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**Myanmar: Going from Pause to Fast Forward with China's
Belt and Road Initiative (BRI)**

by

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I. Defining Terms

(i) *Belt and Road*

1. It will be useful to begin by defining what is meant by “Belt” and “Road” in China’s *Belt and Road Initiative* (BRI). Actually "Belt" refers to the overland routes such as for road and rail transport, called *Silk Road Economic Belt*. And "Road" refers to the sea routes, known as *21st Century Maritime Silk Road*.

2. BRI is the *brainchild* of China’s President Xi Jinping which he launched in a speech he delivered at Kazakhstan in September 2013. Initially, President Xi emphasized restoring the two thousand year old ancient and mostly camel caravan driven *Silk Road* that connected Asia and Europe.

3. However, BRI’s scope has been expanded over the years to include new territories and development initiatives. It now involves building a big network of roadways, railways, maritime ports, power grids, oil and gas pipelines and associated infrastructure projects.

4. As for the *21st Century Maritime Silk Road* – the sea route corridors – what is of special interest for us is the one that covered South Asia, Southeast Asia, Middle East, Oceania, and North Africa, through several adjoining bodies of water, namely: South China Sea, South Pacific Ocean, and the Indian Ocean. We shall therefore devote attention to this corridor which is of particular relevance for Myanmar to move forward with BRI.

5. To keep matters in proper perspective it will be desirable to note that the size and scope of BRI is huge. This initiative with a trillion US dollar fund at its disposal is the largest set of infrastructure and investment projects in history, covering more than 68 countries, including 65% of the world's population and 40% of the global Gross Domestic Product as of 2017. Hence many countries, both developed and developing, are taking interest in and are exploring and participating in this China’s massive initiative.

(ii) *Pause and Fast Forward*

6. The Pause we have in mind is the stalled Myitsone dam project which was suspended by President U Thein Sein on 30 September 2011 for the duration of his administration. U Thein Sein’s administration ended in March 2016, and the question of whether the project should be resumed or not, or do something else with it, has become a very hot and emotional issue, and on which a decision is needed soon. This paper will therefore try to present facts, ground realities and arguments to help find a solution to this long standing Myitsone dam controversy. Frankly speaking, I strongly feel it should be terminated.

7. As for the Fast Forward option we have in mind the *China-Myanmar Economic Corridor* (CMEC) and its associated *Kyaukphyu Special Economic Zone (SEZ)*. The Memorandum of

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Understanding (MOU) for CMEC was signed in September 2018 by Myanmar Minister of Planning and Finance U Soe Win and Mr. He Lifeng, Chairman of China's National Development and Reform Commission (NDRC).² A related agreement to develop a deep-sea port at Kyaukphyu was signed between Myanmar's Kyaukphyu SEZ Management Committee and China's CITIC Consortium on 8 November 2018.³ This 1,700-kilometer corridor will connect Kunming, the capital of China's Yunnan Province, to Myanmar's major economic centres – first to Mandalay, and then to Yangon and finally to Kyaukphyu SEZ, linking the least and most developed areas of Myanmar that will help promote the country's balanced economic development.

8. The CMEC project as set out above will require us to deal with highly complex issues that according to a Myanmar expert's view may even pose a greater threat than the Myitsone dam.⁴ But not to worry. The Myanmar government is not noted for taking bold moves and decisions on complex issues. However, on the CMEC it is going to be different. China has a stake on it and as for us, BRI has been in operation all over the world for more than five years. Over these years a lot of experience, lessons and useful advice has been obtained on what to do, and what to avoid, for countries like us regarding BRI. These include several of our neighbours.

9. I am sure our authorities will make good use of these lessons that are now available and engage with China in implementing Myanmar's MOUs on BRI, especially those associated with CMEC and Kyaukphyu SEZ. Ideas and suggestions on how we may wish to go forward to achieve mutually beneficial outcomes are presented in this paper.

II. The Myitsone Dam Issue

(i) *Myitsone Dam Project: Background*

10. The *Myitsone Dam Project Agreement* was signed in late 2006 under a previous Myanmar regime. The Agreement was signed by former Vice Senior-General Maung Aye and Chinese President Xi Jinping, who was China's Vice President at that time. The cost of the project came to US\$3.6 billion. Construction began in 2009 and when completed in 2017 the dam's hydropower station will have installed capacity of 6,000 MW of electricity of which 90% will be exported to China.⁵

11. The dam's site is located 2 miles below the confluence of the Maykha and Malika rivers and about 26 miles north of Myitkyina.⁶ Yunnan International Power Investment a unit of State Power Investment Corporation is the developer of the dam and the project is implemented in a joint venture with Ministry of Electric Power No. 1 of Myanmar and the Asia World Company.

12. As we all know, Myitsone dam is highly unpopular in Myanmar. The people in the country are unanimous in their stand that the dam will do a lot of harm to Myanmar in many respects and that it should be terminated. As already stated above, responding to this widespread

²Nan Lwin, "Gov't signs MOU with Beijing to build China-Myanmar Economic Corridor," The Irrawaddy, 13 September 2018.

³"Government's third year endeavours for the benefit of the people," New Light of Myanmar, 21 April 2019 edition, page 8.

⁴Bertil Lintner, "Kyaukphyu BRI Projects a Bigger Threat than Myitsone," The Irrawaddy, 8 April 2019.

⁵In 2006, Myanmar's GDP in US dollars is estimated to be \$14.56 billion. So cost of Myitsone dam at \$3.6 billion comes to roughly 25% of Myanmar's GDP in 2006. At present Myanmar's installed hydropower capacity is 3,033 MW. Hence Myitsone dam with 6,000 MW is expected to double Myanmar's installed hydropower capacity.

⁶The dam is concrete faced rock-fill type. It is 4,300 ft long and 458 ft high and will create a reservoir with surface area of 173 square miles with maximum water depth of 397 ft. With these dimensions it is said to be among the big dams of the world. Please see Wikipedia, The Myitsone Dam.

public concern President U Thein Sein in September 2011 suspended the dam project during his administration saying it was “against the will of the people.”

(ii) *Revival of the Myitsone dam controversy*

13. Strong views on the stalled Myitsone dam project expressed by Ambassador Hong Liang of the Chinese Embassy in Yangon revived and heightened the controversy. His statement published in the embassy’s Facebook page contended that Myitsone project occupied an important part of BRI and that any further delays could hamper bilateral relations. He also warned that if the Myitsone issue is not resolved, it will seriously hurt the confidence of Chinese entrepreneurs and hence the two sides should find an acceptable solution as soon as possible.⁷

14. Similar remarks were also made by Mr. Ding Gang, a Senior Editor of *People’s Daily Newspaper*.⁸ He noted that reasons behind the dam’s suspension were very complicated. However, since the deal was signed, Myanmar will be in breach of the contract if it decides to scrap the project and compensation payments would be required. Moreover, dealing with a project under contract should be in keeping with international practices. If there are new public demands or environmental concerns, talks should be held and stoking nationalism isn’t a solution. Hence, how the stalled project is dealt in accordance with international practices will determine Myanmar’s investment environment, the government’s credibility and the long-term development of the country.

15. So how is the NLD government dealing with the stalled project? On this question it may be useful to note that Myanmar has a long tradition of setting up committees to deal with any problem or issue that crops up. These committees are headed by the top leader with ministers serving as members. The same officials usually end up serving on a large number of such committees. So a lot of their time and energy are spent on meetings, ceremonies and celebrations connected with the committees that take a heavy toll on their ability to perform their normal official duties.

16. In keeping with this tradition, the NLD government has set up a 20-member Commission to review the Myitsone dam project including its environmental and social impacts.⁹ The Commission has produced two reports but they are not released. This has led to speculation that the reports probably found the project had more disadvantages than advantages for Myanmar.

17. The concerns and misgivings the people of Myanmar had on the Myitsone dam exploded when Ambassador Hong Liang visited Myitkyina in late December 2018 and held a meeting with the Kachin political and religious leaders. At that meeting the ambassador claimed some Kachin leaders supported the project. This caused dismay and disbelief and a storm of protests, demonstrations, and calls for termination of the project became more widespread and intense.

18. The technical aspects of the dam provided by environmentalist Dr. Myint Zaw gave a good account of major concerns of the Myanmar public regarding the dam.¹⁰ Dr. Myint Zaw pointed out that based on international examples and local surveys Myitsone Dam will kill the Irrawaddy, and destroy the social security of millions of people who live along the river. A river flows not just to convey water, but also to preserve the balance of nature. Its ecological balance sustains the lives of the majority of farmers and fishermen in the country. The blocking of the natural flow of the river will cause huge changes in the flow of the entire river downstream. This will affect the agriculture and livestock farming of millions of people, not to mention changes in the waterway, river temperature, and erosion of riverbanks. The changes will be felt right down

⁷Laura Zhou, “China faces backlash as it bids to rekindle stalled US\$3.6 billion Myitsone Dam project,” [South China Morning Post](#), 20 January 2019.

⁸Ding Gang, “Myitsone dam concerns Myanmar’s credibility,” [Global Times](#), 30 January 2019.

⁹The Commission is headed by U T Khun Myat and includes the Chief Minister of Kachin State.

¹⁰Kyaw Kha, “Is China Deliberately Sowing Discord over the Myitsone Dam?” [The Irrawaddy](#), 19 January 2019.

to the Delta. It has become clearer, according to recent international surveys, that the middle part of the river and the Delta areas will be hit hardest by the downstream impact. So it is a serious cause for concern from a technical point of view.

19. Another comprehensive, informative and useful technical study on the hydropower aspects of five big Myanmar rivers including the Irrawaddy was prepared by the International Finance Corporation (IFC) a member of the World Bank Group, in cooperation with Myanmar's Ministry of Electricity and Energy (MOEE). The study is titled *Strategic Environmental Assessment of Myanmar Hydropower Sector (SEA)*.¹¹ The study took two years to complete and its *Final Report* came out in August 2018.

20. When the Final Report was eventually issued in November 2018 by MOEE, the Ministry has removed its logo from the cover of the Report. Enquiries for this change revealed that the Ministry was drafting the new white paper with technical support from a Chinese government agency, namely China's National Energy Administration.¹²

21. As for the reason for the change, it was speculated that with SEA the government has a tool to decide on what to do, and what not to do, on hydropower projects. Such a tool can reveal facts and reasons why a stalled big hydropower dam project like Myitsone should not be resumed.

22. Finally, to round off my presentation on reasons why Myitsone is so unpopular with the people of Myanmar, I should mention what a highly revered and respected Catholic Cardinal Charles Maung Bo had complained about it. The Cardinal said: "Myitsone dam is the death sentence to the people of Myanmar. The grim prospect of millions of farmers losing their livelihood, the abuse of sacred sites along the river, the death and destruction of the precious flora and fauna of our dear nation, are becoming a nightmarish reality."

(iii) *A way to deal with the Myitsone Dam controversy*

23. U Thaug Tun, the Union Minister for Investment and Foreign Economic Relations has made several frank comments, observations and suggestions on the Myitsone dam controversy which I believe will provide a good basis to deal with it. A list of these comments are as follows:¹³

(a) Public anxiety over Myitsone should not be ignored. The river is important and electricity is also necessary for development of our country.

(b) Under the previous agreement, 90 percent of the electricity generated from Myitsone is slated for export to China. But today, China can produce electricity exceeding its domestic needs. So there is no need for this dam now.

(c) There are many places in Myanmar conducive for implementing hydropower projects. So we are looking at other locations to execute the project so we can produce the electricity needed by the country without impacting the locals and the environment.

(d) Earthquake fault line running under the project site and large catchment area affecting residents are problems that will have to be addressed.

¹¹IFC, "*Strategic Environmental Assessment of Myanmar Hydropower Sector (SEA)*," *Final Report*, August 2018.

¹²Thomas Kean, "*In boost for Myitsone, China advising government on new hydropower policy*," *Frontier*, 30 January 2019.

¹³U 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.

(e) Original plans for the dam were not thought out and failed to consider the impact on the community and the environment.

(f) The concept of the dam project when it was first conceived was actually misguided.

(g) If enough research was done, we will find that this dam needs to be reconsidered.

(h) Experts, locals and environmentalists were not consulted. Environmental Impact Assessment (EIA), and Socio-economic Impact Assessment (SIA) were not done.

(i) Hence, the Myanmar Government is giving serious thought to the Myitsone dam controversy and considering all possibilities, including downsizing the dam, relocating it or developing other projects instead.

24. From U Thaung Tun's comments and suggestions quoted above we can summarize and draw the following conclusions:

(a) First, unlike a decade ago China now has capacity to generate an electricity supply that meets its domestic requirements and even had a surplus. Hence it is no longer necessary to import electricity from Myitsone and to continue to push for this dam in its relations with Myanmar.

(b) Second, if China still feels hydropower generation is essential for Myanmar's economic development in its BRI engagement with us, there is no need to resume Myitsone as "there are many places in Myanmar conducive for implementing hydropower projects" that can fulfill this requirement.

(c) Third, Myitsone has become a highly emotional issue for the people of Myanmar. For many well-known reasons it is no longer acceptable to them. Resumption of the project at this stage will mean political suicide for the Myanmar Government and will seriously damage the high hopes we have for a mutually beneficial Myanmar's engagement with BRI in the years ahead. This is a crucial factor that will need to be kept in view.

(d) Fourth, on 21 August 2018, the newly elected Prime Minister Mohamad Mahathir announced the cancellation of three BRI projects in Malaysia.¹⁴ The agreements for these projects were concluded with China by the previous corrupt Malaysian regime with unfair terms and dubious benefits for the country. Prime Minister Mahathir while cancelling these projects continued to maintain good relations with China. In fact, during his meeting with President Xi Jinping in late August 2018, he said: "China's Belt and Road Initiative will promote regional exchanges and cooperation, which will benefit all countries in the region and Malaysia is willing to actively participate in the joint construction of the new Silk Roads."

(e) Fifth, the Myitsone dam project concluded with a previous Myanmar regime was not well thought out and suffers from many technical, social, environmental, and cultural defects and shortcomings. Malaysia has demonstrated that such projects can be terminated without adversely affecting relations with China. The Myitsone debacle has distracted our attention and a lot of our time and energy has been devoted to it without getting us anywhere. It is high time to follow the good example set by Malaysia: terminate the project and do "something else in its place" as recommend by U Thaung Tun.

(f) Sixth, that something else to do instead is to embark on CMEC and Kyaukphyu SEZ in close cooperation with China. I am reasonably confident with some patience, hard work and

¹⁴Blake H. Berger, "Malaysia's canceled Belt and Road Initiative projects and implications for China," The Diplomat, 27 August 2018.

more inclusive approach to economic development on our part will get us on and speeding along on the *New Silk Road*. This is taken up in section III below.

III. Views on CMEC and Kyaukphyu SEZ by Myanmar and China

(i) *Need for Myanmar public to be better informed about BRI*

25. There is an interesting article by Professor Bi Shihong that makes an assessment of the present state of Myanmar's involvement with BRI.¹⁵ One point he stressed is his observation that Myanmar's society is largely not aware of BRI and knowledge of the initiative is limited to government officials and elites engaged in policy research or dealing with China. Ordinary intellectuals, not to mention the man in the street, have little knowledge of the initiative.

26. I agree it will be desirable for our people to be better informed about BRI. The BRI phenomenon has attracted world-wide attention and a huge volume of information on it are readily available on the Internet. Our ordinary folks and especially young people can access this information with hand phones to be more aware of how countries all over the world have responded and dealt with the opportunities and challenges of BRI.

27. A more worrisome information gap is lack of adequate awareness of the Myanmar people with respect to their own country's involvement with BRI due in part to withholding of information on the subject by the Myanmar authorities. Details of projects and MOUs are usually not released. A large number of top Chinese officials have been visiting Naypyitaw and engaging in talks with a large number of top Myanmar officials. What are reported in the national newspapers are glossy colour photographs of these dignitaries with a few lines in a brief one paragraph note that they met to exchange views on BRI. Details of what are discussed are usually not reported. Often, we have to rely on coverage of these events by the Chinese media rather than our own.

28. There are also complaints that decisions regarding BRI are conducted upstairs and officials and residents on lower floors, ground floor and basement are kept in darkness. Obviously, this must change. All officials down the line and common folks as well as our experts, specialists, researchers, and Civil Society Organization (CSO) members must be kept informed, to make them feel they are consulted, and that they are playing an active part and are stakeholders with tangible benefits to come from BRI in order to move this China's initiative forward in Myanmar.

(ii) *China's views on CMEC and Kyaukphyu SEZ*

29. The CMEC and Kyaukphyu SEZ are of considerable economic and strategic importance for China. These two projects enjoy a unique and special attraction for China's BRI scheme. They link and form parts of both *21st Century Maritime Silk Road* and the *Silk Road Economic Belt*.¹⁶ As already mentioned above¹⁷ CMEC runs from Kunming in China's Yunnan province, crosses the Sino-Myanmar border at Muse and continues to Mandalay, where it splits into two. Then one section runs westward to Kyaukphyu on the Bay of Bengal in Rakhine state, while the other runs south to Yangon. This Silk Road Economic Belt component provides western regions of China like Yunnan access to the sea. And access to sea is desirable because it will create

¹⁵Bi 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 Neighbor Diplomacy Studies and School of International Studies, Yunnan University*.

¹⁶Only one other country, Pakistan, enjoys this advantage.

¹⁷Please see paragraph 7 on pages 1 and 2.

greater opportunities for economic progress of these regions that have been left behind and cannot keep up with the fast-growing Eastern sea coast regions of China.

30. Moreover, the route to and from Kyaukphyu port runs parallel to gas and oil pipelines built by China that have been in operation since 2013 and 2017. These are set up before BRI but they are now considered essential projects under BRI.

31. As for the *21st Century Maritime Silk Road* component, Kyaukphyu's link with the Indian Ocean¹⁸ cuts 5,000 kilometers travel distance for shipments from Africa, West Asia and South Asia to China. This facilitates China's oil and other trade with Africa and West Asia, and boosts the economy of less-developed and landlocked Yunnan Province, as noted above. What is more important, CMEC would also enable Chinese ships and oil tankers to bypass the Malacca Straits, reducing the risk of disrupting China's oil supply and other strategic materials by adversaries blocking the Straits during a conflict.

(iii) *Myanmar's potential benefits from CMEC and Kyaukphyu SEZ: Lessons from entrepot trade of Hong Kong and Singapore*

32. Hong Kong and Singapore have a long tradition of entrepot trade. Hong Kong as the gateway of China benefited from the upsurge in economic activity that took place in China beginning in the late 1970s when it instituted economic reforms and adopted a policy of opening up the economy to the outside world. Buoyant growth in Southeast Asia the hinterland of Singapore, has also boosted the entrepot trade of Singapore.

33. The boost given to Hong Kong and Singapore in their traditional roles as trading centres required a concomitant expansion in their infrastructural facilities, particularly in transport and communications.¹⁹ Both economies have achieved success in meeting these requirements starting from the late 1980s. Consider for example their sea ports. In terms of the containers handled, they both ranked among the top in the world. In 1989, container traffic handled by Hong Kong is estimated to be 4.46 million twenty feet equivalent units (TEUs) while Singapore handled an estimated 4.36 million TEUs.

34. Likewise, in late 1980s both Hong Kong and Singapore were in the forefront in the development of telecommunications infrastructure. Hong Kong had over 2.7 million telephones for its 5.7 million inhabitants – which worked out at 47 phones per 100 population. For Singapore the figure was 46. This gave to both a slight edge over the United States which had at that time a telephone density of 45 per 100 population. Singapore also had the distinction of being the first country to have fully digitized its telephone system.

35. Keeping the above experience of Hong Kong and Singapore in view Myanmar at present with its CMEC and Kyaukphyu SEZ projects also has two favourable factors we can exploit, namely (a) substantial increase in infrastructure investments from China, and (b) a growing western China economic hinterland. How to take advantage of these favourable factors are presented in the section below.

IV. Myanmar: Engagement with BRI for fast forward

(i) *Lessons from Myitsone*

36. Union Minister U Thaung Tun has made a frank assessment with what went wrong with Myitsone dam project that resulted in national heartbreak for our people. Many useful lessons

¹⁸Please see paragraph 4, page 1.

¹⁹U Myint, "Past Trends and Current Status of Infrastructure in the Asia and the Pacific Region," Economic and Social Survey of Asia and the Pacific (Bangkok: ESCAP, 1990).

should be drawn from this unfortunate experience. Lack of transparency and accountability on the part of our key decision-makers probably tops the list of mistakes we made. Moreover, our experts were not consulted and no proper economic, social, cultural and environmental impact assessments of the dam were undertaken. Obviously, these are mistakes that should not be repeated with regard to our present BRI engagement as well as agreements we conclude with our other development partners.

(ii) *Lessons from neighbours*

37. I am pleased to note that Myanmar has been able to draw valuable lessons from the experience of its neighbours with BRI. A well-known case is Sri Lanka's Hambantota port which was built with loans of \$1.3 billion from a Chinese state-owned bank and began operations in 2010. The Sri Lankan government was unable to repay the debt, with the project incurring heavy losses and has to hand the port over to China on a 99 year lease.²⁰

38. This well publicized Hambantota episode is not unique. Many other countries including several of our neighbours faced the same *debt trap* problem. Hence, with access to this information the Myanmar government was able to successfully re-negotiate for a large cut in the cost of Kyaukphyu port.²¹

39. This large cut is from the initial projected cost of \$7.2 billion to \$1.3 billion to fund the first stage of the project in which one wharf capable of mooring two to three ships will be built. The original plan was to build two wharves for more than 10 ships. Additional investment will be made to expand the port in three additional stages if usage and profits are strong. There are good prospects for success of the project. Kyaukphyu is a natural harbour that is suited for large ships and 300,000 ton tankers are already docking at its wharf. Both countries will invest in the project, with 70% share provided by a Chinese consortium led by state investment company Citic Group while the Myanmar government and 42 domestic companies will provide the remaining 30%.

40. Inflated costs due to absence of competitive bidding has been another reason for concern with BRI projects. China's policy to send its own personnel, engineers and skilled labour has also led to resentment among the local populations, who do not benefit from employment or technical know-how. PM Mahathir Mohamad highlighted these shortcomings when he cautioned Philippines on 7 March 2019.²² He said "None of our people are employed as workers, none of our companies are used for designing, planning and supervising, etcetera, of projects. Moreover, foreign direct investment should not involve bringing huge numbers of foreigners to live in the country because that might disturb the political equations in the country."

41. Pakistan's recent complaints about the mishandling of China-Pakistan Economic Corridor (CPEC) is another Asian country's experience which Myanmar should keep in view. CPEC is a transport corridor running from China's Xinjiang autonomous province²³ to Gwadar deep-sea port situated on the banks of Arabian Sea in Baluchistan province of Pakistan. Pakistani ministers and advisers say the country's new government will review and renegotiate

²⁰Lu Hai Liang, "Sri Lanka hands over port to China to pay off debt," *The Nation*, 14 December 2017.

²¹Yuichi Nitta, "Myanmar cuts cost of China-funded port project by 80%," *Nikkei Asian Review*, 28 September 2018.

²²"Mahathir warns Philippines Duterte about Chinese loans," *YouTube*, accessed 11 March 2019.

²³Xinjiang, an autonomous territory in northwest China, is a vast land-locked region of deserts and mountains. It is home to many ethnic minority groups, including the Turkic Uyghur people. The ancient Silk Road trade route linking China and the Middle East passed through Xinjiang.

BRI agreements signed more than a decade ago that it says unfairly benefited Chinese companies.²⁴ Among them are CPEC project with a price tag of \$62 billion and \$30 billion worth of power plants. The unsatisfactory state of these projects was stressed by Pakistan's cabinet minister Razak Dawood, when he complained: "The previous government did a bad job negotiating with China on CPEC – they didn't do their homework correctly and didn't negotiate correctly so they gave away a lot." Added to this problem is the ongoing dissatisfaction and protests of Baluchistan local people claiming that they only received a pittance and woefully inadequate share of the large receipts realized from the CPEC project.

42. With all these problems to take care of what happens when Pakistan's newly elected Prime Minister Imran Khan met President Xi Jinping in Beijing's Great Hall of the People on 2 November 2018? At that meeting PM Khan is reported to have said: "My party has only been in power for two months. Unfortunately we have inherited a very difficult economic situation."²⁵ The very difficult economic situation is illustrated by a fall of Pakistan's foreign exchange reserves by 42 percent during 2018. In October 2018 the country received a \$6 billion rescue package from Saudi Arabia, but officials believe it will still have to seek a bailout from the International Monetary Fund (IMF) to avert a balance of payments crisis.

43. To PM Khan's expressed deep concern over the deteriorating financial crisis in Pakistan, President Xi is reported to have replied in general terms as follows: "I attach great importance to China-Pakistan relations and am willing to work together with the prime minister to strengthen the China-Pakistan all-weather strategic partnership and build a new era of China-Pakistan destiny."

44. I believe CPEC plays an important part in building a "new era of China-Pakistan destiny." It will be playing a part in reincarnation of an ancient overland route connecting China and Europe. Hence it is often referred to as *Silk Road 2*. How this Number 2 Silk Road has been evolving and issues it has raised will be useful for Myanmar in its BRI engagement. It is therefore taken up in sub-section (iii) below.

(iii) *Lessons from Europe*

45. The first Chinese freight train from Yiwu in China that arrived London in January 2017 presents a good example of travel along the reincarnated *Silk Road 2*. The journey covers a distance of 12,000 kilometers and passes through Kyrgyzstan, Russia and Germany. The costs are half of what it would cost by air transport and is 2 weeks faster than by the sea route.

46. But logistical complications due to different railway track gauges nullified the cost and time saving advantages. For instance, cargo must be transferred at least twice during the journey. Different custom rules and procedures and corruption in some countries along the way add to the difficulties. Moreover, railway maintenance for travel on the route has been costly. Also some areas occupied by Muslim communities with their own agendas face uncertainties and increased tensions and risks. This is especially so, as it is more difficult to protect trains running along remote deserts, grasslands and mountains than ships sailing in the open seas.

47. An important aim of the westward expansion of the rail link to Europe is to improve relations with communities and nations along the route. This includes western poor regions of China. BRI has boosted the economies of these regions and new urban centers have come up.

²⁴Jamil Anderlini, "Pakistan rethinks its role in Xi's Belt and Road plan," *Financial Times*, 9 September 2018.

²⁵Ben Blanchard, "China promises Pakistan support as Khan tells of very difficult economy," *Reuters World News*, 2 November 2018.

But who are people migrating and actually living in these new urban centers? It turns out the new residents are often Han Chinese rather than local ethnic minorities. This causes misgivings and tensions among the minorities as they feel their land has been taken over by the Han people.

48. This danger also exists with the China-Myanmar Economic Corridor (CMEC) project as it passes through our ethnic minority states. Large Chinese migrant populations are already occupying land, taking over economic assets, and engaging in lucrative business deals in many of our ethnic towns and villages. This is happening not only in our ethnic areas, but also in a major city like Mandalay and towns like Lashio. This is a serious issue that we will have to give special attention in our relations with China. The well-publicized photo of our leader shaking hands with the Chinese leader may convey the impression that BRI is a China-Bamar initiative with no consultation, involvement or participation of our ethnic minorities. What serious damage that will do to Bamar's relations with its ethnic communities is better left unmentioned.

49. Another issue that will require our attention is that for China to achieve its ambition to become a superpower, there is need for its currency the *renminbi* to become a *reserve currency* in the world financial system. One way to achieve this objective is to persuade the countries along the transport route, and more generally its BRI partners, to accept renminbi as payment for the goods and services they sell to China. Renminbi still has a long way to go to become a reserve currency. Hence if we are persuaded to accept renminbi to pay for our exports to China then our renminbi exports earnings will only enable us to buy back Chinese goods and services.

50. One interesting development that has been welcomed is China's policy of buying government bonds from countries all over the world. The reason for this is China has the largest foreign exchange reserves in the world which is valued at US\$ 3.99 trillion in March 2019. Of this amount, it is estimated that 70 percent are held in US dollars. By buying numerous foreign bonds China aims to diversify its huge foreign exchange reserves.

51. Among European countries, large amounts of foreign debt of Greece, Spain and Portugal are held by China. Aside from economics, political considerations also play a part in this financial support. Due to friendly relations established through such financial cooperation there is less danger of these countries been pressured to adopt protectionist measures against China.

52. A significant achievement for President Xi on the European front took place in Italy when it became the first G7 country to sign a MOU on BRI, despite objections from the United States and some European Union (EU) member countries. The signing ceremony was held on 22 March 2019 when President Xi visited Italy. During this ceremony, Italian President Sergio Mattarella said: "The ancient silk road was an instrument of knowledge among people and a tool to share reciprocal discoveries. The new silk road must also be a two-way street not to share only goods but also skills, ideas, and forward-looking solutions to common problems and projects for the future."²⁶

53. A note-worthy EU-China Summit took place in Brussels on 9 April 2019. At this Summit the EU side stated the following three conditions in its approach to China. First, reciprocity in trade and industry. Second, rule based multilateral principles in global trading system. This will require working together for substantial World Trade Organization (WTO) reform including issues related to industrial subsidies. Third, EU will enter into a dialogue with

²⁶"Italy becomes first G7 country to back BRI," *DW News*, 22 March 2019. Group of 7 (G7) countries include USA, UK, Germany, France, Japan, Canada and Italy.

China on the need to respect human rights and fundamental freedoms.²⁷ It has however been noted that there may be different views on what constitutes human rights by different regimes. EU for instance may look upon human rights as freedom of thought, speech, assembly and so on. On the other hand, China may consider improving livelihood of people, bringing them better health and education and peace and stability through economic growth is also enhancing their dignity and human rights situation.

54. With USA's *America First* policy, looking inwards, and adopting trade barriers against both EU and China, the EU side expressed the view at the Summit that partnership with China is more important than ever before. And that EU and China share the same challenges and same belief that working together makes the world stronger, safer and a more prosperous place. This positive outlook is welcomed by China and a joint statement is issued as a guide to adopt and implement measures to promote further cooperation for mutual benefit.

V. Conclusion and Recommendations

(i) *Daw Aung San Suu Kyi and President Xi's meeting at 2nd Belt and Road Forum*

55. In this conclusion section of our paper we begin with a useful and forward-looking exchange of views between State Counsellor Daw Aung San Suu Kyi and President Xi Jinping at their meeting in Beijing on 24 April 2019. The State Counsellor was in Beijing to participate in the *Second Belt and Road Forum*.²⁸

56. In its report of the above meeting between the State Counsellor and President Xi, China's *Global Times/Xinhua* publication quoted this from President Xi's statement: "China is willing to strengthen mutually beneficial cooperation with Myanmar under the Belt and Road framework, and accelerate the development of the China-Myanmar Economic Corridor, so as to bring more concrete benefits to the two peoples."²⁹

57. At the follow-up meeting between Daw Aung San Suu Kyi and China's Premier Mr. Li Keqiang, a MOU titled *China-Myanmar Economic Corridor Plan (2019-2030)* was signed.³⁰

58. The signing of this MOU on CMEC Plan for the next 10 years and President Xi's stated intent to accelerate this Plan to "bring more concrete benefits to the two peoples" illustrate the interest and usefulness China attaches to CMEC. Hence, cooperating with China on CMEC seems a good way for Myanmar to proceed in its BRI engagement in the years to come. We have therefore devoted our conclusion section to this matter and it is presented below.

(ii) *Accelerating CMEC Plan for Myanmar to go forward on BRI*

59. Measures that we may wish to adopt to accelerate the CMEC Plan for mutual benefit in our BRI engagement in the coming years are as follows:

(a) First, we must start with an official announcement that Myitsone Dam project has been terminated and it is replaced by the CMEC Plan.

(b) Second, China has shown a preference for the CMEC Plan and we need funds to upgrade our infrastructure and support for national reconciliation and peace building so there are good

²⁷European Union Gonews, "EU-China Summit a massive success" YouTube, accessed 12 April 2019.

²⁸The State Counsellor has also participated in the *First Belt and Road Forum* held at Beijing in 2017.

²⁹"Xi meets Myanmar's State Counsellor Aung San Suu Kyi," Global Times/Xinhua, 25 April 2019.

³⁰In addition, a MOU on *Five Year Development Program for Economic and Trade Cooperation*, and an Agreement on *Economic and Technical Cooperation* were also signed at that meeting which took place at Beijing on 25 April 2019. Please see: Global New Light of Myanmar, 26 April edition, page 3.

prospects for a win/win outcome from the project and it should be a key component in our BRI engagement.

(c) Third, a lot of discussion, debate and controversies has taken place with regard to risks arising out of BRI over the past five years. This is because there are environmental, social, economic and corruption risks, among many others, associated with any huge infrastructure project. We have high-lighted these risks, and lessons and advice we have received on how to deal with them. They should be taken into account in our negotiations with China on BRI.

(d) Fourth, lack of transparency and accountability on the part of our leaders with respect to BRI is a major problem confronting us. More openness and transparency are clearly required to restore trust and confidence. Hence I have suggested that all officials down the line and common folks as well as our experts and specialists must be kept informed; to make them feel they are consulted; their views are sought and taken into consideration; and that they are playing an active part and are stakeholders with tangible benefits to come from BRI in order to move this China's initiative forward in Myanmar.³¹

(e) Fifth, with CMEC project activities passing through many of our ethnic minority areas it will be desirable to enact laws to ensure human and economic rights of our minorities are not adversely affected by such a project. Mr. Thomson Chau has pointed out that such a law already exists in Myanmar.³² It is 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, for ethnic groups to negotiate with the government and project proponents. This stipulation has not been implemented and Mr. Chau suggests that it should. We agree with him.

(f) Sixth, EU has emphasized the need for a fairer trade arrangement with China by jointly engaging to reform the World Trade Organization (WTO) with respect especially to industrial subsidies. I believe the need to negotiate and to set up a fairer trade arrangement with China is also a serious issue facing us at present. Chinese companies with their government support can flood our markets with cheap goods and services and such price under cuttings will be disastrous for many of our business and industrial establishments. Since we are still a least developed country, we may wish to approach WTO's *Sub Committee on Least Developed Countries* to help us address this problem.

(g) Seventh, CMEC like any 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. How to measure costs and benefits and who are people who benefits and who are those that bears costs raise complex but useful and interesting aspects about the project. The round table discussions and debates of prominent academics and experts organized by our media community provide us with this useful service. Unfortunately, our government's relations with our media community have deteriorated over the past years. This trend not only damages our country's reputation worldwide but hinders the growth of a responsible and investigative media that provides us with useful analyses and information on a big and complex project like the CMEC. I hope our authorities will review their policy and give more freedom that our journalists and reporters deserve in order to enable our media to provide us with more balanced and objective ideas and information for a smooth implementation of CMEC.

³¹Please see paragraph 28 on page 6.

³²Thompson Chau, "A weakened Myanmar still needs to stand firm in Myitsone talks," The Myanmar Times, 26 April 2019.

(h) Eighth, trade along the ancient *Silk Road* is mostly a private sector affair. To carry out a trade venture over thousands of miles of deserts, mountains, ravines, across rivers and jungles inhabited by isolated tribes and ethnic communities along the way is a remarkable achievement. The ancient business people were able to pull this off due to their entrepreneurial spirit of entering into new ventures and territories and willingness to take risks. But what is more important is their ability to establish good personal contacts and relationships with native dwellers they encountered in their journey along the way, mostly by sharing knowledge, skills, ideas and experience with them. There is no doubt these tribes and native dwellers must have shared their knowledge with the ancient *Silk Road* business people on how to navigate and find their way around and how to survive in a harsh environment like deserts, rugged mountain terrains and deep forests.³³ On the other hand, these tribes and native dwellers must have also benefited from the skills, knowledge, and new ways of solving common problems shared with them by the business travelers on the *Old Silk Road*.

(i) Ninth, this spirit of sharing skills and knowledge, cooperation to solve common problems, and joint efforts to improve roads and passage-ways that characterized the entrepreneurs and their counterparts on the *Old Silk Road* have inspired President Xi Jinping to launch his *New Silk Road* with the same spirit.³⁴ There is however a significant difference between the old and new *Silk Roads*. The *Old Silk Road* is 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 for enhanced cooperation for mutual benefit.

(j) Tenth, at a press briefing held in Naypyitaw in May 2019 a Myanmar senior official has set out the terms which the government of Myanmar will negotiate BRI project agreements with China.³⁵ These include stipulations that Myanmar should be allowed:

- (i) to seek financing from international financial institutions to implement the projects;
- (ii) to invite international tenders to ensure international investment in the projects; and
- (iii) the proposed projects should be chosen by Myanmar that create mutual benefits for both sides.

(k) Eleventh, the above three stipulations will help address the key issues highlighted in this paper with regard to our on-going BRI engagement with China. Moreover, the commitment made at that press briefing by the Myanmar senior official that: “*each of the project’s details will be publicized when it comes time to make decisions on implementation*” will improve transparency and accountability and which will be much welcomed by the people of Myanmar and by our development partners.

(l) Twelfth, it is recognized that Myanmar faces complex political, humanitarian, economic, environmental and social constraints that will need to be handled with considerable patience, care, and effort. China a close neighbour and a long-time development partner is aware of these constraints. Uncertainties in the global and regional economic outlook at present and in the days

³³In 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 get along and survive in a parched and rugged geographic environment.

³⁴This 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. Please see paragraph 52 on page 10.

³⁵Nan 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.

ahead pose additional challenges. Under these circumstances, it is essential that our relations with China are 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 our country's 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. Hence, the negotiation terms spelt out by our senior official in the *tenth paragraph* above aim at dealing with this undesirable outcome. In addition to closely cooperating with China's BRI, Myanmar to restore peace and prosperity must continue with its on-going efforts in actively exchanging views and ideas; taking due account of good and workable advice and recommendations that are being offered; and including moral and material support that are all currently forth-coming 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.

(m) Finally to conclude, 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 the general public by good governance, ensuring 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.