

China's Strategic Outreach to Myanmar in NLD Era: New Progress, but More Challenges

note
OBSERVATOIRE CHINE 2017/2018

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Note d'actualité n°23/24 de l'Observatoire de la Chine, cycle 2017-2018, Janvier 2018

China has made new progress on advancing its strategic interests in Myanmar by promoting many strategic projects since the National League of Democracy (NLD) took office in March 2016. These mainly include the opening of the Sino-Myanmar oil pipeline in April 2017, the new agreement on the construction of the Kyaukpyu Special Economic Zone as well as the border economic cooperation zone in April 2017, and the consensus on building a Sino-Myanmar economic corridor in November 2017. However, China's ambitions in Myanmar have been challenged by various internal and external factors. Internally, Chinese new proposed projects in Myanmar have been adversely affected by the poor policy

coordination between Chinese central government and Yunnan local governments. Externally, Myanmar elites' deep concerns with Chinese strategic projects' impact on national security, the strong anti-Chinese sentiments in Myanmar local communities, the rising ethnic conflicts and religious tensions in northern and western Myanmar, as well as the low administrative efficiency of the new Myanmar government have jointly contributed to the slow progress of Chinese projects. Given this, this article argues that there is a long way for China to finalize these strategic projects and thus to completely achieve its main strategic goals in Myanmar.



Introduction

A key element of China's neighbouring diplomacy, strategic projects have been employed by China to advance its strategic interests in the region. In this context, China has made great efforts to build strategic projects in Myanmar ever since the late 2000s. Since the NLD came to power in 2016, China has benefited from a new momentum to move these projects forward due to the close ties between the two countries. These mainly include the opening of the Sino-Myanmar oil pipeline in April 2017, the new agreements on the construction of the Kyaukpyu Special Economic Zone (SEZ) as well as on the border economic cooperation zone during Myanmar President U Htin Kyaw's China tour in April 2017, and on Sino-Myanmar economic corridor plan during Chinese foreign minister Wang Yi's Myanmar trip in November 2017.

Owing to continuous efforts, China has made new progress on expanding its strategic presence in Myanmar, resulting in serious concerns about China's ambition from regional powers. A lot of scholars, the Indian and Japanese in particular, have focused on China's strategic assets in Myanmar and their positive impacts on China's Indian Ocean strategy.¹ However, this article argues that it is difficult for China to completely achieve its strategic goals through these projects. Various limitations and great challenges have impeded Chinese strategic projects as well as strategic outreach in Myanmar.

Specifically, the main body of this paper is divided into four parts. It first redefines China's strategic goals in Myanmar in the first part. It then assesses the new development as well as great challenges of Chinese strategic projects in Myanmar in the NLD era, in the second and third part respectively. Finally, it concludes that China's strategic goals in Myanmar are too far away to be totally realized.

1 - See K. Yhome, "Emerging Trends in China's Myanmar Policy" in M. Rasgotra ed., *China and South Asia: Developments and Trends* (New Delhi: Academic Foundation, 2012), p. 149; David I. Steinberg and Hongwei Fan, *Modern China-Myanmar Relations: Dilemma of Mutual Dependence* (Copenhagen: NIAS Press, 2012), pp. 280-296; Jürgen Haacke, *Myanmar's Foreign Policy: Domestic Influence and International Implications* (UK: Routledge, 2006), pp. 26-27; Sudha Ramachandran, Sino-Myanmar Relationship: Past Imperfect, Future Tense, *Working Paper*, ISAS, No. 158, August, 2012, pp. 10-12; Rahul Mishra, "China-Myanmar: No More PaukPhaws?", *Himalayan and Central Asian Studies*, Vol. 17, No. 3-4, 2013, pp. 198-202; N. Ganesan, "Myanmar-China Relations: Interlocking Interests but Independence Output", *Japanese Journal of Political Science*, Vol. 12, Issue. 1, 2011, pp. 103-104; Dai Yonghong, Rivalry and Cooperation: A New 'Great Game' in Myanmar, *Asia Paper*, ISDP, Sweden, December, 2014, p. 10.



China's strategic goals in Myanmar

China's strategic objectives in Myanmar could be divided into two parts. At the national level, China is committed to establishing a network of road, water, and air transportation from Yunnan to the Indian Ocean via Myanmar, and developing the deep-water port in Myanmar's south coast and Sino-Myanmar oil and gas pipelines, so as to achieve its multiple goals in the region. These mainly refer to increasing Chinese economic presence and enhancing its strategic deterrence in this strategically important region, and protecting its overseas interests, especially the safety of Chinese trade and energy channels in the Indian Ocean. In the context of the reemphasis on Indo-Pacific by US President Donald Trump and the close military cooperation between US and India, the hegemonic power in the Indian Ocean, China has stronger momentum to expand its strategic influence in the Indian Ocean through close cooperation with Myanmar as well as other states in the region than ever before.

Although Myanmar was no longer perceived as a reliable ally by China to advance its strategic interests in the region since the suspension of Myitsone dam in September 2011², Chinese scholars believe that Myanmar is the key to Chinese grand strategies in the region. From their perspectives, the south part of the 'Belt and Road' initiative (OBOR) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIM) as well as other regional cooperation mechanisms such as the new proposed Lancang-Mekong cooperation (LMC) would be promoted by the close cooperation between China and Myanmar, especially in the area of physical connectivity.³ Therefore, China would like to pragmatically cooperate with Myanmar under OBOR, and steadily expand China's strategic interests in the region.

At the local level, the Yunnan authorities have high expectations in Myanmar for expanding their economic interests and national strategic interests in the region. According to the OBOR guidelines released in March 2015, Yunnan will become a pivot of China's opening-up to South and Southeast Asia by advancing the construction of an international transport corridor connecting China with neighboring countries and developing a new highlight of economic cooperation in the Greater Mekong Sub-region.⁴ In practice, Yunnan has played an active role in promoting Sino-Myanmar relations by making good use of its geographical position as well as its close connections with Chinese diaspora in Myanmar. In order to promote Chinese economic

2 - Sun Yun, China and the Changing Myanmar, *Journal of Current Southeast Asian Affairs*, Vol. 31, No. 4, 2012, p. 62.

3 - He Shenda, "Sino-Myanmar Economic Corridor and the Development of South Part of OBOR", Presentation, Conference on "Myanmar Situation and Sino-Myanmar Relations in 2017", Kunming, December 28, 2017.

4 - "Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", *Belt and Road Portal*, March 29, 2015, <https://www.yidaiyilu.gov.cn/yw/qwfb/604.htm>

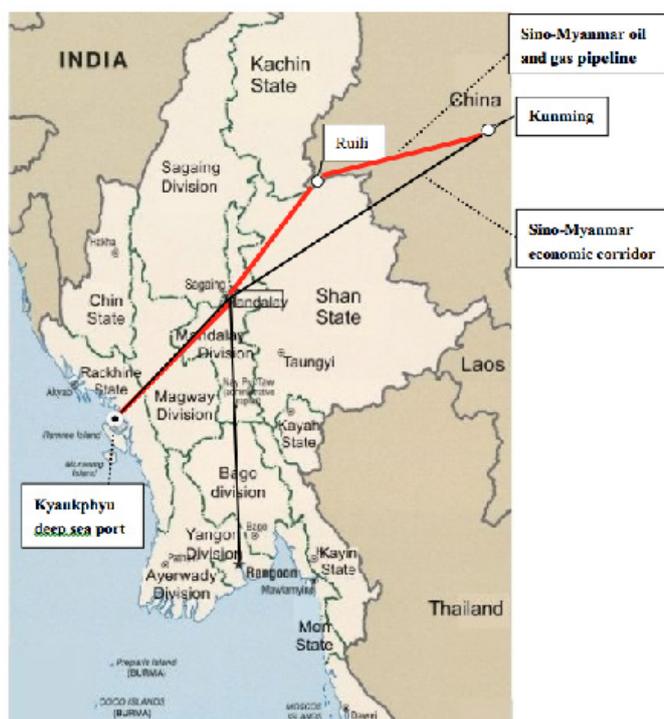
and strategic interests in Myanmar, Yunnan proposed the strategically important Sino-Myanmar oil and gas pipeline and successfully lobbied Beijing to upgrade it to a national strategy. Moreover, a large number of Yunnan companies and individuals are involved in the cross-border business activities with Myanmar, making Yunnan the economic hub in the region. Finally, Yunnan has also provided assistance for the peace talks between Myanmar government and ethnic armed groups in northern Myanmar, so as to maintain peace and stability in the border areas.



New development of China's strategic projects in Myanmar

Since the inauguration of the NLD government in March 2016, many strategic projects funded by China have been promoted, mainly including the Sino-Myanmar oil pipeline, the Kyaukpyu SEZ, the Sino-Myanmar economic corridor and the cross-border economic cooperation zone. Figure 1 briefly shows the locations of Chinese strategic projects in Myanmar.

Figure 1: Chinese major strategic projects in Myanmar



Source: The Author

First, the 2.5 billion USD Sino-Myanmar oil and gas pipeline, which is composed of a crude oil pipeline and a parallel gas pipeline, was contracted by Burmese and Chinese government in June 2009 and constructed in June 2010. The gas pipeline was opened in September 2013 while the oil pipeline was put in service in April 2017. The pipeline is jointly invested by China National Petroleum Corporation (CNPC), the biggest investor

with a 50.9% stake, Myanmar Oil and Gas Enterprise (MOGE), the Korean Daewoo International Corporation, and Korea Gas Corp. (KOGAS), as well as India Oil and Natural Gas Corp. (ONGC) Videsh, and GAIL (India) Limited. According to the official agreement, the 2,402 km-long oil pipeline, from Mada'ya Island (a small island on the west coast of Rakhine State) to Guigang, a port city near Nanning, via Mandalay, Muse, Ruli, Kunming, and Guiyang, will supply 10 million tons of oil per year in the early stages of production. This quantity will increase to 20 million tons per year, once normal operations begin, for 30 years. The 2,498 km-long gas pipeline, from Kyaukpyu (a small town on the west coast of Rakhine State) to Chongqing via Mandalay, Muse, Ruli, Kunming, Anshun, and Zunyi, will have an annual capacity of 10 billion cubic meters of gas and will be able to operate for 30 years.⁵

After the completion of the gas pipeline, the construction of the oil pipeline and the deep-sea port on Mada'ya Island were completed on 30 May and 30 October 2014, respectively. It was reported by the Chinese company that the oil pipeline was set to open at the end of January 2015⁶, but it did not officially begin operating until April 2017 when a transportation agreement on Sino-Myanmar Crude Oil Pipeline was signed by China and Myanmar during Myanmar President Htin Kyaw's China tour. On 19 May 2017, China received its first consignment of crude oil from Myanmar via the Sino-Myanmar crude oil pipeline, indicating the full operation of the gas and oil pipeline.

Second, another ambitious project was the deep-water port and industrial park in Kyaukpyu SEZ in Rakhine State. On 30 December 2015, an international group including state-owned China International Trust and Investment Corp. (CITIC), China Harbor Engineering Company, China Merchants Holdings, Yunnan Construction Engineering Group, China TEDA Investment Holding, and Thailand Charoen Pokphand Group won the bid and obtained approval from the Burmese government to develop the Kyaukpyu SEZ. According to CITIC's introduction, the project, which requires an initial investment of 8.3 billion USD and a total investment of 89.2 billion USD over 35 years, consists of a petrochemical industrial zone, a railroad complex, a logistics centre, export processing industries, multi-purpose terminals, and residential areas, all covering 120 km² of land and 70 km² of waterways.⁷ The construction for the project was originally planned to begin in February 2017, but it failed to start. In April 2017, a new agreement on constructing the Kyaukpyu SEZ was signed by CITIC and the management committee of Kyaukpyu SEZ, in which

5 - "The Agreement on China-Myanmar Oil and Gas Pipeline Project between China and Myanmar", <http://faolex.fao.org/docs/pdf/bi-154872.pdf>

6 - Adam Rose, Aung Hla Tun, "Oil Pipeline through Myanmar to China Expected to Open in Jan-Sources", *Reuters*, January 20, 2015, <http://www.reuters.com/article/peetrochina-myanmar-oil-idUSL3N0U22PP20150120>

7 - Christopher Dunn, Lin Ji and Kui Peng, *Chinese Investment in Myanmar: A Scoping Study*, Global Environmental Institute, 2016, p. 38.

both sides agreed to carry out the environmental and social assessments as soon as possible so that the construction can start in 2018.⁸ Five months later, both sides reached a consensus on the equity distribution of the Kyaukpyu port in which CITIC takes a 70 percent stake.⁹ Nonetheless, further negotiation on financial details and the finalization of contract terms are needed to move the project forward.

Third, the Sino-Myanmar economic corridor plan proposed by Chinese foreign minister Wang Yi in November 2017 is the new significant project aiming at pushing forward the comprehensive strategic cooperative partnership between China and Myanmar. It starts from Yunnan, goes down south to the central Myanmar city of Mandalay, and further extends east to the new city of Yangon and west to the Kyaukpyu SEZ, forming a three-pillar giant cooperation pattern.¹⁰ This project is supported by the Burmese leaders who try to enhance pragmatic cooperation with China, but it is still in the planning stage. Lastly, China also reached a MOU on building Sino-Myanmar Border Economic Cooperation Zone during Myanmar State Councillor Aung San Suu Kyi's visit to China in May 2017. Soon, both sides decided to set up a joint committee which is responsible for building the border economic cooperation zone within the year,¹¹ but it has not been formed yet.

By constructing such mega-projects, China's economic and strategic influences in Myanmar are alleged to have further expanded, although not substantially. For instance, countless articles and reports have claimed that China could avoid the Malacca trap by building the Sino-Myanmar oil and gas pipeline. Moreover, Chinese strategic stretch to the Indian Ocean would be greatly extended due to the construction of a deep-water port in Kyaukpyu and the Sino-Myanmar economic corridor. Actually, a lot of Chinese scholars have concluded that Kyaukpyu and Gwadar ports constitute the two pillars of China's Indian Ocean strategy.¹² China could also enhance its strategic deterrence in the Indian Ocean by making good use of its economic advantages

enjoyed in Sino-Myanmar economic corridor.¹³ Besides, the border economic zone is of great importance for maintaining peace and stability in the border region as it can boost employment and improve local people's income.¹⁴ Finally, with the implementation of these strategic projects, cooperation between Yunnan and Myanmar would be upgraded, and Yunnan's significance in China's opening-up to Southeast Asia and South Asia would also be increased.



Great Challenges of China's strategic projects in Myanmar

Nonetheless, it is difficult for China to achieve its main strategic goals via these projects. Several internal and external reasons can explain it. Internally, the poor policy coordination between the central government in Beijing and local governments in Yunnan is a major obstacle to the slow progress of Chinese new initiatives in Myanmar. Usually, Beijing proposes plans while local governments are responsible for their implementation. Because of different emphasis and understandings of the national plans, local authorities often make competitive and even contradictory policies in order to advance their own interests. For example, since Beijing has announced to establish border economic zone with Myanmar, three infra-provincial governments in Yunnan have suggested three distinct options, forcing both Beijing and Naypyidaw to make hard choices.¹⁵ In addition, the new economic corridor between China and Myanmar has yet to decide its main route as Beijing

8 - Yimou Lee, Wa Lone, "China's \$ 10 Billion Strategic Project in Myanmar Sparks Local Ire", *Reuters*, June 9, 2017, <https://www.reuters.com/article/us-china-silkroad-myanmar-sez/chinas-10-billion-strategic-project-in-myanmar-sparks-local-ire-idUSKBN18Z327>

9 - Yimou Lee, Thu Thu Aung, "China to Take 70 Percent Stake in Strategic Port in Myanmar-Official", *Reuters*, October 17, 2017, <https://www.reuters.com/article/china-silkroad-myanmar-port/china-to-take-70-percent-stake-in-strategic-port-in-myanmar-official-idUSL4N1MS3UB>

10 - Zhuang Beining, Lu Shuqun, "Yangon Scholars Optimistic over China-Myanmar Economic Corridor Plan", *Xinhua News Agency*, November 24, 2017, http://news.xinhuanet.com/english/2017-11/24/c_136777224.htm

11 - Su Phyo Win, "China and Myanmar to Set Up Border Economic Cooperation Zone", *Myanmar Times*, May 24, 2017, <https://www.mmtimes.com/business/26131-china-and-myanmar-to-set-up-border-economic-cooperation-zone.html>

12 - For instance, there are several Chinese national social science foundation projects focusing on the trade, energy and strategic channels starting from China to the Indian Ocean via Myanmar and Pakistan, such as "The Study of Sino-Myanmar and Sino-Pakistan Energy Channels in the Context of Constructing Channels to Indian Ocean" (Dai Yonghong, No. 15BGJ047).

13 - Interviewed with Liu Wu, Associate Professor at Research Institute of Indian Ocean Economics, Yunnan University of Financial and Economics, Kunming, December 28, 2017. Actually, the renowned Chinese scholar He Shenda, who focuses on Myanmar affairs for several decades at the Yunnan Academy of Social Sciences, has appealed to Chinese scholars to talk less about the connections between Chinese Indian Ocean strategy and Sino-Myanmar economic corridor, so as to reduce other states' negative perception of these projects, see He Shenda, "Sino-Myanmar Economic Corridor and the Development of South Part of OBOR", Presentation, Conference of "Myanmar Situation and Sino-Myanmar Relations in 2017", Yunnan University, Kunming, December 28, 2017.

14 - Su Phyo and Thompson Chau, "China-Myanmar Border Economic Cooperation Zone Location Speculated", *Myanmar Times*, June 7, 2017, <https://www.mmtimes.com/business/26275-china-myanmar-border-economic-cooperation-zone-location-speculated.html>

15 - It was said by Duan Xiaodong, Deputy Director of the Institute of Sino-Myanmar Relations in Dehong, at the Conference of "Myanmar Situation and Sino-Myanmar Relations in 2017", Yunnan University, Kunming, December 28, 2017. Additionally, Ruili in Dehong, Houqiao in Baoshan and Mengding in Lincang are the alleged three locations of the border economic zone between China and Myanmar.

only drew its outline.¹⁶ Therefore, it can be foreseen that local governments in Yunnan, Dehong and Baoshan in particular, would competitively participate in the Sino-Myanmar economic corridor.

Externally, Beijing's ambition has been challenged by Burmese wariness of over-reliance on China and the serious concerns of other regional powers about China's strategic presence in Myanmar.¹⁷ The fast-growing Chinese influence in Myanmar, which was manifested by the vast amount of Chinese money that went into Myanmar, Beijing's diplomatic dominance, as well as the Chinese military equipment that has been exported into Myanmar have antagonised many Burmese senior officials.¹⁸ From the perspective of the Burmese leaders, Myanmar could sustain its economic and social development and shelter itself from international isolation by relying on Chinese resources, but also by trying to avoid over-dependence on China. In fact, Myanmar is concerned about the new level of dependence upon China, which OBOR might create. Myanmar therefore is wary of the projects initiated by China under the OBOR initiative.¹⁹ To be sure, although Myanmar has repeatedly shown its active support of OBOR, actually it has not taken any concrete measure to promote it. Even if Myanmar has claimed to support Sino-Myanmar economic corridor, the first new big project under OBOR in the NLD era, Chinese scholars are suspicious of Myanmar's real intention. Some Chinese scholars think that the construction of this economic corridor is just an excuse employed by Myanmar to pressure the West.²⁰ Others deem that Burma's traditional culture explains why the Burmese leaders are reluctant to directly reject suggestions proposed by China, a friendly country of Myanmar.²¹ Besides, Chinese growing strategic presence in Myanmar has

16 - Chinese scholars focus on the Kunming-Mandalay route. There are two main options: Tengchong (Baoshan)-Myitkyina-Mandalay; Ruili (Dehong)-Muse-Lashio-Mandalay. If China decides to build a cross-border highway, the second one is better than the first one because of border port in Ruili and Muse's better construction. Alternatively, the first way is better than the second one for the construction of a cross-border railway. See Chen Jidong, *Dui disan Ou Ya daluqiao xinan tongdao jianshe de sikao* [The Thinking of Constructing South Channel of the Third Euro-Asia Land Bridge], *Nanya yanjiu jikan* [South Asian Studies Quarterly], Vol. 136, No. 1, 2009.

17 - Niklas Swanström, "Sino-Myanmar Relations: Security and Beyond", *Asia Paper*, Institute for Security and Development Policy (ISDP), Sweden, June, 2012, p. 21; Li Chenyang, "China-Myanmar Comprehensive Strategic Cooperative Partnership: A Regional Threat?", *The Journal of Current Southeast Asian Affairs*, Vol. 31, No. 1, 2012, pp. 65-67; Jürgen Haacke, "China's Role in the Pursuit of Security by Myanmar's State Peace and Development Council: Boon and Bane?", *The Pacific Review*, Vol. 23, No. 1, 2010, pp. 123-124.

18 - Renaud Egreteau and Larry Jagan, *Soldiers and Diplomacy in Burma: Understanding the Foreign Relations of the Burmese Praetorian State* (Singapore: NUS Press, 2013), p. 269.

19 - Li Chenyang, Song Shaojun, *Miandian dui 'Yi Dai Yi Lu' de renzhi he fanying* [Myanmar's Perception of and Response to the 'One Belt One Road' Initiative], *Nanyang wenti yanjiu* [Southeast Asian Affairs], Vol. 168, No. 4, 2016, p. 25.

20 - Interviewed with Lei Zhuning, Deputy Director of the Institute of Myanmar Studies at Yunnan Academy of Social Sciences, Kunming, December 28, 2017.

21 - Li Chenyang, "Myanmar Situation in 2017 and Sino-Myanmar Relations in 2017", Presentation, Conference of "Myanmar Situation and Sino-Myanmar Relations in 2017", Yunnan University, Kunming, December 28, 2017.

also attracted serious concerns from regional powers, India and Japan in particular. India, which overtly opposes Chinese OBOR, has made great efforts to enhance its physical connectivity along the India-Myanmar border and deepen strategic cooperation with Myanmar in the areas of maritime security and regional cooperation mechanisms led by India, so as to compete with China.²² Japan, by rapidly enhancing its economic and political relations with Myanmar, is also committed to revive its traditional influence in Myanmar and thus to balance China.²³

Furthermore, the wide anti-Chinese sentiments in Burmese society, caused by China's economic expansion and Chinese migrations, as well as the adverse effects of Chinese investments, have pressured the Myanmar government to regulate its trade and investment relations with China. In fact, almost all the Chinese strategic projects mentioned above have long been troubled by strong local resistance as well as heavy criticisms from NGOs. The Sino-Myanmar oil and gas pipeline has been seriously criticised by *Shwe Gas Movement*, a leading local NGO involving the exploitation of underwater natural gas deposits off the coast of Arakan State and oil and gas pipelines running through Arakan State, Shan State, and Central Burma,²⁴ as well as local protests ever since the beginning. Even after full operation of the pipeline started, local residents and fishermen have protested around the Maday terminal as well as CNPC in May 2017 and demanded that the Chinese firm build a new jetty, phone tower, embankments, a ring road from the Maday Island, provide electricity to three villages, and financial and technical assistance for agricultural and livestock businesses.²⁵ The Kyaukpyu SEZ has also faced strong scepticism and criticism from various local actors including senators, political parties and NGO leaders, as well as individuals. They criticise the low transparency of the project, demand fair land compensation, appropriate relocation and local employment, are concerned about the environment degradation and distrust Chinese companies.²⁶

22 - For instance, there are a number of cross-border transportation projects financed by India, such as India-Myanmar Friendship Road, India-Myanmar-Thailand Trilateral Highway, New Delhi-Hanoi Rail Network, Kaladan Multi-Modal Transit Transport Project. Additionally, India also establishes many regional cooperation mechanisms, Myanmar is included. These mainly include Mekong Ganges Cooperation (MGC), Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMSTEC).

23 - For instance, Japan officially revived ODA to Myanmar and won the bid to invest the Thilawa SZE in 2013. Additionally, Japanese investment is more popular than Chinese investment in Burmese society.

24 - Shwe Gas Movement, <http://www.shwe.org/shwe-proect-basics/executive-summary/>.

25 - "Fishermen Protest Against Kyaukphyu Seaport", *The Irrawaddy*, May 22, 2017, <https://www.irrawaddy.com/news/burma/fishermen-protest-kyaukphyu-seaport.html>

26 - See Myat Nyein Aye, "NLD to Scrutinise Special Economic Zones", *Myanmar Times*, March 1, 2016, <https://www.mmtimes.com/business/19240-nld-to-scrutinise-special-economic-zones.html>; "Kyaukpyu Residents Demand Compensation", *The Eleven*, June 9, 2016, <http://www.elevenmyanmar.com/local/kyaukpyu-residents-demand-compensation>; Xu Zhijun, "Zhong Mian Jiaopiao jingji qu, di'er ci Misong weiji?" ["Sino-Myanmar Kyaukpyu Special Economic Zones, The Second Myitsone Crisis?"], *Fenghuang zhou kan* [Phoenix Weekly], February 29, 2016, <http://www.ifengweekly.com/detil.php?id=2575>

Additionally, Chinese strategic projects in Myanmar have long been threatened by the continuing conflict between government forces and various ethnic armed groups in northern Myanmar. For example, the construction of the Sino-Myanmar oil and gas pipeline was forced to be suspended because of the clashes between *Tatmadaw* (Burmese Army) and Kachin Independent Army (KIA) in Kachin State in 2013. More recently, it has been reported that KIA and Ta'ang National Liberation Army (TNLA) attacked the security outposts of the pipeline route in Namkham township in northern Shan State, illustrating the pipeline's rising security risks coming from ethnic rebels.²⁷ Although KIA, as well as other rebel groups, have an incentive not to attack the pipeline, they might get attention from Beijing by fighting against the security forces along the pipeline route, since China has recently taken a harsh stance towards ethnic armed groups in northern Myanmar.²⁸ Moreover, the Kyaukpyu SEZ has also been adversely affected by the rising ethnic and religious tensions in Rakhine State,²⁹ as well as military conflicts between government forces and local rebels. The long-standing Buddhist-Rohingya conflict has evolved into a national crisis since the bloody terror attacks operated by Arakan Rohingya Salvation Army (ARSA) in northern Rakhine State in August 2017. Although government troops soon launched a clearance operation in the area, they failed to destroy the terrorists who had fled to neighbouring countries. In order to retaliate against the Burmese army, ARSA carried out an ambush against governments forces in northern Rakhine State on January 5 this year and has recently prepared for operating other terror attacks in Rakhine State.³⁰ Since no effective methods can be employed by the Burmese government and military to solve the ethnic issue in Rakhine State in the short term, terrorist attacks are likely to continue. Besides, Arakan Army (AA), a major rebel group in the region, has restarted to fight against the Myanmar Army since early 2015 when the Kokang Alliance, AA included, launched a surprising attack on the *Tatmadaw*. It then escalated the conflicts in early November 2017 by killing at least 11 government troops in Chin State,³¹ and as a result suffered intense military offensives from the *Tatmadaw*. Since AA has not yet signed either national or bilateral cease-fire agreements with the government, it has become a major target that the Myanmar Army wants to eliminate. Lastly, the smooth implementation of the newly proposed border economic zone and Sino-Myanmar economic corridor hinges on the progress of peace negotiations between the Myanmar government

27 - Chan Char, "KIA/TNLA Forces Attack Pipeline in Shan State", *Myanmar Times*, December 22, 2017, <https://www.mmmtimes.com/news/kiatnla-forces-attack-pipeline-shan-state.html>

28 - Kristin Huang, "Oil Pipeline to Myanmar 'at Risk from Rebels'", *South China Morning Post*, April 16, 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2088018/oil-pipeline-myanmar-risk-rebels>

29 - Myat Nyein Aye, "NLD to Scrutinise Special Economic Zones", *Myanmar Times*, March 1, 2016, <https://www.mmmtimes.com/business/19240-nld-to-scrutinise-special-economic-zones.html>

30 - "ARSA Claims Recent Attack in Northern Rakhine", *The Irrawaddy*, January 11, 2018, <https://www.irrawaddy.com/news/burma/arsa-claims-recent-attack-northern-rakhine.html>

31 - Lawi Weng, Htet Naing, "Tatmadaw Troops Killed and Wounded in Arakan Army Ambush", *The Irrawaddy*, November 9, 2017, <https://www.irrawaddy.com/news/tatmadaw-troops-killed-wounded-arakan-army-ambush.html>

and ethnic armed groups.³²

Finally, Chinese strategic projects in Myanmar, the new ones in particular, have also been adversely affected by Myanmar's slow pace of reform and development in the NLD era. After taking over the reins in March 2016, the new civilian government in Myanmar has established numbers of committees and launched series of economic and administration reforms in order to push economic growth and improve administrative efficiency, but concrete results have yet to be achieved. Aung San Suu Kyi, Myanmar's de-facto leader, also acknowledged that her government failed to make as much progress as people wanted.³³ According to Zhao Jin, who is an associate professor at Beijing Foreign Studies University and works as a temporary staff at the Chinese Embassy in Myanmar, the administrative efficiency of the NLD government is even lower than the Thein Sein government.³⁴ In this context, Chinese projects are usually to be caught in interminable discussions within the Myanmar government and thus to be delayed. Actually, despite the positive trends observed, it is speculated by many Chinese experts that it will take ten years for Chinese major strategic projects in Myanmar such as Kyaukpyu SEZ and Sino-Myanmar economic corridor to be completed.³⁵ In addition, Chinese scholars are anxious about Myanmar's momentum to push forward Chinese projects because the economy is not the top priority of the NLD government.³⁶



Conclusion

Since NLD seized power in 2016, China seems to have partially reached its strategic goals in Myanmar by promoting its strategic projects. At the national level, Beijing has realized its plan of creating a new oil channel that bypasses the Malacca Strait in building the Sino-Myanmar oil and gas pipeline. Moreover, China has

32 - A lot of Chinese scholars, such as Research Fellow He Shengda at the Yunnan Academy of Social Sciences and Associate Research Fellow Song Qingrun at China Institute of Contemporary International Relations (CICIR), focus on the adverse impacts of the security situation in northern Myanmar and Rakhine State on the Sino-Myanmar economic corridor.

33 - Antoni Slodkowski, "A Year On, Myanmar's Suu Kyi Acknowledges Reforms Have Been Slow", *Reuters*, March 30, 2017, <https://www.reuters.com/article/us-myanmar-suukyi/a-year-on-myanmars-suu-kyi-acknowledges-reforms-have-been-slow-idUSKBN1712PV>

34 - Zhao Jin, "The Governing Characteristics and Achievements of Aung San Suu Kyi", Presentation, Conference of "Myanmar Situation and Sino-Myanmar Relations in 2017", Yunnan University, Kunming, December 28, 2017.

35 - Song Qingrun, "Challenges of Sino-Myanmar Economic Corridor and Recommendations", Presentation, Conference of "Myanmar Situation and Sino-Myanmar Relations in 2017", Yunnan University, Kunming, December 28, 2017.

36 - Actually, Aung San Suu Kyi said that peace is the top priority of her government after a landslide election victory, see Shibani Mahtani, Myo Myo, "Aung San Suu Kyi Calls Securing Peace in Myanmar Her Policy", *The Wall Street Journal*, January 4, 2016, <http://www.wsj.com/articles/aung-san-suu-kyi-calls-securing-peace-in-myanmar-her-priority-1451899867>.

extended its strategic outreach to the Indian Ocean by investing in the strategically important deep-water port in Kyaukpyu. And it would further promote its strategic interests in the region by finalizing the new proposed Sino-Myanmar economic corridor. Additionally, China has consolidated cross-border cooperation with Myanmar as well as its traditional influence in northern Myanmar, and is likely to enhance it by initiating the border economic cooperation zone. Through these strategic projects, China has strengthened its strategic cooperation with Myanmar and thus reduced external competition and threats from regional powers. At the local level, Yunnan has further consolidated its significant role in Sino-Myanmar relations as well as China's opening-up to Southeast Asia. And Yunnan will probably benefit much from these projects.

Nevertheless, it is hard for China to fully reach its main strategic goals via these projects due to various limitations and great challenges facing them. Actually, China could not significantly enhance its energy security by relying on the Sino-Myanmar oil pipeline because of its small share of China's total oil imports.³⁷ What is more, the pipeline is increasingly threatened by continuing local protests and rising ethnic conflicts in northern Myanmar. Besides, because of Myanmar's promise of banning foreign troops on its territory, the Kyaukpyu port cannot be used for any military purpose. Therefore, China is unable to substantially enhance its strategic deterrence in the Indian Ocean by militarizing the deep-sea port in Kyaukpyu. Further, the Kyaukpyu port is unlikely to become a strategically important project until the construction of cross-border highways or railways from Kyaukpyu to Kunming is completed. Actually, Myanmar cancelled in 2014 the Sino-Myanmar railway which was to connect Kunming and Kyaukpyu due to security considerations and financial problems.³⁸ Additionally, the strong anti-Chinese sentiments in local Myanmar communities and the escalating ethnic and religious tensions in Rakhine State have also imposed great challenges for the smooth implementation of the project. Finally, the new proposed economic corridor and border economic cooperation zone between China and Myanmar are also troubled with various problems. To conclude, China has made new progress on advancing its strategic interests in Myanmar by promoting many mega-projects, but there is still a long way to go for China to finalize them and thus to completely achieve its strategic goals.

37 - The transportation capability of the Sino-Myanmar oil pipeline is only 20 million barrels per year under full operation, which is only 4.77% of China's total oil imports in 2017 (419.57 million barrels).

38 - Interviewed with Professor Yin Myo Thu at Yangon University via email, November 11, 2017.