

# PERSPECTIVE

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## **“Thinking, Fast and Slow” on the Belt and Road: Myanmar’s Experience with China**

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### **EXECUTIVE SUMMARY**

- The previous and present Myanmar governments have taken different approaches to engaging China over large-scale infrastructure projects.
- After suspending a controversial hydropower dam venture with China in 2011, Myanmar now seems set to become a connecting link and an active part of China’s Belt and Road Initiative.
- This apparently inconsistent policy has the potential to cause confusion and anxiety among the Myanmar public and implementing officials, who are usually not included in or consulted on decisions related to investment or infrastructure projects. Past experiences in dealing with China may also cause skepticism on the part of both the public and bureaucrats.
- The present government of Myanmar, however, is seeking to achieve a practical and diplomatic resolution to the dam controversy. Naypyitaw has agreed to the China-Myanmar Economic Corridor, at a time when it is in a better position than in the past to set out terms for implementation.
- The experience of other countries in the region suggests some practical paths forward for Myanmar in its engagement with China. Foremost among these is to ensure that officials down the line, with implementing responsibility, as well as members of the public with some stake in BRI projects, are informed and that their views consulted, before project agreements are finalized.
- A strong governmental role is also necessary to ensure that implementation of important projects is carried out for the benefit of the country, without getting derailed by sectoral or other interests.

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## **INTRODUCTION**

In recent years, Myanmar's decision-makers have interacted with Chinese partners on infrastructure and investment projects in a seemingly dichotomous manner. But in a sense their decisions reflect a practical logic that takes into account the concerns of both the communities affected by those projects and the population at large. The abrupt suspension in 2011 of the billion-dollar hydropower dam project at Myitsone in Kachin State and the more recent agreements entered into by the current government to bring Myanmar closer into the Belt and Road (BRI) orbit present contrasting examples of Myanmar's approach to Chinese projects in the country. Discussed together, these examples illustrate the practical logic that characterizes that approach.

Myanmar hit the "pause" button in its infrastructure deals with China on 30 September 2011, when the Union Solidarity and Development Party (USDP) government led by President U Thein Sein suspended the Myitsone dam project for the duration of his administration. That administration ended in March 2016, and the question of whether the project should be resumed or not, and of whether something else could be done with it, has become a heated and emotional issue.

In today's Myanmar, the democratically-elected National League for Democracy (NLD) government seems to have moved to the "fast-forward" option in its economic interactions with China. A memorandum of understanding for the China-Myanmar Economic Corridor (CMEC) was signed in September 2018. A related agreement to develop a deep-sea port at Kyaukphyu in southern Rakhine State, together with a special economic zone (SEZ), was signed in November 2018.<sup>1</sup> The 1,700-kilometer corridor would connect Kunming, the capital of China's Yunnan Province, to Myanmar's major economic centres – Mandalay and then Yangon — and to the Kyaukphyu SEZ. It would link the least and most developed areas of the country.

The CMEC project raises a series of issues that some view as a greater threat than the Myitsone dam.<sup>2</sup> While the Myanmar government is not noted for taking bold moves or making firm decisions on complex issues, the CMEC may represent an exception, not least because it is linked to China's Belt and Road Initiative (BRI). How then, shall the country go forward as a relative newcomer to the BRI experience, with the lessons available from other parts of the region and the globe?

## **THE MYITSONE DAM CONTROVERSY**

Some strong views concerning on the stalled Myitsone dam project expressed on the Chinese side have revived and heightened the controversy. The views of former ambassador to Myanmar Hong Liang, who headed the Chinese Embassy in Yangon, were posted on the Embassy's Facebook page. This was in addition to views highlighted in a *People's Daily* editorial. These statements reveal China's view that the Myitsone project is an important part of the BRI and that any further delay in its construction could hamper

bilateral relations, including investor confidence, and affect Myanmar's credibility. The NLD government has resorted to the long tradition in Myanmar of problem-solving by committee. A 20-member commission to review the Myitsone dam project including its environmental and social impacts,<sup>3</sup> has produced two reports. These have yet to be released publicly, leading to speculation that the reports probably found the project had more disadvantages than advantages for Myanmar.

Concerns and misgivings among the Myanmar people over the Myitsone project were further stoked when Ambassador Hong Liang visited Myitkyina, the capital of Kachin State, in late December 2018. Upon meeting with Kachin political and religious leaders, the ambassador claimed that some Kachin leaders supported the project. This caused dismay and disbelief and a storm of protests, demonstrations, and intense and widespread calls for the termination of the project.

Several technical and environmental assessments, including a 2018 report on Myanmar's hydropower sector, offer evidence for the case not to resume the dam project. The Myitsone issue has also rallied people of different ethnic nationalities and faiths around a broad consensus against resumption. Even a cabinet member has weighed in with his views. Several remarks made by U Thaung Tun, the Union Minister for Investment and Foreign Economic Relations, indicate a growing realisation that Myanmar should consider Malaysia's example of maintaining good bilateral relations with China by negotiating new projects while sending a clear signal that projects concluded with a previous regime may not be in the best interests of all concerned.<sup>4</sup>

So, doing "something else in place of the Myitsone dam", as U Thaung Tun suggests, may be to embark on CMEC and Kyaukphyu SEZ in close cooperation with China.

Patience, hard work and a more inclusive approach to economic development on Myanmar's part will set the country speeding along on the *New Silk Road*. What will this entail for Myanmar? In my view, information and implementation go hand-in-hand.

## **ENSURING THAT THE PUBLIC IS BETTER INFORMED ON BRI ISSUES AND IMPACTS**

A Chinese academic<sup>5</sup> has pointed out that Myanmar society is largely not aware of the BRI and that knowledge of the initiative is limited to government officials and elites engaged in policy research or dealing with China. The BRI information gap in Myanmar is not so much about the lack of access to information, which is readily available on the Internet, but more about the extent of awareness of Myanmar's involvement in BRI projects. Details of projects and agreements are usually not released publicly, or widely shared in discussions within the policy and research communities in Myanmar. While national newspapers cover visits of senior Chinese officials to engage in talks with senior Myanmar officials on the BRI, details of what is discussed are usually not reported. There are also complaints that decisions regarding the BRI are conducted "upstairs", while mid- to lower-level officers are

kept in the dark. Obviously, this must change. Not only officials down the line but also experts, specialists, researchers, civil society organizations and members of the public need to be informed, and consulted where their inputs are necessary, or in areas where they will benefit or be affected by BRI projects. For example, if we know more of the economic and strategic importance placed by China on the CMEC and the Kyaukphyu SEZ, we will be able to identify how Myanmar can benefit from both a substantial increase in infrastructure investments from China and a growing economic hinterland in western China.

## **ACCELERATING CMEC IMPLEMENTATION AS PART OF BRI ENGAGEMENT**

There are several measures and approaches that Myanmar may adopt to accelerate the CMEC Plan for mutual benefit in its BRI engagement in the coming years.

1. It is both politic and practical to start with an official announcement that the Myitsone Dam project will be replaced by the CMEC Plan.
2. Myanmar can leverage on China's preference for the CMEC Plan to obtain funds necessary to upgrade infrastructure, in connection with the support for national reconciliation and the peace process, such that the CMEC becomes a key component in Myanmar's BRI engagement.
3. There is considerable discussion of and debate over large infrastructure projects, with regard to environmental, social, economic and corruption risks, among others. These risks, and the lessons and advice from other countries' experiences, should be taken into account in Myanmar's negotiations with China on BRI projects.
4. More openness and transparency are clearly required to restore trust and confidence in project implementation. All officials down the line, as well as experts and specialists, and members of the public must be kept informed of details of Myanmar's participation in the BRI; their views must be sought and taken into consideration in project formulation and implementation.
5. As the CMEC project activities pass through many of Myanmar's ethnic minority areas, it will be desirable to enact laws to ensure that the human and economic rights of minorities are not adversely affected by the project. Such a law already exists in Myanmar<sup>6</sup> in the form of the 2015 Protection of the Rights of National Races Law. Article 5 of this law stipulates that indigenous peoples should receive complete and precise information about business activities in their areas before implementation, so that ethnic groups may negotiate with the government and project proponents. This stipulation has not been implemented, but it should be.
6. The European Union has emphasized the need for a fairer trade arrangement with China by jointly engaging to reform the World Trade Organization (WTO) with

- special attention to industrial subsidies. Similarly, Myanmar needs to negotiate and set up a fairer trade arrangement with China, as many Myanmar businesses and industrial establishments stand to lose out from an influx of competitively priced trade and goods from China. Since Myanmar still has least developed country (LDC) status, it may be feasible to approach the WTO's Sub Committee on Least Developed Countries to help Myanmar address this problem.
7. The CMEC, like any other project, will have its costs and benefits. And the standard economic cost/benefit principle is to proceed with a project if its benefits are larger than its costs. It is important to measure costs and benefits, as well as clearly to identify who benefits and who bears the costs. There have been discussions and debates on this topic among prominent academics and experts, facilitated by the media community in Myanmar. However, the decline in government-media relations over the past years may hinder the growth of a responsible and investigative media that provides the public with useful analyses and information on a big and complex project like the CMEC. It is my hope that journalists and reporters may be given the freedom and scope necessary to provide the Myanmar people with balanced and objective ideas and information for the smooth implementation of the CMEC.
  8. There are elements of the old in the new, which we can adapt to present circumstances. Trade along the ancient Silk Road was a venture over thousands of miles of uncertain terrain inhabited by isolated tribes and ethnic communities. It was a remarkable achievement. The ancient business people were able to pull it off thanks to their entrepreneurial spirit of entering into new ventures and territories, a willingness to take risks, and, more importantly, the ability to establish good personal contacts and relationships with native dwellers they encountered along the way. They did so mostly by both learning from and sharing knowledge, skills, ideas and experience.<sup>7</sup> This spirit of sharing and cooperation to solve common problems, and joint efforts to improve roads and passage-ways inspired the launch of the New Silk Road.<sup>8</sup> There is however a significant difference between the old and new Silk Roads. The old Silk Road was private-sector driven while the New Silk Road is mainly government or public-sector driven. Both the governments of China and Myanmar, at their highest levels, have made formal commitments to engage in BRI projects for enhanced cooperation for mutual benefit.
  9. In May 2019, the government of Myanmar set out the terms upon which it would negotiate BRI project agreements with China.<sup>9</sup> These include stipulations that Myanmar should be allowed to do the following:
    - a. seek financing from international financial institutions to implement the projects.
    - b. invite international tenders to ensure international investment in the projects.
    - c. choose projects that create mutual benefits for both sides.

These stipulations will help address the key issues highlighted in this paper with regard to Myanmar's on-going BRI engagement with China. Moreover, the commitment made in May 2019 that "each of the project's details will be publicized when it comes time to make decisions on implementation"<sup>10</sup> will improve transparency and accountability and be much welcomed by the people of Myanmar and by the country's development partners.

On top of all this, Myanmar today faces complex political, humanitarian, economic, environmental and social constraints that will need to be handled with considerable patience, care, and effort. China, with its long history of dealing with Myanmar, is aware of these constraints, and in recent years has offered assistance and facilitation in several areas. In this context, and with looming uncertainties in the global and regional economic outlook, it is essential that Myanmar's relations with China be based on the principle of equal partnership and mutual respect. Cooperating as an equal partner with mutual respect is necessary to guard against the possibility of Myanmar becoming overly dependent on, and dominated by, China in the current quest for national reconciliation, peace, stability, and prosperity. Such an outcome would be detrimental for both countries.

In other words, to have mutually beneficial results from BRI engagement, China and Myanmar must cooperate as equal partners with respect for each other. It is encouraging to note that the Myanmar government is aware of the need to forestall undesirable outcomes, as made clear in the May 2019 press briefing on the BRI mentioned above.

In fact, it is not just the BRI "basket" that counts for pursuing peace and prosperity. Myanmar must continue with its efforts to actively exchange views and ideas, taking due account of good and workable advice and recommendations. It must also take account of the moral and material support currently forthcoming from its ASEAN partners and from other key regional players as well as from the United Nations and Myanmar's traditional bilateral and multilateral development partners on the world stage.

## **CONCLUDING THOUGHTS**

Although the private-sector driven process that characterized the old Silk Road is still highly relevant, the challenges and opportunities that we are faced with in travelling on the New Silk Road – after thousands of years – are obviously different. There is a clear need at this time for government facilitation and support for the private sector and for the good of the general public through good governance, the rule of law, improved provision of essential public services (such as education, health, transport, clean water supply and electricity), environmental protection, and formulation and implementation of economic policies for equitable, inclusive and sustained development. These measures provide the enabling environment for private-sector led growth. Hence, we envisage the Chinese and Myanmar government authorities cooperating to set up such effective enabling environments for their private sectors to increase connectivity, share skills and knowledge, engage in joint efforts to promote trade and investment – the efforts that will enable Myanmar to proceed from the

present pause to a fast forward status under the BRI framework in the coming decade and beyond.

<sup>1</sup>“Government’s third year endeavours for the benefit of the people”, *New Light of Myanmar*, 21 April 2019 edition, page 8.

<sup>2</sup>Bertil Lintner, “Kyaukphyu BRI projects a bigger threat than Myitsone,” *The Irrawaddy*, 8 April 2019.

<sup>3</sup>The Commission is headed by U T Khun Myat and includes the Chief Minister of Kachin State.

<sup>4</sup>U Thaug Tun’s comments, observations, and suggestions appear in the following articles: (1) Htin Lynn Aung, “Dam project may go ahead, but scale or location could change,” *The Myanmar Times*, 30 January 2019. (2) Nan Lwin, “Gov’t working on financial decision for Myitsone Dam, Minister says,” *The Irrawaddy*, 29 January 2019. (3) “Chairman of Myanmar’s Investment Commission suggests alternatives for Myitsone Dam,” *Mizzima*, 30 January 2019.

<sup>5</sup>Bi Shihong, “BRI calls for joint efforts by China, Myanmar,” *Global Times*, 11 December, 2018. Bi Shihong is a professor at the Center for China’s Neighbour Diplomacy Studies and School of International Studies, Yunnan University.

<sup>6</sup>Thompson Chau, “A weakened Myanmar still needs to stand firm in Myitsone talks,” *The Myanmar Times*, 26 April 2019.

<sup>7</sup>In fact, the American astronauts in preparing for their moon landing went to Australia’s bush territory to learn from the aborigines there on how to survive in a parched and rugged geographic environment.

<sup>8</sup>This spirit of sharing and cooperation on the Old Silk Road and its reincarnation in the New Silk Road is also highlighted by Italy’s President Sergio Mattarella.

<sup>9</sup>Nan Lwin, “Gov’t spells out conditions for signing BRI deals with China,” *The Irrawaddy*, 30 May 2019. The press briefing was conducted by U Tun Tun Naing, the Permanent Secretary of the Ministry of Planning and Finance.

<sup>10</sup>Ibid.

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