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The Intersection of Investment and Conflict in Myanmar

By Priscilla Clapp

Construction workers ride to the site of the Thilawa Special Economic Zone, approximately fifteen miles south of Yangon, on May 8, 2015. (Photo by Soe Zeya Tun/Reuters)

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Summary

- In 2018, Myanmar's government launched a new policy framework for guiding the country's long-term development plans. If fully implemented, the policy would apply international standards and norms to its regulation of large-scale development projects undertaken by commercial and state-owned enterprises and joint ventures.
- The policy, however, is likely to remain largely aspirational unless the government can overcome major political and institutional impediments, including military control of certain political and economic sectors, corruption, and armed conflict in the country's resource-rich periphery.
- Responding to Myanmar's desire to modernize its infrastructure, Myanmar and China have agreed in principle to develop a China-Myanmar Economic Corridor with extensive Chinese investment. The net effect is likely to bind the two economies ever more closely together.
- To compensate for the lack of government capacity to implement the new policy, Naypyidaw would be well advised to harness the talents of the country's civil society organizations, many of which are already active in conflict areas and could help local communities ensure that their interests will be served by the new investments.

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ABOUT THE REPORT

Based on government documents, media reports, interviews, and a review of Myanmar's past experience with foreign investment, this report evaluates the potential for peace or conflict in Myanmar resulting from the major infrastructure development being sought by the Myanmar government, particularly from China.

ABOUT THE AUTHOR

Priscilla Clapp is a retired minister-counselor in the US Foreign Service and an affiliate of USIP's Burma program. She has served in many capacities in the US Department of State, including as chief of mission in Myanmar (1999–2002) and deputy assistant secretary for refugee programs (1989–93). She also served in posts at the US embassies in South Africa, the Soviet Union, and Japan, and worked on the State Department's Policy Planning Staff.

United States Institute of Peace
2301 Constitution Avenue, NW
Washington, DC 20037

Phone: 202.457.1700
Fax: 202.429.6063
E-mail: usip_requests@usip.org
Web: www.usip.org

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Workers put up flags a day before Chinese President Xi Jinping's visit to Naypyidaw on January 17, 2020. (Photo by Ann Wang/Reuters)

The Belt and Road in Myanmar

At the Second Belt and Road Initiative (BRI) Forum in Beijing in April 2019, China and Myanmar signed three memoranda of understanding (MOUs) expressing intentions to develop a China-Myanmar Economic Corridor (CMEC) stretching from China's Yunnan Province to Myanmar's Indian Ocean coast. Subsequently, during Chinese leader Xi Jinping's visit to Myanmar in January 2020, more than thirty agreements and MOUs for specific projects were signed.[1] These working documents envision a wide range of infrastructure projects and schemes for boosting bilateral trade and cooperation that, if implemented on a predominantly bilateral basis, could bind Myanmar's economy ever more closely to China's.

Myanmar, however, appears to be approaching collaboration with considerable caution and a determination to protect its own national interests. It has erected a wall of requirements stipulating transparency and reserving for itself scrutiny of the potential economic, social, and environmental impacts of all major projects proposed by international investors, including China. In her remarks at the Beijing forum, Myanmar State Counsellor Aung San Suu Kyi declared, "The [BRI] projects should not only be economically feasible but also socially and environmentally responsible, and most importantly they must win the confidence and support of local peoples."[2] The Ministry of Planning and Finance's permanent secretary, U Tun Tun Naing, further explained that Myanmar had set three conditions before signing the CMEC MOU in Beijing: Myanmar must be able to seek financing from international financial institutions for the projects; international

State Counsellor Aung San Suu Kyi, left, at the bilateral meeting with Chinese President Xi Jinping at the Presidential Palace in Naypyidaw on January 18, 2020. (Photo by Nyein Chan Naing/Pool Photo via AP)

tenders may be offered to seek wider international investment; and Myanmar will make the final choice of the proposed projects for the sake of mutual benefit.[3]

In August 2018, the National League for Democracy (NLD) government set forth the Myanmar Sustainable Development Plan (MSDP) as a framework for dealing with anticipated infrastructure investment, accompanied in early 2019 by an online Project Bank to implement plans approved for the MSDP. The Project Bank, which will eventually comprise a list of approved infrastructure projects available for investment, requires a set of economic, social, and environmental assessments for all major development proposals before they can proceed. But even before the new policy emerged, the leadership's focus on responsible oversight of infrastructure development began to have an impact on project preparation. This can be seen in reports that the $7.4 billion Kyaukphyu deep-sea port project, originally awarded to a consortium led by the Chinese state-owned enterprise (SOE) CITIC in a bidding process by the Thein Sein administration in November 2015, was drastically scaled down in 2019 to reduce the initial cost to $1.3 billion, eliminate all sovereign debt to Myanmar, and ensure that the port remains under Myanmar's control in any eventuality.[4]

The NLD's template for managing large-scale infrastructure development could potentially evolve into a useful model for other developing countries in the path of the BRI and other large foreign investment schemes, particularly where the investment is related to resource extraction and trade or transport networks. Inasmuch as many major infrastructure projects in Myanmar are likely to occur in or adjacent to the country's conflict areas, careful management of the terms of these projects will be essential to avoid exacerbating local tensions by ensuring that the concerns and interests of local populations are addressed and that they benefit from the investment.

Investment projects in the troubled ethnic minority areas of Myanmar, where many resources are concentrated, will be especially challenging and susceptible to violence. The presence of competing armed forces, the lack of basic infrastructure and connectivity with the rest of the country, and large ungoverned areas where the rule of law is weak or even absent will provide fertile ground for development projects to trigger unrest and violence. The central government will be hard-pressed to implement its new investment policies effectively in these areas without strong support from the local civilian population. To the extent that the central government is attempting to devolve some authority to the state and regional level, engaging civil society in the affected areas to assist in enforcement of the new policies would respond to popular demands for greater local control over land policy, resource extraction, and a share of the revenues.

The new policies do offer powerful tools to ensure that large-scale economic development does not come at the expense of civilian populations in areas slated for development. For example, the Project Bank's mandatory review process, which all major investments must undergo before approval is granted, requires consultations with local stakeholders during the conduct of social and environmental impact assessments. If local stakeholders can be made aware of the government policies and requirements for investors and provided with effective means of interacting with the government and investors to protect and advance local interests, this could have the effect of stimulating implementation of government policies from the ground up, rather than relying solely on top-down actions. It could also help prevent the execution of development projects from stoking further tensions and conflict in these areas. Finally, over the longer term, it might have the added benefit of facilitating the participation of local civil society in the ongoing peace process, serving as a practical exercise in democratic governance, or even federalism.

Promoting Sustainable Development

The foundation for Myanmar's infrastructure policy is the Myanmar Sustainable Development Plan (MSDP) for 2018 to 2030, which was released in August 2018 by Myanmar's Ministry of Planning and Finance. Based on development standards promoted by such international organizations as the United Nations and the World Bank, the MSDP enumerates five priority development goals that emphasize economic and human development for a peaceful future and stewardship of natural resources, and elaborates detailed action plans, desired outcomes, and responsible agencies for each of the goals. In essence, the MSDP represents a twelve-year master plan for decentralization, demilitarization, and privatization of Myanmar's economy, with an emphasis on promoting private sector growth and a focus on growing micro-, small, and medium-sized enterprises in conflict and postconflict areas. It is a comprehensive and highly ambitious attempt to bring the country's many disconnected sectoral, ministerial, and subnational

> During the five decades of military government, the army embedded itself deeply into the resource-rich areas of the national economy, diverting profits to military purchases and personal objectives.

plans under a single national strategy within a "framework for coordination and cooperation across all ministries, and all States and Regions to forge a common path."[5]

Responsibility for coordinating the implementation of the MSDP rests with the Ministry of Planning and Finance, where an Implementation Unit (MSDP-IU) has been established to oversee the plan's coordination within the government. To guide this effort, "the MSDP-IU will produce a general project screening and appraisal framework, together with transparent guidelines and principles for project screening and approval," and will "facilitate linkages to the most appropriate source of funding."[6]

In a December 2018 press interview, Deputy Minister of Planning and Finance U Set Aung explained that the proposed development projects and programs would be subject to various "rigorous, stringent assessments" to determine their relevance to the country's strategic plans.[7] Only those that passed these assessments would qualify for implementation, further feasibility study, and development of a business plan. This new MSDP assessment framework is to replace the existing process by which individual ministries present project proposals based on their respective sectoral development plans. Although relevant ministries will participate in the development and assessment of project proposals, the final decisions on implementation and financing will no longer be made by those ministries.

An essential ancillary to the MSDP-IU is the Project Bank, which is slated to eventually become an interactive and publicly accessible online repository of projects that have successfully undergone the assessment process and are ready for investment financing and implementation.[8] When plans for the Project Bank were rolled out formally in early 2019 at an investment forum in Naypyidaw, some thirty project proposals were already said to have been approved by the bank for implementation.[9] According to Deputy Minister U Set Aung, all development projects, including those proposed for the CMEC, are to be subject to the rigorous assessment requirements and the transparency and financing rules of the Project Bank.

Although the details of the assessment process have not been made public yet, key elements of the redesigned Kyaukphyu port project are probably indicative of the general direction to be taken by the MSDP requirements for major development projects. Chief among these are the following:

- Financing must be raised by investors with little or no sovereign debt to Myanmar.
- Projects must demonstrate both feasibility and adequate financing arrangements before they will be approved.
- Before a project is approved for implementation, environmental and social impact assessments must be conducted by an entity with an international reputation, appropriate qualifications, and experience, chosen by the investor through a competitive bidding process.
- Investors must pay the costs of resettling and relocating displaced communities.

A special unit in the Ministry of Planning and Finance provides for the use of public-private partnerships (PPPs) seeking limited government support for major projects. Such support will probably be reserved for PPPs that include domestic companies.

Impediments to Implementation

The MSDP is nonetheless destined to remain largely aspirational until the government makes more progress in overcoming four major political and institutional impediments that have plagued Myanmar's economic development since independence in 1948: military control of major political and economic sectors; a sclerotic civil service lacking incentives to change; deep corruption in government ministries, the business sector, and the judiciary; and continuing armed conflict on the country's periphery, where many of its resources are concentrated.[10]

During the five decades of military government, the army embedded itself deeply into the resource-rich areas of the national economy, diverting profits to military purchases and personal objectives.[11] Furthermore, in the final two decades of military rule, cease-fire agreements were concluded with the major ethnic armed organizations (EAOs), giving them authority over land and resources in return for ending armed conflict against the central government. This legacy, combined with the reemergence of serious fighting since the beginning of the transition from military government in 2011, has left a patchwork of different systems of governance in at least half the country, with a preponderance of resources in the hands of state and nonstate armed forces and their proxies.[12]

When it came into office in 2016, the NLD government inherited a permanent civil service staff that had been put in place under the military government and conditioned to operate under a command and control, top-down system. The 2008 constitution provided for the government formed during the decades of military rule to remain largely in place, and it is extremely difficult

Project Bank Approval Process

To earn a position in the Project Bank, the Myanmar government's online list of projects approved for investment, any proposal over $1.2 million must 1) demonstrate compellingly how the project contributes to the objectives of the Myanmar Sustainable Development Plan's strategic development goals and meets the national interests and needs of Myanmar; 2) identify clearly the implementing organizations and accountability measures to be taken; 3) develop a solid business case, including cost-benefit analysis; net economic value to society or the economy as a whole; environmental risk and climate sensitivity assessments; political, social, and institutional risk analysis; technical complexity; and development impacts (e.g., number of jobs created, direct beneficiaries, and recipients below the poverty line). Environmental, social, and economic risk assessments must be undertaken in consultation with key stakeholders in the communities affected by the project.

Once these requirements have been met, the Project Bank will prioritize the project for implementation and financing. For those projects seeking public-private partnerships (PPPs), the Ministry of Finance and Planning's PPP Center will assist government agencies to identify, develop, implement, monitor, and audit PPPs. Its criteria will determine the appropriate government support for each PPP project. Only those projects selected via competitive tender will be eligible for government support.

Generals were expected to use their positions to enrich themselves and their families. This sent the signal down the line that government existed not to serve the people but to serve those in government.

to remove or reassign civil service personnel. The current civilian leadership must work with this unfortunate legacy, leaving only a thin layer of reformers at the top to design and try to implement new directions and new policies. Civil service employees have little incentive to heed new orders, and the very few change agents among them play a critical role in effecting the desired reforms. In fact, the civil service more often tends to obstruct and sabotage new policy directions, particularly if they threaten the stream of income civil service employees gain through abuse of their authority. This is simply an accepted way of life, but one that contributes significantly to the gulf of mistrust between the government and the civilian population.

In the course of more than fifty years of heavy-handed military rule, corruption in both government and business, along with the rules of military command, became the grease that made the wheels turn. The generals were expected to use their positions, often at the top of government ministries, to enrich themselves and their families. This sent the signal down the line that government existed not to serve the people but to serve those in government, specifically the military. This mentality does not simply disappear with a change in government, no matter how many anti-corruption schemes may be promulgated. In the final years of military rule, the generals, in a misguided effort to build free enterprise within a command economy, encouraged the development of a crony business class among friends and family to ensure their financial security once they were no longer in charge of the government. The "cronies" were allocated virtually free access to land and resources to develop their businesses in return for loyalty to the military. Though the advent of investment by Western (and Japanese) business since the 2011 political transition—along with significant changes in government business policy and regulation—has served to incentivize transparency and accountability within the Myanmar business community, a culture of corruption and opaque business practices still prevail in many sectors. Furthermore, the judicial system is weak and easily manipulated by influential actors, ensuring there are few effective avenues for punishing corrupt activity.

Armed rebellion by ethnic minorities against the Bamar ethnic majority, which has dominated political and military power since independence in 1948, has been a feature of the country's instability and has provided the primary excuse for its history of military rule, namely, to maintain "union solidarity." Unfortunately, the prevalence of conflict has not abated with the transition to a quasi-civilian government. Instead, thanks to inept military leadership, fighting has reignited and intensified in areas that border China in the northeast and in Rakhine State in the west. Some areas of these regions are completely controlled by armed forces, including militias, on both sides of the conflict and are therefore considered subject to martial law. The civilian leadership in the central government has little access to or authority over these areas and is largely powerless to prevent ruthless army treatment of minorities.

The essential lawlessness and the tendency to resort to violence in these areas do not bode well for large-scale development projects. In fact, any kind of development could trigger further violence if it is not carefully calibrated to the needs and desires of the local population. Sadly, there are already many such examples in minority areas, where investors associated with armed forces have abetted heavy-handed tactics to grab land and dispossess local populations considered to be in the way of resource extraction or development projects. Without buy-in by the local population, these projects quickly become symbols of majority misrule. Moreover, the potential for the mismanagement of large projects to provoke violence—not just in ethnic minority areas was—vividly illustrated in 2012 and 2013 when an expansion of the Letpadaung copper mine led to local unrest that quickly attracted external activists.[13]

THILAWA, A MODEL DEVELOPMENT ZONE?

One relatively positive example of a development project stands out: the Thilawa Special Economic Zone (SEZ), built on the outskirts of Yangon with Japanese investment. A special economic zone is a government-designated area that receives special tax treatment and other economic incentives to promote growth, increase employment and trade, and attract foreign investment. In Thilawa, the investors enlisted local business and government leaders in the creation of a public-private enterprise to develop and manage the project. During the start-up phase of this project, inadequate attention was paid to the plight of the Thilawa residents who would be displaced, causing considerable public outcry and eventually eliciting the engagement of a Japanese parliamentary delegation. Under the pressure of this scrutiny, the Japanese investors devoted more attention and resources to resettling and compensating those who were displaced by the land acquisition, though many still consider the terms of the settlement to have been inadequate because their previous income levels and way of life were not replicated.[14] Nonetheless, under joint Myanmar-Japanese management, the Thilawa SEZ has provided a model testing ground for introducing a business-friendly environment, streamlining regulations, building the necessary power and operating infrastructure, and eventually attracting investment by more than one hundred local and international companies, producing a substantial new source of employment. In May 2019, Japan's Toyota Group announced that it will build an automobile factory in Thilawa.[15] Japanese investors also plan to develop an adjacent industrial zone for processing agricultural products.[16]

While it may serve as a useful model in some respects for developing special economic zones, the Thilawa SEZ has clearly benefited from its location in the midst of a stable, relatively well-developed urban setting. Comparable conditions will not be found in more remote areas of the country, especially those prone to ongoing conflict. Of the twenty to thirty CMEC projects that China is reported to have proposed initially, among those that are said to have received preliminary approval by the Myanmar government are three or four economic cooperation zones along the border with China in Shan and Kachin States, a feasibility study for a railway line linking the central city of Mandalay with Muse Township on the border with Yunnan, and the Kyaukphyu SEZ.[17] All these projects are slated for areas subject to conflict. Another economic development zone, also the subject of a feasibility study, is to be located some twenty-five miles from the Kachin State capital of Myitkyina on the edge of a conflict area. This process is apparently only in the very early stages; it has been reported that the landowners involved have not yet been approached, and there is some apprehension about potential confiscation.[18] Although it is not clear whether the proposed economic zones are designated as part of the CMEC, according to officials in Naypyidaw they will be subject to the same requirements for proving their viability, financing arrangements, and impact assessments as other large projects.[19]

Promoting Development in Conflict Areas

Because the territories along the Myanmar border with China are inhabited primarily by ethnic minority populations that span the border into China's Yunnan Province, there is a long history of relatively free commerce and communication within these ethnic communities and between business interests in Yunnan and the Myanmar border areas, with little or no control by central authorities in either China or Myanmar. The relative autonomy of the social and economic structures in these areas from central control is further compounded by the existence of large nonstate armed groups that control much of the territory on the Myanmar side of the border, often moving freely between the two countries and participating in many of the business activities with Yunnan partners. As a result, there is already a preponderance of Yunnan-based Chinese investment in these areas, connecting their economies to that of Yunnan. Much of the economic activity is illicit (such as drug trafficking) and thus evades the normal economic structures and regulations of Myanmar.[20]

Over the past few years, for example, a wide variety of Yunnan-based Chinese investors have moved into ethnic minority areas along Myanmar's eastern borders with China and Thailand, taking advantage of corrupt administrators and partnering with local entrepreneurs and armed groups to acquire land and business authorization.[21] By and large, this activity precedes the MSDP policy framework and has not fallen under consistent central government regulation. Most of the investment from Yunnan has been in resource extraction and agriculture, but it has also begun to include the development of tourist attractions, with hotels and housing estates, designed to attract Chinese customers. The resource extraction occurs without environmental or other controls and has resulted in large quantities of logs, agricultural projects, gems, and ore being shipped to China, both legally and illegally, leaving almost irreparable environmental devastation behind. Agriculture has most often taken the form of large plantation crops, such as fruit, rubber trees, and palm oil, and the products have been exported directly to China by Chinese vendors, largely circumventing the Myanmar economy and tax system. Local Myanmar sources report that identical products grown by Myanmar farmers have been banned from importation to Yunnan, and the land used by Chinese farmers has been left so badly despoiled that it cannot be used again without expensive, painstaking rehabilitation. The tourist attractions have included casinos and prostitution.

Chinese investment in these areas has been accompanied by extensive migration of Chinese citizens into Myanmar to provide a significant portion of the labor for Chinese plantations and enterprises, creating a plethora of Chinese villages and towns. Local nongovernmental organizations (NGOs) working in these areas report that Chinese villages have already sprung up along the line where the prospective railway from Muse to Mandalay is expected to be built.[22] In Karen State, a Karen Border Guard Force company, Chit Linn Myaing, founded by militia warlord Col. Saw Chit Thu, formed a joint venture with the private Chinese (Hong Kong) company Yatai International Holdings Group to build the Shwe Kokko mega–real estate development along the Karen border with Thailand. The development is advertised to include gambling and other entertainment facilities designed to attract Chinese tourists, and local observers report that many Chinese workers and

Myanmar police provide protection during the construction of a fence on farmland extending onto the Letpadaung copper mine in December 2014. Expansion of the mine has provoked protests by aggrieved villagers. (Photo by AP)

engineers (and their families) have already arrived in the new town, ensuring that its profits will go to Chinese organizations.[23] In July 2018, the Myanmar Investment Commission gave the joint venture approval to develop fifty-nine luxury villas on 25.5 acres with an investment of $22.5 million. Local observers report that construction has already far exceeded these parameters. In fact, the Chinese company has announced that the project will amount to a "small international city," including an international airport, constructed on some 30,000 acres at a cost of $15 billion.[24] Local residents have asked law enforcement and immigration officials to determine the legal status of the Chinese immigrants and have appealed to the state government to enforce compliance with government regulations. The chief minister of Karen State is said to have promised that action will be taken against anyone found to be involved in the project without government permission.[25] It remains to be seen whether and how the government will intervene, though it did move against another housing development in the area that exceeded its approved limits.

It is unclear whether it will be possible to bring any of the Chinese investment that is not explicitly defined as part of the CMEC under the new development regulations, either ex post facto or de novo. Furthermore, since most of the Chinese investment in the border areas is driven by Yunnan business interests, CMEC projects proposed for these areas, while originally assigned to central Chinese government SOEs, appear to have been passed on to Yunnan SOEs. However, to the extent that CMEC projects begin to emerge in these areas, they will inevitably bring a larger degree of centralized scrutiny and control to the associated economic activity, creating the possibility of tension between the existing local regimes for managing the business culture and the introduction of more centrally controlled business policies. For example, the insurgent groups the Ta'ang National Liberation Army, active in Shan State, and the Myanmar National Democratic Alliance Army, working in the Kokang region, are said to be concerned that centralizing trade through CMEC development could bring new Myanmar customs controls on the border.[26] At present, much of the economic activity in these minority areas is governed largely by local authorities of one kind or another and only sporadically by the central government.

The economic cooperation zones along the Chinese border, scheduled for early development under the CMEC, are likely to become the test bed for this kind of tension. While these economic

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zones were initially scheduled to be led by Beijing-based SOEs, they appear to be already under development, with Yunnan SOEs in the lead, partnering with privately owned Myanmar companies headed by local cronies and warlords.[27] The extent to which this evolves into an economic culture clash will depend on whether the new investors are inclined to bring local entities into the new enterprises or simply push them aside with imported labor and management. The best-case scenario, of course, would be similar to the Thilawa experience, where new efficiencies and modern business methods could be introduced with local participation in order to replace the inherently inefficient corrupt practices that currently prevail. In fact, the Thilawa example appears to have heavily influenced the design of Naypyidaw's new policy framework.

If the new economic zones risk an economic culture clash, large infrastructure projects, such as the Muse-Mandalay railway and the Myitsone Dam—the latter a Chinese overseas project to be built on Myanmar's Irrawaddy River but whose construction was suspended by former President Thein Sein in 2011—are likely to present different challenges to the local population that could easily erupt into open conflict. For example, the Chinese SOEs leading various CMEC projects are likely to follow a pattern similar to what they have used elsewhere, partnering with comparable entities, which in Myanmar could include military enterprises or large "crony" businesses.[28] Such forms of partnering also risk further embedding armed forces—including the Tatmadaw (the government's armed forces), the EAOs, and militias—in the economy of these areas at the expense of local civilian populations.

Most of the earlier projects have involved substantial land confiscation and displacement of local population by Myanmar military or government agencies, with inadequate or no compensation. Where they have traversed ethnic minority areas, such as the China-Myanmar oil and gas pipelines that run between Muse and Kyaukphyu, they have also brought the increased presence of Tatmadaw troops, with the deployment of additional military units to protect the investment.[29] The initial construction of the Myitsone Dam before 2011 displaced whole villages and sparked nationwide popular opposition. The mismanagement of the Letpadaung copper mine, a joint venture between Myanmar and Chinese military businesses, continues to cause local resentment.

On the other hand, because the Muse-Mandalay railway project is still in the feasibility study stage, it could become a useful test of the new Myanmar government requirements mandating local consultation and involvement in infrastructure development. Sources in Myanmar report that the preliminary feasibility study by the Chinese investor is under review by Myanmar's Ministry of Commerce and Transport, which is conducting an environmental and social impact assessment of the feasibility study itself.[30] Ideally, if the various stakeholders affected by the project can be organized at this stage to participate meaningfully in the assessment process, provided the tools to make informed judgments about benefits and costs, and offered opportunities to design measures that protect their interests and ensure the project delivers benefits locally as well as nationally, it should be possible to avoid most conflict. Apparently, sufficient local consultation has not taken place as yet, and people living along the proposed rail line are said to be concerned about arbitrary displacement.

The danger of moving forward with the CMEC in the absence of a comprehensive peace agreement was underscored in mid-August 2019 by a series of attacks by ethnic armies on bridges and roads along the trade corridor between Muse and Mandalay, bringing cross-border trade with China to a halt. Despite official Chinese condemnation of the attackers, the attacks have continued sporadically. While the large investment projects may contribute to peace and stability in some areas, in others—particularly in northern Shan State, eastern Kachin State, and Rakhine State, where open warfare between the military and EAOs still rages—the anticipation of large-scale development may actually present a target for the ethnic armed groups, who fear the launch of such projects will be used as justification for further military encroachment on their territories.

Engaging Civil Society

In effect, the government's new policies for managing development and investment in infrastructure are ready-made educational tools for civil society engagement and should be widely and immediately disseminated among communities most likely to be affected by the early development projects. While government could assist in this effort through local administrative structures such as the General Administration Department, a civil service body that staffs all regional and state-level governments in Myanmar and provides administration for the country's many districts and townships, civil society engagement does not need to be the exclusive responsibility of government. There are many civil society organizations (CSOs) in Myanmar capable of sharing the load, not only by explaining to local communities how the required assessment processes will proceed but also by instructing the civilian population on how to organize stakeholder groups effectively to manage the longer-term impact of development on their way of life and to minimize the control of armed groups over economic resources. In particular, local communities facing displacement by development projects will be primarily concerned about losing their livelihood and way of life. Stakeholder associations should be empowered to negotiate arrangements with developers to guarantee that a percentage of the profits of a given project will accrue to the community to compensate adequately for displacement and other hardships. To the extent that local populations can be brought into the planning process, they are more likely to see the benefits of development in a positive light and be less susceptible to the influence of outside agitators.

A number of experienced local NGOs are already beginning to work in areas subject to infrastructure development, for example by exploring the potential environmental impact of such projects and offering legal advice to communities facing the prospect of land confiscation and displacement. More are likely to become involved as projects begin to emerge from the Project Bank. It will be critical, therefore, for the government to develop, sooner rather than later, workable channels of communication and cooperation with CSOs to encourage a positive role for them in implementing the new development policies at the local level. At the same time, it would make sense for several key NGOs and CSOs especially those that have been supporting the peace process, to join forces in proposing to the government how they might help with policy implementation in the affected communities. International donor organizations can also help in this effort, particularly if they already have relevant experience in their own societies.

A 2018 study by the Karen Human Rights Group provides a comprehensive picture of the role played by CSOs and community-based organizations in protecting local communities from land

Military representatives attend the 21st Century Panglong Peace Conference in Naypyidaw on July 16, 2018. The government has recently moved forward with economic development initiatives despite a stagnating peace process. (Photo by Aung Shine Oo/AP)

confiscation and environmental damage caused by corporate infrastructure development and resource extraction in southeastern Myanmar. It warns that recent cease-fire agreements "have ushered in a period of intensifying investment" resulting in increased "land disputes, as rural populations come face-to-face with local and international companies" whose stakeholders, "including company representatives and government authorities, believe that the supposed benefits of corporate development projects cancel out the rights of local populations." These land disputes, it concludes, "are a threat to long-term peace in Southeast Myanmar, as they increase social and political instability." In response, local communities are turning increasingly to community organizations to deal with the threat to their livelihoods. The study outlines a series of steps that investors and government could take to develop meaningful consultations with community organizations to protect their rights, including measures to improve access to land registration, ensure access to justice and grievance mechanisms, strengthen accountability and transparency to fight corruption, ensure projects do not risk conflict, and protect civil society.[31]

The MSDP and its Project Bank promise full transparency and consultation with local stakeholders and affected populations in formulating development projects. Similarly, the delegates to the Thematic Forum on the Clean Silk Road at the April 2019 Beijing BRI Forum pledged openness and transparency of government information for all BRI projects.[32] However, there is as yet little evidence of transparency or inclusive local consultation on CMEC projects by either the Myanmar government or investment enterprises. Although the investment regulations being promulgated by Naypyidaw appear to place the onus on investors to ensure that full consultation has been conducted by the time a project is brought to the Project Bank for approval, past practice by foreign investors has not included adequate consultation, particularly with the local residents likely to be displaced by the project. Because Naypyidaw does not have the capacity to organize such consultation in the absence of adequate due diligence on the part of investors, it would make sense to marshal informed civil society assistance in organizing local participation in the project planning and assessment processes required by the MSDP and Project Bank policies.

Promoting Peace

The CMEC and other development projects in the conflict areas will intersect both positively and negatively with the peace process. Although the NLD government initially argued that peace was a necessary precursor to sustainable economic development, in the face of a stagnating peace process it has turned this equation around over the past year and undertaken new economic initiatives as a means of promoting peace. By the same token, Chinese officials propose that the economic development to be brought about by the CMEC and BRI will contribute to building peace and stability in the border areas, and ultimately the country as a whole. Thus, both sides acknowledge from the outset an inherent connection between peace and development, hoping for a positive outcome. Yet neither side appears to have involved those responsible for managing the peace talks in formulating or implementing development policies and projects, suggesting that the political leadership on both sides may not fully appreciate the potential for development projects to exacerbate conflict in minority areas.

Indeed, there is ample evidence that this could be the case. In recent years, a series of conflicts has plagued trade routes between China and northern Myanmar, even as the peace negotiations with EAOs in this area were failing to produce real results. The history of economic development in minority areas at the hands of the central government has produced a sorry legacy of clearance operations, militarization of project areas, the expansion of territorial control by the state, and a lack of consideration for the social and environmental effects on the local population, who wind up as victims rather than beneficiaries of the projects. Hydropower plants, for example, are often located in minority areas but send the electricity generated to the urban areas in the center of the country, leaving the minority areas without electricity.[33] If BRI projects are allowed to follow this pattern, they will only generate more grievance and mistrust among ethnic communities, adding fuel to the fires that are already burning and igniting new ones.

If, on the other hand, the NLD government proceeds carefully, implementing its new policies fully and engaging local stakeholders in decision making from the outset, especially with regard to projects in conflict areas, then development projects could actually contribute materially to peacebuilding. A major stumbling block in the current peace process, for example, has been its failure to bring civilians into a meaningful dialogue on the political and economic issues that the process promised to address. Participation by local communities in the deliberations required by the new government policies for development projects could be a productive step in this direction, bringing key stakeholders in local communities together in a dialogue with government officials to determine how they can minimize negative impacts and maximize local benefit from the project. This could become a learning process of later value to peace talks on revenue sharing and aspects of state power and responsibilities in a federal system. It could begin to set new patterns of interaction and dialogue on practical issues within local communities and between communities and government.

The role of CSOs that specialize in intercommunal harmony, negotiation and mediation skills, rule of law, environmental mitigation, and so forth could be critical to facilitating this process. Particularly in minority areas, where interaction between government and local communities must bridge a wide gulf of mistrust and minority grievances against perceived abuse by the Bamar ethnic majority, CSOs might be key to facilitating informed deliberation of proposed development projects. The existence of a clear material target for deliberation—that is, a specific development project posing specific risks and benefits—would make such deliberations more practical and less mired in unproven theory, as happens with rambling debates about various forms of federalism. As such, this process could gradually lead to more practical approaches to some of the most difficult issues in the peace negotiations.

Conclusion

Ultimately, the value of Myanmar's new development policy lies not only in its utility as a tool for managing decisions about major economic development projects. It might be even more valuable as a means of providing practical experience in developing democratic norms and practices in relations between government and local populations, especially in conflict areas, where this kind of experience has been sorely lacking. Engaging local populations in wide-ranging consultation about evaluating the benefits and risks of economic development, about designing measures to minimize risk and maximize benefit to the local community, and about the division of responsibilities between local and national government could contribute immeasurably to building productive relationships between the central government and the ethnic minorities in the peace process. It would demonstrate how federal principles can be applied in practice, and it would strengthen civilian participation in the peace process. Finally, it would operationalize good policy to prevent exploitative development practices, providing the world with an example of how to protect vulnerable communities and preserve national sovereignty in the face of economic development driven by large-scale foreign investment.

The critical ingredient for public support of infrastructure projects will be the ability of the government to guarantee that they are driven essentially by the national interests of Myanmar and its population and not by those of the investors. As State Counsellor Aung San Suu Kyi stated at the Second Belt and Road Forum in Beijing on April 26, 2019, "Projects under this Initiative need to be in line with the development plans and priorities of the participating countries. . . . These aims can be achieved only by convincing the populace of participating countries that the BRI will have a positive impact on their lives."[34] This is the promise enshrined in the MSDP and its Project Bank, but it will ring hollow in the end if local communities do not have an adequate voice in project decisions.

Notes

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2. See Ministry of Information, Republic of the Union of Myanmar, “Statement by Daw Aung San Suu Kyi, State Counsellor of the Republic of the Union of Myanmar at the High Level Meeting of 2nd Belt and Road Forum for International Cooperation,” April 26, 2019, www.moi.gov.mm/moi:eng/?q=speech/27/04/2019/id-17472.
3. Nan Lwin, “Gov’t Spells Out Conditions for Signing BRI Deals with China,” *The Irrawaddy*, May 30, 2019, www.irrawaddy.com/business/govt-spells-conditions-signing-bri-deals-china.html.
4. The Kyaukphyu port project was revised to proceed in four stages, with the first stage scaled down to $1.3 billion. The following stages can be considered and planned only once the preceding stages have proven to be financially stable and profitable to Myanmar. Each stage must be financed by investors, with no debt to the Myanmar government.
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6. Ministry of Planning and Finance, Republic of the Union of Myanmar, “Myanmar Sustainable Development Plan.”
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11. Paul Donowitz, “Tatmadaw’s outsized role in the economy is obstructing peace and democracy,” *Frontier Myanmar*, March 12, 2019, www.frontiermyanmar.net/en/tatmadaws-outsized-role-in-the-economy-is-obstructing-peace-and-democracy.
12. See Kevin M. Woods, “The Conflict Resources Economy and Pathways to Peace in Burma,” Peaceworks report no. 144, United States Institute of Peace, November 2018, www.usip.org/publications/2018/11/conflict-resource-economy-and-pathways-peace-burma.
13. The Letpadaung copper mine in Sagaing is a joint venture between a military company, Myanmar Economic Holdings Ltd., and a Chinese state-owned enterprise related to Chinese military production. When the joint venture partners sought to expand the mining operation substantially in 2012, their disregard for encroachment on local communities elicited strong local opposition that eventually drew extensive support from outside activists. A violent police response led to tragedy, and the project was halted until a compromise with the community could be achieved. As a member of parliament, National League for Democracy leader Aung San Suu Kyi agreed to lead a comprehensive study of the problems caused by inept project management. The study produced a set of recommendations for conducting proper environmental and social impact assessments and providing adequate safeguards and compensation for the affected communities. The companies more or less complied with the recommendations and the project was able to proceed, although it is clear today that the mine has caused serious environmental degradation and the villagers still remain, rightfully, aggrieved. For example, see Oliver Slow, Win Zar Ni Aung, and Ei Ei Mon, “Left behind by the Letpadaung copper mine,” *Frontier Myanmar*, June 5, 2019, www.frontiermyanmar.net/en/left-behind-by-the-letpadaung-copper-mine.
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19. Author interviews in Naypyidaw, August 2019.
20. A more detailed description of this activity can be found in Khin Khin Kyaw Kyee, "Conceptualizing China's Central-Local Nexus: Beijing's Repositioning on Border Issues with Myanmar," Myanmar China Research Project Working Paper no. 2, Institute for Strategy and Policy–Myanmar, December 2018.
21. Passage of the Vacant, Fallow, and Virgin Land Act by parliament has had the unfortunate effect of facilitating land grabbing in ethnic minority areas because so much of their land has not been formally recognized or given individual title.
22. Author interviews with NGO officials in Yangon, July and August 2019.
23. "The Kayin [Karen] State BGF, which has about 6,000 troops, was established in August 2010 with 12 battalions from the Democratic Karen Buddhist Army and one battalion from the Haungtharaw-based Karen Peace Front and is under the command of the Tatmadaw. The group was rebranded as a BGF when it came under Tatmadaw control. In exchange for its loyalty, it has been allowed to develop significant economic interests, including a mix of licit and illicit businesses" (Naw Betty Han, "Kayin Border Guard Force celebrates ninth anniversary," *Frontier Myanmar*, August 20, 2019, www.frontiermyanmar.net/en/kayin-border-guard-force-celebrates-ninth-anniversary).
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31. Karen Human Rights Group (KHRG), *"Development Without Us": Village Agency and Land Confiscations in Southeast Myanmar* (Chiang Mai, Thailand: KHRG, August 2018), www.khrg.org/sites/khrg.org/files/inside_development_without_us_-_english_full_report_august_2018.pdf.
32. The statement by the delegates to the Thematic Forum on Clean Silk Road urged "all parties to enhance openness and transparency of government information, actively prevent and properly resolve disputes in trade and investment, and promote cooperation on finance, taxation, intellectual property and environmental protection, so as to develop a stable, fair and transparent framework of rules and governance for the Belt and Road Initiative" and called on "all parties to strengthen supervision and administration of the Belt and Road cooperation projects, regulate transactions of public resources, strictly abide by relevant laws and regulations in project bidding, construction, operation and management, and reduce the possibility of rent-seeking, so as to create a regulated and law-based business environment" (*China Daily*, "Full text: Beijing Initiative for the Clean Silk Road," April 26, 2019, www.chinadaily.com.cn/a/201904/26/WS5cc301a6a3104842260b8a24.html).
33. Kyaw Kyee, "Finding Peace along the China Myanmar Economic Corridor."
34. *Global New Light of Myanmar*, "Statement by Daw Aung San Suu Kyi, State Counsellor of the Republic of the Union of Myanmar at the High Level Meeting of 2nd Belt and Road Forum for International Cooperation," April 27, 2019, www.globalnewlightofmyanmar.com/statement-by-daw-aung-san-suu-kyi-state-counsellor-of-the-republic-of-the-union-of-myanmar-at-the-high-level-meeting-of-2nd-belt-and-road-forum-for-international-cooperation. See also Nan Lwin, "Suu Kyi Economic Adviser: National Interest Must Come First When Deciding Large Chinese Investments in Myanmar," *The Irrawaddy*, January 20, 2020, www.irrawaddy.com/in-person/suu-kyi-economic-adviser-national-interest-must-come-first-when-deciding-large-chinese-investments-in-myanmar.html.

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