Chapter 6
Myanmar’s Response to COVID-19 and Its Impacts on China–Myanmar Relations

Myint San

6.1 Introduction

The COVID-19 is spreading across the world at alarming speed, which has affected the economic activity in the developing countries in the Greater Mekong Sub-region (GMS). The serious consequences mainly include the temporary decline in domestic consumption and investment, the declines in tourism and business travel, spillovers of weaker demand to other sectors and economies through trade and production linkages, supply-side disruptions to production and trade, and negative effects on health, such as increased disease and mortality as well as shifts in health care spending.\(^1\) Although Myanmar has seen a moderate impact from global COVID-19 outbreak, the country’s reliance on international trade including border trade with neighboring countries, investment and technology means it will face near-and medium-term economic challenges including the implementation of BRI and China–Myanmar Economic Corridor (CMEC).

The objective of this chapter is to analyze the situation of COVID-19 pandemic in Myanmar and its impacts on China–Myanmar relations. The main content is divided into seven parts, in which the first part briefly introduced the main objective of this chapter. The next three parts focused on Myanmar’s response to the COVID-19, the economic impacts of the COVID-19 on Myanmar and Myanmar government’s emergency measures. The complicated impacts of the COVID-19 on Myanmar-China Relations and the BRI/CMEC Projects were assessed in Part Five and Six, and the conclusion is made in the final part.

\(^1\)Economic impact of the COVID-19 outbreak on developing Asia (2020).

The views on this book chapter do not represent Dawei SEZ Management Committee and all of shortcomings are responsible by author.

M. San (✉)
Dawei SEZ Management Committee, Dawei, Myanmar
e-mail: dr.myintsan85@gmail.com

© The Author(s), under exclusive license to Springer Nature Singapore Pte Ltd. 2021

N. Peng (ed.), The Reshaping of China-Southeast Asia Relations in Light of the COVID-19 Pandemic, https://doi.org/10.1007/978-981-33-4416-7_6
6.2 Myanmar Government’s Response to Pandemic

After announcing the COVID-19 as global pandemic on March 11 by WHO, the Government of Myanmar responded with a series of meetings facilitated by the Ministry of Health and Sports (MOHS). These meetings eventually led to the formation of the National Central Committee to Prevent, Control and Treat COVID-19 on March 13. The Committee is led by State Counsellor Aung San Suu Kyi and has the responsibility of overseeing the management of preventing the spread of COVID-19 in the country.

On March 23, the first positive COVID-19 case was confirmed in Myanmar and the first COVID-related death was announced on March 31. As of July 18, Myanmar had 341 confirmed cases, 6 death, and 276 recovery cases. Compared to other affected countries, Myanmar can still control the virus to some extent due to the restriction on movement and transportation including ordering people to stay at home, shutting down public transport, and prohibiting gathering of five or more people. Moreover, due to its proximity to China, Myanmar’s early response was to curtain the entry of Chinese travels by suspending visa-on-arrival privileges, cancelling flights between some high-risk provinces in China and Myanmar, and setting more restrictive conditions for those who were allowed to enter the country.\(^2\) To prevent and contain any potential spread of the virus, the government of Myanmar strictly quarantined all returnees from abroad especially from China, Thailand, Malaysia and India and all individuals who were in contact with test-positive patients. In April alone, the government placed almost 48,000 people under mandatory quarantine at (8,300) government-facilitated quarantine under watch for an additional 7 days according to MOHS.

On April 6, the Central and regional governments issued a nationwide stay-at-home in order to contain the spread and to prevent outbreaks of COVID-19 in the country.\(^3\) This was the most radical policy imposed by the government and is termed a “lockdown” of the country. Government urged all citizens to stay at home as much as possible during the Myanmar New Year Holidays (April 10–17). The government announced the closure of schools, public events, large gatherings and religious events until April 30, which was extending to July 15, except bazaars, super markets and other public related services. Several areas including major cities of Yangon, Mandalay and Nay Pyi Taw imposed curfew. On April 6, the government released a statement indicating that people without regular income during the Water Festival and Myanmar New Year (about 10 days) will be supplied with five items of basic food from April 10. Electricity bill up to 150 units per households was exempted for April and exempted an additional 75 units per household from May 1 to 15. Since April 11, all coming travellers including Myanmar citizens will be subject to 21-day facility quarantine and 7-dat home quarantine on their arrival in Myanmar.

As part of the medical assistance, two groups of medical experts from China’s Yunnan province and Chinese People’s Liberation Army (PLA) assisted in

---

\(^2\) Government suspends visa privilege for Chinese, mulls border shutdown (2020).

\(^3\) Myanmar’s state issue heavy restriction on movement ahead of thingyan (Myanmar New Year) to curb COVID-19 (2020).
Myanmar’s prevention, control and treatment measures against COVID-19. Moreover, the government of China made fourth donations for COVID-19 measure to the MOHS in Myanmar on June 8. At the handing over ceremony held in Nay Pyi Taw, the Chinese Ambassador said that this 8 June marks “the 70th anniversary of diplomatic relations between China and Myanmar”. He also said both nations have established themselves with mutual respect, support assistance and development through hardships and are continuing this support during the COVID-19 pandemic. He said that he hoped this donation, on behalf of the government of China, would support Myanmar’s efforts against the disease and further strengthen the bilateral relations between two countries. The Union Minister said that China has donated medicines, medical and laboratory equipment worth US$ 6.3 million, including this fourth donation to Myanmar. The Minister thanked the government of China for sending medical professionals, providing laboratory training, and making donations for measures against COVID-19 to Myanmar according to Myanmar News Agency on June 9.

6.3 Economic Impacts of COVID-19 on Myanmar

The ongoing COVID-19 outbreak has affected Myanmar through numerous channels including sharp declines in domestic demand, lower tourism and business travel, trade and production linkages, supply disruptions and health effects. The magnitude of economic impact will depend on how the outbreak evolve, which will remains highly uncertain. There are several channels through which the COVID-19 outbreak will affect economic activity in Myanmar and the world. These include a sharp but temporary decline in domestic consumption and other outbreak-affected economies, and possibly investment if the outbreak affects views on future business activity; declines in tourism and business travel; spillovers of weaker demand to other sectors and economies through trade and production linkages; supply-side disruptions to production and trade (which are distinct from demand-side shocks spilling over through trade and production linkages); and effects on health such as increased disease and mortality as well as shifts in health care spending. According to the study of International Food Policy Research Institute (IFPRI), Myanmar’s Gross Domestic Product (GDP) fall by 41% compared with a normal situation without COVID-19 during the two-week lockdown period, followed by agriculture output declined by 14%, industry output 52%, manufacturing output 40%, construction 82% and services 56% respectively.

The World Bank (WB) recently said that the global COVID-19 pandemic is dealing a severe below to the Myanmar’s economy and the economic growth could

---

4Economic impact of the COVID-19 outbreak on developing Asia (2020).
5Assessing the impacts of COVID-19 on Myanmar’s economy: A social accounting matrix (SAM) multiplier approach (2020).
drop from 6.8 to 0.5% this fiscal year. In the finding of WB, the COVID-19 pandemic has interrupted Myanmar’s economic expansion, and while Myanmar is expected to narrowly escape a recession, helped by a strong start to the fiscal year, policy responses, and the limited disease outbreak, the growth recovery is at great risk. The impacts of the crisis transmit through external and domestic channels, and are not evenly distributed across sectors: tourism-related services and transportation activities are highly exposed to the pandemic, while the agriculture and Information and Communications Technology (ICT) sectors have proven relatively resilient. Indeed, the ICT sector is experiencing a surge of activity driven by a sudden increase in telecommuting and e-commerce. Precautionary behavior and travel bans continue to negatively impact wholesale and retail trade, tourism-related services, and transportation, and the service sector (which represents 42% of the economy) growth rate is expected to fall to 1%. Meanwhile, industrial production (36% of the economy) is expected to contract by -0.2% in 2019–20 as lockdown measures restrict access to labor, the closure of the overland border with China disrupts the supply of industrial inputs, and both domestic and international consumer demand remain soft. Agriculture sector (22% of the economy) has proved resilient with growth estimated to slow by less than in other sectors, to 0.7%, thanks to strong crop production offsetting a weakening livestock and fisheries sector.

Domestic risks are compounded by heightened external uncertainty, including the possibility of a deeper global recession. While firms in all sectors have been affected by COVID-19, the nature and severity of the pandemic’s impact differ substantially across sectors. Agriculture firms were the most likely to report cash flow shortages and diminished access to credit, reflecting their greater vulnerability to economic crises. Most surveyed firms were not able to adopt new mechanisms to cope with the challenges posed by COVID-19. Slowing economic growth threatens to partially reverse Myanmar’s recent progress in poverty reduction. Urban residents are highly exposed to both the health risks and economic effects of COVID-19. An anticipated decline in international remittances could directly reduce household income, though such remittances are concentrated among non-poor households. Many poor households are especially exposed to the effects of the COVID-19 crisis due to job insecurity, employment in the informal sector, and low savings.

According to the study of International Monetary Fund (IMF), Myanmar has seen a sharp decline in exports, remittances, and tourist arrival. At the same time, domestic economic activity has been constrained by measures taken to control the spread of the virus. Such disruptions have affected households and businesses. Furthermore, nearly four out of five workers in Myanmar are employed in the informal sector, with limited access to social safety nets. At the same time, gas prices have taken a hit as global oil prices collapsed. Natural gas comprised 40% of exports and 20% of government revenues in fiscal year 2018–19. Social spending, particularly on health, is expected to increase over the medium term. The government intends to raise cash and in-kind transfers to the most vulnerable and at-risk groups in all regions of the

---

6Myanmar economic monitor June 2020: Myanmar in the time of COVID-19 (2020).
7De and Sanaa (2020).
country. Proactive monetary and financial sector policies will continue to support the economic recovery while remaining anchored on ensuring macroeconomic and financial stability. As a result, risks to debt sustainability are limited, despite the increase in urgently needed spending. The spending needed to support urgent recovery measures, as well as the decline in revenues, will raise Myanmar’s fiscal deficit and put pressure on funding. However, risks to debt sustainability are limited as both domestic and external debts are relatively low, allowing a scaling up of lower cost external borrowing to support faster and more inclusive growth. According to the Citizen Budget of 2019–2020, domestic debt ratio to GDP was 22.24% while foreign debt ratio to GDP was 14.87%. Thus, total debt ratio (domestic and foreign) was 37.11% of GDP respectively.

6.4 Myanmar’s Emergency Measures

On 18 March, the Ministry of Planning, Finance and Industry announced the establishment of the COVID-19 Fund as an initial stimulus package to cushion the impact of COVID-19 on the country’s economy. The initial 100 billion Myanmar Kyats (nearly US$70 million or 0.01% of GDP) worth of loans will be managed by the Myanmar Economic Bank. This fund is to provide the affected businesses particularly priority on garment, hotel and tourism as well as small and medium-sized enterprises sectors with the one percent interest rate for one year period. The first group of local business that received the loan was announced by the government on April 28.9

On April 27, the Myanmar government also launched the “Overcoming as One: COVID-19 Economic Relief Plan” (CERP) which includes seven short-term goals to be complete before the end of year. The CERP seeks to mitigate the inevitable economic impact posed by COVID-19 while establishing foundations that will facilitate Myanmar’s rapid economic recovery, using all available policy instruments to the fullest possible extent, and as part of a coordinated whole of nation response. Key features of this plan includes steps to create domestic demand through increasing spending of the government on essential related to health care, critical infrastructure, social infrastructure to cushion the income losses of large sections of people in the formal and informal sector employment, incentives to the private sector to re-engage in production and ensure supply chains. Measures to enhance the liquidity in the system through intervention from the banking sector and the central bank are also envisaged. State Counsellor, Aung San Suu Kyi said that this comprehensive Response Plan balances the needs of all stakeholders while leaving no one behind. The CERP consists of 7 Goals, 10 Strategies, 36 Action Plans and 76 Actions.10

---

8Citizen Budget of 2019–2020.
9Lwin (2020), Myanmar unveils $70-Million stimulus package to ease economic blow from virus.
10Overcoming as one: COVID-19 economic relief plan (2020).
The plan is expected to cost a minimum of US$ 2 billion.\textsuperscript{11} Currently, Myanmar expects to receive around US$ 2 billion from up to five international development partners.\textsuperscript{12} According to the Ministry of Planning, Finance and Industry (July 17, 2020), Myanmar government will spend Myanmar Kyat 2850 billion or US$ 2.07 billion for the plan. Some experts estimated that Myanmar government will need to spend 5% of GDP for the economic recovery. This plan also includes providing monetary stimulus packages, exemption of tax and fees, easing the strains on banking sector and international trade. For labors and workers, the plan is to provide health care benefits for unemployed workers registered under Social Security Board from six months to one year from the date of unemployment. CERP identified a set of policy measures to promote investment from domestic and foreign investors which would enable expansion of economic activities. Easing of the permits, approvals and licenses for the companies that produce COVID-19 related medical equipment and supplies, supporting PPP model for quick and necessary infrastructure projects, are some of the actions that would bring back the economy on the track. Trade incentives would also enable competitiveness and bring a cushion to the exporters who faced difficulties due to the slump in the demand.

6.5 Impacts of COVID-19 on Myanmar–China Relations

Myanmar serves as a land bridge between South Asia and Southeast Asia, in close proximity to large economies such as China and India. China is geographically sharing a long border and has good friendship relations and economic cooperation with Myanmar in the long history. When Myanmar was under the military rule from 1988 to 2011, China consistently supported and protected the military regime in the international diplomatic front. When Myanmar was under the heavy economic sanction imposed by the US and European Union (EU), China was the only country to lend the financial loans with a relatively high interest rate to the ruling government. At that time, the country’s economy was dependent on natural resources and became crony capitalism which created uneven distribution of wealth and a huge gap between the rich and the poor. The people’s perception towards China was getting worse as they felt that their big neighbor took advantages of the country in the most difficult time, by extraction valuable natural resources with cheap prices.\textsuperscript{13} Also the people did regard China-Myanmar relation as authoritarian-to-authoritarian relation to keep power and oppose the people without mercy.

This impression was suddenly emerged in the form of anti-China sentiment along the people, whose voice has become load in the democratic transition in Myanmar after 2011. The social movements against the Chinese projects has increased dramatically when the country has open up the people regained their rights to demonstrate

\textsuperscript{11} Government ministries allocate 10pc of budget for COVID-19 fund (2020).
\textsuperscript{12} Lwin (2020), Myanmar to receive $2B in COVID-19 relief from int’l development organizations.
\textsuperscript{13} Aung (2020).
lawfully under the democratic governance. The major problems of China’s projects are Myitsone Dam project for hydropower in Kachin State, Lapataung Copper Mine project in Sagaing region, China-Myanmar gas pipeline projects and Kyaukphyu Deep Seaport and SEZ project in Rakhine State etc. China analyzed that these anti-China movements are funded by the Western governments and NGOs but they did not recognize that the root cause was China’s total negligence towards the suffering of the people under the opposition of the military rule.

China–Myanmar relation has become complicated along with the political transition in Myanmar and Chinese leaders also had to review their policy and approach to their neighbor, changing the discourse from the government-to-government to people-to-people relation. Since political reform in 2011, Myanmar has been engaged in active participation with regional organizations. China is one of the strategic partners for Myanmar not only in economics but also in politics and international relations including peace process and Rakhine issue. Since 2017, Myanmar has begun to adopt ‘Look East Economic Policy’ and CMEC could serve as the starting point of cooperation. CMEC is set to become the most significant source of investment and support for the country’s economic growth. However, the outbreak of COVID-19 also greatly effects on the economic relations between Myanmar and China including the implementation of CMEC. In addition, since 2016, Myanmar’s civilian-led government also changed its economic policy and China adjusted their approach from emphasizing only on the extraction of natural resources from Myanmar to the proposal of logistic and industrial infrastructure construction that Myanmar needed for its economic development as shown in Table 6.1.

With travel and border trade restrictions in place, the impact will be felt in Myanmar’s tourism related services, agricultural exports to China, and in supply-chain disruptions to the manufacturing sector, particularly for garment, which account for 13% of exports.\textsuperscript{14} Tourism is an important source of revenue for Myanmar-international tourism receipts US$ 2.2 billion in 2019. Since 2017, Myanmar is also promoting the tourism development and giving the special opportunities for Asian countries including China with special visa permission. After achieving the highest number of tourists in 2015, the number tourist declined especially due to the Rakhine crisis in Myanmar and western countries gave the pressure to Myanmar government. In order to response this situation, Myanmar government started to introduce special visa permission for China, Japan and South Korea on October 1, 2018. Importantly, Chinese visitors now comprise a significant share of tourists in Myanmar which was accounted for about 20% of total visitors. According to the Ministry of Tourism, the number of Chinese visitors increased from 62,018 in 2011 to 259,592 in 2018. Income from hotels, restaurants and transport activities, which are partly support by tourism, represent 16% of GDP and have been significantly impacted by COVID-19. The Tourism Ministry said tourist arrivals in Myanmar are likely to drop 50% this year due to the outbreak. The Union of Myanmar Travel Association (UMTA) said that a total of US$ 800,000 worth of travel bookings have been canceled since late January due to the travel restrictions. Additionally, the aviation and tourism industries

\textsuperscript{14}Myanmar economic monitor June 2020: Myanmar in the time of COVID-19 (2020).
Table 6.1  Myanmar’s perception change and China’s adjustment

| No. | Myanmar’s perception change                                      | China’s adjustment                                                                 |
|-----|------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1   | Focusing on infrastructure development                         | Proposing to construct railway, road and deep seaport                               |
| 2   | Focusing on industrial development                              | Proposing Special Economic Zone and Border Areas Economic Zones                   |
| 3   | Avoiding large hydropower dam projects                         | Building solar and gas power plants for electricity generation                      |
| 4   | Pushing more access to the Chinese market beyond Yunnan province | Agreeing to import more agricultural products from Myanmar                          |
| 5   | Reviewing the project contracts to have a fair deal             | Accepting to review agreements (e.g. Kyaukphyu project)                            |
| 6   | Projects must be Myanmar’s choices in line with MSDP (Myanmar Sustainable Development Plan (2018–2030)) | Accept that China’s projects must be in line with Myanmar’s development plan         |
| 7   | Project concession must be through the international tender process | Accept the principle, losing previous privilege of the non-competition process       |
| 8   | Project finance must be sought via international financial institution | Accept the condition, changing the condition of seeking Chinese loans alone          |

Source Zaw Aung, Myanmar’s economic cooperation with East Asia: a partnership for sustainable development

have drastically fallen with global travel restrictions. Travel and tourism in Myanmar employs over one million workers or 4.8% of total employment and contributes 4.6% of GDP. Myanmar passenger demand in aviation reduced by 48% between 2019 and 2020, with a revenue impact of over US$ 690 million. Many hotels and tour operators have shuttered since the border restrictions and lockdowns, reducing the 4 million travellers in 2019 to a trickle in 2020.15

Moreover, China is an important economic partner for Myanmar in terms of trade, investment. According to the Myanmar trade data, 36.5% of Myanmar’s export went to China while 31.41% of import came from China in 2017–18.16 The major composition of export products in 2017–18 were natural gas (22.98%), garment (17.6%), beans (6.02%) and jade (5.19%) respectively. On the other hand, the major import items from China were petroleum (19.44%), transport (car) (8.42%), steel and iron (7.25%) and machinery (7.23%) during the same period. In addition to normal trade, border trade is also very important for trade relation between Myanmar and China. According to the border trade data from Ministry of Commerce, Myanmar exported US$ 6,210 million while imported US$ 2,656 million, totaling US$ 8,866 million in 2018. China’s border trade occupied 58.51% of total border trade in 2018. Major border trade areas are Muse, Lwejel, Chin Shwe Haw and Kan Pitette. However, since late May, China has strictly control border gates between Yunnan Province and Myanmar to prevent the future spread of COVID-19. As a result, Myanmar farmers

15Lim (2020).
16Statistical Yearbook of Myanmar (2018).
and traders have been hurt badly following China’s restrictions and controls on the border. Myanmar government received criticisms from farmers and traders over significant decline in border trade and the Myanmar Consulate in Kunming discussed the issue with Chinese officials. The Consulate raised the issue that Myanmar’s seafood and fruit industries have suffered losses due to the restriction on the border because agricultural exports represent 19% of total export, or 4% of GDP, roughly half of which are sold to China. In Myanmar, the agriculture sector is also the biggest employer, accounting for as much as 78% of the rural labor force. Moreover, the layoffs in the garment manufacturing sector accounted for 500,000 jobs could affect households’ incomes and domestic remittances, especially if China’s supply chain disruptions are prolonged.\(^\text{17}\)

Furthermore, China is one of the important foreign investors in Myanmar. Myanmar achieved the highest Foreign Direct Investment (FDI) in 2010–11 and then declined because of low inflow of China investment probably due to Myitsone Dam project problem as well as political instability in Myanmar.\(^\text{18}\) China occupied the second largest FDI in 2019 which accounted for (25.63%) of total investment after the Singapore (26.59%). Oil and gas are major shares of China’s investment in Myanmar. China also invested pipeline project in Kyauk Phyu SEZ. This pipeline will transmit 22 million tons of crude to China. Myanmar will gain an annual road right fee, transit fee and earn revenue from the use of oil, sea port and oil tankers in relation to pipeline. Moreover, Myanmar has a right to buy two million tons of crude oil annually from the pipeline.

In addition, labor migration has long been an important livelihood strategy for the people of Myanmar. There are more than 3 million Myanmar working overseas in Thailand, China, Malaysia and other countries which contribute to a US$ 3.5 billion remittance flow, that has been compromise due to the pandemic. Many have lost their jobs in their country of work and are forced to return home. Over 100,000 migrants have returned to Myanmar between March and June. Returning migrants also face social stigma due to the nature of COVID-19.\(^\text{19}\) Sending money home provides a measure of social protection. It mitigates the lack of government schemes to sufficiently protect households from exposure to the various social and economic strains associated with a sudden loss of income.\(^\text{20}\)

---

\(^\text{17}\) Myanmar Economic Monitor June 2020: Myanmar in the Time of COVID-19 (2020).
\(^\text{18}\) Statistical Yearbook of Myanmar (2018).
\(^\text{19}\) Lim (2020).
\(^\text{20}\) Impact of COVID-19 on Myanmar’s migrants and remittances (2020).
6.6 Impacts of COVID-19 on BRI/CMEC Projects

The proposal to build the CMEC under the cooperation framework of BRI between two countries was announced by China’s Foreign Minister Wang Yi following a meeting with the State Counselor in November 2017. Wang said the economic corridor would enhance investment in development and trade as part of the BRI. Myanmar also welcomed and accepted China’s proposal with three conditions: (1) all the CMEC projects must be in line with Myanmar’s national development plan; (2) Myanmar must have the right to seek assistance from the international financial institutions; (3) all the projects must be opened to the transparent, competitive international tenders.\(^{21}\) Myanmar and China was signed three agreements as part of the BRI.\(^{22}\) The Agreement on Economic and Technical Cooperation; a MoU on the CMEC Cooperation Plan (2019–2030); and a MoU on the Formulation of the Five-year Development Program for Economic and Trade Cooperation, which aims to enhance cooperation in investment and productivity. Under the MOU, the governments agree to collaborate on projects in a number of sectors including basic infrastructure, construction, manufacturing, agriculture, transport, finance, human resources development telecommunications, and research and technology. The CMEC is aimed to construct basic infrastructure connecting key economic centers in Myanmar. Under the CMEC agreement, the Myanmar government agrees to build three economic border zones in Shan and Kachin states. An agreement on a feasibility study of the Muse–Mandalay Railway Project and a framework agreement for the development of Kyauk Phyu Special Economic Zone were signed; the tender for the New Yangon City Project led by the Yangon Regional Government and the China Communication Construction Company (CCCC) will be participated. China will also provide a grant of 1 billion Yuan (225.39 Billion Kyats, or approximately US$ 148 million) for socioeconomic development projects under an economic and technical cooperation agreement signed in Beijing.

In May, 2019, Myanmar government set out the team to negotiate BRI/CMEC projects by using following measures: (1) seek financing from international financial institutions to implement the projects; (2) invite international tenders to ensure international investment in the projects; (3) choose projects that create mutual benefits for both sides.\(^{23}\) The BRI/CMEC related projects should be not only economically feasible, but also socially and environmentally responsible. Moreover, the higher-level meeting in 2019 between China and Myanmar also discussed China’s continuing help for Myanmar’s efforts to achieve peace and national reconciliation, ensure border stability and law enforcement, repatriate refugees in Rakhine State, cooperate on international relations, and promote tourism.

Chinese President Xi Jinping visited to Myanmar in his first foreign trip on January 17–18, 2019. During his trip, Myanmar signed 33 agreements with China. President Xi called for the “deepening of results-oriented BRI cooperation and to move

\(^{21}\) Lwin (2019), Government spells out conditions for signing BRI deals with China.

\(^{22}\) Lwin (2019), In Myanmar, China’s BRI projects are old wine in a new bottle.

\(^{23}\) Myint (2019).
Table 6.2  Ten key agreement between Myanmar and China in 2020

|   | Description                                                                                     |
|---|-------------------------------------------------------------------------------------------------|
| 1 | Concession Agreement and Stakeholder’s Agreement of Kyaukphyu Special Economic Zone and Deep Seaport Project |
| 2 | MoU between Yunnan Province and Mandalay Region under the Framework of Joint Building China-Myanmar Economic Corridor (CMEC) |
| 3 | MoU on accelerating on the Framework Agreement on the China-Myanmar Ruli-Muse Cross Border Economic Cooperation Zone |
| 4 | Exchange Letter for the Feasibility Study on the China Aid funded 3-Year Border Area Development Plan |
| 5 | MoU on Enhancing Infrastructure Development Cooperation |
| 6 | MoU on Conducting Feasibility Study of Myanmar-China Interconnection Project |
| 7 | MoU on Human Resource Development Cooperation |
| 8 | MoU on the Establishment of the Working Group for the Promoting of Smooth Trade |
| 9 | MoU on Promoting Production Capacity and Investment Cooperation |
| 10| Letter of Intent Regarding New Urban Development of Yangon City |

Source  “State Counsellor, President Xi Jinping Hold Bilateral Talks, Witness Signing 33 Agreements”, State Counsellor Office of Myanmar, http://www.Statecounsellor.org.mm/en/node/2762

projects from a conceptual state to concrete planning and implementing in building the CMEC. In addition, during Xi’s visit, the Kyauk-Phyu deep seaport and SEZ, Myanmar–China border economic zones and New Yangon City development were described as the three pillars of the CMEC. As shown in Table 6.2, the ten key agreements out 33 with influence Myanmar–China economic cooperation under CMEC in the next decade.

The construction of the China-backed Kyaukphyu deep-sea port will begin soon, as preparations on both the Myanmar and China sides are on track. According to the Ministry of Commerce, the first phase of deep seaport will be implemented with a US$ 1.5 billion. The multi-purpose container port of Kyaukphyu is expected to improve transport and logistics and strengthen inter-connectivity as well as spur the local economy. The deep seaport will contribute China, Myanmar and other countries to enhance trade and play an important role in accelerating regional economic integration. The Kyaukphyu SEZ is backbone project under CMEC, which is expected to boost development in China’s landlocked Yunnan province and provide China with direct access to the Indian Ocean, allowing its oil imports to bypass the Strait of Malacca. In November 2018, the Kyaukphyu SEZ Management Committee and the China International Trust and Investment Corporation (CITIC) signed a framework agreement for development of Kyaukphyu SEZ. The initial agreement called for a project worth US$ 9–10 billion, but two sides have agreed that the project will start out on a small or medium-size scale.

The Myanmar government is ready to sign a framework agreement with China on the establishment of cross-border economic cooperation zones, paving the way

---

24 Lwin (2020), Myanmar set to ink pact with China on border cooperation zones.
for the implementation of Beijing’s grand infrastructure plans in the country as part of the CMEC. It is envisioned as a corridor for transporting goods to and from Yunnan’s Kunming via Myanmar’s Muse along trade routes in Shan State through Mandalay to the Kyaukphyu SEZ in Rakhine State. According to the Ministry of Commerce, the framework will cover a number of major agreements, particularly on the formation of a bilateral joint committee for the implementation of cross-border economic cooperation zones; the assignment of management role for the zones and types of incentives for the investors. The zones are in Kanpiketi town in Kachin State’s Special Region-1 (currently it is under the control of the New Democratic Army (NDA)-Kachin militia; Chin Shwe Haw in Shan State’s Laukkai Township which is part of the Kokang Self-Administrative Zone); and Muse Township in Shan State. Chin Shwe Haw and Muse are already major trading hubs along Myanmar’s border with China’s Yunnan Province. Currently, Kanpiketi does regular trade with China as well. But China wants to prioritize the implementation of Muse economic zone.25

The Yangon government backed New Yangon Development Company (NYDC) signed US$ 1.5 billion framework agreements in 2018 with China’s CCCC to draw up a proposal for the infrastructure. The 20,000-acre New Yangon City Project is also one of the projects under CMEC. However, the project has been a source of controversy due to its flood-prone location and involvement of CCCC. This company has been accused of engaging in corruption and bribery relating to development deals in at least 10 countries in Africa and Asia according to international media reports. CEO of NYDC, Serge Pun, said he is hopeful that the project will commence this year and there will be no change to the project plans, despite Myanmar and China’s economies facing significant slowdown due to the COVID-19 pandemic. He added that they may even accelerate as the CERP offers support for mega-infrastructure projects to mitigate the effects of COVID-19 and it is very important to proceed with BRI projects because one of the major difficulties we will face post COVID-19 is unemployment. Thus, the New Yangon City project will benefit thousands of people by giving them job opportunities.26

With the COVID-19 pandemic past its peak in China, attention has turned the Chinese government’s deployment of “Covid diplomacy”. This term frames how China’s government is sending medical supplies and personnel across the world including to Myanmar to build goodwill and show global leadership in fighting the pandemic. For BRI partners, some view China’s government are using such soft power to push through projects that may not be in the recipient’s best interests.27

In early April, 2020, the Chinese Foreign Ministry announced US$ 6.78 million would be provided for 22 Myanmar projects under the Beijing-led LMC. Chinese Ambassador said the 33 agreements signed during President Xi Jinping’s visit in January, 2020 would continue to progress from the planning to implementing stage.28

25Lwin (2020), Myanmar set to ink pact with China on border cooperation zones.
26Lwin (2020) NYDC CEO says New Yangon city project will move forward.
27Bharat (2020).
28Ibid.
During the COVID-19 outbreak period, Chinese Ambassador to Myanmar Chen Hai and Myanmar’s Deputy Minister for Planning, Finance and Industry U Set Aung met to discuss how to move forward on the development of China’s ambitious projects in Myanmar in the context of the CERP. The New Yangon City; Kyaukphyu Deep-Sea Port and SEZ; and China–Myanmar Cross-Border Economic Cooperation Zone projects—all of which were agreed during Chinese President Xi Jinping’s visit to Myanmar in January, 2020—were among those discussed at the meeting. Furthermore, President Xi expressed hope that Myanmar would speed up its cooperation with China on implementation of the infrastructure projects during a telephone conversation with Myanmar President U Win Myint in late May.29

When Myanmar government announced its seven-point CERP on April 27 to mitigate the economic impact of COVID-19, one item immediately raised eyebrows among China analysts in the country. It is because the third main objective of CERP is stated as “Easing the Impact on Laborers and Workers” and one of the ways the government intends to achieve this is putting laid-off laborers and returning migrants to work on “Implementation of Labor-Intensive Community Infrastructure Projects” before the end of this year. Since then, speculation has grown that CERP’s third goal is tantamount to a green light for the CMEC projects. Experts are concerned that CERP’s emphasis on reviving the economy will see Myanmar push ahead with the implementation of CMEC projects without properly assessing their risks in terms of conflict sensibility, potential for incurring unsustainable debt and commercial viability. They warned that the country could easily fail into an unstable debt trap due to the enormous investment required the BRI/CMEC projects. The key BRI projects, as they said, are not commercially viable unless interlinked projects are finished, such as the Muse-Mandalay railway project and Shan State’s cross-border cooperation zones. Moreover, those projects could either be delayed or suspended depending on China’s economic situation and the armed conflicts in the ethnic areas in Myanmar.30

The consequence of the virus has morphed from socio-economic considerations to that of questioning geopolitical intent of BRI. Essentially questions are being raised around the transparency and equality of gains pronounced by BRI. Myanmar needs to be aware of the supply chain disruptions particularly awareness of BRI projects labor, equipment and machinery resourcing out of China. With 133 countries having imposed border entry restriction, there have been significant delays in BRI projects in the likes of Indonesia, Malaysia and Cambodia. Scrutiny has shifted to a closer look as to the reason for these delays. China is trying to offer the Medical Silk Road (MSR) as the mechanism by which medical and humanitarian aid is delivered particularly to BRI participant countries. The real test for China is whether the soft diplomacy efforts can sell the BRI message of a shared human destiny. The virus has created conditions that would allow other nations to destabilize China’s effort. Organizations like Quad

29Lwin (2020), Myanmar COVID-19 recovery plan won’t favor China’s BRI projects, official says.
30Lwin (2020), Myanmar COVID-19 recovery plan won’t favor China’s BRI projects, official says.
(US, Australia, India and Japan) can offer alternatives to China and countries like Myanmar will become increasing aware of these alternatives.\textsuperscript{31}

Even as China pushes Myanmar to implement the mega-projects, serious questions are being asked about whether Myanmar can finance them given that its economy has slowed significantly due to COVID-19 and the government has committed to increasing spending on economic stimulus and improving social security and health care in the wake of the outbreak. Moreover, Myanmar added a key condition to the CMEC Cooperation Plan stipulating that China must allow Myanmar to seek financing for the projects from multiple international financial institutions, especially the WB and the ADB, to avoid incurring unsustainable debt obligations to China. Recently, the Ministry of Planning, Finance and Industry (MOPFI) signed an agreement with Singapore’s Infrastructure Asia (IA) under which the latter will help Myanmar identify suitable investors and assess commercial viability-including by inviting international standard tenders-for strategic infrastructure projects listed in the country’s Project Bank. Myanmar government is also planning to add all the BRI projects to the Project Bank to ensure there are screened for commercial viability and adherence to the MSDP. Moreover, it plans to seek more agreements with firms such as IA to consult on the implementation of strategic projects.

6.7 Conclusion

Although Myanmar could control attack of the COVID-19, the government needs to prepare second or third wave of the virus. In addition, there are daunting challenges for Myanmar government to solve the socio-economic problems such as health care, social security, unemployment, poverty and economic recovery etc. The ongoing COVID-19 pandemic is greatly impacted on not only domestic economic activities but also the implementation of mega-infrastructure projects under CMEC. There are many mitigation measures that can help minimize the economic impact of the pandemic. It is important to review them in a timely manner to optimize the opening of essential transport, market and supply chain - when it is safe to do so. The re-opening of social and economic activities will be gradual. Currently, the government has issued various guidelines for re-opening of factories, hotels and restaurants, schools and other essential services.

Although these are many economic and job opportunities from CMEC by public and private sectors, the policy makers should take into account the cost and risk of these projects including social and environmental impacts. A prosperous economic corridor is expected to be formed along Yunnan-Manadalay-Yangon-Kyaukphyu routes, strengthening China’s already substantial economic ties with Myanmar and contributing to a more integrated regional economy. The economic corridor project is part of Beijing’s broader strategy of investing widely to diversify its sources of imported energy, and to enhance its economic integration with Myanmar. The project

\textsuperscript{31}Wheeler (2020).
also creates many other opportunities between China and the CMEC could serve as the starting point of cooperation. Other cooperation areas include capacity building in economic system reform, agriculture and education. For China, it will bring development opportunities to its economically backward Southwestern provinces, in particular, Yunnan and Sichuan. The project will provide foreign direct investment and its gas exports and other commercial goods. It will also increase Myanmar’s foreign exchange earnings. Nevertheless, the CMEC project comes with many potential risks and challenges including political concerns, different business environment, inconsistent standards, high costs of construction, social and environmental impact, wariness of some people in Myanmar and neighboring countries including India upon China’s growing influence. In addition, the negative impacts of economic cooperations such as illicit trade, human trafficking, and drugs etc. between Myanmar and China also need to eliminate urgently. In order to reduce the risks and challenges of BRI and CMEC projects, it is need to enhance mutual trust, to see conflict sensibility, commercial viability; to search finance from international institutions, to align the technological standards for infrastructure projects, to respect national condition of Myanmar’s condition.

References

An updated assessment of economic impact of COVID-19. The Asian Development Bank, Brief No. 133. (2020). https://www.adb.org/publications/updated-assessment-economic-impact-COVID-19.

Assessing the impacts of COVID-19 on Myanmar’s economy: A social accounting matrix (SAM) multiplier approach. IFPRI. (2020, May). https://www.ifpri.org/publication/assessing-impacts-COVID-19-myanmars-economy-social-accounting-matrix-sam-multiplier-0.

Aung, Z. (2020, February). Myanmar’s economic cooperation with East Asia: A partnership for sustainable development. Paper presented at the 10th international conference on development alternatives, Yangon, Myanmar.

Bharat, S. S. (2020, May 20). Is China deploying COVID-19 diplomacy to speed BRI projects in Myanmar. The Diplomat. https://thediplomat.com/2020/05/is-china-deploying-COVID-19-diplomacy-to-speed-bri-projects-in-myanmar/.

Citizen budget of 2019–2020. Myanmar ministry of planning, finance and industry. https://www.mopfi.gov.mm/en/blog/47/143/11070.

De, J., & Sanaa, N. (2020, July 7). Six charts on Myanmar’s economy in the time of COVID-19. IMF. https://www.imf.org/en/News/Articles/2020/07/07/na70720-myanmars-economy-in-the-time-of-covid19-six-charts.

Economic impact of the COVID-19 outbreak on developing Asia. The Asian Development Bank, Brief No. 128. (2020). https://www.adb.org/publications/economic-impact-covid19-developing-asia.

Government ministries allocate 10pc of budget for COVID-19 fund. Myanmar Times. (2020, May 11). https://www.mmtimes.com/news/govt-ministries-allocate-10pc-budgets-COVID-19-fund.html.

Government suspends visa privilege for Chinese, mulls border shutdown. Myanmar Times. (2020, February 3). https://www.mmtimes.com/news/govt-suspends-visa-privilege-chinese-mulls-border-shutdown.html?__cf_chl_jschl_tk__=-962e4289f44da092e61c50af942308e9caab1de9-1600141325-0-AZc7i4GRqHOI-b6zNj0ucP5Pv6UK53r2arp1RvXeqLuX25flu4FH70
Impact of COVID-19 on Myanmar’s migrants and remittances. Unlocking public and private finance for the poor (UNCDF). (2020, June 15) https://www.uncdf.org/article/5725/impact-of-COVID-19-on-myanmars-migrants-and-remittances.

Lim, A. (2020, June 25). Myanmar needs to redefine its COVID-19 stimulus package. Tea Circle Oxford. https://teacircleoxford.com/2020/06/25/myanmar-needs-to-redefine-its-COVID-19-stimulus-package/.

Lwin, N. (2019, May 30). Government spells out conditions for signing BRI deals with China. The Irrawaddy. https://www.irrawaddy.com/business/govt-spells-conditions-signing-bri-deals-china.html.

Lwin, N. (2019, November 8). In Myanmar, China’s BRI projects are old wine in a new bottle. The Irrawaddy. https://www.irrawaddy.com/news/burma/in-myanmar-chinas-bri-projects-are-old-wine-in-a-new-bottle.html.

Lwin, N. (2020, March 19). Myanmar unveils $70-million stimulus package to ease economic blow from virus. The Irrawaddy. https://www.irrawaddy.com/news/burma/myanmar-unveils-70-million-stimulus-package-ease-economic-blow-virus.html.

Lwin, N. (2020, May 11). Myanmar to receive $2B in COVID-19 relief from int’l development organizations. The Irrawaddy. https://www.irrawaddy.com/specials/myanmar-COVID-19/myanmar-receive-2b-COVID-19-relief-intl-development-organizations.html.

Lwin, N. (2020, May 25). NYDC CEO says New Yangon City project will move forward. The Irrawaddy. https://www.irrawaddy.com/news/burma/nydc-ceo-says-new-yangon-city-project-will-move-forward.html.

Lwin, N. (2020, June 11). Myanmar COVID-19 recovery plan won’t favor China’s BRI projects, official says. The Irrawaddy. https://www.irrawaddy.com/business/myanmar-COVID-19-recovery-plan-wont-favor-chinas-bri-projects-official-says.html.

Lwin, N. (2020, August 15). Myanmar set to ink pact with China on border cooperation zones. The Irrawaddy. https://www.irrawaddy.com/news/myanmar-set-ink-pact-china-border-cooperation-zones.html.

Myanmar economic monitor June 2020: Myanmar in the time of COVID-19. The World Bank. (2020, June 25). https://www.worldbank.org/en/country/myanmar/publication/myanmar-economic-monitor-june-2020-myanmar-in-the-time-of-COVID-19.

Myanmar’s state issue heavy restriction on movement ahead of thingyan (Myanmar New Year) to curb COVID-19. The Irrawaddy. (2020, April 6). https://www.irrawaddy.com/specials/myanmar-COVID-19/myanmars-states-issue-heavy-restrictions-movement-ahead-thingyan-curb-COVID-19.html.

Myint, U. Thinking, fast and slow on the belt and road: Myanmar’s experience with China. ISEAS Perspective, No. 90. (2019, October 29). https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_90.pdf.

Overcoming as one: COVID-19 economic relief plan. Government of the Republic of the Union of Myanmar. (2020, April 27). https://www.ccifrance-myanmar.org/en/newsandresources/overcoming-as-one-COVID-19-economic-relief-plan-cerp.

Statistical yearbook of Myanmar 2018. Central Statistical Organization (CSO). https://www.cso.stat.gov.mm/.

The impact and policy responses for COVID-19 in Asia and the Pacific. UN-ESCAP, p. 2. (2020, March 26). https://www.unescap.org/resources/impact-and-policy-responses-COVID-19-asia-and-pacific.

Wheeler, A. (2020, April 15). COVID-19: Can China offset the long-term socio-economic impact on China’s BRI road initiatives?. Mizzima. https://mizzima.com/article/COVID-19-can-china-off-set-the-long-term-socio-economic-impact-chinas-belt-road-initiative.