

Myanmar's strategy in the China–Myanmar Economic Corridor: a failure in hedging?

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The concept of *pauk-phaw*, or brotherhood, has long been used to indicate the close relationship between China and Myanmar (Burma). While Myanmar's political transition in the early 2010s heralded democratization and reintegration into the international community, at the same time it was swinging ever closer to China. This article examines Myanmar's response to the China–Myanmar Economic Corridor (CMEC) prior to the February 2021 reassertion of complete political control by the country's military, known as Tatmadaw (TMD).

We use hedging as a framework for analysing fieldwork data collected in China and Myanmar between February 2016 and February 2021, and focus on two high-profile CMEC projects as our case-studies: the Muse–Mandalay railway and the Kyaukphyu deep seaport. This article explores Myanmar's perspective as a host nation in the Belt and Road Initiative (BRI) and traces the role of domestic actors in shaping the country's reception of the CMEC. It explains the relationship between Myanmar's China policy on the one hand and the peace process and the Rohingya crisis on the other, and the increasing leverage enjoyed by China as Myanmar's domestic political space becomes more fragmented. Our aim is to bring to the surface undercurrents in domestic and international security to identify causal chains that link certain factors to particular conditions.¹ We will also show that while Myanmar attempts to hedge, the reality on the ground is more complicated, which creates challenges for the effective execution of hedging strategies.

'Hedging' dominates the analysis of south-east Asian states' asymmetric relationships with China.² Strategic hedging has been a popular strategy for small

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¹ Pascal Vennesson, 'Case studies and process tracing: theories and practices', in Donatella Della Porta and Michael Keating, eds, *Approaches and methodologies in the social sciences: a pluralist perspective* (Cambridge: Cambridge University Press, 2012), pp. 223–39.

² For a good overview of hedging, see David Lake, 'Anarchy, hierarchy, and the variety of international relations', *International Organization* 50: 1, 1996, p. 1; Brock Tessman, 'System structure and state strategy: adding hedging to the menu', *Security Studies* 21: 2, 2012, pp. 192–231; Darren Lim and Zack Cooper, 'Reassessing hedging: the logic of alignment in east Asia', *Security Studies* 24: 4, 2015, pp. 696–727; See Seng Tan, 'Consigned to hedge: south-east Asia and America's "free and open Indo-Pacific strategy"', *International Affairs* 96: 1, 2020, pp. 131–48; Xue Gong, 'Non-traditional security cooperation between China and south-east Asia: implications for Indo-Pacific geopolitics', *International Affairs* 96: 1, 2020, pp. 29–48; Mingjiang Li, 'The Belt and Road Initiative: geo-economics and Indo-Pacific security', *International Affairs* 96: 1, 2020, pp. 169–88.

and middle powers who are host nations for China's BRI.³ The concept covers a range of strategies, including the simultaneous use of cooperative and confrontational instruments to cultivate a middle position that gives states more flexibility in choosing allies and partners.⁴ Hedging constitutes a middle way between the two poles of bandwagoning and balancing, and is often attractive for small states, such as Myanmar, that have asymmetric relations with great powers such as China.⁵ While the power imbalance between the two countries influences the outcomes of Myanmar's response to the CMEC to some degree,⁶ fieldwork analysis over a five-year period in Myanmar has indicated that we can see domestic security issues such as the peace process and the Rohingya issue also having impact on Yangon's China strategy.

We will argue that, although Myanmar attempts to hedge against China in respect of the CMEC, the existence of multiple domestic actors with divergent interests compromises its ability to hedge effectively. This difficulty is compounded by China's increasing leverage in Myanmar. Particularly following the 2017 Rohingya crisis, Myanmar was subject to stringent international criticism, which provided an opening for further Chinese diplomacy, reflecting China's unparalleled position in a country where it can influence local peace and conflict as well as exercise its UN Security Council veto to protect Myanmar against intense international pressure. China is likely to have more leverage with the TMD given the course of events since February 2021, which has made Myanmar even more fragmented.

We conducted more than 50 qualitative semi-structured interviews (with key individuals involved in the CMEC and the Myanmar peace process), as well as focus groups and stakeholder meetings, in Mandalay, Naypyidaw, Yangon, Kachin and Rakhine states between May 2017 and May 2021. In China, fieldwork was conducted in Beijing and Yunnan between 2008 and 2015, and between 2017 and 2019. As we cannot disclose identifying details of sources who chose to remain anonymous, and whose situation may be made even more precarious by recent and continuing events, we do not quote interviewees directly; however, our analysis is

³ Hedging is a complex concept which has been used by great powers, middle powers and small powers. Studies have examined how hedging has been used by great powers, such as the US and China, to position themselves strategically (Rosemary Foot, 'Chinese strategies in a US-hegemonic global order: accommodating and hedging', *International Affairs* 82: 1, 2006, p. 88); by middle powers, like Japan, to position themselves between great powers (Corey Wallace, 'Leaving (north-east) Asia? Japan's southern strategy', *International Affairs* 94: 4, 2018, pp. 883–905); and by small powers to negotiate great power relations (Cheng-Chwee Kuik, 'How do weaker states hedge? Unpacking ASEAN states' alignment behaviour towards China', *Journal of Contemporary China* 25: 100, 2016, pp. 500–14). In this article, we are examining the last category, where small powers hedge to position themselves strategically against a greater power. See below section on 'Hedging and domestic actors' for a more detailed discussion.

⁴ Evelyn Goh, *Meeting the China challenge: the US in south-east Asian regional security strategies*, Policy Studies no. 16 (Honolulu: East–West Center, 2005); Kuik, 'How do weaker states hedge?'; Jürgen Haacke, 'The concept of hedging and its application to south-east Asia: a critique and a proposal for a modified conceptual and methodological framework', *International Relations of the Asia–Pacific* 19: 3, 2019, pp. 375–417; Darren J. Lim and Rohan Mukherjee, 'Hedging in south Asia: balancing economic and security interests amid Sino-Indian competition', *International Relations of the Asia–Pacific* 19: 3, Sept. 2019, pp. 493–522.

⁵ Evelyn Goh, *Understanding "hedging" in Asia–Pacific security*, PacNet no. 43 (Washington DC: Center for Strategic and International Studies, Pacific Forum, 31 Aug. 2006).

⁶ See Mingjiang Li, 'The Belt and Road Initiative: geo-economics and Indo-Pacific security competition', *International Affairs* 96: 1, 2020, pp. 169–87 (esp. p. 184), on how Chinese economic 'coercion' has resulted in the country gaining naval base rights in Myanmar.

informed by input from all these sources, and, where possible, we tried to confirm information and data obtained during fieldwork with the existing literature.

The article consists of six parts. The first section briefly introduces the concept of hedging and domestic actors; the second section examines the background of the development of the CMEC; the third section contextualizes Myanmar's security issues (civil war and the Rohingya crisis); the fourth section analyses Myanmar's hedging strategy; and the fifth section presents the two CMEC case-studies. We conclude with a brief discussion of the empirical, theoretical and policy implications of the study.

Hedging and domestic actors

According to Ciorciari and Haacke, hedging can be classified as (1) a mixed strategy where states engage with a power while adopting security measures; (2) a security strategy adopted by small powers, often in triangular relationships; (3) politics of limited or ambiguous alignment; and/or (4) states addressing strategic or economic vulnerabilities (strategic hedging).⁷ We define hedging as incorporating all four elements, whereby a small state (Myanmar) uses various diplomatic and economic strategies to hedge against a great power (China) with which it has an asymmetric relationship. Our study examines Myanmar's economic and political hedging, not military hedging, as the state strives for neutrality.

While many studies on hedging concentrate on the typology and macro-level elements, Kuik examines the micro-level aspects and operationalizes these elements by outlining the different kinds of hedging behaviour undertaken by states, namely military, political and economic hedging (with the aim in each case of minimizing risk). These elements are placed along a continuum with power rejection (a balancing strategy) at one end, and power acceptance (a bandwagoning strategy) at the other (see figure 1 below).⁸ By examining micro-level cases in ASEAN, Kuik highlights how domestic factors inform hedging strategies.⁹

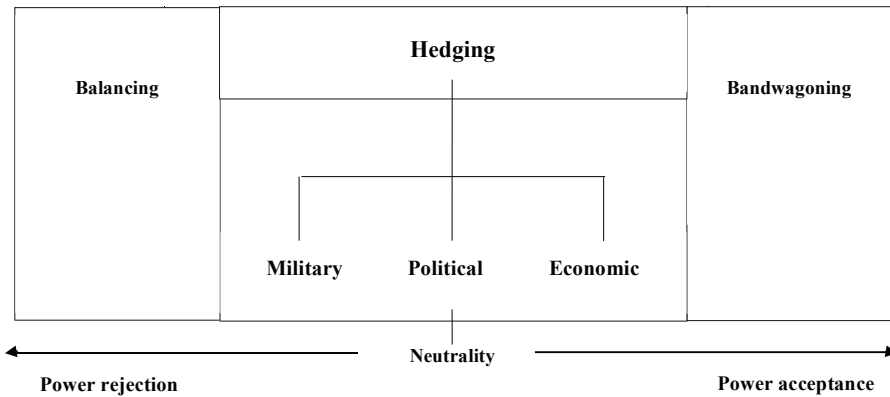
Our research expands on the typologies examined in Kuik's ASEAN study with a micro-level, in-depth case-study of Myanmar and the CMEC. We examine the domestic factors driving Myanmar's hedging behaviour, and have built a model representing these circumstances based on our fieldwork findings. If we place the efficacy of Myanmar's hedging strategies along a continuum (see figure 2 below), we can place the coherence or fragmentation of the domestic actors along the same continuum, as the two are strongly related. We acknowledge that defining Myanmar as a political agent is complex, given the country's history of protracted civil war, transition from military rule to the National League for Democracy (NLD) civilian government and the further transition back to military rule. Myanmar is defined here as a collective of the NLD government in Naypyidaw;

⁷ See John D. Ciorciari and Jürgen Haacke, 'Hedging in international relations: an introduction', *International Relations of the Asia-Pacific* 19: 3, 2019, pp. 367–74, and other articles in this special issue on *Hedging in international relations*.

⁸ Kuik, 'How do weaker states hedge?', p. 501.

⁹ Kuik, 'How do weaker states hedge?', p. 512.

Figure 1: Hedging strategies



Source: Adapted from Cheng-Chwee Kuik, 'How do weaker states hedge? Unpacking ASEAN states' alignment behaviour towards China', *Journal of Contemporary China* 25: 100, 2016, pp. 500–14.

the TMD, which officially controls Myanmar's security; and various ethnic armed organizations (EAOs) that are autonomous from the government. The analysis will focus on Myanmar under the NLD, the party led by Aung San Suu Kyi (ASSK), by examining the various actors and stakeholders in the country who have had input into its official reception of the CMEC. Myanmar policy circles understand that Myanmar under the NLD had two parallel governments—the NLD and the TMD. EAOs are particularly important in the China–Myanmar border regions where Chinese investments are concentrated. These various actors and stakeholders all have impact on Myanmar's reception of the CMEC.

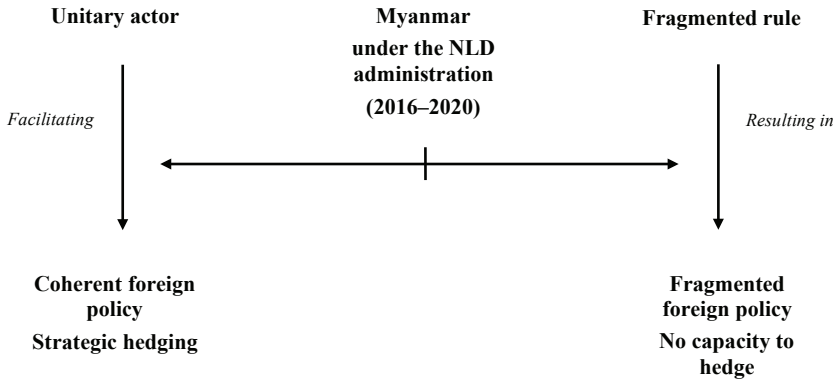
While Myanmar's approach to the CMEC is one of 'strategic hedging', its hedging capacity is compromised by both domestic and international security issues.¹⁰ The effectiveness of hedging strategies varies depending on the hedging state's domestic and international political context.¹¹ Existing literature on the hedging behaviour of ASEAN states largely assumes that states are stable, unitary actors with the capacity to deploy a coherent hedging strategy.¹² In contrast to other ASEAN countries, Myanmar has been engaged in a protracted civil war for 70 years, and is subject to extremely dramatic domestic political change. This instability undermines its ability to implement an effective hedging strategy, given the coexistence of a multitude of disparate, competing domestic actors who make foreign policy decisions.

¹⁰ Lim and Cooper, 'Reassessing hedging', p. 703.

¹¹ Lake, 'Anarchy, hierarchy', p. 11; Lim and Cooper, 'Reassessing hedging', p. 699; Alexander Korolev, 'Shrinking room for hedging: system-unit dynamics and behavior of smaller powers', *International Relations of the Asia-Pacific* 19: 3, 2019, pp. 419–52; John D. Ciorciari, 'The variable effectiveness of hedging strategies', *International Relations of the Asia-Pacific* 19: 3, 2019, pp. 523–55.

¹² Dewi Fortuna Anwar, 'Indonesia and the ASEAN outlook on the Indo-Pacific', *International Affairs* 96: 1, 2020, pp. 111–30.

Figure 2: Domestic fragmentation and hedging capacity



According to Tessman and Wolfe, ‘strategic hedging’ requires states to (1) improve their competitive ability, (2) avoid direct confrontation with the ‘system leader’, (3) be strategic and coordinated at the highest levels of government, and (4) incur domestic and international costs.¹³ There are some attempts to examine the capabilities behind hedging;¹⁴ however, these studies do not examine states in a condition of civil war that lack stability and a coherent foreign policy. We believe that all four criteria do not have to be fulfilled for a state to hedge strategically. This is demonstrated by the case of Myanmar, which arguably engages in strategic hedging but does not fulfil the third criterion.

Although studies on Myanmar frequently emphasize the success of the post-2011 democratization process and NLD agency, we demonstrate that the country’s hedging strategy is compromised by domestic and international weaknesses, including the TMD’s hold on security issues, even under NLD rule; continuing divisions related to the civil war that prevent a coordinated approach to China; related persistent divisions over EAOs, TMD and NLD rule, and these actors’ disparate contributions to Myanmar’s foreign policy-making process; and a lasting atmosphere of potentially severe threats to regime survival, ensuring that domestic and international security remained key priorities for Myanmar.¹⁵ Under the NLD, Myanmar was positioned in the middle of the spectrum in figure 2, still pursuing a policy of strategic hedging, despite having a compromised

¹³ Brock Tessman and Wojtek Wolfe, ‘Great powers and strategic hedging: the case of Chinese energy security strategy’, *International Studies Review* 13: 2, 2011, pp. 214–40 at p. 220.

¹⁴ Tessman and Wolfe, ‘Great powers and strategic hedging’; Nikolas Vander Vennet and Mohammad Salman, ‘Strategic hedging and changes in geopolitical capabilities for second-tier states’, *Chinese Political Science Review* 4: 1, 2019, pp. 86–134; Gustaaf Geeraerts and Mohammad Salman, ‘Measuring strategic hedging capability of second-tier states under unipolarity’, *Chinese Political Science Review* 1: 1, 2016, pp. 60–80.

¹⁵ Evelyn Goh and David I. Steinberg, ‘Myanmar’s management of China’s influence’, in Evelyn Goh, ed., *Rising China’s influence in developing Asia* (Oxford: Oxford University Press, 2016), pp. 55–75; Fiori Antonio and Andrea Passeri, ‘Hedging in search of a new age of non-alignment: Myanmar between China and the USA’, *Pacific Review* 28: 5, 2015, pp. 679–702; Maung Aung Myoe, ‘Myanmar’s China policy since 2011: determinants and directions’, *Journal of Current Southeast Asian Affairs* 34: 2, 2015, pp. 21–54.

hedging capability. Although the TMD had the leading role in security policy, the NLD's coherent foreign policy enabled it to hedge strategically against China; in consequence, hedging remained a viable framework within which to examine NLD behaviour.

However, since the February 2021 coup, Myanmar has become profoundly divided between the TMD and the National Unity Government (NUG)—a parallel, anti-coup government, formed by the ousted elected representative and other political leaders—and lacks the capacity to implement an effective hedging strategy. As Myanmar's foreign policy fragments, both its ability to hedge and the usefulness of the hedging framework are likely to be quite limited.

The China–Myanmar Economic Corridor

The Yi Dai Yi Lu—'One Belt, One Road' (OBOR) initiative, later rebranded as China's Belt and Road Initiative (BRI), is an ambitious geostrategic/geo-economic project.¹⁶ Myanmar is a centrepiece of China's enduring geostrategic aim, represented by the phrase 'string of pearls', to increase its maritime power by connecting ports, particularly in the Asia–Pacific region.¹⁷ Consistent with the emphasis of traditional Chinese culture on creating a harmonious and secure environment, China presents the BRI as a 'community of shared destiny' that embodies a win–win vision of development and softens the image of a militarily and economically rising China.¹⁸

Although the BRI was unveiled in 2013, initially China could not actively promote it in Myanmar because its western-leaning leadership's democratization efforts permitted civil society activism and anti-Chinese public sentiment. Bilateral relations between China and Myanmar shifted abruptly after the latter's reform process began in 2011. In late 2017, China proposed a flagship BRI project in Myanmar: the CMEC. The gradual development of this project shows that Myanmar's cautious approach to the CMEC and use of a hedging strategy have not insulated it from Chinese pressure.¹⁹ Essentially, China's unique position in Myanmar has accelerated the development of the CMEC.

¹⁶ In 2013, Xi Jinping announced the BRI, which is a Eurasian connectivity initiative including the 'Silk Road Economic Belt (SREB)', a 'Twenty-first Century Maritime Silk Road' and six economic corridors. The English translation has changed three times: from the Silk Road Economic Belt (in Xi's Astana speech of 2013), to One Belt, One Road (2014), and finally to the BRI (2015). See National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China, with State Council authorization, 'Vision and actions on jointly building Silk Road economic belt and 21 century maritime Silk Road', 28 March 2015; Astrid Nordin and Mikael Weissman, 'Will Trump make China great again? The Belt and Road Initiative and international order', *International Affairs* 94: 2, 2018, pp. 231–49; Peter Ferdinand, 'Westward ho: the China dream and "One Belt One Road": Chinese foreign policy under Xi Jinping', *International Affairs* 92: 4, 2016, pp. 941–57; Selina Ho, 'Infrastructure and Chinese power', *International Affairs* 96: 6, 2020, pp. 1465–85.

¹⁷ Feng Liu, 'The recalibration of Chinese assertiveness: China's responses to the Indo-Pacific challenge', *International Affairs* 96: 1, 2020, pp. 9–27; Keith Johnson, 'China leaps into breach between Myanmar and West', *Foreign Policy*, 29 Jan. 2020.

¹⁸ Xiangfeng Yang, 'The great Chinese surprise: the rupture with the United States is real and is happening', *International Affairs* 96: 2, 2020, pp. 419–38.

¹⁹ Jarrod Hayes and Katja Weber, 'Globalization, deglobalization and human security: the case of Myanmar', *International Affairs* 97: 5, 2021, pp. 1469–88.

The CMEC is conceptually designed as an upside-down 'Y' shape to connect the western part of Yunnan province to the Bay of Bengal in the west and Yangon in the south, via Mandalay in central Myanmar. The initiative covers not only material connectivity such as infrastructure, manufacturing, agriculture, transport, telecommunications and other technology, but also soft connectivity: human resources development, joint research and people-to-people engagement. Although the memorandum of understanding (MoU) for the joint construction of the CMEC was signed on 9 September 2018 in Beijing, CMEC projects did not make progress in the following two years owing to Myanmar's cautious approach. Despite the COVID-19 global pandemic, President Xi Jinping embarked on a historic visit to Myanmar in January 2020, resulting in 30 agreements covering 33 projects. Months later, in a May 2020 phone call with Myanmar's President U Win Myint, President Xi urged swift implementation of the CMEC.²⁰

The existing BRI literature tends to focus on the Chinese narrative, discussing China's motives behind the CMEC. Such explanations allude to both domestic and international factors driving the BRI, including economic overcapacity, the search for new markets, and economic and security drivers to propel China into its 'rightful place' in the world.²¹ In terms of the CMEC, the embryonic literature specifies three drivers.²² First, in terms of geopolitics, China desires direct access to the Indian Ocean through Myanmar to gain unfettered access to both the Indian and Pacific Oceans. Second, in terms of economics, the CMEC will help promote China's 'western development strategy' by facilitating trade between Yunnan, south-east Asia and south Asia.²³ China views the CMEC as a means of diversifying its trade routes, thereby reducing its reliance on the Strait of Malacca. Third, by harnessing Myanmar's economy and infrastructure to China's, CMEC projects will move Myanmar into China's orbit of normative power and sphere of influence.²⁴ This literature primarily examines the Chinese perspective on the CMEC; however, it pays little attention to Myanmar's agency. Certainly, examining Chinese foreign policy can yield impressions of China's vision of the BRI; however, because projects within the BRI are an iterative two-sided process

²⁰ 'President Xi Jinping speaks by phone with President U Win Myint of Myanmar', Ministry of Foreign Affairs, People's Republic of China, 5 May 2020, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1781243.shtml. (Unless otherwise noted at point of citation, all URLs cited in this article were accessible on 16 Feb. 2022.)

²¹ Since its unveiling, the BRI has been a foundation for China's domestic, regional and global aspirations. Basing it on his 'two centenary goals' policy, outlining ambitious goals for both China's security (a strong nation) and its economy (a 'wealthy nation' with high GDP targets), Xi has created an umbrella for the pursuit of his predecessor's goals in diplomacy with neighbouring countries. See William A. Callahan, 'China's "Asia dream": the Belt Road Initiative and the new regional order', *Asian Journal of Comparative Politics* 1: 3, 2016, pp. 226–43; Ferdinand, 'Westward ho', p. 944.

²² Zhao Hong and Yang Mu, 'China–Myanmar Economic Corridor and its implications', *East Asian Policy* 4: 2, 2012, pp. 21–32; Fan Hongwei, 'China's look south: China–Myanmar transport corridor', *Ritsumeikan International Affairs*, vol. 10, 2011, pp. 43–66; *Selling the Silk Road spirit: China's belt and road initiative in Myanmar*, Myanmar Policy Briefing no. 22 (Amsterdam: Transnational Institute, Nov. 2019); Lucas Myers, *The China–Myanmar Economic Corridor and China's determination to see it through* (Washington DC: Wilson Center, 26 May 2020).

²³ In 1999, Zhu Rongji introduced the 'Develop West' strategy to attract trade and stability to the region by connecting China's underdeveloped western regions (Xinjiang) via interconnectivity projects.

²⁴ Goh, ed., *Rising China's influence in developing Asia*; Ho, 'Infrastructure and Chinese power'; Yao Song, Guangyu Qiao-Franco and Tianyang Liu, 'Becoming a normative power? China's Mekong agenda in the era of Xi Jinping', *International Affairs* 97: 6, 2021, pp. 1709–26.

between China and the host nation, it is necessary to analyse both the projects themselves and how they interact with the domestic politics of the host nation. Analyses to date often ignore Myanmar's domestic-level factors, missing the links between the CMEC, Myanmar's fragile peace process, and deteriorating civil–military relations between the NLD and the TMD.

Below, we aim to fill this gap in the literature by focusing on Myanmar and examining how host nations can influence the BRI. The next section contextualizes the intermeshing of the CMEC with Myanmar's domestic peace process and international pressure over the Rohingya refugee crisis.

Chinese leverage in Myanmar's security politics

China's influence over the peace process

Since 1948, when Myanmar gained independence from the British empire, armed civil conflict in the country has been endemic; indeed, it has become a defining feature of its political landscape. Since that date, various initiatives have been employed in an effort to resolve the civil war. Under the leadership of President Thein Sein, the democratization of 2011, led by the Union Solidarity and Development Party, ushered in a new round of peace talks involving at least 20 EAOs. Generally, Myanmar-based EAOs can be categorized into two main groups based on their geographical area of operation, distinguishing those based in the region of the border with Thailand from those based in the region of the border with China. The EAOs around the China–Myanmar border include the United Wa State Army (UWSA), the Kachin Independence Army, the Shan State Progress Party, Mongla's National Democratic Alliance Army (NDAA), Kokang's Myanmar National Democratic Alliance Army (MNDAA), the Ta'ang National Liberation Army (TNLA) and the Arakan Army (AA). Taken together, the EAOs in this region constitute more than 80 per cent of non-state combatants in Myanmar. The existence of these numerous competing actors in the domestic political space has allowed China to play them against each other to advance its own interests.²⁵ Most EAOs in the Thai–Myanmar border region signed the Nationwide Ceasefire Agreement (NCA) of 2015; however, EAOs based in the China border region did not. Min Zaw Oo, director of ceasefire negotiations and implementation at the Myanmar Peace Center, stated: 'China usually says they want stability. Of course, they want stability but at the same time, they want to wield influence on the groups along the Chinese border.'²⁶

The NLD government prioritized national peace and reconciliation, and invited EAOs based in the China–Myanmar border region to commit themselves to the

²⁵ Yun Sun, *Myanmar in US–China relations: great power in Myanmar*, issue brief no. 3 (Washington DC: Stimson Center, June 2014); Hak Yin Li and Yongnian Zheng, 'Re-interpreting China's non-intervention policy towards Myanmar: leverage, interest and intervention', *Journal of Contemporary China* 18: 61, 2009, pp. 617–37.

²⁶ Quoted in Tin Aung Khine, Thiha Tun, Thinn Thiri and Nay Rein Kyaw (trans. Roseanne Gerin), 'Chinese officials "interfering" in Myanmar peace talks with ethnic rebels', Radio Free Asia, 9 Oct. 2015, <https://www.rfa.org/english/news/myanmar/chinese-officials-interfering-in-myanmar-peace-talks-with-ethnic-rebels-10092015184250.html>.

NCA and participate in the Twenty-first Century Panglong Union Peace Conference, a formal peace process. By 2017, China's influence on the peace process had increased, with seven EAOs from the China–Myanmar border region forming a political alliance led by the UWSA, the Federal Political Negotiation and Consultative Committee (FPNCC). During the five years of the NLD-led peace process, all seven EAOs from the China–Myanmar border remained outside the NCA.

China is believed to have influence over the FPNCC owing to its geographical proximity and socio-economic ties with the EAOs along its border with Myanmar. For example, FPNCC members, including the UWSA, MNDA and NDAA, use the Chinese yuan as their primary currency, and also use Chinese telecommunications services. Communication is conducted primarily using Mandarin and other Chinese dialects, and several of these groups release official statements on the peace process in both Chinese and Burmese. More importantly, China manufactures a large portion of the arms used by these EAOs. While China denies arming the EAOs, artillery such as man-portable air-defence systems, armed fighting vehicles and other advanced military equipment cannot be easily acquired through the black market; the presence of these elements in EAOs' arsenals offers a glimpse of the scale of China's influence over the peace process.²⁷ Moreover, according to data from SIPRI, China is the source of nearly half (48 per cent) of Myanmar's arms imports.²⁸

The Rohingya crisis: Myanmar's need for diplomatic allies

In addition to civil conflict, the Rohingya issue presented a major challenge to the NLD government. The NLD's departure from authoritarian rule enabled the international community to view Myanmar as a liberal democracy. As its civil society emerged, Myanmar received an inflow of foreign direct investment (FDI) and aid. However, Myanmar's positive image in general, and that of both the TMD and the NLD in particular, was deeply damaged by the large-scale cross-border movement of refugees triggered by the TMD response to coordinated attacks on police outposts by the Arakan Rohingya Salvation Army (ARSA) in late 2016, and the resulting escalation of the Rohingya crisis. The UN human rights chief Zeid Ra'ad Al-Hussein described the Rohingya refugee crisis as a 'textbook example of ethnic cleansing'.²⁹

The Rohingya crisis attracted international attention and generated calls for international intervention. Myanmar was rendered vulnerable by international pressure, including the application of the UN Human Rights Council's independent mechanism to investigate its violation of international law,³⁰ and the

²⁷ Bertil Lintner, *The People's Republic of China and Burma, not only pauk-phaw* (Arlington, VA: Project 2049 Institute, 9 May 2017).

²⁸ Pieter D. Wezeman, Alexandra Kuimova and Siemon T. Wezeman, *Trends in international arms transfers, 2020, fact sheet* (Stockholm: Stockholm International Peace Research Institute, March 2021).

²⁹ 'UN human rights chief points to "textbook example of ethnic cleansing" in Myanmar', UN News Centre, 11 Sept. 2017, <https://news.un.org/en/story/2017/09/564622-un-human-rights-chief-points-textbook-example-ethnic-cleansing-myanmar>.

³⁰ *Independent international fact-finding mission on Myanmar*, UN Human Rights Council, March 2017, <https://>

International Criminal Court's inquiry into the Rohingya issue.³¹ In addition to these collective actions, several countries, including the United States, the United Kingdom, Canada and several European nations, responded unilaterally with harsh condemnation, arms embargoes and targeted sanctions.³² In July 2019, for example, the US State Department imposed sanctions on the top four Myanmar military leaders, including the commander-in-chief, General Min Aung Hlaing.³³ In terms of economic backlash, a leading senior government official in Myanmar said in September 2018 that he had underestimated the impact of the Rohingya crisis, as foreign investment in Myanmar had declined over the previous two years.³⁴ The international opprobrium attracted by Myanmar gave China an opportunity to advance the CMEC. Indeed, Wang Yi, China's foreign minister, framed the Rohingya crisis as a 'poverty' issue, echoing China's narrative on Xinjiang.³⁵

In sum, China's influence over the EAOs in northern Myanmar, its UN Security Council veto power and its consequent ability to prevent international intervention in the Rohingya refugee crisis all enable Beijing to exert leverage in Myanmar and remain an indispensable partner.

Myanmar's hedging strategies

During the period under review, Myanmar implemented a three-pronged strategy to hedge strategically against China. This involved (1) caution in accepting Chinese investments; (2) attempts to diversify economic trade partners (economic hedging); and (3) expanded diplomatic relations (political hedging). Chinese investments have proved unpopular in Myanmar, with growing public opposition to China-invested projects, including nationwide opposition to the Myitsone dam in Kachin state. Faced with an embryonic civil society, and heading a government that had encouraged freedom of expression, in September 2011 President Thein Sein suspended the project until the end of his presidential term. Thereafter, Chinese investment in Myanmar reached a historic low point of US\$56 million during 2013–14.³⁶ According to the Yangon School of Political Science, 85 per cent of people in Myanmar opposed the Myitsone dam.³⁷ The China–

www.ohchr.org/en/hrbodies/hrc/myanmarffm/pages/index.aspx.

³¹ Viren Mascarenhas, Brian Jacobi, Claire O'Connell and Isabel san Martin, 'The Rohingyas' plight: what options under international law?', *The Diplomat*, 15 Jan. 2019, <https://thediplomat.com/2019/01/the-plight-of-the-rohingya-what-options-under-international-law/>.

³² Global Centre for the Responsibility to Protect, *Myanmar (Burma)*, R2P Monitor no. 52, 15 July 2020, <https://www.globalr2p.org/publications/r2p-monitor-issue-52/>.

³³ Richard C. Paddock, 'Top Myanmar generals are barred from entering US over Rohingya killings', *New York Times*, 17 July 2019, <https://www.nytimes.com/2019/07/17/world/asia/myanmar-generals-us-sanctions-rohingya.html>.

³⁴ John Geddie, 'Myanmar official says "totally underestimated" economic impact of Rohingya crisis', Reuters, 5 Sept. 2018, <https://www.reuters.com/article/us-myanmar-rohingya-investment-idUSKCN1LL1QZ>.

³⁵ Embassy of the People's Republic of China in the United Kingdom of Great Britain and Northern Ireland, 'Wang Yi introduces China's position on issue of the Rohingya people', 19 Nov. 2017, <https://www.mfa.gov.cn/ce/ceuk/eng/zgyw/t1512593.htm>.

³⁶ Directorate of Investment and Company Administration, Myanmar, *Foreign investment by country*, <https://www.dica.gov.mm/en/taxonomy/term/38>.

³⁷ Cited in Julian Kirchherr and Matthew J. Walton, 'The NLD should start 2017 by scrapping the Myitsone dam', *Myanmar Times*, 3 Jan. 2017, <https://www.mmtimes.com/opinion/24387-the-nld-should-start-2017-by-scrapping-the-myitsone-dam.html>.

Myanmar railway (connecting Yunnan and Kyaukphyu) and Kyaukphyu port were also largely stalled between 2011 and 2015.

Thus, despite the two nations' official portrayal of their relations as a brotherhood, negative views of Chinese investment have tainted domestic perceptions of the CMEC in Myanmar.³⁸ According to the 2019 Asian Barometer Survey, public opinion in Myanmar, as in Vietnam and the Philippines, strongly perceives China as damaging to Asia.³⁹ A survey by the International Growth Centre also concludes that Myanmar people prefer Japanese investment over Chinese investment if the baseline conditions are the same.⁴⁰ The attitude of people in Myanmar towards the BRI, then, is unwelcoming or, at best, cautious.⁴¹ Economically, China's investments in Myanmar are heavily vested in the natural resource sectors, which are exploitative in nature and have profound impact on local biodiversity. In Myanmar society, a consensus exists that China's growing influence since 1988 threatens their country's national and cultural identity—a perception exacerbated by Beijing's close relations with the TMD.

In the election year of 2020, the NLD postponed major decisions on Chinese investments to avoid arousing anti-China public sentiment. Moreover, cautious about the potential geopolitical implications of being too dependent on China, the NLD tried to hedge economically with other regional countries. As a result, Japan, India and South Korea have all become deeply involved in large infrastructure projects in Myanmar.⁴² Japan was traditionally a major donor of official development assistance (ODA) in Myanmar until 1988, and became more involved after political reform in 2012.⁴³ By 2019, Myanmar ranked second, after Vietnam, among Asian recipients of Japanese ODA. In addition to FDI, Japan has also offered several ODA loans for a number of infrastructure projects, including the upgrading of the Yangon–Mandalay railway, which is a part of the CMEC.⁴⁴ Although discrepancies may exist between the official Myanmar FDI data and actual disbursements, Japanese and Singaporean FDI in Myanmar have certainly increased significantly over the past few years, indicating Myanmar's desire not to be overly reliant on China.⁴⁵

³⁸ Min Zin, 'Burmese attitude toward Chinese: portrayal of the Chinese in contemporary cultural and media works', *Journal of Current Southeast Asian Affairs* 31: 1, 2012, pp. 115–31.

³⁹ Bridget Welsh, Myat Thu, Chong Hua Kueh and Arkar Soe, *Myanmar: grappling with transition*, 2019 Asian Barometer Survey report (Taiwan: Center for East Asia Democratic Studies, National Taiwan University, May 2020), <http://www.asianbarometer.org/survey/myanmar-asian-barometer-survey>.

⁴⁰ Ying Yao and Youyi Zhang, *Public perception of Chinese investment in Myanmar and its political consequences: a survey experimental approach*, International Growth Centre policy brief no. 53421, March 2018, <https://www.theigc.org/wp-content/uploads/2018/06/Yao-Zhang-2018-Policy-Brief.pdf>.

⁴¹ International Crisis Group (ICG), *Commerce and conflict: navigating Myanmar's China relationship*, Asia Briefing no. 305, 30 March 2020, <https://www.crisisgroup.org/asia/south-east-asia/myanmar/305-commerce-and-conflict-navigating-myanmars-china-relationship>.

⁴² In this article, we refer to a country's aid, loans and investments, i.e. all forms of financial assistance in Myanmar's infrastructure projects. See ICG, *Commerce and conflict*.

⁴³ *Japan's official development assistance: white paper 2012* (Tokyo: Economic Cooperation Bureau, Ministry of Foreign Affairs, 2013), https://www.mofa.go.jp/policy/oda/page_000016.html.

⁴⁴ Unattributable interview, March 2020, Yangon. For more information on Japan's ODA, see *Japan's official development assistance: white paper 2016* (Tokyo: Economic Cooperation Bureau, Ministry of Foreign Affairs, 2017), https://www.mofa.go.jp/policy/oda/white/2017/html/honbun/b4/s2_3.html; Greater Mekong Subregion, 'Japan supports upgrade of Yangon–Mandalay railway', 12 Feb. 2018, <https://greatermekong.org/japan-supports-upgrade-yangon-mandalay-railway>.

⁴⁵ 'Japanese investment in Myanmar soars to all-time high', *Japan Times*, 29 May 2018, <https://www.japantimes>.

South Korean President Moon Jae-in's trip to Myanmar in September 2019 indicated a closer relationship between the two countries. Myanmar and South Korea signed five MoUs and one framework agreement to facilitate investment and economic cooperation. This included setting up a US\$110 million Korea–Myanmar Industrial Complex and increased cooperation in shipyard upgrades, logistics and port development.⁴⁶ Also, in order to hedge against China, Myanmar increased cooperation with India by hosting the Kaladan multimodal transit transport project (allowing India to connect Kolkata with Mizoram through Myanmar's border towns of Paletwa and Sittwe). Even so, while the NLD attempted to hedge economically against China with competing infrastructure connectivity platforms, none of them are comparable to the scale and geographic scope of the Chinese projects.

In addition to economic hedging, Myanmar also sought to hedge against China politically, seeking Japan's assistance in advancing its domestic peace process and responding to international pressure over the Rohingya crisis. During ASSK's first visit to Japan in her capacity as the de facto head of government in 2018, she sought Tokyo's support in Myanmar's peace process. Japan reaffirmed its commitment in January 2018, when Foreign Minister Taro Kono visited Myanmar. Furthermore, Japan offered assistance for Myanmar's nation-building efforts as well as its support over the situation in Rakhine state.⁴⁷

Despite Japan's enthusiastic support for Myanmar's peace process, however, its role pales in comparison with the part played by China. This is due to China's growing leverage with regard to Myanmar's domestic and international security issues amid the escalation of ethnic conflicts and the Rohingya refugee crisis.⁴⁸ Given the international criticism faced by Myanmar over the Rohingya issue, China, a country similarly under international criticism for its policy towards the Uyghur population in Xinjiang province, became a more viable partner.⁴⁹

The BRI became a key issue in China–Myanmar relations after the NLD government came to power in 2016. Since the CMEC was proposed in late 2017, several CMEC-related MoUs have been signed, and previously stalled projects, including the railway and seaport, have been revived. During the first year of the NLD administration, Chinese investments were approved to the value of only US\$481 million, but in 2017–18. Chinese investments increased to US\$1.3 billion. In the absence of either a substantive decrease in China's influence or an increase in Japan's power in Myanmar, the country will have difficulty hedging against China, which has remained its primary provider of infrastructure investment. The next section examines the most highly developed projects within the CMEC.⁵⁰

co.jp/news/2018/05/29/business/japanese-investment-myanmar-soars-time-high/.

⁴⁶ Nan Lwin, 'South Korean president enhances bilateral economic ties with Myanmar', *Irrawaddy*, 3 Sept. 2019, <https://www.irrawaddy.com/news/burma/south-korean-president-enhances-bilateral-economic-ties-myanmar.html>.

⁴⁷ Ministry of Foreign Affairs of Japan, 'Foreign minister Kono visits Myanmar', *Japan–Myanmar Relations*, 12 Jan. 2018, https://www.mofa.go.jp/s_sa/sea1/mm/page3e_000810.html.

⁴⁸ International Court of Justice, *The application of Convention on the Prevention and Punishment of the Crime of Genocide (the Gambia vs. Myanmar)*, 12 Dec. 2019, <https://www.icj-cij.org/en/case/178>.

⁴⁹ Yuka Kobayashi, ed., *Locating Muslim minorities in east and south east Asia: accommodation and contestation between the global and local* (Amsterdam: Amsterdam University Press, forthcoming).

⁵⁰ Directorate of Investment and Company Administration, *Foreign investment by country*.

CMEC case-studies: the Muse–Mandalay railway and Kyaukphyu deep seaport

This section will use our fieldwork findings to examine the reception of the CMEC as reflected in two high-profile projects: the Muse–Mandalay railway and Kyaukphyu seaport.⁵¹ These were both proposed before the announcement of the BRI in 2013; thereafter progress stalled, but from 2017 both were pushed back on track under the umbrella of the CMEC. Both the railway and the seaport are in the areas of Myanmar most affected by civil conflict, making them suitable case-studies for highlighting the complicated security relationships of the various domestic actors.

The Muse–Mandalay railway cuts across Shan state, home to seven EAOs which are all still in active conflict with the government. Similarly, Kyaukphyu port is in Rakhine state, which has also faced several security challenges, including the Rohingya crisis and the intensification of attacks by the AA in January 2019.

The Muse–Mandalay railway

The railway is one of the flagship projects of the CMEC, with a cost estimated at around US\$9 billion,⁵² linking Muse, a town on the China–Myanmar border, to Mandalay, Myanmar's second largest city, located in the centre of the country. Muse is situated on the Myanmar side of the border with China's Yunnan province. It is also the main trade gate on that border, accounting for almost half of the US\$11 billion of annual trade with China in 2020. (As a result of both COVID-19 and the coup, trade dropped by one-third in 2021.)⁵³

The MoU for the Yunnan–Kyaukphyu railway was signed in 2011, but expired in 2014 without any progress having been made, reflecting Myanmar's initial hesitation about developing the railway against a background of growing anti-China sentiment. However, after half a decade of silence, the Muse–Mandalay railway is back on track as part of the CMEC. Development of this railway needs to be understood in the context of Myanmar's domestic politics and the ongoing peace process. After the NLD took over the peace process in 2016, conflict escalated in Shan state, home to seven EAOs that have not signed the NCA. The railway will run across several conflict zones in Shan state, including areas controlled by the TNLA, AA and MNDAA (three EAOs that together form the Northern Alliance). The conflict here has intensified and spread; by 2015, approximately six townships were affected, and since then, at least five major clashes have occurred between the EAOs and government forces in northern Myanmar in the townships along the route of the railway. In 2019, twelve townships were affected—almost all those along the route of the railway.

⁵¹ As noted above, the analysis in this section draws on anonymized sources.

⁵² Nan Lwin, 'China-backed Muse–Mandalay railway to cost \$9 billion', *Irrawaddy*, 14 May 2019, <https://www.irrawaddy.com/news/burma/china-backed-muse-mandalay-railway-cost-9-billion.html>.

⁵³ *Cross-border trade data by year* (in Burmese) (Yangon: Myanmar Ministry of Commerce, 2021), <https://www.commerce.gov.mm/my/dobt/article/trade-data-reporting-system>.

It is widely believed that geographical proximity, and close social and economic ties with EAOs, allow China to escalate and de-escalate armed conflicts along its border to suit its own purposes. Several sources familiar with TMD thinking asserted that China's dissatisfaction over the TMD's purchase of an Indian submarine might have contributed to the EAOs' decision to attack the military cadet training school in northern Myanmar (Pyin Oo Lwin) in August 2019.⁵⁴ These sources spoke of a widely accepted opinion among Myanmar's senior officials, including the military chief, that China has directly or indirectly supplied arms to the EAOs along its border. One individual involved in the peace commission stated that even though China has said that it supports the Myanmar peace process, the Chinese have been less helpful than the Thai authorities.⁵⁵

China's influence on the EAOs was demonstrated when representatives of the seven EAOs from the China–Myanmar border region travelled to Naypyidaw in August 2016 to participate in the Twenty-first Century Panglong Union Peace Conference for the first time.⁵⁶ Their transport was arranged by China, on a chartered flight via Yunnan, and the representatives were accompanied by a Chinese special envoy, Guo Bao (director-general of the Public Security Department of Yunnan province), and other Chinese officials.⁵⁷ According to Hong Liang, the Chinese Ambassador to Myanmar, 'Xi Jinping said that the One Belt One Road is a peace route... China will keep helping and supporting Myanmar's peace process as a loving neighbour country.'⁵⁸

The EAOs based on the China–Myanmar border have publicly expressed a conciliatory view towards China. The FPNCC issued a statement praising China's BRI as an initiative that will promote peaceful development, expressing the opinion that the initiative fits well with Myanmar's development and security needs as well as with the interests of the EAOs.⁵⁹ Since January 2019, the AA has been involved in conflict in the northern Rakhine state, where many Indian projects are located. However, Kyaukphyu, also in Rakhine state, with Chinese investment, has hitherto remained relatively peaceful. On 18 July 2019, the AA announced that they welcomed the BRI, including the Kyaukphyu seaport and special economic zone, and signalled their willingness to cooperate with China.⁶⁰

⁵⁴ Unattributable interviews, Sept. 2019, Yangon.

⁵⁵ Unattributable interviews, Sept. 2019, Yangon.

⁵⁶ Lun Min Mang, 'Three more rebel groups to join Union Peace Conference', *Myanmar Times*, 24 May 2017, <https://www.mmmtimes.com/national-news/26114-three-more-rebel-groups-to-join-union-peace-conference.html>; 'Leaders from northern Myanmar arrived to attend 21st century Panglong Union Peace Conference' (in Burmese), BBC News, 10 July 2019, <https://www.bbc.com/burmese/burma-44776154>.

⁵⁷ 'News analysis: China plays its hand in Burma's peace process', *Irrawaddy*, 23 May 2017, <https://www.irrawaddy.com/news/china-plays-its-hand-in-burmas-peace-process.html>.

⁵⁸ Quoted in Rik Glauert, 'China's Myanmar policy: peace, conflict—whatever works', *South China Morning Post*, 15 July 2018, <https://www.scmp.com/week-asia/geopolitics/article/2155221/chinas-myanmar-policy-peace-conflict-whatever-works>.

⁵⁹ Palaung State Liberation Front, 'The Federal Political Negotiation Consultative Committee (FPNCC) conveys congratulatory message to Honourable President Xi Jinping's new national leadership and government', 20 March 2018, <https://en.pslftnla.org/the-federal-political-negotiation-consultative-committee-fpncc-conveys-congratulatory-message-to-honourable-president-xi-jingings-new-national-leadership-and-government/>.

⁶⁰ 'Arakan Army (AA) announces welcoming of Chinese OBOR' (in Burmese), *Myanmar Times*, 7 July 2019.

The literature on asymmetric relationships posits that weaker powers accept the dominant role of powerful actors even when the latter do not intentionally leverage their power.⁶¹ The general understanding among Myanmar policy elites, including NLD leader ASSK, is that they need to be sensitive towards China's interests. In 2013, the Myanmar government created an investigation commission chaired by ASSK (at that time a parliamentarian and leader of the opposition) in response to popular protests about the Chinese state-owned enterprise invested in the Letpadaung copper mine project. Thereafter, she took a pragmatic approach towards China, supporting the continuation of that controversial project and emphasizing that 'Myanmar needs to get along with China and maintain a good relationship'.⁶² This was in the context of a widely shared belief that China's positive engagement in the Myanmar peace process depended on how far Yangon could accommodate Chinese geopolitical interests, including the BRI.⁶³

One of Myanmar's strategies is to frame peace as a precondition for the successful implementation of the BRI. As a result, ASSK attended Beijing's BRI forum in May 2017 and signed an MoU for cooperation within the framework of the Silk Road Economic Belt and Twenty-first Century Maritime Silk Road. In return, Xi Jinping pledged that China would both continue to help Myanmar achieve peace and provide the necessary assistance for its internal peace process.⁶⁴ Against this background, the China Railway Eryuan Engineering Group and the Department of Railways, under the aegis of the Myanmar Ministry of Transport and Communication, signed an MoU to conduct a feasibility study on the Muse–Mandalay railway in October 2018.⁶⁵ Two months after the MoU was signed, the TMD announced a unilateral ceasefire for four months, over an area that covered the route of the proposed railway in northern Myanmar. Interestingly, the feasibility study was completed within the ceasefire period. In August 2019, the Northern Alliance launched a coordinated attack along the route of the railway, resulting in approximately US\$320 million of lost trade, the displacement of more than 6,000 people and at least 14 civilian deaths.⁶⁶ A few days after the attack, a Chinese special envoy met representatives from the EAOs and brought them to the negotiating table with the government.⁶⁷ After September 2018, China facilitated meetings between the Myanmar government's peace commission and the three EAOs more actively, with at least seven rounds of informal talks taking place.⁶⁸

⁶¹ Ho, 'Infrastructure and Chinese power'.

⁶² Andrew Buncombe, 'Aung San Suu Kyi urges support for controversial Chinese-backed copper mine', *Independent*, 13 March 2013, <https://www.independent.co.uk/news/world/asia/aung-san-suu-kyi-urges-support-for-controversial-chinese-backed-copper-mine-8531508.html>.

⁶³ Yun Sun, 'Sino-Myanmar relations in Myanmar's election year', *Asia Pacific Bulletin*, no. 326, 15 Oct. 2015, <https://www.eastwestcenter.org/publications/sino-myanmar-relations-in-myanmar%E2%80%99s-election-year>.

⁶⁴ Republic of the Union of Myanmar State Counsellor Office, *State Counsellor meets with Chinese president and premier*, <https://www.statecounsellor.gov.mm/en/node/873>.

⁶⁵ 'China, Myanmar sign MoU on feasibility study of Muse–Mandalay railway', Xinhua News Agency, 23 Oct. 2018, https://english.www.gov.cn/news/international_exchanges/2018/10/23/content_281476358558286.htm.

⁶⁶ Nay Htun Naing, 'Keunting meeting and the three possible scenarios' (in Burmese), Institute for Strategy and Policy (ISP), Myanmar Peace Desk, 16 Sept. 2019, <https://ispmyanmarpeacedesk.com/article/keng-tung-peace-talk-4/>.

⁶⁷ ICG, *Myanmar: a violent push to shake up ceasefire negotiations*, Asia Briefing no. 158, 24 Sept. 2019, <https://www.crisisgroup.org/asia/south-east-asia/myanmar/b158-myanmar-violent-push-shake-ceasefire-negotiations>.

⁶⁸ Chan Thar, 'Peace commission to meet with Northern Alliance groups in China', *Myanmar Times*, 30 Oct. 2018,

These developments reveal the complexity of Myanmar's domestic politics, which involves a spectrum of elites and interest groups (including the government, the military and the EAOs), all with varying interests. Thus, Myanmar's fragmented polity and its foreign policies complicate its China policy, and also compromise the country's ability to strategically hedge against China.

Kyaukphyu deep seaport

The Kyaukphyu seaport is another major project that has been revived within the framework of the CMEC. Located on the edge of the Bay of Bengal, it offers China access to the Indian Ocean to fulfil its 'two-ocean strategy' and thereby mitigate its 'Malacca dilemma'—that is, its dependence on the Strait of Malacca for its sea lanes of communication.

China's interests in Kyaukphyu date back to the initial MoU signed in 2009. In 2011, a two-year feasibility study was approved under a new MoU; however, that MoU expired in 2014, only to be renewed in December 2015, when the outgoing military-backed government led by the Union Solidarity and Development Party awarded contracts for development of the seaport and industrial zone to a consortium led by the China International Trust Investment Corporation (CITIC).⁶⁹ This agreement allowed the Chinese-led consortium to hold a stake of 85 per cent in the project, with the Myanmar government holding the remaining 15 per cent. The Myanmar public widely perceives this arrangement as unfair to local interests. As an attempt to hedge politically against China, the NLD government renegotiated the agreement after claiming power in 2016.⁷⁰ After two years of negotiation, a new agreement was signed in October 2018, with new shareholding arrangements giving Myanmar a 30 per cent stake and costs for the first phase cut down to US\$1.3 billion. It was later reported that Myanmar sought US government support in drafting a new deal for the port.⁷¹

The NLD's renegotiation to scale down the Kyaukphyu port and get a better deal with China is often cited as a successful example of Myanmar's hedging strategy.⁷² However, although Myanmar appears to have negotiated a better deal, the agreement is still in China's favour. First, although the cost has been broken down into phases, the overall price of US\$7.3 billion remains the same. Second, while Myanmar has managed to increase its share from 15 per cent to 30 per cent, to

<https://www.mmtimes.com/news/peace-commission-meet-northern-alliance-groups-china.html>; 'Myanmar's peace and China' (in Burmese), ISP Myanmar China Desk, 20 Aug. 2019, https://ispmyanmarchinadesk.com/special_issue/peace-with-china-and-myanmar/.

⁶⁹ CITIC Group is a large state-owned multinational conglomerate in finance, energy and resources, manufacturing, engineering contracting and real estate; it ranked 115th on the Fortune Global 500 list in 2021, <https://fortune.com/company/citic-group/global500/>.

⁷⁰ Thompson Chau and Htoo Thant, 'Kyaukphyu port: what happens next?', *Myanmar Times*, 9 Nov. 2018, <https://www.mmtimes.com/news/kyaukphyu-port-what-happens-next.html>.

⁷¹ Ben Kesling and Jon Emont, 'US goes on the offensive against China's empire-building funding plan', *Wall Street Journal*, 9 April 2019, <https://www.wsj.com/articles/u-s-goes-on-the-offensive-against-chinas-empire-building-megaplan-11554809402>.

⁷² Su Phyo Win and Thompson Chau, 'Frustration mounts as Kyaukphyu port negotiations stall', *Myanmar Times*, 16 Oct. 2017, <https://www.mmtimes.com/news/frustration-mounts-kyaukphyu-port-negotiations-stall.html>.

achieve this the country had to pay for its additional 15 per cent stake. From the outset of the two-year negotiation process, the Chinese consortium insisted that Myanmar had to pay for the additional stake. Moreover, CITIC has the exclusive right to operate the port for 50 years, with the possibility of an additional 25-year extension. Moreover, even under the renegotiated new deal, the benefits to China are evident; a useful comparison may be made to the agreement covering the Thilawa Yangon port, a similar project funded by Japan, in which Myanmar holds a 51 per cent majority share.

Given that Kyaukphyu is in Rakhine state, the development of this project must be considered within the context of the Rohingya refugee crisis, which escalated from late 2017 onwards. In addition, ongoing conflict between the AA and the Myanmar military, starting in early 2019, has also raised security concerns in the state.⁷³ Faced with mounting international pressure and criticism over the Rohingya issue, the NLD was in need of diplomatic allies.

This allowed China to reassert its influence over Myanmar by offering its veto power in the UN Security Council. Unlike western countries, China has supported the Myanmar government's approach to the Rohingya issue, and has actively worked to prevent broader international involvement in the crisis. In December 2019, days before ASSK flew to The Hague for the International Court of Justice genocide hearing, Wang Yi visited Myanmar for bilateral talks. During the meeting, Wang Yi said China would stand firmly together with the Myanmar people in their national development, and urged the acceleration of the CMEC.⁷⁴ This made cooperation with China imperative for both the NLD and the TMD, in order to deflect potential international intervention over the Rohingya issue. As NLD spokesperson U Win Htein put it, international pressure was pushing Myanmar towards China, and China indeed provided Myanmar with a diplomatic shield, emerging as a key ally in resisting pressure from and involvement by the UN.⁷⁵

Despite the TMD's attempt to hedge politically and reduce its dependence on China, its position was significantly weakened as the Rohingya conflict intensified. Faced with broader international pressure, General Min Aung Hlaing visited China in late November 2017. During the trip, he welcomed the BRI, declaring that Myanmar could reap benefits from it.⁷⁶ While details of the negotiations are unknown, the timing of China's proposal for the CMEC, only weeks after Min Aung Hlaing's visit, suggests that the projects received positive endorsement from the TMD. Owing to tensions between the NLD and the TMD, Naypyidaw

⁷³ ICG, *A new dimension of violence in Myanmar's Rakhine state*, Asia Briefing, no. 154, 24 Jan. 2019, <https://www.crisisgroup.org/asia/south-east-asia/myanmar/b154-new-dimension-violence-myanmars-rakhine-state>.

⁷⁴ 'Chinese Foreign Minister Wang Yi meets with Myanmar state counsellor, president', *Mizzima*, 8 Dec. 2019, <https://www.mizzima.com/article/chinese-foreign-minister-wang-yi-meets-myanmar-state-counsellor-president>.

⁷⁵ Khin Maung Soe, 'U Win Htein claims Myanmar has become closer to China due to international pressure' (in Burmese), *Radio Free Asia*, 14 Nov. 2017, <http://www.rfa.org/burmese/interview/mm-us-relationship-11142017235535.html>; 'Analysis: China backs Myanmar at UN Security Council', *Irrawaddy*, 1 Sept. 2017, <https://www.irrawaddy.com/news/burma/analysis-china-backs-myanmar-un-security-council.html>.

⁷⁶ 'Tatmadaw chief thanks China for "standing on Myanmar's side"', *Frontier Myanmar*, 27 Nov. 2017, <https://www.frontiermyanmar.net/en/tatmadaw-chief-thanks-china-for-standing-on-myanmars-side-2/>.

lacked information on both the peace process and the Rohingya crisis, increasing the administration's reliance on Beijing. These developments (and those regarding the Kyaukphyu port) indicated Myanmar's need for China's support, both for domestic security reasons and to resist international intervention. While Myanmar attempted to hedge against China politically and economically, the Rohingya crisis bound Myanmar more closely to China, leaving Myanmar limited space for manoeuvre.

In addition, although Kyaukphyu is a commercial port, it could also have dual-use capacity, fitting in with both China's 'string of pearls' concept and the modernization programmes in the People's Liberation Army.⁷⁷ One foreign diplomat has raised concerns that China might also be acquiring important data, which could be used for military and strategic purposes, from the China–Myanmar Joint Oceanographic Research project conducted along the Bay of Bengal in January 2018.⁷⁸ Although the Myanmar constitution does not allow a foreign military presence in the country, the question remains whether it will have the capacity to effectively contain China's use of the port for intelligence gathering and other geopolitical purposes. This is likely to put Myanmar in the middle of geopolitical competition and further constrain its room for hedging.⁷⁹

Developments since February 2021

Prior to the coup, COVID-19 offered a new entry point for acceleration of the CMEC. Despite travel restrictions, several CMEC projects were put back on track with the establishment of an expedited first-track procedure that allowed for Chinese technicians to enter Myanmar, bypassing the general COVID regulations. In April 2020, the Chinese ambassador met with Myanmar's minister of planning, finance and industry to integrate the CMEC into Myanmar's comprehensive economic relief plan.⁸⁰ However, even if some in Myanmar see its engagement with the CMEC as a force for enhancing its subnational, national and international security, in the long term it is likely to complicate further the domestic and international security context. In many cases, the actors most affected by the projects, the local communities, are left out of consideration entirely. The infrastructure investment projects launched under the CMEC, like many previous examples, may result in adverse economic, environmental and social impact at the local community level. These include land grabbing, the disruption of local livelihoods, higher rates of drug abuse, labour migration and other factors that could disrupt the peace of the local community, exacerbating challenges for Myanmar's leadership.

The military takeover of 2021, and the resulting violence and widespread domestic instability, further compromise Myanmar's ability to hedge strategically

⁷⁷ Daniel Kliman, Rush Doshi, Kristine Lee and Zack Cooper, *Grading China's belt and road*, Center for a New American Security, 8 April 2019, <https://www.cnas.org/publications/reports/beltandroad>.

⁷⁸ Interview with this diplomat in Yangon, March 2018.

⁷⁹ Korolev, 'Shrinking room for hedging'.

⁸⁰ 'Ambassador Chen Hai exchanged views with Deputy Union Minister for Planning, Finance and Industry U Set Aung on China–Myanmar cooperation', Embassy of the People's Republic of China in the Republic of the Union of Myanmar, 6 May 2020, <http://mm.china-embassy.org/eng/sgxw/t1776513.htm>.

against China, as the competition between multiple actors will grow stronger. The State Administration Council (SAC), led by the TMD, is struggling to achieve both domestic and international legitimacy. Meanwhile, the parallel, anti-coup government, the NUG, has received widespread popular support and is striving for recognition as the legitimate government of Myanmar, but this is unlikely, barring a major change in the situation on the ground. Under these circumstances, the role of EAOs will be even more critical, as their positions will greatly influence the outcome of the power competition between the NUG and the SAC. Given its traditionally cautious posture, the TMD will no doubt try to hedge against China by pursuing relations with other powers, such as Russia. While good relations with Russia could insure the TMD against the loss of Chinese support in the UN, China's role as a neighbour and Myanmar's most important economic partner make it indispensable to the TMD. Moreover, vaccine diplomacy, specifically the TMD's decision to rely on Chinese vaccines against COVID-19, has made Myanmar even more dependent on China. In a Myanmar with a range of variegated domestic political actors and a divided, fragmented polity, foreign policies lack the coherence necessary to construct a consistent strategic posture *vis-à-vis* China.

Conclusion

This article has examined Myanmar's perspective on the CMEC. The country strives to hedge against China, but domestic fragmentation and instability compromise its hedging strategies. Our evidence suggests that the peace processes, involving multiple EAOs, and the ongoing Rohingya crisis create a wide range of actors and tensions within Myanmar's domestic political landscape and limit effective hedging. The diversity of actors involved in Myanmar's peace process and China's influence over them also enable Beijing to enjoy leverage over its neighbour. This situation has become increasingly pronounced since the international criticism of Myanmar over its handling of the Rohingya crisis.

As a contribution to the theoretical development of the concept of hedging, this micro-level study has questioned the assumptions of the hedging literature, which take for granted the stability of the hedging state. While most ASEAN countries enjoy stability and thereby a state capacity for strategic hedging, Myanmar has various vulnerabilities on both the domestic and the international level which compromise its capability to hedge effectively. The literature on hedging is useful in establishing a typology of choices available to small states in an asymmetric relationship when they are stable and have a coherent foreign policy. However, the strategic choices available to Myanmar differ considerably from those open to other ASEAN states. The findings of this article raise the question whether regime stability needs to be considered in conjunction with hedging—creating avenues for further research on hedging at the micro level in other fragmented or failed states.

Turning to the practical and policy implications of the study, our analysis suggests that, as Myanmar's society is fragmented, the country's ability to pursue

a coherent foreign policy, and to hedge strategically, is limited. Although the country was divided, widespread public support and international recognition still put Myanmar under the NLD government at the mid-point of the coherent–fragmented spectrum (figure 2). This made hedging a viable, albeit constrained, framework within which to analyse and predict Myanmar’s foreign policy behaviour. However, as Myanmar society has fragmented further since the coup of February 2021, the country’s ability to act strategically has become increasingly limited, making hedging irrelevant as an analytical tool to examine and predict its foreign policy.