like to thank Mr Mingda Qiu for his work compiling the database on China's energy and mineral resource investments in Myanmar.

about greater diversity in foreign investment in the country. This means that China, considered a big player since 2005, is becoming one of many foreign stakeholders in Myanmar.

Given these trends, we analyse Chinese investment in Myanmar against the backdrop of a shifting balance of power, both internal and external, and examine how this shift has created emerging forms of conflict between previously aligned stakeholders. The resultant changes in wealth sharing and governance of natural resource extraction, albeit limited, have implications for Chinese investment in the country.

BACKGROUND TO CHINESE INVESTMENT IN MYANMAR

Since 1988, Sino-Burmese relations have been driven by two considerations. First, Myanmar has sought to obtain support from China both economically and strategically. The junta at the time believed that China would act as an ally against what they perceived as external threats, especially from the United States.³ Second, the Chinese government has targeted Myanmar's resources (and that of other countries) to enhance and provide resources for China's economic growth. Myanmar's proximity and pariah status (before end-2010) made it both feasible and convenient for this purpose.

The circumstances that led Myanmar to engage with China more intensely came about from certain developments. The year 1988 marked the end and the beginning of a host of political and economic events in Myanmar: the end of the socialist period, official promotion of the private sector and foreign (including Chinese) investment, the military coup, the beginning of extensive gas exploration and exploitation, ceasefires with seventeen armed groups and the collapse of the Burma Communist party.⁴ This took place against the backdrop of currency demonetization in 1987 and sanctions imposed by Western and other countries.

³ David I. Steinberg and Hongwei Fan, *Modern China-Myanmar Relations: Dilemmas of Mutual Dependence* (Copenhagen: NIAS Press, 2012), p. 156.

⁴ *Ibid.*, p. 155.

These sanctions obliged Myanmar to turn to China for economic and strategic support. Moreover, after the disastrous economic policies of the socialist period, Myanmar did not have the capital, technology or skills needed to extract and exploit its own natural resources. Investment from China was a boon to the beleaguered Burmese economy, injecting capital for operations and infrastructure associated with the extraction projects.

The Burmese government also sought to enhance its diplomatic relations with China for a mix of strategic and economic reasons, including the supply of development aid or military hardware. In the 1990s to 2000s, China became a major supplier of consumer goods, machinery, equipment and intermediate products, as well as a market for wood, agricultural and marine products, minerals, and oil and gas to Myanmar. Even though China's official foreign investment in Myanmar was "rather small",⁵ it was significant because it provided a large amount of economic cooperation and commercial-based financing in the areas of infrastructure, state-owned economic enterprises, and oil and gas exploitation, through long-term loans with low interest rates. While this supported regime survival, it failed to have a substantial impact on broad-based economic development in Myanmar.⁶

In the mid-2000s, Chinese influence increased because of expanding Chinese strategic concerns in Beijing and in Yunnan Province vis-à-vis Myanmar. These comprised the expanding reliance on imported energy and minerals for its continued economic growth and employment, and security issues. The latter pertained to Chinese concerns about narcotics and insurgent groups, for example on the Yunnanese border, the security

⁵ Toshihiro Kudo, "Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?", Discussion Paper No. 66, IDE, 2006, pp. 17–19; Toshihiro Kudo, "Myanmar's economic relations with China: who benefits and who pays?", in *Dictatorship, Disorder and Decline in Myanmar*, edited by Monique Skidmore and Trevor Wilson (Canberra: ANU E Press, 2008), pp. 87–112.

⁶ Kudo, "Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?", pp. 17–19; Kudo, "Myanmar's economic relations with China: who benefits and who pays?", pp. 87–112.

of access to energy and minerals from Myanmar, and access to import and export routes in the Bay of Bengal and beyond.⁷

CHINESE INTERESTS IN ENERGY, MINERALS AND SECURITY

China is one of the largest producers of energy and mineral raw materials in the world.⁸ It produces nearly 50 per cent of the world's coal and is the largest producer of non-energy minerals in the world. Although its oil production amounts to just 5 per cent of the global total, it is the fourth largest producer after Russia, Saudi Arabia and the United States. China's gas production continues to rise and it is now the sixth largest producer.

Despite its status as a major producer of these raw materials, China's sustained and rapid economic growth combined with the resource intensive nature of this growth has led to a dramatic rise in the country's import requirement for raw materials of all types, including oil, natural gas and non-energy minerals. Net imports of oil have risen steadily since the country became a net importer in 1993 and they now account for nearly 70 per cent of domestic consumption. Gas is playing an increasing role in the national energy mix and imports provide about 30 per cent of this supply, a proportion that rises each year. In respect of coal, China fluctuates between being a net importer and a net exporter, depending on conditions in the domestic coal market. Imports of iron ore, copper, bauxite and nickel all grew rapidly from 2002 when the economy accelerated,⁹ though the level of imports has declined since 2013 as

⁷ Steinberg and Fan, *Modern China-Myanmar Relations*, p. 155. See also Chenyang Li, "The Policies of China and India toward Myanmar", in *Myanmar/Burma: Inside Challenges, Outside Interests*, edited by Lex Reiffel (Washington: Brookings Institution Press, 2010), pp. 113–33.

⁸ Magnus Ericsson, "Mineral supply from Africa: China's investment inroads into the African mineral resource sector", *Journal of the Southern African Institute of Mining and Metallurgy* 111 (July 2011): 497–500; BP, *Statistical Review of World Energy*, BP, 2014.

⁹ David Humphreys, "New mercantilism: a perspective on how politics is shaping world metal supply", *Resources Policy* 39 (2013): 341–49.

growth slowed. China also imports small amounts of electricity from Russia and Myanmar.

This growth of imports of energy and mineral raw materials triggered the internationalization of many of China's energy and mineral companies. In the oil and gas industry, the great majority of this investment, in terms of both number of projects and aggregate value, has been carried out by the four national oil companies (NOCs), namely CNPC/PetroChina, Sinopec, CNOOC and Sinochem.¹⁰ All four NOCs are owned by the central government and have invested in Myanmar. Overseas investment in minerals has involved a much wider range of companies including those owned by sub-national governments and by private investors.¹¹ However, state-owned companies (SOEs) owned at national or provincial levels hold the largest number of overseas projects that are directly controlled by Chinese companies.¹² The total value of these overseas energy and mineral investments probably lies between US\$100 billion and US\$200 billion, but even so, Chinese companies account for only a small share of energy and mineral production outside China.¹³

Myanmar has significant resources of oil, gas, hydro-electricity, metallic minerals and precious stones. As an immediate neighbour of China, the country is an attractive destination for investment by Chinese energy and resource companies. However, the motivations for this investment are multi-faceted and vary between different types of resource.

¹⁰ Julie Jiang and Jonathan Sinton, *Overseas Investments by Chinese National Oil Companies: Assessing the Drivers and Impacts* (OECD/IEA, 2011); Julie Jiang and Chen Ding, *Update on Overseas Investments by China's National Oil Companies. Achievements and Challenges since 2011* (OECD/IEA, 2014).

¹¹ Magnus Ericsson, "Mineral supply from Africa", pp. 497–500.

¹² Ruben Gonzales-Vicente, "Mapping Chinese mining investment, with a focus on Latin America", Paper prepared for the China-Latin America meeting at UCLA Asia Institute, 15–16 April 2011.

¹³ Philip Andrews-Speed and Roland Dannreuther, *China, Oil and Global Politics* (Routledge, 2011); Magnus Ericsson, "Mineral supply from Africa", pp. 497–500.

China's government has a strong interest in these overseas activities, especially in the case of oil and gas which are seen as commodities of strategic importance. Its 'Go-Out' policy for selected large SOEs aims to build a number of international corporations able to compete with the best in the world. Formally initiated in the year 2000, this policy built on the earlier drive in the 1990s to create "pillar industries"¹⁴ by providing positive support for companies to go overseas in search of resources and markets.¹⁵ Since the first catalogue was issued in 2004, oil, gas and minerals have featured prominently in official documents relating to outward investment.¹⁶ Securing resources lies alongside industrial policy as motivations for the energy and mineral sector and the government applies a mix of economic and diplomatic actions to manage the risk of supply disruptions.¹⁷ This approach has been described as "neo-mercantilist"¹⁸ or "hedging".¹⁹

In addition to supporting formal industrial policy, overseas investment by energy and mineral companies also addresses other economic goals such as providing employment and generating foreign exchange and,

¹⁴ Peter Nolan, *China and the Global Business Revolution* (Palgrave, 2001).

¹⁵ Duncan Freeman, "China's outward investment. Institutions, constraints, and challenges", Brussels Institute of Contemporary China Studies, *Asia Paper* 7, no. 4, 12 May 2013.

¹⁶ Ministry of Commerce and Ministry of Foreign Affairs, *Foreign Investment Industrial Guidance Catalogue, Country Directory*, August 2004; National Development Reform Commission and other entities, *2006 Catalogue of Industries for Guiding Outward Investment*, 2006; Ministry of Commerce and other entities, *Foreign Investment Industrial Guidance Catalogue, Country Directory*, 2007; Ministry of Commerce and other entities, *Foreign Investment Industrial Guidance Catalogue, Country Directory*, 2011.

¹⁷ Bo Kong, *China's International Petroleum Policy* (Praeger Security International, 2010); Monique Taylor, *The Chinese State, Oil and Energy Security* (Palgrave Macmillan, 2014).

¹⁸ Kenneth Lieberthal and Mikkal Herberg, "China's search for energy security", *NBR Analysis* 17, no. 1 (2006).

¹⁹ Oystein Tunsjo, *Security and Profit in China's Energy Policy: Hedging Against Risk* (Columbia University Press, 2013).

possibly, profits. The large scale and long duration of commitments related to some of these projects also provide China with diplomatic advantages, especially if the investments are backed by loans and other economic and political engagement.²⁰

In 2001, Chinese enterprises began their involvement in oil and gas exploration in Myanmar. In 2004, the Myanmar authorities intensified the opening of on-shore and off-shore blocks in oil and gas to foreign companies. Cooperation between both countries in the oil and gas sectors has increased since 2005.²¹ These trends are borne out in the next section where we present figures on Chinese FDI in Myanmar.

The year 2010 marks a turning point in Myanmar's political and economic environment: the first elections since 1990 were conducted and the government has embarked on a series of economic reforms. At the time, many commentators were cautious and/or dubious about the prospect of democracy in Myanmar. However, ongoing political changes have persuaded the EU, the United States and Japan to loosen or lift economic sanctions. As a result, Myanmar is no longer reliant on a handful of countries (China and Russia for example) for strategic and financial support. It can now court other countries for aid and investment. This has brought about a major shift in the balance of power vis-à-vis China and its investments in the country.

Moreover, with the move towards a more democratic and open political environment, the Myanmar ruling party, to some extent, now has to take into account the wishes of its electorate. This means that the political landscape in Myanmar has altered under the feet of various stakeholders in natural resource extraction resulting in shifting alliances, different forms of conflict and a re-calibration of power. The stakes that Chinese corporations have in Myanmar are no longer as secure as they once were, and they are now required to (or be seen to) change their work practices, contracts, and public profile to maintain their hold over their investments.

²⁰ Andrews-Speed and Dannreuther, *China, Oil and Global Politics*.

²¹ Steinberg and Fan, *Modern China-Myanmar Relations*, pp. 166–67.

CHINESE FDI IN MYANMAR

Obtaining accurate data in Myanmar is the bane of the social scientist. Thus, when presenting statistics from Myanmar's Central Statistical Organization, we are aware that we can only make a limited and tentative analysis. In order to mitigate the inaccuracies in the Burmese datasets, we also present statistics from official Chinese sources and a new and unpublished dataset created by the Energy Studies Institute at the National University of Singapore.

Further, as in all economies, there is a host of activity that flies under the radar of the state and its institutions. Obtaining accurate data on this informal economy is notoriously difficult. Thus, we recognize that the data presented does not provide an accurate picture of Chinese investment in Myanmar.

We begin by looking at Chinese foreign direct investment (FDI) in Myanmar. FDI statistics include "direct investment positions (equity and debt), direct investment income flows (distributed earnings, reinvested earnings, interest income) and direct investment financial flows (equity and debt)"²² and are divided into stocks and flows. FDI stock is the value of capital and reserves plus net indebtedness. FDI flow refers to capital provided by or received from a foreign direct investor to an FDI enterprise. FDI flows include inflows (capital flows into the host economy) and outflows (capital flows out of the home economy).²³

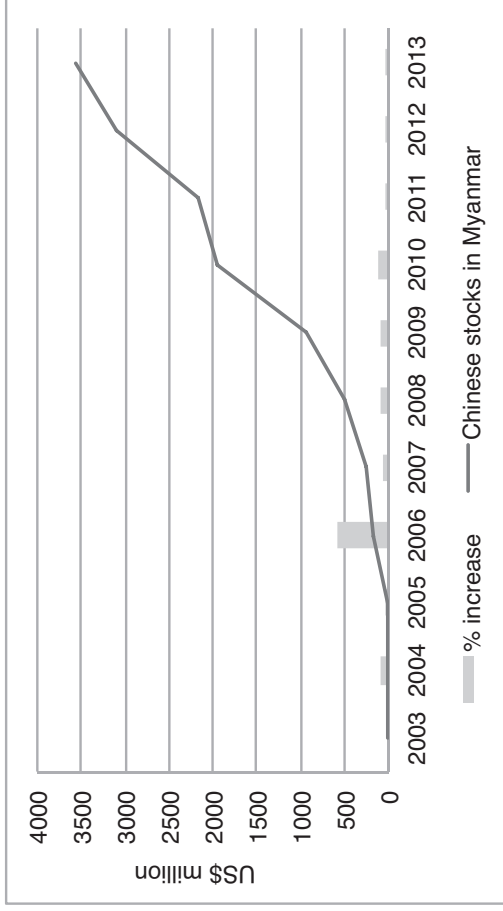
CHINESE FDI STOCKS IN AND FLOWS TO MYANMAR

Figure 1 shows the actual sum of Chinese investment in Myanmar per year and is cumulative. We use Chinese rather than Burmese sources of data because we believe that the Chinese sources are more accurate. We

²² *OECD Benchmark Definition of Foreign Direct Investment* Fourth Edition 2008, p. 17 <<http://www.oecd.org/daf/inv/investmentstatisticsandanalysis/40193734.pdf>> (accessed 1 April 2015).

²³ See <<http://unctad.org/en/Pages/DIAE/FDI%20Statistics/Sources-and-Definitions.aspx>> (accessed 1 April 2015).

Figure 1: China FDI Stocks in Myanmar (US\$ million) and Percentage Increase of China FDI Stocks in Myanmar per year (2003–13)



Source: Data from Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2010 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2011), p. 42; and Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange. 2013 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2014), p. 132.

see a significant increase in Chinese stocks in Myanmar from US\$23.59 million in 2004 to US\$163.12 million in 2005 representing an increase of 591 per cent. This is followed by a dramatic increase up to 2010. The amount of stock continues to increase thereafter but its margin of increment tapers off. In 2013, Chinese FDI stocks in Myanmar stood at US\$3569.68 million, according to official Chinese sources.²⁴

Turning to Chinese FDI flows to Myanmar, which shows the rate of change of FDI over a one-year period and is therefore more volatile than FDI stocks, we see a somewhat similar pattern. In 2007, Chinese FDI flows escalated from US\$12.64 million in 2006 to US\$92.31 million in 2007 (representing an increase of 630 per cent) and followed an upward trend, despite a fall in 2006, peaking in 2010 and fluctuating greatly since then (see Figure 2). In 2013, Chinese FDI flows to Myanmar amounted to US\$475.33 million.²⁵

CHINESE INVESTMENT IN SOUTHEAST ASIAN COUNTRIES

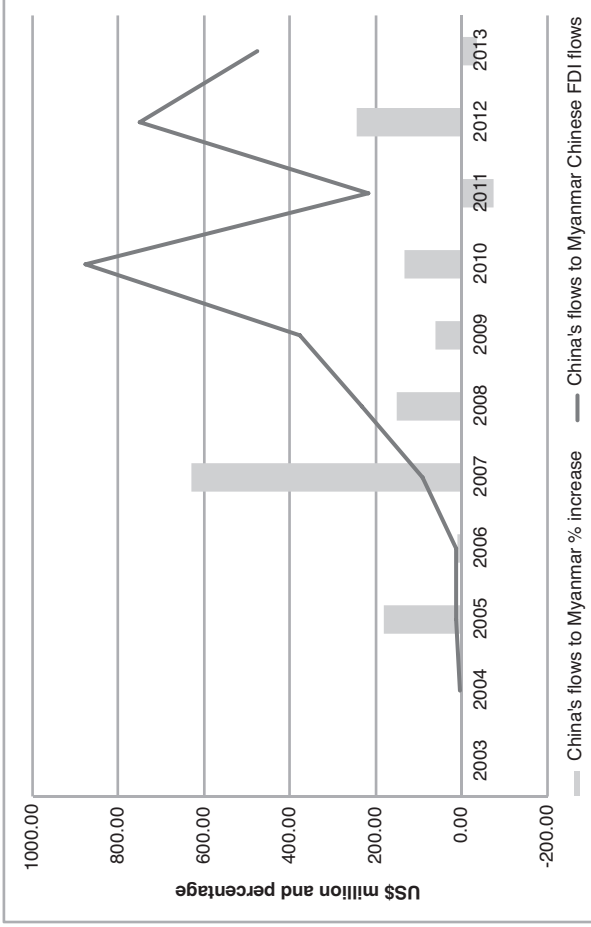
As Figure 3 shows, China's stock in Singapore far outstrips that of the other Southeast Asian countries. Lagging behind in second and third place are Indonesia and Myanmar. The chart also shows that the surge observed in 2005 in Myanmar applies to the other Southeast Asian countries, although China's FDI stocks in Myanmar were the highest at that point. This coincides with the Chinese government's policies of the time.

Among the many reasons for the Chinese government to support overseas investment by SOEs, two are particularly important. The first is that the "Go-Out" policy formulated in 1999 (which was given a further boost in 2006 with the "go further outwards" policy) states that one aim

²⁴ Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, *2013 Statistical Bulletin of China's Outward Foreign Direct Investment* (Beijing: China Statistics Press, 2014), p. 132.

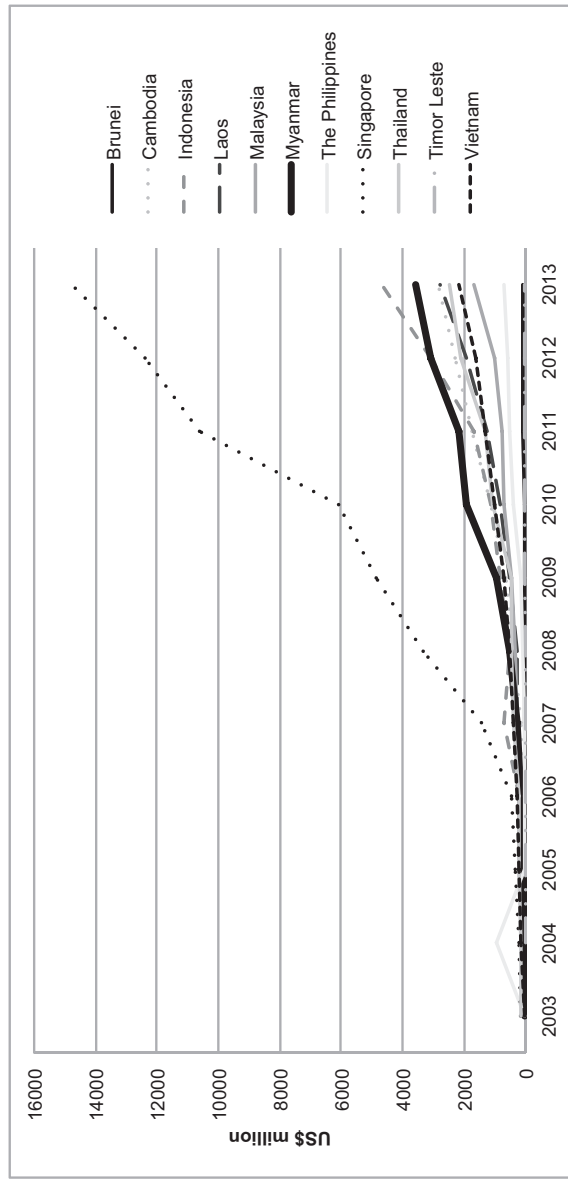
²⁵ *Ibid.*, p. 127.

Figure 2: China FDI Flows to Myanmar (US\$ million) and Percentage Increase of China FDI Flows to Myanmar per year (2003–13)



Source: Data from Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2010 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2011), p. 36; and Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2013 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2014), p. 127.

Figure 3: China FDI Stocks in Southeast Asian Countries (2003–13) (US\$ million)



Source: Data from Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2010 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2011), p. 42; and Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2013 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2014), p. 132.

of industrial policy is to produce globally competitive enterprises.²⁶ This is complemented by the government's willingness to use these companies as tools of diplomacy.²⁷ In order to particularize these two sets of objectives, the government periodically publishes guidelines and catalogues which explicitly identify those industries and countries for which outward FDI is encouraged.²⁸ These policies, combined with other non-commercial objectives have provided a strong push for overseas investment by China's SOEs. Chinese companies were given guidelines on which sectors to invest in in other countries. The Catalogue guiding outward investment issued in 2004 lists a number of energy and mineral resources against countries in Southeast Asia (Table 1). The updates issued since 2004 have not included any additional countries or industries in this region.

Figure 3 shows that between 2005 and 2010, China was focusing most prominently on Myanmar in Southeast Asia.²⁹ However, things have changed since 2010. If we exclude Singapore from the analysis, we see that even though China's stock in Myanmar was the highest between 2009 and 2012, this was overtaken by stock in Indonesia in 2012. Moreover, the difference in Chinese stocks between the two countries increased in 2013. It remains to be seen if this trend will continue. However, we suspect that this will be the case as China is currently investing heavily in

²⁶ Ping Deng, "Why do Chinese firms tend to acquire strategic assets in international expansion?", *Journal of World Business* 44 (2009): 74–84.

²⁷ Mark Yaolin Wang, "The motivations behind China's government-initiated industrial investments overseas", *Pacific Affairs* 75, no. 2 (2002): 187–206.

²⁸ Ministry of Commerce and Ministry of Foreign Affairs, "Foreign Investment Industrial Guidance Catalogue", Country Directory, August 2004; National Development Reform Commission and other entities, 2006 "Catalogue of Industries for Guiding Outward Investment", 2006; Ministry of Commerce and other entities, "Foreign Investment Industrial Guidance Catalogue", Country Directory, 2007; Ministry of Commerce and other entities, "Foreign Investment Industrial Guidance Catalogue", Country Directory, 2011.

²⁹ As confirmed by Travis Mitchell, "Chinese Foreign Direct Investment in Myanmar: Remarkable Trends and Multilayered Motivations", Lund University unpublished Master's degree dissertation 2012, p. 33.

Table 1: Summary of Relevant Information from the 2004 Foreign Investment Industrial Guidance Catalogue

	Energy resources	Non-energy minerals
Thailand		Potash, tungsten, antimony
Laos	Electricity	Potash
Myanmar	Oil, gas	Tungsten, nickel, copper, gems
Vietnam	Coal, electricity	Bauxite, iron, chromium
Singapore	Oil refining	
Philippines	Electricity	Copper, nickel
Malaysia		Gold
Indonesia	Oil, gas, electricity	
Brunei	Oil, gas	
East Timor	Oil, gas	
Papua New Guinea	Oil, gas	Copper

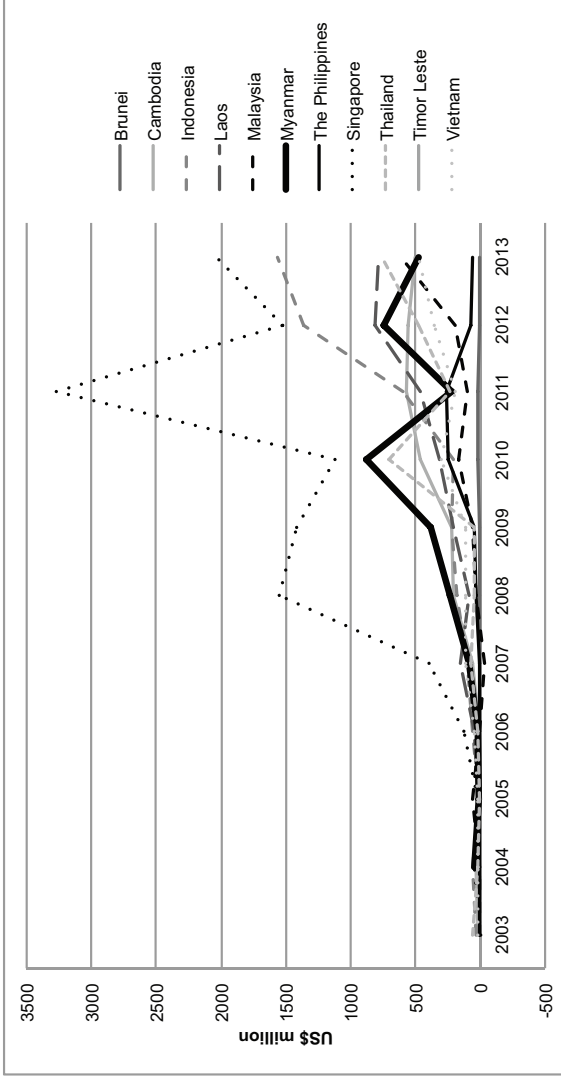
Source: Ministry of Commerce and Ministry of Foreign Affairs, *Foreign Investment Industrial Guidance Catalogue, Country Directory*, 2004.

Indonesia's energy sector while having to re-negotiate contracts and deal with governance and profit-sharing issues in Myanmar.

Looking at FDI flows in Figure 4, we see that once again China's flows across Southeast Asia began to rise in 2005. However, the chart provides a more nuanced picture of the changes since 2011. Up to 2010, Chinese FDI flows to Myanmar were second to those to Singapore. However, since 2011, this has been overtaken by flows to Indonesia. At the same time, flows to Myanmar have fallen from the peak at 2010 and have ranked at fifth, sixth and seventh in 2011, 2012 and 2013 respectively.

Given the very short time period of 2011 to 2013, it is not possible to make definitive forecasts. However, it would appear that China FDI flows into Myanmar are not increasing at the same rate as in the 2000s and that China is diverting FDI towards other Southeast Asian countries.

Figure 4: China FDI Flows to Southeast Asian Countries (2003–13) (US\$ million)



Source: Data from Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2010 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2011), p. 36; and Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of China, State Administration of Foreign Exchange, 2013 Statistical Bulletin of China's Outward Foreign Direct Investment (Beijing: China Statistics Press, 2014), p. 127.

CHINESE INVESTMENT IN MYANMAR BY SECTOR

Looking at the figures for approved investment by sector from 2003 to 2013 as provided by the Central Statistical Organization of Myanmar (Figure 5), we see that foreign investment (including China's investment, represented by the coloured areas) was relatively low until 2006. It began to increase in 2006, peaking in 2010 in the mining, oil and gas and power sectors, and fell to a low in 2013. This corresponds to the trends observed in the Chinese data discussed in the previous sections.

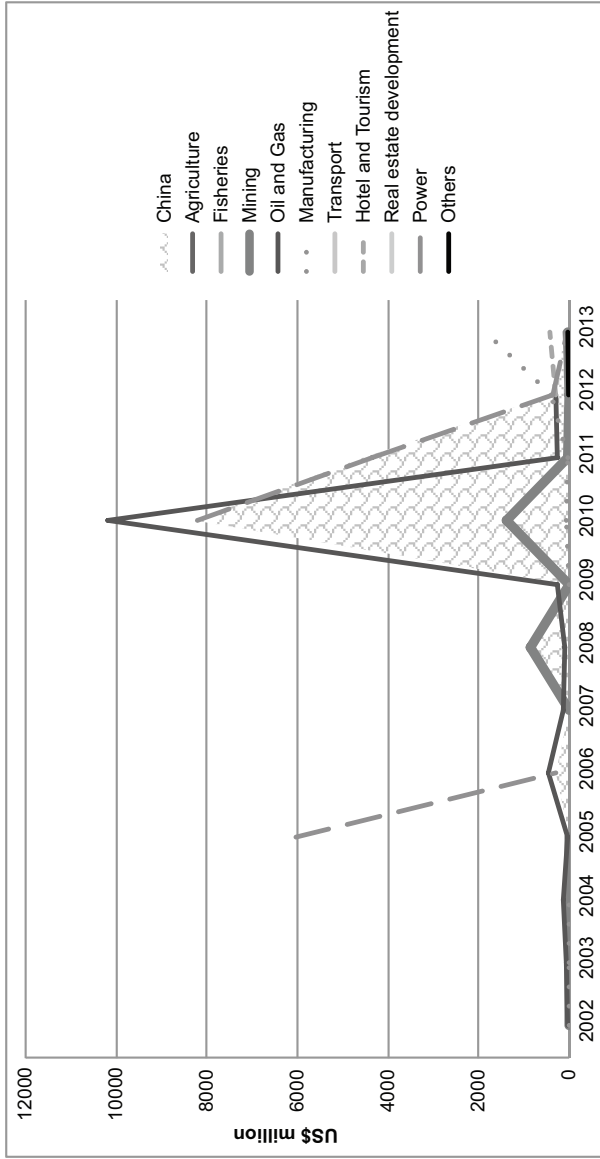
It is clear that the largest increase in approved FDI over the years has taken place in the energy (oil and gas) and mining sectors. The part of the chart showing China's share (shaded triangles) in this investment coincides with the trends observed in these three sectors. In other words, most of the approved FDI in these sectors was from China. Clearly, China dominated approved foreign investment in Myanmar.

It is interesting to note also that since 2011, foreign investment in manufacturing has increased significantly and approved FDI from China in energy and mining has fallen.

By looking at China's approved FDI as a proportion of total approved FDI in Myanmar over the same period (see Figure 6), we see that this was a significant percentage in 2006, 2008, 2010, 2011 and 2012. In fact, Chinese approved FDI dominated in 2008 and 2011. However, from 2012 onwards, more companies from other countries have had their projects approved; this means that approved investment from mainland China in Myanmar has been fluctuating, and its percentage in total FDI per year is falling in the face of increased approved FDI from Singapore and other countries. It is important to take into account the fact that Chinese firms also invest via firms based in other countries, so these figures do not accurately reflect the total amount of Chinese investment.

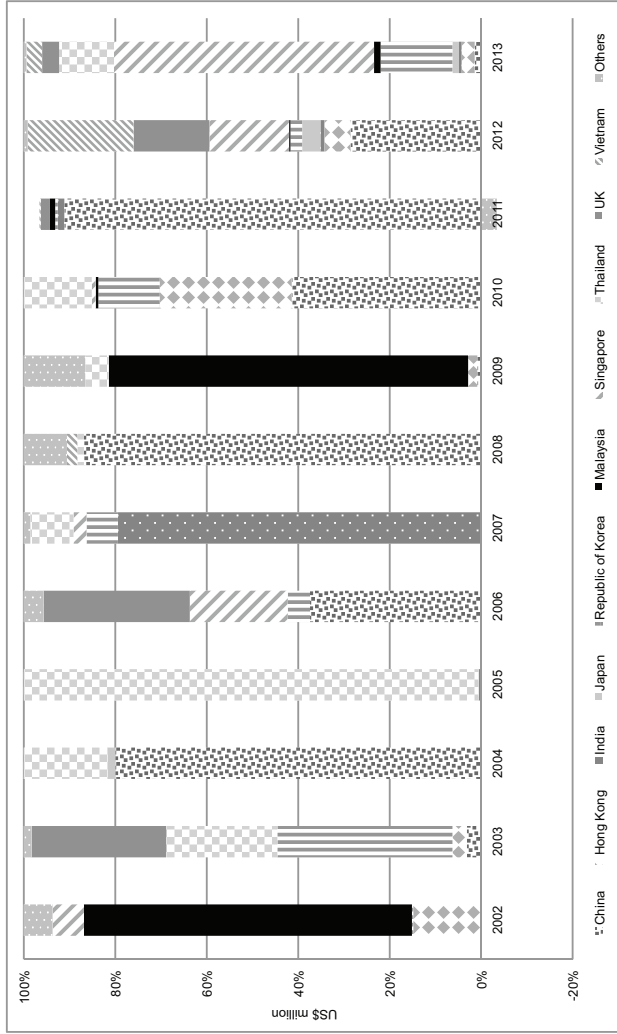
A few caveats about the data in Figure 5 and 6 are in order. First, as the data comes from Myanmar, its validity and reliability are suspect. Moreover, much of the data is incomplete because of the differences in definition used and the lack of available information. Second, the figures for mainland China are given separately for those from Hong Kong, although there may be an overlap. Chinese firms may invest in Myanmar through firms based in Hong Kong.

Figure 5: Foreign Investment in Myanmar by Sector and with China's Levels (2003–13) (US\$ million)



Source: Government of the Republic of the Union of Myanmar Ministry of National Planning and Economic Development Central Statistical Organization, "Selected Monthly Economic Indicators", December 2004, December 2007, December 2010 and August 2013 and <<https://www.csostatat.gov.mm/s5.2MA0201.htm>> and <<https://www.csostatat.gov.mm/s5.3MA0201.htm>> (accessed 1 April 2015).

Figure 6: Approved Foreign Investment in Myanmar by Country (2003–13) (US\$ million)



Source: Government of the Republic of the Union of Myanmar Ministry of National Planning and Economic Development Central Statistical Organization, “Selected Monthly Economic Indicators”, December 2004, December 2007, December 2010 and August 2013 and <<https://www.csostat.gov.mm/s5.3MA0201.htm>> (accessed on 1 April 2015).

Third, since these figures are only for approved FDI, they show the amount pledged and approved but not the amount actually invested. This is because approved FDI is published by the Central Statistical Organization in Myanmar but actual FDI is sent to the United Nations Conference on Trade and Development (UNCTAD). Another point to note is that approved FDI data record information from big projects that are formally agreed between the two countries – this is particularly so for projects in oil and gas, hydropower and mining. However, for smaller projects in the mining, logging, agricultural and trading sectors, Chinese capital flows are not reflected in approved FDI.

In order to highlight the trends in actual FDI, we draw upon research done by Jared Bissinger showing that between 1998 and 2011, actual FDI flows reflected similar trends to approved FDI in distribution by sector. Two trends are noteworthy. First, since 1988, the extractive sectors have attracted the most actual inflows, slightly more than a third of Myanmar's total actual FDI. Second, the extractive sector has actual inflows greater than approved investments.

Where there are differences between approved and actual FDI, they lie in the proportion of FDI by country. Myanmar's statistics on approved FDI between 1998 and July 2011 indicate that Thailand is the largest investor in Myanmar. However, Bissinger (2012) points out that more than half of Thailand's approved investment is for the Tasang Dam which is being developed by China. If this investment were counted as Chinese, China would be the largest approved investor. On the other hand, the data for actual FDI shows that the United Kingdom is the highest investor in actual FDI between 1998 and September 2009, but it is believed that this figure overstates the United Kingdom's investment in Myanmar because many companies of other countries have their headquarters in the United Kingdom and in the Cayman Islands. Also, this figure does not include missing data on actual FDI after 2009.

Actual Chinese investment in Myanmar amounted to US\$8.5 million throughout the 1990s, representing only 0.23 per cent of all inflows. By the mid-2000s, this situation had changed. Actual investment from China was at an all-time high at US\$350 million in the 2007–08 and 2008–09 financial years. The proportion of actual Chinese FDI against total FDI continued to increase: almost 17 per cent since 2000–01, 36 per cent in

2007–08 and 60 per cent in 2008–09. It is safe to say that the amount of actual FDI from China is probably higher than reported as many Chinese firms invest through companies based in other countries, and in unreported informal ventures.³⁰

CHINESE INVESTMENT IN OIL AND GAS, AND CORRESPONDING INFRASTRUCTURE

At present, Myanmar is the second most favoured destination in Southeast Asia (after Indonesia³¹) for Chinese oil and gas investments (see Table 2). The entry of Chinese oil companies into Myanmar came only after 2000 but the scale of investment has greatly increased since then. Compared to Indonesia, Myanmar was even more eager to attract foreign energy companies to work on its oil reserves, as the oil sector is one of the most important sectors from which Myanmar may generate income. However, as the tables above show, the rate of increase has tapered off.

Chinese investment in the oil and gas sector in Southeast Asia can be dated back to 1993 when China National Offshore Oil Corporation (CNOOC) drilled China's first testing well in Indonesia. China National Petroleum Corporation (CNPC), its subsidiary PetroChina, and China Petroleum & Chemical Corporation (Sinopec) soon took steps into Southeast Asia and have established their own investments. CNPC, Sinopec

³⁰ Jared Bissinger, "Foreign Investment in Myanmar: A Resource Boom but a Development Bust?", *Contemporary Southeast Asia* 34, no. 1 (2012): 23–52, pp. 32–37.

³¹ Indonesia attracts the most Chinese investment in the oil and gas sector. This is mainly because of the huge reserves it has in Java, Sumatra, Kalimantan, Sunda Straits, West Papua and other offshore areas. The Indonesian government is also keen in attracting foreign companies with technology and capitals to develop the reserve it has. By 2010, CNPC had accumulated a total output of 5.79 million tons of oil and gas equivalent. (CNPC. (2010). *CNPC in Indonesia*, p. 13 <<http://www.cnpc.com.cn/en/cnpcworldwide/indonesia/PageAssets/Images/CNPC%20in%20Indonesia.pdf>> (accessed 3 July 2013). CNOOC had more than 100 mmbbl of oil share from Indonesia in total. CNOOC. (2010). *Key Operating Areas — Indonesia* <<http://www.cnoocld.com/encnoocld/AboutUs/zyzq/Overseas/1639.shtml>> (accessed 20 April 2015).

Table 2: Estimated Number of Chinese NOC Investments in Southeast Asia^a

	CNPC/ PetroChina	Sinopec	CNOOC/ CNOOC Ltd	Others	Subtotal
Brunei				1 ^b	1
Cambodia			1	1	2
Indonesia	8	1	9	3	21
Myanmar	9 ^c	1	4		12
Papua New Guinea	(2)		3		3
Philippines			1		1
Singapore	1 ^b				1
Thailand	3				3
Total	19	2	18	5	44

Notes: Some projects include multiple licences or blocks.

Numbers in parenthesis refer to projects that are known to have been relinquished or sold. These are not included in totals. Other projects may also have been relinquished or sold.

a. Data collected by Philip Andrews-Speed.

b. Refers to a downstream (refining) project.

c. Includes two pipelines.

Sources include: Bo Kong, *China's International Petroleum Policy* (Praeger Security International, 2010), the websites of Chinese national oil companies, international news agency articles, policy papers by international think tanks, the Chinese press, and various Chinese language websites.

and CNOOC, the three oil SOEs who monopolize China's overseas deals in oil and gas, invest extensively in oil-rich areas in Southeast Asia.

In a 2008 report by Earth Rights International,³² it was announced that at least sixteen Chinese corporations (including CNOOC, CNPC and Sinopec) were involved in twenty-one onshore and offshore oil

³² Earth Rights International, "China in Burma: The Increasing Investment of Chinese Multinational Corporations in Burma's Hydropower, Oil And Natural Gas, And Mining Sectors", 2008 <<https://www.earthrights.org/sites/default/files/publications/China-in-Burma-update-2008-English.pdf>> (accessed 1 March 2015).

and natural gas projects in Myanmar. The data collected by the Energy Studies Institute in Table 3 confirms this number and lists the projects by company, site, date of agreement, stage of completion, interest and partners. The information was collected from a variety of sources but is incomplete because of the difficulty in locating complete information. Sources include the websites of Chinese national oil companies, international news agency articles, policy papers by international think tanks, the Chinese press, and various Chinese language websites. The tabulated data are best estimates given the lack of reliable, consolidated, and publicly available databases.

The Chinese have stakes in the onshore and offshore oil and gas blocks in Myanmar. The offshore one is called the Shwe gas project. Various other firms from Thailand, Singapore, France, the United States, Australia, Malaysia, Vietnam and so on have also been awarded concessions. Since 2011, there have been three rounds of bids for the blocks — two onshore and one offshore. None of the bids was awarded to China in the two onshore rounds (Chinese firms Tianjin New Highland³³ and SIPC Myanmar Petroleum Co Ltd put in bids in 2011 and 2013 respectively).³⁴ China did not participate in the offshore concession bids in 2013.

The biggest projects are the Shwe Gas project off the Rakhine coast in the West, Yadana and Yetagun in the Andaman Sea and Zawtika in the Gulf of Moattama. The Shwe Gas project is the largest extractive project in Myanmar, and the first such project to become operational under the new quasi-civilian government. It was developed by Daewoo International Ltd. of South Korea (51 percent stake), Korea Gas Corporation (KOGAS), ONGC Videsh Ltd. of India, and GAIL Ltd.

³³ Mandalay Capital Research, “Myanmar Oil and Gas Sector: Global Oil and Gas Majors Heading to Myanmar”, 22 October 2012 <http://www.mandalayc.com/research_note/rn_global_oi_gas_majors_heading_to_myanmar_%20221012.pdf> (accessed 1 April 2015).

³⁴ VDB/Loi Analysis, “4 Takeaways from the Selection of Shortlisted Bidders on Myanmar’s Onshore Oil and Gas Tender”, 12 April 2013 <http://www.vdb-loi.com/wp-content/uploads/2013/04/4-Takeaways-from-onshore-bidders-selection_12Apr13-VDB-Loi-Analysis.pdf> (accessed 1 April 2015).

Table 3: Chinese Gas and Oil Projects in Myanmar

Company Area	Project	Signature Date	Onshore/ Offshore	Oil/Gas	Stage	Interest (%)	Operator	Partners
CNPC	Mandalay Division	Bagan/IOB-3/TSF-2/RSF-3	Nov, 2001	On	Oil/Gas	Pro	100	CNPC Hong Kong CNPC International
	Pegu Division	Block IOB4/PSC-1	Dec, 2001	On	Oil/Gas	Pro	100	Y
Pegu Division	Pyay Oilfield	May, 2006	On	Oil/Gas	Exp			CNODC
	Arakan State	Block L		On	Gas	Exp		Sichuan Petroleum Geophysical Prospecting Co. (SPGPC)
Arakan State	A-1/A-3	2005	Off	Gas	Exp	60		PetroChina
Arakan State	AD-1/AD-6/AD-8	15 Jan, 2007	Off	Oil/Gas	Exp			China National Oil & Gas Exploration & Development Co. (CNODC)
CNOOC Myanmar	Arakan State	Block M	Oct, 2004	On	Oil/Gas	Dev		CNPC SPGPC
	Moattama Coast	M-2/M-10		Off	Gas		20	China Oilfield Service Limited
Moattama Coast	M-3/M-4							China Huanqiu Contracting & Engineering Co Golden Aaron Pte. Thai PTT
Sagaing Division	C-1/C-2	2005	On		Pro			China Huanqiu Contracting & Engineering Co Golden Aaron Pte. Myanmar Oil & Gas Enterprise OPIC
Sinopec	Pahtolon	Block D	2004	On	Gas	Exp		

Notes: Exp = exploration; Dev = under development; Prod = in production

of India, in a joint venture with the Myanmar Oil and Gas Enterprise (MOGE). China National Petroleum Corporation (CNPC) signed a deal for the sale and transport of the Shwe gas through overland parallel oil and natural gas pipelines from Rakhine State, Myanmar, to Yunnan Province, China, in partnership with the Daewoo-led consortium.

It was estimated that the gas was worth at least US\$40 billion and that the Burmese government stands to gain US\$24 billion over the twenty-year contract.³⁵ This is the largest revenue-producing project for the Burmese government.

The major components of the project include offshore natural gas rigs, an onshore natural gas terminal, a deep-sea port, a crude oil storage facility, and two pipelines that span Myanmar diagonally, delivering gas and oil directly to southwestern China. The onshore components are part of the Kyaukphyu Special Economic Zone, located on the Rakhine coast off the Bay of Bengal where Chinese investors have financed a port facility, which is intended to link up with oil and gas pipelines traversing Burma to southwest China.

A report published in the *New York Times* in 2013 suggested that the delay in the official commissioning of the pipelines was due to the fact that China and Myanmar disagreed over how much oil and gas Myanmar would draw from the pipeline. Chinese State Councillor Yang Jiechi, who was in charge of foreign affairs, paid a short visit to Myanmar to negotiate the “smooth implementation” of the project. Nevertheless, the Chinese Embassy in Myanmar refuted the report and claimed that the distribution of oil and gas transported through the pipelines had been decided in the original agreement signed by all shareholders, allowing Myanmar to download up to 2 million tons of oil and 20 per cent of the transportation capacity of the gas pipeline.³⁶

³⁵ Shwe Gas Movement website <<http://www.shwe.org/shwe-proect-basics/>> (accessed 10 April 2015).

³⁶ Kachin Development Networking. “The Myanmar-Section of Sino-Myanmar Gas Pipeline in Operation: China’s 4th Largest Energy Import Route”, 25 July 2013 <<http://www.kdng.org/news/34-news/331-the-myanmar-section-of-sino-myanmar-gas-pipeline-in-operation-chinas-4th-largest-energy-import-route.html>> (accessed August 2013).

Despite this agreement, it is still possible that public pressure may oblige Myanmar's government to press China for larger shares of the pipelines' throughput. Zha Daojiong, an energy security expert in Peking University, believes that the upper limit may be adjusted in the future if internal political pressure in Myanmar intensifies.³⁷

A further challenge to the pipeline is that it cuts through some of the most politically unstable areas in Myanmar where religious and ethnic conflicts are prevalent. Rakhine State, on the coast, witnessed massive riots between the Buddhist majority and Muslim Rohingya minority, causing up to 140,000 people to flee by June 2013. In northern Shan State, there were at least four independence movements acting concurrently while the pipelines were being constructed. The Myanmar government deployed numerous troops to guard the pipeline and its relevant facilities. However, guerrilla attacks from the armed ethnic groups continued to take place sporadically. In the middle of May 2013, soldiers from the Restoration Council of the Shan State-Shan State Army opened fire at the MOGE compound, killing two people and injuring another three.³⁸ In addition, human rights abuses by the Burmese army have been reported.³⁹ These tensions exacerbate fundamental dissatisfaction with the level of compensation being received by local communities and the extent of environmental damage.⁴⁰ The former relates to the confiscation

³⁷ *Financial Times*, "China Starts Importing Natural Gas from Myanmar", 30 July 2013 <<http://www.ft.com/intl/cms/s/0/870f632c-f83e-11e2-92f0-00144feabdc0.html#axzz2uIwlLuZE>> (accessed 5 August 2013).

³⁸ *South China Morning Post*, "China Lobbies for Pipeline Support in Myanmar, but Environmental Concerns Persist", 2 May 2013 <<http://www.scmp.com/news/asia/article/1228478/china-lobbies-pipeline-support-myanmar-environmental-concerns-persist>> (accessed 17 July 2013).

³⁹ Shwe Gas Movement, "Drawing the line: The Case Against China's Shwe Gas Project, For Better Extractive Industries in Burma" <http://www.shwe.org/wp-content/uploads/2013/09/DrawingTheLine_For-Web.pdf> (accessed 21 April 2015).

⁴⁰ Radio Free Asia, "Rakhine leaders to press China on controversial Myanmar project", 16 June 2014 <<http://www.rfa.org/english/news/myanmar/projects-06162014172443.html>> (accessed 20 April 2015).

of land, labour abuse and loss of livelihoods.⁴¹ Further, there have been complaints over the lack of transparency in the management of the project — environmental and social impact assessments have never been publicly released.⁴²

China's plan to build a transnational railway linking Myanmar's western coast to China has been suspended. The goal was to transport Chinese imports and exports to areas in the Indian Ocean and beyond, and was part of China's bid to secure transport routes. The Memorandum of Understanding, signed by the Ministry of Rail Transportation and China in 2011, has now expired. The project drew opposition from the public and civil society organizations but the true reasons for the Burmese government allowing the MOU to lapse are not clear.

CHINESE INVESTMENT IN HYDROPOWER

Table 4 provides detailed information on forty-nine hydropower projects in Myanmar that Chinese companies are involved in. It lists the names of the projects, the rivers they are located on, their size, their stage of completion and a host of other information. The information was collected from a variety of sources but is incomplete because of the difficulty in locating complete information. Thus, the tabulated data are best estimates given the lack of reliable, consolidated, and publically available databases.

As Table 5 shows, China has a considerable number of hydropower projects in Southeast Asia, with the highest number in Myanmar (49) followed by Laos (30).

According to Earth Rights International, in 2008, at least forty-five Chinese multinational corporations were involved in about sixty-three hydropower projects in Myanmar, including several related substation and transmission line projects. Of these hydropower projects, the largest is the 7,100 megawatt (MW) Tasang Dam on the Salween River, which

⁴¹ Shwe Gas Movement., "Drawing the line".

⁴² Ibid.

Table 4: Chinese Hydropower Projects in Myanmar

Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Financiers	Developer	Start Date	Completion Date	Operation Date
GawLan, Wu Zhongze, Hkan Kawn, Tongxingqiao, Lawngdin	Ngawchanka River	5	155	Large	Proposed			Myanmar International Group of Entrepreneurs Company			
Bu-ywa Hydropower Plant	Mone River	60 MW	Large	Under construction	\$20	Dept of Irrigation					
Chibwe Dam (Chipwi)	Chibwe or Chipwi River (N'Mai Hkai River)	2800 MW	Large	Suspended		China Power Investment Company, Asia World Company					
Chigwenge	Chipwi Creek	99 MW	Large	Under construction		China Power Investment Company, Asia World Company					
Chinghkran		2.52 MW	Small	Under construction							
Dagwin Dam	Salween River	792 MW	Large	Suspended							

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Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Project Financiers	Developer	Start Date	Completion Date	Operation Date
Hatgyi Dam	Salween River		1200 MW	Large	Proposed	\$1,000	Sinohydro	Burma Department of Hydropower Implementation, Electricity Generating Authority of Thailand, Sinohydro		2007	
Khaunlanphu Dam	N'Mai River		2700 MW	Large	Suspended		China Power Investment Company				
Kun Dam	Kun		60 MW	Large	Completed		Alstom	Ministry of Electric Power			
Kunlong Dam	Salween River, Upper Thanlyin	1	1400 MW	Large	Under construction						
Kyauing Tong (Kengawng) Dam	Pawn River		54 MW	Large	Completed	\$20					
Kyauk Naga Dam			75 MW	Large	Under construction						
Kyaukme Dam			4 MW	Small	Completed						
Kyee-ohn kyee-wa Dam	Mone River		60 MW	Large	Under construction	\$20	Dept of Irrigation	China Power Investment Company			
Laiza Dam	Mali River		1560 MW	Large	Under construction						

Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Financiers	Developer	Start Date	Completion Date	Operation Date
Lakin Dam	N'Mai River		1400 MW	Large	Suspended		China Power Investment Company				
Lembro, Lembro II (Laymyo)	Lembro River	2	690	Large	Proposed			Shwetaung Hydro		2018	
Man Tung (Mantawng or Manton) Dam	Nan Ma River (tributary of Salween)		200 MW	Large	Proposed			HydroChina			
Mawlaik hydropower project	Chindwin River		520 MW	Large	Proposed			China Guodian Burma's Electric Power Ministry No 1 Tun Thwin Mining Co Ltd			
Mone Dam	Mone River		75 MW	Large	Completed				2004		
Myitsonsone Dam	Mali, Nmai, and Irrawaddy Rivers		6000MW	Large	Suspended		China Power Investment	Asia World Company, China Power Investment Corporation = Yunnan International Power Investment Company of China	Dec-09	Jan-19	

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Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Project Financiers	Developer	Start Date	Completion Date	Operation Date
Myitha Hydropower Plant			40MW	Medium		14.7 Million	Burmese Ministry of Agriculture and Irrigation				
Nam Hkam Hka	Nam Lwe	6	200 MW	Large	Proposed			Yunnan Power Grid Corporation and the State Development and Investment Corporation (SDIC), Huajing Power Holdings			
River dams (Keng Tong, Wan Ta Pin, So Lue, Mong Wa, Keng Yang, He Kou, Nam Kha, Maw/aiik, Nam Tamhpak)	(Lwi) River		452		Proposed						
Nam Myao (Nam Myaw)			4 MW	Small	Under construction						
Nam Pawn Hydropower Project (Nampun)	Salween River, Kayah State		130 MW	Large	Proposed			Datang (Yunnan) United Hydropower Developing Co, Shwetaung Hydro			
Nam tamhpak Hydropower Project	Salween River, Kayah State		180 MW	Large	Proposed			Datang (Yunnan) United Hydropower Developing Co, Shwetaung Hydro			

Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Developer	Start Date	Completion Date	Operation Date
Nao Pha/Nong Pa Dam	Salween River		1000 MW	Large	Under construction		China Hydropower Engineering Consulting Group (HydroChina), Union of Myanmar's Ministry of Electric Power No. 1			
Ngaw Chang Hka	N'Mai Hka River	4	1055 MW	Large	Proposed		Yunnan Power Investment Corporation's (YPIC), Myanmar's Department of Hydropower Implementation			
Pashe	N'Mai River		1600 MW	Large	Proposed		China Power Investment Company			

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Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Project Financiers	Developer	Start Date	Completion Date	Operation Date
Paunglaung Dam	Sittang River		280 MW	Large	Completed			Lower Paunglaung Dam, Yunnan Machinery Export Import Company, Sinohydro Bureau 14, Ningbo Huyong Electric Power Material Co., Kunming Hydroelectric Investigation Design & Research Institute			
Phizaw (may not be exact name)	N'Mai River		1500 MW	Large	Proposed		China Power Investment Company				
Saingdin Shwegyin HPP	Shwegyin River	1	76.5 MW	Large	Proposed		Burma		2007	2015	2011

Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Project Financiers	Developer	Start Date	Completion Date	Operation Date
Shweli 1	Shweli River		600MW	Large	Completed	\$150	Huaneng Lancang River Hydropower Company, Yunnan Joint Development Corporation [Yunnan Power Grid Corporation, Yunnan Machinery Export Import Company, Yunnan Huaneng Lancang River Hydropower Company]	Ministry of Electric Power		2008	
Shweli 2	Shweli River		520 MW	Large	Proposed	\$150	Huaneng Lancang River Hydropower Company				
Shweli 3	Shweli River		1050 MW	Large	Proposed						

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Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Project Financiers	Developer	Start Date	Completion Date	Operation Date
Tapar	Salween River, Thanlyin River	1	1160 MW	Large	Proposed		Hanergy, Goldwater Investment Group	Hydropower Implementation Department (Burma)			
Tarpein 1	Tarpein River (or Taping, Daying)	1	240 MW	Large	Completed	\$250		Datang Group			2-Sep-10
Tarpein 2	Tarpein River	1	168 MW	Large	Completed			Datang Group			
Tasang Dam	Thanlwin (Salween River, Karen region)	1	7100 MW	Large	Under construction	\$9,000	Department of Hydropower Planning, MDX Group, China Gezhouba		Inaugurated March 30, 2007	2,022	
Tha-hlay Hydropower Station Project		1	111 MW	Large	Proposed						
Upper Paunglaung Dam	Paung Laung, tributary of Sittoung	1	104	Large	Completed		China Exim Bank	Ministry of Electric Power	2004	2012	
Weigyí	Salween River	1	4540 MW	Large	Suspended	\$6,000					
Yenwe	Yenwe (Sittang River)	1	25 MW	Medium	Completed						

Project	River(s)	No. of Dams	Project Size (MW)	Project Size (Small, Medium, Large)	Status	Project Cost (US\$ million)	Financiers	Developer	Start Date	Completion Date	Operation Date
Yeywa Dam	Dokhtawady River, Mandalay division, Central Burma, Kyaukse	1	790 MW	Large	Completed	\$600 million	China Exim Bank (\$200 million preferential interest rate loan), Citic, China Power Investment Co. (CITIC), Sinohydro	Ministry of Electric Power, China International Trust and Investment Co. (CITIC), Sinohydro	2011		
Ywathit Hydropower Project	Salween River	1	4000 MW	Large	Proposed			Datang (Yunnan) United Hydropower Developing Co, Shwetaung Hydro	1994/5	1998	
Zawgyi 2	Irrawaddy	1	12 MW	Small	Completed						
Nam Tabak Hydropower Development Project		1	300 MW	Large	Proposed						2015

Table 5: Estimated Number of Hydropower Projects with Chinese Involvement^a

	Subtotal	Large (>500MW)	Key Projects
Brunei	1		
Cambodia	8	1	<i>Sambor Hydropower Project</i> : with designed capacity of 2,600 MW, proposed on the Mekong River. The feasibility study has received approval in 2012.
Indonesia	3		
Laos	30	4	<i>Pak Lay Dam</i> : with designed capacity of 1320 MW, to be built on the Mekong River. China Exim Bank is providing US\$270 million loan to Laos government for the dam.
Malaysia	14	4	<i>Baleh Hydropower Project</i> : with designed capacity of 1295 MW, proposed on the Sejang River in Sarawak. The project is a crucial part of Malaysia's Sarawak Energy Corridor.
Myanmar	49	22	<i>Myitsonne Dam</i> : with designed capacity of 6000MW, to be built on the Irrawaddy, N'Mai and Mali Rivers in Kachin State. <i>Tasang Dam</i> : with designed capacity of 7100MW, to be built on the Salween River in Karen State.
Papua New Guinea	1		
The Philippines	4		
Thailand	3		
Vietnam	9		
Total	122	31	<i>Hagyi Dam</i> : with designed capacity of 1360MW, to be built on the Salween River in Karen State. The total investment is projected as US\$2.4 billion.

Note: a. Data collected by Philip Andrews-Speed.

Sources include: The websites of Chinese investing companies, international news agency articles, reports by NGOs, policy papers by international think tanks, the Chinese press, and other Chinese language websites.

is to be integrated into the Asian Development Bank's Greater Mekong Sub-region Power Grid.

There has been a groundswell of opposition to the hydropower projects on the grounds of loss of farmland and fishing stocks, and environmental damage from the construction of the dam-associated infrastructure. Myitsone dam in Kachin State was suspended in 2011 by President Thein Sein following major protests by local communities and civil society groups. According to Myanmar's Parliamentary Law, the President has unilateral power over some thirty decisions, including mining of natural resources and "dam and irrigation facilities".⁴³ China Power Investment (CPI) had invested nearly 7 billion yuan in advance upon the suspension announcement,⁴⁴ and construction had been going on for two years.

Thein Sein's decision was not sudden, because Chinese hydropower companies investing in Myanmar have been encountering rising opposition from local communities. The two most cited reasons are insufficient compensation for land and irrevocable environmental damage caused by the construction of dams. The Myitsone case is one example among many. It is noteworthy because the scale of the project was so large that stopping it might cause both diplomatic tensions with China and stall the local economy.⁴⁵ Furthermore, since the dams along the Salween and Irrawaddy Rivers in Myanmar are usually located in areas where ethnic minorities live, the re-deployment of government

⁴³ *New York Times*, "Myanmar Backs Down, Suspending Dam Project", 30 September 2011 <http://www.nytimes.com/2011/10/01/world/asia/myanmar-suspends-construction-of-controversial-dam.html?_r=0> (accessed 22 May 2013); *Democratic Voice of Burma*, "China-Backed Myitsone Dam 'Suspended'", 30 September 2011 <<http://www.dvb.no/news/china-backed-myitsone-dam-%E2%80%98suspended%E2%80%99/17887>> (accessed 22 May 2013).

⁴⁴ *The First Financial Daily* (第一财经日报), "Example of Chinese Enterprise's 'Going-Out' Activities in Myanmar: Who Suspended the Myitsone Dam?" (中国企业走出去缅甸样本: 谁叫停了密松水电?), 14 August 2013 <<http://finance.qq.com/a/20130814/001174.htm>> (accessed 8 September 2013).

⁴⁵ *Asia Times*, "China Presses Myanmar on Stalled Dam", 7 February 2012 <http://www.atimes.com/atimes/Southeast_Asia/NB07Ae01.html> (accessed 22 May 2013).

troops in ethnic areas to safeguard the working compounds increased ethnic tensions.⁴⁶

Since the suspension, the Chinese government, as well as CPI have conducted negotiations with the Myanmar government and the local community to resume the project. Representatives of CPI have visited the homes of relocated villagers, and promised to provide more assistance towards local community development. Meanwhile, CPI was pressing on with a new feasibility study to address the environmental and social impact of the dam in an attempt to assuage the concerns of local environmental activists.⁴⁷ Additionally, CPI has invested resources in trying to change the perceptions of those who oppose the dam.⁴⁸ Observers further noted that the Myitsone Dam might not come to an absolute halt as none of the relocated villagers was allowed to return home and CPI kept its construction workers on site, as reported in April 2012, half a year after the suspension.⁴⁹

However, these efforts achieved few successful outcomes. The Chinese ambassador to Myanmar, Yang Houlan was not optimistic, as he told the *Myanmar Times* in an interview on July 19, 2013. He was unclear as to whether the work would be resumed by 2015, which was the earliest year that the suspension can formally be lifted.⁵⁰

⁴⁶ *ChinaDialogue*, “China-Backed Dams Escalating Ethnic Tensions in Myanmar”, 26 March 2013 <<http://www.chinadialogue.net/article/show/single/en/5823-China-backed-dams-escalating-ethnic-tension-in-Myanmar>> (accessed 22 May 2013).

⁴⁷ *Mizzima*, “Chinese Company Tries to Build Support for Myitsone Dam”, 9 July 2012 <<http://archive-2.mizzima.com/news/inside-burma/7476-chinese-company-tries-to-build-support-for-myitsone-dam.html>> (accessed 20 May 2013).

⁴⁸ *ChinaDialogue*, “China-Backed Dams Escalating Ethnic Tensions in Myanmar”.

⁴⁹ Kachin News Group, “Leaked Document Says CPI ‘Planning to Restart’ Myitsone Dam Project”, 2 April 2012 <<http://www.kachinnews.com/news/2267-leaked-document-says-cpi-planning-to-restart-myitsone-dam-project.html>> (accessed 24 May 2013).

⁵⁰ *Myanmar Times*, “Chinese Ambassador Casts Doubts on Myitsone Resumption”, 19 July 2013 <<http://www.mmtimes.com/index.php/national-news/7531-chinese-ambassador-casts-doubt-on-myitsone-resumption.html>> (accessed 15 August 2013).

CHINESE INVESTMENT IN MINING

Table 6 provides detailed information on the mining projects that Chinese companies are investing in in Myanmar. It lists the names of the projects, the minerals being mined, their size and a host of other information collected from a variety of sources. The table is incomplete because of the difficulty in locating complete information. The sources include the official website of the China Mining Association <www.chinamining.org>, Chinese mining companies, articles by international news agencies, reports by NGOs, the Chinese press, and other Chinese language websites. The tabulated data are at best estimates, given the lack of reliable, consolidated, and publically available databases.

Myanmar is not the only country in Southeast Asia being targeted by China's resource-hungry corporations. In fact, it takes a distant second place to Indonesia, the country in the region that China has the largest official stake in vis-à-vis mining, as shown in Table 7.

The scale of mining in monetary terms needs to be considered in the light of available information. For Myanmar, only the bigger mining projects and those established under a Memorandum of Understanding are recorded in the official statistics. The Ministry of Mines in Myanmar has granted hundreds of official and unofficial mining concessions since 1989 to local and Chinese companies but many of them do not show up in any official records. Moreover, many are located in remote areas, have a reputation for secrecy and are privately owned, making it difficult to obtain information about royalties, taxes, protection fees (and other forms of rent creation), shareholders, activities and so on.⁵¹ Thus, information on small-scale projects is not included in the table, although local civil society groups have been compiling information on these projects.⁵²

⁵¹ Earth Rights International, "China in Burma: The Increasing Investment of Chinese Multinational Corporations In Burma's Hydropower, Oil And Natural Gas, And Mining Sectors", 2008 <<https://www.earthrights.org/sites/default/files/publications/China-in-Burma-update-2008-English.pdf>> (accessed 1 March 2015).

⁵² The Kachin Development Networking Group and the Lahu National Development Organization, for example.

Table 6: Chinese Mining Projects in Myanmar

Investment Company	Area	Mineral	Mine/Project Name	Reserve (tonnes)	Production Rate (tonnes)	Operation	Status	Signature Date	Investment (US\$ million)	Interest (%)
Kingbao Mining Co.	Chin State	Nickel	Mwetaung Nickel Deposit	10,000,000						
Wanbao Mining Co.	Sagaing Division	Copper	Letpadaung Copper Deposit		40,000/mth		Developing	2006/2013	997	
China National Heavy Machinery Co.	Shan State	Coal	Tigyit Coal Fired Power Plants and Mine			2004		Aug. 2001	42.9	
Yunnan Machinery and Equipment Import and Export Co.(YMEC)	Shan State	Zinc	Namtu-Bawtwin Mineral Deposit		500/d				55	
China Nonferrous Metal Mining Co. (CNNMC)	Mandalay Division	Nickel	Tagaung Taung Nickel Deposit	30,000,000	85,000/yr	2011		2004	820	75
Jiangsu Pengfei Group Co.	Mandalay Division	Pozzolan	Mount Popa Pozzolan Mine & Factory		500/d					
China North Industries Corp (Norinco)		Copper	Kyisintaung Copper Mine				Producing			50
Norinco		Copper	Monywa Copper Complex				Producing			50
Norinco		Copper	Sabetaung Copper Mine				Producing			50
Norinco		Copper	Letpadaung Copper Mine	803,000,000		2007	Producing		389	50
Norinco		Copper	S & K (Monyawa) Copper Mine	248,000,000		1998	Producing			50

Table 7: Mining Projects Invested by Chinese Companies^a

	Documented Projects	Minerals	Investing Companies
Indonesia	11	Nickel, iron, coal, bauxite	SOEs & private
Laos	5	Gold, bauxite, copper	SOEs & private
Malaysia	1	Iron ore	SOE
Myanmar	11	Nickel, copper, coal, zinc	Mainly SOEs
Papua New Guinea	1	Nickel, cobalt	SOE
The Philippines	7	Nickel, coal	SOEs
Vietnam	3	Bauxite, copper	SOEs

Note: a. Data collected by Philip Andrews-Speed.

Sources include: The official website of the China Mining Association <www.chinamining.org>, Chinese mining companies, articles by international news agencies, reports by NGOs, the Chinese press, and other Chinese language websites.

The resources being mined include copper, zinc, tungsten, silver, lead, coal, gold, antimony, limestone, marble and gemstones such as diamonds, rubies, sapphires and jade. Myanmar is the largest producer of jade in the world, much of which is spirited away to China, bypassing official channels. Hpakant, a town in Kachin State is well known for its jade mines where most of the twenty or so largest operations are owned by Chinese companies or their proxies even though foreign corporations are not permitted to extract jade in Myanmar.⁵³ Other players include the Union of Myanmar Economic Holdings Ltd (UMEHL), a conglomerate run by the Burmese army. Further, a lot of the mining is conducted by

⁵³ Reuters, “Special Report: Myanmar old guard clings to \$8 billion jade empire”, 28 September 2013 <<http://www.reuters.com/article/2013/09/29/us-myanmar-jade-specialreport-idUSBRE98S00H20130929>> (accessed 27 April 2015).

the Burmese and then sold to Chinese traders, particularly in the case of small items.⁵⁴ It is a challenge to obtain information on these as they take place in the informal sector.

As a whole, the mining industry is riddled with social problems — inadequate compensation for land and livelihoods, malnourished and overworked workers, harsh working conditions, diseases, illnesses from toxic waste and environmental issues to name a few.⁵⁵ For large-scale mining, these have produced conflict between the mining companies, workers and local communities. Conflict also occurs between large mining companies and smaller ones: large companies have been known to forcibly seize new deposits that were discovered by family-based and artisanal miners. Further, armed groups openly fight one another to gain control of existing mining operations, and may use the profits to purchase arms to support armed conflict.⁵⁶

The Letpadaungtaung (referred to forthwith as Letpadaung) copper mine, a joint venture between Wanbao Mining, a subsidiary of China's state-owned China North Industries Corporation (NORINCO) and Union of Myanmar Economic Holdings Ltd (UMEHL), with a total estimated investment of US\$1.065 billion, serves as an interesting case study of the complex and controversial issues surrounding large-scale mining in Myanmar.

The mine commenced operations in the spring of 2012 but was halted in June and November due to complaints and protests brought against Wanbao for land grabbing and environmental damage. The protests in November attracted local and international media attention that led to

⁵⁴ See Wen-Chin Chang, "The Trading Culture of Jade Stones among the Yunnanese in Burma and Thailand, 1962-88", *Journal of Chinese Overseas* 2, no. 2 (2006): 107–31.

⁵⁵ Gavin M. Hilson, "General Introduction", in *The Socio-Economic Impacts of Artisanal and Small-Scale Mining in Developing Countries*, edited by Gavin M. Hilson (Krips, The Netherlands: Sweets and Zellinger B.V. 2003), p. xxiv.

⁵⁶ Earth Rights International, "China in Burma: The Increasing Investment of Chinese Multinational Corporations in Burma's Hydropower, Oil And Natural Gas, And Mining Sectors", 2008 <<https://www.earthrights.org/sites/default/files/publications/China-in-Burma-update-2008-English.pdf>> (accessed 1 March 2015).

the suspension of the mine and the establishment of an investigative commission by the government chaired by opposition party member Aung San Suu Kyi. The investigation report by the commission released in March 2013 supported the continuation of the project conditional upon the implementation of forty-one different changes including an environmental impact assessment, a social impact assessment, a health impact assessment and an environmental management plan. This was the first such commission to have been set up to deal with such conflicts.

In mid-July 2013, a new contract was approved by the Myanmar Investment Commission where Wanbao, originally slated to receive 51 per cent of the profits, will now receive 30 per cent. UMEHL's share fell from 45 to 19 per cent while the government's share rose from 4 to 51 per cent. This is a major change in the terms on profit sharing. The new contract also stipulates that Wanbao allocate US\$1 million for corporate social responsibility and US\$2 million for environmental preservation annually, in addition to increasing the amount of compensation to local farmers.

Operations at the mine resumed in October 2013 despite the fact that many of the recommendations had not (and still have not) been fully implemented. Protests continue to be staged sporadically and there has been no definitive solution to the conflict.

EMERGING FORMS OF CONFLICT AND THE IMPLICATIONS FOR VARIOUS STAKEHOLDERS

The previous sections have provided background information on the three major sectors that Chinese firms are investing in in Myanmar. They have also highlighted the social and political issues surrounding these projects. Here, we analyse these as a whole by framing them as different and emerging forms of conflict created by shifting social, economic and political forces within and outside Myanmar. Second, we examine the implications for Chinese projects and firms in Myanmar and their response so far.

The various conflicts surrounding the extraction of natural resources revolve around governance, which is concerned with (1) the effective

management of natural resources and natural resource revenue, and (2) the ways in which revenue is shared amongst different stakeholders. In reality, management and wealth sharing are inter-related as shown in the grievances aired by local communities in Myanmar.

Those conflicts related to management per se include land acquisition and compensation, the destruction of livelihoods as a result of environmental damage and/or project construction and operations, the lack of transparency and participation of local communities in decision-making, the inadequacies of the legal and regulatory framework in dealing with such concerns, and the lack of implementation of these frameworks.

With regards to wealth sharing, the issues have revolved around the unfair, inequitable distribution of the benefits (both monetary and non-monetary) of the projects, secretive profit sharing between Chinese companies, military conglomerates and the Burmese government, and to a lesser extent, the distribution of resources (such as electricity) between local and central authorities.

These conflicts are not new and are not exclusive to projects operated by Chinese firms. Total, Dae Woo and other international firms have also been named in human rights and environmental campaigns. However, the changing political environment has created new forms of conflict between stakeholders as interests are realigned. The way in which President Thein Sein has dealt with these conflicts demonstrates a greater willingness on his part to listen to the concerns of the electorate. He has responded to local communities' protests in the following ways: with the suspension of the Myitsone dam, the Myanmar-China railway project and the Letpadaung mine; the establishment of an inquiry commission at the Letpadaung mine and an implementation committee; and the re-negotiation of terms with Chinese corporations and the UMEHL. In addition, Myanmar is in the process of preparing to become a member of the Extractive Industries Transparency Initiative (EITI), a global standard to promote the open and accountable management of natural resources.⁵⁷

⁵⁷ *The Irrawaddy*, "Uncertainty Surrounds Burma Gas Auction, Pipelines and Transparency", 4 April 2013 <<http://www.irrawaddy.org/natural-resources/uncertainty-surrounds-burma-gas-auction-pipelines-and-transparency.html>> (accessed 1 April 2015).

These measures are unprecedented and their albeit uneven and incomplete implementation has created losers and winners: local communities, civil society organizations, political parties, local and central authorities, Chinese corporations, Burmese SOEs, Burmese military conglomerates, the Chinese government and the Burmese government and so on have experienced gains or losses to their stakes. In what follows, we focus on how this has affected the interests of Chinese firms and investment in Myanmar.

RENEGOTIATION OF CONTRACTS AND TERMS

When Chinese firms began investing in energy and mining in Myanmar in the 2000s, Myanmar, faced with economic sanctions from other countries and a desolate economic landscape, was in a weak bargaining position and acceded to terms which favoured Chinese interests excessively. First, resource and profit-sharing conditions were more advantageous to Chinese firms than to the Burmese state (or population). Second, it was agreed that the actual and spinoff benefits from the investments would go to China. For example, crude oil is being piped to Yunnan to be refined there — Myanmar gets no economic benefit from the refining of the crude oil. Third, regulatory and governance measures were not part of the contract.

As Myanmar is now able to invite investors from other countries, it is in a strong position to demand a re-negotiation of the terms that were previously agreed upon. This re-negotiation is likely to have three aspects. The first will concern the traditional core terms of the contract such as taxes, tariffs and levels of investment. The second may relate to wages, transparency, and general managing of the social and environmental impacts of the project. The final component that needs to be renegotiated concerns the destination of the energy or mineral product itself. Myanmar is almost certain to demand that more output remains in or is processed in Myanmar in order to support economic development.

This can be observed in the renegotiation that took place with Wanbao over the Letpadaung copper mine where profit-sharing terms were drastically revised. Wanbao agreed to the new terms of higher standards on environmental, social and land issues despite a 21 per

cent loss of profit.⁵⁸ Similar renegotiations are likely to take place in the hydropower sector, particularly for the destination of the electricity that will be generated.

However, it is likely that these renegotiations will take place on an ad hoc basis rather than across the extractive industry. This will depend to a large extent on the ability of local communities, civil society organizations and the media to bring local and international attention to the projects concerned and pressure to bear on the government. In addition, dramatic changes to contracts are more likely to take place with Chinese (and other) corporations that are involved in large-scale rather than small-scale mining. The latter are scattered, often shrouded in secrecy and have military and local connections to protect their interests. Moreover, such renegotiations have to be studied according to the industry concerned.

Chinese companies are having to navigate these changing circumstances. In fact, this is not an entirely new experience for them. Chinese OFDI is associated with countries with high political risk, but they do this because of home government support.⁵⁹ In this respect, China's SOEs have the additional advantage of being accustomed to operating in complex and opaque regulatory systems.⁶⁰ In their operations, Chinese companies must have the opportunity to acquire rights to the resource. As a result, some of the investments, especially in the oil and gas industry, were directed to countries that either had a poor resource base or were out-of-bounds for western companies for political reasons. Iran, Sudan and Myanmar were examples of the latter category,⁶¹ and in this way

⁵⁸ Interestingly, UMEHL which is controlled by the military accepted an even bigger loss than Wanbao.

⁵⁹ Peter J. Buckley, L. Jeremy Clegg, Adam R. Cross, Xin Liu, Hinrich Voss and Ping Zheng, "The determinants of Chinese outward investment", *Journal of International Business Studies* 38 (2007): 499–518.

⁶⁰ Randall Mork, Bernand Yeung and Minyuan Zhao, "Perspectives on China's outward foreign direct investment", *Journal of International Business Studies* 39 (2008): 337–50.

⁶¹ Andrews-Speed and Dannreuther, *China, Oil and Global Politics*.

Chinese resource companies have gained a reputation for investing in countries with poor governance.⁶²

The experience of other developing countries, for example in Africa, has shown that many Chinese companies do not apply best international practices in their operations, labour relations, environmental protection and societal engagement. The mining companies have a particularly poor record in this respect. One reason for this is that the oil companies are owned by China's central government, whilst many mining companies are owned by lower levels of government or are in private hands. The central government recognized this problem several years ago and has been putting in place instruments to improve company behaviour. For example, at the end of 2014, a new framework document to regulate overseas mining investments and operations, setting out guidelines for Chinese companies to improve their corporate social responsibility, and risk management systems covering environmental, social and governance issues was released by the China Chamber of Commerce for Minerals, Metals and Chemicals Importers and Exporters.⁶³

In general, Chinese firms have responded to the less favourable conditions in Myanmar in two ways. First, they have acceded to demands for improved profit-sharing and environmental and corporate social responsibility programmes. Second, they have revised their investment strategy by diverting their interests to Indonesia and other countries (as shown in Figures 3 and 4) and are being cautious about further investing in the country. This may be the reason why no Chinese firms participated in bidding for oil and gas concessions in the first round of offshore concession bids in 2013.

CONCLUSION

Chinese investment in Myanmar was a lifeline to the regime from the 1990s onwards. As the data presented shows, Chinese investment in

⁶² Ivar Kolstad and Arne Wiig, *What Determines Chinese Outward FDI?*, Chr. Michelsen Institute, Working Paper No. 2009/3, 2009.

⁶³ *Chinadialogue*, "China's mining firms to adopt higher standards overseas", 5 December 2014 <<https://www.chinadialogue.net/blog/7576-China-s-mining-firms-to-adopt-higher-standards-overseas/en>> (accessed 1 April 2015).

Myanmar began to increase from 2005/2006 onwards. While it continued to rise after 2005, the rate of increase fell. Moreover, given Myanmar's political and economic isolation, its weak position vis-à-vis China led it to agree to terms that were infinitely more favourable to Chinese firms than to Myanmar. Further, the domestic political environment generated certain modalities of profit sharing and governance that prioritized the interests of military conglomerates and government coffers over those of local communities.

However, Myanmar's transition towards democracy has heralded a shift in interests, strategy and the balance of power both internally and externally. While many different stakeholders are being (positively and negatively) affected, this paper has focused on the impact on Chinese investment in energy and mining in the country. The renegotiation of contracts, the prioritization placed on emerging governance principles and practices and the suspension of certain projects have adversely impacted upon the interests of Chinese firms. Nevertheless, Myanmar is still very weak with regards to implementation. Although it is currently trying to strengthen its governance mechanisms, the extent to which these will succeed depends largely on the ability to implement policies and impose sanctions against offenders.

The outcome is that Chinese interest in securing energy, transport routes, natural resources and so on, while still highly significant in Myanmar, has shifted to other countries. This is borne out by the data — from 2010/2011 onwards, Chinese investment as a proportion of overall foreign investment in Myanmar began to fall, but increased in other Southeast Asian countries, notably Indonesia.

To what extent are economic relations undermining the political relationship between the two countries? Beijing's economic and strategic imperatives with regards to Myanmar — having access to energy and resources, and ensuring the security of imports and exports and borders — have become a little more precarious. Demonstrations of anti-Chinese sentiment in Myanmar, albeit intermittent and isolated, have not helped either. However, in general, China has managed to prevent any problems encountered by its companies overseas from undermining diplomatic relations. China has to live with the reality of changing governments and political landscapes. Its NOCs have faced significant setbacks in several

countries, such as Venezuela, Angola and Nigeria, yet inter-government relations remain strong. Given the deep strategic inter-dependence between Myanmar and China, the changed political circumstances will certainly take the gloss off the previous exclusive bilateral relations between the two countries but is unlikely to prevent them both from working hard to maintain a good working partnership.

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