Myanmar and China’s One Belt One Road Strategy

Thomas Chan,
China Business Centre,
The Hong Kong Polytechnic University,
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Political and economic liberalization of Myanmar have attracted FDI, but with the hesitation of China and to a lesser extent of Japan, the last frontier in Asia seems to wait for more political certainty after the new civil government in 2016. FDI-led development may lead to overexploitation of resources and land speculation in Yangon with the rural and border regions being further marginalized.

Source: quoted in Michael Peel, Myanmar vies to retain investor allure as Golden Land glow fades, *The Financial Times*, November 3, 2015

Should Myanmar adopt a FDI-led development of export-oriented processing & resources industries – following China & other ASEAN economies?
What is sustainable & inclusive development for a late-comer country like Myanmar?

Myanmar should have late-comer advantages –
- low costs;
- capital, technology & skill transfers;
- industrial (& services) relocation;
- learning from others’ mistakes (industrialization methods, focuses, priority and industrial choices, pollution, FDI, industrial agriculture & rural decay, financialization, social polarization, regional disparities, etc.).

There are also disadvantages, chief of which is underdevelopment of infrastructure, in particular problems of connectivity and accessibility in the form of transport bottlenecks.
However, IMF projection of Myanmar confirms overheating, and fragile economic trends

Fiscal deficits cause inflation and depreciation of the currency, which in turn adds to inflation pressure, but there is a huge informal sector – production & exports of jade could be half of the reported GDP

There are also grants & soft loans – e.g. in 2 financial years before 2014 Japan extended close to $2 billion

Source: IMF, Myanmar: staff report for the 2005 article IV consultation, August 2015
National League of Democracy’s economic policy platform

Five priorities: fiscal prudence, lean and efficient government, revitalising agriculture, monetary and fiscal stability, and functioning infrastructure

They are more immediate responses to current problems with little long term policy conceptualization or commitments

New policies would only slowly emerge
Existing industrialization strategy and its geographical pattern

Sources:
The policy of special economic zones (in addition to industrial zones) as the strategy for industrialization by means of a more comprehensive agglomeration of industrial clusters.

The only one in operation SEZ that also represents a PPP & foreign investments

Kyaukphyu – planned deep sea port & oil tanker port

Photos taken in late 2014, - both the functioning port and the depot for oil transfer

China-Myanmar oil & gas pipelines already in operation and there is a proposed China-Myanmar railway, all linking up Kunming & Kyaukphyu – to become the main body of the Bangladesh – China – India - Myanmar corridor.

The proposed Dawei SEZ project with railway linking up with the East-West transport corridor across Vietnam, Cambodia and Thailand will integrate southern Myanmar with Indo-China and with major sea routes.

The Dawei SEZ project will be 3-way cooperation among Myanmar, Thailand & Japan.

Source: Bangkok Post, 28 Jan 2015
Geostrategic importance of Myanmar – China’s One Belt One Road strategy & Japan & India’s attempts at regional integration

Competition between China and Japan – for China the north-south route to access the Indian Ocean from Yunnan; for Japan the east-west route to integrate its industrial investments in Vietnam & Thailand (& possibly Myanmar), & connect South China Sea with Indian Ocean

India’s attempts are to integrate its Northeast states with Eastern coastal region, incorporate Bangladesh, and to connect India with Indo-China countries.
Thailand’s railway plans with China and Japan (together with China-Laos railway) will compete with the proposed China-Myanmar railway.
Greater Mekong Sub-region (Cambodia, China, Lao, Myanmar, Thailand, & Viet Nam since 1992 led by Asian Development Bank) has its planned transport corridors traversing the Indo-China Peninsula.

Japanese focus on East-West corridors in competition with China and integrating its investments at the expense of local trade with China.

Source: Nam Pan, Japanese ODA to Asian Countries: An Empirical Study of Myanmar Compared with Cambodia, Laos, and Vietnam, Policy Research Institute, Ministry of Finance, Japan.

Table 3. Japanese ODA disbursement to ASEAN by fiscal year ($100 million)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Malaysia</th>
<th>Myanmar</th>
<th>Philippines</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>134.34</td>
<td>1323.16</td>
<td>64.33</td>
<td>34.44</td>
<td>47.43</td>
<td>422.24</td>
<td>685.58</td>
<td>946.19</td>
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<td>2009</td>
<td>225.79</td>
<td>1271.13</td>
<td>88.37</td>
<td>24.81</td>
<td>46.34</td>
<td>804.48</td>
<td>93.05</td>
<td>1579.45</td>
</tr>
<tr>
<td>2010</td>
<td>151.2</td>
<td>558.47</td>
<td>65.8</td>
<td>30.61</td>
<td>38.79</td>
<td>594.52</td>
<td>311.63</td>
<td>1013.7</td>
</tr>
<tr>
<td>2011</td>
<td>223.73</td>
<td>847.52</td>
<td>119.72</td>
<td>82.71</td>
<td>63.16</td>
<td>802.33</td>
<td>41.61</td>
<td>2865.17</td>
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<tr>
<td>2012</td>
<td>103.64</td>
<td>277.55</td>
<td>79.62</td>
<td>8.7</td>
<td>2306.7</td>
<td>690.72</td>
<td>124.65</td>
<td>2131.51</td>
</tr>
</tbody>
</table>

Source: www.mofa.go.jp

India’s multi-modal projects in Western Myanmar

Trial run for the India-Myanmar-Thailand (IMT) trilateral highway likely in December 2015 – supported by ADB

Source: http://www.thehindubusinessline.com

The following key components included in the project:-

1. The land required for the project will be provided gratis by Myanmar
2. Construction of port / inland water transport (IWT) terminal and related infrastructure facilities at Sittwe port
3. Development of Kaladan waterway from Sittwe to Paletwa (157 km)
5. Construction of a highway from Paletwa to Myanmar-India border (248 Km)
6. Maintenance and management of the above facility components
China’s strategy in Myanmar

1. Uncertain;
2. Need to change in industrial focus – from energy & minerals to shift to infrastructure, labour intensive manufacturing & agriculture;
3. Need to change in strategy – from commercial ventures to more ODA & soft loans in competition with Japan and to push forward north-south transport corridor connecting Yunnan with the Indian Ocean;
4. Need to emphasis more on public services, culture & ecological civilization to change its overall image of China and Chinese in Myanmar and Southeast Asia.