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THE BELT AND ROAD INITIATIVE AND THE SDGs: TOWARDS EQUITABLE, SUSTAINABLE DEVELOPMENT

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Aligning the Belt and Road Initiative with Myanmar's Sustainable Development Plan: Opportunities and Challenges*

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Abstract The ambitious Belt and Road Initiative (BRI) by the Chinese government provides an important opportunity to promote the global implementation of the 2030 Agenda for Sustainable Development. This article, using Myanmar as a country case study as it is strongly committed to both the BRI and the 2030 Agenda, aims to paint a nuanced picture of how the BRI could benefit Myanmar's sustainable development. After providing an overview of Myanmar's recent development context, the Myanmar Sustainable Development Plan (MSDP), and the progress of China–Myanmar cooperation under the BRI, it argues that there are both big opportunities and huge challenges in tapping the potential of the BRI's development dividends for Myanmar. The article proposes that China and Myanmar should make joint efforts in terms of mainstreaming conflict-sensitive approaches, increasing the confidence of Myanmar's public in Chinese investment, encouraging responsible investment, and diversifying financing options.

Keywords: 2030 Agenda for Sustainable Development; Belt and Road Initiative; Myanmar Sustainable Development Plan; China–Myanmar Economic Corridor; Myanmar.

1 Introduction

The Belt and Road Initiative (BRI), formerly known as One Belt, One Road (OBOR) proposed by China's president, Xi Jinping, and then arduously advocated and pushed forward by the Chinese government, offers an important opportunity to accelerate efforts to achieve the Sustainable Development Goals (SDGs) globally. Though different in scope, the BRI and the 2030 Agenda for Sustainable Development (2030 Agenda) share overlapping goals and objectives with big potential to drive mutual synergy (BRF Advisory Council 2019). The five pillars of the BRI – policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond

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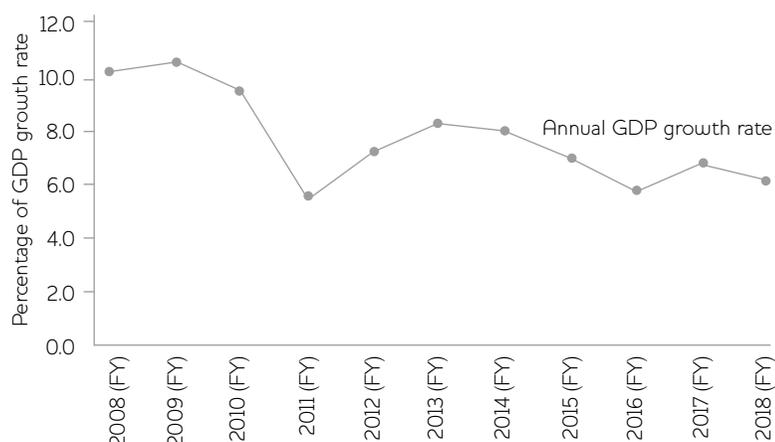
– are intrinsically linked to the 17 SDGs (Guterres 2019). By closing financing gaps and providing new sources of economic growth through improved connectivity, the BRI could help reduce poverty and improve a range of social needs including employment, education, and health.

Myanmar, the largest country in mainland Southeast Asia with a population of 53 million and located strategically at the junction of Southeast Asia and South Asia, has witnessed rapid growth in recent years and become one of the world's fastest growing economies (IMF 2016). In August 2018, the Myanmar government formulated the Myanmar Sustainable Development Plan (MSDP) to ensure coherence among different policies and institutions, reinvigorate reform, and promote action to achieve the SDGs. In the meantime, the new government, led by the National League for Democracy (NLD) and State Counsellor Daw Aung San Suu Kyi, has embraced the BRI and economic cooperation with China despite some setbacks during Myanmar's post-2011 reforms. While the BRI presents huge opportunities for Myanmar to fulfil its MSDP and development ambitions as well as the 2030 Agenda, challenges remain.

This article aims to analyse the opportunities and challenges brought by the BRI to the implementation of the MSDP in the context of a globally unanimous 2030 Agenda. It is structured in five parts. Following this introduction, Section 2 briefly outlines Myanmar's recent development context and the MSDP. Section 3 provides an overview and progress of China–Myanmar cooperation under the BRI based on the five pillars. Section 4 discusses opportunities and challenges in synergising the BRI and the MSDP and, more importantly, in tapping the potential of the BRI to contribute to Myanmar's sustainable development. Section 5 concludes and puts forward recommendations to align the BRI and the MSDP to optimise its use as an investment tool for maximum sustainable development dividends.

2 Myanmar's development context and the MSDP

Myanmar, isolated for much of the past six decades, is undergoing a critical process of political, economic, and social transition. Since opening up in 2012, the country has experienced rapid growth. Though the country's gross domestic product (GDP) growth slowed down from 6.8 per cent in fiscal year (FY) 2017 (1 April 2017–31 March 2018) to 6.2 per cent in the transitional FY2018 (see Figure 1) according to the Asian Development Bank (ADB), the growth is still robust by regional and global standards (ADB 2019). To promote economic recovery in a turbulent global context, the Myanmar government has undertaken a series of policies in recent years including opening up to foreign direct investment (FDI) of retail and wholesale trade and the insurance business; implementation of the Companies Act; and large investments in infrastructure projects including those related to the BRI. As a result, growth is forecast at 6.6 per cent in FY2019 and 6.8 per cent in FY2020 (ADB 2019).

Figure 1 Myanmar annual gross domestic product (GDP) growth rate (2008–18)

Source Author's own, based on data from the Myanmar Statistical Information Service (2019).

Nevertheless, the country is still facing tremendous development challenges. Subnational conflicts are still widespread, affecting up to one quarter of the population, and impeding the entire country's political trajectory, economic growth, and human development (Burke *et al.* 2017). The military still plays a massive role in economic governance and senior military officers own shares in some of the most profitable extractive businesses (Stokke, Vakulchuk and Øverland 2018). While FDI flows increased in 2017/18 compared to the previous fiscal year, FDI commitments declined by 14 per cent in 2017/18 compared to 2016/17, reflecting uncertainty in the investment climate related to the Rakhine crisis and weak reform momentum (World Bank 2018).

Major sources of investment largely rely on Singapore, China, and Thailand, and are limited in diversification. Myanmar's ranking in the 2019 World Bank *Doing Business* report remained unchanged at 171st out of 185 countries, despite some key improvements in reducing the cost of registering a company and increasing the reliability of electricity supply, and the transparency of tariff information (World Bank 2018). The country also ranks the lowest in the Southeast Asia region in other assessments; 148 out of the 189 countries and territories in the Human Development Index (HDI) (UNDP 2018) and 131 out of the 140 economies in competitiveness according to the World Economic Forum (Schwab 2015).

Persistent low-quality infrastructure remains a major impediment to the country's economic growth and competitiveness (Verbiest and Naing 2017). Myanmar is one of the most underdeveloped countries in Asia in terms of infrastructure. Only 38.9 per cent of the road network is paved and only 37 per cent of the population has access to electricity. The country has the lowest road density and greatest power-sector

Box 1 Myanmar Sustainable Development Plan (MSDP) (2018–30)

Pillar 1: Peace and stability

Goal 1: Peace, national reconciliation, security, and good governance

Goal 2: Economic stability and strengthened macroeconomic management

Pillar 2: Prosperity and partnership

Goal 3: Job creation and private sector-led growth

Pillar 3: People and planet

Goal 4: Human resources and social development for a twenty-first century society

Goal 5: National resources and the environment for national prosperity

Source Myanmar Union MOPF (2018: 5).

investment needs in the region (Vakulchuk *et al.* 2017). According to the ADB (2014), investment gaps in Myanmar could total as much as US\$80bn by 2030 or US\$4.7bn per year.

In August 2018, the Myanmar government issued the MSDP as the single national strategy (2018–30) to provide an overarching plan for longer-term sustainable development and strengthen coordination and coherence among the myriad sectoral, ministerial, and subnational plans. The 66-page-long document not only builds upon multiple existing strategy documents and sectoral plans, but also mediates between local developmental needs and the global sustainable development agenda. It sets out three pillars, five goals, 28 strategies, and 251 action plans (see Box 1). The three pillars include peace and stability (pillar 1), prosperity and partnership (pillar 2), and people and planet (pillar 3), which are the same as the *five Ps* that broadly capture the scope of the 2030 Agenda.

For each of the five goals, the MSDP has developed clear strategies and multidimensional action plans, to be supported by multiple programmes and projects, and a broad range of stakeholders. Key strategies consist of, among others, fostering union-wide peace, promoting equitable and conflict-sensitive socioeconomic development, improving rule of law and good governance, strengthening civil engagement and public participation, enhancing macroeconomic management, supporting job creation, creating a secure and conducive investment, as well as building a priority infrastructure base (Myanmar Union MOPF 2018). Priority sectors include trade, financial services, infrastructure, education

and health, environment, sustainable energy, natural resources, and sustainable cities. Though goals and action plans in the MSDP are country-specific, relevant SDG targets were identified to ensure consistency and alignment between the MSDP and the SDGs.

The Myanmar Union Ministry of Planning and Finance (MOPF) is the focal entity for the implementation of the MSDP and houses the MSDP Implementation Unit (MSDP-IU). The MSDP-IU, consisting of the National Economic Coordination Committee (NECC), the Development Assistance Coordination Unit (DACU), and the Planning Department, and Policy Appraisal and Progress Reporting Department of the MOPF, is responsible for providing guidance, approving strategic decisions, and resolving strategic issues regarding the implementation of the MSDP. With help from the World Bank and other agencies, the MOPF also established a project bank to facilitate implementation of the MSDP in a predictable, coordinated, and transparent manner. The project bank is a rolling databank consisting of major and transformative projects that have been screened, appraised, and prioritised, and that are ready for implementation with the most appropriate source of financing.

Projects included in the database will not only go through the screening process which is based on their relevance with strategic planning and prioritisation, but also the categorisation process in terms of source of financing, such as public–private partnership (PPP) projects, development assistance projects, and government budget projects. Projects will then be dealt with in different ways. For example, budgets will be transferred to projects that should be funded by the government; development assistance projects are transferred to the DACU and some of the PPP projects will be transferred to the PPP Centre (Aung 2019). As of the end of June 2019, the project bank has yet to be formally launched and no detailed information at project level has been revealed.

It is worth noting that the MSDP greatly emphasises environmental sustainability, including tackling deforestation, mangrove loss, the illegal wildlife trade, unregulated mineral extraction, air and water pollution, increases in waste, and climate change. It makes clear that environmental and social impact studies for all the proposed projects must comply with regulations made by the Myanmar Ministry of Natural Resources and Environmental Conservation, and the government will be responsible for compensating and resettling those who are impacted. The MSDP reflects that the Myanmar government is trying to ensure balance between development in economic, social, and environmental dimensions. This will have important implications for BRI cooperation, to be illustrated in Section 4.

3 China–Myanmar cooperation under the BRI: current status

Despite government change and some setbacks during Myanmar's post-2011 reform, China's economic engagement with Myanmar has deepened. Myanmar is also involved in two of the six economic

corridors identified under the BRI.² This section outlines the progress of China–Myanmar BRI cooperation in terms of the five pillars – policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond.

3.1 Policy coordination

Improving policy coordination is an important guarantee for implementing the BRI. The major indicators include: the building of an intergovernmental macro policy exchange and communication mechanism, the number of visits by leaders from both sides, and mutual political trust and alignment in development strategies and policies (China National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce 2015). Since 2013, when the BRI was proposed, China and Myanmar have made great achievements in terms of policy coordination, reflected by the frequency of visits by Myanmar leaders to China, their positive comments on the BRI, as well as progress in BRI cooperation. For example, in November 2014, Myanmar President U Thein Sein pointed out at the Dialogue of Strengthening Connectivity Partnership in Beijing that the BRI would bring peace, stability, and prosperity to the world. He then further remarked that the Myanmar side would deepen cooperation with China in infrastructure connectivity in September 2015 (*China News* 2015).

State Counsellor Daw Aung San Suu Kyi also paid her first international visit to China after winning the election, and was present in the first and second Belt and Road International Cooperation Forum in 2017 and 2019 respectively. The Memorandum of Understanding (MoU) on the BRI signed between the two countries in May 2017 represented a milestone for policy coordination between the two sides (Ying 2018).

Cooperation between the two countries under the BRI made another great stride when Chinese State Counsellor and Foreign Minister Wang Yi proposed the establishment of the China–Myanmar Economic Corridor (CMEC) during his meeting with his counterpart Aung San Suu Kyi in November 2017. The CMEC, taking the shape of a 'reverse-Y', will connect China's southwestern province of Yunnan to Mandalay in Central Myanmar, and then east to Yangon and West to Kyaukpyu, Rakhine State. The CMEC is the second bilateral economic corridor after the China–Pakistan Economic Corridor (CPEC) and constitutes an important part of the BRI. It aims to promote economic integration by linking three important economic centres in Myanmar; namely, Mandalay, Yangon New City, and the Kyaukpyu Special Economic Zone (SEZ) (Ying 2018).

In February 2018, the two sides finalised a 15-point MoU at the working group level and agreed to collaborate on many sectors including basic infrastructure, construction, manufacturing, agriculture, transport, finance, human resource development, telecommunications, and research and technology in order to develop the CMEC. Following that, the two governments formally signed the MoU to build the CMEC

in September 2018 (Thiha 2019). During the second BRI Summit at the end of April 2019, China and Myanmar reached further agreements on trade, economic development, and technical assistance.

Myanmar's positive gesture was further reflected in the establishment of the OBOR Implementation Steering Committee in November 2018, which is chaired by the State Counsellor and includes chief ministers from subnational governments as well as representatives from various departments. The functions of the Steering Committee include improving coordination among different organisations, giving policy-related guidance, formulating management plans, and organising experts to conduct research on BRI-related projects. The Myanmar government also formed the CMEC Joint Committee chaired by the Union Minister for the MOPF and the CMEC Committee chaired by the Union Minister for Commerce in late 2018. Such committees not only signal the importance Myanmar attaches to the BRI, but also demonstrate that the CMEC is an important part of the comprehensive strategic cooperation between China and Myanmar. That said, the Myanmar government has emphasised that the chosen projects under the CMEC must align with the country's national priorities as outlined in the MSDP. It has been reported that only nine of the 30 projects proposed by China were approved by the Myanmar side (Lwin 2019).

3.2 Infrastructure connectivity

Infrastructure connectivity is a priority area for implementing the initiative, covering transport, port infrastructure, oil and gas pipelines, the power grid, civil aviation cooperation, as well as cables and other communication networks (China National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce 2015). The projects along the CMEC are largely related to infrastructure construction, including the China–Myanmar oil and gas pipelines, the Kyaukpyu deep-sea port with two berths in its initial phase, the Kunming–Kyaukpyu railway line, the Mandalay–Tigyaing–Muse expressway, and the Kyaukpyu–Nay Pyi Taw highway projects.

Among them, the China–Myanmar oil and gas pipelines, the first oil and gas pipelines running through the south to the north of Myanmar, predate the BRI and are in operation. The crude oil pipeline is jointly invested in by the Southeast Asia Pipeline Company Ltd (50.9 per cent), a subsidiary company of the China National Petroleum Corporation (CNPC), and the Myanmar Oil and Gas Enterprise (MOGE) (49.1 per cent). The gas pipeline is jointly invested in by the CNPC Southeast Asia Pipeline Company Ltd (50.9 per cent), the MOGE (7.37 per cent), the POSCO DAEWOO Corporation (25.04 per cent), the ONGC CASPIAN E&P B.V. (8.35 per cent), the Gas Authority of India Ltd (4.17 per cent), and the Korea Gas Corporation (4.17 per cent), bringing together six parties from four countries (CNPC 2017).

The China–Myanmar oil and gas pipeline project, through supplying energy to China, has not only diversified the oil and gas imports and

Figure 2 Trade value between China and Myanmar (US\$ million)

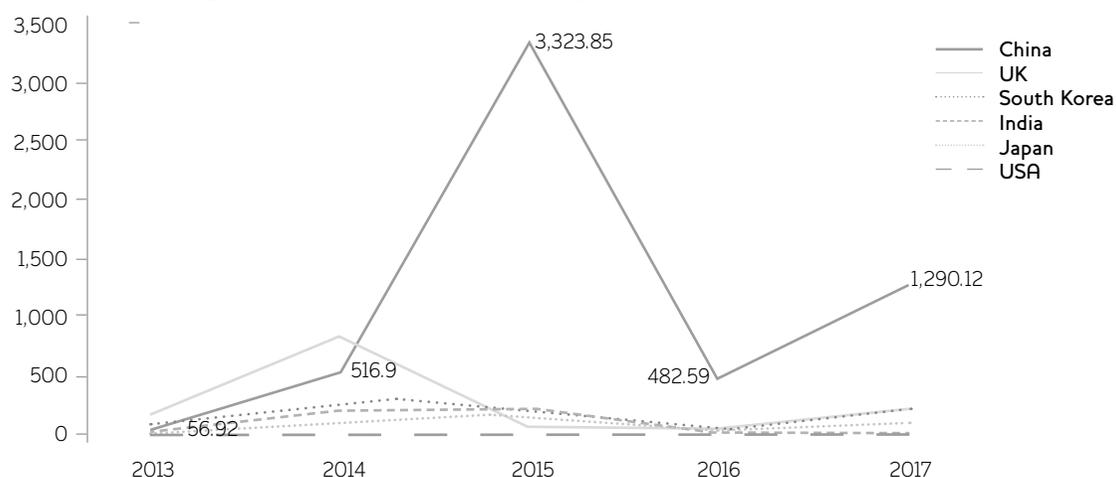


Source Author's own, based on data from the Myanmar Statistical Information Service (2019).

exports of Myanmar and spurred growth in the oil and gas industry, but also played an important role in providing energy to central and northern Myanmar through the different offtake points. For example, in Kyaukpyu, due to the project, residents now enjoy 24-hour access to electricity at a cheaper cost. The project also contributes substantial economic benefits to Myanmar including tax revenue, investment dividends, right-of-way fees, cross-border fees, training funds, and others.

Progress has also been made in the Kyaukpyu deep-sea port project. China and Myanmar signed a framework agreement on 8 November 2018, three years after the bid was awarded to the China-based CITIC Group. The framework now foresees a US\$1.3bn joint investment for implementation of the first phase of the Kyaukpyu deep-sea port. The total cost of the project, which is now planned in four phases, is estimated at about US\$7bn. The first phase will include two deep-water berths. The China-based CITIC Group will hold 70 per cent stake while the remaining 30 per cent will be invested by the Myanmar government and local public firms.

The two countries also signed an MoU in October 2018 for preparation of a feasibility study for the Muse–Mandalay railway line. In June 2019, the China Railway Eryuan Engineering Company (CREEC) submitted a technical report as part of the feasibility study. The report is based on a ground survey along the Muse–Mandalay highway road and includes soil analysis results as well as suggested routes. Officials of the CREEC and Myanmar Railways conducted inspections on the ground and also held public meetings with the authorities, residents, and elders of the townships of Kyaukme, Lashio, and Muse, where the railway might pass through. The railway is expected to span over 430km with five train stations. The designed speed for the train is 160km per hour.

Figure 3 China's foreign direct investment in Myanmar in comparison (US\$ million)

Source Author's own, based on data from the Myanmar Statistical Information Service (2019).

3.3 Unimpeded trade

Investment and trade cooperation are a major task in building the BRI, including investment and trade facilitation, the reduction and removal of investment and trade barriers, and the optimisation of trade structure. During the BRI period 2013–17, Myanmar's trade with China (excluding Hong Kong and Macau) steadily increased (see Figure 2) and by 2017, the total trade between the two countries exceeded US\$11.79bn, an average increase of 13.8 per cent over the five years (Myanmar Statistical Information Service 2019). China has remained Myanmar's largest trading partner two years in a row. The outward direct investment from China (excluding Hong Kong and Macau) in Myanmar, once affected by the suspension of the Mystone Dam project, recovered back to US\$12.9bn in 2017 (see Figure 3), with 344 projects in sectors such as oil and gas, electricity, manufacturing, transport, and communications far exceeding those from other major countries in the region (*ibid.*). The investment is likely to further increase when the projects planned under the CMEC are implemented, including the New Yangon City project (US\$1.5bn),³ the Kyaukpyu SEZ (US\$2bn), the Mandalay Yida Economic and Trade Cooperation Zone (US\$4bn), and the Myanmar–China border economic cooperation zones.

3.4 Financial integration

Financial cooperation is an important element of implementing the BRI. Myanmar is one of the founding members of the Asian Infrastructure Investment Bank (AIIB). In 2016, the AIIB, together with the World Bank's International Finance Corporation (IFC), and the ADB approved its first loan for a Myanmar project: a US\$20m loan to the 225MW (megawatt) Myingyan gas-fired power plant (*Frontier Myanmar* 2016). Myanmar is also one of the 28 countries that had approved the Guiding

Principles on Financing the Development of the BRI, which includes fostering a transparent, friendly, non-discriminatory, and predator financing environment, underscoring the importance of conducting social and environmental impact assessments and risk management, as well as sustainable and inclusive development (China Ministry of Finance 2017). China and Myanmar cooperated in a bilateral currency swap and settlement. The China and Myanmar Currency Exchange Center was established in Ruili City, Yunnan Province in 2015, making Ruili the first city to trade kyat in China. The centre intended to build an effective platform to promote the Sino–Myanmar currency exchange's standardisation and legalisation, increase China–Myanmar trade, and facilitate cross-investment (Yurun and Yingqing 2015).

3.5 People-to-people bond

The people-to-people bond provides public support for implementing the BRI reflecting in, among others, education, training, tourism, public diplomacy, as well as corporate social responsibility. In 2017, the Chinese government awarded 103 Myanmar student scholarships and arranged more than 168 short-term training projects with 637 trainees (Ying 2018). China and Myanmar have also agreed to establish cultural centres in the two countries, with the launching of the China Cultural Center in Yangon in 2017. Cooperation and exchanges among thinktanks have witnessed a huge increase in the two countries since 2013 (*ibid.*). In addition, China has increased and reoriented its aid to people's livelihood projects in Myanmar, including offering humanitarian aid to help displaced people in Rakhine State, performing eye operations for Myanmar patients, and implementing a series of agricultural technology transfer projects under the Lancang–Mekong Cooperation Mechanism. One of China's civil society organisations, the China Foundation for Poverty Alleviation, also established its first overseas country office in Yangon, providing scholarships for Myanmar students.

4 Discussion

The MSDP has more or less internalised the 2030 Agenda based on Myanmar's context. As Myanmar's largest neighbour, trading partner, major investor, and development partner, China could definitely play an important role in fostering sustainable development in Myanmar. The BRI, more specifically the CMEC, can be an overarching framework for the two sides to upgrade cooperation for shared benefits. Nevertheless, there are still daunting challenges ahead to translate such ideas and policies into actions.

4.1 Opportunities

The CMEC, as part of the BRI, represents big opportunities for Myanmar to implement its MSDP and the 2030 Agenda in different ways. First, the CMEC shares synergies with the MSDP in design and represents the convergence of common interests between the two countries. For example, the MSDP considered adequately addressing the infrastructure gap and upgrading international transport corridors as the key to achieving Myanmar's development ambitions. In fact, one

could argue that the idea of the CMEC comes from Myanmar's own development plan. The Industrial Policy formulated by Myanmar's Ministry of Industry in 2016, which later constitutes an important part of the MSDP, identified four economic corridors for global integration, including the North–South Economic Corridor, the East–West Economic Corridor, the Northeast–Southwest Economic Corridor, and the economic corridor from Yangon to Myawaddy. The CMEC greatly overlaps two of them; namely, the North–South Economic Corridor (Yangon to Mandalay) and the Northeast–Southwest Economic Corridor (Kyaukpyu–Mandalay–Muse).

The Industry Policy also made it clear that Myanmar would construct international deep-sea ports and place industries close to them, including Kyaukpyu deep-sea port where 'cargo ships from Europe, Africa and West-Asia may dock' (Myanmar Union MOI 2016: 17). The Kyaukpyu SEZ was also long planned as a commercial centre of port cities to help address the economic imbalances between developed Yangon and underdeveloped Rakhine State. Thus, it could be said that the CMEC fully aligns with the MSDP or even originates from Myanmar's own development plans, catering to Myanmar's development needs.

Second, the CMEC could be a catalyst for infrastructure development and economic growth in Myanmar. A modern and well-functioning infrastructure is fundamental to Myanmar to develop into a developed market economy. There have been many assessments globally regarding the positive impacts of infrastructure on economic growth, including enhancing competitiveness and productivity, improving accessibility of public services, facilitating trade and mobility, as well as generating jobs (McKinsey and Company 2016; Straub and Terada-Hagiwara 2010). Evidence from other countries also suggests that BRI road projects and associated investments offer considerable opportunities in increased productivity, reduction of trade costs and barriers, agglomeration effects, and flow on effects for production, employment, and incomes (Berg *et al.* 2015).

Road and railway construction under the CMEC would connect major urban centres and communities across the country and with major cities and markets in neighbouring countries, notably Bangladesh, China, and India. For example, with Muse being the largest trade portal between the two nations and Mandalay being central Myanmar's commercial centre, the Muse–Mandalay railway line has the potential to play an important role in enhancing connectivity between Myanmar and China as well as with other regions of Southeast Asia. Port development could also enable Myanmar to become a regional hub, thanks to its strategic location. As such, the CMEC could offer Myanmar an important opportunity to modernise and industrialise, especially the underdeveloped western regions. Improved infrastructure connectivity, delivered to a high quality with a focus on viability, resilience, and sustainability would catalyse the development of new industrial chains, value chains, and supply chains, nurture human capital, and support long-term growth.

Thirdly, the BRI could also provide an impetus to address the significant financing gap in Myanmar. Given the limited public budget, the Myanmar government would need to explore different funding mechanisms, including the PPP model, loans from multilateral development banks, as well as aid from development partners. The different funding mechanisms and channels under the BRI, such as the Silk Road Fund, the China Development Bank, the Import and Export Bank, Chinese commercial banks, and state-owned enterprises, could partially satisfy funding needs.

Meanwhile, the CMEC would also have huge implications for the Myanmar peace process as its projects extend across many of Myanmar's conflict areas and affect the livelihoods of local people. The CMEC provides impetus for China to contribute to the peace process in Myanmar. To secure the success of the economic corridor, China will need to work with the Myanmar government to address subnational conflicts in Northern and Western Myanmar. In fact, the Chinese authorities have brokered informal talks to end immediate hostilities and pressured ethnic armed organisations to participate in formal peace dialogues (International Crisis Group 2017). Arguably, the CMEC could complement the Myanmar government's efforts in promoting *peace and stability* through development.

4.2 Challenges

While there is strong political will and passion from the Myanmar government for the BRI, few projects have been implemented and there are daunting obstacles ahead to put the CMEC on the ground.

Firstly, the CMEC currently lacks concrete and effective tools to address the security risks led by the domestic crisis in Myanmar. Subnational conflict in Myanmar is not a peripheral issue and the reasons are extremely complex, driven by competing demands concerning control over resources, authority, and territory (Burke *et al.* 2017). Conflicts between the Myanmar government and ethnic armed groups not only jeopardised border security and regional connectivity but also brought security risks to Chinese investors in Myanmar. The Rohingya issue in Rakhine and ethnic armed rebels in northern Myanmar constitute the major hurdles for the CMEC. For example, Kyaukpyu is located in the restive Rakhine State, and although the Kyaukpyu deep-sea port and SEZ are not in the Rohingya conflict zone, the potential threat that Rohingya militants pose to the Kyaukpyu infrastructure cannot be easily dismissed. Highways and railways under the CMEC will also pass through other conflict zones. In addition, conflicts in northern Myanmar have resulted in the occasional closure of some border posts and the deaths and injuries of Chinese civilians. While there might be strong concerns about debt sustainability on the Myanmar side, it is threats to the security of Chinese works and Chinese-built infrastructure projects that worry the Chinese side most and could potentially hamper cooperation. The *non-intervention* foreign policy principle further constrains China's policy options in dealing with such complex issues at Myanmar's subnational level.

Secondly, while the CMEC receives a widespread positive attitude from government officials and business communities, Myanmar's public seem to have little knowledge of the CMEC and remain suspicious of China's investment. The CMEC faces challenges in both information and trust deficit. China's growing footprints in Myanmar aroused popular resentment and social unrest in the past and such memories have not withered away. With the adoption of opening up policy in Myanmar, its civil society groups are becoming more active and vocal as well as more cautious towards China's investment.

However, the author's field visits revealed that a large proportion of civil society and the public rely on social media regarding CMEC information. Very few thinktanks are doing research and exchanges on the CMEC or even China's cooperation with Myanmar due to a shortage of funding and expertise. In the meantime, the Myanmar public also has territorial concerns regarding further integration with China. For example, in early 2019, a piece of news regarding a Chinese company's establishment of the Yongbang Digital Economic Zone in Mongla, Shan State, which will encourage use of digital currency, has provoked wide complaints on the violation of the country's sovereignty (Wansai 2019).

Thirdly, as many of the CMEC projects are large infrastructure projects, they will face huge challenges in terms of land acquisition and compensation, environmental protection, and stakeholder engagement in Myanmar. The SDGs and the MSDP both recognise that Myanmar's development depends fundamentally on sustainable management of the natural environment. Studies have shown that Myanmar's natural environment functions greatly as a capital asset, providing goods and services to the country's citizens (Mandle *et al.* 2016; Emerton and Aung 2013). As such, the Myanmar government has repeatedly made it clear that there would be no exception to the rigorous and stringent assessment process of identifying and reviewing projects under the CMEC, taken from their strategic alignment with the MSDP.

Though the MSDP sets out that the Myanmar government will be responsible for land acquisition and resettlement, history has shown that the issue is more complex on the ground. Land disputes often emerge for different reasons, including unclear or overlapping ownership, the theft of compensation funds by corrupt local governments, or concerns about losing livelihoods resulting from loss of land. The China–Myanmar oil and gas pipelines project, completed in 2015, still has disputes regarding land compensation.

According to a report from the World Wide Fund for Nature (WWF) in Myanmar (Helsing *et al.* 2017), the BRI road infrastructure, if not properly planned or constructed, could have many negative impacts including increased risks of natural disasters such as landslides and flooding, water pollution, wildlife mortality, and ecosystem degradation. The significance of these risks is underscored by the fact

that the CMEC cuts through areas that are home to about 24 million people and they could be impacted by increased sedimentation due to upstream infrastructure development, deforestation, and other land use change (*ibid.*).

Underlining all of the challenges regarding land acquisition, environmental protection, and community engagement are a lack of proper systems, institutions, instruments, and capacities on both sides to monitor, assess, and make changes accordingly during project implementation. For example, despite improving its domestic environmental policies, China still does not promulgate regulations concerning environmental protection of its foreign direct investment. Guidelines for foreign investment and the promotion of corporate social responsibility largely rely on the initiative of the investing company. Environmental criteria and their impacts in decision-making are still unclear for major Chinese funders such as the Import and Export Bank and the China Development Bank.

Another important issue lies in how to deal with the relationship among different interest groups and how to establish a broader community of common interests. Rapid changes that accompany accelerated development generate both winners and losers and can create instability. Field studies also revealed that local residents would only support development initiatives if they experience direct benefits. Community members often supported improvements to local roads which ease direct access to markets, schools, and hospitals. However, some have expressed concerns that new and large roads would enable more military engagement, attract armed disputes over taxation, land confiscation, or forced displacement, as well as flows of migrants from other regions (Burke *et al.* 2017: 34).

Fourthly, there are also financial sustainability concerns on the Myanmar side. The railway and highways across the northern mountain ranges could be very expensive. An earlier feasibility study for the railway priced the project at US\$20bn, and China had offered to pay for 90 per cent. However, even then, Myanmar could not afford its share. China and Myanmar also face several other financial challenges. Myanmar's financial system fails to meet international standards. The country's stock market is still underdeveloped, and it is hard for enterprises to obtain financing in Myanmar. In addition, as a currency swap agreement has yet to be signed between China and Myanmar, it is inconvenient for Chinese enterprises to invest in Myanmar.

5 Conclusion and recommendations

The Myanmar NLD government has adopted various policies to reinvigorate and maintain its economic growth, including issuing the MSDP and embracing the BRI. In essence, the MSDP and the BRI are fully aligned and the BRI could be an important vehicle for Myanmar to realise its development ambitions and achieve the SDGs. This is probably why China–Myanmar BRI cooperation has steadily

progressed, unanticipated by many observers. Nevertheless, to fully tap the potential of the BRI's contribution to the MSDP, both countries still face huge challenges in security, social, environmental, and financial dimensions, and will need to make strong efforts to bring the initiative to the ground.

First and foremost, China and Myanmar should mainstream conflict-sensitive approaches into all aspects of CMEC implementation. A sustained peace is integral to both the CMEC and Myanmar's sustainable development. The MSDP attributes domestic conflicts to 'mistrust between groups, the lack of transparent and accountable public institutions, the exclusion and marginalisation of people from decision-making processes as well as a persuasive sense of injustice generated by inequitable distribution of resources, acute macroeconomic instability and vulnerability to economic shocks' (Myanmar Union MOPF 2018: 8).

As such, while continuing to provide necessary assistance to the Union Peace Conference – 21st Century Panglong, China should work with Myanmar partners to make sure programmes and projects under the CMEC are designed, implemented, and managed with the participation of all stakeholders. Great efforts should be made in terms of disclosing information and decentralising management of development activities, especially when the CMEC passes through many of the conflict-affected areas. While the CMEC could strengthen social, economic, and physical connectivity between lagging regions such as Kyaukpkyu with growth hubs such as Mandalay and Yangon, special attention should be paid to improve benefits at the subnational level, including fiscal income and job opportunities. China could also prioritise flows of its development assistance into the areas along the economic corridor.

Secondly, more efforts will be needed to increase the public's confidence in the CMEC in Myanmar. Detailed information regarding MoUs and agreements signed by both governments should be disclosed in a timely manner. Bidding for and the tendering of CMEC projects should be open to local, regional, and global actors. Joint research and dialogues with and among think tanks and civil society groups should be encouraged. With the support of joint governments, 1.5-track or 2-track mechanisms could be established. Both sides could also enhance the multilateral dimension of the CMEC to improve credibility, including working together with different multilateral and bilateral parties such as the World Bank, the ADB, Japan, Thailand, and Singapore.

Thirdly, responsible investment, including active engagement with community and civil society organisations should be encouraged. After a series of high-profile controversies such as the Myitsone Dam and the Letpadaung copper mine project, Chinese companies need to attend to local people's concerns over environmental and social impacts to restore the Myanmar public's trust in Chinese investments. Both sides should encourage community-based development initiatives and adopt consultative methods such as establishing village committees and giving

residents a say in deciding and monitoring the spending of funds. Environmental and social impact assessments should be made available to the public in a manner that is accessible to all sectors of society, encouraging diverse participation and collaboration.

Both governments should also consider taking mandatory measures to enhance environmental accountability in pushing forward the CMEC. Chinese parties should put into use the sustainability criteria stipulated in the *Guidance on the Building of the Green Belt and Road* released by China's Ministry of Environmental Protection (2017), and refer to global sustainability standards for infrastructure development in Myanmar. Thorough infrastructure planning should be encouraged to avoid critical areas, including areas important for biodiversity and providing ecosystem services. The participation of Myanmar civil society at all levels and stages of project planning should be facilitated to avoid negative social and environmental impacts. Patience, transparency, and public participation in the decision-making process are the key to ensure success for the BRI and the CMEC.

Fourthly, given the fiscal constraints faced by the Myanmar government, both sides should make efforts to diversify its financing options, including the promotion of the PPP model and better design and use of China's grants. In principle, infrastructure projects that are deemed commercially viable and bankable should be pursued through PPP and other innovative financing models. Given the relatively quick development of PPP in China, China can strengthen its knowledge-sharing with Myanmar in improving PPP mechanisms, including those relating to procurement and other relevant areas. China and Myanmar can also agree to strategically make use of China's grants to support the advancement of the CMEC, including supporting feasibility studies, carrying out environmental and social assessment, improving vocational education and providing livelihood projects for people to be affected by different projects. In addition, the Chinese Ministry of Finance has issued a Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative (China Ministry of Finance 2019).⁴ China and Myanmar could jointly conduct debt sustainability analysis (DSA) to provide references for lending decisions and manage debt risks.

During the second BRI Summit, China has placed high quality at the centre of the BRI agenda and commits the BRI to peace, prosperity, inclusiveness, openness, innovation, greenness, and cleanness. Perhaps no country more than Myanmar would welcome the BRI if these commitments are translated into actions.

Notes

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1 Zhou Taidong, Director, Global Development Research Division, Center for International Knowledge on Development (CIKD),

- Development Research Center of the State Council (DRC) and PhD candidate at the China Agricultural University, China.
- 2 Namely, the New Eurasian Land Bridge, the China–Mongolia–Russia Economic Corridor, the China–Central Asia–West Asia Economic Corridor, the China–Mainland Southeast Asia Economic Corridor, the China–Pakistan Economic Corridor, and the Bangladesh–China–India–Myanmar Economic Corridor.
 - 3 The New Yangon City Project is a commercial project but part of the CMEC plan. A framework agreement was signed between the New Yangon Development Company and the China Communications Construction Company (CCCC), which envisions a complex of new towns, industrial parks, and urban development projects.
 - 4 The Debt Sustainability Framework for Participating Countries of the BRI was issued by the Chinese Ministry of Finance in April 2019. It is a non-mandatory policy tool which sets out procedures of debt sustainability analysis, including debt coverage, macroeconomic projections, realism tools, country classification, and debt-carrying capacity, stress tests, risk signals, the use of judgement, the final risk ratings, and the DSA write-up.

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