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Sharing the Spoils: Winners and Losers in the Belt and Road Initiative in Myanmar

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Abstract

This article studies the impact of China's Belt and Road Initiative (BRI) on economic actors in Myanmar. It hypothesizes that the BRI has strong transformative potential, because Chinese projects are likely to transform Myanmar's economy on different scales and influence the allocation of economic benefits and losses for different actors. The study identifies economic actors in Myanmar who are likely to be most affected by BRI projects. It also discusses how BRI-related investments could affect the country's complex conflict dynamics. The article concludes with policy recommendations for decision makers in Myanmar, China, and the international community for mitigating the BRI's possible negative impacts. The analysis draws on secondary sources and primary data collection in the form of interviews with key actors in Hsipaw, Lashio, and Yangon, involved with and informed about the BRI in Myanmar at the local, regional, and national levels.

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Keywords

Myanmar, Belt and Road Initiative, China, economic impact, conflict dynamics

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Introduction

China's Belt and Road Initiative (BRI), first announced by President Xi Jinping in 2013, seeks to strengthen infrastructure connectivity between China, the rest of Asia, Europe, and Africa. The BRI is considered to play a central role in Myanmar's economic development (Myint, 2019; Sun, 2017). This article argues that the official rhetoric has primarily emphasised positive aspects of the BRI in Myanmar and masks the complications that the BRI may bring to Myanmar's prospects for sustainable and equitable development. The rhetoric also does not reflect the deep-seated scepticism of the majority of Myanmar people towards Chinese investments. At this juncture in Myanmar's immature democracy, which most scholars consider to be a hybrid regime with authoritarian and democratic traits (Bünte et al., 2019; Egreteau, 2016), this issue merits closer investigation. In this article, we therefore examine the range of risks that the BRI poses to Myanmar's prospects for economic development and durable peace.

Since 2013, the BRI and its global impacts have increasingly drawn attention, garnering extensive coverage by the mass media, policy makers, and scholars (e.g. Beeson, 2018; Carrai et al., 2020; Flint and Zhu, 2019; Jetin, 2018; Kamel, 2018; Vakulchuk and Overland, 2019). A systematic search for academic literature on the BRI from 2013 to 2020, conducted on 5 May 2020 via CrossRef, Scopus, and Web of Science, resulted in 610 publications. Out of these, only nine focus on the BRI in Myanmar (e.g. Hameiri et al., 2018; Jones and Zeng, 2019; Myint, 2019). By comparison, reports by international organisations on the topic are more numerous (e.g. Helsingen et al., 2017; Sun, 2019; Transnational Institute [TNI], 2019a) and media coverage is yet more extensive.

This article studies how the BRI has already transformed and may further transform the allocation of economic benefits and losses among actors in Myanmar. We argue that BRI projects are likely to drastically change the economies of participating countries, including Myanmar, reallocating economic benefits and losses unequally among different types of actors. Unchecked, this may exacerbate a governance regime that pays insufficient attention to inequality in its single-minded pursuit of economic growth (McCarthy, 2020).

To date, only a few studies have focused on prospective gains and losses from the BRI. The World Bank (2019) published a report analysing potential risks and opportunities of BRI transport corridors at the macro level. This and similar studies model future scenarios and consider BRI gains from a national perspective: total trade gains, import–export dynamics, income gains, reduced transport costs, poverty reduction, and others. Similarly, BRI losses are framed through countries' indebtedness, fiscal risks, environmental threats, and others (e.g. Fernholz, 2018). Some studies examine more local effects of BRI projects. According to the World Bank (2019), BRI-related infrastructure may have had disproportionate effects on wages in the local communities around Almaty, the largest city in Kazakhstan.

To the best of our knowledge, no analysis has been carried out of the BRI's systemic actual and projected impact on Myanmar's various population groups. Only Helsingen et al. (2017) note that BRI projects may negatively affect 24 million people in Myanmar living in the BRI corridors, as river-related infrastructure development, deforestation, and changing land use can induce flooding, sedimentation, and water pollution.

While the BRI projects in Myanmar are still in their early stages, we have identified some trends that are already recognisable on the ground. BRI projects are most likely to benefit major economic actors who are ethnically Chinese or have Chinese partners, have networks with political and business elites in China, and are favoured by the Myanmar government. Several ethnic armed organisations (EAOs) have also indicated their interest in building BRI partnerships, but only those with sufficient autonomy will likely be able to realise these ambitions. As for small- and medium-sized actors, traders tend to be positive towards the BRI with the expectation that it will improve the terms of trade between Myanmar and China. Yet, local communities will bear the brunt of the BRI's social and environmental costs unless they are able to mount strong resistance and receive adequate support from the state.

In the next section we present our analytical approach, and after that we describe the methodology. Following this, we contextualise the Chinese presence in Myanmar. Then, we empirically outline the impacts of BRI on different types of actors and their interactions with each other. In the Discussion section we summarise our findings and discuss the winners and losers. Finally, we make three concrete recommendations for policymakers in Myanmar, China, and the international community that can help them ensure the equitable and sustainable implementation of the BRI.

Analytical Approach

BRI projects can transform the structure of local economies and thus disproportionally reallocate economic benefits and losses among different actors and industries. We argue that while the overall impact of the BRI on Myanmar's total economic growth (in terms of gross domestic product) could be positive, its redistributive economic effects may vary significantly and further undermine the well-being of some societal groups. Moreover, these effects could also intensify existing tensions and conflicts in Myanmar. Some scholars argue that many BRI projects are not economically rational, and can increase negative externalities (Jones and Zeng, 2019), while others argue that subnational actors pursue a "rapacious form of development" that fuels insecurity in Myanmar's borderlands (Hameiri et al., 2018).

A source of inspiration for our analysis is the experience of the European Union (EU) and its neighbours. The awarding of EU association agreements to countries that are seeking to join the EU can have a major effect on those countries (Monastiriotis et al., 2014; Petrakos et al., 2016). While candidate countries are likely to experience overall economic growth after the signing of association agreements, regions within these countries are likely to experience uneven growth and reallocation of economic benefits. EU association agreements provide for large-scale change of industrial growth patterns within a country. We can draw a parallel here with the redistributive effects that BRI infrastructure projects may bring to participating states, including Myanmar.

We identify Burmese economic players who have been affected by BRI projects or are likely to be affected in the future. Given the paucity of official statistics available on economic interaction between China and Myanmar, and their limited reliability, our analysis is based on qualitative data from interviews of respondents, supported by secondary data. Our units of analysis are the groups of economic actors most likely to be impacted by the BRI in Myanmar: local communities, traders, small- and medium-sized enterprises (SMEs), and large companies. Given the limited research in this area, our study can provide new insights into the impact of the BRI on Myanmar from an actor-centred perspective.

Methodology

The article draws on a mix of primary and secondary data. In order to elicit expert opinion about the impact of the BRI on different economic actors and segments of society in Myanmar, nineteen semi-structured interviews were carried out in January and February 2020 in Yangon, Hsipaw, and Lashio in northern Shan State (Table 1).

Since the topic under investigation is highly sensitive, it was an advantage that we already had personal and professional networks upon which we could draw. Because we were able to build rapport with the respondents while assuring their confidentiality, respondents openly discussed their views on this topic.

Interviews sought to extract information about risks and opportunities related to the BRI; key Myanmar economic players involved in the BRI, both large actors and SMEs; actual and expected economic and development impacts of the BRI; and actual and expected impacts on local communities and on the peace process in Myanmar. All interviews were conducted in English, except for three that were conducted in Burmese with an interpreter. Primary data were supplemented by secondary research and media coverage of recent developments.

Table 1. Interviewees by Sector and Organisation.

Sector	Organisation
Official sources	• Myanmar ministry closely involved with the BRI • The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) • BRI project staff (project prioritised by the Myanmar and Chinese governments) • A former Shan State parliamentarian
Ethnic armed organisations (EAOs)	• An executive member of an EAO
Business	• Agriculture traders and trade associations in Lashio and Hsipaw • A national food retail company impacted by trade with China
Civil society	• Representatives of local civil society organisations in Lashio and Yangon
Experts	• Myanmar and foreign analysts focused on China–Myanmar relations

Note: BRI: Belt and Road Initiative.

What is a BRI Project?

According to the Government of the People's Republic of China (2016), the BRI covers five broad areas: (1) free trade and investment, (2) policy co-ordination, (3) infrastructure connectivity, (4) financial integration, and (5) closer ties between people and institutions. Given the broadness of this framework, almost any project between companies or governments in any sector could be included. The lack of consistent standards or a singular body to co-ordinate BRI projects leads to weak governance of these projects globally (Transnational Institute [TNI], 2019a). Relatedly, a major challenge to discussing the BRI is the lack of clarity about which projects are part of the BRI. Many projects that had a Memorandum of Understanding (MoU) signed before the China–Myanmar Economic Corridor (CMEC) Agreement was signed in September 2018 were later rebranded as BRI projects to raise their standing and attract financial support.

We draw on the approach of Aminjonov et al. (2019), who in their assessment of the impact of the BRI on Central Asia define a "BRI project" as (1) being publicly reported as a BRI project, (2) launched after the first announcement of the BRI in Central Asia in 2013, (3) fully or partially financed by the BRI financial institutions, and (4) implemented in either a bilateral or multi-lateral format. Similarly, the current article considers investments approved by the Myanmar Investment Commission after November 2017, when the BRI was first introduced by Chinese Foreign Minister Wang Yi (Sun, 2017), and fully or partially financed by the BRI financial institutions to be part of the BRI. Given the expansiveness and ambiguity of the BRI's scope, our empirical research focuses on projects prioritised by the government of Myanmar at the time the research was conducted. According to the Union Minister for Planning and Finance, nine out of forty projects proposed by China have been prioritised by Myanmar (Phyo, 2018). These include the four large projects in Table 2.

On his January 2020 visit to Myanmar, President Xi Jinping focused on the New Yangon City Project, the border economic zones, and the Kyaukphyu Special Economic Zone (SEZ) (Xinhua, 2020), which is the most advanced as it already has a framework and shareholder agreement in place.

Table 2. Four Major BRI Projects in Myanmar.

BRI project	Status
1. Kyaukphyu Deep Seaport and Special Economic Zone	Framework agreement signed in 2018
2. The Muse–Mandalay Railway Project	MoU signed in 2020
3. Three border economic zones in Shan and Kachin States	MoU for the Muse-Ruili zone signed in 2020
4. The New Yangon City Development Project	Letter of Intent signed in 2020 (Lwin, 2019a)

Note: BRI: Belt and Road Initiative; MoU: Memorandum of Understanding.

The Context: Myanmar in the BRI and the BRI in Myanmar

For several reasons, Myanmar has a pivotal role in the BRI. First is its unique geographical location. China has many contiguous neighbours, and some of them are landlocked (e.g. Kyrgyzstan, Mongolia, and Nepal). The heart of the BRI is transport and mobility; every landlocked country adds additional layers of risk represented by the other countries on which onward transport depends. Second, some other countries that have figured prominently in the BRI are not landlocked but are also located much further away from China (e.g. Sri Lanka, where there have been extensive discussions regarding the BRI). While the assets of these countries might be nice for China to access, Myanmar assets are more of a necessity. This was made clear by Xi Jinping's visit to Myanmar in January 2020, the first by a Chinese head of state in nearly two decades, to cement the BRI (Xinhua, 2020). A Myanmar expert on China explained that "Myanmar is a huge missing link for BRI. China–Pakistan Economic Corridor (CPEC) is for the western part of China, while China–Myanmar Economic Corridor (CMEC) is for the southeast part of China."[1]

While Myanmar is important for the BRI, the BRI also has profound implications for Myanmar. The size of the BRI, its intricate web of capital and political elites, and the way it has brought China a more central role in the peace process have significant implications for the trajectory of economic development as well as peace and security issues in the country. Additionally, Myanmar's isolation during the military dictatorship and its alienation from the West over the Rohingya issue leave it open to Chinese influence. Currently, China holds a greater share of Myanmar's foreign debt than does any other country, valued at USD 4 billion (40 per cent of total Myanmar foreign debt), while bilateral trade was worth USD 16.8 billion in 2019 (Zhou, 2020).

While Myanmar saw a dip in Chinese investments after President Thein Sein suspended the Myitsone Dam in September 2011, the international condemnation heaped on Myanmar following the ethnic cleansing of the Rohingya population created an ideal context for China's re-engagement through the BRI in 2017. In September 2018, the two governments signed a framework agreement to implement the BRI, centred on the 1700-kilometre CMEC. Soon afterwards, the Myanmar government established a BRI steering committee. The CMEC starts in China's Yunnan Province and goes through Myanmar's major cities before reaching the western coast at the Kyaukphyu SEZ. This transportation corridor is often considered the linchpin of the BRI in Myanmar.

On the Myanmar side, an official from a ministry heavily involved with the BRI explained in one of our interviews that the government has been setting up a mechanism to vet projects.[2] The official explained that the government developed the Myanmar Sustainable Development Plan (MSDP) to ensure better projects and is scrutinising projects to determine their financial feasibility and relevance for the MSDP. Once a project is included in the project bank, it is considered for funding either via public or private–public channels or in the form of official development assistance (ODA). Despite these plans, analysts tracking these developments are concerned that no central body is effectively managing the aggregate impact of the BRI on the country and fear that projects will be prioritised in response to lobbying from investors.[3] One of our interviewees, who is the head of a company that imports food from China, worried that Myanmar will be pressured to deliver and that it might not have time to carry out the projects.[4] An academic we interviewed also summarised a number of weaknesses that may reduce Myanmar's ability to benefit from the BRI investments:

> If you look at the legal structure, we are weak to protect labour and environment. Institutional structure, checks and balances are not balanced. Corruption is rampant. There are a lot of loopholes so we can easily bribe. Infrastructure, there are still many electricity cuts, despite being better. Road connection is still poor. The labour pool is still unskilled and labour efficiency is low.[5]

There is also a looming threat of a debt trap. The example of Sri Lanka caused Myanmar to significantly reduce Kyaukphyu's budget from USD 7.3 billion to 1.3 billion (Emont and Myo, 2018).[6] However, the former manager of a BRI project whom we interviewed argued that the rhetoric about the debt trap might be overblown, and should not be seen as something that China forces upon Myanmar but something that can be proactively managed. According to her,

> [t]he officials in Sri Lanka knew the terms of the loans and that the costs of the loans are very high, but they pocketed a lot too. They don't speak about this experience, but they just blame China. If you know there is a debt trap, you don't continue with the project. Both countries have an equal role to play – it isn't a condition imposed by one side.[7]

Despite these risks, there are important reasons for the Myanmar government to back the BRI. In the November 2020 elections, it is in the interest of the National League for Democracy (NLD) government to prove that it can create economic growth. Since after the Rohingya crisis erupted in late 2017, the country has seen lower foreign direct investment inflows compared to the period from 2014 to 2017.[8] A former Shan State parliamentarian whom we interviewed said, "[i]f BRI succeeds, it will bring more jobs to people. They will earn more and spend more in local markets. If BRI succeeds, they will say that the NLD can manage the country."[9] While Myanmar indicated a wish to diversify its investment portfolio after its democratic opening in 2012, the West is sometimes seen as attaching too many conditions to its investments. Statements made by state counsellor Aung San Suu Kyi in reference to the Myitsone Dam in 2019 indicated a change of tone in how she views the country's needs to balance profit and sustainability, thus favouring investment from China. She said that while the environment should be protected, it should not come to the point of hindering development (Nanda, 2019).

As of June 2020, the actual progress of the BRI in Myanmar has been slow and faces numerous difficulties. By comparison, within two years of the launch of CPEC, fifty-one agreements totalling more than USD 46 billion were signed between China and Pakistan, and by May 2019, eleven projects were completed with eleven more underway (Sun, 2019). Since the CMEC framework was signed in 2018 (with the exception of the three border economic zones and Kyaukphyu SEZ, which had an earlier start), none of the prioritised projects have materialised. The slow progress is due to a highly volatile and contested environment.

It came as no surprise that the introduction of the BRI coincided with China's more proactive role in the peace process. China's role became more pronounced in 2017, when it became a broker between the military and members of the Federal Political Negotiation Consultative Committee (FPNCC).[10] Soon afterwards, the Tatmadaw announced a ceasefire in the north, which lasted from December 2018 to August 2019. In that time, the feasibility study for the Muse–Mandalay railroad was completed.

Impacts on Large Economic Actors

Since 2000, Chinese state-owned enterprises (SOEs) have dominated infrastructure projects in Myanmar, particularly hydropower dams and transport infrastructure. However, since the military government adopted a market economy in 1988 to reverse the economic decline after decades of isolation and weak management, infrastructure projects could only be carried out in joint ventures with Myanmar investors, mainly large "family-owned diversified conglomerates that dominate the construction sector" (Overseas Development Institute (ODI), 2017). Under state-mediated capitalism, where the military controlled the country's transition from a modified form of socialism, favoured conglomerates were given joint-venture deals with foreign investors, military conglomerates and SOEs, import–export licenses, and land concessions (Jones, 2014). Having used their networks to leverage licenses, contracts, and subsidies, these conglomerates accumulated wealth in the 1990s and 2000s, and they continued to do so after the country's economic liberalisation from 2012 onwards.

There is a strong indication that this way of doing business is alive and well in the current phase of economic development under the BRI umbrella. Given the scarcity of information on the specifics of BRI projects, only those with a certain level of net wealth, political connections, and information can become the "first movers." When asked which prominent companies are involved in the BRI, a Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) executive named Asia World, Shwe Taung, and the companies owned by Serge Pun. All these companies have a track record of working with Chinese investments. For example, Asia World was the former domestic partner of the Chinese SOE China Railway Group for the Kyaukphyu–Kunming railway before the plan was cancelled in 2014 (Transnational Institute [TNI], 2019a). A former BRI project manager said, "[y]ou can be a Myanmar business, but if you know how to do business with China, you will have an advantage. These companies are owned by ethnic Chinese or have a Chinese partner."[11]

Despite the fact that wealthy individuals donate to Suu Kyi's campaign and are said to influence members of parliament and the government (Tun, 2013), the NLD government has brandished an anti-corruption campaign in an attempt to be seen as transparent. It formed the Anti-Corruption Commission in 2014 in accordance with Order 6/2014 of the President's Office. Regarding crony companies, a UMFCCI executive said:

> From the government side, they are allergic to them. Many are scared to associate with them. Spectators will think that the new political leaders are collaborating with the old guys. They are trying to be transparent and cautious in doing things.[12]

For this reason, the NLD government via the president's office issued a directive in 2017 that requires all major projects over 2 billion Myanmar kyats (MMK) to go through a competitive tender, as a high-level official in a ministry closely involved with the BRI explained.[13] For example, the website of the New Yangon Development Corporation announced that it will use the "Swiss Challenge" model to carry out the tender.[14] This means that one company would be selected to conduct a feasibility study, but other companies would be able to compete with it in the project implementation phase. A former BRI project manager explained the problem with this:

> Before the tender was launched, they [China and Myanmar] signed the Letter of Agreement. You can't brand a project a BRI and then open it for tender. This means that the project will already benefit from Chinese government loans and only Chinese companies can compete. From the Myanmar side, they want to make it look competitive, so they will make it competitive. People know.[15]

The situation is somewhat different in the northern ethnic states where EAOs control more territory. As with larger CMEC projects, the investment climate in the ethnic states also favours investors who are Sino-Burmese. However, ethnic minority investors also have a comparative advantage in these areas. An executive of a large cement company that conducts border trade in the north said:

> In the north, there are more chances for ethnic nationalities and Chinese–Myanmar businesses to compete. The situation is not safe for Bamar businesses because EAOs do not trust them. It is much easier for ethnic and Chinese-Myanmar businesses to operate in this environment.[16]

For example, in the Muse Border Economic Zone, one of the major investors is the New Starlight Group, a company headed by a Chinese-Myanmar individual who established the business in 1999 as a trading and logistics company and then moved into construction in 2006.[17] According to its website, the company will invest in the Muse Central Business District, a public–private partnership project with the Shan State government spanning more than 294 acres on which hotels, shopping centres, and commercial and residential buildings will be built.

In the northern ethnic states, there are differences, however, in *which* economic actors are prioritised for larger BRI projects negotiated at the union level, such as the Muse Border Trade Zone, as compared to projects negotiated at the subnational level. Projects negotiated at the union level are often granted to larger economic actors with connections to higher levels of the military and government, while those negotiated at the state level often favour economic actors with operations based in the Myanmar states. A case in point is the new Namjin Industrial Zone in Kachin State, located 25 kilometres from Myitkyina and spanning about 5000 acres. An MoU for the industrial zone was signed between the Kachin State government and the Yunnan Tengchong Heng Yong Investment Company on 8 May 2018, but the consortium will also include companies based in Kachin State (Lwin, 2019b). The domestic companies are headed by Kachin people or people of other nationalities who have lived in the state for a long period, have an established presence in the state, and were selected for these projects without tender by the Kachin State government.[18]

There is also an emergent trend that distinguishes the current wave of investments under the BRI from earlier ones. According to a military analyst, since 2014, China has been making a concerted effort to bring all major EAOs into its economic sphere of influence, not only in the north where it has traditionally held sway, but also in the southeast along the Thai border.[19] He explained that groups wanting Chinese investments tend to be in the north, including most members of the Northern Alliance, which have traditionally had close military ties with the Chinese government.

The interviewees also pointed out that some EAOs have significant autonomy to make their own deals with China, which allows China to wield greater influence in the north.[20] For example, the United Wa State Party signed an MoU with the Pu’er city government in Yunnan to develop a new industrial zone.[21] With the Wa as a model, some of the smaller northern groups may want to ensure that they also benefit from BRI investments in the same way.[22] On 15 August 2019, the Arakan Army, Ta’ang National Liberation Army (TNLA), and Myanmar National Democratic Alliance Army blew up bridges along the main route to the most important trade hubs on the northern border in Muse and Chinshwehaw (Mathieson, 2019). Several analysts, including an executive member of an EAO party to the ceasefire, concluded that the northern groups wanted to make it clear that excluding them from these deals would backfire.[23] After the attacks, the TNLA made a statement saying that China needs to negotiate with the EAOs in the CMEC (Weng, 2019).

The military analyst further explained that, since 2014, China has been more aggressive in approaching the groups on the Thai border as well. In December 2016, an MoU to implement a multi-component project was signed between the Karen National Union (KNU)-owned company Noble Prince, the private Sun and Rainbow Company, and the Chinese SOE Power China. The project includes the construction of a dam on the Tanintharyi River and the Mae Tha Mee Khee Industrial Estate Project, for which a feasibility study is planned to be carried out in 2020 (Lwin, 2020a). In addition, members of the KNU have apparently been in discussion with Chinese investors for the Huanya International City Project in Myawaddy. However, there has been little transparency, while preliminary research has indicated the illicit nature of some Chinese sources of funding (United States Institute of Peace, 2020).

Most BRI projects are planned with little public involvement or awareness, but projects involving armed groups, including the Tatmadaw-aligned Border Guard Forces, seem to be shrouded in even more secrecy. Hameiri et al. (2018) argue that the extractive cross-border economic activities carried out by subnational Chinese companies operating in and through Yunnan province have worsened security and fuelled conflict in northern Myanmar. A China analyst argues that although the Chinese rhetoric emphasises the need to raise the development level of ethnic minority communities, this is not occurring in practice. Based on interviews with the Chinese authorities, the analyst said that because the provincial authorities (e.g. those of Ruili in Dehong Prefecture on the border to Myanmar) prioritise their personal promotions and local revenue streams, their main objective is to bring in investments regardless of the source. Additionally, since a majority of the CMEC negotiations are centralised at the union level, with little involvement of ethnic minorities, the narrative of a benevolent development model focused on ethnic minorities does not match reality.[24] However, analysts informed about the situation generally believe that China does not want the level of conflict to spiral to a point where it hinders business. A military analyst we interviewed succinctly summarised China's overall strategy towards Myanmar: "China plays a risky game. They are always promoting the EAOs. That approach will never bring stability. They never seriously push the Northern groups to sign […] China wants Myanmar politically weak, economically reliant and functionally stable to some extent."[25]

It appears that the Chinese government and private investors may be pursuing a strategy of economic co-optation of ethnic elites, a strategy also used by the Tatmadaw after the first round of ceasefires in the 1990s to make them "both attractive and relatively durable" (Sherman, 2003: 226). In the short term, EAO leaders may benefit materially. However, the history of the Kachin Independence Organisation (KIO) over its seventeen-year ceasefire indicates that co-optation can lead to heavy natural resources exploitation (Woods, 2011) while weakening the organisation's legitimacy and fomenting divisive internal politics (McCarthy and Farrelly, 2020). These dynamics eventually forced the replacement of many leaders and a resurgence of conflict when the KIO's bilateral ceasefire agreement broke down in 2011.

Impact on Small and Medium Economic Actors

In addition to the nine major infrastructure projects signed at the second BRI Forum, an MOU was signed by China's Ministry of Commerce and Myanmar's Ministry of Investment and Foreign Economic Relations outlining a five-year framework for the development of trade and the economic sector (Lwin, 2019c). As part of this, an agreement was signed between the governments of Myanmar and Yunnan province to promote trade co-operation, under which Myanmar will export agricultural products to China via the Muse Border Trade Zone and, in return, buy farm inputs and construction materials from China.

Compared to the often sceptical view towards the BRI among pundits, the perceptions of the BRI among the local traders interviewed in Myanmar's northern regions are mostly more positive. Similar to large economic actors, there is reason to believe that Chinese and ethnic Chinese Myanmar traders would have an advantage in the potentially increased trade in the north. This was the case after the border trade between the two countries was legalised in 1985, after the Chinese Communist Party significantly reduced their support for the Communist Party of Burma (Steinberg and Fan, 2012). Since then, trade has been facilitated by ethnic Chinese traders from both sides of the border (Kudo, 2006). One of the most successful corn traders interviewed for this study is an ethnic Chinese Myanmar national operating from Lashio with both the capital and the networks to have acquired a formal trading license to sell directly to buyers on the China side. He expressed optimism for the potential gains that the BRI would bring to Myanmar and lamented the negative sentiment towards Chinese investments:[26]

> Generally, businesses here all have positive views of the BRI, but not everyone has the same capacity. Everyone will have benefits, but not everyone understands that. Even Aung San Suu Kyi supports the BRI! Those who have no business involvement just sit in the teashops and chitchat. They blame the Chinese for everything. I ask them what other options are there and they cannot give an answer. It is like rain all over the country–if you are clever, you can make a lot of money.

Almost 70 per cent of Myanmar's agricultural products are exported to China (Kubo, 2016), and demand for Myanmar's rice is expected to grow with planned improvements in the supply chain (Overseas Development Institute [ODI], 2017). Due to deregulation of the rice trade in 2011, border rice trade with China increased from zero to 747,000 tons in 2013 (World Bank and LIFT, 2014), nearly doubling to 1.365 million tons in FY 2014/15 (ODI, 2017). After rice, corn is the second most exported crop and nearly all of it goes to China (ODI, 2017). Corn dominates cultivation in northern Shan State.

However, for reasons that are unclear but related to China's official border trade policies, corn traders report that the volume exported through the Chinese border has become increasingly restricted over the last two years. The corn traders also said that the price dropped from an average of 500 MMK per viss (1.6 kg) to 340–380 MMK per viss by early 2020.[27]

While illegal routes were preferred before the Thein Sein government, the streamlining of border trade has significantly reduced traders' desire to continue using these routes. However, the corn surplus has forced traders to resort to new routes through Myawaddy and Kawkareik in Karen State or Tachileik in Shan State. The higher transportation cost (35 MMK a viss through Muse to at least 120 MMK a viss through Myawaddy) is passed on from traders to small farmers.[28] Many small farmers are worse off in the corn trade because they take input loans from traders, which they then have to repay in corn at lower prices. This often leads to indebtedness and the loss of farmers' land (Woods, forthcoming).

The share of informal trade remains high and BRI investment has not led to the formalisation of small-scale informal trade between China and Myanmar (Stokke et al., 2018). During Xi Jinping's visit in 2020, China and Myanmar signed exchange letters including plans to set up an agriculture product quality control centre and a hybrid-rice research centre (Lwin, 2020b), a move that can potentially help formalise trade.

Further complicating matters, Myanmar itself lacks a cohesive strategy for which agricultural products to prioritise. With reference to the agreements signed between the two countries during Xi Jinping's visit, a China analyst questioned them as follows: "[i]n the last 32 points signed, there were many norms and values, but no clear points about what kind of export strategy or the quality of Chinese goods [coming] into Myanmar [were included]. Without this, different lobbies, such as rice and sugar, can try to pressure the government."[29] While it would make sense for the UMFCCI to advise on such a plan, an executive member interviewed said that it is not officially tasked with fulfilling this role.[30]

Effects on Local Communities

Similar to the way BRI projects have been carried out in other parts of the world (Chansok, 2019; Vakulchuk and Overland, 2019; Wissenbach, 2020), local communities in Myanmar remain poorly informed about the specifics of high-level agreements. However, local communities are at the greatest risk from the potential negative externalities of the planned BRI projects. This situation is exacerbated by the fact that representation of ethnic nationalities in the BRI decision-making committees is negligible (Transnational Institute [TNI], 2019b).

Land-Dependent Communities

In the early years of Myanmar's transition, as the government was seeking to reduce its dependence on Chinese investment, the country saw efforts to strengthen its social and environmental regulations, including more progressive land policies. However, following the drop in investments after 2017, the government mounted a vigorous attempt to attract new investments, especially from China. An amendment to the 2012 Vacant, Fallow and Virgin (VFV) Land Law passed in September 2018 indicates weakened protection of smallholder farmers. The law threatens cultivators using VFV land without registration, with criminal prosecution for trespassing on state land. The government is reportedly creating a "land bank," a digital platform that will inform investors of the availability of land to facilitate investments (Lwin, 2019d).

Populations in the ethnic uplands are significantly at risk because Myanmar law provides weak protection for customary land. Although the VFV Land Law exempts customary land from being allocated for other uses, there is no clear understanding of what it is or how it would be excluded in practice. Per the government's own estimates, 75 per cent of all of the country's VFV land is within the seven ethnic states (37.24 out of 49.39 million acres), while VFV land makes up about 30 per cent of [all] land across the country (Table 3). Given this situation, the possibility of widespread land confiscation for BRI projects is high. Unless stronger laws are introduced to protect the rights of ethnic communities to their lands, BRI projects could have far-reaching impacts on ethnic communities' access to natural resources and ability to sustain their livelihoods.

Contrasting with the optimistic perspectives voiced by business people, many land-dependent communities and the civil society organisations (CSOs) that work with them see China as being much more extractive. One interviewee from a Shan CSO working in Lashio described the weak consultation process with local communities for the

Table 3. Breakdown of VFV Land Across Seven Ethnic States in Myanmar.

	Total land in acres	Total VFV land in acres	% of state land
Chin	8,900,458	4,235,832	48
Kachin	22,002,702	9,427,649	43
Rakhine	9,088,053	3,814,687	42
Kayin	7,507,743	3,101,374	41
Shan	38,499,345	15,975,819	41
Kayah	2,898,920	453,827	16
Mon	3,038,565	226,811	7
Ethnic States subtotal	91,935,786	37,235,999	
Union total	167,186,334	49,391,474	30

Source: GRET (2017) Government data as summarised by the non-governmental organisation GRET.
Note: VFV: Vacant, Fallow and Virgin.

Muse–Mandalay Railroad project.[31] He said that the local authorities only invited community representatives from Lashio, not the villagers who will be directly impacted by the construction of the railroad. The government called it a consultation, but it was instead a one-way presentation of the plan that only told villagers about positive aspects such as job opportunities. Because there is little public information about these plans, CSOs plan to set up a monitoring team to collect data in the six townships of northern Shan State: Muse, Kutkai, Lashio, Hsipaw, Kyaukme, and Naungcho. While communities' lands have so far not been confiscated, CSOs have noted ominous markings across villages that indicate where the project will transect.

Conflict-Affected Communities

Additionally, of major concern to local communities is the increasing presence of private security forces in connection with investments projects. The Chinese government recently hired the Frontier Services Group (FSG), the former Blackwater security firm infamous for working alongside the American military in Iraq, to provide security for these investments. The relationship between the Chinese government and FSG is intricate: the chairman of CITIC Capital Holdings, which holds the majority share in the Kyaukphyu port, is also the chair of FSG and both companies created USD 50 million funds to invest in BRI projects.[32] To the distress of local people, the presence of private security forces has become highly noticeable in a project involving Border Guard Forces in Shwe Koko in Myawaddy, not officially recognised as a BRI project, but nevertheless touted as one by its private investors. A military analyst said the following:

> They are trying to monopolize the security landscape in the future. Frontier was established for supporting the BRI rollout. They can be for hire by Chinese projects. Local communities

> are not familiar with these foreign security forces. The public thinks it is a strange arrangement and they feel China is penetrating into their land.[33]

Reflecting the different political realities of CMEC implementation in each region, the former head of a Kachin CSO believes that China will be more careful in how it approaches communities in Kachin State. He believes that China's behaviour changed after the cancellation of the Myitsone Dam:

> As long as China can do their projects, they would be willing to make a deal with different groups. Before, they would only meet with community through the township administrators. Now, they are more direct in dealing with communities and CSOs. For example, CPI [a Chinese SOE] invited KDNG [a Kachin CSO] to present their report on Myitsone.[34]

However, given that most BRI projects cross through conflict-affected areas, it is likely that this factors into the NLD government's risk calculation for BRI projects and is a reason for its slow progress on the implementation of CMEC. The former manager of a BRI project said that:

> NLD needs China more than before, but can't grant whatever China wants, in order to maintain political support […] The government cares more about political legitimacy than being business driven. They will consider whether projects impact the peace process. Since most are in conflict-affected areas, they are much more risky for Myanmar. For Kyaukphyu, they can't say 'no' now, but they can scale it down. For the railroad, nothing has been signed, so they can drag it out.[35]

In this section, we have outlined the impact of BRI projects on local communities. More research is needed to better understand the scope of the impact. However, beyond the tactic of delaying the projects, the government's failure to put in place stronger regulatory institutions and to effectively capture taxes to finance public goods for those areas most affected by the BRI could increase challenges for the implementation of the BRI. This is because an outflow of the region's natural resources, without sufficient returns to host communities and to armed groups that have been left out of the deals, will likely fuel resentment and perpetuate armed struggles. In fact, a common argument made by ethnic leaders is that

> political federalism would enable ethnic minority populations to have a greater say in their state's development, be more resonant with local cultural traditions and local communities' development aspirations, and accrue more material benefits to the regional state and local populations. (Woods, 2018: 24)

The next section summarises and discusses the main findings of the study.

Discussion

This article has analysed how BRI projects can transform the structure of national economies and reallocate economic benefits and losses among different actors and industries. As shown in Table 4, BRI projects are most likely to benefit larger economic actors that are ethnically Chinese or have Chinese partners, and have extensive networks with the Chinese government and investors, close relations to Myanmar's political elites, and sizeable capital and know-how. These investors have already demonstrated that they are early movers under the BRI. Projects negotiated at the state level, which are lower priority for Myanmar at the union level, are more likely to benefit economic actors with established operations in those states.

Compared to the pre-BRI era, it appears that the Chinese authorities at different levels and investors have become more proactive with regard to securing deals with EAOs not only in the north but also in other regions of the country. Several EAOs have also indicated their interest in concretising these partnerships, but only those with sufficient autonomy vis-à-vis the Myanmar government will be able to realise these ambitions.

Despite the current terms of trade not yet being favourable for small and medium economic actors to realise gains, the expectations of many of these actors interviewed in the north regarding the BRI are positive. They believe that the BRI has the potential to bring benefits from increased agricultural trade, and investments in agriculture and infrastructure, especially in the northern states. However, if the trade terms do not improve from their current stalemate, smaller farmers will continue their downward spiral of growing debt to traders acting as lenders. This means that many crop producers could become landless.

At the local level, unless civil society can mobilise sufficient pressure to hold the Myanmar government accountable, local communities will bear the brunt of the BRI's social and environmental externalities. In turn, the BRI will contribute to worsening economic and social inequality, even if it contributes to a steady rate of national economic growth. Additionally, if the Myanmar government is not able to manage the risks of BRI's expansion into areas of high conflict volatility and low levels of trust, more areas may descend into cycles of violence.

In recent years, it has become increasingly apparent that the public has an explicit bias against Chinese investments, as confirmed in a survey of nearly 3000 respondents from across Myanmar (Yao and Zhang, 2018). In fact, public support for investments is dependent on the firm's choice of local partners and community engagement strategies. The survey's findings imply that Chinese SOEs that work with non-military-affiliated companies and engage with communities garner more public support.

In addition, the Chinese government risks further weakening its international reputation if it does not establish stronger governance infrastructure to oversee, regulate, and co-ordinate BRI projects. The Chinese government's initiative to create a BRI co-ordination body (Transnational Institute [TNI], 2019a) could translate into a stronger governance body that rewards or holds back projects based on whether they adhere to a set of corporate guidelines. As a former BRI project manager noted in one of our

Table 4. Summary of the Winners and Losers From BRI Projects.

Type of actors	Prospective beneficiaries	Prospective losers
National conglomerates	Ethnic Chinese Myanmar nationals or those with Chinese partners, who have strong networks within elites in China and Myanmar, high net worth (e.g. Asia World, Shwe Taung, Serge Pun companies, New Starlight Group).	Large companies that do not have these networks.
Companies operating at subnational levels in ethnic states	Companies that are owned by ethnic minority states, have established bases in the states and tend to have strong ties to the state government and military elites.	Companies that are not favoured by ethnic state political elites.
EAOs	Larger EAOs that already have significant autonomy in relation to the Myanmar government to make deals directly with Chinese authorities (e.g. the Wa).	Smaller EAOs that do not have sufficient leverage with either the Chinese or Myanmar government.
SMEs	If trade terms improve, SMEs that tend to be ethnically Chinese or have strong ties, larger traders dealing in Myanmar's top export crops (e.g. corn, rice).	If trade terms do not improve, smaller farmers who have incurred debt to traders that is to be repaid in the form of tradeable goods.
Land-dependent communities	Areas where communities have mounted successful challenges to Chinese investments (e.g. Kachin State) might see a higher willingness by investors to compromise.	In sum, local communities are likely to lose out from BRI projects unless civil society is mobilised to challenge unchecked land grabbing.
Communities in conflict areas	Areas where communities have mounted successful challenges to Chinese investments (e.g. Kachin State) might see a higher willingness by investors to compromise.	Communities in areas where the rule of law is weak and private security forces are deployed are likely to face greater rights abuses and more restrictions in access to land and natural resources.

Note: BRI: Belt and Road Initiative; EAOs: ethnic armed organisations; SMEs: small- and medium-sized enterprises.

interviews, "[i]f China really wants BRI to succeed, they need a grand strategy to change perceptions towards China."[36]

Indeed, the Myanmar government's efforts to rationalise its approach to the BRI by using the MSDP to vet projects and promote greater competitiveness among foreign and domestic investors are a step in the right direction. However, information on most deals remains hidden from public view and there has been little substantial discussion with local communities, in violation of the Free, Prior and Informed Consent (FPIC) principles outlined in Myanmar's investments laws. Given that major BRI projects cross conflict-affected areas, the Myanmar government is walking a fine line in seeking to encourage economic development while not inflaming an already unstable situation. In this situation, adherence to high social and environmental standards is needed more than ever.

Conclusion

We found that BRI projects have already brought notable changes in resource reallocation and varying degrees of impact on local economic actors and communities. We also found that we have captured only a part of the impact, and there are still many uncertainties regarding how the BRI will transform Myanmar's economy at different levels and that requires further research.

Based on our findings, we suggest three main recommendations to minimise the negative impact on local actors. First, as part of the BRI steering committee, the Myanmar and Chinese governments could prioritise regular risk assessments for economic actors and vulnerable communities who are likely to bear the brunt of negative project externalities. This is particularly important in the conflict zones, where potential resource reallocations can exacerbate tensions.

Second, in cooperation with civil society, international donors could assist with feasibility and impact assessment of started and planned BRI projects and provide the Myanmar government with recommendations to prevent and mitigate harm to local communities or to accommodate the needs of those who lose livelihoods or access to natural resources and suffer from increased conflict due to BRI projects.

Third, it is critical that both the Myanmar and Chinese governments enhance the transparency of BRI projects by (1) conducting inclusive and dialogue-based consultations with local actors, (2) carrying out regular impact reviews of ongoing projects, (3) conducting regular detailed information campaigns in Burmese and local languages on the status of ongoing and planned projects, and (4) strengthening the regulation of BRI-related business activities (e.g. trade, tenders, and rules on the use of local content, including the recruitment of local labour).

Moving forward, how well BRI projects will be governed in Myanmar depends on the combination of national, regional, and local policies regarding these projects. Myanmar showed early on in its transition that when sufficiently strong policies are in place, the Chinese government and its SOEs eventually had to adapt and be more responsive to community needs (Mark and Zhang, 2017). However, the results were not consistent across the country. Under pressure to recover from the economic onslaught of the current COVID-19 crisis, it is unlikely that the Myanmar or Chinese governments will prioritise the protection of local communities from the inevitable social and environmental disruption that BRI projects will cause. In this sobering context, civil society is likely to continue to bear the burden of defending society against the excesses of extractive and infrastructure investments.

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Notes

1. Interview, 5 February 2020.
2. Interview, 11 February 2020.
3. Interview, 29 January 2020; interview, 4 February 2020; interview, 5 February 2020.
4. Interview, 15 February 2020.
5. Interview, 5 February 2020.
6. The case of the Hambantota Port in Sri Lanka set an example for many countries engaging with China's BRI. In December 2017, Sri Lanka formally handed over the strategic port and 15,000 acres of land around it to China on a ninety-nine-year lease after struggling to make payments on a loan of USD 1 billion.
7. Interview, 8 February 2020.
8. For an annual breakdown of approved FDI, see https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/yearly_country_9.pdf.
9. Interview, 30 January 2020.
10. The Arakan Army (AA), the Kachin Independence Army (KIA), the Myanmar National Democratic Army (MNDAA), Ta'ang National Liberation Army (TNLA), Shan State Progress Party (SSPP), National Democratic Alliance Army (NDAA), United Wa State Army (UWSA).
11. Interview, 8 February 2020.
12. Interview, 4 February 2020.
13. Interview, 11 February 2020.
14. For a description of the project, see https://www.nydc.com.mm/the-nydc-challenge/
15. Interview, 8 February 2020.
16. Interview, 31 January 2020.
17. For a description of the project, see https://www.newstarlight.com.mm/about-us/

18. Interview, 7 February 2020.
19. Interview, 6 February 2020.
20. Interview, 5 February 2020; interview, 14 February 2020.
21. Interview, 14 February 2020; Pu'er City official website.
22. Interview, 14 February 2020.
23. Interview, 6 February 2020; interview, 14 February 2020; interview, 16 February 2020.
24. Interview, 14 February 2020.
25. Interview, 6 February 2020.
26. Interview, 31 January 2020.
27. Interview, 30 January 2020; one viss equals 3.6 pounds.
28. Interview, 30 January 2020.
29. Interview, 4 February 2020.
30. Interview, 4 February 2020.
31. Interview, 29 January 2020.
32. For further detail, see the company's website: http://www.fsgroup.com/en/news/show-522.html
33. Interview, 6 February 2020.
34. Interview, 7 February 2020.
35. Interview, 8 February 2020.
36. Interview, 8 February 2020.

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