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JOURNAL OF CONTEMPORARY CHINA, 2017
https://doi.org/10.1080/10670564.2018.1410969

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ABSTRACT
This article argues that the origins and theoretical underpinnings of Xi Jinping's Belt and Road Initiative can actually be traced back to the mid-1980s, that is, almost three decades before the official media unveiled the Maritime Silk Road Initiative (MSRI). It examines the changing role of Myanmar in China's grand strategy in general and in MSRI in particular by undertaking an investigation of trade and investment relations. This analysis of the geo-economic and geo-strategic implications of MSRI is undertaken in order to offer a prognosis of benefits and costs for Myanmar. Both the extent and the limits of MSRI are illustrated in Myanmar. It ends with a discussion of possible roadblocks, detours, cracks and fault lines along the Maritime Silk Road.

Myanmar/Burma is the second-largest country in Southeast Asia and is located at the juncture of Southeast and South Asia. Given its resources, natural endowments and strategic location bordering China and India, Myanmar finds itself at the center of political wrangling between major powers. While India's culture and religion have influenced the Burmese way of life over the centuries, China has traditionally exerted geopolitical and strategic pressure on Myanmar. As Tin Maung Maung Than notes: 'Geopolitical ramifications for modern Burma have been overwhelmingly determined by bilateral relations with China', which date back to the early Pyu kingdoms of the ninth century AD.[1] Myanmar suffers from centrifugal tendencies. Since independence in 1948, successive governments have battled around the country's periphery with ethnic separatist movements and communist insurgencies, some of which received direct support from Beijing. Post-independence, Myanmar has 'accommodated China as its "senior" in a *paukphaw* (kinsmen) relationship', and avoided taking actions inimical to China's interests.[2]

Transition From Military Rule to Democracy

The three decades of the 'Burmese road to socialism' during the Cold War turned the region's once most prosperous country into an economic basket case. In 1990, the State Law and Order Restoration Council (SLORC) presided over an election that the opposition National League for Democracy (NLD) won by a landslide but was not allowed to take office. Instead, the military junta placed the opposition leader Aung San Suu Kyi under house arrest and arrested thousands of NLD supporters, after which the West imposed economic sanctions. Faced with international isolation and domestic unrest, the military

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[1]Tin Maung Maung Than, 'Myanmar: Myanmar-ness and realism in historical perspective', in Ken Booth and Russell Trood, eds, *Strategic Cultures in the Asia–Pacific Region* (New York: St. Martin's Press, 1999), p. 166.
[2]*Ibid*.

junta turned to China for survival. Myanmar urgently needed foreign exchange, capital equipment and technical expertise to prevent the collapse of its ailing economy.[3] At this point, Chinese interests conveniently synchronized with a range of the military regime's major concerns and the junta in Rangoon moved to establish closer ties with the Chinese communist regime, which had found itself in a similar predicament following the Tiananmen massacre in June 1989, this beginning Myanmar's slide into China's embrace. During 1988–2013, Beijing stepped in with liberal economic assistance, cheap loans, trade, investment, energy deals, and military and diplomatic support. Nearly 60% of Myanmar's weapons imports came from China, and Chinese firms contributed to 42% of the country's total foreign direct investment (FDI) (some US$33.67 billion). Between 2008 and 2011, China promised approximately US$13 billion in infrastructure investments and also became its largest donor country.[4] In return, China gained access to Myanmar's rich natural resources and moved closer to gaining a strategic passage from southwest China to the Bay of Bengal—its 'long-held ambition to create a proxy west coast and turn Myanmar into "China's California"'.[5]

However, China's growing footprint in Myanmar aroused popular resentment, social unrest and complaints about environmental degradation, insufficient compensation for expropriated land and the use of Chinese labor. With tens of thousands of Chinese moving south of the border, many feared the country was at risk of becoming just another Chinese province.[6] By the early 2000s, Myanmar's nationalist leaders, extremely sensitive about the country's sovereignty and suspicious of Beijing's geopolitical intentions, began expressing concern over Chinese economic domination and illegal immigration. In 2008, the military began a gradual process of limited political reform which culminated in a general election in November 2010, and the formation of a quasi-civilian government. The turning point came when President Thein Sein suspended several large Chinese investment projects in September 2011, including the US$3.6 billion Myitsone Dam in the north on the Irrawaddy River and the Letpadaung copper mine, following protests over environmental concerns. The Myitsone megadam, designed to supply 90% of its electricity to China, was seen as emblematic of China's economic dominance. The cancellation in July 2014 of China Railway Engineering Corporation's (CREC) proposed US$20 billion railway project, that was to connect China's southern Yunnan province with Myanmar's Rakhine western coast, soured bilateral relations. These decisions clearly sought to distance Naypyitaw from Beijing and indicated the new government's desire to diversify its diplomatic and economic relations and help Myanmar shed its pariah status.

Beijing looked on with some trepidation as the democratization process gathered momentum after 2011. The victory of Suu Kyi's party, the NLD, in the historic November 2015 election marked the logical conclusion of this process, with a civilian government assuming power after five decades, even though the military retains control of several key ministries. Despite media speculation on the new civilian government's pro-West tilt, Myanmar's geopolitical position and Beijing's clout as its biggest investor and trading partner, coupled with its links to Myanmar's ethnic groups, dictated that Suu Kyi's domestic priorities of economic development and making peace with insurgents could not be achieved by antagonizing the superpower on its doorstep. Not surprisingly, Suu Kyi chose to visit China first to reassure Beijing of close friendly ties and her government reopened the controversial Letpadaung copper mine to address concerns of Chinese investors.[7] Then came her visits to India, Thailand, the United States (US), Japan and the European Union (EU). This showed a prioritization of seeking good relations

[3]Bertil Lintner, 'Burma: centrifugal forces', *Far Eastern Economic Review*, (27 February 1992), p. 16.
[4]Jonathan T. Chow and Leif-Eric Easley, 'Rebalancing not pivoting: Myanmar's reforms and relations with Washington and Beijing', *PacNet*#68, (8 September 2016), available at: http://thediplomat.com/2017/05/a-new-chapter-in-myanmar-vatican-relations (accessed 10 September 2016).
[5]Tom Miller, *China's Asian Dream* (London: Zed Books, 2017), p. 128. The term 'China's California' is used by Thant Myint-U in 'Asia's new great game', *Foreign Policy*, (12 September 2011), available at: http://foreignpolicy.com/2011/09/12/asias-new-great-game (accessed 11 October 2015).
[6]'High mountains, distant emperors', *The Economist*, (23 April 2016), available at: https://www.economist.com/news/asia/21697287-aung-san-suu-kyi-extends-wary-welcome-china-tries-regain-lost-influence-high-mountains (accessed 24 April 2016).
[7]Evan Rees, 'Myanmar cannot ignore China', *Stratfor.com*, (25 November 2015), available at: https://www.stratfor.com/analysis/myanmar-cannot-ignore-china (accessed 25 November 2015).

with neighbors over distant powers to achieve the goals of domestic stability, economic growth and a more balanced foreign policy.

Myanmar: The Origins of China's Maritime Silk Road Initiative (MSRI)

Conventional wisdom holds that Chinese President Xi Jinping launched the Silk Road Economic Belt (丝绸之路经济带) during his visit to Kazakhstan in September 2013 and subsequently expanded the initiative to include the 21st Century Maritime Silk Road (21世纪海上丝绸之路) in October 2013 to promote greater connectivity between China and the Association of Southeast Asian Nations (ASEAN).[8] First referred to as 'One Belt One Road' (一带一路, OBOR), and now as 'the Belt and Road initiative' (BRI), the project seeks to build transportation infrastructure routes for trade and commerce from Asia to Africa and Europe. In reality, the signature foreign policy initiative of the Xi administration is certainly not as new as it is made out to be, nor is it a 'start-up' from scratch, but builds upon pre-existing or decades-old tangentially related economic programs and expands or repackages several ongoing or planned projects.[9]

This author argues that the conceptual origins of Beijing's Belt and Road initiative can actually be traced back to the mid-1980s, nearly three decades before the MSRI was officially unveiled.[10] Pan Qi, a former vice-minister of communications, penned an article in the *Beijing Review* of 2 September 1985 entitled 'Opening to the Southwest: An Expert Opinion' wherein he outlined the significance of Myanmar's geo-strategic location for China's economic growth. This article expressed the desire of Chinese economic planners to reopen the old Burma Road to link up the poorer inland provinces, such as Yunnan, which lagged behind the booming coastal provinces, with the fast growing economies of Southeast and South Asia. Beijing sought an overland route through Myanmar to a port from which it could export cheap consumer goods to mainland Southeast Asia, India and other developing countries farther afield. Such an outlet would reduce transport time for some of China's trade and help avoid the Malacca Strait choke point in the event of a conflict. Both geo-economic and geo-strategic calculations lay behind China's courting of Myanmar's military regime.

Over the last two decades, several Chinese multinational corporations (MNCs) have signed deals to engage in hydropower, mining, infrastructure, and oil and gas projects in Myanmar. Then in the early 2000s, first as part of the 'Great Western Development' strategy under President Jiang Zemin, and then as part of its 'March West' strategy under President Hu Jintao, Beijing embarked upon plans for spending hundreds of billions to build trade and economic corridors via pipelines, highways and railway networks with Central, Southwest and Southeast Asia to help develop China's underdeveloped central and western regions and to help Chinese companies go global.[11] All infrastructure projects on the drawing board or already under construction, such as the planned 1,350 km railway through Laos and Myanmar to Thailand, the China–Pakistan economic corridor (CPEC), the Bangladesh–China–India–Myanmar (BCIM) road network, and an energy corridor through Myanmar were co-opted into the new scheme by officials scrambling to peg their plans to Xi's all-encompassing horizon. For example, the BCIM corridor, conceived *before* the BRI, and the US$500 million China–ASEAN Maritime Cooperation Fund, established two years *before* the announcement of the MSRI, now constitute important parts of the MSRI.

[8]'Speech by Chinese President Xi Jinping to Indonesian Parliament', ASEAN–China Centre, 3 October 2013, available at: http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm (accessed 7 October 2016).
[9]Raffaello Pantucci, 'How new is the "Belt and Road"?', *CPI Analysis*, (7 October 2016), available at: https://cpianalysis.org/2016/10/07/how-new-is-the-belt-and-road (accessed 7 October 2016).
[10]This was decades before Wang Jisi published his piece '"Marching westwards": the rebalancing of China's geostrategy', *Huanqiu Shibao*, (17 October 2012), p. 3.
[11]The concept of 'west' was stretched to anything beyond China's booming cities on the eastern seaboard. See Yun Sun, 'March west', *Brookings.blog*, (31 January 2013), available at: http://www.brookings.edu/blogs/up-front/posts/2013/01/31-china-us-sun (accessed 14 February 2013); Zhu Ningzhu, 'China to Pave Way for Maritime Silk Road', *Xinhua.net*, (11 October 2013), available at: http://news.xinhuanet.com/english/china/2013-10/11/c_132790018.htm (accessed 20 September 2014).

MSRI: The Economic Dimension and China–Myanmar Ties

For China today, economics is strategy. Money has now replaced Maoism as the tool for gaining influence. Bandwagoning with an economic juggernaut has always transformed the fortune of nations. In trade and commerce, nations do not pick sides but play all sides. For conflict-torn countries with autocratic regimes that cannot get funding from global financial institutions, China's aid and investment comes in handy. Being part of the Chinese sphere of influence may well be a small price to pay for economic success. Many countries may not trust China, but they depend on it for their own growth. In terms of cold, hard cash, China clearly trumps the West and Japan. For countries that want to build factories, schools, roads and ports, Chinese capital and engineering prowess is a godsend. China's cash-rich state-owned enterprises (SOEs), backed by the China Development Bank and other government institutions, have established a reputation for delivering big infrastructure projects quickly and without delays caused by environmental or human rights concerns.

Chinese leaders and official media, therefore, stress the economic dimension of the MSRI insofar as it can accelerate economic growth in less developed regions. This initiative was unveiled in the aftermath of an investment boom in China that ended in vast overproduction and overcapacity, particularly in the steel, machinery and construction material sectors, thereby necessitating the need to find new export markets abroad. With a domestic market slowdown and rising wages in China, Beijing now wants to export the surplus steel, cement, workers and engineers—and earn greater returns on investments. This requires the building of railroads, ports and trade corridors to link manufacturing centers in China with markets and natural resources around the world. These spokes or arteries would bring in raw materials and energy resources while exporting Chinese manufactured goods to those regions and beyond—a sort of Beijing style 'hub-and-spokes economic system in Eurasia' as a riposte to Washington's 'hub-and-spokes security system'. China's status as the world's second-largest economy, the world's largest goods trader and the world's largest holder of foreign exchange reserves provides a strong foundation for Chinese companies to extend their investment overseas. Beijing has promised hundreds of billions of dollars in funds for investment in Southeast Asia alone. Money matters and development requires investment. Many coastal states are courting Beijing to leverage Chinese financial and technical prowess (e.g. in creating artificial islands via dredging on a scale and speed that is unmatched). To finance this infrastructure network, Beijing has launched the US$40 billion Silk Road Fund and the US$100 billion Asia Infrastructure Investment Bank (AIIB). The disbursement of large amounts of money as loans and aid for countries participating in MSRI will enhance China's economic and diplomatic influence.

Most MSRI projects are linked by their proximity and utility to diversify, insulate and secure China's resource and trade access. China's FDI is now going to countries along the Silk Road: in 2015, China's total investment of US$145.67 billion overtook Japan's US$128.65 billion, and was second only to the US FDI of US$299.96 billion.[12] Official Chinese reports disclosed that more than 100 SOEs had established branches in countries participating in OBOR by the end of 2016. Reports indicate that more than 1,400 contracted projects were signed with nations along the Silk Road for a mix of high-speed rail, road construction, electricity upgrades, port development and coal power plants.[13]

Several connectivity projects have been unveiled to link China's underdeveloped and land-locked western region to open seas in the Indian Ocean and Gulf of Thailand for human, goods and energy transportation. The key to the success of the MSRI lies in future cooperation on connectivity and the new initiative of the Lancang–Mekong Cooperation framework that will also boost the AIIB's role in the triangular nexus of Asia's three largest Buddhist nations (Myanmar, Thailand and China).[14] The goal of connectivity inherent to the Silk Road initiative is also in sync with similar regional initiatives, such as the ASEAN plans for connectivity, the BCIM and India's plans for physical connectivity. The completion

[12]'Silk Road project sees Chinese overseas investment reach record levels', *SputnikNews.com*, (9 September 2016), available at: https://sputniknews.com/world/20160922/1045604165/silk-road-china-investment.html (accessed 10 September 2016).
[13]'Our bulldozers, our rules', *The Economist*, (30 June 2016), p. 5.
[14]Kavi Chongkittavorn, 'Emerging nexus of Myanmar–Thailand–China', *The Nation*, (22 August 2016), available at: http://www.straitstimes.com/asia/se-asia/emerging-nexus-of-myanmar-thailand-china-the-nation-columnist (accessed 30 August 2016).

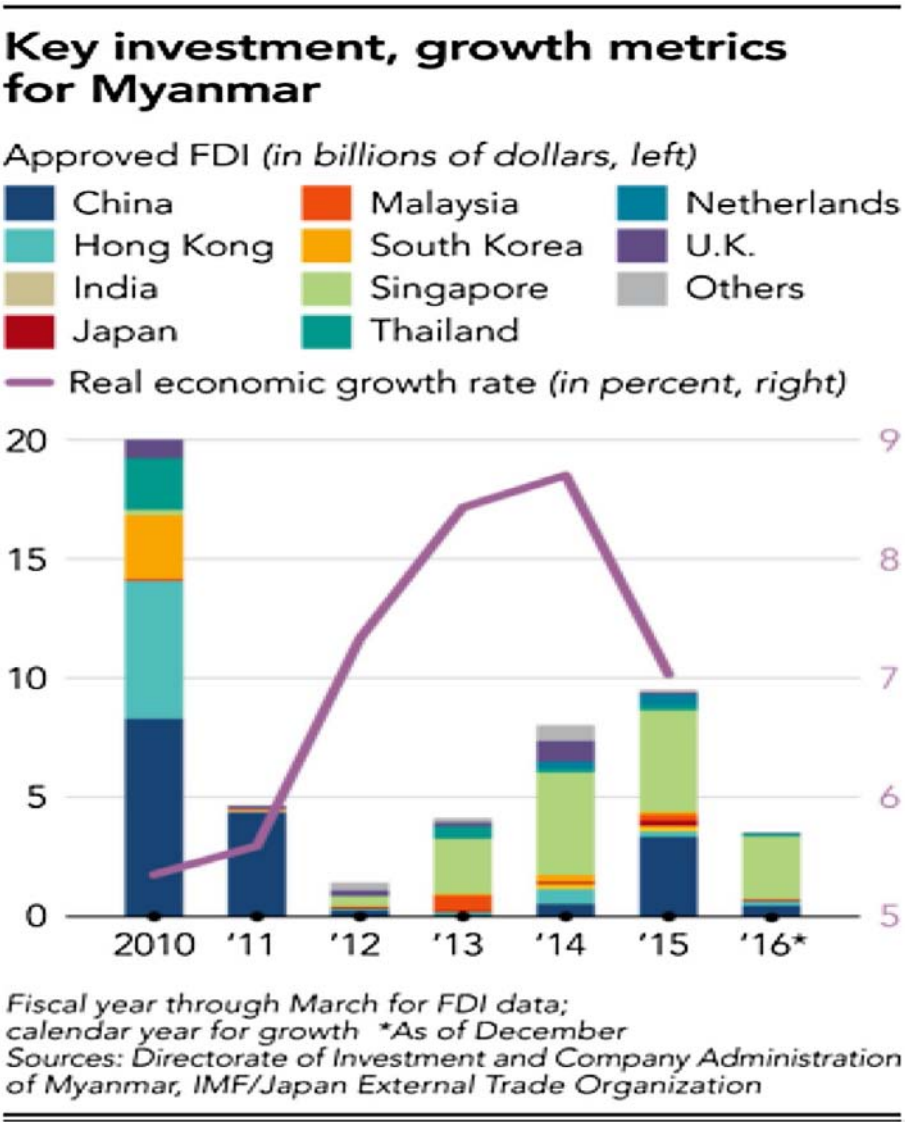

Figure 1. Key investment, growth metrics for Myanmar.

of the Asia Highway connecting Thailand and India via Myanmar in 2015 ties Myanmar to the more dynamic Thai economy. Myanmar and Thailand have also agreed on establishing a special economic zone between the Thai border town of Mae Sot and Myanmar's Myawaddy. This connectivity will be further enhanced by links to a planned deep-sea port in Dawei in Myanmar. As Thailand moves up the economic value chain, it should offload some production lines to Myanmar.[15] Mainland Southeast Asia is a key hub for China's MSRI to develop transportation networks to both South and Southeast Asia and to move manufacturing offshore to low cost producers such as Myanmar, Laos, Cambodia and Bangladesh. In contrast with maritime Southeast Asian states at odds with Beijing over the SCS disputes, countries like Laos, Cambodia, Myanmar and Thailand have welcomed the MSRI. The importance attached to the railway projects through Laos and Thailand 'reflects a strategic reorientation in China's policy toward mainland Southeast Asia'.[16]

[15]Information here is based on Rees, 'Myanmar cannot ignore China'.
[16]Yun Sun, 'China's strategic focus on mainland Southeast Asia', *CogitAsia.com*, (22 December 2015), available at: http://cogitasia.com/chinas-strategic-focus-on-mainland-southeast-asia (accessed 29 August 2016).

Figure 2. Myanmar-China relations: High mountains, distant emperors. Source: The Economist, Apr 23rd 2016. https://www.economist.com/news/asia/21697287-aung-san-suu-kyi-extends-wary-welcome-china-tries-regain-lost-influence-high-mountains.

China–Myanmar Economic Bonds

China's economic slowdown coupled with Myanmar's attempts to diversify its partners notwithstanding, China is still the most important player in Myanmar's economy and trade, and is likely to remain so. In December 2015, Myanmar's parliament approved plans to develop a deep-sea port, industrial zone, logistics hub and other facilities in Kyaukpyu—all by Chinese companies. China's size, proximity, economic complementarity and familiarity with the country work to Beijing's advantage. During 1988–2016, China's direct investment of US$18.53 billion, poured into nearly 130 projects in Myanmar, dwarfed all other countries; the EU was second with under US$6 billion over the same period. Figure 1 shows major investors in Myanmar while the map in Figure 2 shows the location of some of China's major investment projects in the country.[17]

Beijing has indicated a willingness to be flexible on loans and pricing to enmesh Myanmar in China's regional economic network provided its government 'remains friendly and cooperative'.[18] With its new role as a mediator in peace talks between rival ethnic groups and governments, Beijing is also better placed to tailor investment projects to bring peace to insurgency-hit impoverished areas. According to Song Qingrun,

[17]Aaron Balshan, 'Why the US shouldn't have lifted sanctions on Myanmar', *The Diplomat*, (3 October 2016), available at: http://thediplomat.com/2016/10/why-the-us-shouldnt-have-lifted-sanctions-on-myanmar (accessed 4 October 2016). Some estimates put Chinese investment around US$10 billion until 2009 and around US$12.5 billion between 2009 and 2012.

[18]Yun Sun, 'Aung San Suu Kyi's visit to Beijing', *Security Risks Asia*, (19 August 2016), available at: http://www.security-risks.com/security-trends-south-asia/myanmar/aung-san-suu-kyis-visit-to-beijing-recalibrating-myanmars-china-policy-6588.html (accessed 25 August 2016).

Table 1. Major Chinese MNCs and key projects in Myanmar.

Industry	PRC Company	Project	Status
Hydropower	China Power Investments Corporation (CPIC)	Mytisone Dam	Suspended 2011
	China Power Investments Corporation (CPIC)	Dams on Irrawaddy	Under construction/in operation
	China Three Gorges Corporation	Salween River	Suspended
Electric power	State Grid Corporation of China	Mandalay region	Operational
Hydroelectric	Sinohydro Corporation	Tarpein	Operational
Coal-fired power stations	China National Heavy Machinery Corporation (CHMC)	Tigyit (Shan state)	Operational
Mining	NORINCO	Mwetaung Nickel mine	Exploration
	NORINCO/Wanbao Mining Co.	Letpadaung copper mine	Suspended 2012 Under construction 2014
	China Non-ferrous Metal (CNMC)	Tagaung Nickel mine	Operational
	NORINCO	Mwetaung Nickel mine	Exploration
Telecom	China Mobile		Operational
Oil & gas	China National Offshore Oil Corporation	Oil exploration	Operational
	China National Petroleum Corporation (CNPC)	Myanmar–China gas pipeline, refineries	Operational
	Petro China	Kyaukphyu–Kunming oil pipeline	Operational
Railway	China Railway Engineering Corporation (CREC)	Kunming–Kyaukphyu railway	Suspended 2014
Infrastructure	CITIC Group China Harbor Engineering Company China Merchants Holdings	Kyaukphyu SEZ & Port	Under construction

> China is the largest source of FDI, with investment agreements worth $25.4 billion signed between China (Hong Kong included) and Myanmar in the first 7 months of the year [2016], accounting for 40% of the total FDI to Myanmar, and 3.5 times the combined FDI from the US, EU and Japan.[19]

Other estimates of China's FDI in Myanmar as of August 2016 put it at 28.13% of total foreign investment, while India made up a mere 1.14%.

In 2014, China accounted for 42.7% of Myanmar's imports by value and 65.2% of its exports. Myanmar's next-largest partner, Thailand, is overshadowed by China in comparison, accounting for 19.3% of Myanmar's imports and 16.4% of its exports. In the fiscal year 2014–2015, China made up one-third of Myanmar's total trade volume, which stood at US$29.16 billion.[20] However, official economic data do not account for the trade in narcotics, black market timber, minerals, jade and Chinese shell companies operated by smugglers in Myanmar.

Myanmar's government earns billions of dollars from oil and gas pipelines, owned by China National Petroleum Corporation (CNPC), that bring gas from offshore Shwe gas platforms in the Bay of Bengal, and oil shipped to the Myanmarese coast from the Middle East, into the hinterlands of Yunnan.[21] The pipelines, the construction of a deep-sea port near Sittwe in Rakhine state where the two pipelines start from and the Kyaukphyu Special Economic Zone (SEZ) are indicative of how China is using infrastructure development within Myanmar to promote its energy and maritime security by lessening reliance on

[19] Song Qingrun, 'Benign engagement between Myanmar, China and the United States', *China–US Focus*, (6 September 2016), available at: http://m.chinausfocus.com/article/4869.html (accessed 20 September 2016).
[20] 'Myanmar looks to China to increase foreign direct investment', *Oxford Business*, (28 September 2016), available at: http://www.oxfordbusinessgroup.com/news/myanmar-looks-china-increase-foreign-direct-investment (accessed 4 October 2016).
[21] Cao Siqi and Shan Jie, 'Sino–Myanmar oil pipeline launch a good signal: experts', *Global Times*, (28 March 2017), available at: http://www.globaltimes.cn/content/1039861.shtml (accessed 30 March 2017).

maritime transportation through the Malacca Straits.[22] Beijing has not given up on the railway line project, and work on the Kunming–Kyaukphyu railway line on China's side of the border has already been completed. China is also investing heavily in regional transportation networks. A railway link between Kunming and the Laotian capital Vientiane is now under construction. To meet Myanmar's growing energy needs, China Power Investments Corporation (CPIC) has proposed spending US$20 billion on a series of dams along the upper reaches of Burma's sacred heartland river, the Irrawaddy. In addition, Guangdong Zhenrong Energy plans to build a US$3 billion oil refinery further south in Dawei, near the border with Thailand. Table 1 provides a list of major Chinese projects in Myanmar.

Although Beijing retains considerable commercial and strategic influence, Myanmar is no longer a poor pariah nation. Now, Naypiytaw has other suitors that Beijing must contend and compete with. It cannot simply buy support by bribing generals. Foreign capital is pouring in: Singapore, Malaysia, Thailand and Vietnam ranked among the top five investors in 2013–2014 in Myanmar, and China's US$2.8 billion investment in 2016–2017 was down by nearly US$500 million compared with the previous year.[23] Myanmar aims to achieve US$6 billion in annual FDI between 2017 and 2020, raising the target to US$8 billion from 2021 through to 2030. For fiscal year 2015–2016, Myanmar received a record US$9.5 billion in FDI.[24] Global players are jostling for a slice of the huge infrastructure market, estimated to top US$130 billion. With the lifting of decades-old sanctions in October 2016, American power suppliers APR Energy and Convalt Energy have offered to build power plants. Thailand's largest construction company, Italian–Thai Development, is going to build a liquefied natural gas (LNG) plant in Dawei while PTT, a Thai state-owned oil and gas company, will construct a LNG plant in Kanbauk in the southeastern Tanintharyi region.

While China's CITIC is constructing a large deep-water port in Kyaukpyu, India's Essar Group in January 2017 completed the construction of a new port at the mouth of the Kaladan River that links the western city of Sittwe and northeastern India. According to one commentary,

> The Indian achievement pips to the post a Chinese endeavor to create a deep-sea berthing infrastructure and an SEZ further down the Rakhine coast at Kyaukphyu. The two investments are inevitably being seen as the Asian competitors' attempt to expand their spheres of naval influence in the Indian Ocean region, as in the case of Gwadar in Pakistan and Chabahar in Iran being built by China and India, respectively.[25]

Nonetheless, India's assistance under different categories of US$1.75 billion is easily dwarfed by that of Japan's. In November 2016, Tokyo stepped forward with a whopping US$7.7 billion aid over the next five years, making it the biggest donor.[26] Japanese investment and official development assistance (ODA) has been the driving force behind the development of Burma's first SEZ at Thilawa port near Rangoon and it is contributing significantly to transportation and electricity projects. Japanese ODA and low-interest, long-term yen loans come with considerably better terms than most Chinese investments. Myanmar is keen to attract Japanese, Korean and other investment into its railway modernization plans (e.g. the Mandalay–Yangon line) and in the US$14 billion Kyaukphyu SEZ being built by China's CITIC Group.[27]

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[22] P. S. Ramya, 'China's Myanmar conundrum', *The Diplomat*, (22 April 2015), available at: http://thediplomat.com/2015/04/chinas-myanmar-conundrum (accessed 25 August 2016).

[23] 'China's investment in Myanmar declines in 2016–2017 fiscal year', *Xinhuanet.com*, (8 March 2017), available at: http://english.mofcom.gov.cn/article/counselorsreport/asiareport/201703/20170302529763.shtml (accessed 10 March 2017).

[24] 'Myanmar looks to China to increase foreign direct investment', *Oxford Business*.

[25] 'Construction of the sea port is the first phase of an integrated $500-million project being funded by a long-term interest-free loan provided by India', see Ashis Ray, 'Kolkata–Mizoram trade route to open via Myanmar', *The Hindu*, (10 December 2016), available at: http://www.thehindu.com/news/international/Kolkata-Mizoram-trade-route-to-open-via-Myanmar/article16790655.ece (accessed 15 January 2017).

[26] *Ibid*.

[27] Phyo Wai, 'The Myanmar–China dilemma', *Eleven*, (8 March 2017), available at: http://www.elevenmyanmar.com/opinion/8220 (accessed 15 March 2017); Motokazu Matsui, 'Myanmar's great infrastructure race kicks off', *Nikkei Asian Review*, (11 January 2017), available at: http://asia.nikkei.com/Politics-Economy/Economy/Myanmar-s-great-infrastructure-race-kicks-off (accessed 15 January 2017).

MSRI: the Geo-Strategic Dimension and China–Myanmar Relations

Economic expansion creates overseas interests, fuels grandiose geopolitical ambitions and inevitably leads to military expansion. The colonization of Asia, Africa and Latin America by industrializing European powers in the eighteenth and nineteenth centuries was driven by the search for natural resources to fuel industrialization, markets to dump manufactured goods and bases (coaling stations) to protect both. These three variables—resources, markets and bases (RMB)—usually go together. Trade, markets, resource extraction, and port and infrastructure development are also now major ingredients of China's foreign policy. As in the past, the 'new' great game is essentially about having pliant and friendly regimes in resource supplier nations and ensuring access to ports for sea lane safety. Not surprisingly, parallels are being drawn between China's BRI and Lenin's theory of 'imperialism as the highest form of capitalism'. Both are indeed driven by capitalist surpluses in search of overseas RMB which bring them into competition and/or conflict with other overproducing capitalist societies in quests for their own RMB.[28] There is no denying that MSRI has a strong economic agenda, but it blends geopolitical and strategic objectives as well. The BRI points to China pursuing a foreign policy that seeks to simultaneously secure its continental and maritime interests via dominance of the Eurasian heartland and exploitation of its natural resources for its future economic growth, and development of a powerful navy. It shows the influence of nineteenth-century geopolitical thinker Halford Mackinder and maritime strategist Alfred Thayer Mahan.

Given the strategic importance of Myanmar's role in China's maritime strategy, Chinese strategists since the early 1990s have been questioning India's view of its status in the Indian Ocean, seeing India 'as the main party [which will be] affected by China's naval surges into the Indian Ocean in the next century'.[29] In 1993, director of the Chinese Academy of Military Sciences General Zhao Nanqi reportedly said that 'we are not prepared to let the Indian Ocean become India's Ocean'.[30] As early as in 1991, one Chinese analyst, Hua Di, remarked that 'China cannot claim to be a truly global superpower unless it has the capability to dominate two oceans, the Pacific and the Indian Ocean'.[31] This strategic debate coincided with China's emergence as an importer of Middle Eastern oil in 1993. Furthermore, nearly 80% of China's trade is carried by sea through the Strait of Malacca, the Indian Ocean and the Suez Canal, and the predominance of the Indian and American navies along these sea lanes was viewed as a threat to Chinese security. Arguing that China's SLOCs are subject to military blockades or interruption in the East and South China seas, Chinese defense planners began stressing the need for 'a route from Yunnan to Rangoon [as] an important transport line for goods and materials'.[32] Beijing's moves into Myanmar in the 1990s were thus a manifestation of a long-term Chinese strategic objective—an opening to the Bay of Bengal/Andaman Sea via China's southwest frontier.

Since China has significant advantages over its Asian neighbors in terms of geography, military and economic power, infrastructure diplomacy could redefine and reinforce relations with its neighbors. The author argues that China is building an empire of 'exclusive economic enclaves' (EEEs) that would give Beijing strategic influence. China's goal in its foreign relations is not usually conquest or direct control, but freedom of action, economic dominance and diplomatic influence through coercive presence. Beijing's growing might has strengthened the hold of traditional notions of hegemony, cultural supremacy and tributary relationships whereby patronage, protection and trading privileges are dispensed to countries in return for their obeisance. Some Chinese officials joke about buying off smaller countries instead of invading them. Through its economic stranglehold over Cambodia, Beijing

[28]See Charles Clover and Lucy Hornby, 'China's great game: road to a new empire', *Financial Times*, (12 October 2015), p. 1; Walter Mead, 'Xi wants foreign support for One Belt One Road', *The American Interest*, (26 May 2016), available at: http://www.the-american-interest.com/2016/05/26/xi-wants-foreign-support-for-one-belt-one-road (accessed 30 September 2016).

[29]Yossef Bodansky, 'PRC revives military threat to Taiwan as a prelude to wider expansion', *Defense & Foreign Affairs Strategic Policy* (July–August 1995), p. 11.

[30]General Zhao quoted in *Time*, (10 May 1993), p. 39; PTI, 'China's plan to build up navy', *Hindustan Times*, (13 January 1993), p. 14.

[31]Hua Di's remarks at a seminar at the Australian National University, Canberra, in May 1991. Also see 'Beijing expands its navy', *Inside China Mainland* [Taiwan], (April 1993), p. 67.

[32]See Chu *et al*., 'China's national security in the year 2000', cited in Larry M. Wortzel, 'China pursues traditional great-power status', *Orbis* 38(2), (1994), p. 164.

has come to hold an effective veto in ASEAN. With its infrastructure development and export-oriented industrial strategy, China is creating economic interdependencies that will constrain others from making policy choices that run counter to China's interests. Despite geopolitical frictions, Beijing has also used its economic muscle to draw countries such as Myanmar, the Philippines, Malaysia, Thailand and Sri Lanka into its orbit of influence. Many recipients of Chinese largesse are also leaning toward statist models of development, thereby weakening democratic institutions.

From 'String of Pearls' to Maritime Silk Road: a Forward Basing Strategy?

In 2004, President Hu Jintao spoke of the 'Malacca dilemma' and the need to develop China into a maritime power. This led to speculation about Beijing's plans to develop port facilities around the Indian Ocean in a 'string of pearls' strategy to secure its own trade and energy supplies along the sea lanes dominated by the US navy. The proverbial pearls on the string included the ports in Myanmar, Bangladesh, Sri Lanka, the Maldives and Pakistan. While no official acknowledgement of such maritime ambitions was ever made, Chinese analysts and retired naval officers gradually began advocating acquisition of overseas bases to ensure stable energy supplies and to break through the perceived geopolitical encirclement of China by the US and its allies. As China's navy began taking part in anti-piracy operations off the coast of Yemen, influential Chinese voices called on Beijing to pursue formal military alliances, build overseas bases and openly compete with Washington.[33]

Coinciding with this chorus for overseas bases was a concerted effort at reclaiming and militarizing artificial islands in the SCS, which was widely viewed as a strategic stepping-stone for naval supremacy in China's own backyard and for projecting power into maritime Southeast Asia. China's 2015 Defense White Paper formalized a new maritime strategy encompassing 'open seas protection' for which its naval capacity to protect its overseas interests and assets must increase. This makes a naval presence in the Indian Ocean an integral part of China's maritime strategy.[34]

Xi's MSRI is a logical culmination of the Chinese navy's two-ocean strategy (the Pacific and Indian oceans) that will also serve to restore China's historical maritime prestige after a gap of some 600 years. Senior military officers acknowledge that the MSRI would have a 'security component'.[35] Rear Admiral (retd) Yin Zhuo has called for building 'at least five to six aircraft-carriers' in order to maintain 'two carrier strike groups in the West Pacific Ocean and two in the Indian Ocean'.[36] Within a decade, China is projected to have the largest naval and submarine fleets. Given the weak or non-existent naval capabilities of Southeast Asian countries, China's island fortifications will help the Chinese navy acquire sea denial capability that may well be more successful than the Maginot line.[37]

Still, Beijing is treading carefully to advance its goals by creating a network of 'geo-economic alliances' that will add to its strategic outreach. Despite China's propensity to conceal its naval ambitions, coupled with the rhetoric of mutually beneficial 'win–win' economic relationships, the strategic approach dominates in the SCS and the Indian Ocean. With a fusion of commercial initiatives and strategic goals, Beijing is courting many resource-rich countries and strategically located small states that may facilitate a forward presence and augment power projection capability in the future. The Belt and Road megaproject

[33]Yan Xuetong quoted in Nathan VanderKlippe, 'A Chinese dynasty with a 21st-century outlook', *The Globe and Mail*, (27 August 2016), available at: http://www.theglobeandmail.com/news/world/a-chinese-dynasty-with-a-21st-centuryoutlook/article31576784 (accessed 29 August 2016). Also see Xu Yao, 'Overseas military bases not alliances', *China Daily*, (14 January 2015), available at: http://usa.chinadaily.com.cn/opinion/2015-01/14/content_19312377.htm (accessed 24 August 2016); and Tu Debin, Ma Yahua *et al*., 'Research on China's maritime transportation security' ['中国海上通道安全及保障思路研究'], *World Regional Studies* [世界地理研究] 24(2), (2015), pp. 1–10.

[34]The State Council Information Office of the PRC, *China's Military Strategy* (2015), available at: https://jamestown.org/wp-content/uploads/2016/07/China%E2%80%99s-Military-Strategy-2015.pdf (accessed 26 August 2016).

[35]Reuters, 'China stresses security needs for new Silk Road initiative', *The Express Tribune*, (5 May 2017), available at: https://tribune.com.pk/story/1401773/china-stresses-security-needs-new-silk-road-initiative (accessed 6 May 2017).

[36]Yang Sheng, 'China's navy budget based on security needs: experts', *People's Daily*, (28 February 2017), available at: http://en.people.cn/n3/2017/0228/c90000-9183488.html (accessed 28 February 2017).

[37]See Brian Wang, 'Maginot line in the South China Sea', *NextBigFuture.com*, (6 January 2015), available at: http://nextbigfuture.com/2015/01/maginot-line-in-south-china-sea.html (accessed 10 July 2015).

will create separate land and sea transportation corridors and help China thwart any encirclement by a concert of hostile powers. That is why many see it as Beijing's strategic riposte to Washington's Asia pivot. One Chinese commentary noted, 'China's "Maritime Silk Road" is not only an economic development plan, but also a strategic solution to breaking the tight US control of the Strait of Malacca'.[38] China will not spend hundreds of billions of dollars on infrastructure projects under the MSRI without the promise of future strategic benefits, and de facto control or privileged access to dual-use naval ports and airbases. 'China usually bundles military and civilian uses in a [single] project', explains naval analyst Li Jie.[39] Not just commercial ports, but nearly all infrastructure projects (e.g. telecommunications and highways) have dual use and can be upgraded to support naval operations in wartime situations.

Myanmar figures prominently in Beijing's maritime strategy as 'a strategic asset', and its long shoreline is seen as 'China's west coast' that would allow Beijing to bypass the risks associated with trade through the Malacca Straits.[40] Its significance is evident from Beijing's proposal to abandon the controversial US$3.6 billion Myitsone megadam project in return for preferential access and majority control (70–85% stake as opposed to the proposed 50/50 joint venture) in the US$7.3 billion Kyaukpyu deep-sea port on the Bay of Bengal, a move that could heighten tensions within and without.[41] Strategically, this places Myanmar as a source of energy and a trans-shipment route for China. As part of its ambition to secure more access to the Indian Ocean, China has also proposed a new trading route—a waterway from the town of Bhamo in northern Myanmar to the Irrawaddy Delta. Beijing's influence over neighboring Thailand and Cambodia also continues to grow.

Generally speaking, Beijing acts in a piecemeal, quiet and patient fashion, only bringing the pieces together 'when the conditions are ripe'. This is seen in the case of Sri Lanka where China took advantage of the Sri Lankan civil war in the mid-2000s to establish a strong foothold in that country. In return for becoming the regime's largest benefactor during its fight against Tamil separatists, China's navy obtained a strategic toehold in the critical sea lanes in the Indian Ocean through its development of the Hambantota and Colombo ports. China's strategy of fusing its maritime expansion with regional economic development and multilateral integration is yielding rich dividends. A military base in Djibouti along with major port development projects in Pakistan, the Seychelles, Sri Lanka, Myanmar, Malaysia and Cambodia define the contours of China's Maritime Silk Road—an oceanic connectivity project centered on the Indian Ocean. For Beijing, the Xinjiang–Gwadar railroad and pipeline and the Kunming–Kyaukpyu railway and pipeline constitute the two most critical veins of the 'Belt and Road' as both provide access to the Indian Ocean and help overcome the Malacca Strait strategic vulnerability.

The MSRI and new financial institutions seek to convince neighbors that they have everything to gain from cooperation with China and a lot to lose from containing China. China's global clout has ensured that adverse political change, whether in Myanmar, the Maldives or Sri Lanka, will not damage Chinese economic investments and strategic interests.

MSRI: Roadblocks, Detours, Cracks and Fault Lines

Despite its endorsement by Myanmar and 60 plus other countries, major problems confront MSRI. Whether it succeeds or falls short of its original objectives depends on how China responds to the obstacles in its path.

[38]'The South China Sea is China's future economic growth point', *ChinaScope.org*, (4 March 2015), available at: http://chinascope.org/main/content/view/6982/104/ (accessed 10 March 2016); 'Zhong ping: nanhai jiang shi zhongguo weilai jingji chang dian' ['The focal point of China's future economic growth is in the South China Sea'], *China Review News*, (21 February 2015), available at: http://hk.crntt.com/doc/1036/2/2/0/103622065.html (accessed 10 July 2015).

[39]Li quoted in Liu Zhen, 'Pakistan port on China's radar for naval base', *South China Morning Post*, (7 June 2017), p. 5.

[40]See Jane Perlez and Wai Moe, 'Visiting Beijing, Myanmar's Aung San Suu Kyi seeks to mend relations', *New York Times*, (17 August 2016), available at: http://www.nytimes.com/2016/08/18/world/asia/visiting-beijing-myanmars-aung-san-suu-kyi-seeks-to-mend-relations.html (accessed 17 August 2016).

[41]Yimou Lee and Saw Myint, 'China seeks up to 85 percent stake in strategic port in Myanmar', *Reuters.com*, (5 May 2017), available at: http://mobile.reuters.com/article/idUSKBN1811DF (accessed 5 May 2017).

At the geopolitical level, 'peaceful rise' and 'win–win' rhetoric notwithstanding, China arouses unease among Asian countries because of its size, history, proximity, power, and more importantly, because memories of 'the Middle Kingdom syndrome' have not dimmed. Strategic mistrust pervades bilateral relations. Given Beijing's penchant for using its economic and military muscle to intimidate others, they worry more about China than about the United States, Japan or India. Foreign Minister Yang Jiechi's statement to his Southeast Asian neighbors in 2010 that 'China is a big country and other countries are small countries and that's just a fact' still rankles with many in the region.[42] Beijing expects others to respect its core interests by placing them above their own national interests—a sort of tributary relationship that acknowledges China as the lord of Asia. Asians want to benefit from economic ties with China, but none wants to become a Chinese vassal. Against this background, linking the MSR to China's national rejuvenation as a maritime power or as part of the 'China Dream' may do more harm than good insofar as it arouses suspicions that it is 'a Trojan horse for extending geopolitical clout, and dumping excess capacity abroad as China's economy flags'.[43]

Even as governments in Myanmar and other developing countries welcome Chinese investments, opposition parties and civil society push back against Beijing's economic dominance. Chinese aid, loans and investments provide a vital lifeline to beleaguered regimes that allows their leaders to disregard human rights and good governance and become more repressive. Far from generating goodwill, the growing economic interdependence creates its own stresses and strains. Tensions center on the use of imported Chinese labor, poor environmental standards and debt accumulation by host governments. Beijing often ends up facing the consequences of cutting shady business deals with corrupt and autocratic leaders who get voted/booted out when citizens rise in revolt over corruption.[44]

In addition, Beijing is deeply involved in Myanmar's ethnic conflict. Several ethnic groups—the Kachin, Kokang, Shan and Palaung—fighting with the army inhabit both sides of the Sino–Myanmarese border. China officially professes its support for stability along the border, yet Beijing has played both sides for years, signing deals with the government while funding and arming rebel groups. The reason for keeping ethnic armed groups on a tight leash is to retain the option of stepping up aid to rebels to punish Myanmar if it is perceived as going too far or tilting toward 'China-wary' countries.[45] Nonetheless, border disputes, continuing ethnic strife and insurgencies threaten Beijing's MSR priorities, such as border security and connectivity projects, which require the support of the Myanmar government.

The organizing principle of Xi's BRI is a Sino-centric unipolar Asia which is diametrically opposite to the vision of a multipolar Asia held by China's rivals; its cumulative effect will be to bring Central, Southeast and South Asia closer into China's orbit, and extend its economic, diplomatic and possibly military supremacy across the entire region to disadvantage Beijing's rivals. Unfortunately for Beijing, 'China fever' of the 1990s has given way to 'China fear' in the 2000s.[46] China's irredentism encourages Asians to seek greater American, Japanese and Indian involvement in regional affairs to countervail China. In geo-strategic terms, China's success would be detrimental to the interests of Russia, the United States, Japan and India, which have long dominated these regions.[47]

Thus, China's economic and strategic forays are not without repercussions. Wherever China goes, Japan, India, Russia and the US are not far behind, offering potential partners options and opportunities to look beyond China. As China builds a north–south route to access the Indian Ocean from Yunnan, India and Japan are building the east–west route to integrate their investments in Myanmar, Thailand and Vietnam, and connect the South China Sea with the Indian Ocean. To counter China's AIIB, Japan

[42]Quoted in John Pomfret, 'US takes a tougher tone with China', *Washington Post*, (30 July 2010), p. 1.
[43]Charlie Campbell, 'China's Xi Jinping talks up "One Belt, One Road" as keynote project fizzles', *Time*, (18 August 2016), available at: http://time.com/4457044/xi-jinping-one-belt-one-road-obor-south-china-sea-economic-trade-business (accessed 25 August 2016).
[44]'An auspicious moment', *The Economist*, (15 January 2015), available at: https://www.economist.com/news/leaders/21639503-extraordinary-election-result-gives-country-chance-heal-deep-wounds-auspicious (accessed 26 August 2016).
[45]Bertil Lintner, 'China uses carrot and stick in Myanmar', *Asia Times online*, (28 February 2017), available at: http://www.atimes.com/article/china-uses-carrot-stick-myanmar (accessed 28 February 2017).
[46]For details, see Mohan Malik, 'Balancing act: the China–India–US triangle', *World Affairs* 179(1), (2016), pp. 46–57.
[47]Lucio Blanco Pitlo III, 'China's "One Belt, One Road" to where?', *The Diplomat*, (17 February 2015), available at: http://thediplomat.com/2015/02/chinas-one-belt-one-road-to-where (accessed 17 February 2015).

announced a US$110 billion 'partnership for quality infrastructure' (PQI) fund through the ADB. Japan's focus is on east–west corridors in competition with China's railroads and increasing its investments and trade with Myanmar and Indo-China.[48] The proposed Dawei SEZ project is a three-way cooperation among Myanmar, Thailand and Japan with a railroad linking up with the east–west transport corridor across Vietnam, Cambodia and Thailand to integrate southern Myanmar with Indo-China. Russia remains wary of China's ambitions to dominate the Eurasian Heartland. Though Washington is not opposed to China's infrastructure projects, provided they are transparent, environmentally sound, and promote employment and good governance, the United States continues to fortify its regional engagement. Democratizing Myanmar figures prominently in America's rebalancing strategy. Though bilateral trade remains miniscule, major US oil companies like Chevron's Unocal Myanmar Offshore Co. have re-entered the market. The US is also a more important source of FDI in ASEAN than China. In 2015, American FDI into the region accounted for US$13.6 billion, well ahead of China's US$8.3 billion. Since the new great game is about supply chain geopolitics, both China and the United States are vying for influence over the crucial industrial, financial and commercial nodes across Eurasia.[49]

Like Japan, India is deeply suspicious of a growing Chinese naval presence in the Indian Ocean and has publicly criticized MSRI.[50] Most Indian strategic analysts regard the MSR as a disguised 'String of Pearls 2.0'. As China's navy nurtures grandiose ambitions, India fears the PLA-N's artificial islands in the SCS becoming a basing point for patrolling in the Indian Ocean. The greater frequency of naval forays by Chinese warships and nuclear submarines in the Indian Ocean reinforces those suspicions and increases the risk of blowback for Beijing. Just as Myanmar is for China a critical entryway to the Indian Ocean, for India, Myanmar is the land bridge to Indo-China and Southeast Asia. It was at the India–ASEAN summit in Naypyitaw in late 2014 that Modi launched India's 'Act East' policy. As China's navy goes south to the Indian Ocean, India's navy is going east to the Pacific Ocean.[51] Beijing's MSRI has prompted the Indian navy to unveil a three-pronged strategy: fortify its defenses in the Indian Ocean by acquiring privileged access to bases in the Maldives, Mauritius, the Seychelles and Madagascar; conducting joint naval exercises in the East and South China Seas; and launching an ambitious naval expansion program. Since 2011, India's naval voyages have grown in number by 300%.[52] The US–India Logistics Exchange agreement benefits both as it provides India's navy access to American bases in Diego Garcia, Djibouti and the Pacific, while the US navy gains access to India's ports. The US–India 'Joint Strategic Vision' of 2015 mentioned 'support for regional economic integration' and 'accelerated infrastructure connectivity' suggesting that it could be further developed as a counter-point to China's MSRI.

To balance China's north–south transport corridors in Southeast Asia, rival India is pitching to gain an entry into Indo-China by building an east–west corridor cutting horizontally through Myanmar toward Thailand and on to Vietnam.[53] Also, the Kaladan multi-modal transport project would link Lawngtlai in India's state of Mizoram via a road and the River Kaladan to the deep-sea port at Sittwe in Myanmar's

[48]'Japan helps Burma tilt away from China', *The American Interest*, (12 July 2016), available at: http://www.the-american-interest.com/2016/07/12/japan-helps-burma-tilt-away-from-china (accessed 15 August 2016); Nikkei, 'Japan races China to secure Asian port rights', *Nikkei Asian Review*, (8 June 2017), available at: http://asia.nikkei.com/Politics-Economy/International-Relations/Japan-races-China-to-secure-Asian-port-rights (accessed 10 June 2017).

[49]Pepe Escobar, 'Why the New Silk Roads terrify Washington', *RT.com*, (7 October 2016), available at: https://www.rt.com/op-edge/361898-new-silk-roads-terrify (accessed 7 October 2016).

[50]Indrani Bagchi, 'India slams China's OBOR, says it violates sovereignty', *Times of India*, (14 May 2017), available at: http://timesofindia.indiatimes.com/india/china-road-initiative-is-like-a-colonial-enterprise-india/articleshow/58664098.cms (accessed 16 May 2017).

[51]Ilaria Maria Sala, 'When China bullies its neighbors, India gets more muscular', *Quartz India*, (16 December 2016), available at: http://qz.com/864961/when-china-bullies-its-neighbors-indias-narendra-modi-gets-more-muscular (accessed 16 December 2016).

[52]Manu Balachandran, 'India is flexing its maritime muscles in the Indian Ocean', *Quartz India*, (19 December 2016), available at: https://qz.com/864011/with-an-eye-on-china-india-steams-ahead-in-the-battle-for-naval-supremacy-in-the-indian-ocean (accessed 24 December 2016).

[53]See Wang Jin, 'Can China keep India silent over the South China Sea?', *The Diplomat*, (17 August 2016), available at: http://thediplomat.com/2016/08/can-china-keep-india-silent-over-the-south-china-sea/ (accessed 17 August 2016); Liu Zongyi, 'India's political goals hinder cooperation with China on "Belt, Road"', *Global Times*, (3 July 2016), available at: http://www.globaltimes.cn/content/992047.shtml (accessed 10 July 2016); 'To counter China's clout, India offers to stand by Myanmar "at every step"', *Times of India*, (30 August 2016), available at: http://timesofindia.indiatimes.com/india/To-counter-Chinas-clout-India-offers-to-stand-by-Myanmar-at-every-step/articleshow/53920012.cms (accessed 5 September 2016).

Rakhine province. India's construction of ports at Chabahar in Afghanistan and at Sittwe in Myanmar can be seen as India's counterbalance to the Chinese-built Gwadar Port (about 72 km away) where CPEC culminates and to Kyukphu port in Myanmar where the pipelines start for Kunming. With Myanmar allowing Japan and India to build ports on its Bay of Bengal coast, the prospects of China gaining unimpeded access to a western seaboard now look dim. Furthermore, India has stepped up aid and offered an alternative vision to China's MSRI with 'Project Mausam'—a counter-move by New Delhi to revive India's ancient trade routes and cultural linkages around the Indian Ocean.[54] Beijing's efforts to acquire sea-denial and sea control capabilities have thus prompted leading maritime powers (the US, Japan, Australia and India) to coalesce together to ensure that the northern Indian Ocean does not fall under Chinese hegemony.[55] While India and the US are collaborating in tracking Chinese submarines in the Indian Ocean, India and Japan plan to build a sea wall of 'hydrophones'—microphones with sensors placed on the seabed—between southern India and the northern tip of Indonesia to keep a check on Chinese submarine movement. Signs of pushback are everywhere. Neither the Belt nor the Road would succeed in completely de-coupling Asia or Europe from the United States. If anything, India, the US and Japan could block or derail China's plans.

At the economic level, China's rise has fundamentally restructured the regional political economy and made all Southeast Asian economies part of a China-led regional production network. This economic dependency creates despondency. The growing disunity within ASEAN and the loss of ASEAN centrality in regional affairs has resulted in 'China centrality in ASEAN affairs'. Many fear that large-scale investment could open the floodgates to Chinese economic dominance—as it has done in Myanmar, Cambodia and Sri Lanka—and, by extension, political influence. Numerous infrastructure projects and billion-dollar investment promises have failed to materialize. Even when they do, they tend to provoke socio-political backlash fearful of the long-term hidden costs of the panda hug. Debt for equity swaps provoke domestic backlash as they lead to foreign ownership. As noted earlier, China's growing economic and strategic foothold ignited protest among Myanmarese worried about external control over their country. One Myanmarese diplomat said: 'We don't want Myanmar interests trampled on by China on its road to greatness'.[56]

Despite Beijing's 'mutual benefit' rhetoric, and promises of unconditional aid, the recipients of Chinese largesse know that strings are always attached. Beijing warms to nations willing to co-operate with its strategic agenda, but angrily rebukes them when it is rebuffed.[57] Arguing that host countries' 'embrace of China's strategic agenda is always at the back of the mind of Chinese officials when they sit at the negotiation table', Yun Sun adds: 'China's support always comes at a price'.[58] Economic integration has strategic consequences. There is invariably a strategic element attached to enterprises that begin with commercial port construction or management and end with naval presence and long-term ownership rights. Actually,

> [t]he Gwadar template, where Beijing used its commercial knowhow and financial muscle to secure ownership over a strategic trading base, only to enlist it later into military service, has been replicated in other key locations in Sri Lanka, Greece and Djibouti.[59]

The modus operandi of Chinese SoEs in Myanmar, Laos, Cambodia, Malaysia, Sri Lanka, Kyrgyzstan and Greece holds lessons for others to avoid falling into Chinese debt traps that may end in strategic entrapment.[60] China's practice of bankrolling huge infrastructure projects through big loans with high

[54]Sachin Parashar, 'Narendra Modi's "Mausam" manoeuvre to check China's maritime might', *Times of India*, (16 September 2014), available at: http://timesofindia.indiatimes.com/india/Narendra-Modis-Mausam-manoeuvre-to-check-Chinas-maritime-might/articleshow/42562085.cms (accessed 20 October 2016).

[55]Wang Yiwei, 'No need for India to fall in US–Japan trap', *China Daily*, (15 March 2017), available at: http://www.chinadaily.com.cn/opinion/2017-03/15/content_28560954.htm (accessed 20 March 2017).

[56]Author's discussion with a senior Myanmarese diplomat, October 2016.

[57]Richard McGregor, 'The price tag of China's threats', *Nikkei Asian Review*, (13 October 2016), available at: http://asia.nikkei.com/Viewpoints/Viewpoints/Richard-McGregor-The-price-tag-of-China-s-threats (accessed 15 October 2016).

[58]Yun Sun, 'Suu Kyi's visit to Beijing', *Panglong.org*, (19 August 2016), available at: http://english.panglong.org/2016/08/17/aung-san-suu-kyis-visit-to-beijing-recalibrating-myanmars-china-policy (accessed 11 September 2016).

[59]James Kynge *et al*., 'How China rules the waves', *Financial Times*, (13 January 2017), p. 1.

[60]These countries are all weighed down with heavy indebtedness due to high interest rates of 4–8% on Chinese loans.

interest rates in littoral states in return for strategic concessions causes tensions internally and anxiety externally. The greater the debt, the more leverage Beijing acquires in negotiating exclusive ownership or access to land, resources, ports and airports. Myanmar, Sri Lanka and others have expressed unease with unequal business deals that burden them with high interest loans for buying Chinese products, services and labor, yet do not alleviate unemployment, corruption or environmental degradation.

For historical reasons, Asians remain highly sensitive to foreign domination. Most nations hew closer to open market (if not, open politics) and are wary of putting all their eggs in the China basket. Faced with growing criticism of Chinese firms' work practices, trade imbalances, and demands for more transparency and high environmental standards, China's leaders have begun to acknowledge 'growing pains' in the partnerships.[61] A related problem is that MSRI projects enmesh China much more closely in other countries' domestic politics. That leads to situations where Chinese businesses bear the brunt of criticism for the governance failures of ruling elites. In Myanmar, negative portrayals of China have risen in conjunction with its increased involvement in the country. Myanmarese have become vocal in expressing what they see as 'Chinese economic colonialism plundering not just their forests, but their resources in general'.[62] The public reaction to China's environmentally and socially damaging economic activities (dams, pipelines, railroads) was a major factor behind Myanmar's political reform and overtures to the West. Concerns over China's stranglehold over the economy often generate domestic pressure for political change and restrictions on Beijing's privileged access to RMB in those countries. The cancellation of the Kunming–Kyaukpyu railway project, the lackluster performance of the China–Myanmar gas pipeline, and the offer to renegotiate dam deals show the limits of this approach. Beijing is no longer Myanmar's sole patron. Transition to a civilian government not only gives Myanmar greater strategic space to maneuver between China and other suitors but also requires China to deal with multiple power brokers such as nationalistic legislators, minorities and business lobbies contributing to Myanmar's policy decisions.[63] Thus, future bilateral relations cannot be as close as they were before 2011. Myanmar sees its national interests in counterbalancing China's influence and power through its ties with India, ASEAN, Japan and the West.

Not only that, economic slowdown coupled with dramatic falls in the Chinese currency market and in foreign exchange reserves from US$4 to US$3 trillion raise questions about the longevity of the 'China dream'.[64] Official estimates show that Xi's MSR initiative would require US$4–8 trillion of investment to bring to fruition. Some wonder if it is wise to pour such huge amounts into low-return projects and high-risk countries at risk of default when China's own debt is 250% of its GDP and climbing. Many of the infrastructure projects don't make money and remain under-utilized. Interestingly, Chinese officials privately expect to lose 80% of their investments in Pakistan, 50% in Myanmar and 30% in Central Asia.[65] In fact, Beijing may have already overreached itself by creating a far-flung empire of 'exclusive economic enclaves' as the problems of harsh terrain, political change and geopolitical rivalries add to financial woes.

Lastly, China's vision may be backed with trillions worth of investment, but money alone cannot buy love and loyalty.[66] At most, it can buy short-term influence. China's railroads, highways and pipelines may bring about physical integration with Asian countries, but the political and security integration will take place only when their interests, values and vision are in harmony with those of China's. Until then, China's neighbors will take its money but balk at allowing greater Chinese influence over policy or

[61]Ding Gang, 'Populism constitutes risks to Belt & Road', *Global Times*, (29 March 2017), available at: http://www.globaltimes.cn/content/1040213.shtml (accessed 30 March 2017).
[62]Jonathan Manthorpe, 'Burma puts the brakes on resource exports to China', *Business Vancouver*, (2 February 2015), available at: http://www.biv.com/article/2015/2/Burma-puts-the-brakes-on-resource-exports-to-China (accessed 15 September 2016).
[63]'China and Myanmar: restoring a damaged alliance', *Stratfor.com*, (17 August 2016), available at: https://worldview.stratfor.com/article/china-and-myanmar-restoring-damaged-alliance (accessed 17 August 2016).
[64]Tom Holland, 'Why China's "One Belt, One Road" plan is doomed to fail', *South China Morning Post*, (6 August 2016), available at: http://www.scmp.com/week-asia/article/1999544/why-chinas-one-belt-one-road-plan-doomed-fail (accessed 6 August 2016).
[65]Oliver Stuenkel, 'The political economy of China's New Silk Road', *Post-westernworld.com*, (6 November 2016), available at: http://www.postwesternworld.com/2016/11/06/political-economy-chinas/ (accessed 10 November 2016).
[66]Simon Denyer, 'China promotes "Asia–Pacific dream" to counter US pivot', *Washington Post*, (11 November 2014), p. 1.

granting strategic concessions to Beijing. Even some Chinese analysts question the wisdom of China's single-minded devotion to trade and commerce to the exclusion of environmental standards or local political sensibilities.[67] Zheng Wang acknowledges the limits of checkbook diplomacy: 'Influence does not derive from a country's coffers, but rather from the promotion of shared values and soft power'.[68] Suspicion and distrust mean that the MSRI would deliver less than promised. Beijing needs to outline a vision of the regional order that 'de-territorializes' bilateral relations and transcends the centrality of Chinese world order in ways that appeal to other peoples.

Conclusion

For China, Southeast Asia—via the Maritime Silk Road—is a key hub in the new connectivity game. Myanmar is a very crucial part of a trade route stretching across Asia to Africa, as well as a vital link in its oil supply chain. China's interest in staking out a presence in Myanmar, and thereby the Indian Ocean, is based on an assessment of China's strategic needs as a global trading maritime power that is increasingly dependent upon overseas resources and markets. Beijing also sees itself as being engaged in a long protracted competition with other major powers and wants Myanmar (along with Cambodia and Pakistan) to remain within its orbit. If Myanmar's attempts to steer an even-handed course undermine China's interests, Beijing could resume assistance to ethnic insurgents fighting for independence. How Myanmar deals with Beijing's blandishments and bluster would determine the future of their relations. Myanmar shows the extent and limits of China's MSRI. With the weight of money, might and technology on the Chinese side, Myanmar is unlikely to antagonize the superpower on its doorstep. In an article written in 1996, this author argued that

> the present and future Burmese leaders would find it very difficult to withdraw completely from China's sphere of influence. Nor would the Chinese government allow them to do so because Burma now occupies the same place in China's calculus of deterrence in South and Southeast Asia that Pakistan does in South and Southwest Asia.[69]

That conclusion still holds true 20 years later. Whether under Than Shwe or under Suu Kyi, Beijing's topmost priority is to have a government that maintains *paukphaw* relationship which fulfils its economic need for resources and its geo-strategic need for access toward the Bay of Bengal.

As in the past, the Silk Road is an avenue for development and expansion. Should it succeed, it would bend borders and change internal and external power dynamics. China's infrastructure diplomacy plays to its strengths and offers insights into Beijing's long-term strategy for reshaping both the landscape and the seascape of the Eurasian continent and its maritime domain. Economic dominance and geopolitical heft over China's near neighbors are the key elements. Many countries seeking to improve their living standards are tilting toward Beijing. Some are, however, uncomfortable with Beijing's checkbook/infrastructure diplomacy that invariably ends in a trail of huge debts, IOUs and strategic entrapment in the form of long-term Chinese presence. From Myanmar to Mexico, concerns over China's stranglehold over local economies often generate domestic pressure for political change and the potential loss of Beijing's privileged access to resources, markets and bases in those countries. As its experience in Myanmar and elsewhere indicates, Chinese companies will need to grapple with the additional socio-political and economic considerations and adopt international best practices, including corporate social responsibility, for sustainable development. Other major players—Japan, India and the United States—could also create major road blocks along the Silk Road if Beijing fails to get their buy-in. To be successful, OBOR may well need 'an order based on rules' (OBOR). It is worth remembering that no single country built the old Silk Road in the past; it developed organically to meet foreign demand for Chinese silk. No one country can build it alone again. Its size, contours and dimensions will be determined by the laws of supply and demand. As in the past, there will be not one but several silk, spice and cotton roads in the

[67]Yimou Lee, 'China's $10 billion strategic project in Myanmar sparks local ire', *Reuters.com*, (9 June 2017), available at: http://mobile.reuters.com/article/idUSKBN18Z327 (accessed 9 June 2107).
[68]Zheng Wang, 'China's alternative diplomacy', *The Diplomat*, (30 January 2015), available at: http://thediplomat.com/2015/01/chinas-alternative-diplomacy (accessed 15 September 2016).
[69]J. Mohan Malik, 'Burma's role in regional security: pawn or pivot?', *Contemporary Southeast Asia* 19(1), (1997), p. 52.

future. While optimists predict the Silk Road will kick-start flagging global economic growth, skeptics see it as China's play for power and influence that is doomed to fail. However, this author believes that the BRI is too big to fail completely. Beijing can take credit because China's aid stimulates development and galvanizes its rivals to step up to contribute to others' development. Since most, if not all, of the projects that sport the label would probably have been built anyway, by 2049 Beijing can proclaim success: mission accomplished!

Acknowledgements

The author thanks Jean-Marc F. Blanchard, Brent Christensen, Donald Emmerson, Thomas Fingar, Jonathan Odom, May Tan-Mullins, Meihua Roy and the editor for invaluable feedback on earlier drafts. The views expressed herein are his own.

Disclosure statement

No potential conflict of interest was reported by the author.

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