

## **CHINA-MYANMAR ECONOMIC CORRIDOR (CMEC) AND ITS SIGNIFICANT FACTORS**

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### **Abstract**

By using the descriptive method, this paper tries to find out the significant factors of the China Myanmar Economic Corridor (CMEC). These factors tell how CMEC is being undertaken between the two countries, the situations of the projects under CMEC and the public considerations and assumption upon them. The perspectives of the two countries, the major investment projects of CMEC and the public concern are mainly discussed in this research. Based upon these factors this paper claims that CMEC will bring opportunities as well as disadvantageous to local Myanmar communities if there is no strong government's role.

**Keywords:** China Myanmar Economic Corridor, CMEC, perspectives, major investment projects, public concerns

### **Introduction**

China Myanmar Economic Corridor (CMEC) is one of the corridors running under China's Belt and Road Initiatives (BRI). These initiatives involve the Chinese infrastructure mega-projects which aim to connect Asia with Africa and Europe via land and maritime networks. The land route (the Silk Road Economic Belt) links China with Southeast Asia, South Asia, Central Asia, Russia and Europe and, the sea route (the 21<sup>st</sup> Century Maritime Silk Road) connects China's coastal regions with Southeast and south Asia, the South Pacific, the Middle East and Eastern Africa, all the way to Europe. There are altogether six economic corridors under BRI and, these passageways are functioning through the ambitious BRI projects. The Y-shaped China Myanmar Economic Corridor (CMEC) is 1,700-kilometer long. It starts from the Yunnan Province of China crossing through the northern part of Myanmar (Myanmar- China Border) to Mandalay in the middle part of Myanmar then extending south to Yangon New city and west to Kyauk Phyu, Rakhine State in Myanmar (Figure-1). A memorandum of understanding for CMEC was signed in September 2018 between the two countries. The visit of Chinese President Xi Jinping to Myanmar in January 2020 brought the signing of the 33 bilateral agreements, which focused on the three pillars of CMEC: Kyauk Phyu Special Economic Zone; China-Myanmar Border Economic Cooperation Zone and the project on New Yangon City. Indeed, most of the projects were started before the CMEC and re-branded under it. They are primarily related to infrastructure development in the transport (such as roads and bridges, railway, dam), mining, energy, Special Economic Zones (SEZ), industrial parks and urban development. Although Myanmar hopes to bring the advantages such as boosting its economy, increased employment, and infrastructure development from the CMEC's projects, some are skeptical about the BRI projects since they are famed with corruptions, lack of transparency, unaware of the environmental issues etc. In this context, this research aims to explore the significant factors of CMEC. It is argued that the ambitious CMEC projects are reasonably expected to produce the opportunities for local Myanmar community, but they are also believed to deliver the potential impacts that will undoubtedly affect Myanmar and its community.

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Source: Drishti Home 2020

**Figure-1** (The Y-shaped China Myanmar Economic Corridor)

## Materials and Methods

This research is a descriptive research try to answer the question, what are the significant factors of CMEC. Under this question this research discusses the three parts: the perspectives of Myanmar and China on CMEC, the three main pillars of CMEC and the concerns of Myanmar community upon these projects. The necessary data for this research is collected from newspapers, journals, articles, reports and internet websites.

## Findings and Discussions

### 1. Perspectives of Myanmar and China on CMEC

#### (a) Myanmar's perspective on CMEC

The resignation of State Peace and Development Council (SPDC) and the inauguration of the new quasi-civilian government in 2011 threatened Chinese investments as well as its leading position in Myanmar. Previously agreed projects were stalled and in 2011 September, Myitsone Dam project was postponed. Moreover, Chinese owned copper mine in Letpadaung and pipeline project in Rakhine were protested by Myanmar community. The government cancelled the proposed Kyauk Phyu-Kunming railway project in 2014. Moreover, Beijing concern about new government attempt to resumption of harmonious relations with NLD and the western countries. The relations between the two countries was cold. However, this political landscape was changed in 2016-2017. The NLD government has established closer relations with Beijing and the CMEC was introduced. During the visit of Chinese Foreign Minister Wang Yi to Myanmar in 2017, he proposed building y-shaped China-Myanmar economic corridor. On 5<sup>th</sup> April 2017, Myanmar President, U Htin Kyaw paid a sixday state visit to China to discuss trade, infrastructure and political cooperation between the two countries. During the same year State Counsellor Daw Aung San Suu Kyi attended the first BRI forum and signed five agreements. Two of them were MOU on the Establishment of China-Myanmar Border Economic Cooperation Zone and MOU on Cooperation within the Framework of the Silk Road Economic Belt and the 21st

Century Maritime Silk Road Initiative. The year 2017 can be seen as Myanmar's official acceptance to BRI.

Through 2018, the delegations from China to Myanmar significantly increased and Myanmar engagement with China improved. The MOU on China Myanmar Economic Corridor was signed on 9<sup>th</sup> September 2018 in Beijing between the two countries and agreed 15 points on building CMEC. On 11 September, the steering committee for implementation of BRI was formed led by Myanmar's State Counsellor. Moreover, under CMEC framework, the MOU on feasibility study of Muse-Mandalay railway on 12 October 2018 and the framework agreement on Kyauk Phyu Special Economic Zone Deep Sea Port on 8th November 2018 were signed respectively between Myanmar and China. When the second BRI Forum was held in Beijing in April 2019, Myanmar signed another three MOUs and agreement: Agreement on Economic and Technical Cooperation, MOU on CMEC Cooperation Plan (2019-2030) and MOU on the Formulation of the Five-year Development Program for Economic and Trade Cooperation. The historic visit of Chinese President Xi Jinping to Myanmar in January 2020 brought the signing of the 33 bilateral agreements mainly focusing on the three pillars of CMEC: Kyauk Phyu Special Economic Zone; China-Myanmar Border Economic Cooperation Zone and the project on New Yangon City.

The policy inconsistency between USDP and NLD governments has brought public confusion and anxiety relating to Chinese investment and infrastructure projects. The major reason why NLD's increased engagement with China and embracement on CMEC is largely dependent on country's economy and development. During 2016-2017 Myanmar was facing with the international accusation of 'war crime' and 'crime against humanity' in concerning with the "Rohingya" crisis and many foreign investors became lack of confidence to invest in Myanmar. Myanmar also combated with economic stagnation and FDI declining in 2018. Consequently, Myanmar policy makers hope CMEC would boost the country investment and lift the economy. Nay Pyi Taw also expects that CMEC would fulfil its Sustainable Development Plan (2018- 2030). Consequently, Myanmar government tries to build the CMEC in line with Myanmar's needs. NLD government has tried to solve the stalled Myit Sone Dam project through diplomatic way. A 20-member commission was formed in 2016 to examine Myitsone up-stream hydropower project and review whether the project should proceed or not. The commission has produced two reports but these have not been released publicly yet. In May 2019, Myanmar government set out the terms for the signing of BRI deals with China: allowing Myanmar to seek financing from international financial institution to implement the projects, to invite international tenders to ensure international investment in the projects and to choose the proposed projects that create mutual benefit for both sides.

### **(b) China's perspective on CMEC**

For Beijing, the success of CMEC is important for its international influence as well as economic growth in the 21<sup>st</sup> Century. Firstly, CMEC is the key to solve Beijing's Malacca Dilemma. For Beijing the demand for large quantities of natural gas and oil come from East Africa, Middle East and maritime Southeast Asia. 80 percent of China's crude oil and natural gas import pass through the Malacca Strait. Since China's energy imports largely depend on the Malacca strait, the strait's importance increases every year. Moreover, Beijing is uneasy with the external powers (US and Japan) playing a greater role in the security of the strait and called for alternative strategy to avoid the 'perceived vulnerability'. Through the CMEC Beijing expects to mitigate the Malacca Dilemma and ensure the energy security of China. It provides a strategic new trade route by reducing the distances of transportation by up to 1,800 nautical miles and avoid the congested Malacca strait which can be stopped by the US navy or other navies in time of crisis. Along with the Kyauk Phyu deep sea port in Rakhine State and the crude oil pipeline and natural gas pipeline connecting Western Myanmar and Southern

China, 22 million ton of crude oil and 12 billion cubic meter of natural gas can be delivered annually. Some argue that CMEC provides more secure outlet to the Indian Ocean in comparing to Pakistan- China Economic Corridor (CPEC). The CPEC connect China western province, Xinjiang to Pakistan's lowland and on to the sea through the highway. However, in winter the road is blocked by snow and ice and this cannot be a reliable route for China's crucial energy imports.

Secondly, Beijing also expected benefit for the land-lock Yunnan province from CMEC. Throughout the time since China opened its border for economic development, Myanmar always has been a target for Yunnan development strategy. Myanmar shares a border with China's south-west land lock province Yunnan, Beijing has major ambitions for Myanmar. Heavily dependent on tobacco production, Yunnan's economy is legged behind in compared to seaboard provinces. Throughout 1990s and early 2000s Beijing put Myanmar a central role in elaborating Yunnan's development strategy. In 2010, the Chinese government emphasized provinces in border areas as the 'bridgehead' to connect to neighboring countries. This 'bridgehead' policy was the reformulation of the China's Develop the West policy which focus to develop infrastructure (energy, hydropower plant, telecommunication and transport), investment and trade. Yunnan province was proposed as a bridgehead into Myanmar. BRI and its CMEC rooted in those strategies. Yunnan provincial government expects Yunnan as a bridgehead into Myanmar can bring the province development. Billion-dollar worth construction contracts for railways, highways and pipelines and major electric power grids could be brought through the province and it would become the vital location for the energy resources for the China's southern provinces. Moreover, hundreds of thousands of jobs could be created and the province would benefit from it.

In addition, Beijing hopes to establish the stable border through Myanmar China Border Economic Cooperation Zone focusing on trade, manufacturing and tourism. The local community in the northern area of Myanmar is relying on planting opium poppies and the opium trade is one of the main reasons for instability in the area. Yunnan remains part of the drug smuggling routes branching out of the Golden Triangle and 13 Chinese sailors were murdered by a drug traffic gang in 2011. Moreover, in 2016, the resumed armed straggle by Ta'ang, Kokang and Kachin forces caused the displacement of 100,000 civilian along the Yunnan border. China expects economic cooperation zone could reduce poverty, provide jobs for the local people, curtail the cross-border drug trade and create a stable border area which ensures the healthy international trade through CMEC to Yunnan.

However, there are a lot of challenges for Beijing in developing CMEC: the ethnic armed conflict in Kachin and Rakhine states where CMEC's projects are mainly focused; raising public awareness and dissatisfaction on China's investment projects which eventually led to the halt of the Myitsone Dam project in 2011; 'the mountainous topography requires complex engineering solutions for infrastructure projects'. However, its persistent actions on CMEC prove that it is worth for facing these obstacles. For example, when the Myitsone Dam project was stalled, China softened its position without suing Myanmar for the compensation. At the expense of cooling down the Dam project, Beijing wants to implement other projects in Myanmar. It is noted that 'no other neighboring country can provide China with a secure outlet to the Indian ocean' than Myanmar and it is the key to China's strategic intention across the Indian Ocean.

## **2. The Three Pillars of CMEC**

The three pillars of CMEC are Myanmar-China border Economic cooperation zones, Kyauk Phyu Special Economic Zone and the new urban development of Yangon city.

### **(a) Cross Border Economic Cooperation Zones (CBECZ)**

The first pillar of CMEC is China- Myanmar Economic cooperation zones. China mainly operated border trade and industrial cooperation through its Border Economic Cooperation Zone (BECZ) before BRI. Yunnan province had two BECZs in Ruli and Lincang (2013) to deal with Myanmar. With the BRI China aims to establish CBECZs which is to expand the existing BECZs to the neighboring countries' territory. They can be called the cross border special economic zone and are designed to establish and operate jointly by China and the neighboring countries. CBECZs would enlarge the size of economic zone and the areas of economic cooperation as well as would serve as the proving ground for the two countries' economic integration. Under CMEC framework, Kampaiti in Kachin, Muse and Chin shwe haw in Shan states along Myanmar's border with China are designated as the areas to develop Cross Border Economic Cooperation Zone (CBECZ). On 16 May 2017, the Ministry of Commerce of PRC and Myanmar signed a MOU for the joint development of border economic cooperation zone. Central Committee on the Implementation of Myanmar and China Border Economic Cooperation was formed in 2018 and the meetings on the implementation of CBECZ have been held for five times. On 12 June 2020, the two sides (Ministry of Commerce on Myanmar side and the Yunnan Provincial Department of Commerce on China side) and other business actors held the first coordination meeting of the two countries' regional working group on the establishment and implementation of the Myanmar China BECZ. The meeting was held with video conferencing.

The MOU on Accelerating Negotiation on the Framework Agreement on the China-Myanmar Ruili-Muse Cross Border Economic Cooperation Zone' was signed in January 18, 2020. Among the three border economic cooperation zones, the development of Ruili-Muse Cross Border Economic Cooperation Zone is regarded as the pioneering act for both governments. In the coordinating meeting of the two sides held in June 2020, Myanmar side discussed that the triangle area which is cornered with Namhkan town, Nam Hpat Kar town and Pang Hseng town within Muse Township, norther Shan State is designated for the implementation of the zone. It involves two core areas. The first area involves the realization of border commercial areas integration and the establishment of a cross-border cooperation center. The second area focuses on the establishment of China-Myanmar cross-border industrial park.

The MOU for developing the Kampaiti cross border economic cooperation zone was signed between the Kachin State government and Myanmar Heng Ya Investment Development Co. Ltd on 4<sup>th</sup> March 2020. Kampaiti gate is one of the border checkpoints between Myanmar and China which is located in Kachin State's special region 1 (under the control of border guard force allied with the Myanmar military). The zone will cover nearly 70 acres (28 hectares) with the estimated cost of US\$22.4 million (31.85 billion kyats). Myanmar Heng Ya Investment Development Co.Ltd is a joint venture between Myanmar's Kampaiti development Co.Ltd and China's Yunnan Tengying Trading Company. The zone is intended to develop five areas: South Asia- Southeast Asia Culture Park, two trade and logistics zones, a border inspection gate and a business shop.

The third CBECZ is designated to locate between Chin Shwe Haw (part of the Kokang Self-administered Zone), Laukkai Township, Shan state in Myanmar and Qingshuihe Port located in Mengding Town, Gengma County, LinCang City, Yunnan Province, China. With a total planned area of 200 square kilometers (km<sup>2</sup>), the zone is aimed to promote and encourage the business and trade along the border. For Myanmar, the CBECZs are expected to bring enhanced domestic and foreign investment, increased jobs and business opportunities, the growth of small and medium

enterprises, the development of manufacturing power and the improvement in bilateral trade. Myanmar also hopes to produce more government's tax revenue, and promote the tourism in the border area.

### **(b) Special Economic Zone (SEZ)**

The development of special economic zones including CBECZ and the industrial zones are important for Myanmar. In 2014, Myanmar passed the law concerning with the special economic zone (SEZ) aiming to stimulate the economy by attracting foreign investment with the 'limited regulations', 'low productional cost' and 'good transport link'. The strategy 3.3 of Myanmar Sustainable Development Plan (2018-2030) also encourages the construction of SEZ. Currently, there are three SEZs established in Myanmar: Thilawa SEZ, Dawei SEZ and Kyauk Phyu SEZ. In 2011, the Central Body for the Myanmar Special Economic Zone was established in order to oversee the foreign investment in the country. The primary incentives of SEZ law are as follow: tax holiday for five-year, item exported overseas relief from 50 percent income tax for five years, reinvested profits from overseas exports relief from 50 percent income tax for five years, custom duties exemption on approved products for five years and the granting of 30-year land leases.

The second pillar of CMEC is the establishment of Kyauk Phyu Special Economic Zone (KPSEZ). Originally, KPSEZ is one of the planned zones included in "the Study on SEZ Development Program in the Union of Myanmar". The KPSEZ Management Committee was formed in December 2011 to carry out implementation and location of KPSEZ. In September 2014 Request for Proposals for the submission of Expression of Interest (EoI) was issued and China International Trust and Investment Corporation (CITIC Consortium) won the two out of the three projects of KPSEZ: deep sea port project and industrial park project. In 2015 the CITIC consortium was recognized as awarded bidder of the Projects by the bid Evaluation and Awarding Committee of Myanmar. It is intended to cover the total area of 4289 acres for the project in which 1446 acres for industrial park, 1235 acres for the residential park and 608 acres for deep sea port in Kyauk Phyu region. The previous government agreed the stake ratio 85:15 (85% shouldered by China and 15% by Myanmar) but the ratio became 70:30 under NLD government in which Myanmar has to shoulder 30% of the project. Myanmar hoped to give half of its stake to private companies including the local firms. The development of Deep-Sea Port is planned to go with 4 stages and previously, the first phase was planned to cost \$1.6 billion but now reduced to \$1.3 billion. The development of the entire project was originally expected to cost 7.2 billion. It is expected that a total of US\$6.5 billion in tax revenue from the port and \$7.8 billion from the industrial zone over a 50-year period. An annual \$3.2 billion earning is expected when the industrial zone is operating at full capacity.

### **(c) New Yangon City**

The third pillar of CMEC is the new urban development of Yangon City. During the previous government, Yangon's new southwestern urban development project was raised in August 2014 by Chief Minister U Myint Swe and Mayor U Hla Myint. The project was awarded to Myanmar Saytannar Myothit Company, but shelved temporarily in the following month due to the allegation that the awarding process was lack of transparency. The proposal was revived in May 2015 by MP U Myint Lwin representing Kyinmyindaing township and it got landslide approval vote by 100 MPs. Tender was called and the three companies: Yangon South West Development, Shwe Popa International, and Business Capital City Development were awarded in the early 2016 before NLD government took the office. These business firms were chosen to develop a smaller version of the project over 12,000 acres. In April 2016, the Yangon region government under NLD asked the three companies to submit new plan for the project but it is confirmed that the contracts between the government and these firms were abolished.

On 31 March 2018, New Yangon Development Company Ltd (NYDC) was launched with the capital of US\$ 7.5 million (development funds allotted by the Union government to the regional and state administrations). Set up by the Yangon regional government, the company is 100 percent owned by the regional administration. The company is organized with five board of directors: Chairperson (U Soe Lwin-Deputy Mayor): Vice Chairman and CEO (Mr. Serge Pun@ U Theim Wai -Yoma Bank): director (Daw Hlaing Maw Oo – secretary of YCDC): director (Mr. George Yeo- retired chairman of Kerry Logistic Co Ltd/ Singapore) and director (U Than Myint-member of Advisory Board on Rakhine). Under southern Yangon Region Economic Development there are two phases to carry on: Phase 1 involve the implementation of New Yangon City and Phase 2 aims to develop major nodes such as SEZ, new deep-sea port and future airport.

ACEOM-Singapore was selected to develop the master and strategic plan partnering with the China Communication Construction Company (CCCC), the Chinese state-owned company. On 30 April 2018, a Framework Agreement between NYDC and CCCC was signed to carry out the implementation of the six infrastructure projects worth over US \$ 1.5 billions within NYDC. At the same time, NYDC utilized the Swiss Challenge (a peculiar procurement model) by selecting CCCC to develop a Pre-Project Document (PPD). The Swiss Challenge allows other bidders to come forward with rival proposal. CCCC will have to be allowed to match the lower bid if another bidder submit a lower bid. Moreover, that bidder will be awarded the contract, if CCCC withdraws. The winning bidder will have to reimburse CCCC for all expenditures related to preparing the PPD.

According to the profit sharing, the Yangon Regional Government (YGR) has chosen the land-for-equity swap model. Under this model, Myanmar side contributes the land. According to a report on NYC produced by Sandhi Governance Institute in March 2020, it is estimated that the value of the project land owned by Yangon Regional Government is US \$ 7 millions. Although the land worth 5% of the profits, the NYDC will actually receive 25% equity for the joint venture with the CCCC.

However, the criticism emerged upon the concern that the original plan requires a huge initial investment that would deter other investors and confer an advantage to CCCC. Therefore, the YRG decided to unbundle the project by splitting into a number of smaller projects for other potential firm to join the challenge. It also involves the reducing the size and cost of the industrial estate. It is estimated that the newly unbundled project would worth US \$ 800 millions. Moreover, in order to ensure the process to be carried out in a transparent manner and competitive tendering, YRG awarded the German consulting firm called Roland Berger. The firm not only provides consulting services for execution and preparation of the Swiss Challenge process for “new industrial park and essential ancillary infrastructure” but also analyzes the cost proposed by CCCC make sense.

The nine companies (including from Taiwan, India, France and Singapore) were qualified to submit the rival proposal to compete against the CCCC’s initial proposal on industrial park. The process is still going on.

### **3. The Critical Concerns over CMEC**

Regarding the CMEC’s projects, concerns of Myanmar local community involving CSOs (Civil Society Organization) are rising. There are over 100 CSOs across Myanmar which have been watching carefully Beijing’s projects. They are 52 CSOs from Kachin State, the watchdog group on Kyauk Phyu SEZ formed with 18 Rakhine local CSOs and other 50 CSOs led by ‘Doe Myae Kun Yet’ and CSOs Alliance on Myanmar transparency, accountability and responsibility. They sent open letters to President Xi Jinping during his Myanmar visit in January 2020 calling for their concerns upon the projects and announced the statements pushing for both governments



to follow what they should do and avoid regarding with the development of the projects. All of them mainly focus on transparency, issues on land grabbing and repatriation, human rights, environmental assessments, local community involvement in the decision-making process in respective project areas and avoid the projects that might hinder the peace process or increase militarization in the conflict areas.

### **(a) Transparency and meaningful participation**

Transparency is the major issue around the BRI's project. According to a survey published by the European Union Chamber of Commerce in China in January 2020, BRI's projects are lack of 'information on deals and non-transparent procurement systems'. Only 10 % of the companies got the publicly available information to participate in BRI's projects and the vast majority were hand-picked to participate. In New Yangon City project, the selection of CCCC as the project initiator has been criticized since there is no meaningful competitions among the business firms.

In addition, there is a great information gap between the public and the government. Public are not well informed in concerning with the details of the projects and the agreements made by the government. The national newspapers do not report the detail discussions although they express the talks between the senior officials of the two countries on BRI.

There are also complaints about the centralized decision making in the government office regarding BRI's projects where "mid-to lower level officers" are excluded in the discussion and only upper level officers are conducted. Some suggest that public (expert, researchers, CSOs and specialists) need to be informed and consulted in order to give insightful and meaningful suggestions over the cost and benefits of the projects.

### **(b) Land grabbing issue**

Land grabbing by the Chinese investment is another issue of concern among the public. The Chinese investments such as hydrocarbon pipeline projects, hydropower projects, logging, mining, agricultural, and developing SEZ involved land grabbing. The Sino-Myanmar oil and gas pipelines are a good example. The local communities along the pipeline's construction were forced to evict which led them to displace because the construction involved extensive land requisition. This was also the case for the hydropower projects. Moreover, during 2013-2014, for the construction of Mandalay Myotha industrial park 1,000 families in 14 villages lost the land due to land confiscation and those villagers got little or no compensation. As a consequence, farmers in those areas illegally crossed the border into China and earned their living by cutting sugarcane.

According to Food Security Working Group's Land Core Group, 2012, "Land confiscation is the action of taking or seizing someone's land property through legal or other means. Land confiscation can occur as a result of the buying or leasing of land property rights by domestic and transnational companies, Government authorities, the military and individuals. Land confiscation can also occur when the Government takes land for a public or business purpose, such as development of a public infrastructure project or other development." Indeed, Myanmar has been meddling with the land grabbing issues since the era of military regime. There are various types of rural land confiscating being reporting such as state sponsored agriculture projects, establishment of agro-industrial plantations by private entities, large industrial development (SEZ), military settlements, large public infrastructure projects, urban expansion and land speculation by individual. In the 2000s, joint venture partners with government or military-linked entities were granted large-scale land concession as government encouraged foreign investment in agribusiness. The total seized and leased land acres reached 2 million acres mainly for aquaculture, mining, agribusiness and other commercial ventures by 2011 and by mid-2013 industrial agricultural concessions have been awarded over 5.2 million acres.



In 2012 Myanmar Pyidaungsu Hluttaw enacted the two laws focusing on farmers and their lands: “The Farmland Law” (2012) and “The Vacant, Fallow and Virgin Lands Management Law” (VFVLM) (2012). The former law stipulates that farmers need to acquire Land Use Certificates (LUCs) issued by their respective Farm Land Administrative Bodies (FABs)- (approved by District FABs and registered by the State Lands Record Department- SLRD). The latter law defines ‘virgin land’ as ‘new land or other woodland, in which cultivation has never been done before and ‘vacant and fallow land as ‘land which was cultivated by the tenant before, and then that land was abandoned by the tenant for any reason, not only the State designated land but also for agriculture or livestock breeding purposes’. According to this definition, the lands being utilized by community and cultivated by farmers in a traditional and customary manner could be grouped as vacant and fallow land. This law allows government entities, NGOs, public citizens and private sector investors to lease the VFV (Vacant, Fallow and Virgin) lands by submitting an application to CCVFL and the long-term leases on State Land for a period of up to 30 years. Both of these laws were aimed to improve tenure security for farmers across the country however, they produce negative impacts.

In 2018, the VFVLM was amended which stipulates that the people using VFV land need to register to receive permission to continue using the land before the end of March 2019 and if they fail to do so, they are punished with two-year imprisonment or a 500,000 Kyats fine or even eviction. On the contrary, if they register, they will get a 30-year use permit at the expense of their historical and traditional right to it. According to a government report, the land classified as VFV are estimated to be 45 million acres across the countries and 82% of which is located in the ethnic rural areas. For example, 55% of designated land area for Kyauk Phyu SEZ was being used for livelihoods by the local people and most of them did not have LUCs. According to the laws mentioned above this could lead the lands into VFV land and, this could lead land users not to receive compensation. The two CBECZs, developing in Shan State requires a large-scale land areas and Shan state is one of the regions where much of the VFV lands located. According to a survey done by the Namati Innovation in Legal Empowerment, most farmers are unaware of VFV law and the new amendment. It is evident that the farmers do not have sufficient knowledge on their legal rights or ‘access to judicial representation’ and this definitely gives the difficulty to the local communities in dealing with the land appropriation.

### **(c) Compensation**

Local communities need to be participated in the processes for providing compensation for land seizures. In the past, these processes had bad reputation because of the lack of transparency and inconsistency. For example, in the oil and gas pipeline projects, there was no negotiation between the affected community and the investment company upon the compensation package and they were never given the agreement contracts in advance which means they did not have a chance to review the agreement. In some cases, farmers were forced to sign the agreement by the authority. This is the concerns of the local communities and the CSOs that would happen in the development of currently running projects.

### **(d) Debt trap**

The debt trap diplomacy, firstly used in the report in 2005 called ‘Energy Futures in Asia’ for the US Department of Defense, is associated with a geopolitical concept called the String of Pearls strategy which explains China’s attempt to ‘develop a chain of military and commercial facilities along the maritime routes’ from mainland China to Africa’s horn (Port Sudan). There are 116 overseas ports construction involved by China in 62 countries and among them Hambantota Port in Sri Lanka has been considered as the actual instance of debt-trap diplomacy by China. Highly indebted Sri Lanka released the control of Hambantota port and allowed a 99-year lease to

a Chinese Company. Among Myanmar's foreign debt, China holds the largest share (US \$ 3.8 billion) and the BRI's projects likely to increase this amount. The media and scholars express the concerns not to happen debt trap in Kyauk Phyu deep sea port in Myanmar. Accordingly, the first phase of the project among four phases was scale down into \$1.3 billion from the originally agreement of \$1.6 billion. Under CMEC, there are up to 40 projects across the nation and their sources of financing is very important for Myanmar not to go through disproportionate high debt burden since Chinese loans have higher interest rate. Having open tendering process will reduce the unequal debt burden.

### **(e) Corruption**

Some Chinese state-owned enterprises (SOEs) have been expressed that their practices were deviated from the guidelines promulgated by the Chinese Ministry of Commerce (MOFCOM), People's Bank of China and the Ministry of Foreign Affairs which guide the SOEs the sectors prohibited to them. However, these oversight bodies cannot stop the SOEs' investments on prohibited sector and not abiding on local law. The World Bank blacklisted many major SOEs for their misconduct and tender fraud. In 2009 the World Bank debarred the initiate Company of New Yangon City Development, China State owned company - China Communications Construction Company (CCCC) for eight years for alleged fraudulent bidding on a highway contract in the Philippines. When medias were asked why CCCC had been chosen as the project initiator, NYDC did not give the clear explanation. Therefore, this project is seen as a controversial one. Moreover, the project areas are a flood prone area and it will cost a lot to develop. Although it is expected that when finishing the new city will provide 900,000 jobs, there are concern about commercial viability. These projects need to be commercially viable when finishing, otherwise it will not meet the debt commitment, environmental sustainability, social inclusion and economic sustainability. Moreover, it is very important to define a project and check the feasibility. The former involves the identification of the end-users, who can access the intended infrastructure project. The ghost cities of Angola, Africa is the best lesson to be learned. Under China-Angola bilateral agreement, Chinese-built satellite towns in Luanda and Kilamba. After finishing the project in Luanda, for several months the town was empty because the available prices for the housing were very high and people could not afford to live in the apartments. This was the same in Kilamba where local and international media labelled as ghost city before the completion of the project. Because the projects end users were the middle class and excluding the vast majority. The majority in Myanmar concerned about the New Yangon city project and some criticized that the project is mainly for a group of people not for the vast majority.

### **Conclusion**

In summary, this analysis on the significant factors of CMEC shows the following outcomes. The projects undertaken under CMEC are important for the interests of both countries. It is evident that Myanmar government tries to get the best deal with its counterpart by changing the original deals into a better and equal term. However, some cases like land grabbing which would likely to produce the affected communities since the local communities' understanding on the domestic laws concerning with the land is very poor. Moreover, the government transparency upon the projects is very weak and need more public inclusion. Consequently, concerns are heightened among the public in concerning with the transparency, land grabbing issues, repatriation, debt burden and corruption. Therefore, all these outcomes show that a strong government role is needed in handling with the Chinese investment projects in order to extract the best benefit for the communities across the country.

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