

# South Asia Analysis Group

Published on *South Asia Analysis Group* (<http://www.southasiaanalysis.org>)

[Home](#) > Myanmar: China and the Kyaukpyu Deep Sea Port: Why this desperate Hurry?

---

## Myanmar: China and the Kyaukpyu Deep Sea Port: Why this desperate Hurry?

Submitted by asiaadmin2 on Sat, 06/13/2020 - 09:11

**Paper No. 6596**      **Dated 13-June-2020**

By Dr. S. Chandrasekharan

In one of my earlier papers on Myanmar 6519 of 12 Feb, 2020, I had said that the visit of Xi Jin Ping though declared to be part of the 70th anniversary of diplomatic ties, the real reason appeared to be to regain the lost momentum of strategic dominance.

In the meetings, President Xi focussed on three main projects under the Belt and Initiative and part of the CMEC (China-Myanmar Economic Corridor). These were the New Yangon Project, the Kyaukpyu Deep Sea Port with the SEZ (the latter only to sweeten the deal and keep the Myanmar side interested) and the China-Myanmar Border Cooperation Zone.

China in the mean time had already completed an oil pipeline project from Kunming to Kyaukpyu and also a gas pipe line between the two ports. The Gas pipe line was started in 2013 and the Oil Pipe line started functioning from April 2017. The projects were rushed through despite local objections.

The Gas and Oil pipe lines together with the Kyaukpyu deep sea port are ostensibly meant to develop the south western hinterland of China, but the real reasons were strategic. The Port would help China avoid the vulnerable straits of Malacca. The ongoing spat with United States and the countries in the region looking for strategic alliances like India with Australia, the need for an alternate route for safety and security of supplies to the Chinese hinterland has become critical to China.

While the Chinese side initially pushed for a large project with an investment of over 7 Billion Dollars, the Myanmar side in its negotiations reduced the project to 1.3 billion and also increased Myanmar's stake in the project to 30 percent. Even this amount is too big a sum for Myanmar and there were always fears that Myanmar by borrowing from Chinese Banks may get into a debt trap as it happened to Sri Lanka vis a vis Hambantota.

While the deep Sea Port will only help China and not Myanmar, the deal was sweetened with a parallel project of a special economic Zone for which the stakes for the two sides are yet to be finalised.

At that point of time, Myanmar was not aware of the possible spread of the deadly Virus unleashed by China. With the rapid spread of the Virus in other countries and the possibility of its economy being very adversely affected, Myanmar launched an Economy Relief Plan on April 27, 2020. It was an effort to meet the exigencies that surfaced in Myanmar after the Covid-19 (Wuhan Virus) was officially (though delayed) declared by WHO.

The Plan consisted of 7 objectives or Goals, 10 Strategies, 30 Action Plans, and 76 Actions. Without going into full details of all actions contemplated we shall restrict ourselves to the seven goals. These included

Goal 1: Improve macroeconomic environment through monetary stimulus

Goal 2: Ease the impact on the private sector through improvements to investment, trade & banking sectors

Goal 3: Easing the impact on laborers and workers

Goal 4: Easing the impact on households

Goal 5: Promoting innovative products and platforms

Goal 6: Health care systems strengthening

Goal 7: Increase access to COVID-19 response financing

Soon after the Plan was announced and fearing that it may affect the Belt and Road Initiative, the Chinese Ambassador in Myanmar Chen Hai met the Deputy Minister for Planning, Finance, Industry, U Set Aung to discuss how to move forward on the development of China's ambitious projects in the context of the Pandemic.

In late May, Xi Jinping personally called Myanmar President and specifically expressed the hope that Myanmar would speed up its cooperation on the implementation of the Infra structure Projects. He had the Kyaukpyu Port in mind as it became imperative to speed up the project in view of the deteriorating relations with United States. by that time.

The issue that came up recently in Myanmar was whether the three projects which are being enthusiastically pushed forward, would meet any of the seven goals or objectives of the Myanmar on the post pandemic plan. To be more precise would it meet goal number 3 which is meant to ease the impact on labourers and the Workers. The answer would be "No"

A Senior Official of Myanmar said that when it comes to choosing strategic infra structure projects, there must already have been proposals but facing delays -these must be implemented by a reputable company with international experience and the Projects will have to be

commercially viable and not a burden on the country.

In his view, according to the criteria laid down, the BRI projects of China are not among those to be chosen. The three projects New Yangon City, the Kyaukpyu Deep Sea Port and Industrial Zone and China-Myanmar Economic Cooperation Zone seem to be far from meeting the criteria.

The Head of China Desk of the Institute of Strategic Policy (ISP Myanmar) Daw Khin Khin Kyaw Kyee, said that the key BRI (Belt and Road Initiative) including the Kyaukpyu projects are not commercially viable. It may take 10 to 15 years for the projects to become viable.

China uses mostly its own labour in carrying out the projects. In the construction of Bashar Dam in Pok, the Chinese company will be bringing over 17000 Chinese Labour as if there is a dearth of labour in Pakistan. It will do the same thing in Kyaukpyu Project where the local Labour will not get a chance while goal 3 is meant to ease the impact on the labourers and workers.

Further, the Corridor under the CMEC traverses through highly volatile areas in the northern Shan State that are currently plagued by frequent clashes between the Tatmadaw and the ethnic insurgent outfits. It is also pointed out that out of the six major armed groups active in the China-Myanmar trade route in northern Shan State five have not signed the National Cease fire Agreement.

So, what next? China is keen to have a vital strategic outlet to the Indian Ocean . It has to avoid the vulnerable Malacca Straits route that is susceptible to maritime friction with other powers like the US, Australia and even Japan.

China will therefore have review its policy towards the ethnic insurgents in the border who are indirectly supported in all respects. In my paper 6497 of 20th September 2019, I had pointed out that China is a part of the problem in solving the armed ethnic conflicts mostly occurring on the China- Myanmar border. Sun Quoxiang the main interlocutor of China between the armed groups on the China border and Myanmar appears to be more interested to keep the “pot boiling” than looking for a permanent peace in the border. At the moment none of the insurgents including the Arakan Army have targeted the Chinese projects but it may not remain so in the long run. The apprehensions of the Myanmar authorities about the viability of the CMEC corridor that runs through the strife ridden Northern Shan State are genuine and real.

In the end, it is likely that China may ultimately bully the Myanmar authorities to give in and go ahead with the strategic project particularly the Kyaukpyu deep Sea Port that gives access to the Indian Ocean. Myanmar could and should make China either agree to go ahead with the Project or continue supporting the armed insurgents in the border. It cannot do both. The choice is with China and not Myanmar.

For the West- it is doing everything possible to push Myanmar into the lap of the Chinese. The ARSA is a bunch of terrorists and is not a group of Saints. The Rohingya crisis would not have come to this stage if the ARSA had not begun its thoughtless and brutal attack on the

Police Posts. Even now they are active in the refugee camps.

For India- there is only one way- Strengthen the Navy.

**Tags:**

Myanmar [1]

china [2]

**Category:**

Papers [3]

**Countries:**

Myanmar [4]

**Topics:**

Strategic Affairs & Security [5]

Political [6]

Copyright ©2012. All Rights are Reserved.

---

**Source URL:** <http://www.southasiaanalysis.org/node/2625>

**Links**

[1] <http://www.southasiaanalysis.org/taxonomy/term/170>

[2] <http://www.southasiaanalysis.org/taxonomy/term/6>

[3] <http://www.southasiaanalysis.org/papers>

[4] <http://www.southasiaanalysis.org/myanmar>

[5] <http://www.southasiaanalysis.org/strategic-affairs-and-security>

[6] <http://www.southasiaanalysis.org/political>