



ADB Project Document

TA-9124 PRC: Study of the Belt and Road Initiative

National Assessment Report: Myanmar

July 2019

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Abbreviations

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ASEAN	Association of Southeast Asian Nations
BEZ	Border Economic Zone
BRI	Belt and Road Initiative
CAFTA	China-ASEAN Free Trade Area
CBD	Central Business District
CBTA	Cross-Border Transport Agreement
CBEZ	Cross Border Economic Zone
CMEC	China Myanmar Economic Corridor
DICA	Directorate of Investment and Company Administration
FTZ	Free Trade Zone
GMS	Greater Maekong Subregion
ICT	Information and communication technology
KP	Kyauk Phyu
MARD	Ministry of Agriculture and Rural Development
MOC	Ministry of Commerce
MOFA	Ministry of Foreign Affairs
MOPF	Ministry of Planning and Finance
MOU	Memorandum of Understanding
MSDP	Myanmar Sustainable Development Plan
NDRC	National Development and Reform Commission
NEDA	Neighboring Countries Economic Development Cooperation Agency
NSCP	North-South Corridor Plan
NSR	New Silk Road
OBOR	One Belt One Road
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership
PRC	People's Republic of China
RCI	Regional Cooperation and Integration
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SME	Small and medium-sized enterprise
SOE	State Owned Enterprise
TA	Technical Assistance
WTO	World Trade Organization

I. Introduction

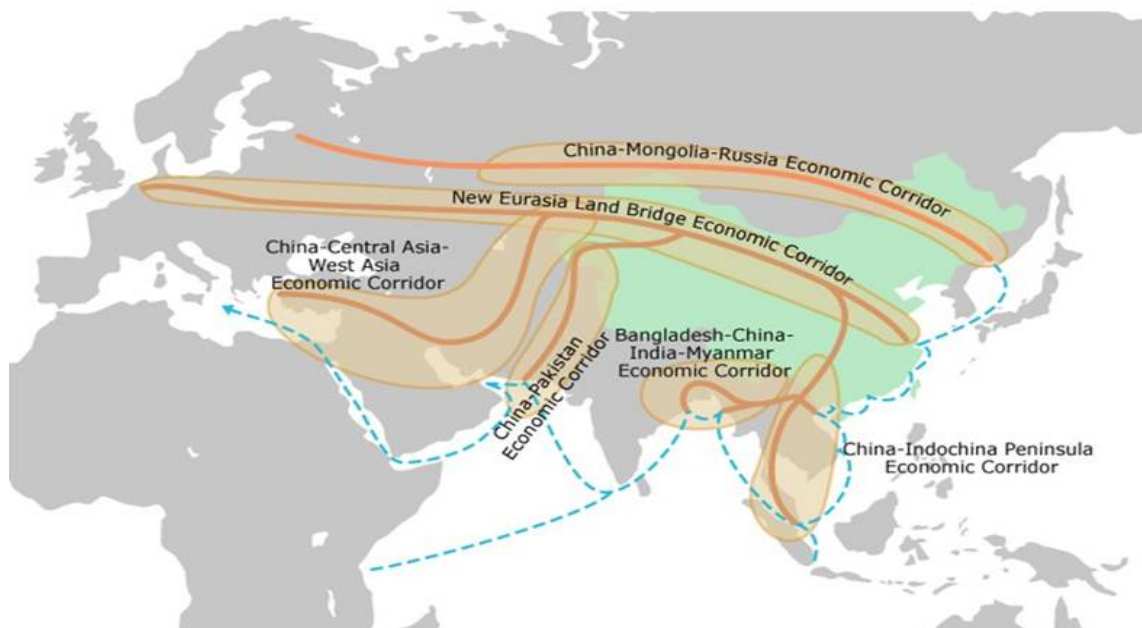
- 1.** Belt and Road Initiative (BRI) is an infrastructure and connectivity project initiated by the People's Republic of China, PRC, and (henceforth "China"). The project was proposed by President Xi Jinping in September 2013, at Nazarbayarr University in Astana, Kazakhstan. BRI, which is also known as One Belt One Road (OBOR), Silk Road Economic Belt (SREB) and 21st – century Maritime Silk Road, aims to connect Asia with Africa and Europe via land and maritime networks along six corridors to improve, stimulate economic growth and facilitate investments.
- 2.** BRI did not attract the attention of the Myanmar government, private sector and media in Myanmar until State Counsellor Daw Aung San Suu Kyi paid a visit to the Belt and Road Forum for International Cooperation which was held in Beijing in May, 2017. At the BRI forum, State Counsellor at once highlighted the need to ensure responsible business practice and stressed that BRI-led projects should complement national priorities by taking into account the welfare of local communities. She said that connectivity covers not only physical or infrastructure connectivity, but also institutional connectivity and people-to-people connectivity.
- 3.** Connectivity cooperation would need to complement existing national and regional platforms. Thus, BRI-led projects would be the most effective if they are designed to reinforce or complement existing or planned projects of participating countries and regional organizations. Myanmar has a National Transport Master Plan and is also taking part in a number of ongoing regional projects. Given that each partner country has its own considerations, the best multi-national initiatives are those that align well with national plans.
- 4.** In September 2018, Myanmar government signed a memorandum of understanding (MOU) with China to implement China-Myanmar Economic Corridor (CMEC), which is a massive BRI-backed project. Since then, Myanmar has founded the One Belt One Road (OBOR) implementation Steering Committee and China-Myanmar Economic Corridor (CMEC) Joint Committee so as to set goals and policies and to more actively participate in OBOR actively.

5. The purpose of this report is (i) to present an analysis of stakeholder interests across the China-Mainland Southeast Asia Economic Corridor, (ii) to advise on alignment of the BRI with national development strategies so as to optimize its use as an investment tool for regional economic growth, and (iii) to build a broader understanding of the BRI's potential, opportunities, and risks and recommendations for management of these risks in the mainland Southeast Asia region.
6. This report is structured with 6 Chapters. Chapter 1 is a brief introduction of BRI and Myanmar's policy context on BRI. Chapter 2 is about the initial conditions of BRI and includes an overview of Myanmar's national economy as well as regional cooperation initiatives. In Chapter 3, five case studies related to the national economy's engagement with the BRI initiative are selected to represent the diversity of policy context, sector emphasis, and stakeholder interests. Evaluations of BRI are described in Chapter 4 and composed with (i) assessment indicators, (ii) stakeholder engagement, (iii) opportunities, (iv) potential risks and (v) maps. Chapter 5 includes a summary and conclusion for this report while Annex 1 is presented in Chapter 6.

II. Initial Conditions

7. Belt and Road Initiative (BRI) is an ambitious strategic goal of China proposed by President Xi Jinping in 2013. With more than \$2 trillion in investments, its main purpose is to link and strengthen China's ties to markets in at least 70 countries in Central Asia, Europe and Africa. The land mass it covers is home to over 62% of the world's population, makes up around 35% of the world's trade and contains over 31% of the world's GDP.¹
8. Also known as One Belt, One Road, it covers three key land routes via the Silk Road Economic Belt (SREB) and two ocean routes via the 21st Century Maritime Silk Road (MSR). The Belt links China to both Central and South Asia and onward to Europe. On the other hand, the Road links China to the nations of Southeast Asia, the Gulf countries, North Africa, and on to Europe.

Figure 1: The Belt and Road Initiative: Six Economic Corridor spanning Asia, Europe and Africa

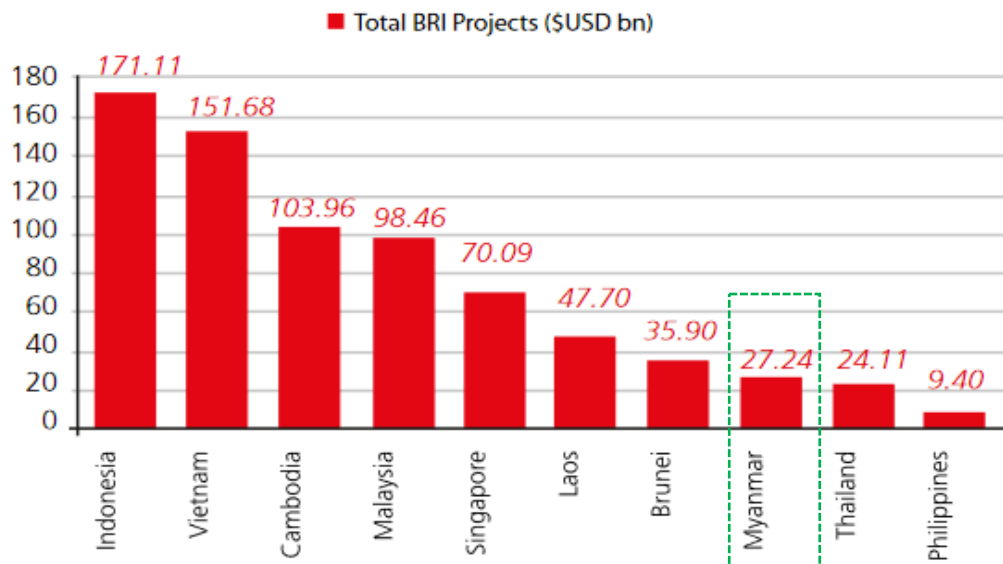


Source: lehmanbrown.com

¹ China's role in the next phase of globalization | McKinsey Global Institute (MGI)

9. BRI would cost as much as 8 trillion USD in total if it was fully implemented and 27.24bn USD of which would be spent for Myanmar according to the budget allocation.

Figure 2: BRI implementation budget by country



Source: Oxford Economics

10. With much momentum ranging from infrastructure development, to policy coordination, to trade facilitation behind the BRI project, its six Economic Corridors are expected to pass through central cities along the international routes and the economic industrial parks. The six Economic Corridors are as follows:

- 1) The China-Mongolia-Russia Corridor
- 2) The new Eurasian Land Bridge
- 3) The China-Central Asia-West Asia Corridor
- 4) The China-Indochina Peninsula Corridor
- 5) The China-Pakistan Corridor
- 6) The Bangladesh-China-India-Myanmar Corridor

Figure 3: China Myanmar Economic Corridor (CMEC)

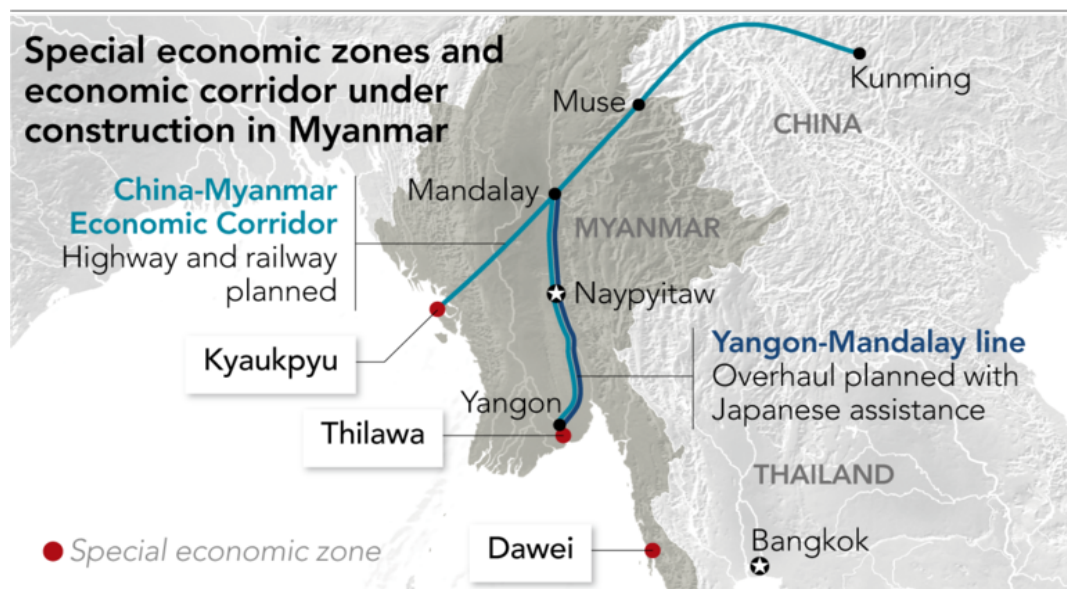


Source: MMRD

11. On September 9 of 2018, Myanmar government signed a 15-point memorandum of understanding (MOU) with China. Under the MoU, the two countries have agreed to implement China-Myanmar Economic Corridor (CMEC), a massive BRI-backed project. Officials from China and Myanmar signed an “umbrella agreement”, while agreements on individual projects will have to be negotiated by the ministries from the two sides in the future. Considering Myanmar lies at the junction of South Asia and Southeast Asia, and between the Indian Ocean and Southwestern China’s Yunnan Province, its position is important to China geopolitically, making the country a unique case.
12. The CMEC anticipates to have Kyauk Phyu deep sea water ports (\$1.3 billion) with two berths in its initial phase including Kyauk Phyu SEZ (\$2 billion); China-Myanmar oil and gas pipeline (\$5 billion); Mandalay Economic and Trade Cooperation Zone (\$4 billion); Tagaung Taung (Dagongshan) Nickel Industry Development Project (\$820 million); Letpadaung copper mine project (\$1

billion); Kunming-Kyauk Phyu railway line; Mandalay-Muse expressway, Kyaukpyu-Nay Pyi Taw highway projects, etc.

Figure 4: China Myanmar Economic Corridor (CMEC)



Source: Nikkei Asian

13. With the development of CMEC, the Chinese government intends on collaborating with the Myanmar government in developing projects across energy, port, road, and railway sectors. The estimated 1,700-kilometer-long corridor will connect Kunming in Yunnan to Mandalay in central Myanmar, extending south to Yangon and south-west to the Kyauk Phyu Special Economic Zone. Apparently, the CMEC runs through conflict zones in the Shan, Kachin and Rakhine states. Under this plan, new roads and a high-speed railway are expected, in what is known as a “three-pillar giant cooperation pattern.” In addition, infrastructure developments such as industrial zones, trade zones, and industrial parks, as well as initiatives such as trade quotas and tax breaks are also among the goals. The basic infrastructures of China and Myanmar can also be connected, thus promoting cooperation in sectors such as agriculture, energy, financing, tourism, “digital silk road” and border trading zone.
14. Ideally, the government should be providing scrutiny at every stage of this huge project, where a whole bunch of projects will be grouped into CMEC.

Regardless, the BRI remains new to the public and is a topic of concern for stakeholders from all sectors due to lack of clear information. The plans and negotiations between the two countries on the matter still remain unclear since detailed meeting minutes were never published. If the CMEC project is successful, Myanmar would see tens of billions of dollars of investment coming from private and state-owned Chinese firms under the One Belt-One Road initiative.

- 15.** However, many have fears of falling into debt-traps, and are aware that it is critical to avoid overreliance on China so as to avoid potential public backlash in the future. Furthermore, with heavy criticism coming from the international community on the government's handling of Rakhine - Conflict, and considering the current vulnerable position Myanmar is placed on the global stage, caution must be exercised towards the investment agreement. While there is a Myanmar Sustainable Development Plan (MSDP) overlooking every infrastructure project, duration and cost, projects under the CMEC framework are not covered in MSDP but should be aligned. The implementation of each project under the CMEC framework will be carried out through coordination among joint committees and working groups from the two countries. Meanwhile, Myanmar has recently formed a One Belt One Road (OBOR) implementation Steering Committee and a China-Myanmar Economic Corridor (CMEC) Joint Committee.
- 16.** The real concern is what preparations the incumbent government of Myanmar could make to seize many opportunities the CMEC unveils in the right way. Considering Myanmar government's intention is to benefit from Chinese trade and investment, additional measures of safety should be in place to maintain the relationship with China and help secure the stability and development of Myanmar. As for the initial budget of the CMEC, \$2 billion is estimated with over 20 projects on the proposal. However, the proposed cost of \$2 billion does not cover major infrastructure projects. From looking at the current situation, although China has been speeding up the whole process on their side, Myanmar's people do not clearly know what to expect yet.²

² Can Myanmar afford China's Belt and Road? | The Diplomat

A. Myanmar National Economy Overview

17. Myanmar's economy is facing significant uncertainty and risks domestically as the Foreign Direct Investment (FDI) declined by 14% in 2017-18 compared to the past years due to the crisis in the Rakhine State. FDI is critical for developing and emerging market of the Myanmar economy. Companies need the multinationals funding and expertise to expand international sales. Myanmar also needs private investment in infrastructure, energy, and water to increase jobs and wages. So, FDI declining is the issue for Myanmar economy as it could be an obstacle to promote the foreign trade and local market.³

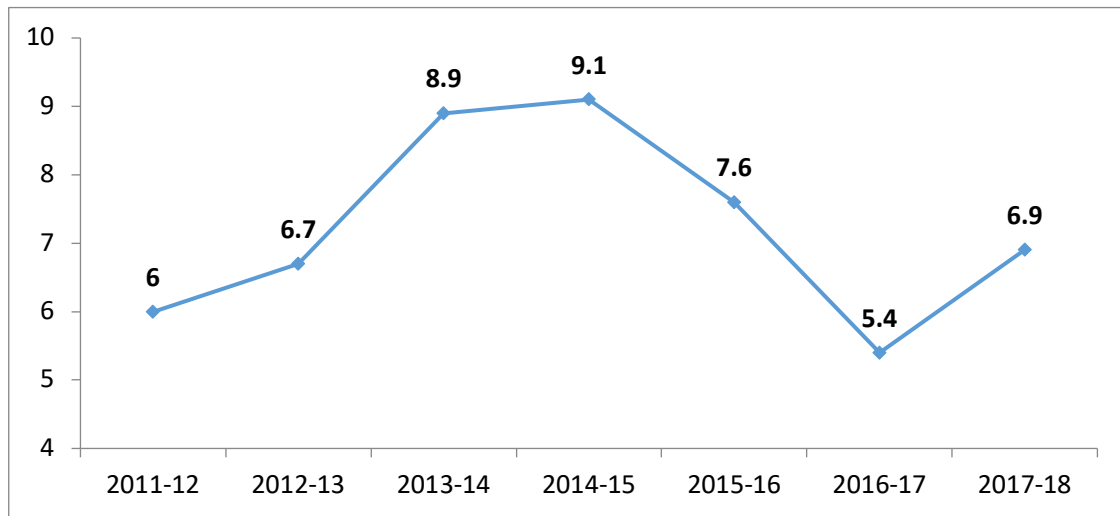
18. Although the growth of Gross Domestic Product (GDP) increased to 6.9 percent in 2017/18 from 5.4 percent in 2016/17, it is still low by comparing with 2013-14, 2014-15 and 2015-16 FY. Growth has dropped off slightly since 2015/16, reaching 7.6% that year and 5.4% in 2016/17 according Ministry of Planning and Finance. The growth was driven by a recovery in agriculture and especially crop production, improved manufacturing performance, and strong services growth despite a slight slowdown likely due to tourism and banking sector uncertainties.⁴ Growth is expected to recover in coming years as a result of recent policy changes such as the adoption of the Myanmar Sustainable Development Plan (MSDP), liberalization of wholesale and retail trade, implementation of the Myanmar Companies Law and large investments in infrastructure projects including those related to the Belt and Road Initiative.⁵

³ [Economy Grows Amid Uncertainty in Myanmar, World Bank](#)

⁴ [Economy Grows Amid Uncertainty in Myanmar, World Bank](#)

⁵ [World Bank, Economic Monitor 2018](#)

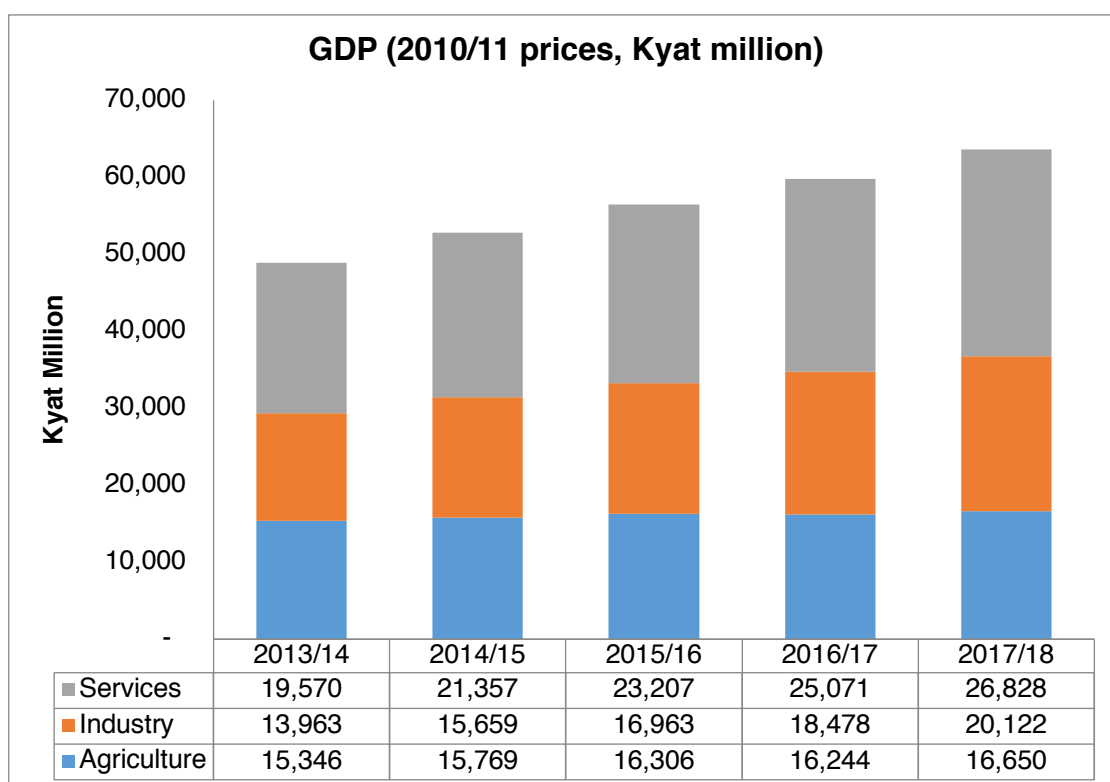
Figure 5: GDP Growth Rate Trend



Source: Ministry of Planning and Finance

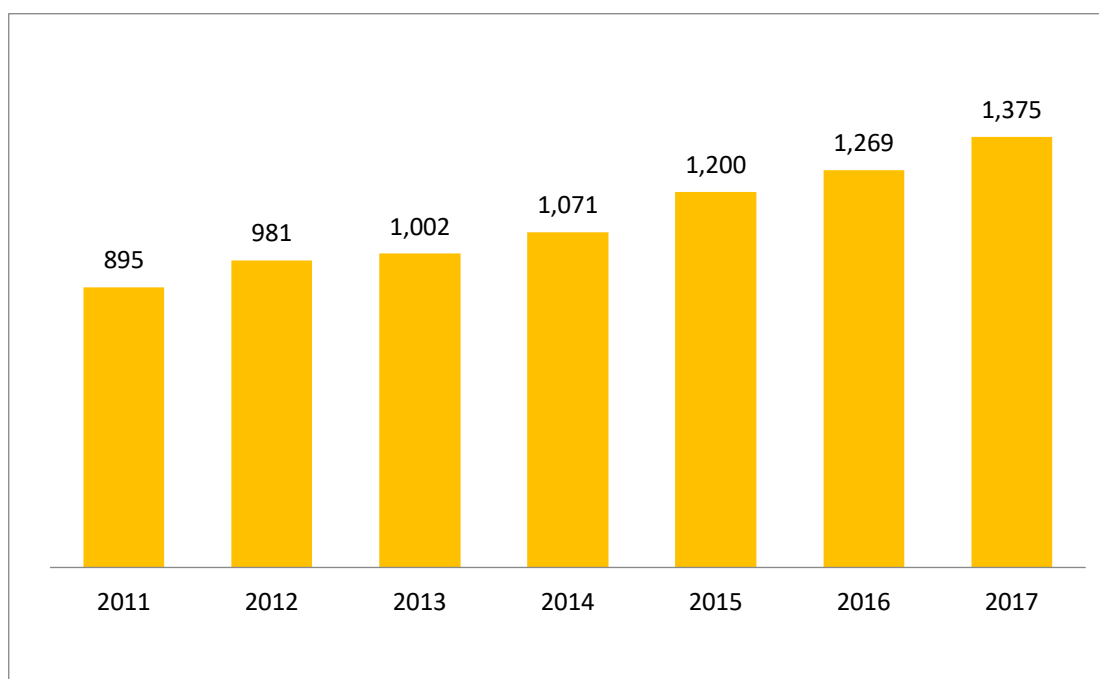
- 19.** Myanmar's GDP growth by sector has been increasing year by year until 2017-2018 FY in all sectors such as Services, Industry, and Agriculture. In addition, beginning in 2011, Myanmar's GDD per capita has been growing gradually up until 2017, when it reached 1,375 USD.

Figure 6: GDP Growth by Sector



Source: Ministry of Planning and Finance

Figure 7: GDP per capita (US\$)



Source: Ministry of Planning and Finance

- 20.** Since 2012, the foreign direct investment (FDI) levels in Myanmar have surged. FDI mainly focused on the energy, oil and gas sectors. As of November 2018,

most of FDI comes to oil and gas, power, and transport & communication sector. The total of existing enterprises reached 1,276 and total approved amount reached about 63.5 billion USD.

21. Most foreign investment of existing enterprises comes from Singapore, China, and Hong Kong. Myanmar is expected to draw foreign direct investments (FDI) totaling US\$5.8 billion in the 2018-19 fiscal year beginning on 1st October 2018, according to Directorate of Investment and Company Administration (DICA). Starting in FY 2018-19, Myanmar's fiscal year will run from October 1 to September 30, as opposed to the current timeline of April 1 to March 31.

Table 1: Foreign Investment of existing enterprises by sector as of (30/11/18)

Sr No.	Particulars	Existing Enterprises		%
		No.	Approved Amount (US\$ in million)	
1	Oil and Gas	86	18,137	28.5%
2	Power	18	15,055	23.7%
3	Transport & Communication	46	9,294	14.6%
4	Manufacturing	840	8,718	13.7%
5	Real Estate	38	4,066	6.4%
6	Hotel and Tourism	57	2,642	4.2%
7	Mining	10	2,360	3.7%
8	Agriculture	28	377	0.6%
9	Livestock & Fisheries	37	370	0.6%
10	Industrial Estate	5	258	0.4%
11	Other Services	111	2,295	3.6%
	Total	1,276	63,571	100%

Source: Directorate of Investment and Company Administration (DICA)

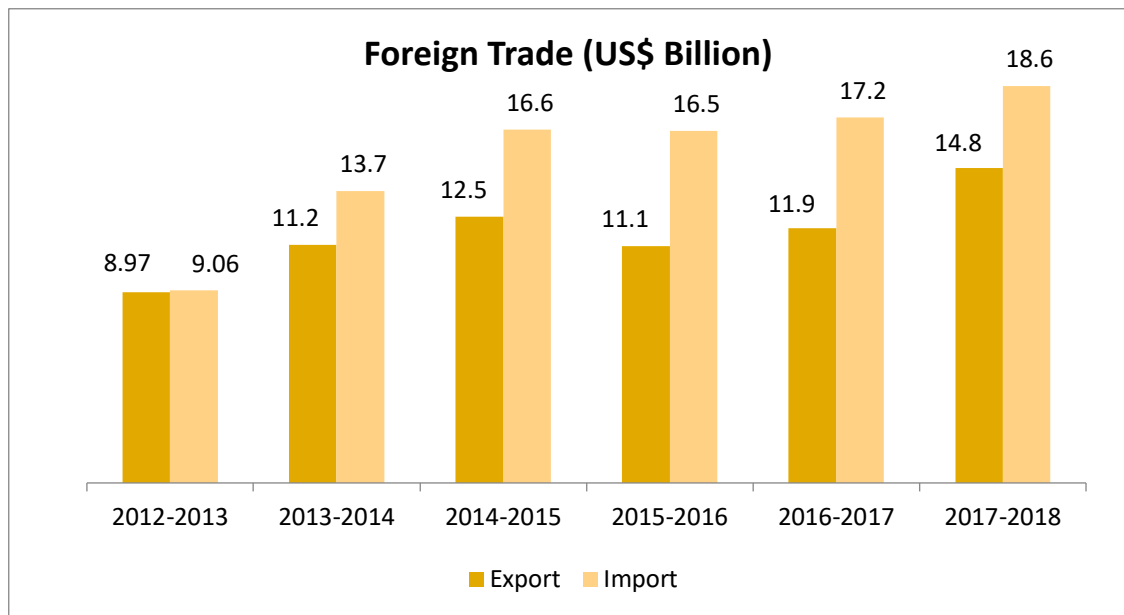
Table 2: Foreign Investment of existing enterprises as of (30/11/18)

Sr.	Particulars	Existing Enterprises		%
		No.	Approved Amount (in US\$)	
1	Singapore	247	18,603	29.3%
2	China	249	17,484	27.5%
3	Hong Kong	153	7,768	12.2%
4	Thailand	79	3,975	6.2%
5	Republic of Korea	150	3,816	6.0%
6	U.K	55	3,626	5.7%
7	Viet Nam	22	2,161	3.4%
8	The Netherlands	19	1,297	2%
9	Malaysia	36	1,128	1.8%
10	Japan	99	1,069	1.7%
	Others	167	2,644	4.2%
	Total	1,276	63,571	100%

Source: DICA

22. As for foreign trade, import has always been greater than export between the years 2012 and 2018. Total foreign trade in 2017-18 was 33.5 billion USD, higher than any past recorded figures. Myanmar's top trading partners for exports are China, Thailand and Japan and import partners are China, Singapore and Thailand. In 2017-18, top three exports items were Garment (CMP), Natural gas and rice and top three import items are petroleum product, Automobile and machinery.

Figure 8: Foreign Trade Trend



Source: Ministry of Planning and Finance

B. Leading economic Sectors

23. The leading sectors that drive economic growth are agriculture, manufacturing, garment, retail sector, energy, oil and gas, tourism, and banking and finance.

1. Agriculture

24. Myanmar is an agricultural country, and the agriculture sector is the backbone of its economy. The Agriculture sector encompasses crop production, livestock breeding and fisheries. The agriculture sector contributes to 37.8 percent of gross domestic product (GDP), accounts for 25 to 30 percent of total export earnings and employs 70 percent of the labor force.⁶

25. Over 31% of 161 million acres in Myanmar land area was cultivable in FY 2016-17. About 18% of the total agriculture was sown area. The 12 million acres were cultivable waste land and 36 million acres were wood land in FY 2016-17. In 2016-17, sown crops of paddy were 17 million acres, with paddy production of 26 million tons. Myanmar has more than 65 million hectares of dry land, among

⁶ www.fao.org/myanmar

the highest in Southeast Asia. However, only about 20 percent of its land area (12.6 million hectares) is actually used for agriculture.⁷ The most common crops are rice, beans, pulses, and maize. Rice is the dominant commodity, accounting for 43% of production value.⁸ In general, farmers grow rice and maize during the monsoon season as opposed to growing beans and pulses during the dry season. Farmers in the temperate highlands often try for a second harvest of rice and maize.

26. According to official figures from the Directorate of Investment and Company (DICA) Registration, from 1998 up to November 2018, there have been only 28 enterprises for Foreign Direct Investment (FDI) in the agricultural sector, which amount to US\$ 377 million or 0.6% of total FDI.⁹ (Shown in Figure). The Asian Development Bank (ADB) has developed a Country Partnership Strategy (2017–2021) to support sustainable inclusive growth. This five-year strategy will prioritize three key sectors, including agriculture and irrigation, rural infrastructure development, and private sector initiatives.

Table 3: Average yield and production Volume per acre by major crops (2016-17)

No	Crops	Sown Area (000 ha)	Production (000 MT)
1	Rice	17,696	25,673
	Monsoon Rice	15,239	22,588
	Summer Rice	2,456	3,085
2	Wheat	214	166
3	Maize(Seed)	1,211	1,831
4	Sorghum	588	243
5	Groundnut	2,445	1,572
6	Sesame	4,042	813
7	Sunflower	1,009	388
8	Blackgram	2,913	1,164
9	Greengram	3,017	1,087
10	Pigeon Pea	1,652	628

Source: Settlement and Land Records Department

⁷ Myanmar Agriculture 101 | Frontier Myanmar

⁸ Agriculture Guide 2018 | Euro Cham Myanmar

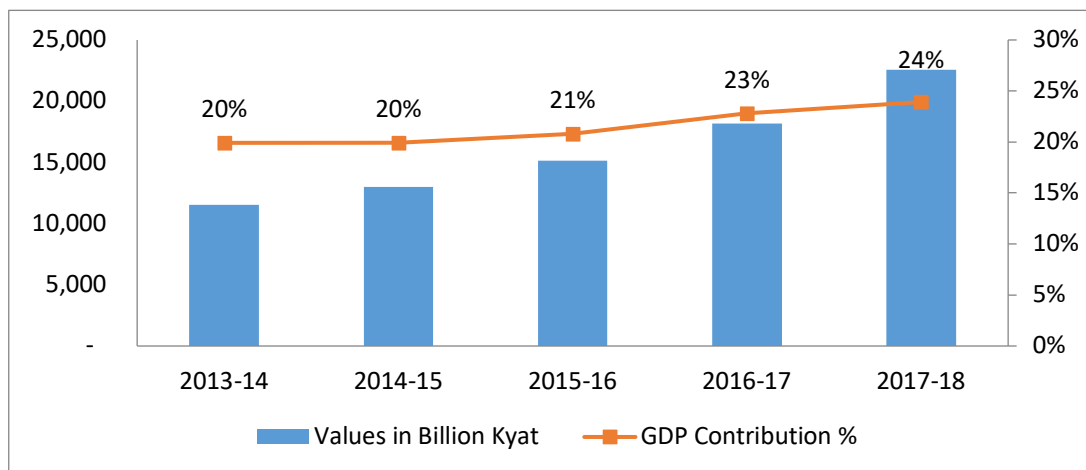
⁹ Agriculture Guide 2018 | Euro Cham Myanmar

27. Myanmar's current agricultural performance offers opportunities for successful agricultural development. Average yield and labor productivity is still one of the lowest in Asia, but at the same time, labor costs are low. Rapid gains can be made by better inputs, better seeds and improvement of logistical and marketing arrangements.

2. Manufacturing

28. Improved performance in agriculture, industry and manufacturing sectors are the main contributors of Myanmar's GDP development. Manufacturing activity has been growing year by year. Between 2013-2014 FY and 2017-2018 FY, it contributes 24% of the whole GDP, supported by strong food processing performance and external demand for garments.¹⁰

Figure 9: GDP by Processing and Manufacturing Sector 2017-18



Source: Ministry of Planning and Finance

29. Myanmar's industrial sector has witnessed dramatic growth over the past five years, with manufacturing largely concentrated in garment and textiles, agricultural processing, automotive parts manufacturing, and canning and

¹⁰ Myanmar Economic Monitor 2018 | World Bank

bottling. Manufacturing has become the largest recipient of foreign direct investment (FDI), with 840 existing enterprises and approved amount of 8.7 billion USD according to DICA in as of November 2018 (Shown in the Figure). There are 47,830 registered private industries in which SMEs consisted of 86% and food industries shared by 60%.

Table 4: Registered Private Industries as of 2017

Sr.	Commodity Group	Large	Medium	Small	Total
1	Food	3,252	5,101	19,923	28,276
2	Clothing	626	721	1,246	2,593
3	Shelter	935	1,218	1,921	4,074
4	Consumers Goods	581	545	348	1,474
5	Household Goods	136	86	77	299
6	Printing and Publishing	78	171	140	389
7	Raw material	200	192	174	566
8	Metal & Oil Products	344	636	1,908	2,888
9	Agricultural Equipment	13	24	37	74
10	Machinery & Equipment	23	32	34	89
11	Transportation	82	32	22	136
12	Electrical Products	63	17	22	102
13	General Machinery	223	990	5,657	6,870
	Total	6,556	9,765	31,509	47,830

Source: Directorate of Industrial Supervision and Inspection (DISI)

30. Myanmar Manufacturing sector increased to 52.5 in December of 2018 from 51.3 in November, signaling the strongest improvement in the health of the Myanmar manufacturing sector since May 2018, according to the Nikkei PMI. Although the kyat depreciated further in December, a fall in fuel prices eased pressure on input costs. Meanwhile, employment increased for the first time since June. Despite a faster rise in new business, purchasing activity across Myanmar's manufacturing sector declined for the seventh successive month.¹¹ In addition, business sentiments and profitability are falling, in part driven by rising input costs. According to Business Sentiment survey (Q2-2018) by MMRD for the Union of Myanmar Federation Chamber of Commerce and

¹¹ [Myanmar Manufacturing PMI](#)

Industry (UMFCCI), the key challenge for the economy in the second quarter was mainly volatile exchange rates.¹²

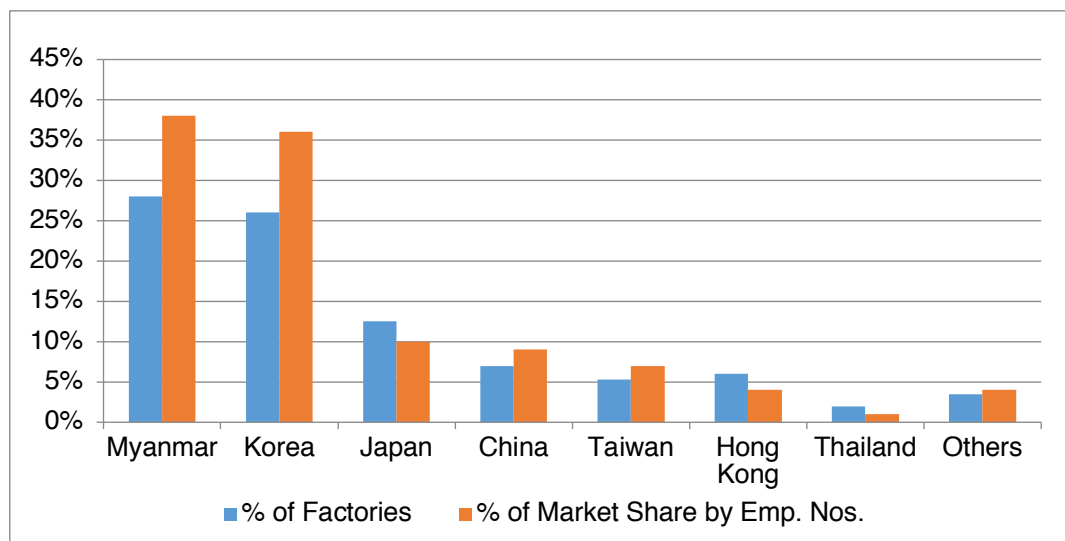
3. Garment

31. The Myanmar garment industry is growing at a record speed. According to the Myanmar Garment Manufacturers Association (MGMA), there is at least one factory which applies for registration per week. As international sanctions were lifted in 2014, there was an opportunity for global brands and suppliers to make use of Myanmar's 33 million strong, low-skilled labor pool.

32. The ready-made garment sector is among those which contribute to Myanmar's export earnings and will benefit from good prospects in 2018-19. The garment manufacturing sector is included in the National Export Strategy as a promising export sector since earnings from garment exports are increasing at a rate of 35pc on a yearly basis.

33. The largest market share by employee numbers was held by Korean-owned factories at 36%, with an average size of nearly 1200 employees per factory. In 2016, out of 157 factories, ownership of the industry stood as following table.

Figure 10: Myanmar Export Garment Industry



Source: Myanmar Garment Manufacturing Association (MGMA)

¹² Myanmar Business Sentiment Survey Q2 | MMRD

- 34.** In 2017-18, the sector generated \$3 billion in exports for the country. Meanwhile, around four to five factories are opening monthly in the garment sector. In 2018, 65 new garment factories entered the market. The sector currently employs more than 500,000 workers. However, productivity in the sector may taper since the minimum wage was raised from K 3,600 per day to K 4,800. Employers have been urged to explore new strategies to improve production levels.
- 35.** However, an announcement by the European Union in October that it is considering suspending trade privileges for Myanmar because of alleged Myanmar military's actions in Rakhine State has alarmed garment firms. The latter claims that hundreds of thousands of jobs are at risk. If European trade privileges are withdrawn, more than half of all garment workers could lose their jobs. In 2017, garments comprised 72.2 percent of the €1.56 billion (US\$1.8 billion) in exports to Europe. Earnings from Europe have increased almost tenfold from 2012, the year before Myanmar's GSP membership was reinstated.¹³
- 36.** Most of garment factories are from South Korea, but most garments go to the EU market. Currently, Japan, South Korea and EU are importing CMP garments from Myanmar.¹⁴ The Myanmar Garment Industry 10 year Strategy (2015-2024) plan was developed through a series of workshops which included MGMA, brands and suppliers with facilitation support from Pyoe Pin and the International Labour Organization (ILO) plus Coats plc and the Business Innovation Facility (BIF). The government wants to see an increase in international investment and growth of local industry and support the development of an ethical garment industry that will in return increase tax revenue, GDP and nationwide employment opportunities.

4. Retail Sector

- 37.** Retail holds promising prospects after the Ministry of Commerce (MOC) authorized full foreign investments in the sector. Wholesalers and retailers from Japan, Thailand and South Korea such as Japanese retailer Aeon Co, are already actively seeking opportunities in Myanmar under a local joint venture.

¹³ EU trade privileges move alarms garment sector | Frontier Myanmar

¹⁴ Daily Eleven

Investors are also looking for opportunities to expand into Mandalay, Magway, and Taunggyi in the southern part of Shan State as well as in other regions.

- 38.** However, the 2018 Notification liberalizes the sector further and permits foreign entities and joint ventures to now conduct trading and distribution of all commodities (whether locally sourced or imported) without further approval once subject to certain capital and registration requirements. The foreign firm must have a retail distribution area of at least 929 square meters, a minimum capital requirement of 3 million USD for retail ventures, and 5 million USD for wholesale. This liberalization is an encouraging move from the government and is driving demand for retail spaces as expectations rise for foreign and local joint venture businesses in the country.
- 39.** Collier International Myanmar reports that Yangon's retail landscape performed well in Yangon Retail Quarterly Review Q4 2018 and retail stock breached the 400,000 square-meters mark, up by 17% quarter on quarter and 24% year on year. This rising supply was prompted by the completion of three new projects such as Kantharyar Shopping Mall, The Central Boulevard and Space @ Yankin. These projects together represent an additional leasable space of almost 58,000 square meters. In 2019, Yangon retail stock could be larger because of nearly 150,700 square meters in additional leasable area from the upcoming and existing projects, thus suggesting that developers should take advantage of the opportunity.¹⁵
- 40.** The 2018 Notification removes several unnecessary processes and structures undertaken by foreign-invested businesses in the past in importing and selling their goods in Myanmar. This legislative action may prove significant in ramping up retail activities and encouraging a more conducive business environment going forward.

5. Energy

- 41.** Myanmar is strategically located in Southeast Asia, between China and India, and is endowed with abundant oil and gas, hydropower, coal and renewable resources. It is the largest natural gas exporter in the region, with over 90% of its output pumped to Thailand and China. Natural gas has been the country's

¹⁵ Collier International Myanmar, Yangon Retail Sector Q4 2018

largest export commodity for years, and has been a crucial GDP growth driver.

Types of energy in Myanmar:

- 1) Coal
- 2) Natural Gas
- 3) Oil (crude oil and petroleum products)
- 4) Electricity and Heat
- 5) Renewable Energy (Solar, Wind, Mini/Micro hydropower, Bio mass, Bio fuel, Biogas)

42. A total of 62 hydropower projects and 11 coal-fired power plants, as well as several gas-fired and renewable power projects, were approved by the previous government. In April 2017, the current government issued a statement saying that a further 6,270 MW of electricity will be generated by 20 new hydropower projects. Currently, Myanmar has 3,033 MW of installed hydropower capacity out of an estimated potential of over 100,000 MW.

43. In terms of FDI by sector, the oil and gas sector has received 30.1% of all 74.5 billion USD of FDI between FY1988–2017. To date, there have been 154 oil & gas investments, totaling 22.4 billion USD. The power sector accounted for 27.8% of FDI, or 20.1 billion USD across 14 investments, most of which were large hydropower projects. Currently, hydropower is the only renewable energy resource which is being exploited commercially. Altogether, 62 hydropower projects have been implemented with an installed capacity of 3,033 MW. Most FDI into hydropower is from Chinese companies. The joint venture agreements will allow them to build and operate power plants for up to 40 years before transferring them to the Union Government.

Table 5: Electric power installation, generation and consumption

No.	Year	Installed Capacity (Megawatts)	Generation (Million Kwh)	Consumption (Million Kwh)	Consumers (000 No.)	Electrification	
						No. of Towns	No. of Villages
1	2013-14	4,146	12,247	9,795	2,906	489	5,420
2	2014-15	4,805	14,156	11,407	3,257	429	6,626
3	2015-16	5,125	15,965	13,551	3,698	422	8,635
4	2016-17	5,390	17,867	15,482	4,111	467	10,792
5	2017-18	5,642	20,055	17,252	4,338	476	11,614

Source: Ministry of Electricity and Energy

- 44.** The government's stance towards coal has changed significantly in the past years, with the Myanmar Energy Master Plan setting a target of 30% of energy from coal by 2030.
- 45.** The government is implementing three gas-fired power plants at Thilawa in Yangon, Myingyan in Mandalay and Thaton in Mon State, with a total combined capacity of 380 MW. In September 2017, General Electric announced that its third gas-fired power plant, a 106 MW located in Thaketa Township become operational in Q1 of 2018.
- 46.** Solar energy has great potential in Myanmar, because there are large surfaces of land available for a low price in areas where there is high incidence of sunlight. The overall potential for solar power is estimated to be 51,973 terawatt-hours per year, with the highest potential in the central dry zones of the country.¹⁶

¹⁶ Energy Guide 2018 | EuroCham Myanmar

6. Oil and Gas

47. Myanmar is rich in natural resources including mineral resources of oil and gas. The Ministry of Electricity and Energy is in constant exploration of oil and gas to help fulfill the domestic demand as a priority. The surplus of gas is exported to neighboring countries to replenish the foreign exchange reserves. Myanmar possesses a reasonable size of crude oil and natural gas resources both onshore and offshore.

Table 6: Crude oil and natural resources potential

Location	Crude oil (MMBBL)	Natural Gas (TCF)
Onshore	3,321.238	3.113
Offshore	100.892	19.732

Note: MMBBL- Million Barrels, TCF- Trillion Cubic feet

Source: Ministry of Electricity and Energy

48. According to the geological conditions, Myanmar has 14 geological valleys in the onshore regions. Among these regions, Myanmar oil and gas enterprise has conducted surveys in the central Myanmar, Pyay region and the Delta region. There remain many promising regions for exploitation of oil and natural gas in Myanmar. At the time of this report, there are altogether 105-listed oil and gas blocks. Of those, 54 are onshore and 51 are offshore oil fields, of which 24 are classified as deep sea.

Table 7: Oil and Gas Production in Myanmar (2017-2018)

Sr.	Commodity	Unit	Volume of Production
1	Crude Oil	(000)US barrel	3,967
2	Natural Gas	Million Cuft	667,583
	(a)Pipeline Gas	M-Cuft	660,927
	(b)Compressed	M-Cuft	6,656
3	Motor Spirit	(000)gal	20,075
4	Diesel Oil	(000)gal	34,600
5	LPG	(000)gal	2,880
6	Furnace Oil	(000)gal	10,390
7	Aviation Turbine	(000)gal	2,968
8	Kerosene	(000)gal	38
9	Petroleum Coke	Ton	12,229

Source: Myanmar Petrochemical Enterprise, Energy Planning Department and Ministry of Energy

49. Oil and gas is the most important export sector in the country. Myanmar ranks 46th in the world in terms of proven gas reserves, although the estimates of undiscovered gas reserves indicate that the amount is likely to be much higher, especially with the aid of new technologies. In 2017-18, FDI decreased to US\$900 million due to a lack of investments in the oil and gas sector. In 2018, around 20 oil majors including PTTEP, ENI, Daewoo and Woodside will commence seismic surveys and exploratory drilling in more than 20 onshore and offshore blocks. Among the offshore oil and gas exploration projects, Yadana, Shwe, Zawtika and Yetagun are now in progress. From these fields, a further two new potential blocks have been discovered, according to state-owned Myanma Oil and Gas Enterprise. The ministry will also invite international tenders for up to 31 oil and gas exploration fields in early 2019.¹⁷

7. Tourism

50. Myanmar's tourism industry has experienced a significant decline compared to previous years. The tourism industry in Myanmar has grown rapidly since reforms began in 2011, with Ministry of Hotels and Tourism figures showing that the total number of foreign arrivals has soared from 1.6 million in 2012 to 4.68 million in 2016, though forecasts for 2016 indicated 5.5 million arrivals. However, the ministry figures show that Myanmar had received only about 3.44 million visitors in 2017 and 3.55 million visitors as of December 2018 in total. In other words, between 2017 and 2018, figures only increased 3.15%.

51. According to the statistics from the Ministry of Hotel and Tourism, tourists from Asian countries such as Thailand, China, Japan and South Korea are the main visitors of Myanmar Tourism. The rate of travelers from Eastern and Western Europe, the Middle East, North America and other America countries are still falling due to the condemnation that comes from Western countries towards the Rakhine crisis. The outbound market seemed to be an alternative market for the survival of SMEs operators that were experiencing fewer Western tourists. Nonetheless, expectations have been crushed due to rising foreign exchange rates. At the moment, the main tourist destinations are Yangon, Bagan, Mandalay, Kyeikhtiyoo, Inlay Lake, Pyin Oo Lwin, Ngapali beach, Ngwe Saung beach etc.,

¹⁷ Five sectors driving Myanmar's economic growth in 2018-19 | The Myanmar Times

Table 8: Foreign Investment in Hotel and Commercial Complexes (as of 2017)

Sr.	Particulars	Number of Project	Rooms	Investment US\$ (Billion)
1	Completed	33	6,241	1.75
2	Under Construction	11	2,296	0.99
3	MIC Permitted	20	3,657	1.63
	Total	64	12,194	4.37

Source: Ministry of Hotel and Tourism

Table 9: Foreign Investment in Hotel and Commercial Complexes by country (as of 2017)

Sr.	Particulars	Hotel/ Apartment	Investment US\$ (Million)
1	Singapore	32	2,720
2	Thailand	12	486
3	Vietnam	1	440
4	Japan	6	394
5	Hong Kong	5	188
6	Korea	1	100
7	Malaysia	3	23
8	United Kingdom	3	15
9	Luxembourg	1	5
	Total	64	4,371

Source: Ministry of Hotel and Tourism

Table 10: Visitor Arrivals in Myanmar (2013-2017)

Sr.	Name of Entry Points	2013	2014	2015	2016	2017
1	Yangon	817,699	1,022,081	1,180,682	1,080,144	1,146,069
2	Mandalay	69,596	90,011	107,066	128,378	157,860
3	Nay Pyi Taw	11,842	19,261	13,835	19,224	17,077
4	Border ¹⁸ (with passports)	1,024	271		47,841	41,942
5	Border Gateways (border pass)	1,144,146	1,949,788	3,379,437	1,634,611	2,080,185
	Grand Total	2,046,320	3,083,426	3,379,437	2,912,214	3,445,150

Source: Ministry of Hotel and Tourism

¹⁸ Mawlamyine/ Myeik/ Muse/ Tachileik/ Myawaddy/ Taue/ Hteekhee/ Kawthaung

52. The Ministry of Labor, Immigration and Population announced that from October 1st 2018 onwards, holders of passports from China, Macau and Hong Kong would be eligible for US\$50 visas on arrival at the Yangon, Mandalay and Nay Pyi Taw airports. Meanwhile, an earlier prerequisite for the visitors to each have \$1,000 in cash was abandoned. Visa exemptions will also be given to passport holders of Japan and South Korea from October 1, 2018 to September 30, 2019 at every international gateway into the country. As a result, the number of Japanese and Korean visiting Myanmar is expected to double in comparison to previous years.
53. The government also recommended promoting community-based tourism, as this would enable tourists to learn more about the country's culture and traditions while also boosting the livelihood of people in the countryside. Currently, there are about 13-community-based tourism destinations in the different regions and states. In addition, the country's infrastructure is expected to quickly improve with upgrades and expansion of existing railways and waterways.

8. Banking and Finance Sector

54. In 2012, the government approved the Foreign Exchange Management Law, followed by the enactment of the Central Bank of Myanmar (CBM) Law in 2013. The latter established the autonomy of the CBM as the licensing authority and regulator of all banks in Myanmar. The Financial Institutions Law of Myanmar, passed in January 2016, represented a major step towards modernizing the sector. The law established governing regulations for both domestic and foreign financial institutions. These laws ended Myanmar's system of dual exchange rates, established central bank independence, and set strong prudential standards for the banking sector.
55. There are 29 domestic banks and 13 foreign banks operating in Myanmar. This number includes four state-owned banks and 25 privately owned banks. The strongest opportunity for foreign investors in the sector comes from the Myanmar Microfinance Supervisory Enterprise (MMSE), 2012. The MMSE has granted licenses to about 177 agencies until December 2018. Most of these companies, however, work in urban areas. Banks in Myanmar currently operate under the traditional system of banking, with cash being a primary component

in everyday transactions. However, as Myanmar moves towards digitization, prospects for firms providing digital financial solutions are on the rise.

Table 11: Financial Institutions in Myanmar (2018)

Sr.	Banks & Financial Service provider	Headquarter	Branches
1	State-Owned Banks	4	518
2	Private Banks (Local)	25	1,658
3	Foreign Bank Branches	13	-
4	Mobile Financial Services Providers	4	-
5	Credit Bureau	1	-
6	Finance Companies	25	-
7	Foreign Banks Representative Offices	49	-
	Total	115	2,176

Source: Source: Central Bank of Myanmar

56. Despite the lack of access to financing, the banking sector is expected to expand, led by improvements in digital banking infrastructure enabling card payments, e-banking and more recently, mobile wallets. As a result, the number of bank account holders has been on the rise. As more bank accounts are opened, there is a noticeable improvement in the number of bank transfers and payments. Among the 24 local banks, those offering ATM services have risen to 11. Meanwhile, Myanmar Apex Bank, KBZ Bank, CB Bank, United Amara Bank, Yoma Bank and Ayeyarwady Bank are now trying to provide additional mobile banking and payments services. While these banks allow credit cards, most operated like debit cards and some are requiring funds in an account and others requiring pre-payment.

57. The banking sector is expected to make strides forward in 2019 following a CBM decision to level the playing field between local and foreign banks. Competition for market share in the sector is expected to intensify, which is a positive development for Myanmar. Under Notification 6/2018, issued on November 8, 2018, 13 foreign banks are now able to lend to domestic firms in the local currency at the standard lending rate of 13 percent. However, foreign banks are free to set their own interest rates if the loans are in foreign currencies. They will also be permitted to provide the full suite of trade financing services, according to the CBM. So far, local banks have been complying with the stricter regulations and the sector is improving.

C. Review of Regional Cooperation Initiatives

- 58.** Myanmar is situated between China and India, the two most populous nations in the world, and it has common borders with a country of South Asia in the west and two countries of South East Asia in the east. Myanmar's international boundaries touch those of ASEAN, GMS, BIMSTEC and ACMECS, and thus the country has the potential to integrate into regional development schemes on one hand and serving as catalyst for promotion of regional development on the other. As a note, the economic developments of the countries surrounding Myanmar are different in terms of industrialization and modernization.
- 59.** Myanmar took the ASEAN's chairmanship for the first time in 2014 under President U Thein Sein's government, and was successful in concluding several critical political and economic agreements. Of these include the ASEAN Economic Community (AEC), which intensified efforts in preparation for the late-2015 announcement of the formal establishment of the regional economic community.
- 60.** As a member of ASEAN, Myanmar participates in all intra-ASEAN agreements as well as multilateral free trade agreements with Australia, New Zealand, China, India, Japan, and South Korea. ASEAN Free Trade Area (AFTA) was established in Myanmar in 1998 with an objective to eliminate tariffs for all tariff lines by 2018.
- 61.** Myanmar is also part of the Greater Mekong Subregion (GMS), which is the development program launched by the ADB that brought together of the six states of Cambodia, China (Yunnan Province and Guangxi Zhuang Autonomous Region), Laos, Myanmar, Thailand, and Vietnam. GMS holds irreplaceable natural and cultural riches and is considered one of the world's most significant biodiversity hotspots.
- 62.** The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is an international organization of seven nations – including Myanmar, Bangladesh, India, Sri Lanka, Thailand, Nepal and Bhutan. From the perspective of BIMSTEC, Myanmar has political, strategic and economic potential. Since 2011, Myanmar has been reintegrating into international community by undertaking a series of reforms. Moreover, the current changes and political developments in Myanmar have paved way for a

leading role in regional organizations. From the strategic point of view, Myanmar is situated between South and Southeast Asia. It is not only surrounded in the West by the Bay of Bengal and the Gulf of Mataban and the Andaman Sea in the South, but also has significant influence upon the sea approaches of Bangladesh in the West and the Southwest of Thailand. This strategic position, as a gateway for the BIMSTEC or South Asian Association for Regional Cooperation (SAARC) could improve its basic economic fundamentals and infrastructure and provide the opportunity to learn from its neighbors and other economic clubs that have a transport network through Myanmar. As Myanmar is in the center of BIMSTEC region transport network, this Sub Regional Organization can gain strategic benefits.

63. Myanmar is also Bangladesh's closest neighbor as well as entry point to ASEAN. Trade routes through Myanmar are essential for trade promotion among BIMSTEC region. Myanmar and Bangladesh agreed to implement direct highway between two countries since March 2003, which was commonly called BIMSTEC Highways. The project route is 1370 kilometers and can be regarded as a part of Asian Highway. This road also helps boost regional cooperation by strengthening economic and trade relations in the South and Southeast Asia.
64. Myanmar also plays a central role in another major transport project, India-Myanmar –Thailand Tripartite Highways. The Project linking Thailand to Dawei deep sea port of Myanmar is a part of India-Myanmar Thailand Tripartite highway. Moreover, Dawei Deep Sea Port is a beneficial project for all BIMSTEC countries. Thailand proposed using shorter trading sea routes by upgrading modern ports along Bay of Bengal. These geopolitical significances make Myanmar's a potential candidate for BIMSTEC member countries.
65. Another progress for regional cooperation in Myanmar is signing of Initial Implementation of a Cross-border Transport Agreement (IICBTA) with Thailand in 2018 to facilitate transport between countries in the GMS countries. Myanmar and Thailand have agreed that only 100 vehicles per day from each side will be able to cross the border according to the Cross-border Transport Agreement (CBTA). Cross-border trade allows Thai vehicles as far as Mawlamyaing city in Mon State and Myanmar vehicles to travel as far as Mukdahan city in Thailand.

III. Selected Case Studies

66. In Myanmar, there are a limited number of existing projects, all of which are either at the initial stage or have not even commenced. The five national case studies are as follows;

1. Kyauk Phyu SEZ project
2. Kyauk Phyu deep-sea Port project
3. Kyauk Phyu Kunming High Speed Railway project
4. Muse Central Business District
5. China – Myanmar Border trade (Muse Border Trade Zone)

67. It is important to know about implementation, issues, local concerns and opportunities, external factors with China, and investment impact. Drawing from past experiences as well as the newly acquired information through surveys, recommendations on risk management, and financing will be provided.

1. Case Studies (1): Kyauk Phyu Special Economic Zone (KP SEZ)

68. Kyauk Phyu is strategically located at the geographic center of three economically vibrant and dynamic markets, China, India and ASEAN, and is positioned to serve as a trade corridor connecting these three economies. It is well endowed with a natural deep sea harbor, abundant natural resources in oil and gas, marine resources as well as a unique landscape. It also has sufficient land and abundant labor for industrial development and expansion of residential areas.

69. The development of Kyauk Phyu Special Economic Zone (KP SEZ) will fulfill Myanmar's potential as a trade corridor for Africa, Middle East and China. The KP SEZ covers about 4,200 acres and is located 4 miles from Kyauk Phyu Township. It will provide employment opportunities through the creation of industrial and fishery parks as well as integrated residential areas. The development will be environmentally sustainable and bring significant socio-economic benefits to the Kyauk Phyu area and beyond. The China International Trust and Investment Corporation (CITIC) Construction Company, together with four other Chinese companies and one Thai firm, formed a consortium and won the tender for building an industrial park and a deep sea port in the SEZ on 30 December 2015. The consortium of companies that will build energy and industrial projects in the Kyauk Phyu Special Economic Zone in Myanmar have pledged to protect the environmental and social interests of local residents.

- 70.** CITIC and Myanmar Ministry of Commerce negotiated for Kyauk Phyu SEZ and planned to make 7 contracts in total between the two nations. There are 4 contracts for the port and 3 contracts for the industrial zone, including an investment agreement contract, a land lease agreement contract, and a stakeholder agreement contract. According to the initial master plan, the Kyauk Phyu SEZ will cover a total of 520 hectares—20 for the port, 100 for housing and 400 for an industrial park. Some 50 percent of the land is allocated to fisheries, 30 percent to garment factories and the rest to other small enterprises.
- 71.** The framework agreement on Kyauk Phyu Special Economic Zone Deep Sea Port Project was signed by the Kyauk Phyu SEZ Management Committee and CITIC Consortium at the Ministry of Commerce in Nay Pyi Taw on November 8th 2018. The framework agreement reflected the Myanmar government's plan to promote economic and social development in Kyauk Phyu and attract foreign investment – a major step for the SEZ and the deep sea port. The initial agreement called for a project worth US\$9 billion or \$10 billion, but officials from Myanmar and China has agreed that the project would start out on a small or medium-sized scale. Therefore, the project will be implemented with four phases, and the first phase will be developed with a total investment of no more than \$1.3 billion. According to the chairman of CITIC Consortium, the first phase of the project would be carried out after environmental and social impact assessments are conducted. The SEZ project will be developed with four phases until 2028.
- 72.** Before the implementation of the Kyauk Phyu SEZ begins, the Thilawa SEZ in Yangon should be analyzed as an example. Thilawa SEZ is a 2,500 hectares special economic zone being developed in Kyauktan and Thanlyin townships in Yangon Region. The project was first announced in January 2011. It is being developed by a joint venture, initially between the Japan External Trade Organization and the Union of Myanmar Federation of Chambers of Commerce and Industry.
- 73.** The Myanmar and Japan governments established a consortium that included Japan Thilawa SEZ Company, Myanmar Thilawa SEZ Holdings, Thilawa SEZ management committee and the Japan International Cooperation Agency (JICA) on 29 October 2013 to proceed with development. Construction on the 3.28 billion US\$ project began in May 2014. Currently, it is a successful SEZ in

Myanmar and officials are recommended to observe the plan of implementation, project stages, and working style of the Thilawa SEZ when the construction of the Kyauk Phyu SEZ is carried out.

74. Thilawa SEZ is a Japan-led project which seeks to develop the manufacturing sector, whereas Kyauk Phyu SEZ is concerned with BRI. Mr Set Aung, deputy finance minister and chair of the Thilawa SEZ Management Committee (TSMC) was also appointed as chairman of the Kyauk Phyu SEZ Management Committee (KSMC) in May 2018. Finance Minister Mr Soe Win, the former chair of KSMC, will serve as the joint chair of this committee. The KSMC reports to the SEZ Central Working Body, which in turn reports to the SEZ Central Body. When Mr Set Aung has experience in managing Thilawa SEZ, people hope the committee might be able to handle Kyauk Phyu's environmental and human right issues and promote responsible investment.

75. Meanwhile, over 100 residents from Kyauk Phyu whose lands were seized for developing the SEZ are complaining that they did not receive the compensation fully. They argued that while each resident in Thilawa SEZ gets about K30 million, each Kyauk Phyu resident only receives K 18 million. At the same time, more than 1,000 activists from 17 townships in Rakhine state demanded the right to control the impoverished region's natural resources, most notably oil and gas, during a protest in Kyauk Phyu. Myanmar people – including residents who reside in Kyauk Phyu Township and Rakhine State asked for transparency of the KP SEZ project and requested not to harm the region due to its abundance of natural resources.

2. Case Studies (2): Kyauk Phyu deep-sea Port project

76. Kyauk Phyu is a coastal town along the Bay of Bengal in Rakhine State in western Myanmar. China is investing in the Kyauk Phyu port to create a logistic route for energy supply. The port has a 480-meter-long quay, a 150-meter-long jetty that allows for 5,000-ton vessels to berth, a 29.7 km-long waterway, a 600,000 m³ liquid storage tank, machine facilities, and construction facilities.

77. China's CITIC Group Corporation, including China Harbor Engineering Company, won contracts for two major projects – the deep sea port and special economic zone (SEZ). There are ports for oil tankers and storages facilities which are already being operated around Kyauk Phyu. The crude oil carried by tankers from Middle East and Africa are stored in the 12 storage facilities and

transported to Kunming in Yunnan province via 771 km long oil pipelines, thereby allowing China to avoid traffic through the Strait of Malacca. The construction for oil pipelines began in 2010 and finished in 2015, but began running in 2017 due to some issues that caused delay.

- 78.** Initially, the deep-sea port project consists of two ports, with 6 jetties being built in one port and 4 jetties in another port, totaling US\$ 7.3 billion in cost. Now, under the agreement of terms and conditions, the deep sea port project will construct two to six jetties with a total investment of not more than \$1.3 billion according to Union Minister for Commerce. Further expansion is to be made if the first state proves itself profitable.
- 79.** Construction is funded at a ratio of 70:30. Since China has agreed to accept a 70 percent of stake for the deep sea port in Kyauk Phyu, the remaining 30 percent will be taken up by the Myanmar government and local public firms.¹⁹ CITIC will conduct Environmental Impact Assessment (EIA), Social Impact Assessment (SIA) and GT Survey before the first phase of the project is carried out.
- 80.** The purpose of China building deep sea port No.1 and No.2 is to export the country's good via the port to Middle East and Africa. According to the plan, Chinese goods will be carried by high speed railways that are being constructed from Kyauk Phyu to Kunming. Local residents are concerned with this project as they are unsure whether it could be profitable for them. CITIC consortium has pledged to build a "green, environment-friendly, beautiful" industrial park and deep sea port with consistent environmental evaluation to be made during the operation period, while attaching importance to corporate social responsibility and public welfare.²⁰ Moreover, Myanmar government also supports the deep sea port and SEZ project by saying that it would be beneficial for the economic growth of the country, especially for the Rakhine state where the series of conflicts and unrest took place.
- 81.** Meanwhile, the operating deep sea port where the tankers from Middle East and Africa come and berth is facing with protests from local people. The

¹⁹ [Myanmar successfully renegotiates debt, ownership terms for Kyauk Phyu | The Myanmar Times](#)

²⁰ [Myanmar negotiating with Chinese consortium on deep-sea port project in Rakhine state | The Straits Times](#)

protesters said that local fishermen's livelihoods are threatened because Myanmar's Fisheries Department has banned them from fishing in the area, while allowing Chinese oil tankers to operate there, and that the government has failed to rectify the situation.

- 82.** Therefore, if China plans to construct the new deep sea port in Kyauk Phyu to transport good from Yunnan Province of China and Europe, Middle East and Africa, the local's request should be fulfilled in conjunction to developing the region. Kyauk Phyu deep sea port also should be in line with development of Muse-Kyauk Phyu road and rail road.

3. Case Studies (3): Kyauk Phyu- Kunming High Speed Railway project

- 83.** The railway and road project linking Kyauk Phyu in Rakhine State to Kunming, the capital of southern China's Yunnan Province, is a major transportation link that could smoothen development at an economic zone in Myanmar's impoverished west. It is a highway project from China's Yunnan Province to Kyauk Phyu via Mandalay. A 330-kilometre (205-mile) railway, from Dali in Yunnan province to Ruili on the Myanmar border has been under construction since 2011 and is scheduled for completion in 2021. It would connect to a high-speed line between Muse and Kyauk Phyu and possibly a spur line from Mandalay to Yangon.²¹
- 84.** This railway project was part of a three-year Memorandum of Understanding (MoU) signed between Myanmar and China in 2011. Under the terms of the MoU, the project was to have been completed at a total estimated cost of \$20 billion in less than three years. That railway project was 868.262 kilometers long (539.19 miles) and passes through Kyaukphyu, Ahn, Mandalay, Lashio, and Muse. The project includes 79 train stations, 409 bridges, and 101 tunnels and would have also connected with Kunming, Yunnan province in southern China. China would have been the sole investor on this project. However, the MoU was cancelled in 2014 because of social opposition, financial feasibility, distribution of gains and national security which were among the challenges

²¹ [The grand plan for the China Myanmar Economic Corridor | Frontier Myanmar](#)

that stopped the train. The rail would have linked Myanmar's Kyauk Phyu seaport in the Bay of Bengal and China's city of Kunming.²²

- 85.** The government has agreed to conduct a feasibility study on a high-speed railway project that would link two economic centers in Myanmar. However, the critics of the rail project warned that it could burden Myanmar with unsustainable debts, and indicated that the railway route would pass through conflict zones. Meanwhile, the railway and highways across the Rakhine and Shan mountain ranges would be expensive because the route is technically challenging. An earlier feasibility study for the railway priced the project at \$20 billion, and China had offered to pay for 90 percent. However, even then, Myanmar could not afford its share.
- 86.** Despite these concerns, the government showed its willingness to cooperate with China by approving the feasibility study. Therefore, two state-owned companies, China Railway Eryuan Engineering Group (China Railway Group Ltd) and Myanmar Railways signed a memorandum of understanding (MoU) in October 2018 to begin feasibility study for the proposed railway line from Muse, in northern Shan State, to Mandalay. The rail link would form part of the China-Myanmar Economic Corridor (CMEC), which is a part of China's ambitious Belt and Road Initiative (BRI). Muse sits on Myanmar's border with Yunnan province in southwestern China, and is the largest trade portal between the two nations. Mandalay is central Myanmar's commercial center and the country's second largest city, so the railway could become a lifeline for China-Myanmar trade. Under the agreement, China Railway Eryuan Engineering Group will cover the full cost of the study, which will assess the environmental and social impacts of the proposed railway line.
- 87.** Mandalay – Muse road is a strategic union high way integrated into national road network, gaining importance not only for national development, but also for the Greater Maekong Subregion, ASEAN region and ASEAN Economic Community.
- 88.** At the same time, Myanmar is in the process of implementing five priority transportation corridors. The Muse-Mandalay railway would be part of the South Transportation Corridor section of the Trans Asian Railway Network (TAR), a project implemented by the United Nations Economic and Social Commission

²² Kyauk Phyu-Kunming Railway Construction | Center for Strategic & International Studies CSIS

for Asia and the Pacific. Myanmar and China expect to link with the eastern states of India via this route. Although Myanmar and China have confidence in the project, regional experts warned that it would face many challenges, especially armed conflicts in project areas and resistance from local people who have negative opinion toward China based on past impressions of its investment in Myanmar.²³

89. The Mandalay-Muse railway project would be 431km (268 miles) long, with trains running at speeds of 160 km per hour, according to Myanmar Ministry of Transportation. The journey from Mandalay to Muse would take roughly three hours. Concerning BRI related high speed railway projects on China's end, Tali to Kunming has been constructed. Tali to Ruili will also begin construction. As for the Myanmar side, there is a "Reverse Y" project which has two routes that are Muse-Mandalay-Naypyitaw-Kyauk Phyu and Naypyitaw-Yangon routes. The existing railways line has Mandalay to Lahio. A railway that will connect Muse and Lashio is also part of the project. The railway will be 80 miles long and will include 41 bridges, 36 underground tunnels and 7 stations.

90. Kyauk Phyu-Kunming high speed railway project is aimed to connect deep sea ports in Kyauk Phyu to China's Yunnan province. Chinese goods will be carried by railway and transported to Europe, Africa, and Middle East. Meanwhile, local people and stakeholders in Rakhine State doubt that this project would be profitable for them because of the previous Chinese projects in Kyauk Phyu port.

4. Case Studies (4) Muse Central Business District

91. Muse, the main border gateway between Myanmar and China, continues to contribute to the growing trade between these two countries. It is strategically located on China-South Asia and South East Asia Economic corridor. It is also strongly positioned to attract high trade volume and high quality jobs, to improve the built environment, to generate a wide range of public and commercial services, and to promote well managed environment for tourism and recreation.

92. In June 2018, Myanmar delegation including members of the MIC, principal officials from relevant ministries, a regional minister from the Yangon government, and representatives of the UMFCCL went to the third annual Belt

²³ [Analysis: Muse-Mandalay Railway Agreement with China Raises Debt, Conflict Fears | The Irrawaddy](#)

and Road Summit in Hong Kong. At the summit, the delegation presented five mega projects to investors worldwide: New Yangon City, Yangon-Ayeyarwaddy Development project and Patheingyi Industrial City, New Mandalay Resort City, Mandalay's Myotha Industrial Park and Muse Central Business District (which will be implemented as part of the CMEC).

- 93.** The development of Muse Central Business District (MCBD) attempts to bring the trade and tourism activities to a higher level. The trade volume in Muse accounts for approximately 70% of the border trade and 25% of the total trade volume in Myanmar. Around 80 percent of Myanmar's formal overland trade with China passes through a border point a few miles from Muse, into Ruili in Yunnan province, where Chinese buyers turn raw materials into finished products, or sell them on to China and beyond pocketing the profits.
- 94.** The Muse Central Business District is a public-private partnership project with Shan State Government spanning more than 294 acres. The development comprises of hotels, shopping centers, jade mall building, commercial developments, office towers, upscale residential villas, condominiums, recreational facilities, and Muse's first-of-its-kind district infrastructure facilities.²⁴ The project is a joint venture between the Shan state government and a local developer New Star Light Construction with the total capital investment of Kyat 101.5 billion and could ultimately create up to 15,000 jobs.
- 95.** The Muse central business project is divided into six different zones, with three zones for business and three for residential areas. Zone 1 area is currently in progress and it includes Mingalar Muse CBD Commercial Development, Mingalar Muse Walking Street, information center, shopping mall and jade mall, international gate building, and hotel. Meanwhile, Zone 2 includes public service area, hotel, and apartment and shop houses when Zone 3 includes hotel and catering area. Zone 4, 5 and 6 are built for residential purpose as resorts and villa areas are included in those projects.
- 96.** Construction works began on the 294-acre (115-hectare) site near the Shweli River since 2013 with the aim of reducing poverty in the remote rural area. A trade center in the commercial hub of the Myanmar-China border area has been developed there. 27.3 billion Kyat had been used for the project with more investments and spending soon to come. Other goals of the project included

²⁴ [Muse Central Business District | New Star Light Group](#)

encouraging urban development, and attracting international income from the tourist sector and job creating jobs for local residents.²⁵

97. Security is key issue for development of Muse area and its businesses. As Muse CBD project is closed to China Myanmar border, it has much more potential for trade and tourism. A new international gate is expected to link Muse CBD and Jiegao of China which allows international tourists to visit Myanmar from China side. Currently, it is still under construction and has not operated yet.

5. Case Studies (5) Muse 105 mile trade Zone

98. Muse trade zone is the largest post in the border trade of Myanmar that began in 2005. Currently the trade volume in Muse accounts for approximately 70% of the border trade with US\$ 8.5 billion in 2017-18 and 25% of the total trade volume in Myanmar. Myanmar and China signed a memorandum of understanding on the set-up of the economic cooperation zone in May 2017. The economic cooperation zone plan is also part of the China-proposed Belt and Road Initiative to establish a Myanmar-China economic corridor. Work on establishing an economic cooperation zone along the Myanmar-China border has started with priority given to the Muse (Myanmar)-Ruili (China) section.
99. The 105 Mile trade zone is the main trading route to China, which in turn is Myanmar's main export destination for rice and an array of other agricultural products. Myanmar exports to China include jade, rice, maize, beans, crab, fruits, fisheries products and flowers, while automobile and automobile spare parts, textile, and motorcycle spare parts are among the main imports.
100. Trade volume of Muse 105 Mile Trade Zone in the last five years is described by the table as follow according to Myanmar Ministry of Commerce. It can be assumed that the number of export, import and trade volume is growing year by year. Myanmar gains trade surplus due to gas export through border with US\$ 1.4 billion a year since 2014-15.

Table 12: Trade volume of Muse (105) Mile Trade Zone (Myanmar-China border) (US\$ million)

²⁵ [Border business district looks to mimic Chinese success | The Myanmar Times](#)

Sr.	FY	Export	Import	Trade Value
1	2013-2014	2,211	1,307	3,518
2	2014-2015	3,614	1,704	5,318
3	2015-2016	3,809	1,568	5,378
4	2016-2017	3,753	1,657	5,410
5	2017-2018	4,138	1,704	5,842

Source: Ministry of Commerce

- 101.** The top ten import items from Muse (105) Mile Trade Zone in 2017-2018 FY are automobile and automobile spare parts, textile, motorcycle spare parts, fertilizers, machinery and equipment, iron and steel, electricity distribution and installation equipment, electricity distribution and installation equipment, building materials, kitchen appliances, and chemicals products respectively.

Table 13: Top 10 import items from Muse (105) Mile Trade Zone in 2017-18

Sr.	Type of Product	Value (US\$ in Million)
1	Automobile and automobile spare parts	325.3
2	Textile	226.3
3	Motorcycle spare parts	208.7
4	Fertilizers	115.4
5	Machinery and equipment	81.0
6	Iron and Steel	49.1
7	Electricity distribution and installation equipment	45.6
8	Iron and steel (building material)	44.8
9	Kitchen appliances	41.4
10	Chemicals	27.0

Source: Ministry of Commerce

- 102.** The top ten export items from Muse (105) Mile Trade Zone in 2017-2018 FY are sugar (re-export), jade, rice, maize, diesel (re-export), rubber, green gram, watermelon, crab and fisheries products which are stated in order.

Table 14: Top 10 Export items from Muse (105) Mile Trade Zone in 2017-18
(Excluding natural gas)

Sr.	Type of Product	Value (US\$ in Million)
1	Sugar (Re-Export)	533.3
2	Jade	466.6

3	Rice	443.3
4	Maize	258.2
5	Diesel (Re-Export)	218.3
6	Rubber	99.7
7	Green gram	82.9
8	Watermelon	70.8
9	Crab	40.3
10	Fisheries	33.5

Source: Ministry of Commerce

- 103.** As a result, Muse (105) Mile Trade Zone is essential for Myanmar's border trade in export and import sector, and almost all of the trading in Muse is carried out by trucks. About 713 export vehicles and 320 import vehicles travel the roads to and from the Muse 105-mile trade zone every day. Currently, government is upgrading the roads at the Muse 105-mile Trade Zone by constructing reinforced concrete roads for the convenience of trucks going to and from Muse 105-mile Trade Zone.
- 104.** More importantly, peace and stability is essential as ethnic conflicts and frequent fighting between government force and ethnic armed groups break out often. When clashes occurred between the armed groups and government forces, the roads to Muse Trade Zone are closed and trading is halted, resulting in an economic slowdown. Traffic is also held up by armed conflict. In response to Myanmar military's advances into Shan State, the Northern Alliance of ethnic armed groups has occasionally launched attacks on the Muse 105-mile trade zone and the highway, killing dozens of civilians and some security personnel. For that reason, peace and stability has to put in front for the growth of the Muse border trade.

6. Review of the Case Studies

- 105.** Myanmar would need between US\$ 45 billion and 65 billion in funding for the infrastructure within 15 years, according to the World Bank. The government of Myanmar views participation in the BRI and the CMEC as an opportunity for the country to modernize its infrastructure. Many local and international businesses based in Myanmar have likewise welcomed the CMEC. The implementation of each project under the CMEC framework will be carried out through coordination among joint committees and working groups from the two countries.

- 106.** A memorandum of understanding for the CMEC project was signed in September by Myanmar and China. It included details on the implementation of the Myanmar-China border economic cooperation zones in Kachin and Shan states. In Muse, work has already started on the economic cooperation zone, but key questions remain over ownership, operations, project terms and financing, and whether Myanmar can afford the infrastructure projects.
- 107.** Myanmar is also upgrading the Asian Highway (from Myawaddy on the border with Thailand) and the GMS (Greater Mekong Subregion) East–West Economic Corridor, which would increase the amount of regional trade and economic activities. GMS East–West Economic Corridor stretches from Danang in Viet Nam to Myanmar’s largest city, Yangon. CMEC will link to GMS Northern corridor (from Kunming of China to Tamu in Myanmar India border through Mandalay). Many view BRI and CMEC as a win-win situation for Myanmar and China, but some academic and activists still warn of the potential challenges such as debt trap, sustainability, neo-colonialism, global governance, social-ecological impacts, security, and geopolitics.

IV. Evaluations

A. One Belt One Road (OBOR) implementation Steering Committee

- 108.** Myanmar's State Counsellor Daw Aung San Suu Kyi assumed responsibility as chairperson of the OBOR Implementation Steering Committee to oversee Belt and Road initiative (BRI) projects starting from December 7, 2018. The steering committee with Vice President U Myint Swe, ministers, and regional chief ministers as members aims to implement the joint establishment of the China-Myanmar Economic Corridor (CMEC) under BRI.
- 109.** The tasks of the One Belt One Road (OBOR) Implementation Steering Committee are as follow:
- i. Coordinating with Ministries, Government organizations, and Regions and States Government when the cooperation between China and Myanmar is conducted under OBOR.
 - ii. Giving policy related guidance when the OBOR related cooperation is carried out.
 - iii. Formulating management plans, policies, and procedures for the projects and reporting to the Union Government for approval.
 - iv. Reporting to and requesting for guidance from the President Office policy negotiations regarding the OBOR is needed.
 - v. Organizing experts to conduct research regarding the OBOR projects.

B. China-Myanmar Economic Corridor (CMEC) Joint Committee

- 110.** The China-Myanmar Economic Corridor (CMEC) Joint Committee chaired by Union Minister for Planning and Finance and the China-Myanmar Economic Corridor (CMEC) Committee chaired by Union Minister for Commerce has been formed in late 2018.
- 111.** The committees not only signal the importance Myanmar attaches to BRI, but also demonstrates that the CMEC is an important part of the comprehensive strategic cooperation between China and Myanmar. Such cooperation includes better control over the northern Myanmar situation and maintenance of peace

and stability on the border between Myanmar and China through which the CMEC will pass. Construction of the corridor will help regional stability and could also be a key to the peace process.

- 112.** China proposed the CMEC during the visit of China's Foreign Minister Wang Yi to Myanmar in November 2017. China was willing to build a corridor that would connect Kunming, Southwest China's Yunnan Province, and Myanmar's major economic checkpoints - first to Mandalay in central Myanmar, and then east to Yangon New City and west to the Kyauk Phyu Special Economic Zone - in keeping with Myanmar's development plan and needs.
- 113.** Speeding up Myanmar's peace process and border stability is essential for the CMEC, as it will help drive balanced economic development. Myanmar is an important neighbor of China. Its stability is linked to China's southwestern border security. China is not only willing to see a peaceful and stable Myanmar, but would also like to play an active role in promoting the country's national reconciliation. While maintaining communication with the Myanmar government on the situation in northern Myanmar, China also participated in mediation by sending a special envoy to the 21st Century Panglong Peace Conference and promoting participation of ethnic armed groups at the conference.
- 114.** On December 12, Myanmar National Democratic Alliance Army, Ta'ang National Liberation Army and Arakan Army voiced support for the government's efforts at national reconciliation and nationwide peace, beginning negotiations with Myanmar's government in Kunming. They expressed their desire to work with the government to settle military disputes and political issues through dialogue. To achieve peace as early as possible, the three armed groups would suspend attacks.
- 115.** The CMEC is aimed at development and social progress. The corridor will link the least and most developed areas of Myanmar, a move conducive to the country's economy. The development of border trade and the establishment of economic and trade cooperation zones and industrial parks with complete infrastructure, leading industries and sound public service functions are the main features of the CMEC, which will help create more jobs in the adjoining areas.
- 116.** Development is a general key to resolving problems, and this holds true for Myanmar. Balanced and rapid development will strengthen economic ties

between ethnic groups in different areas, and make central and local governments aware of the CMEC's advantages. Northern Myanmar is the key to national reconciliation and the peace process. Conflicts in the area were mainly responsible for deadlocking the 21st Century Panglong Peace Conference. With the construction of the CMEC, the situation in northern areas of Myanmar has seen unprecedented improvement, which ultimately broke the stalemate. As Myanmar's officials pointed out, the country's national reconciliation and peace process still have a long way to go, and the CMEC would probably be a decisive factor.²⁶

²⁶ Economic corridor with China key to Myanmar's peace process | Global Times

C. Assessment Indicators

- 117.** UNDP positioned from early on to have a state-level and strategic partnership on the BRI. UNDP was the first international organization to sign a Memorandum of Understanding (September 2016), and then a concrete Action Plan (May 2017) as a framework for cooperation. On April 2018, the first high-level meeting of the UNDP-China Joint Working Group on BRI was held with an update list of projects that will be recognized as deliverables of the UNDP-Government of China cooperation and presented officially at the Belt and Road Forum in 2019. UNDP has anchored the strategic partnership with China with the leading group on BRI, including the National Development Reform Commission (NDRC), Ministry of Foreign Affairs (MOFA), Ministry of Commerce (MOFCOM), China Development Bank (CDB) and China International Development Cooperation Agency (CIDCA). UNDP China also engages with other key government entities, financial institutions, private sector, think tanks, media and social organizations.
- 118.** United Nations Sustainable Development Goals (SDGs) have 17 points. For the five national case studies, the five most relevant SDGs were selected and how the case studies contribute to these SDGs was elaborate on. Among the selected SDGs, some of the points do not match with some case studies, but the major projects in the national case studies match with all five SDGs.

Table 15: Assessment of five case studies with United Nation's Sustainable Development Goals

United Nation's Sustainable Development Goals (SDGs)	Kyauk-Phyu SEZ	Kyauk-Phyu deep-sea Port	Kyauk Phyu-Kunming High Speed Railway	Muse-Central Business District	Muse 105 mile trade Zone
1. Poverty – (End poverty in all its forms everywhere)	✓	✓	✓	✓	✓
2. Education – (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)	✓	✓	X	X	X
3. Economy – (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all)	✓	✓	✓	✓	✓
4. Infrastructure – (Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation)	✓	✓	✓	✓	✓
5. Energy – (Ensure access to affordable, reliable, sustainable and modern energy for all)	✓	✓	✓	X	X

Table 16: Detail assessment of five case studies with five Sustainable Development Goals (SDGs)

United Nation's Sustainable Development Goals (SDGs)	Economy	Education	Energy	Infrastructure	Poverty
Kyauk-Phyu SEZ and Deep-Sea port project	Myanmar will receive tax revenue of \$6.5 bn from deep sea port and \$7.8bn from SEZ. Will earn \$3.2 billion annually when the SEZ is fully operated, and this may increase the Myanmar's annual GDP.	China International Trust Investment Corporation (CITIC) says it will build a vocational school to provide training for skills needed by companies in the economic zone.	The consortium will build energy and industrial projects in the Kyauk Phyu SEZ. Through China Myanmar Economic Corridor, the basic infrastructures of the two countries can be connected and cooperation will be promoted on energy sector by building grids in SEZ.	Kyauk Phyu SEZ and deep sea port project have access to infrastructure development and labor force. China pledged that the project will be with low infrastructure cost and well protected from natural disaster and protected environment.	China International Trust Investment Corporation (CITIC) has given \$1.5 million to local villages to develop businesses. The SEZ and deep sea port development would improve local people's employment and livelihood as more than 100,000 new jobs will be created for local people every year. SEZ will provide employment opportunities through the creation of industrial and fishery parks.
Muse Central Business District (MCBD)	Muse Central Business District (MCBD) attempts to bring the trade and tourism activities to higher level which allows Myanmar's GDP to be growth.	X	X	The Muse CBD have projects to develop hotels, shopping center, commercial developments, office towers, upscale residential villas, condominiums, recreational facilities,	Muse CBD project will attract international income from the tourist sector and job creation for local residents up to 15,000 jobs.

				and district infrastructure facilities.	
Muse (105) Mile Trade Zone	The trade volume in Muse accounts for approximately 70% of the border trade with US\$ 8.5 billion in 2017-18 and 25% of the total trade volume in Myanmar.	X	X	Upgrading the roads at the Muse 105-mile trade zone will involve construction of reinforced concrete roads for the convenience of trucks going to and from Muse 105-mile trade zone. Completion of the roads will facilitate the arrival and departure of the trucks to and from the checkpoints.	The border economic cooperation zone is expected to promote domestic and foreign investment, create business opportunities and jobs, help small and medium sized enterprises to grow, develop manufacturing power and improve bilateral trade.
Kyauk Phyu-Kunming High Speed Railway project	The high speed railway project linking Kyauk Phyu in Rakhine State to Kunming, the capital of southern China's Yunnan Province, is a major transportation link which would make smooth for development at an economic zone in Myanmar's impoverished west.	X	X	The railway project is 868.262 kilometers long (539.19 miles) and will pass through Kyaukphyu, Ahn, Mandalay, Lashio, and Muse. The project includes 79 train stations, 409 bridges, and 101 tunnels and will also connect with Kunming, Yunnan province in southern China.	The construction of railway project will need large labor force and it could create job opportunities for the local people from the cities along the construction project.

D. Stakeholder Engagement

- 119.** The Belt and Road Initiative (BRI) is an economic framework based on the ancient Silk Road land and maritime routes that was developed to increase connectivity between China and partner countries. The BRI aims to link different regions through infrastructure construction, transport and economic corridors and thereby bridge China with the rest of the world both physically, financially, digitally and socially.
- 120.** BRI aims to connect Asia with Africa and Europe via land and maritime networks along six corridors to improve trade and economic growth, and facilitate investment. Myanmar is also involved in two out of six economic corridors, the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor and maritime China-Indochina Peninsula corridor.
- 121.** Myanmar and China signed a MOU for the China-Myanmar Economic Corridor (CMEC) in September, 2018 that agreed on two things. First, it is a physical corridor of new roads and a high-speed railway that would connect China's landlocked Yunnan through Mandalay to Kyauk Phyu and Yangon, in what China called a "three-pillar giant cooperation pattern". Second, it is a conceptual corridor. The overall aim is greater economic integration through initiatives such as industrial zones, trade quotas and tax breaks, but the CMEC can also include cooperation in areas not directly connected to the economy, such as disaster mitigation and public health.
- 122.** People of Myanmar have different view on the China's BRI, OBOR, and CEMC. Although they welcome the investments infrastructure development, they are still afraid of the debt trap and poor record of the China's previous investments in Myanmar. Most people in Myanmar are unaware of the BRI and CMEC, but business people, non-government officials, researchers, and stakeholders are aware of this initiative and they are giving their different views.
- 123.** Dr. Maung Maung Lay, Vice President of UMFCCL, views China as Myanmar's main economic and trading partner, and Myanmar's signing of the MOU on the CMEC and BRI is a show of good- neighborliness to China. He understands that China's Yunnan Province can get access to the sea route via Myanmar's Rakhine State, and that is the reason China is investing for the development of Kyauk Phyu SEZ. In his view, Myanmar needs good partner for the economic

development, peace process, and political issues. Myanmar and China have a good long term relationship in politics and economics, and with the help from China, he hopes that Myanmar can overcome its underdevelopment. While implementing the economic corridor, there are some potential which would affect the environmental and social impacts. Thus, he emphasizes that it is essential to gain the support of the Myanmar people and local people along the cities where the projects would be implemented. At the same time, business people from Myanmar have to prepare by making their products compatible in the region and upgrading the capacity to match international standards.

124. U Zay Ya Thu, publisher and deputy chief editor from The Voice Journal which is one of the leading media in Myanmar, said that Myanmar is part of the BCIM Corridor, and projects which are planned to be accomplished in Myanmar have both positive and negative effects. OBOR is the greatest project in the last 100 years, and Myanmar will be left behind if it does not participate in BRI. More importantly, Myanmar has to consider the short and long term results and make observation for the negative consequences. He suggested that policy makers be wise when approaching the BRI and learn from the other countries such as Malaysia and Pakistan. He also outlined two types of business people and entrepreneurs in Myanmar who would participate in the BRI. One is people who will invest directly in the SEZ and infrastructure projects from BRI, and the other is people who are apart from the BRI projects and doing business in other sectors. Stakeholders who will invest in the BRI projects will have to examine the best projects to invest in for the short run and long run. He also suggested that business people who are apart from the BRI will have to consider the economic impact in Myanmar because that may result from the OBOR.

125. In September 2018, Myanmar Ministry of Planning and Finance signed an MOU with China regarding the China-Myanmar Economic Corridor (CMEC), a key component of the BRI. Political analyst Mr. Ye Htut, a former Member of Parliament from the Hsipaw Township constituency, said that Myanmar's signing an "umbrella agreement" with China for CMEC, should be dealt quickly so as to secure Chinese investments as well as China's support for the peace process. Umbrella agreement means agreements on individual projects will have to be negotiated by the ministries from the Myanmar and China sides in the future. As Myanmar risks being isolated by Western countries owing to the humanitarian crisis in northern Rakhine, the country cannot refuse its part in of

the BRI framework. Joining the scheme is politically inevitable, according to analysts.

- 126.** Dr. Sean Turnell, an economic adviser to State Counsellor Daw Aung San Suu Kyi, criticized the Kyauk Phyu deep-sea port project. He said the precedent set by the \$1 billion Hambantota port in Sri Lanka, where the government in Colombo borrowed heavily to construct the port, but could not repay the loans and then had to give China a 99-year lease for debt relief, is the example that Myanmar needs to notice and be careful of. However, Mr. Ye Htut said Kyauk Phyu case is different from Sri Lanka and can reap benefits for both Myanmar and China. The infrastructure, including the port, will make it easier for Myanmar to be a logistics hub as well as to revive its tourism industry.
- 127.** Dr. Than Myint, Union Minister of the Ministry of Commerce, said China's role in Rakhine affairs, peace matters and investment is important for Myanmar. As Myanmar take part in the BRI development, he understands that both sides will equally benefit and share the fruits of Chinese development. The CMEC that was signed covers bilateral collaboration in 15 sectors, including infrastructural development, investment, energy, agriculture, tourism and education. International investors and development agencies across the world will be invited to take part in the implementation process. While loans will be taken from China, call for tenders will invite international firms, according to Dr. Than Myint. Therefore, he said investments will not only come from mainland China, but also Japan, Thailand, Hong Kong and South Korea. It will be a level-playing field and the tender process will be transparent.
- 128.** China often describes BRI as "a road for peace". However, analysts in Myanmar doubt that CMEC will bring peace to their country and have a different view on it. Daw Khin Khin Kyaw Kyee, a Lead Researcher from Institute for Strategy and Policy- Myanmar, said CMEC will have huge implications for the Myanmar peace process. She said CMEC projects extend across many of Myanmar's conflict-sensitive areas and affect the livelihood of local people, and warned that if the projects exclude locals, they could deepen existing conflicts, and trigger new ones by enlarging the grievances of local communities. Still, she views that China's deeper involvement in the Myanmar's peacemaking process could also be beneficial by describing China's efforts in the ceasefire agreement as a positive development.

E. Opportunities

- 129.** Belt and Road Initiative (BRI) should be viewed as a win-win situation for Myanmar rather than as a threat or a form of predatory economics by which China can export their infrastructure construction model, which heavily relies on state-owned enterprises. The BRI incorporates key objectives that ensure that infrastructure projects are sustainable and will deliver prosperity across the region through integrated development plans which were clearly articulated at the 2017 Beijing BRI summit.
- 130.** The CMEC, signed by China and Myanmar in 2018, is also aimed at development and social progress. The corridor will link the least and most developed areas of Myanmar, a move conducive to the country's economy. The development of border trade and the establishment of economic and trade cooperation zones and industrial parks with complete infrastructure, leading industries and public service functions are the main features of the CMEC, which will help create more jobs in the adjoining areas.
- 131.** While China wants Myanmar's support to promote the initiative, infrastructure cooperation with China will benefit Myanmar's economic and societal growth. The government of Myanmar views participation in the BRI and the CMEC as an opportunity for the country to modernize its weak infrastructure. Many local and international businesses based in Myanmar have likewise welcomed the CMEC.

1. Linkages, Complementarities, and Synergies with Other Local and National Programs

- 132.** Myanmar is involved in two of the six GMS economic corridors – Bangladesh-China-India-Myanmar Corridor (BCIM) and China-Indochina Peninsula Economic Corridor under Belt and Road Initiative (BRI). Myanmar's involvement in these two corridors underlines its geopolitical advantage in facilitating the connectivity between China and South Asia as well as in fostering integration within the ASEAN. Each of the economic corridors complements each other and covers energy and transport infrastructure, including railways, highways, power stations, ports and airports.
- 133.** The Bangladesh- China- India- Myanmar corridor is a multi-modal corridor made up of both land routes mainly via the Kolkata and Kunming (K2K)

highway. The sea routes start from Mandalay and end in Kolkata, India. The land routes begin from Kunming, China's Yunnan regional capital, passing through Myanmar cities such as Mandalay and then Bangladesh through to Kolkata. It is estimated that the total cost of a combination of road, rail, water and air linkages for this corridor would reach US\$22 billion. The maritime side of routes, connecting Myanmar to India, is a transport loop which aims to provide maritime access of goods from Kolkata, via Myanmar's port of Sittwe, to Paletwa by inland water transport along the Myanmar's river, Kaladan, and back via highway to Mizoram in northeast India.

- 134.** Myanmar's Ministry of Transport and Communications is drawing up a National Logistics Master Plan with the help from the Japan International Cooperation Agency (JICA) to supplement the existing National Transport Master Plan in the country. The purpose of the plan is to create an efficient and competitive logistics system that supports multimodal transportation in the country which would attract foreign direct investments and enhance industrial development. Under this strategy, investments will be concentrated within six so-called logistics corridors, which include major transport and cargo systems such as roads and rivers linking large industrial clusters to border gates and ports. These corridors will include the North-South Logistics Corridor linking Yangon to China, South East logistics corridor linking Myanmar to Thailand, Trans-Myanmar Logistics Corridor linking Kyauk Phyu in Rakhine State to Tachileik in Shan State, Myanmar – India Logistics Corridor, as well as the Main River Logistics Corridor and Coastal Marine Logistics Corridor.
- 135.** The Ministry of Transport and Communications, Ministry of Construction and JICA have been conducting studies for the purpose of drawing up a National Logistics Master Plan since July 2016. The study, which aims to formulate a strategic and workable logistics development plan aligning with the 2014 National Transport Master Plan, is expected to be complete by the end of 2018. According to the National Logistics Master Plan, cargo movement to and from Myanmar is forecast to double to 312 million tonnes by 2030 compared to 169 million tonnes in 2015. (Myanmar Times)

2. Bilateral and Multilateral Regional Initiatives

- 136.** To achieve the Belt and Road Initiative, China should move toward multilateral and inclusive cooperation, according to regional experts. The Initiative has been

designed to enhance the orderly free-flow of economic factors and the efficient allocation of resources. It is also intended to further market integration and create a regional economic co-operation framework of benefit to all.

- 137.** Myanmar and China have a long tradition of bilateral economic relation, the intensity of which has been changing according to political circumstances. In December 1989 both sides signed an economic and technical cooperation agreement. Loans and grants started to flow from Beijing. A number of Chinese investment projects in Myanmar were initiated in particular in the 2000s. Anecdotal evidence suggests that China has been involved in around 90 different energy projects in Myanmar, including the planned or on-going construction of at least 10 dams. The most publicized project has been the 3.6 billion US\$ Myitsone dam, the largest (6 GW) out of seven dams to be built on the Mali, the N'Mai and the Ayeyarwaddy rivers.
- 138.** In 1988 the first border trade agreement was signed between Myanmar Export and Import Services and Yunnan Machinery Import Export Corporation. Bilateral trade between Myanmar and China hit US\$ 11.8 billion in the fiscal year 2017-18. Myanmar's exports to neighbouring China took about US\$ 5.7 billion while its imports represented about US\$ 6.1 billion, according to the Ministry of Commerce. Myanmar usually trades with China via Muse, Lweje, Kanpikete, Chinshwehaw and Kengtung border points. The Myanmar' rice, pulse and bean, sesame seeds, corns, fruits and vegetable, dried tea leaves, fishery products, rubber, minerals and animal products are mainly exported to China, from where machinery, plastic raw materials, consumer products and electronic devices are imported. Trade between Myanmar and China are growing overtime.
- 139.** Myanmar also has bilateral trade agreements with Bangladesh, Sri Lanka, South Korea, Laos, Malaysia, the Philippines, Thailand, and Vietnam in the Asian region, as well as with a number of Eastern European countries. Myanmar is a member of World Trade Organization (WTO) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Myanmar has border trade agreements with China, India, Bangladesh, Thailand, and Laos. Myanmar has signed a number of Memorandum of Understanding (MOU) to expand bilateral trade with those countries.

3. Initiatives of Other Development Partners

- 140.** The Greater Mekong Subregion (GMS) Economic Cooperation was created by six countries sharing the Mekong River, namely Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, and the Yunnan Province of the People's Republic of China. Its creation was aided by the Asian Development Bank in 1992. The nine priority areas of activities in this cooperation include transport, telecommunications, energy, tourism, human resources development, environment, agriculture, trade, and investment. In the last 10 years, many projects have been completed or are being undertaken including the development of North–South, East–West, and Southern Economic Corridors, road networks linking many of these six GMS members. As these GMS members are market-based open economies, the potential benefits from this cooperation are large. However, there are problems concerning the different levels of development, and the relative lack of political stability in some member countries that may slow down the progress and full benefits of this sub-regional cooperation.
- 141.** Myanmar is enhancing the competitiveness of Mawlamyine, Hpa-An, and Myawaddy, three towns at the western end of the East–West Economic Corridor in the GMS, which stretches from Danang in Viet Nam to Myanmar's largest city, Yangon. The Asian Development Bank (ADB) has approved an \$80 million loan to support efforts of the government to upgrade basic infrastructure and services in these towns. The project is the third phase of the GMS Corridor Towns Development Project. The first and second phases are being implemented in Cambodia, the Lao People's Democratic Republic, and Viet Nam. The project's goal is to boost the competitiveness of the GMS economic corridors by enhancing infrastructure in corridor towns.
- 142.** Meanwhile, Myanmar's Union Parliament has approved borrowing US\$ 24.3 million loan from the Neighboring Countries Economic Development Cooperation Agency (NEDA) of Thailand for upgrading water distribution system and waste disposal system as well as for capacity building of government employees in Myawaddy of Kayin State. According to the parliament, NEDA loan is beneficial not only for the development of Myawaddy but also for the related developments in tourism and industrial development sectors supporting Myanmar's entire economy. Myawaddy town is an important town for Myanmar-Thailand border trade with Myawaddy-Kawkareik road,

having been built to meet ASEAN standard and Friendship Bridge already opened, foreseeing that trade and commerce are to develop more in Myawaddy in the future. Mae Sot-Myawaddy border gate is between Myanmar and Thailand, and the trade volume from that border is the second largest after Muse-Ruili border trade volume.

- 143.** Among the GMS economic corridors, Myanmar is part of the Southern, North-South, and East-West economic corridors. Kunming-Muse-Mandalay-Yangon-Thilawa and Kunming-Chiang Rai-Bangkok via Myanmar are also the sub-corridor of the GMS's economic corridors.

4. Public-Private Partnerships

- 144.** China should tap the huge potential of public-private partnerships (PPPs) when investing in countries participating in the Belt and Road Initiative. PPPs can help attract private capital, technology and professionals to infrastructure projects in Belt and Road countries that will be the best system to save the government budget. Innovative financing models are necessary since some projects under the Belt and Road Initiative require large investments with long payback periods.
- 145.** PPPs have been used as a mechanism to build and upgrade infrastructure in the developing countries of Southeast Asia for several decades. However, PPPs are relatively new to Myanmar. The country is lagging behind the other ASEAN member states, and its development needs are enormous. Myanmar can benefit from PPPs for both hard infrastructure (like roads) and soft infrastructure (like education). Recent political changes have demonstrated the country's commitment to developing its relations with international actors such as the Asian Development Bank (ADB), the International Finance Corporation, the World Bank and others, promoting PPPs.
- 146.** Myanmar government could use PPPs to build much-needed infrastructure while also attracting foreign direct investment. In addition, there exist numerous pressing issues, like the lack of cross-sector coordination, and insufficient means of utilizing private investment have limited governmental ability to manage such projects. Myanmar government is currently working together with bilateral and multilateral donors for major PPPs projects such as Myanmar Railway Upgrading projects, Korea-Myanmar Friendship (Dala) Bridge project,

Yangon-Mandalay Highway Upgrading project, the development of Thilawa Special Economic Zone (SEZ), and the Asian Highway project.

- 147.** The government of Myanmar views participation in the BRI and the China Myanmar Economic Corridor (CMEC) as an opportunity for the country to modernize its decrepit infrastructure. Many local and international businesses based in Myanmar have likewise welcomed the CMEC. However, both the public and private sector in Myanmar has limited experience and capacity to implement large-scale projects. Joining forces in PPPs can give them better chances of meeting quality of projects which fulfil the country's development needs. However, Myanmar is currently running a budget deficit and has a weak tax system, making it a major challenge to finance PPP projects. For that reason, the government would be well advised to rely on foreign funding, and should seek to improve the framework conditions for implementing PPPs.
- 148.** Meanwhile, Myanmar's State Counsellor Daw Aung San Suu Kyi announced good news for investors at the Invest Myanmar Summit 2019 which was held in Nay Pyi Taw on 28-29 January 2018 and so many investors, business people representing a wide range of industries, sectors, interest groups, and organizations attended. According to State Counsellor, to assist investors in the process of identifying investment priorities in a more strategic, transparent and open manner, the Ministry of Planning and Finance and the Ministry of Investment and Foreign Economic Relations (MOIFER) have developed a Project Bank. Project bank is a rolling databank consisting of major, transformative projects that have been screened, appraised and prioritized such that they are ready for implementation with the most appropriate source of financing, be it government budget, development assistance or even through private sector financing, by way of Private-Public-Partnership (PPP) mechanisms.²⁷

F. Potential Risks

- 149.** Myanmar supports China's Belt and Road initiative, and is willing to enhance its cooperation with China in economic and infrastructural projects. In addition, China is Myanmar's largest investor and has offered many loans to Myanmar

²⁷ [State Counsellor opens Invest Myanmar Summit 2019 with keynote speech summarizing Myanmar's economic, investment progress](#)

to aid its national development. The two countries have made progress in bilateral cooperation including connectivity among facilities. A crude oil pipeline agreement was signed between China and Myanmar in 2017, and it could help boost the local economy and the people's livelihood.

- 150.** People from both countries are showing more confidence in the Belt and Road initiative. China has worked hard to gain support from Myanmar society. For instance, Chinese enterprises have attached more importance to improving the livelihood of local people; China Foundation for Poverty Alleviation provides scholarships for Myanmar students; and Chinese hospitals offer to perform eye operations for Myanmar patients.
- 151.** However, there are also challenges to the advancement of the Belt and Road initiative in Myanmar. Intergovernmental communications on cooperative projects are far from perfect, and this has been detrimental to the progress of the Belt and Road initiative. Infrastructural cooperation faces a number of obstacles as well, such as a lack of funds, land disputes, environmental concerns, border conflicts and exterior intervention. The conflicts between ethnic armed groups and the Myanmar government, in particular, have jeopardized border security and regional connectivity. Racial conflicts and terrorist attacks have also posed security threats to China-Myanmar cooperative projects. In addition, more efforts should be put toward increasing trade volumes and upgrading trade structures between China and Myanmar. Some border posts in northern Myanmar were sometimes forced to close because of armed conflicts. Moreover, the Myanmar government and ethnic armed groups take responsible to control the border, and this has resulted in the inconformity of border management. More efforts are needed to enhance cooperation between Chinese and Myanmar customs.
- 152.** According to a report from World Wide Fund for Nature in Myanmar, BRI road infrastructure could affect natural capital assets and associated benefits that people enjoy from natural capital. This includes lower risk of landslides, flooding and water pollution. The publication also noted how the resilience and durability of the BRI road corridors would potentially depend upon “ecosystem services” – flood and erosion risk reduction offered by natural ecosystems. The BRI corridors cut through the areas of the Ayeyarwady River Basin and surrounding areas which accommodate around 24 million people. These people rely on the natural capital to both access potable water through this main dry-season water

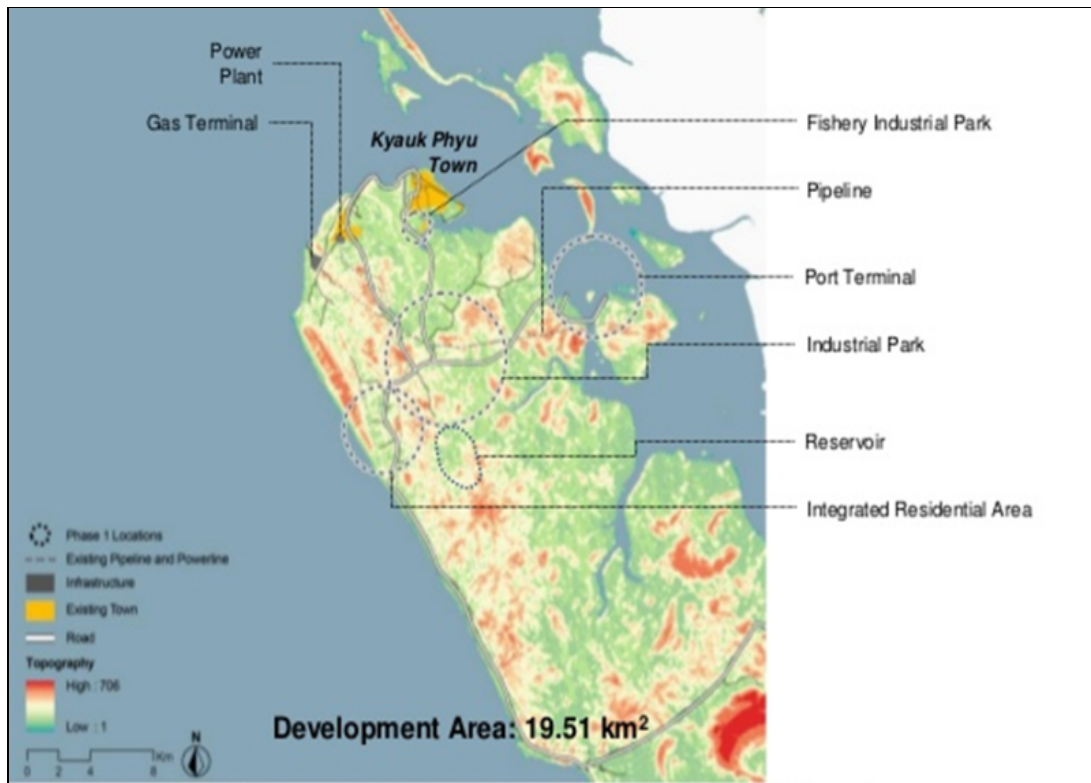
supply and also reduce risks from natural disasters, among other critical reliance. There is a risk that benefits of the BRI projects could be undermined by considerable socio-economic and environment costs which would happen if roads are built without taking into account the environment, wildlife and its implications on communities. (Myanmar Times)

- 153.** China and Myanmar also face a number of financial challenges as well. Myanmar's financial system fails to meet international standards. The country's stock market is still underdeveloped, and it is hard for enterprises to obtain financing in Myanmar. In addition, as currency swap agreement has yet to be signed between China and Myanmar, it is inconvenient for Chinese enterprises to invest in Myanmar. Furthermore, the two countries still lack sufficient people-to-people exchanges, and a friendly and supportive atmosphere for the Belt and Road initiative has yet to be established.
- 154.** Myanmar public seems to have little knowledge of the Belt and Road initiative, and some radicals are prejudiced against China, constantly protesting against China-invested projects in Myanmar. This has hindered bilateral cooperation between the two governments. Conflicts in northern Myanmar have jeopardized border security and resulted in the deaths and injuries of Chinese civilians, which triggered the Chinese public's outcry against Myanmar. Therefore, the two countries must strengthen their people-to-people exchanges. Friendly people-to-people relationship is a prerequisite to stable China-Myanmar ties and sound infrastructural cooperation.
- 155.** While many of Myanmar's concerns about CMEC focus on the potential for unsustainable debt, on the Chinese side it is threats to the security of China workers and Chinese-built infrastructure that could potentially hamper cooperation. Kyauk Phyu is located in the restive Rakhine state, and although the mega-project is not in the Rohingya (Bengali Muslim) conflict zone, the potential threat that Rohingya (Bengali Muslim) militants pose to the Kyauk Phyu infrastructure cannot be easily dismissed. The magnitude of such a threat would increase if Rohingya (Bengali Muslim) militants established links with Uighur militants or Islamic State jihadists.
- 156.** Another significant issue is how to deal with the relationship among different interest groups and establish a broader community of common interests. China and Myanmar should work together to overcome challenges in the Belt and

Road cooperation, make the initiative beneficial to more countries along the route, and prompt more countries to establish a community of common destiny for joint development and prosperity.

G. Maps

Figure III .1.1: Map of Kyauk Phyu Special Economic Zone Area



Source: Kyauk Phyu SEZ

Figure III.1.2: Model of Kyauk Phyu Special Economic Zone Area



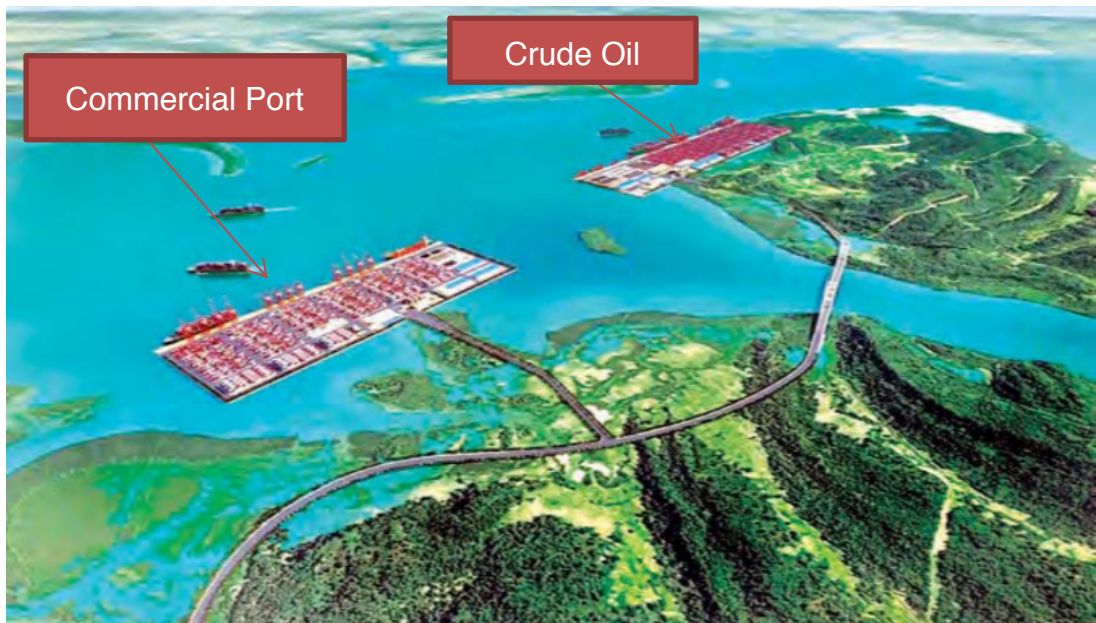
Source: Kyauk Phyu SEZ

Figure III.1.3: Thilawa Special Economic Zone layout



Source: Thilawa SEZ

Figure III.2.1: Model of Kyauk Phyu Deep Sea Port



Source: Kyauk Phyu SEZ Management Committee

Figure III.3.1: Map of Kyauk Phyu to Kuming linkage

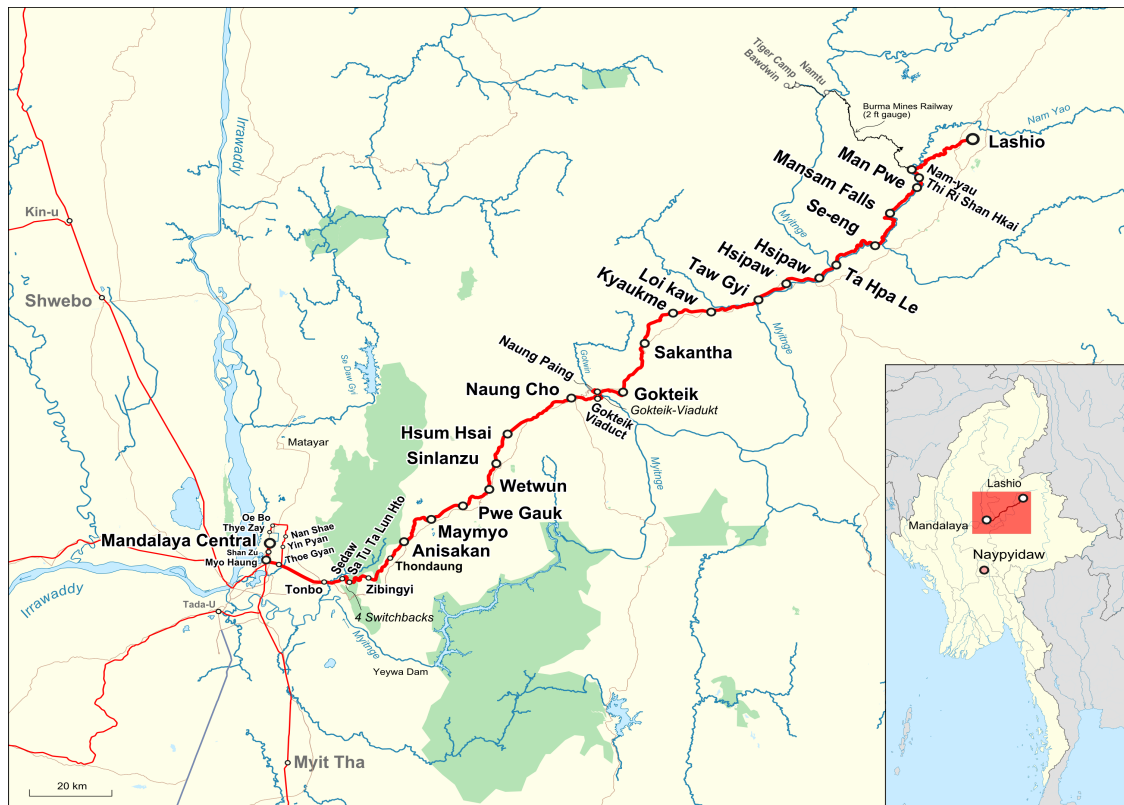


Source: MMRD

Figure III.3.2: Mandalay Muse Road



Figure III.3.3: Existing railways of Mandalay Lashio railways



Source: wikimedia²⁸

Figure III.3.4: Gok Twin – Mandalay to Lashio highways

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[https://commons.wikimedia.org/wiki/File:Bahnstrecke Mandalay%E2%80%93Lashio.png](https://commons.wikimedia.org/wiki/File:Bahnstrecke_Mandalay%E2%80%93Lashio.png)

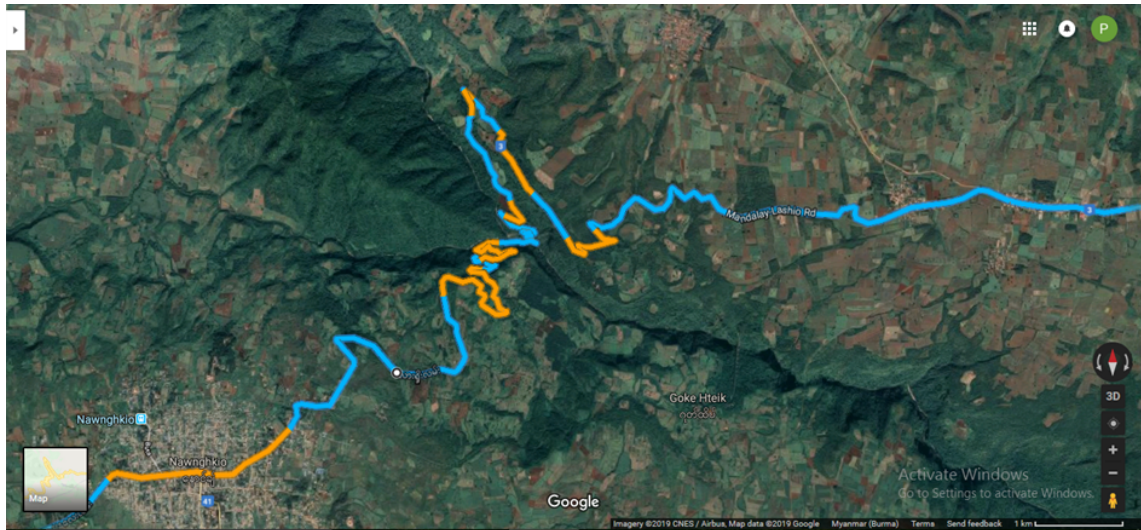
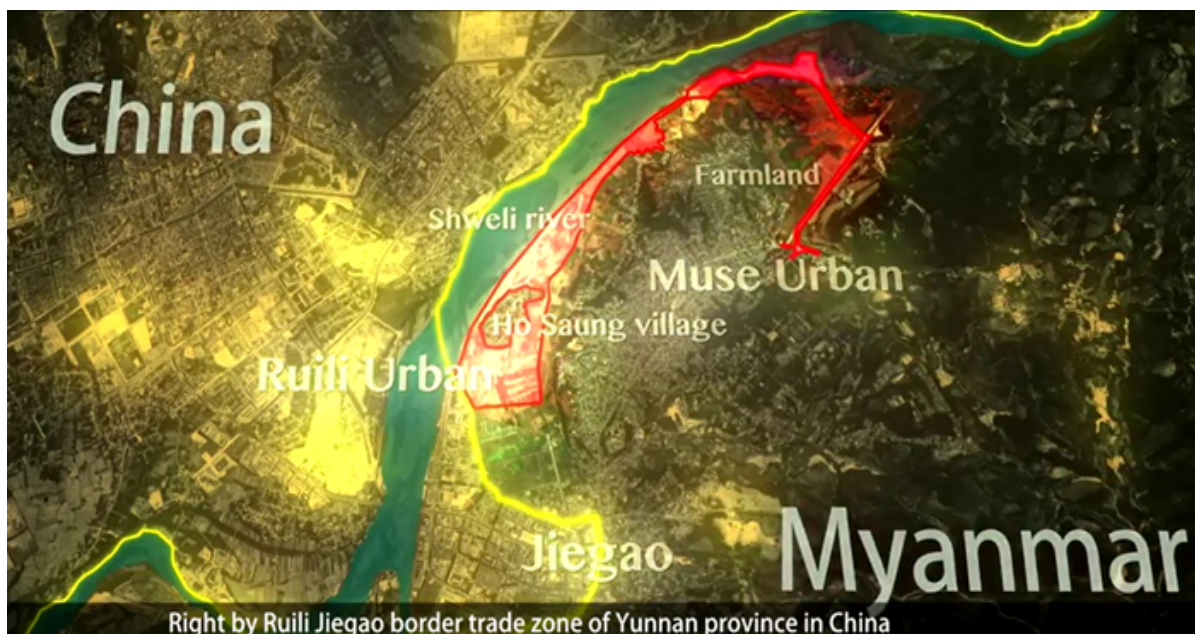


Figure III.4.1: Model of Central Business District (Muse)



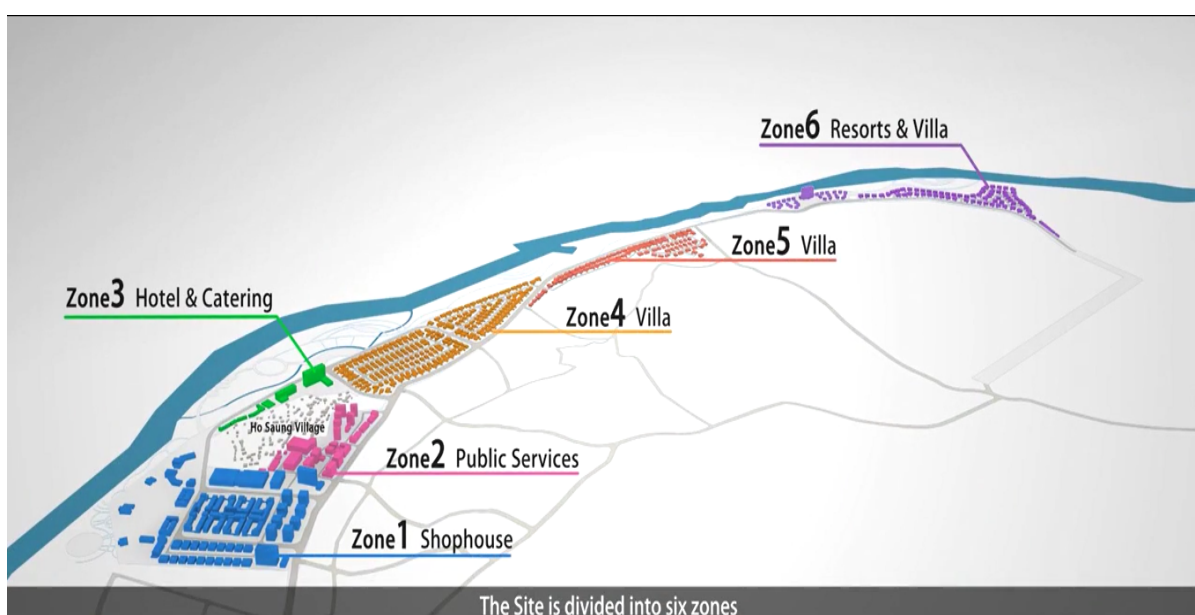
Source: New Star Light Construction Company

Figure III.4.2: Model of Central Business District (Muse)



Source: New Star Light Construction Company

Figure III.4.3: Project Plan of Central Business District (Muse)



Source: New Star Light Construction Company

Figure III.4.4: International Gate (Myanmar China Border_ Muse)



Source: Photo by Author

Figure III.5.1: Muse 105 mile Border Trade Zone



Source: MMRD

V. Summary, Conclusions, and Recommendation

- 157.** Since political reformation, Myanmar has engaged in active participation with regional organizations such as ASEAN and GMS. Myanmar is strategically located in the Southeast Asia and South Asia. A core part of the Belt and Road Initiative is the creation of economic corridors to boost connectivity, improve trade of goods and facilitate investments. This will in turn accelerate the trade in services and tourism of Myanmar. Chinese officials subsequently revealed ambitious plans to invest hundreds of billions of dollars in new infrastructure investments and upgrades including highways, pipelines, railroads, and power grids, along with related port and logistics upgrades in maritime partner countries.
- 158.** Roads and road construction in the BRI's East-West and North-South corridors could make significant contributions to Myanmar's socio-economic and infrastructure development. Roads in these corridors would connect major urban centers and communities across the country with major cities and markets in neighboring countries, notably Bangladesh, China and India. Experience in other developing economies reveals that BRI road proposals in Myanmar could potentially enhance access to jobs, education and healthcare, improve economic productivity, raise incomes, reduce trade costs and barriers and accelerate growth of both agriculture and industrial clusters.
- 159.** It is necessary to ensure that the BRI follows a sustainability criteria or standard based on 'Guidance on the Building of the Green Belt and Road' released from the Ministry of Environmental Protection of China, global sustainability standards or nationally developed standards for sustainable infrastructure development. Moreover, China and Myanmar have to conduct assessments to better understand risks related to for example floods, erosion and biodiversity to avoid negative environmental and social impacts through assessing multiple costs of road location and planning. (Myanmar Time)
- 160.** China is also apprehensive over the security of infrastructure along the corridor, which runs through strife-torn areas like the Kachin and Shan states. The Muse-Mandalay highway, which China is willing to upgrade, is critical to CMEC's success. However, clashes between Myanmar's military and the Northern Alliance (an umbrella organization of armed groups that did not participate in

Myanmar's 2015 Nationwide Ceasefire Agreement [NCA]) have disrupted trade on this road.

- 161.** China is also involved in the NCA peace process. According to Myanmar officials, Beijing is pushing the Myanmar government to keep the ceasefire alive. Simultaneously, it is talking to the armed groups outside the NCA, such as the Arakan Army, the Kachin Independence Army and the United Wa State Army (USWA.(Frontier Myanmar) CMEC will have huge implications for the Myanmar peace process as its projects extend across many of Myanmar's conflict areas and affect the livelihood of local people, according to the researchers. China's involvement in the peace-making process could also be beneficial.
- 162.** Meantime, many people in Myanmar have mixed feelings about BRI and CEMC. While they welcome the investments infrastructure development, they are still concerned about the negative consequences of massive development projects under BRI, as they are afraid of the debt trap and poor record of the China's previous investments in Myanmar. If China's investment strategies do not consider the local context carefully, there will be a threat of potential local resistance to Chinese projects. Therefore, the key success for BRI and CMEC is to have transparency, accountability and public participation in the decision-making process. More importantly, CMEC should not be focused on what China wants, but should be based on what Myanmar needs.

A. General Recommendations

- 163.** Myanmar government has developed Myanmar Sustainable Development Plan 2018-2030 (MSDP) which is a superior plan with a vision of sustainability and balanced development arrangement, and which is also closely linked with the UNDP's SDGs. To implement the strategies and action plans under MSDP, a mechanism called the Project Bank is introduced by the Ministry of Planning and Finance.
- 164.** Meantime, most of the projects under CMEC were not revealed in public transparently and comprehensive implementation was not very visible. Therefore, all proposed projects including CMEC projects would be put under Project Bank as Myanmar government is prioritizing appropriately balanced risk allocation between the government and the private sector.

- 165.** The United Nations (UN) appreciated BRI's principles as those matches with the principles of the Sustainable Development Goals (SDGs) of the UN. Meanwhile, Myanmar government also formulated Myanmar Sustainable Development Plan 2018-2030 (MSDP) which is structured around 3 pillars, 5 goals, 28 Strategies and 251 Action Plans. MSDP is closely related with UN's SDGs.
- 166.** The basic infrastructures of China and Myanmar will be connected under CMEC and this cooperation will be promoted on sectors such as agriculture, energy, financing, tourism, "digital silk road" and border trading zone. If these projects were implemented successfully, CMEC will fulfill at least eight of the SDGs. Among three pillars and five goals under MSDP, peace and national reconciliation is the first goal and first priority of Myanmar government. Others MSDP goals are economic stability & strengthened macroeconomic management, job creation & private sector led growth, human resources & social development for a 21st century society, and natural resources & the environment for posterity of the nation. All these MSDP goals are closely linked with the UN's SDGs.
- 167.** It is crystal clear CMEC can make job creation & private sector led growth which is an opportunity for Myanmar people to end the poverty which is also align with UN's first SDG. When Myanmar need major infrastructure to develop its economy, human resources and social development, and wisely consumption of natural resources, BRI and CMEC can play in a vital role to fulfill all of these goals. By doing so, CMEC can accomplish the UN SDG's number five, six, seven, eight, nine, and ten at the same time.
- 168.** As an inference, first goal of the Myanmar's MSDP is to achieve peace, national reconciliation, security & good governance when UN's first SDG is end poverty in all its form everywhere. Thus, Myanmar government is doing its utmost for the NCA, and China is highly suggested to participate in Myanmar's peace process with maximum effort, as MSDP's first goal is the most important thing for the accomplishment of the remaining four goals.
- 169.** Most of the projects under CMEC are located in the States where the ethnic armed groups are active and conflict zones are located. In Rakhine State, where Kyauk Phyu – Kunming railway project and Kyauk Phyu SEZ and deep sea port projects are planned, the clashes between Arakan Army (AA) and

Myanmar military forces became frequent and intensive in the last three months. However, Tun Myat Naing, commander in chief of AA, said that his forces would not confront the Chinese investments and projects in Rakhine State for the sake of his people and the nation, but he hoped that those projects should be a solution to solve the poverty and underdevelopment of the local people.

170. At the same time, Kachin Independence Army (KIA), Ta'ang National Liberation Army (TNLA) and Myanmar military forces clashed in northern Shan State's Muse District multiple times, where Muse – Mandalay high speed railway project, Muse Central Business District and Muse 105 Mile Trade Zone projects are located.
171. So, the most important thing to implement the major projects under CMEC successfully is to have cease fire between Myanmar military and ethnic armed groups who are active near the project areas. Currently, Myanmar government is trying to get nationwide cease fire by NCA peace process, in which China have already involved actively and could put in more effort to promote its progress. Northern Alliance, composed of four ethnic insurgent groups: AA, KIA, TNLA and MNDAA (Myanmar National Democratic Alliance Army, does not seem to agree signing in NCA, yet Myanmar government officials and people anticipate that China could be able to convince those armed groups to have agreement in NCA.
172. Therefore, China's participation in peace process is important, as it could be win-win situation for both China and Myanmar if the NCA is successful. So, the CMEC projects near the conflict zones could be implemented without worries, when all Myanmar people could enjoy the peace which had been waiting forever.
173. The following are the recommendations for Myanmar, China and ADB for the accomplishment of BRI and CMEC.

B. What Myanmar Government Can Do

- 1) When planning to implement the bilateral development policy and projects, Myanmar government should conduct systematic assessment for carrying out the preference projects, setting up the phases and timeline of the relevant

projects, and making genuine prosperity for the residents living in the project areas.

- 2) Systematically conduct observation and survey to ensure that there would be no harm for the environment and historical heritages before the construction of the industrial zones and railway network are begun.
- 3) Give special consideration to conduct Environment and Social Impact Assessment (ESIA) and align with ASEAN road projects when performing the Energy Plan and Transportation Plan.
- 4) Myanmar should team up experts from relevant fields to take part in the research group for those Plans and Projects, and form research sub-groups if necessary.
- 5) Carefully observe how the execution of these Plans and Projects support the peace and regional development processes.
- 6) Give the transparent explanation of the procedures and advantages of those projects to the local people as the agreement from the local ethnic groups are essential for implementing each project.
- 7) Make legal frameworks to solve the inevitable land problem and prevent the excessive requests of local people.
- 8) Study the instance of other countries and learn from those lessons to avoid falling into the debt trap, to fix interest rates and value of each enterprise, and to share the suitable benefits for the both parties.

C. What the Chinese Government Can Do

- 1) Cooperate transparently with public and private sector from Myanmar to develop the projects under the Belt and Road Initiative (BRI).
- 2) Encourage the ethnic armed groups which are active in some States and borders to participate in the peace process and convince the armed groups not to interrupt the projects.
- 3) Give special consideration that the cultural and heritages of the ethnic groups and environment are unharmed when digging up the resources for energy and implement the projects.

- 4) Avoid placing adjustment burdens on local people and residents from where BRI projects would run through.
- 5) To support collection and distribution of information technologies for the projects
- 6) To conduct monitoring and evaluation processes for all the projects.

D. What ADB Can Do

- 1) North South Economic Corridor (NSEC)-5 is the Muse – Mandalay – Nay Pyi Taw – Yangon – Thilawa SEZ routes and China Myanmar Economic Corridor is on the same way. So ADB should provide the technical assistant or funding for the NSEC-5.
- 2) Myanmar Government have low budget for infrastructure development, thus ADB should aid loan or grant for the projects.
- 3) Myanmar Government developed the MSDP, and ADB should review the SDGs of MSDP and UNDP.
- 4) ADB should provide the technical assistant for BRI projects in Myanmar.
- 5) Myanmar SEZs development is very slow, and ADB should provide for the development study of SEZs development.

VI. Annex 1

A. One Belt One Road (OBOR) implementation Steering Committee

174. On September 11th 2018, the Republic of Union of Myanmar, Forming of One Belt One Road (OBOR) implementation Steering Committee as follows;

175. One Belt One Road (OBOR) implementation steering committee is tasked to observe, analyze, and implement the works relating to the establishment of China-Myanmar Economic Corridor and China-Myanmar border economic cooperation zone with the effort from various sectors, relevant Union Ministries, Regions and States Government, and cooperation on all occasions effectively. The steering committee is formed with the following people.

(1). State Counsellor	Chairperson
(2). Vice President (1)	Vice Chairman
(3). Union Minister, Ministry of Home Affairs	Member
(4). Union Minister, Ministry of Border Affairs	Member
(5). Union Minister, Ministry of State Counsellor's Office	Member
(6). Union Minister, Ministry of Office of the Union Government	Member
(7). Union Minister, Ministry of Religious Affairs and Culture	Member
(8). Union Minister, Ministry of Agriculture, Livestock and Irrigation	Member
(9). Union Minister, Ministry of Transport and Communication	Member
(10). Union Minister, Ministry of Natural Resources and Environmental Conservation	Member
(11). Union Minister, Ministry of Electricity and Energy	Member
(12). Union Minister, Ministry of Labour, Immigration and Population	Member
(13). Union Minister, Ministry of Commerce	Member
(14). Union Minister, Ministry of Education	Member
(15). Union Minister, Ministry of Health and Sports	Member
(16). Union Minister, Planning and Finance	Member
(17). Union Minister, Ministry of Construction	Member
(18). Union Minister, Ministry of Social Welfare, Relief and Resettlement	Member
(19). Union Minister, Ministry of Hotel and Tourism	Member
(20). Union Minister, Ministry of International Cooperation	Member
(21). Chief Minister, Kachin State Government	Member
(22). Chief Minister, Mandalay Region Government	Member
(23). Chief Minister, Rakhine State Government	Member
(24). Chief Minister, Yangon Region Government	Member

(25). Chief Minister, Shan State Government	Member
(26). Chairman, Nay Pyi Taw Council	Member
(27). Permanent Secretary, Ministry of Foreign Affairs	Secretary

176. The tasks of the One Belt One Road (OBOR) implementation steering committee are as follow:

- 1) Coordinating with Ministries, Government organizations, and Regions and States Government when the cooperation between China and Myanmar is conducted under OBOR.
- 2) Giving policy related guidance when the OBOR related cooperation is carried out.
- 3) Formulating management plans, policies, and procedures for the projects and report to the Union Government for approval.
- 4) Reporting to the President Office if there is subject matter of the policy negotiation regarding to the OBOR is needed, and requesting for guidance.
- 5) Organizing experts to conduct research regarding to the OBOR projects.

177. Reporting to the President Office is mandatory if the Steering Committee is needed to reform and add more members.

178. Steering Committee will organize necessary working committees, sub-committee, and working groups.

B. China-Myanmar Economic Corridor (CMEC) Joint Committee

179. On September 11th 2018, the Republic of Union of Myanmar, Forming of China-Myanmar Economic Corridor (CMEC) Joint Committee as follows;

180. To implement the signed Memorandum of Understanding (MOU) for establishment of China-Myanmar Economic Corridor (CMEC) effectively, Union Government assigned the CMEC Joint Committee as follow:

(1). Union Minister, Ministry of Planning and Finance	Chairman
(2). Deputy Minister, Ministry of Agriculture, Livestock and Irrigation	
	Member
(3). Deputy Minister, Ministry of Transport and Communication	Member
(4). Deputy Minister, Ministry of Electricity and Energy	Member
(5). Deputy Minister, Ministry of Commerce	Member
(6). Deputy Minister, Ministry of Planning and Finance	Member

(7). Deputy Minister, Ministry of Construction	Member
(8). Deputy Attorney General, Office of the Union Attorney General	Member
(9). Nay Pyi Taw Council Member, Nay Pyi Taw Council	Member
(10). Minister, Magway Region Government, Ministry of Planning, Finance and Municipal Affairs	Member
(11). Minister, Mandalay Region Government, Ministry of Planning and Finance	Member
(12). Minister, Rakhine State Government, Ministry of Planning, Finance, Tax and Economy	Member
(13). Minister, Yangon Region Government, Ministry of Planning and Finance	Member
(14). Minister, Shan State Government, Ministry of Planning and Economy	Member
(15). Vice Chairman, Central Bank of Myanmar	Member
(16). Permanent Secretary, Ministry of Foreign Affairs	Member
(17). Permanent Secretary, Ministry of Natural Resources and Environmental Conservation	Member
(18). Permanent Secretary, Ministry of Industry	Member
(19). Permanent Secretary, Ministry of Hotel and Tourism	Member
(20). Director General, Foreign Economic Relations Department	Secretary

C. Tasks

181. The main tasks for the China-Myanmar Economic Corridor Joint Committee is as follow:

- 1) Carrying out the bilateral economic development projects mutually in effective way; sharing experiences; proposing and observing the general customs and major matters which are related with the development of economic corridor; organizing the working groups cooperation and setting tasks for the groups; implementing the MOU completely by incorporating the supportive policies.
- 2) Promoting bilateral sharing experiences and engagement in respective economic areas.
- 3) Making decision for the major projects and sectors.

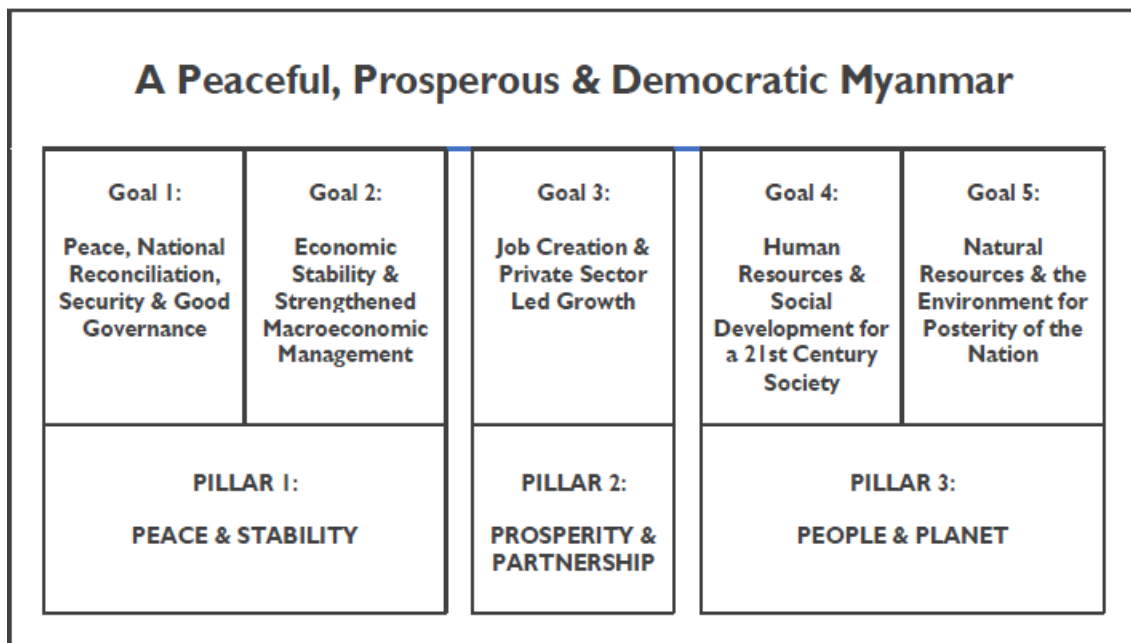
- 4) Creating a better investment environment and solving problems through more efficient negotiations; promoting mutual standard and quality acknowledgement; and boosting capacity.
- 5) Encouraging public participation from both sides in the economic corridor development.
- 6) Reporting the progress of economic corridor to both governments.

D. Myanmar Sustainable Development Plan 2018-2030

182. In August 2018, Myanmar government published Myanmar Sustainable Development Plan 2018-2030 (MSDP) which is structured around 3 pillars, 5 goals, 28 Strategies and 251 Action Plans.

183. Myanmar Sustainable Development Plan (MSDP) provides a long-term vision; a vision of a peaceful, prosperous and democratic country. Founded upon the objective of giving coherence to the policies and institutions necessary to achieve genuine, inclusive and transformational economic growth, this MSDP has been developed to reinvigorate reform and promote bold action.

Myanmar Sustainable Development Plan 2018-2030



VII. Annex 2: Sustainable Development Goals for the UN Agenda 2030

- 184.** On 25 September 2015, the 193 Member States of the United Nations adopted the Sustainable Development Goals (SDGs), a set of 17 aspirational objectives with 169 targets expected to guide development actions of governments, international agencies, civil society and other institutions over the next 15 years (2016-2030).
- 185.** The 17 SDGs aim to end poverty and hunger while restoring and sustainably managing natural resources. They integrate the three dimensions of sustainable development – economic, social and environmental. They are indivisible – no one goal is separate from the others, and all call for comprehensive and participatory approaches. And they are universal – the 2030 Agenda is as relevant to developed as it is to developing nations.

Figure A1.1: Sustainable Development Goals for the UN Agenda 2030



- 186.** Harmonized indicators are essential to measuring progress, and SDGs will ultimately be turned into management tools to help countries develop implementation strategies and allocate resources accordingly, measure progress towards sustainable development, and help ensure the accountability of all stakeholders in achieving the SDGs. Because all the countries participating in the current TA are signatories to the 2030 Sustainable Development Agenda, it is appropriate to use SDGs for evaluation of our RCI and BRI initiatives.

Table A1.1: United Nations Sustainable Development Goals

	Topic	Title
1	Poverty	<u>End poverty in all its forms everywhere</u>
2	Food	<u>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</u>
3	Health	<u>Ensure healthy lives and promote well-being for all at all ages</u>
4	Education	<u>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</u>
5	Women	<u>Achieve gender equality and empower all women and girls</u>
6	Water	<u>Ensure availability and sustainable management of water and sanitation for all</u>
7	Energy	<u>Ensure access to affordable, reliable, sustainable and modern energy for all</u>
8	Economy	<u>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</u>
9	Infrastructure	<u>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</u>
10	Inequality	<u>Reduce inequality within and among countries</u>
11	Habitation	<u>Make cities and human settlements inclusive, safe, resilient and sustainable</u>
12	Consumption	<u>Ensure sustainable consumption and production patterns</u>
13	Climate	<u>Take urgent action to combat climate change and its impacts</u>
14	Marine-ecosystems	<u>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</u>
15	Ecosystems	<u>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</u>
16	Institutions	<u>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</u>
17	Sustainability	<u>Strengthen the means of implementation and revitalize the global partnership for sustainable development</u>