North East and the China-Myanmar Economic Corridor (CMEC)

Rangan Dutta

January 2018

Abstract

Building "Economic Corridors" across nation states has become a geo-political buzzword in Asia ever since China launched her Belt and Road Initiative and the China-Pakistan Economic Corridor. The proposed China-Myanmar Economic Corridor (CMEC) will begin from Kunming in Yunnan province of China to Mandalay in central Myanmar and extend east to Yangon and west to Kyaukphyu Special Economic Zone that China helped Myanmar to establish; and from Kyaukphyu port begins the strategic 1,060 km gas and oil pipelines that China built across Myanmar to link Kunming at an investment of $7.5 billion and commissioned during 2013-15. While India's concern about the growing Chinese influence in the region is understandable, the fact remains that the initiatives like the BCIM (Bangladesh-China-India and Myanmar) remained a non-starter, especially after China launched CPEC which passes through the areas of Kashmir under illegal occupation of Pakistan and is seen as a China-led initiative. China is well positioned to play the role of a mediator between Myanmar and Bangladesh in the current Rohingya problem as demonstrated in the recent Bangladesh-Myanmar agreement to a phased repatriation of the Rohingyas to Rakhine.

One must note that the World Bank experience of promoting the corridor concept in south West Europe suggests that to succeed it must lead to " regional economic integration" and hence a common market. As of now details of such policies and strategies are not clear in both CPEC and CMEC. Once these are put in place aligning Indo Myanmar Kaladan multi modal transport project for providing India's land locked North East region access to Sittwee seaport in Rakhine backed by "coordinated incentives" to build a common market might emerge as a game changer in south Asian geo-economics.

Analysis

In South Asia now, geo-economics seems all set to shape the region's geo-politics with Beijing's ambitious US$ 50 billion China-Pakistan Economic Corridor (CPEC), designed ostensibly to integrate economies of the restive Xingian and western provinces with that of Pakistan. But its real strategic objective is to develop the sea ports of Pakistan's Baluchistan to enable western China and the energy-rich Central Asian republics to gain unfettered access to the Gulf and the Arabian Sea.

In this background, China's reported move to build an economic corridor with Myanmar is cause for some concern in India. The idea of a separate China-Myanmar Economic Corridor (CMEC) was pushed through during the recent visit of Chinese Foreign Minister Wang Yi to Myanmar following his successful efforts to persuade Myanmar and Bangladesh to discuss the Rohingya problem across the table and work out a framework of agreement to a phased programme of their repatriation to Rakhine. The Chinese have apparently done a lot of hard work to bring home to the Myanmarese Army the point that the global community and the UN system will never accept the expulsion of Rohingyas as it violates human rights and the customary international law of citizenship.

The significance of Chinese intervention, the first time in history in a long-drawn-out dispute involving two states, which till 1935, were parts of the British Raj, cannot be missed by strategic analysts, as it has demonstrated growing Chinese influence in Myanmar and Bangladesh, both of which share borders with India and are of vital importance to the success of India's Act East Policy.

The CMEC might have come as a surprise as it runs parallel to the Bangladesh-China-India and Myanmar Initiative (BCIM), but the fact remains that it has been a non-starter, especially after China launched CPEC, which passes through the areas of Jammu and Kashmir under illegal occupation of Pakistan and is seen as a China-led initiative.

Since an economic corridor has become a geo-political buzzword, it's interesting to note that the 2009 development report of the World Bank addressed the issues of building a "corridor" under the report's theme – "Reshaping Economic Geography". It mentioned that in 2004, eight countries of South East Europe designed and implemented, with the Bank's support, a regional programme of trade and transport facilitation to reduce transport costs, processing time for traders and to help customs administrations align their procedures with standards of the European Union.

This is what "corridor" means, and therefore requires, first of all, efficient regional infrastructure to reduce "economic distance within the neighbourhood, between the neighbourhood and between the neighbourhood and the leading world markets".

This must be backed up by productivity, mobility and trade enhancing infrastructure like power, telecom and internet, rail, road and air transport connectivity, research, technology and educational exchange and common regional financial services network for mutual progress.

The report points out that the global experience shows that road upgradation alone could increase trade by half, exceeding even the gains by tariff reductions. It suggests that to make the corridor work, "coordinated incentives" and institutions to provide the same, must be put in place so that corridor becomes a common market and the base of regional economic integration.

If one looks at the CPEC and the outline of the CMEC, there is absence of such a comprehensive regional economic integration effort. In CPEC it's all about power projects and roads and not even an industrial growth

strategy. Little wonder that the Pakistani media is cribbing about the lack of any focus on employment generation, which is possible only through small and medium enterprises.

One must also note the Bank's analysis that the countries of South Asia, like Myanmar, fall in the group of Type 2 countries, which are in regions with big neighbours far from world markets and runs the risk of being exposed to its large neighbour's volatility and even importing "inefficiencies" from its domestic structures.

A resource-rich country with a relatively low population of 50 million, Myanmar runs the added risk of experiencing again a neo-colonial "extractive" economic relation with China. The commissioning of 1,060 km of gas and oil pipelines from Kunming in China to Kyaukphyu port in Rakhine in 2013 and 2015 respectively, involving the Chinese investment of USD 7. 5 billion, has firmly established the Chinese strategic footprint in Myanmar. The CMEC begins from Kunming in Yunnan to go south to Mandalay in central Myanmar, extends east to Yangon and west to the Kyaukphyu Special Economic Zone that China helped Myanmar to establish.

Myanmar is a least developed country with a GDP of only $64.3 billion, a growth rate of 6.5% in 2016-17 and 70% of the population is dependent on agriculture. It badly needs foreign investment; and China has been a major source of FDI, as the USD 5 billion that Myanmar received during 2011 and 2014 principally came from China, Thailand and Hong Kong.

Notwithstanding this important Chinese role and the strong presence of the ethnic Chinese in Myanmarese business, the recent US withdrawal of sanctions against Myanmar and interest of India in participation in Myanmar's development have opened up new opportunities for expanded economic partnerships in the Myanmarese neighbourhoods. Possibly another India-Myanmar Economic Corridor along the Kaladan multi-modal transport system and the trilateral Thailand-Myanmar-India railway projects could be feasible by linking Mizoram, Tripura, Manipur and Nagaland to establish trade and industry hubs all the way to Mandalay from Manipur and to Sittwee Port and Yangon.

Convergence of the two economic corridors in Myanmar will indeed be a good idea in the true spirit of globalization that the Chinese President so forcefully endorsed at the global forums. It might give our Act East Policy a strategic vision, away from a project-based approach that allows procrastination and reduced interest. It's time for the policy makers of the Central Government and the North East states to take note of what might be a game changer in South Asia.

***

Remarks: The opinions expressed in this contribution are those of the author. This article was first published in *The Statesman* under the title 'Possible game changer' on December 25, 2017.

Giesebrechtstr. 9
10629 Berlin
Germany
Tel +49 (0)30 88 91 89 05
Fax +49 (0)30 88 91 89 06
E-Mail: info@ispsw.de
Website: http://www.ispsw.de

About the Author of this Issue

Born in Bengal on March 11, 1942 Rangan Dutta was educated at the Universities of Calcutta and New England, NSW Australia and joined the Indian Administrative Service in 1966 and posted in the Assam Meghalaya joint state cadre by the Government of India. He held important positions in the district and State HQ and also in the Union Ministries of Defence, Home, Tribal Affairs, Rural Development. On superannuation in April 2002 from the post of Director General Council for Advancement of People's Action and Rural Technology in the rank of Secretary to the Government of India, he joined the Planning Commission till 2004 as a Senior Consultant and as a Scientific Consultant in the Office of the Principal Scientific Advisor to the Government of India till the end of 2011. In 1979 he had served as an Agricultural Extension Specialist with the World Bank mission to Afghanistan to appraise Afghan wheat project and in 1980 agricultural research and extension projects in several states of India. He had served as a Senior Directing Staff at the National Defense College of India and a term as a member of its Academic Council.

Strategic issues of security and development of South and South East Asia with focus on North East region of India and India's neighborhood have been his areas of special interest which prompted him to start writing for the North East Page of *The Statesman,* the Indian English language daily, from February 2003 till date covering these issues. He also writes for the web portal www.impactnews.in on current affairs and penned down four short pieces on Myanmar and other journals.

Rangan Dutta

Giesebrechtstr. 9
10629 Berlin
Germany
Tel +49 (0)30 88 91 89 05
Fax +49 (0)30 88 91 89 06
E-Mail: info@ispsw.de
Website: http://www.ispsw.de