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## Myanmar's Role in China's Belt and Road Initiative

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**Abstract.** This study examines the importance of Myanmar for the formation of a Sino-centric macro-region through the Belt and Road Initiative (BRI). The authors rely on the transit of power theory that helps to analyze systemic imperatives and internal characteristics of China's foreign policy. The authors applied the principles of historicism, scientific objectivity and reliability. In the first part of the work, the Chinese Belt and Road initiative is studied as a geostrategic tool of the People's Republic of China (PRC). The authors consider the features of its development and the strategic results of its implementation. In particular, the article emphasizes that this initiative is aimed at the formation of a Sino-centric macro-regional space. Based on this, the role of Myanmar is characterized as essential. The geographical location of this state allows China to gain access to the Indian Ocean, a transit region for energy resources, as well as to overcome one of the strategic vulnerabilities of its geopolitical position — the 'Malacca dilemma.' Moreover, as a border state, Myanmar is an indispensable link in the implementation of land and gas energy transport corridors of macro-regional importance. Finally, in the context of strategic competition between the United States and China, the importance of ensuring stability in critical proximity to the PRC's state borders is growing, especially in the absence of a stable internal state situation in Myanmar. Among the additional factors, the authors highlight the importance of the mood of state and local elites for the development of this initiative. In this regard, the analysis of China's reaction to the military coup in Myanmar in February 2021 was particularly indicative that Myanmar is of key importance because of its strategic location between China and the Indian Ocean, as well as its resource potential.

**Key words:** trade and economic cooperation, investments, Sino-centric order, military coup

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## Роль Мьянмы в китайской инициативе «Пояс и путь»

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**Аннотация.** Рассмотрено значение Мьянмы для формирования китаецентричного макрорегиона посредством инициативы «Пояса и пути». Авторы опираются на теорию транзита власти, которая позволяет объяснить механизмы происходящей смены глобального лидерства в мировой системе и связанные с этим региональные процессы. Исследование построено на принципах историзма, научной объективности и достоверности. В первой части изучена китайская инициатива «Пояс и путь» как геостратегический инструмент КНР. Проанализированы особенности ее развития и стратегические результаты ее реализации. В частности, подчеркивается, что данная инициатива направлена на формирование китаецентричного макро-регионального пространства. Во второй части рассмотрены роль и место Мьянмы в рамках китайской инициативы «Пояса и пути». Подчеркивается, что Мьянма, будучи пограничным государством, является незаменимым элементом в реализации сухопутных и энергетических транспортных коридоров макрорегионального значения. Географическое расположение этого государства позволяет Китаю обеспечить выход в Индийский океан, являющийся транзитным регионом для энергоресурсов, а также преодолеть одну из стратегических уязвимостей своего геополитического положения — «Малаккскую дилемму». В условиях стратегической конкуренции США и КНР повышается важность обеспечения стабильности в критической близости от государственных границ КНР, особенно в условиях отсутствия стабильного внутрисударственного положения в Мьянме. Среди дополнительных факторов авторы уделяют внимание значению настроений государственных и местных элит для развития данной инициативы. Особенно показательным в данной связи стал анализ реакции Китая на военный переворот в Мьянме, произошедший в феврале 2021 г. По идеологическим и дипломатическим причинам, а также благодаря реалистичному пониманию политического баланса сил в Мьянме Пекин открыто демонстрирует поддержку военного режима. Авторы приходят к выводу, что КНР рассматривает Мьянму в качестве ключевого элемента своей политической и торгово-экономической деятельности в Юго-Восточной Азии.

**Ключевые слова:** торгово-экономическое сотрудничество, инвестиции, китаецентричный порядок, военный переворот

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### Introduction

The process of China's transformation from a peripheral state into one of the global centers of the world has become one of the key elements in the development of international processes at the turn of the 20th — 21st centuries. High growth rates and the generally dynamic development of the Chinese economy created the prerequisites for the further conversion of China's economic power into its political and military strength. The transformation of the People's Republic of

China (PRC) into the world's largest economy has not only economic, but also geopolitical significance (Layne, 2012, p. 206).

Following the 'unipolar moment' of the 1990s<sup>1</sup> and the increasingly 'pluralistic unipolarity' (Bogaturov, 1996) of the 2000s, a period of strategic uncertainty is returning. Global rivalry is manifesting in the political, technological, economic, military, and ideological spheres, with the gradual splitting of the world

<sup>1</sup> Krauthammer Ch. The Unipolar Moment // Foreign Affairs. 1990. Vol. 70, no. 1. P. 23–33.

into corresponding zones of influence (decoupling). The strategic competition between China and the U.S., caused by the transit of power — the redistribution of complex power from the United States to the PRC — is a factor that can influence the trajectory of the development of the entire international system in the medium term (Degterev, Ramich & Tsvyk, 2021, p. 213).

Increased strategic uncertainty at the global level, marked by conflicts, sanctions, and trade wars, has led to the decision of the Chinese foreign policy leadership to shift from active participation in global governance as a responsible participant to its own strategic initiatives at the regional and macro-regional levels (Vinogradov, 2021, pp. 23–32). The flagship project in this vein is the Belt and Road initiative (BRI), which is not just an integration association or a network of partnerships, but a Sino-centric macro-region of Asian, African and part of Eastern Europe.

Under these conditions, neighboring countries began to acquire special significance, which, as Chinese President Xi Jinping wrote, “are of great strategic importance for our country, both in terms of geographical location and natural environment, and in terms of mutual relations.”<sup>2</sup>

As a developing state neighboring the more developed China, Myanmar has historically sought to maintain a policy of neutrality in its relations with the PRC since independence, trying to stay out of the rivalry for power in the strategic triangle between the United States, the USSR and China, and subsequently between China and Vietnam in the Greater Mekong Subregion (Maung, 2011). After the military coup in September 1988, Myanmar shifted from a neutral stance to a close relationship with China because of the restructuring of the balance of power in Southeast Asia (Skidmore & Wilson, 2008). Since 2011, while maintaining

close cooperation with China, Myanmar has taken steps to balance its influence, which is increasingly spreading as a result of the implementation of the BRI (Gong, 2020).

In this regard, the goal of the study, which is to identify the importance of Myanmar in the formation of a Sino-centric macro-region through the Belt and Road Initiative, appears to be relevant. The theoretical foundation of this study is the power transition theory, rooted in the logic of offensive realism, which makes it possible to consider the foreign policy efforts of the PRC in Myanmar in the context of the implementation of its own initiative as an element of a broader strategic task (Organski, 1958). Such a task is to revise the existing system of international relations and achieve a world order more favorable to China’s interests.

At this stage, China’s significant tool for creating a stable macro-regional environment is the BRI initiative, whose world-building features are most clearly manifested in neighboring countries.

### **The Belt and Road Initiative as a Geopolitical Tool**

China’s transformation from a regional power to a global power with corresponding economic growth has prompted Beijing to create geopolitical projects aimed at accessing global markets and ensuring a steady flow of natural resources to sustain economic stability. The first such project was the BRI initiative. Its creation is also linked to the personality of Xi Jinping, who became General Secretary of the Communist Party of China in 2012 and then President of the PRC in 2013. The goal of the initiative is to strengthen trade and improve connectivity between China and Africa, Europe, the Middle East, and Central, South and Southeast Asia.<sup>3</sup>

<sup>2</sup> Xi Jinping. On Public Administration. Beijing: Izdatel'stvo literatury na inostrannykh yazykakh publ., 2014. P. 420. (In Russian).

<sup>3</sup> China’s Myanmar Dilemma // International Crisis Group: Asia Report. 2009 (September 14). No. 177. P. 34. URL: <https://www.crisisgroup.org/sites/default/files/177-china-s-myanmar-dilemma.pdf> (accessed: 14.04.2022).

Unlike many previous projects of the European Union, Russia, Japan and the United States, China bases its initiatives on significant funds lent to states at attractive rates (Volosyuk & Phyto Naing, 2019, p. 305). According to various estimates, the total cost of all these projects is more than 4 trillion USD, which China intends to invest jointly with partner countries.<sup>4</sup>

The BRI initiative consists of two components, the 21st Century Maritime Silk Road and the Silk Road Economic Belt (Namzhirova, 2018, p. 66).

The first aspect of the transport component, the 21st Century Maritime Silk Road, aims to strengthen the position of Chinese companies in the development of the port network between China and Europe through the traditional route of the Strait of Malacca and the Suez Canal, but also includes the development of several ports and railways in Africa.

The second part of the BRI initiative is the Silk Road Economic Belt project. It is planned to create six transport corridors connecting China with Europe and covering the entire Asian continent (Lebedeva, 2010, p. 46). The key elements of this project are three transport corridors. The first, the New Silk Road or the Eurasian Land Bridge, will develop infrastructure to connect China and Europe through Russia and Central Asia. The second corridor, China — Central Asia — West Asia, involves the creation of transport routes between China and Southwest Asia through the territory of the Central Asian states, with subsequent access to the waters of the Persian Gulf and the Mediterranean Sea. In the framework of the last, third transport corridor — China — Pakistan, it was planned to develop infrastructure linking China and the Indian Ocean through the territory of South Asian countries. Three other corridors are to complete the network of land routes:

<sup>4</sup> Our Bulldozers, Our Rules // *The Economist*. July 2, 2016. URL: <https://www.economist.com/china/2016/07/02/our-bulldozers-our-rules> (accessed: 14.04.2022).

the China — Mongolia — Russia corridor passing through the Trans-Mongolian and Trans-Siberian routes; the Bangladesh — China — India — Myanmar corridor, the China — Indochina Peninsula corridor through northern Laos.

Each of these projects provides China with access to the global geo-economic space. In this context, the Indochina Peninsula plays a special role. To date, the main sea route through which China trades with China is through the Strait of Malacca. In fact, security in the waters of this strait is very important in the context of ensuring China's economic development. Therefore, Beijing is making efforts to develop alternative land and sea routes, for example, through the territory of Southeast Asian countries. In this way, Beijing secures access to the Indian Ocean coast, which in turn avoids the 'Malacca Dilemma.'<sup>5</sup> On the other hand, infrastructure development in neighboring regions can provide additional impetus for China's domestic development. For example, in the case of Myanmar, the realization of Chinese transport and logistics projects would provide additional development for Yunnan province, which is not directly landlocked. Its importance lies, for example, in the fact that more than 80% of Myanmar's exports to China and 40% of its imports from China pass through its territory (Singh, 2016).

### **China's Investment in Myanmar's Strategic Projects Under the BRI**

As early as 2013, the PRC has been actively increasing its economic activity in Myanmar (Ananiin, 2013, p. 124). However, it was only after the National League for Democracy (NLD) won the elections in 2015<sup>6</sup>

<sup>5</sup> 'Malacca Dilemma' a Major Security Challenge for PRC // *Indo-Pacific Defense FORUM*. October 27, 2023. URL: <https://ipdefenseforum.com/2023/10/malacca-dilemma-a-major-security-challenge-for-prc/> (accessed: 14.04.2023).

<sup>6</sup> Dinmore G. NLD Wins Absolute Majority in Parliament // *The Myanmar Times*. November 13,

that Nay Pyi Taw actively engaged with Beijing.

In 2015, Myanmar participated in the creation of a new international financial institution established by China, the Asian Infrastructure Investment Bank (AIIB).<sup>7</sup> Its share of the total capitalization in absolute terms was 264.5 million USD.<sup>8</sup>

In April 2016, the Chinese Foreign Minister, Wang Yi, visited Myanmar, thus becoming the first high-ranking foreign official to arrive in the country since the new government was formed.<sup>9</sup> Four months later, Daw Aung San Suu Kyi visited China as State Counsellor<sup>10</sup> of Myanmar. Following the visit, the two sides reaffirmed their commitment to the policy of good neighborliness and agreed to

continue cooperation to strengthen mutually beneficial partnership in various fields.<sup>11</sup>

In April 2017, during his first official visit to China, President of Myanmar Htin Kyaw reached an agreement with China on the long-stalled China — Myanmar oil pipeline project.<sup>12</sup>

In May 2017, Myanmar joined the BRI initiative when a Memorandum of Understanding on “Cooperation within the Framework of the Silk Road Economic Belt and 21st Century Maritime Silk Road Initiative” was signed during Daw Aung San Suu Kyi’s visit to Beijing, on the margins of the first Belt and Road Forum for International Cooperation.<sup>13</sup> Under the BRI, the territory of Myanmar became part of two economic corridors — Bangladesh — China — India — Myanmar and China — Indochina Peninsula.

In September 2018, Myanmar signed a Memorandum of Understanding with China on the establishment of the China — Myanmar Economic Corridor (CMEC), thereby becoming a full-fledged partner of China in the implementation of this initiative<sup>14</sup>. The proposed economic corridor runs from China’s Yunnan province through Myanmar’s major economic cities such as Mandalay, Yangon, and will end at the Kyaukphyu Special Economic

2015. URL: <https://web.archive.org/web/20160205084501/http://www.mmtimes.com/index.php/national-news/17623-nld-wins-absolute-majority-in-parliament.html> (accessed: 14.04.2022).

<sup>7</sup> Asian Infrastructure Investment Bank Articles of Agreement // AIIB. URL: [https://www.aiib.org/en/about-aiib/basic-documents/\\_download/articles-of-agreement/basic\\_document\\_english-bank\\_articles\\_of\\_agreement.pdf](https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf) (accessed: 14.04.2022).

<sup>8</sup> Members and Prospective Members of the Bank / Asian Infrastructure Investment Bank (AIIB) // AIIB. May 15, 2024. URL: <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> (accessed: 14.05.2022).

<sup>9</sup> Wang Yi Holds Talks with Foreign Minister Aung San Suu Kyi of Myanmar // Embassy of the People’s Republic of China in the Republic of the Philippines. April 5, 2016. URL: [http://ph.china-embassy.gov.cn/eng/chinew/201604/t20160407\\_1159838.htm](http://ph.china-embassy.gov.cn/eng/chinew/201604/t20160407_1159838.htm) (accessed: 14.04.2022).

<sup>10</sup> According to the Constitution of the Republic of the Union of Myanmar adopted on May 29, 2008, a presidential candidate, as well as his parents, spouse, one of his children and his spouse cannot hold foreign citizenship. The two sons of Daw Aung San Suu Kyi, the leader of the NLD party, are British citizens. The government has therefore created a new position — State Counsellor, corresponding to the post of Prime Minister. See: Cochrane L. Aung San Suu Kyi to Become ‘State Counsellor’ of Myanmar // ABC News. April 5, 2016. URL: <https://www.abc.net.au/news/2016-04-05/aung-san-suu-kyi-to-become-state-counsellor/7301994> (accessed: 14.04.2022).

<sup>11</sup> Joint Press Release Between the People’s Republic of China and the Republic of the Union of Myanmar // Chinalawinfo. August 20, 2016. URL: <https://lawinfochina.com/display.aspx?id=7651&lib=tax&SearchKeyword=&SearchCKeyword=&EncodingName=g b2312> (accessed: 14.04.2022).

<sup>12</sup> Li X. Myanmar Oil Pipeline Deal Reached in Beijing // China Daily. April 11, 2017. URL: [https://www.chinadaily.com.cn/business/2017-04/11/content\\_28868541.htm](https://www.chinadaily.com.cn/business/2017-04/11/content_28868541.htm) (accessed: 14.04.2022).

<sup>13</sup> Yhome K. The BRI and Myanmar’s China Debate // ORF. July 11, 2018. URL: <https://www.orfonline.org/expert-speak/bri-myanmar-china-debate> (accessed: 14.04.2022).

<sup>14</sup> Lwin N. Gov’t Signs MoU with Beijing to Build China — Myanmar Economic Corridor // The Irrawaddy. September 13, 2018. URL: <https://www.irrawaddy.com/news/burma/govt-signs-mou-beijing-build-china-myanmar-economic-corridor.html> (accessed: 14.05.2022).

Zone (SEZ) in Rakhine State.<sup>15</sup> As previously stated, this project could be the initial phase of the development of the Bangladesh — China — India — Myanmar economic corridor.<sup>16</sup> In addition, the establishment of a new project under the BRI was an act of support from Beijing towards the Myanmar government, which has come under international pressure over the Rohingya crisis.<sup>17</sup>

According to the Chinese proposal, some 38 projects were planned under the CMEC, but Myanmar has only approved nine of them.<sup>18</sup> The most important are: the deep-water port and SEZ in Kyaukphyu, the Muse — Mandalay railway, and three economic cooperation zones in Kachin and Shan states.

The agreement for the Kyaukphyu Deepwater Seaport Project was signed in November 2018.<sup>19</sup> The new port infrastructure is expected to generate 6.5 billion USD in tax revenue and the industrial zone — 7.8 billion USD, over 50 years.<sup>20</sup> Furthermore, the

Kyaukphyu Deep Sea Port will be Myanmar's first international port, allowing local products to be exported directly to South Asia, Africa and Europe, rather than doing so via Singapore and Malaysia.<sup>21</sup> However, according to Western researchers, the new port may serve a dual purpose, fitting neatly into China's 'String of Pearls' concept, which plans to establish a network of logistical support points to support the activities of Chinese civilian and military ships in the Indian Ocean. While the Myanmar constitution prohibits the presence of foreign military forces within the country, it remains an open question whether the government has the capacity to effectively deter China's use of the port for intelligence gathering and other geopolitical purposes (Kobayashi & King, 2022, p. 1030).

A plan to build a Sino-Myanmar railway existed as early as 2011, but it was never realized due to protests from the local population.<sup>22</sup> At that time, it was planned to build a route between Ruili and Kyaukphyu, via Muse. It was only in October 2018 that a new agreement was signed between the two companies *China Railway Eryuan Engineering Group* and *Myanmar Railways*,<sup>23</sup> after which work began on a feasibility study for the construction. In August 2019, the preliminary route of the new railway was announced — it would consist of 36 stations, passing through 11 townships, and is expected to cost around

<sup>15</sup> Lwin N. China's Six Belt and Road Projects in Myanmar to Watch in 2019 // *The Irrawaddy*. January 24, 2019. URL: <https://www.irrawaddy.com/specials/chinas-six-belt-road-projects-myanmar-watch-2019.html> (accessed: 14.05.2022).

<sup>16</sup> Lwin N. Potential Environmental and Social Impacts of Chinese Mega-Projects in Myanmar Raise Concerns // *The Irrawaddy*. November 19, 2019. URL: <https://www.irrawaddy.com/opinion/analysis/potential-environmental-social-impacts-chinese-mega-projects-myanmar-raise-concerns.html> (accessed: 14.05.2022).

<sup>17</sup> Yhome K. The BRI and Myanmar's China Debate // ORF. July 11, 2018. URL: <https://www.orfonline.org/expert-speak/bri-myanmar-china-debate> (accessed: 14.04.2022).

<sup>18</sup> Lwin N. In Myanmar, China's BRI Projects Are Old Wine in a New Bottle // *The Irrawaddy*. November 8, 2019. URL: <https://www.irrawaddy.com/news/burma/in-myanmar-chinas-bri-projects-are-old-wine-in-a-new-bottle.html> (accessed: 14.06.2024).

<sup>19</sup> Kyaukphyu Deep Seaport // Myanmar Port Authority. URL: <https://www.mpa.gov.mm/ports/kyaukphyu-deep-sea-port/> (accessed: 14.06.2024).

<sup>20</sup> The Belt and Road Initiative in ASEAN — Myanmar // HKUST IEMS Reports. December 2020. No. 2021-04. P. 13. URL: [https://iems.ust.hk/assets/publications/reports/2021/uob/hkustiems-uob\\_bri\\_myanmar.pdf](https://iems.ust.hk/assets/publications/reports/2021/uob/hkustiems-uob_bri_myanmar.pdf) (accessed: 14.06.2024).

<sup>21</sup> Myanmar, China Ink Addendum for Kyaukphyu Deep Seaport Project // *The Global New Light of Myanmar*. December 27, 2023. URL: <https://www.gnlm.com.mm/myanmar-china-ink-addendum-for-kyaukpyu-deep-seaport-project/> (accessed: 14.06.2024).

<sup>22</sup> Lwin N. China-backed Muse — Mandalay Railway to Cost \$9 Billion // *The Irrawaddy*. May 14, 2019. URL: <https://www.irrawaddy.com/news/burma/china-backed-muse-mandalay-railway-cost-9-billion.html> (accessed: 14.06.2024).

<sup>23</sup> China, Myanmar Look into Railway Project Linking Muse to Mandalay // SCMP. October 23, 2018. URL: <https://www.scmp.com/news/china/diplomacy/article/2169878/china-myanmar-look-railway-project-linking-muse-mandalay> (accessed: 14.06.2024).

7 billion USD.<sup>24</sup> It was envisaged that the railway will eventually be extended to Kyaukphyu and complemented by a motorway. The development and upgrading of Myanmar's railway infrastructure would, on the one hand, connect the country's key trade centers with China's Yunnan Province and, on the other hand, open the way for Chinese goods to the Bay of Bengal, bypassing the Strait of Malacca.

On July 13, 2018, following Myanmar Trade Minister U Than Myint's visit to China, the Myanmar government released information on the locations where economic cooperation zones would be set up.<sup>25</sup> All three zones would be located along the China — Myanmar border — Kanpiketi Border Economic Zone, which is located in Kachin State, Chinshwehaw Border Economic Zone in Laukkai Township and the Muse Border Economic Zone in Muse in Shan State. The zones to be established were planned to house trading and processing areas, small and medium-sized industrial enterprises, trade logistics centers and agricultural products packaging centers for export to mainland China.

*The New Yangon project*, which is also included in the CMEC framework, deserves special attention. It is a development plan for the former capital of Myanmar. Its implementation will create new jobs and relieve the infrastructure of Yangon, which is one of the fastest growing cities in the country. The Yangon development project originally emerged in 2014 under the rule of the Union Solidarity and Development Party (USDP), but was marred by a general lack of transparency in the deal, as well as concerns over increased flood

risk.<sup>26</sup> It was revisited in 2017, when the NLD-led government selected the New Yangon Development Company (NYDC), wholly owned by the Yangon regional government, as the sole developer. The project with China Communications Construction Company (CCCC) as the original contractor features prominently in the official cooperation program between Myanmar and China.

### **Political and Diplomatic Support for the Implementation of China's Geostrategic Initiative in Myanmar**

The success of Chinese investment projects in Myanmar is closely linked to the peace process between the government and the ethnic armed organizations (EAO) based in the China — Myanmar border area. For example, the economic zones being established under the CMEC are very close to the conflict zone between the EAO and the Myanmar armed forces.<sup>27</sup>

China is not only a stakeholder, but also an influential one actor to influence the internal political situation in Myanmar. This impact stems from the prevalence of Chinese language, currency, goods, and even educational services in northern and eastern Shan State (Roy, 2022, p. 80).

It is worth noting that Beijing has been involved in peacemaking processes and inter-ethnic dialogue in Myanmar before (Simoniya, 2017). For example, when conflict erupted in Kachin State in mid-2011, the PRC mediated and five rounds of talks were held in Zhuli between the Myanmar government and the Kachin Independence Organization.<sup>28</sup>

<sup>24</sup> The Belt and Road Initiative in ASEAN — Myanmar // HKUST IEMS Reports. December 2020. No. 2021-04. P. 12. URL: [https://iems.ust.hk/assets/publications/reports/2021/uob/hkustiems-uob\\_bri\\_myanmar.pdf](https://iems.ust.hk/assets/publications/reports/2021/uob/hkustiems-uob_bri_myanmar.pdf) (accessed: 14.06.2024).

<sup>25</sup> Lwin N. Govt Approves Sites for 3 New Economic Zones Along China Border // *The Irrawaddy*. July 13, 2018. URL: <https://www.irrawaddy.com/business/govt-approves-sites-3-new-economic-zones-along-china-border.html> (accessed: 14.06.2024).

<sup>26</sup> New Yangon City // *The People's Map of Global China*. April 20, 2021. URL: <https://thepeoplesmap.net/project/new-yangon-city/> (accessed: 14.04.2022).

<sup>27</sup> Topcu N. A Relationship on a Pipeline: China and Myanmar // *China Research Center*. 2020. Vol. 19, no. 3. URL: [https://www.chinacenter.net/2020/china\\_currents/19-3/a-relationship-on-a-pipeline-china-and-myanmar/](https://www.chinacenter.net/2020/china_currents/19-3/a-relationship-on-a-pipeline-china-and-myanmar/) (accessed: 14.04.2022).

<sup>28</sup> Li J. China's Conflict Mediation in Myanmar: Examining How China's Interest and Relationships Fit into

Since the 2010s, the Myanmar government has made a number of attempts to negotiate with multiple EAOs, culminating in the signing of the Nationwide Ceasefire Agreement in 2015, but it was not joined by the seven EWOs operating in the north of the country on the PRC border (with the exception of the Arakan Army operating in Rakhine State in the west), the Kachin Independence Organization, the Myanmar National Democratic Alliance Army, the Shan State Progress Party, United Wa State Party, the Myanmar Nationalities Democratic Alliance Army and the Ta'ang National Liberation Army (Latt, 2022). These EAOs united to form the Federal Political Negotiations and Consultation Committee (FPNCC), with the aim of holding further talks with Nay Pyi Taw.

In February 2015, a conflict erupted in the Kokang Self-Administered Zone in Shan State between the Myanmar National Democratic Alliance Army and the Myanmar Army. During the fighting, four Chinese farmers were killed, and nine others were injured in a Myanmar Air Force airstrike on March 13, 2015. As a result, the Chinese government urged both sides to come to the negotiating table and in June 2015 both sides declared a ceasefire.<sup>29</sup>

In 2016–2019, Myanmar faced increasing conflict in the Shan region and the PRC again used its mediation role to stabilize the situation. On the one hand, influence was exerted on the northern EAOs. In March 2017, Chinese special envoy Sun Guoxiang persuaded them to cease all offensive activities during a meeting in Kunming.<sup>30</sup> On the other hand, Beijing also

pressed Nay Pyi Taw to stop offensive actions and resolve disputes peacefully, which resulted in negotiations in December 2018 (Latt, 2022, p. 97). Beijing has also provided funds to finance the peace process, for example, in November 2019, donated 1 million USD to Myanmar, which was the fourth such donation of its kind.<sup>31</sup>

Achieving peace in the country is particularly important against the backdrop of negative reactions among the local population to Chinese activities in Myanmar, which they see as an infringement on their independence. In 2011, for example, the Myitsone Dam project on the Irrawaddy River, faced widespread protests (Wai, 2020, p. 384). The fact is that this river crosses the country from north to south; its length is more than 2,000 kilometers long, and its basin covers 411,000 km<sup>2</sup>, i.e. more than 61% of the country's land area.<sup>32</sup> Moreover, the Irrawaddy has historical, cultural and symbolic significance for the Kachin and Burmese, the two main ethnic groups living along its banks.

Thus, China was pushing the EAO to sign a ceasefire agreement in order to achieve stability in the CMEC project area, which would enable major infrastructure projects in Myanmar, especially in the border area. On the other hand, China needs to balance the relationship between the Myanmar government and the EAO on a long-term basis to secure its investments.

### **Impact of the February 2021 Military Coup on the Development of China's Initiative in Myanmar**

The military coup in February 2021 has put further Chinese investment projects in the country in question. Myanmar faced political

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the Conflict // The Henry L. Stimson Center. 2020. URL: <https://www.stimson.org/2020/chinas-conflict-mediation-in-myanmar/> (accessed: 10.04.2022).

<sup>29</sup> McLaughlin T., Yadana Zaw H. Under Pressure from China, Kokang Rebels Declare Myanmar Ceasefire // Reuters. 2015. URL: <https://www.reuters.com/article/us-myanmar-rebels-ceasefire-idUSKBN0OR0T120150611> (accessed: 10.04.2022).

<sup>30</sup> Weng L. Chinese Envoy Asks Northern Alliance to Halt Offensives // The Irrawaddy. March 15, 2017. URL: <https://www.irrawaddy.com/news/burma/chinese-envoy-asks-northern-alliance-halt-offensives.html> (accessed: 10.04.2022).

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<sup>31</sup> Htwe Z. Z. China Gives \$1 Million to Myanmar for Peace Process // The Irrawaddy. November 8, 2019. URL: <https://www.irrawaddy.com/news/burma/china-gives-1-million-myanmar-peace-process.html> (accessed: 15.05.2022).

<sup>32</sup> Owen L., Leinbach T.R. Irrawaddy River // Britannica. URL: <https://www.britannica.com/place/Irrawaddy-River> (accessed: 15.05.2022).



instability and clashes between the military and protesting civilians. In addition, anti-Chinese sentiment grew in the country as the PRC generally supported Myanmar's new authorities. For example, a UN Security Council statement condemning the military takeover in Myanmar was blocked by China and Russia.<sup>33</sup> This demonstrated Beijing's willingness to do business with the military regime even though it has lost the favor of the population. Beijing's focus on the military group that came to power is further reinforced by the ideologues of the pro-war USDP, who have business interests in China and currently hold a majority in the highest organ of state power — the State Administration Council.

In addition, the strategic nature of Chinese interests in Myanmar puts China in a position of vulnerability to a power grab by the generals. It is in China's interest to maintain constructive relations with any political elite that wields real power. Added to this is the ideological and diplomatic inertia, rooted in its China's commitment to a public stance of non-interference in the international arena. This is especially important in the context of growing tensions between China and the United States (Wai, 2020, p. 379).

The post-coup economic outlook is alarming, with GDP contracting by at least 10%.<sup>34</sup> This decline coupled with recent proposals to reorient a number of projects towards more profitable investments, illustrates the impact of the coup on the prospects for CMEC projects in Myanmar. The profitability of the proposed infrastructure is largely dependent on the growth rate of Myanmar's economy, otherwise China risks replicating the Pakistani and Sri Lankan scenario, in which mega-projects turned into debt traps due to lack of profitability.

<sup>33</sup> Myanmar Coup: China Blocks UN Condemnation as Protest Grows // BBC News. 2021. URL: <https://www.bbc.com/news/world-asia-55913947> (accessed: 30.06.2022).

<sup>34</sup> The World Bank in Myanmar // World Bank. April 3, 2024. URL: <https://www.worldbank.org/en/country/myanmar/overview> (accessed: 14.03.2024).

This is why, after the relative stabilization of the country, the military government has taken a series of steps that can be described as a desire to gain greater political support from Beijing by stepping up the implementation of projects under the CMEC. First, the main committees responsible for BRI projects and generally for trade and economic cooperation with the PRC were reorganized.<sup>35</sup> Second, in March 2021, Nay Pyi Taw gave the go-ahead for the USD 2.5 billion Mee Lin Gyang liquefied natural gas plant project in the Ayeyarwady region (Sigit, Setiawan & Bachtiar, 2022, p. 83).

Overall, Beijing is trying to support Myanmar while protecting its investments in the country. However, the reduced profitability of the latter and the unpopularity of certain projects, as in the case of the Myitsone hydropower plant, on the contrary, risk turning these investments into risks and debt pits rather than opportunities (Ahamed, Rahman & Hossain, 2020, p. 321).

Furthermore, the economic sanctions imposed by the U.S. Treasury Department may well pose an unprecedented challenge to Chinese companies in Myanmar. The U.S. has already placed the State Administrative Council, chaired by General Min Aung Hlaing (Min Aung Hlaing), on the sanctions list.<sup>36</sup>

## Conclusion

In conclusion, China has always been a top priority in Myanmar's foreign policy since independence in 1948.

From the perspective of power transit theory, Myanmar's policy towards the PRC depends on the rivalry between the PRC and the U.S., and the strategic preferences of its leaders.

<sup>35</sup> Myanmar Junta Implementing China's BRI Projects by Stealth // The Irrawaddy. July 23, 2021. URL: <https://www.irrawaddy.com/opinion/analysis/myanmar-junta-implementing-chinas-bri-projects-by-stealth.html> (accessed: 14.04.2022).

<sup>36</sup> Burma Sanctions // U.S. Department of State. URL: <https://www.state.gov/burma-sanctions/> (accessed: 14.04.2022).

In particular, the economic and political competition between China and the United States creates a limited, inclusive external environment that brings Myanmar both risks and benefits. In this case, Myanmar is likely to remain neutral between China and the United States.

The Belt and Road Initiative is of key importance for the PRC and leads to significant changes in the region. Myanmar is of key importance because of its strategic location between China and the Indian Ocean, as well as its resource potential. The importance of Myanmar is confirmed by China's compromise position after the military coup of February 2021. For ideological and diplomatic reasons, as well as due to a realistic understanding of the political balance of power in Myanmar, Beijing openly demonstrates its support for the military regime.

Myanmar has received large amounts of foreign exchange from the fast-growing trade cooperation with China. Moreover, it has boosted export opportunities thanks to the booming trade relationship with China. Chinese investment in BRI projects has also developed local industry and infrastructure. Myanmar has also received political support for the national reconciliation process due to the friendly political ties between the two countries. However, despite this, Myanmar's close interaction with China has a negative impact on its independence. Myanmar has become increasingly dependent on China over decades of cooperation, resulting in an asymmetrical interdependence between the two countries, in which China is dominant. Anti-Chinese sentiment in Burmese society could also challenge the authority of the Myanmar government.

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