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China and Myanmar: The success and failure of the Belt and Road Initiative

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Abstract

This thesis explores the factors that are at play with the success and failure of Chinese-funded infrastructure projects in Myanmar that are related to the Belt and Road Initiative (BRI). Here the BRI will be approached as a 'spatial fix', meaning that economic activities are geographically relocated as a solution to China's domestic economic challenges. Two Chinese megaprojects in Myanmar will be investigated, namely the Myitsone Hydropower Dam and the China-Myanmar Oil and Gas Pipelines. Although both projects have a significant impact on the local environment and were met with severe opposition, the Myitsone Dam was suspended, whereas the China-Myanmar pipelines were continued. To explain this variation, the following research question will be answered: '*Under what conditions are BRI infrastructure projects successful?*'. In terms of methodology, a combination of 'preference attainment', 'attributed influence', and 'process-tracing' will be applied. From this analysis, the conclusion of this thesis is derived, which states that the following three conditions are key in the success or failure of the projects: (1) the existence of alternative investment sources, (2) the extent of a civil society movement against the project and (3) the position of both China and the host country on the project.

Abbreviations

ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CNPC	China National Petroleum Corporation
CPI	China Power Investment Corporation
EIA	Environmental Impact Assessment
EU	European Union
KIO	Kachin Independence Organization
MOFA	Ministry of Foreign Affairs of the People's Republic of China
MOGE	Myanma Oil and Gas Enterprise
MoU	Memorandum of Understanding
NGO	Non-governmental organization
NLD	National League for Democracy
SOE	State-owned enterprise
UN	United Nations
US	United States of America
USDP	Union Solidarity and Development Party
WTO	World Trade Organization

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I. Introduction

In many ways, the period marked by Deng Xiaoping of '*hide your strength, bide your time*' has passed (Callahan, 2016). As private and state-owned enterprises (SOE's) were urged to go out and invest overseas, China's outward investment has skyrocketed from $915 million in 2000 to $183.1 billion in 2016 (UNCTAD, 2017). The ambitious 'Belt and Road Initiative' (BRI) perfectly represents China's increased assertiveness and opening up to the world. During the first Belt and Road Forum in 2017, President Xi Jinping proclaimed the BRI to be '*the project of the century*' (cited in AEPF, 2019, p. 3). Over the years, the BRI has expanded into a framework which involves an immense collection of investment and cooperation deals in an attempt to achieve greater economic integration and connectivity across Asia, Europe, Africa and Latin-America (AEPF, 2019). The BRI encompasses multiple dimensions, but its primary focus is the construction of land- and sea-based infrastructure. Through a network of railways, highways, oil and gas pipelines, airports, seaports, industrial parks and power grids, the world is connected to the Chinese economy.

According to the Asian Development Bank (ADB) (2014), there is an $8 trillion funding gap in Asia for infrastructure between 2010 and 2020. Since China is looking to invest and these countries need investment, there seems to be a perfect match. Some scholars, therefore, point towards the advantages of the BRI in terms of mutual benefits and economic interdependence (Wong, 2016; Huang, 2016). Yet others argue that the BRI threatens the current international order and leaves developing countries with massive debts to China (Blackwill & Harris, 2017; Arase, 2015; Chelleny, 2016). In reality, both positions are an oversimplification of the complex interactions between domestic conditions, economic challenges and geopolitical tensions. In contrast to the above-mentioned perspectives, this thesis will apply a pragmatic view of the BRI, in which the BRI is explained as a solution to China's domestic challenges. This is done by exploring the BRI as a 'spatial fix', meaning that China's overseas investments are intended to geographically relocate economic activities to promote investments and safeguard future economic growth for China (Summers, 2016). Rather than being President Xi's grand strategy, this thesis will focus on the influence of subnational governments and commercial interest on the BRI in Myanmar.

In Myanmar, the spatial fix has been successful in the sense that Chinese SOE's have managed to introduce numerous infrastructure projects to the country and increased

investment from $1 billion in 2008 to $13 billion in 2011 (Sun, 2013). Especially during Myanmar's decades of international isolation, the military regime has been eager to accept financial support. More recently, however, China's spatial fix has run into difficulties. In September 2011, the Myanmar government announced that it would unilaterally suspend the construction of the Chinese-funded Myitsone Dam (Thant Myint-U, 2020). The suspension formed a significant setback for China and raises the question if other Chinese investment projects are also in trouble. This thesis will explore the factors that are at play in the success or failure of the BRI in Myanmar. It will do this by providing an answer to the following research question: '*Under what conditions are BRI infrastructure projects successful?*'. To answer this question, this thesis will focus on two infrastructure projects one being the abovementioned Myitsone Dam and the second being the China-Myanmar Oil and Gas Pipelines. Although both projects have a significant impact on the local environment and were met with severe opposition, the Myitsone Dam was suspended, whereas the China-Myanmar pipelines were continued.

This analysis is important since it illuminates some of the complexities that are involved with the BRI and the spatial fix. Rather than portraying host countries as passive bystanders, a clear understanding of the difficulties that are at play will show that China cannot simply impose its will on other countries. Instead, various social groups can influence the process and need to be taken into account. Furthermore, this analysis shows how infrastructure projects can have disruptive effects on local communities. In contrast, to the terms such as 'win-win cooperation' and 'peaceful development', the BRI may, in reality, be the cause of insecurity and local tensions.

Much of the debate on the BRI focuses on the role of states and the relationship between China and the host country. While this thesis does acknowledge the importance of the Chinese central government and the Myanmar central government, it will look further by highlighting the relationship and interaction between different levels of government, private actors and civil society. Analysing these relations will help to understand why the BRI infrastructure projects are not always successful. This thesis will capture the dynamism behind projects and the difficulties that China is experiencing in the implementation. Moreover, this thesis aims to connect an understanding of the Chinese domestic economy with the effects that this has in developing countries, like Myanmar.

This thesis will be structured as follows. After the introduction, a summary will be given of the relevant literature on the BRI and the spatial fix. Here the approach to the thesis will be clarified and the gap in the literature will be further demonstrated. In the next section, the methodology will be set out, which consists of a combination of 'preference attainment', 'attributed influence' and 'process tracing'. This is followed by two analytical sections, in which respectively the Myitsone Dam and the China-Myanmar Pipelines will be discussed. In the concluding section, the findings of the analytical sections will be summarized. Based on these results this thesis will conclude that three conditions are key to the success or failure of the infrastructure projects: (1) the existence of alternative investments sources, (2) the extent of a civil society movement against the project and (3) the position of both China and the host country on the project.

II. Literature review

This section will discuss the academic debate on China's international political economy and the BRI. A distinction will be made between those scholars who offer a realist perspective, a liberal perspective and a pragmatic view of the BRI. In the case of Myanmar, a pragmatic view in which the BRI is explained as a spatial fix is most compelling. It will be subsequently argued that there is a lack of literature which focuses on the challenges that arise when this spatial fix is applied in a specific context.

2.1 Realism and geoeconomics

The first group of scholars sees the BRI as China's attempt to increase its regional influence and work towards a Sino-centric regional order. This is sometimes referred to as the 'China-threat' thesis and is often paired with a realist view of international relations, in which China's rise is a zero-sum game (Wang, 2011). According to Mearsheimer (2014), a rising power like China is structurally determined to challenge the current American-led international system. As China's capabilities increase, China will become more assertive and will attempt to establish regional hegemony.

Within a political-economic dimension, realist scholars often refer to the concept of geoeconomics to describe China's mercantilist state-economy and foreign economic policy (Harding, 2016). In this context, the concept of geoeconomics is defined as the usage of economic instruments to promote and defend national interests and to produce beneficial geopolitical results. The underlying idea of this perspective is that China is a revisionist power, which is looking to change the current international order. It is in this sense that scholars such as Fallon (2015) and Rolland (2017) describe the BRI as Xi Jinping's grand strategy for Eurasia. China and the BRI will challenge the existing international order and attempt to establish a new Sino-centric order. While focussing on Southeast Asia, Blanchard and Flint (2017) argue that the BRI has a geopolitical nature with the potential for extensive territorial consequences. According to Chellaney (2016) China's revisionist projects, such as the BRI, have a risk of destroying the balance of power in Asia. He argues that Japan, India and the US should cooperate to offset China's rise.

Blackwill and Harris (2017) argue that if other states do not sufficiently counterbalance China's economic instruments, China will gain free rein over vulnerable developing countries.

China's geopolitical interests in Southeast Asia are primarily focussed on increasing the costs of interfering with China's interests in the South China Sea, disrupting the US alliance system in the region, and keeping friends like Cambodia, Laos and Myanmar close. Due to the high level of economic dependency on China, countries like Myanmar may be tempted to side with China on issues, such as the South China Sea. Arase (2015) argues that this the direct result of the inherently asymmetric relationship on which China's cooperation with Southeast Asian countries is based. It is tempting for developing countries in the region to link their economic future to China due to the economic incentives that China offers. In this, the BRI differs strongly from other regional schemes, such as the EU or ASEAN. Whereas these models are based on multilateralism, the BRI is based on bilateral agreements with China. Since all connections are via Beijing, China positions itself in the centre of a new regional order.

This model is an extension of the hub-and-spoke bilateralism, which has traditionally characterized Asian regional integration (Chen, 2018). The model refers to a situation in which one or a few hub nations become the centre of the regional economy. The remaining spoke-countries only sign bilateral agreements with the hub-nation, but do not liberalize trade with each other. This system favours the hub-nation since it gains access to all markets, whereas the spoke-nation only gains access to the hub-nation. This in turn may lead to the hub-nation absorbing economic activities and marginalizing the spoke-countries. Baldwin (2008) describes the Asian hub-and-spoke system as a 'bicycle system', in which China and Japan form the two wheels/hubs, while other East- and Southeast Asian countries are the spokes. However, since China's economy is growing much faster than the Japanese, this may result in China becoming the sole hub-country in the region, as Arase (2015) suggests. However, as Chen (2018) points out, for the foreseeable future Japan's role in the region cannot be replaced. Although China's influence is rapidly growing, most Asian nations do not want to lose access to the massive Japanese market. It is therefore unlikely that China will become the sole hub-country in the region nor that China will absorb all economic activities.

One prominent criticism against the BRI in relation to developing countries is the risk of debt-trap diplomacy (Chellaney, 2017; Abi-Habib & Bradsher, 2020). Since China often invests in countries through commercial loans, developing countries run the risk of obtaining unsustainable levels of debt to China. However, evidence for these practices is scarce. According to Hurley et al. (2018), only a small group of countries might be at risk of becoming

too indebted to China. Similarly, Brautigam (2019) points out that when one examines the actual cases of debt, the story is much more complicated. The fears of debt-trap diplomacy are overstated and often part of an anti-China narrative. Moreover, high levels of debt may even undermine China's own economic and geostrategic interests. For example, China's lending to Venezuela has motivated the Venezuelan government to invest in highly unsustainable projects. With a collapse of the Venezuelan oil industry in 2014, the country can no longer repay its loans to China or make oil shipments according to the original contract (Ferchen, 2018).

Furthermore, the geoeconomic scholars assume that China can achieve its geostrategic goals by influencing other actors with economic instruments. However, to what extent is China able to formulate and control its geostrategic goals? As Goh (2014) rightfully points out, influence is relational and dependent on the response of the other actor. Although China is economically powerful, it is false to assume that China can make other actors do what they otherwise would not have done. The realist and geoeconomic perspectives assume that economic size directly translates to political power. However, in practice, this is an oversimplification. China may have a lot of economic power, but the response from other actors should always be taken into account.

2.2 Peaceful development and liberalism

The Chinese Communist Party (CCP) promotes an alternative view, in which China's economic rise is referred to as 'peaceful rise' or 'peaceful development'[1]. The CCP uses this concept to reduce the fear of China's increased economic influence and to promote economic cooperation. The underlying logic of the peaceful development paradigm, as stated by China's State Council (2011), is that China's continued economic development depends on a peaceful and stable international environment, while at the same time China's active participation in international trade, investment and finance help to reinforce stability and peace by contributing to economic development. China needs a stable environment to prosper and at the same time, this environment benefits from China's prospering economy. In this sense, China's economic development leads to win-win cooperation and mutual benefits.

[1] Former President Hu Jintao popularized the concept 'peaceful rise' in the early 2000s, but today it has been replaced by 'peaceful development', as the word 'rise' sounded too provocative (Buzan, 2014). Both concepts refer to the notion that China's economic growth is beneficial to the international system, rather than a threat.

Besides the CCP, there also is a group of liberal scholars that writes about China's beneficial contributions to the international order. In contrast to the realist view of a zero-sum game, these scholars perceive the BRI as a positive-sum game. This view is reflective of the writings of Nye and Keohane (1987) on the benefits of interdependence and economic growth. Wong (2016) points out that the BRI is largely in line with the principles of economic liberalism, in that it provides public goods such as trade and investment. These public goods will stimulate trust and security among partner countries. These liberal scholars perceive the BRI foremost as an economic endeavour, intended to sustain China's economic growth (Huang, 2016; Wong, 2016; Shambaugh, 2018). Other authors point out that China's interest in changing the current international order is limited (Ikenberry & Lim, 2017; Glosny, 2010). China has benefited enormously from the structure of the liberal order and the global economy. China's engagement will further entrench norms and social practices that are involved in the global economy. Lawrence's (2008) analysis of China's activity in the WTO further strengthens this view. In the early years of China's activity in the WTO, China has acted as a constructive partner, dedicated to promoting liberalization.

Nevertheless, this view is at best overly optimistic and economically deterministic, while in the worst case a form of propaganda from the CCP. As Ferchen (2016) argues, the peaceful development paradigm ignores the security dimension that exists between China and other countries, such as disputes regarding the South China Sea. Rather than providing peace and stability, China's increased assertiveness has caused a deepening of security tensions and accusations of China's malpractices (Fitrani, 2018; Tower, 2017). The evidence that increased economic ties will lead to a more stable and peaceful regional order is lacking. Moreover, as Strangio (2020) has rightfully pointed out, China's engagement in Southeast Asia has caused an increased anti-China sentiment all over the region. This is even the case in Cambodia, which is often seen as China's closest ally in the region.

2.3 Pragmatic view and the spatial fix

The above-mentioned perspectives are highly politicized in the sense that they are partially reflective of government views. As discussed, the CCP has adopted liberal arguments in the peaceful development paradigm. Meanwhile, many western governments present the 'China-threat' thesis, in which China is portrayed as a mercantilist and revisionist power (Pence,

2019). These views offer an opposing view of China's global impact, but neither of them presents a complete picture of the complex interactions between domestic conditions, economic challenges and geopolitical tensions. The third group of scholars takes a more pragmatic view of China's BRI and its impact on developing regions. Rather than questioning if China's policies are good or bad, they question how we should understand what China is doing. In addition to the international impact of the BRI, these scholars refer to what the BRI means to China's domestic context. Callahan (2016) does this by focusing on the ideational impact of the BRI. According to him, the BRI is foremost a moral project, intended to socialize other countries by developing shared beliefs and norms. This foreign policy strategy has a dual purpose since it deals with China's challenges abroad, while at the same time it is strengthening the domestic belief of the 'China Dream'[2].

Alternatively, the BRI may be explained by analysing China's domestic economic challenges. Despite China's continued economic growth, the Chinese economy is imbalanced and vulnerable (Pettis, 2013; Economy & Levi, 2014; Huang, 2008). China's economic growth relies on high investments in the domestic economy. Domestic investments in infrastructure and industry are useful, but also subject to the law of diminishing returns. At some point, the domestic economy becomes oversaturated and in this case, investments may go to unnecessary projects, such as unused highways or empty apartment buildings. One way to solve this issue of diminishing returns is by investing in overseas undersaturated markets. By spatially relocating economic activities abroad, China can use its excess surplus to secure its future economic growth.

This process is not specific to China, but a common feature of the contemporary mode of globalization (Harvey, 2001; Piketty, 2020). Industrial activities are relocated and in this way capitalism geographically redirects itself across different regions. The fact that an increasing number of countries and regions are involved in the world economy today is the product of this contemporary mode of global capitalism. Harvey (2001) uses the concept 'spatial fix' to denote capitalism's tendency of geographical expansion. Economic growth requires space in which it can expand and fix itself. The geographical expansions form a 'fix' to the problems

[2] President Xi Jinping defined the 'China Dream' as '*the great rejuvenation of the Chinese nation*' (cited in Callahan, 2016, p. 235). It represents the collective aspiration of China to be an authoritarian capitalist state that has international influence backed up by a strong military. Similarly to the discourse on 'peaceful development', the China Dream implies that what is good for China is good for the world, and vice versa.

that are associated with the previous location. The specific mode that this expansion takes, depends on the type of domestic challenges. In the case of a shortage of labour, capital may move to an area with a labour surplus, as is the case with North American capital moving towards the Mexican border region. In China's case, the fix needs to involve additional resources for economic growth and new investment opportunities for China's excess capital.

Summers (2016) applies the spatial fix to the context of the BRI and China's foreign economic policy. In his view, the primary drivers of the BRI are China's domestic economic challenges, which require economic activities to spatially expand outwards to maintain economic growth. Despite the often used language of creating an 'economic belt', the BRI primarily focuses on linking urban areas together in a network via infrastructure projects and industrial zones. Hence, the BRI is a state-led spatial fix, which provides the infrastructure to facilitate the development of networks of capital across the Eurasian continent. In contrast to the language on 'peaceful development', the primary aim of the BRI is not local development, but the development of specific connections that are useful to the Chinese economy. Evidence for this is provided by the types of investments projects that are involved in the BRI. The development of urban centres, industrial zones, railroads and energy transportation routes are the main targets. Whereas the notion of 'Belt' in 'Belt and Road' seems to refer to the development of a surface, Summers rightfully argues that the BRI mainly develops nodes in the network.

The ideas and proposals behind the BRI often do not flow from the national level, but originate from the sub-national governments or SOE's (Summers, 2016; Jones & Zeng, 2019). This idea is reflected in the main policy document of the BRI called *Visions and Actions* (State Council, 2015). Among other things, the document sets out the respective roles of provinces and regions. Jones and Zeng (2019) indicate that the content of this document is the result of intensive lobbying from provincial governments. Many of the ideas that were subsequently involved in the BRI were previously established policy goals from provincial governments. For example, in the *Visions and Actions* document Yunnan is described as a 'pivot to South and Southeast Asia' (cited in State Council, 2015, Section VI). This theme can be traced back to the 1980s and 1990s when Yunnan promoted itself as a 'pivot' or 'bridgehead' to Southeast Asia. The central government in Beijing plays a supportive role, but only becomes an active player in the process when the project is already significantly established. This vision stands in

contrast to the realist view, according to which the BRI is China's grand strategy to establish a Sino-central regional order. According to Summers (2016), the BRI still entails geopolitical consequences, but these are not the main drivers behind the BRI.

Lastly, it is important to note that the spatial fix does not constitute a sustainable solution to China's domestic economic challenges. The spatial fix allows for capital accumulation to continue its problematic trajectory by expanding and incorporating new regions (Harvey, 2001). As both Summers (2016) and Harvey (2001) point out, the spatial fix causes previously marginalized regions and territories to be suddenly integrated into globalized neoliberal economic networks. The breaking of these spatial barriers may have disruptive effects and can cause massive social and ecological problems. As discussed, rather than providing peace and stability, Chinese investments may be responsible for rising local tensions. Implementing the spatial fix may not be an easy solution, but instead the cause of a complex set of issues.

2.4 The BRI in Myanmar

After the ruthless crackdown of public protests in 1988, Myanmar entered a phase of international isolation (Steinberg & Fan, 2012). The US and other western powers cut off all aid to Myanmar and downgraded bilateral relations. In 2005, US Secretary of State Condoleezza Rice listed Myanmar as an 'outpost of tyranny' and put Myanmar on the list of the 'Axis of Evil'. Japan, which had previously been one of Myanmar's most important sources of aid, also heavily scaled down its support for the military regime (Reilly, 2013). In light of the isolation, China became Myanmar's most important ally and partner. Throughout the 1990s and the 2000s, China would provide the Myanmar military regime with the necessary economic and diplomatic support.

In the same period, Beijing and China's SOE's were becoming increasingly active in overseas markets. In 2000, the Chinese central government initiated the 'going-out' policy - also referred to as 'Going Global Strategy' or 'Go Out Policy' - (Andrews-Speed, 2019). This policy aimed at promoting the internationalization of China's enterprises, especially in the energy and natural resource sector. The Chinese SOE's quickly enhanced their presence in Myanmar by becoming involved in various investment projects. From 2004 to 2015, the volume of China's investment increased nearly two hundred times (Gong, 2018, p. 123). Most

of the investments were in energy (58%) and metals (34%) (Gong, 2018, p. 126). For Beijing, the economic rationale for the going-out policy was to diversify energy routes, secure access to natural resources and gain access to new markets (Andrews-Speed, 2019). For the Chinese SOE's, overseas investments were primarily motivated by a drive to expand business, since the opportunities within China were becoming limited (Economy & Levi, 2014). Firms like China Power Investment Corporation (CPI) and China National Petroleum Corporation (CNPC) participated in this process of spatially expanding business to Myanmar by investing in mega-infrastructure projects, such as the Myitsone Dam and the China-Myanmar pipelines. Today this policy is continued under the umbrella of the BRI. Both the going-out policy and the BRI in Myanmar can be described as a spatial fix, in which the aim is to provide new opportunities to pursue profits by gaining access to natural resources and by creating new investment opportunities.

China's southwestern province Yunnan has also been key in establishing trade and investment links with Myanmar (Steinberg & Fan, 2012; Summers, 2016; Jones & Zou, 2017). Yunnan shares a long border with Myanmar and has presented itself as a 'bridgehead' to Southeast Asia since the 1980s. Although China's trade with Myanmar only accounts for a small percentage of China's total trade volume, Myanmar is by far the most important trading partner for Yunnan (Steinberg & Fan, 2012). In comparison to China's booming coastal centres, Yunnan lacks behind in economic development and has a severe shortage of energy. Pushing outwards and investing in Myanmar may be an effective way for Yunnan to promote economic development, which would tackle the problem of uneven development in the Chinese state. Moreover, landlocked-Yunnan gains access to the Indian Ocean through Myanmar, which significantly improves Yunnan's relative position in China. Therefore, there is a clear rationale for Yunnan to invest in Myanmar as a spatial fix.

To summarize, there is a clear trend visible in Sino-Myanmar relations of increased investments, which started in the 1990s and took off in the 2000s. This particular trend involved massive funding by Chinese SOE's in mega-infrastructure projects, such as the Myitsone Dam and the China-Myanmar Oil and Gas Pipelines. These investments constitute a spatial fix for the problems that Yunnan and the Chinese SOE's are dealing with, such as increased domestic competition, uneven regional development and shortage of energy resources. Yet, as discussed, not all spatial fix projects have been successful or are a

sustainable solution. Whereas the pipelines were constructed and are operational today, the Myitsone Dam was suspended in 2011. This thesis adds to the academic literature by investigating the variation in outcomes between the two projects and develop an understanding of what the spatial fix means for Myanmar.

As discussed, a great amount of research has been done on defining and explaining the BRI. Scholars from the geoeconomic paradigm falsely assume that China's economic power translates into political power over the host country. In contrast, liberal scholars fail to take the negative attitudes that are especially present in Southeast Asia into account. Another group of scholars perceives the BRI as a response to China's domestic challenges. The spatial fix is a plausible explanation for the BRI in Myanmar. However, as discussed, the spatial fix is not necessarily a sustainable solution and may be the cause of a new set of issues. What is the impact on the host country? What does the spatial fix mean in the context of Myanmar? What makes the spatial fix work and not work? What are the challenges that China's investment projects experience? And how do actors attempt to solve these difficulties? This thesis will attempt to provide an answer to this by focusing on the question: '*Under what conditions are BRI infrastructure projects successful?*'. This research will provide insights into the complex processes that are involved in China's outward investments.

III. Methodology

The methodology used in this thesis aims to understand the BRI as a spatial-fix, in the specific context of Myanmar. Rather than looking at the BRI as a whole, the focus will be on developing an understanding of the processes and difficulties that are involved in the mega-infrastructure projects in Myanmar. By looking at two BRI-related projects, this thesis will analyse what actors are most influential in the process, what challenges arise with the spatial fix and how the respective actors attempt to overcome these challenges. This thesis adds to the academic literature by focusing on a specific case and analysing how various levels of government, civil society and business-actors interact. In this way, the methodology will provide an answer to the research question: '*Under what conditions are BRI infrastructure projects successful?*'

This study will apply a heuristic case study design, meaning that it will examine a certain episode to identify a causal mechanism and a theoretical explanation (George & Bennett, 2005). The focus will be on infrastructure projects since these often involve unspecified terms, leaving room open for bargaining. A discussion on trade or finance may be interesting as well in analysing the BRI in Myanmar. However, as Oh (2018) rightfully points out, these negotiations are often more affected by rules and regulations and the outcomes are more reflective of the power asymmetry between countries. Two cases will be analysed, namely (1) the Myitsone Hydropower Dam and (2) the China-Myanmar Oil and Gas Pipelines. These cases were selected since both projects are instances of Chinese-funded megaprojects that were initiated in the early 2000s. Furthermore, both projects have major effects on the environment in Myanmar and sparked significant protest movements. However, although the Myitsone Dam got suspended, the pipelines were continued and are operational today. The objective of this study is to discover why the Myitsone Dam got suspended whereas the pipelines were continued. This will help to understand the difficulties and problems that arise for China when applying the spatial fix.

To understand the success and failure of the BRI infrastructure projects, this thesis will refer to Dür's (2008) approach of methodological triangulation, which consists of (1) preference attainment, (2) attributed influence and (3) process-tracing. In preference attainment, the outcomes of the political process are compared to the ideal points of the actors. The focus is on what the respective actors want and the distance between the outcome and their ideal point. Secondly, with attributed influence, the respective influence of the actor

is measured by looking at a variety of scholarly articles and news sources. The arguments from the various sources will be set out to establish who or what was responsible for the failure or success of the respective project. Thirdly, process-tracing involves an analysis of how the events have unfolded. Here, the emphasis will be on the key turning points, the challenges and how these challenges may have been overcome. Process-tracing is an in-depth case study which traces the causal mechanism, which in the case of this thesis has led to the failure or success of the respective infrastructure project. It traces the causal relationship between the behaviour of various actors and the outcome of the projects. The method is often compared to a detective attempting to solve a crime by looking at clues and various suspects to piece together a convincing explanation (Mahoney, 2015).

Myanmar is an important case to analyse due to its recent political transition and because of its important geostrategic location as a gateway to the Indian Ocean for China and more specifically to Yunnan. The generalizability of this thesis is limited since the historical, geographical and cultural context always needs to be taken into account before the findings can be applied to another case. Nevertheless, the findings of this thesis do help to understand the causes and possible effects of China's investments in developing countries. Furthermore, the results help to problematize the effects of the spatial fix and the BRI. This thesis is limited in the number of actors that are discussed. Further analysis may be done on the differences and approaches by various Chinese actors and the responses by different levels of the Myanmar government. Finally, this thesis is limited due to language constraints. Additional research in both Mandarin and Burmese will likely provide useful insights into how the processes unfolded.

IV. Case Study 1: The Myitsone Dam

4.1 Introduction: Why did the Myitsone Dam fail?

The political-economic dimension of hydropower projects is a crucial aspect of China-Myanmar relations. Not only does the dam play a role in China and Myanmar's economic development, but it also adds weight to the political influence of China on Myanmar. According to the proposed construction plans, the Myitsone Dam would be the fifteenth largest hydroelectric power plant in the world, with 1.310 meters in length and 140 meters in height (Zhang, 2020). The project is located in Kachin State and the costs of the project were estimated at $3.6 billion.

4.2 Going-out and local tensions - pre-2010

Following China's going-out policy closely, the initial idea of the Myitsone Dam came up in the early-2000s and was launched in the mid-2000s. Jones and Zou (2017) suggest that CPI's involvement in overseas dam-building was primarily driven by private interests and domestic market conditions, rather than state-instructions. Due to rising coal prices and electricity price controls, CPI faced a domestic profit squeeze. The Myitsone Dam can be perceived as a spatial fix since the Chinese SOE sought to spatially relocate its activities to grow its market share and avoid the competitive domestic market (Jones & Zou, 2017; Andrews-Speed, 2019). Via China's going-out policy, CPI moved the dam-building to less-regulated and cheaper countries, like Myanmar. Yunnan International Power Investment, a subsidiary of CPI, would be responsible for the implementation of the project. Yunnan's interests in the project are furthermore represented since 90% of the generated energy would be transferred to Yunnan, which was dealing with an energy shortage at the time.

In October 2006, CPI was invited to Myanmar to discuss the possible investment and development of hydropower projects along Myanmar's rivers (Kyaw Phyo Tha, 2019). CPI decided to accept the offer and later that year a Memorandum of Understanding (MoU) was signed for the 'Maykha-Malikha Water Resources Development and Ayeyawady Confluence Hydropower Project'. Among these projects was the Myitsone Dam. CPI claims that the decision was made after careful assessment and consideration of the projects. However, CPI failed to consult the Chinese embassy in Yangon, a standard requirement for Chinese companies investing abroad (Jones & Zou, 2017). CPI also ignored several risk management

regulations, which the Chinese central government has put in place to reduce the risks of investing in unstable countries, like Myanmar. CPI did fund and commission an 'environmental impact assessment' (EIA), but even before the final document was completed, CPI had already started the construction process.

At this stage, there had yet to be any consultation with the civil society in Kachin State about the project (TNI, 2016). Local opposition existed as early as 2004, but the Myanmar government and CPI mostly ignored this. The Kachin-based NGO, Kachin Development Networking Group (2009), called for a complete abolishment of the project. Their main concerns were about the displacement of peoples, environmental damage and the unfair distribution of profits. The ethnic tensions between the Kachin people and the Burman-dominated government magnified these concerns. CPI was convinced that it could execute the project without getting involved in Myanmar politics (Kiik, 2016). In line with China's non-interference principle, Chinese actors claim to be apolitical. They aim to invest in Myanmar without meddling in the political situation. However, as Kiik (2016) explains, actors like CPI, fail to realize that by setting foot in Kachin State they enter a highly politicized situation. Local Kachin authorities do not recognize the central Myanmar government as their legitimate representative. Therefore, any deal that is made between the Chinese actors and the Myanmar government lacks legitimacy for the Kachin people. The 'apolitical' Myitsone Dam, becomes involved in Myanmar's decades-old ethnic conflict. By dealing only with the central government authorities, CPI contributed to the long-lasting frustrations of the Kachin people in dealing with the Myanmar government.

In Kachin State, a ceasefire agreement had been reached in 1994 between the Kachin Independence Organization (KIO), a political organization with an armed wing, and the Myanmar military (Jones, 2016). This ceasefire was characterized by its *quid pro quo* nature, in which the KIO was granted local autonomy in exchange for demobilization and accepting the extension of state authority in the region[3]. Although the ceasefire implied an absence of fighting, it was not an actual peace settlement. None of the grievances that fuelled the insurgency were addressed, nor was the agreement a basis for lasting stability. In the years

[3] Woods (2011) refers to this ceasefire agreement as an example of 'ceasefire capitalism', to describe the combination of military-state-building, capital accumulation and securitization. In return for their loyalty and cooperation, the leaders of the KIO were allowed to earn rents from opium trafficking, border controls and given lucrative government deals.

before the construction of the Myitsone Dam, popular resentment against the Myanmar military had been building up into a youth resistance movement, which mobilized around environmental issues, such as the Myitsone Dam. This movement not only criticised the Myanmar government, but also the leaders of the KIO for cooperating too much with Naypyidaw. The frustrated Kachin youth became gradually involved in the KIO, where they sought to revitalise the KIO's battle against the Myanmar military. In 2010, the KIO warned that a continuation of the Myitsone Dam would lead to the ending of the ceasefire (Jones & Zou, 2017). Eventually, the rising tensions led to a relaunch of the decades-old anti-government insurgency in 2011. Fighting broke out between the Myanmar military and the KIO around two other dams in Kachin, which led to 2,000 refugees who fled to the China border (Burma River Networks, 2011).

The preferences of the civil society in Kachin State were met with the suspension of the dam. However, there is no strong indication that this decision was the result of the demonstrations and violence in Kachin State. The Myanmar government could likely control the opposition if it would have remained concentrated on the local level, as was done with the China-Myanmar pipelines. Nevertheless, the events did add a security dimension to the project. Continuing would likely fuel the armed conflict with the KIO. This made the costs of the Myitsone Dam increasingly higher for both CPI and Naypyidaw. It also shows the failure of China's 'peaceful development' strategy. Rather than providing peace and security, the Chinese investment contributed to instability and the eruption of violence in the region.

4.3 Suspending the Myitsone Dam - 2011

After the elections in 2010, the Myanmar military regime transferred power to a civilian government under the platform of the Union Solidarity and Development Party (USDP) (Thant Myint-U, 2020). The military retained strong control over Myanmar politics by claiming 25% of parliamentary seats and by placing Thein Sein, a former general, as Myanmar's new president. Nevertheless, Larkin (2012) describes this era as the 'Burmese Spring', as it involved the loosening of political and economic control and the release of opposition leader Aung San Suu Kyi from her house arrest. The transition was accompanied by an opening of public space, in which a wider range of social actors would be involved in the political process (Chan & Pun,

2020). Local NGOs started popping up and in 2012 Aung San Suu Kyi was elected into parliament

The opening of public space allowed for the anti-dam campaign to spread beyond Kachin State into the urbanized areas of Yangon and Mandalay (Thant Myint-U, 2020). A petition titled '*from those who wish the Irrawaddy to flow forever*' was sent to President Thein Sein and signed by nearly 1,600 influential Burmese from all over the country. A unique coalition between Burmese and Kachin formed, in agreement that the Myitsone Dam should be cancelled. This coalition put immense pressure on the Thein Sein government, which was attempting to establish itself as a legitimate and responsive government. On September 30th 2011, President Thein Sein announced that the construction of the Myitsone Dam would be halted for the next four years. He did add that the project would eventually continue as Myanmar was '*not failing to honour what one friend should do for another*' (cited in Kyaw Phyo Tha, 2019), referring to the promises Myanmar had made to China.

Many sources attribute the suspension of the dam to Myanmar's civil society (Kiik, 2016; Chan, 2017; Kircherr, 2018). When President Thein Sein announced that the construction of the dam would be suspended, he mentioned that the project was '*against the will of the people*' (cited in Steinberg & Fan, 2012, p. 354). According to Chan (2017), the anti-dam opposition managed to form an effective campaign against the Myitsone Dam, which forced the USDP government to cancel the project. Kircherr (2018) and Kiik (2016) argue that the success of the anti-dam campaign is partially attributed to the effective framing that the protestors used. The protests initially focused on the local impact of the dam in Kachin State, but after 2010, the Myitsone Dam was increasingly portrayed as a direct threat to the survival of the larger Irrawaddy ecosystem, which turned it into a problem of national scale. One protester stated '*this dam impacts our holy river* [the Irrawaddy], *the heart of this country*' (cited in Kirchherr, 2018, p. 170). The river in which the dam would be built was framed into the embodiment of the national cultural heritage of Myanmar.

By framing the Myitsone Dam as a national issue, the anti-dam campaign was effective in putting pressure on the USDP government. However, attributing influence to Myanmar's civil society alone is insufficient in explaining the dam's suspension. Why was the Myanmar government able and willing to listen to the public opposition, despite the definite costs of antagonizing China? Although public space was opened after 2010, the government still had

the capabilities to suppress the opposition, as was done in the case of the China-Myanmar pipelines. Therefore, Zhang (2020) and Huang (2015) rightfully argue that influence should be attributed to the Myanmar government, which responded to the protests knowing that the costs of the suspension were tolerable. To explain why the costs were acceptable, a second shift in Myanmar's politics is crucial, namely the rebalancing of Myanmar's foreign relations. Before the quasi-democratic elections, defying China would have been unthinkable, because Myanmar was heavily dependent on China's economic and diplomatic support. However, after 2010 the sanctions against the regime were gradually lifted, which implied the availability of alternative sources of investment. Suspending the dam became an acceptable option for the Myanmar government.

It is an oversimplification to signify the suspension of the Myitsone Dam as an attempt to invite the west to counter China's influence, as some scholars argue (Fiori & Passeri, 2015; Dossi, 2015). President Thein Sein visited Beijing before his first official visit to Washington. Myanmar also remained supportive of China's territorial claims in the South China Sea and to the 'One China Policy'. This indicates that Myanmar still prioritizes its relationship with China. Instead, as Huang (2015) argues, this period should be perceived as an attempt to rebalance Myanmar's foreign relations by decreasing dependency on China. The international sanctions on Myanmar were lifted and diplomatic relations between the US and Myanmar were normalized (Sun, 2012). Japan also resumed its funding programme, which would primarily support infrastructure development in Myanmar (Reilly, 2013). The overdependence on China during the era of international isolation was replaced by a situation in which Myanmar could rely on alternative sources of investments.

Suspending the dam, therefore, had little to do with foreign policy, but was primarily done for domestic reasons. Firstly, the newly elected Myanmar government had a negative perception of the project. As discussed, the democratic transition of 2010 was in part initiated to decrease Myanmar's dependency on China. The former leaders that signed the deal of the Myitsone dam had left politics and the new leaders feared that the dam would give China the control over the water flow of Myanmar's main river (Kiik, 2016). Similar to what the nationwide anti-dam campaign argued, for Myanmar's military leaders the Myitsone Dam became a threat to the security of the country. The negative perception of the project, in addition to the local violence in Kachin State and nationwide protests, put sufficient pressure

on President Thein Sein to turn against the project. However, it was the country's political opening that lowered the costs sufficiently to be able to suspend the project. The USDP government calculated that the political costs of continuing the project would be higher than endangering their friendship with China.

4.4 The aftermath of the suspension – 2011-2015

Following the suspension, the Chinese government expressed shock and discontent (Sun, 2012). Beijing threatened to force Myanmar to compensate for all the costs made by CPI, which would be well beyond what Naypyidaw could afford. However, as this aggressive response failed to achieve a revision of the decision made by President Thein Sein, China had to adjust its position. Beyond the Myitsone Dam, China also had other interests in Myanmar. Although cancelling the project was costly, Beijing's most immediate concern was preventing negative spillover to other projects. To avoid the negative attitude towards Chinese investment projects from spreading, Beijing redefined the Myitsone Dam as a commercial project between a Chinese and a Burmese firm (Sun, 2012). In this way, Beijing mitigated its involvement in the project. In the following years, the Chinese government gave little priority to the dam. During a state visit from President Thein Sein to China in 2013, China's President Xi Jinping emphasized that cooperation and communication on issues should be improved (MOFA, 2013). However, there was no direct reference to the Myitsone Dam nor in any other government statement during the remaining period in office of the USDP. Instead, the focus had shifted to other projects, most notably the China-Myanmar pipelines.

In the meantime, CPI modified its state-centric approach and turned to non-state actors, such as local NGO's in Kachin State (Kiik, 2016). By giving interviews, distributing promotional materials and lobbying various actors they attempted to change the negative image of the dam. The majority of their efforts revolved around debunking claims about earthquakes, ecological damage and economic unfairness. However, their approach failed to address the political drivers of the opposition movement. As discussed, both within the civil society and the Myanmar government a strong sense of nationalism motivated the decision to suspend the project. Without Beijing backing the project, CPI's attempts to restart the project were unsuccessful.

Chinese media tend to attribute the failure of these efforts to western interference, which supposedly motivated and supported the anti-China and anti-Myitsone sentiment. In an article published in the Myanmar Times, the Hongkong Nanyan Institute (2020) argues that western accusations of '*China plundering of Myanmar's resources*' were the cause for civilian opposition. The Chinese media agency Xinhua (2013) states that '*the West*' is interfering with the projects through NGO's. Chinese sources who accuse the West of interfering often cite a classified US Embassy document, published by Wikileaks (2010). According to the document, the US embassy supported civil society groups via small grants. Referring to this document, one Chinese journalist writes: '*Some analysts believe that the demonization of the Myitsone project became the breakthrough for destroying China-Myanmar relations as western countries like America and Japan are expanding their influences in Myanmar*' (cited in Kiik, 2016, p. 392).

However, as Kiik (2016) rightfully points out it is unlikely that western actors played a decisive role in the anti-dam campaign. Civil society groups in Myanmar often apply for small grants at various western embassies to complement their scarce resources. Western embassies may choose to support a campaign, but these local organizations do not consequently follow orders from western actors. Additionally, although international NGO's, such as International Rivers, were active in the anti-dam campaign, this was only after the initial suspension of the dam and can not be the motivation for the initial protests (Kirchherr, 2018). Therefore, no convincing evidence exists that western interference played a decisive role in the decision to suspend the dam can be found.

4.5 Later developments – 2015-2019

For Beijing, the topic re-emerges after Aung San Suu Kyi's National League for Democracy (NLD) decisively wins the elections of 2015. In August 2016, China's Premier Li Keqiang mentioned the '*proper advance cooperation*' on, among others, the Myitsone Dam (MOFA, 2016). In June 2016, the Chinese Ambassador to Myanmar brought up the issue during a visit to Kachin State. He argued that resuming the dam was the only affordable option for the Myanmar government (Kyaw Phyo Tha, 2019). Again in May 2017, Li Keqiang refers to the Myitsone Dam and urges advanced cooperation on the project (MOFA, 2017). These events indicate that Beijing attempted to use the period of government transition to push the project

through. This made sense since President Thein Sein had stated that the suspension of the project was only temporary.

Additionally, China's renewed assertiveness should be understood in the context of Myanmar's suffering international image as a result of the Rohingya crisis (Smith, 2019). The Rohingya are an ethnic minority group of Muslims in Rakhine State on the western border. The Myanmar government, which identifies itself as Buddhist, perceives the Rohingya as illegal immigrants from Bangladesh. In August 2016, what was supposed to be a clearance campaign against Rohingya militants, ended up in the destruction of numerous villages and forced over 700,000 Rohingyas to flee the country. International human rights groups and foreign media used the term 'genocide' and the UN has described the military campaign as an example of 'ethnic cleansing' (Sun, 2018). Faced with increased international pressure, Myanmar found itself once again isolated. For China, the Rohingya crisis provided a unique opportunity to regain its lost momentum in Myanmar. In contrast to many western countries, Beijing remained supportive of the Myanmar government. Rather than referring to 'Rohingya refugees', Chinese officials used the term 'displaced people from Rakhine'. Also, at the UN Security Council, China protected Myanmar from international condemnation.

To an extent, Beijing's attempts were successful in promoting the project with the NLD government. In light of the increased international isolation, the Myanmar government could not ignore China's efforts to restart the Myitsone Dam. In August 2016, Aung San Suu Kyi, therefore, ordered a 20-member commission to evaluate hydropower projects on the Irrawaddy River (Kyaw Phyo Tha, 2019). The commission has published two reports, which have not been made public. In March 2019, the NLD government was faced with another wave of large-scale protests calling for the termination of the project. Rather than officially cancelling the project, Aung San Suu Kyi called for people to '*think from a wider perspective*' on the Myitsone Dam (cited in Nan Lwin, 2019a). However, despite this active approach from Beijing the project has not been relaunched. After 2017, Beijing has made no official statement naming the Myitsone Dam. Instead, the focus has shifted away to other projects, such as the China-Myanmar pipelines and the Kyaukphyu economic zone in Rakhine State.

4.6 Sub-conclusion

Starting in the early 2000s, CPI sought to shift commercial activities overseas to avoid market competition in China and to expand business. A combination of factors resulted in the Myitsone Dam not being built. First of all, the democratic reforms had a significant impact since it opened up public space for opposition groups to organize and gain influence in the political process. However, public opposition alone is insufficient in explaining the events surrounding the Myitsone Dam. It does not explain why the dam was suspended, while other unpopular projects were continued. Also, it does not address the perception of insecurity experienced by the Myanmar government. Naypyidaw decided to suspend the dam in response to (1) negative perceptions within the government about the project, (2) local violence in Kachin State and (3) nation-wide protests. These events occurred after the international sanctions against Myanmar were lifted, which made the USDP government less concerned with China's repercussions. After 2015, China increased its pressure on the NLD government but was unsuccessful in achieving results.

V. Case Study 2: The China-Myanmar Oil and Gas Pipelines

5.1 Introduction: Why did the China-Myanmar pipelines succeed?

The China-Myanmar Oil and Gas Pipelines - sometimes referred to as the Kyaukphyu-Kunming oil and gas pipelines – is the second Chinese megaproject that will be discussed. The project consists of the Shwe Natural Gas Project, which will transfer gas from Myanmar to China and the Myanmar-China oil transport project, which will transfer oil from the Middle East and Africa across Myanmar to China (Liu et al., 2017). The gas pipeline can transport up to 12 billion cubic metres of gas annually and the oil pipeline has a capacity of 12 million tonnes of oil per year. The pipelines travel through Rakhine State, Magway Region, Mandalay Region, Shan State and Kachin State. The total costs of the project are estimated at $2.5 billion.

5.2 Provincial interests and the Malacca Strait Dilemma - pre-2010

Provincial and corporate interests played a key role in the establishment of the China-Myanmar pipelines (Wong, 2018; Liu et al., 2017; Steinberg & Fan, 2012). For CNPC, the pipelines were an interesting investment in terms of achieving additional market share in southwest China, at the expense of their rival Sinopec (Wong, 2018; Yi, 2013). For Yunnan, the pipelines are of importance for its local economic development and relative position within the Chinese state. Yunnan was set a chronic energy shortage before the construction of the pipelines. For its energy supply, Yunnan was mostly dependent on other Chinese regions, which implied high transportation costs for the provincial government. In 2013, the price of gasoline in Kunming, Yunnan was ¥150 higher per ton than in Guangdong province and ¥65 higher than in Guangxi province (Liu et al., 2017). A direct supply of energy would relieve the province from high prices and upcoming shortages. This, in turn, may help to diversify Yunnan's economy, secure investments, and increase Yunnan's political and economic significance to Beijing. Moreover, as Su (2013) indicates, officials from the provincial government believed that in combination with Yunnan's hydropower the pipelines could turn the province into one of China's energy centres, supplying other provinces. In other words, the integration of Yunnan into a China-led energy market in Southeast Asia does nothing to change Yunnan's geographic location, but it does spatially fix Yunnan's position into the centre of a regional energy market.

Yunnan and CNPC were the main drivers in the initial phase of the project (Wong, 2018; Su, 2016). However, Beijing also had a clear rationale to be interested in the project. For the Chinese central government, energy security is a top priority (Sun, 2012; Andrews-Speed, 2019). China's energy strategy aims to safeguard the country's access to energy resources by investing overseas and diversifying transportation routes. In this way, Beijing attempts to mitigate the effects of its oil dependency. These challenges relate to the so-called 'Malacca Strait Dilemma'. Nearly 80% of China's oil supply passes through the narrow Malacca Strait, located between the Malay Peninsula and the Indonesian island of Sumatra (ICG, 2009). China's dependency on this sea lane leads to two challenges: (1) the risk of piracy and terrorism, and (2) the risk of powerful states, like the US, dominating the strait by naval power. Although Myanmar's role in supplying energy to China is limited, Myanmar is important as a transportation hub for oil from the Middle East and Africa.

In 2003, CNPC and Yunnan first proposed the pipelines, but Beijing rejected the project as it was deemed unfeasible (Jones & Zou, 2017). Beijing's view changed after the energy crisis of 2004 (Liu et al., 2017). Electricity cuts occurred for three consecutive years and forced factories to hold off production. The massive shortage highlighted the need for alternative sources of energy and the challenges posed by China's dependency on the Malacca Strait. Seeing a policy window, CNPC and provincial officials from Yunnan again proposed the idea of the China-Myanmar pipeline. This time they successfully convinced Beijing to adopt the idea. In this sense, CNPC and Yunnan were responsible for the initiation of the project. However, as soon as June 2004 the Chinese central government became involved when premier Wen Jiabao discussed the pipeline with Myanmar Minister Khin Nyunt (Beng, 2004). In July 2005, China and Myanmar signed an MoU to promote the pipelines. Finally, in October 2009, the two governments agreed to the construction. With strong support from both the Chinese government and the Myanmar government, the project progressed successfully in its initial phase.

5.3 Local opposition against the pipelines – 2010-2015

Following the outbreak of violence in Rakhine State between Rakhine Buddhist and Rohingya Muslims in 2012, the Myanmar government increased its military presence in the region (Smith, 2019). The troops were said to be necessary for providing safety and security.

However, soon the military presence became an integral part of the inter-community divisions between Buddhists and Muslims in Rakhine State. The government troops promoted discrimination against Rohingya's by restricting people's movements or their rights to vote. According to a report published by the Shan-based NGO, Ta'ang Students and Youth Organization (2009), the military presence in Rakhine was also used to secure the construction of the pipelines. This image is consistent with outside journalist reports in which the Myanmar military is said to secure the environment for Chinese investments in Myanmar's borderlands (Campbell, 2012; Pattison, 2012).

Not only the Muslim population of Rakhine State felt disadvantaged by the military presence. Nationalist activists from Rakhine State perceived the signing of the MoU for the pipelines as a turning point in their history (Smith, 2019). The pipelines were especially disruptive to Rakhine State since it would also involve a deep-sea port and an industrial zone in Kyaukphyu, southern Rakhine. Involuntarily the region would be connected to the global economy. As Smith (2019, p. 71) notes: '*the once sleepy towns of Arakan* [Rakhine State] *would soon become familiar names on the international stage*'. However, it was still unclear for the local populations how they would benefit from all this. For many people from Rakhine State, economic neglect has been a primary driving force for nationalist sentiments. As the military troops moved in to secure the area for the construction, this inspired fear of marginalization.

Similar to the Myitsone Dam, there had been little prior consultation with the affected communities through which the pipelines travelled (Simpson, 2013). A report from the NGO Earthrights International in 2011 indicated that communities in Rakhine State and Shan State were overwhelmingly opposed to the project. Concerns focused on violations of human rights by CNPC, inadequate compensation for land confiscation and environmental degradation (Zhang, 2020; Myoe, 2015). The Shwe Gas Movement – an NGO alliance in Rakhine State – called for the suspension of the project until '*rights are protected and negative impacts are prevented within a sustainable framework for national development*' (cited in OOSKA news, 2012). The fundamental issue for the opposition movement is that the local authority over natural resources is denied and that a fair distribution of the earnings is precluded. Rather than investing in Rakhine or Shan State, the earnings went directly to the central Myanmar government, bypassing local communities. Moreover, while many of these communities have

a shortage of energy, most of the energy is transported to China (Zhang, 2020). These concerns are similar to those concerns raised in Kachin State against the Myitsone Dam.

Public opposition against the pipeline became most vocal after the quasi-democratic elections and the opening of public space, in 2010 (Simpson, 2013). A series of protests took place in Rakhine State, Shan State and Magwe (Nan Lwin, 2019b). More protests occurred against the pipelines in April 2013, in western Rakhine (Radio Free Asia, 2013). People argued that they received too little compensation for the inflicted damage and that CNPC had destroyed the living areas of fish by dumping debris in local waters. Violence broke out in May 2013, when ethnic groups in Shan State attacked a compound of MOGE near the pipelines close to the Chinese border. However, in contrast to the opposition against the Myitsone Dam, protests against the pipelines remained concentrated on the local level (Zhang, 2020). Without a nationwide campaign against the pipelines, the costs for the Myanmar government to respond to local demands were low. For this reason, the preferences of the opposition against the pipelines were not attained, nor is there convincing evidence that attributes influence to the opposition groups.

The limited influence of the public opposition may be explained by arguing that people were less concerned about the effects of the pipeline and perhaps even saw the potential for economic development. A representative from the Rakhine Nationalities Development Party notes: '*they* [the pipelines] *were much less socially and environmentally damaging than the Myitsone Dam in Kachin State*' (cited in Simpson, 2014, p. 121). Another factor contributing to a positive assessment of the project could be the efforts of Yunnan and CNPC in promoting the project. Having learned from the failures of CPI and the Myitsone Dam, CNPC put in considerable efforts to promote the project and their status among local communities. CNPC spent close to $20 million on building schools, kindergartens, hospitals, clinics and an energy supply system (Yi, 2013). However, most locals kept a negative perception of the project, arguing that the Chinese actors were doing too little too late (Yi, 2013; Montlake, 2013; Nan Lwin, 2019b). Rather than assuming that people were not concerned about the pipelines, the evidence suggests that the pipelines were continued despite significant public opposition. The key difference between the Myitsone Dam and the pipelines was not the level of local concerns, but the lack of a nationwide opposition campaign, in the case of the pipelines.

5.4 Controlling the opposition – 2010-2015

An alternative explanation focuses on the role of the Myanmar government in controlling the protests. The lack of a nationwide anti-pipeline campaign should be attributed to the efforts of the Myanmar government which restricted the opposition. As discussed, in response to the violence between Buddhist and Muslims the Myanmar government had already increased military presence in Rakhine State. At the same time, the military sought to establish stronger territorial control over the northern Shan region (Jones, 2016). These troops were used in part to defend and secure the Chinese investment project (Campbell, 2012; Pattison, 2012). Moreover, throughout the country, the national police had carefully monitored the demonstrations. In 2012, the Myanmar government declined applications for protests in Yangon and Sagaing (Human Rights Watch, 2013). Some Rakhine activists were put under arrest in 2013 and faced with criminal charges for demonstrating and holding a peaceful march. This is in clear contrast to the ease with which protests were allowed against the Myitsone Dam. In September 2014, Myanmar President Thein Sein reaffirmed its administration's dedication towards the pipeline project in stating: '*Myanmar stands ready to join hands with China to push ahead with oil and gas pipelines and other cooperation projects between Myanmar and China and well safeguard the rights and interests of investors from China and other countries*' (MOFA, 2014a).

Three reasons were crucial for the active role of the Myanmar government in suppressing the pipeline opposition. First of all, Beijing was strongly committed to the project. According to interviews with Chinese government officials, the pipelines were the most important investments in Myanmar, around that time (Sun, 2012; Zhang, 2020). Both Chinese sources (Guangsheng, 2015) and western sources (Szep, 2013) confirm that the pipelines were China's top priority in Myanmar. During state visits, China's leaders continuously re-emphasised the need to ensure the progress and implementation of the project (MOFA, 2014a; MOFA, 2014b; MOFA, 2014c). Beijing's tolerance for any problems with the pipelines was thus much lower than the patience it showed for the Myitsone Dam. During these years there were no references to the Myitsone Dam or any other infrastructure project in the statements published by the Chinese Ministry of Foreign Affairs. In contrast to Beijing's decreasing support for the Myitsone Dam, the support for the pipelines remained constant, which indicates that Beijing had strong interests in the continuation of the project. Moreover,

there was no reference to the so-called Letpadaung Copper Mine. This Chinese-funded megaproject was under pressure from Myanmar civil society from 2012 to 2016 (Chan & Pun, 2020). The pressure led to a renegotiation of the project in 2013. For Beijing, setbacks on the copper mine project seemed to have been more acceptable than setbacks to the pipelines.

The second reason for the interventions from the Myanmar government focuses on the setup of the gas pipeline. Whereas the oil pipeline is a joint venture between CNPC and the Myanma Oil and Gas Enterprise (MOGE), the gas pipeline is a joint venture between CNPC, MOGE, and two firms from India and South Korea (Liu et al., 2017). The involvement of additional foreign firms increases the costs for the Myanmar government to suspend or even renegotiate the project (Sun, 2013; Zhang, 2020). Rather than causing conflict with one party, this would create tensions with actors from multiple countries. As discussed with the Myitsone Dam, Myanmar's ability to attract alternative sources of investment was key to move away from its overdependence on China. Antagonizing firms two other countries would endanger Myanmar's choice for investment sources.

Thirdly, it is important to highlight the impact of the pipelines on the future of China-Myanmar relations. Haacke (2011) argues that before 2010, the Myanmar military regime accepted the pipeline project since it would reinforce the interdependence with China, rather than increase Myanmar's reliance on China. As a transit country, Myanmar would gain some strategic leverage over China, the destination country. The pipeline was an attractive project for Myanmar since it shifted the relationship away from dependence to interdependence. This positive perception of the project stands in contrast to the negative perception of the Myanmar government on the Myitsone Dam.

5.5 Stalling under the NLD government – 2015-2019

When the NLD first took office in 2015, the construction of both pipelines was completed and the gas pipeline was operational. Still, the oil pipeline had not become active. Uncertainty among the Chinese actors persisted about the future direction in which the NLD government would take Myanmar (Kyaw Phyo Tha, 2019). The delay was caused by a dispute between Naypyidaw and CNPC over an additional tax (Aizhu & Tun, 2016). According to Chinese sources, the Myanmar government was asking an unusually high tax over the transported crude oil. This tax stands on top of the already agreed transit fee and pipeline tariff. This

dispute was finally solved in favour of the Myanmar government, but fast forward to March 2017, the project was delayed again, leaving a ship full of oil sitting in open waters (Myint & Gloystein, 2017). This time the Myanmar government refused to give the final import licence to CNPC. Only in May 2017 did China and Myanmar reach an agreement over the oil pipeline, making the project fully operational (Lee et al., 2017).

These additional delays of the oil pipeline point towards the freedom of manoeuvrability of the Myanmar government and the challenges that China has had in implementing the infrastructure project. As a country of transit, Myanmar has significant leverage over China since oil is transferred directly through Myanmar. In turn, Myanmar has used this leverage successfully to negotiate a better deal for itself. The pipelines have thus added to the relation of interdependence between China and Myanmar.

5.6 Sub-conclusion

A combination of corporate and provincial interests have been responsible for initiating the idea of the China-Myanmar pipelines. The pipelines played a role in providing new investment opportunities for CNPC and supplying Yunnan with energy. In this sense, the pipelines are part of a spatial fix that was intended to resolve China's domestic economic problems. In contrast to the Myitsone Dam, the China-Myanmar pipelines were constructed and are operational today, despite the local concerns that were raised against the project. Whereas the opening of the public space led to the development of a nationwide anti-dam campaign, opposition against the pipelines remained concentrated on the local level. For the most, this is attributed to the role that the Myanmar government played in restraining the protests. The Myanmar government was motivated by (1) Beijing's priority to the project, (2) the stakeholder structure of the gas project, and (3) the positive perception of the project by the Myanmar government. The first and the second reason made the costs for suspending the project high, while the third reason motivated the Myanmar government to prefer the continuation of the project. To protect its interests, the Myanmar government put in considerable effort to control and limit the reach of the opposition against the pipelines.

Despite the eventual completion, this analysis has shown that the pipelines experienced significant setbacks in terms of local opposition and violence. As was the case with the Myitsone Dam, local communities perceived a deal with the central government as

illegitimate, if the deal did not involve local consent. After the suspension of the Myitsone Dam, the Chinese actors have become more aware of the risks associated with the projects and the necessity of local involvement. However, the effectiveness of these efforts is difficult to assess. This case study provides insights into the interconnectedness of Chinese investments projects. Awareness of these connections is important in understanding China's foreign strategy works. If Beijing pushes hard for one project, this may be at the cost of another project. For this reason, Beijing focused on pushing for the pipeline project.

VI. Conclusion

This thesis has provided an analysis of the Myitsone Dam and the China-Myanmar Oil and Gas Pipelines. More specially, it discussed the establishment of the projects, the most important actors that were involved and the challenges that arose. This analysis has provided the following results. The Myitsone Dam was cancelled due to (1) the Myanmar government having a negative perception of the project, (2) nationwide protests, and (3) local violence. In contrast, the pipelines were continued because (1) the Myanmar government had a positive perception of the project, (2) the Chinese central government gave priority to the project, and (3) the stakeholder structure of the gas pipeline. For both projects, Myanmar's bargaining position was improved significantly after the 2010 political transition since this made alternative sources of investment available. Civil society groups also played an important role in both projects, but in the case of the pipelines, their influence was mitigated by strong government intervention and the lack of nationwide support.

This thesis aimed to provide an answer to the following research question: '*Under what conditions are BRI infrastructure projects successful?*'. The present study found three conditions that are key to the success or failure of the projects. Firstly, the existence of alternative investment sources. Both infrastructure projects were most successful for China when there was a lack of alternative investment sources for the Myanmar government. Suspending the Myitsone Dam, before 2010, would have been unrealistic concerning the need for both diplomatic and economic support from China. Secondly, this analysis has provided reason to believe that opposition movements can play a significant role in the BRI. In the case of the Myitsone Dam, the opposition movement was especially effective in framing the issue into a matter of national concern. Thirdly, the success of the projects depends on the support that is provided by Beijing as well as the support given by the host country, Myanmar. The persistent comments from Beijing and the military intervention from Naypyidaw were important in controlling the anti-pipeline campaign. With the limited reach of the campaign, the pressure on the Myanmar government to cater to the wishes of the opposition was constrained.

Explaining the variations in BRI projects not only provides an understanding of the challenges, but also has implications for understanding the BRI and the spatial fix. As discussed in the literature review and throughout the thesis, explaining the BRI in Myanmar as a spatial

fix is compelling. Structural forces drove Yunnan and the Chinese SOE's to increase investments in Myanmar. Both the dam and the pipelines contribute to the economic development of Yunnan. Nevertheless, this thesis has also added to the spatial fix approach by explaining how the spatial fix unfolds in the host country. Rather than taking the structural tendencies of China's activities for granted, this thesis went over the multiple and contingent effects that are opened up by China's engagement. Beyond the deterministic and economic drivers, there are big political and social effects of which the following two are of particular importance.

Firstly, the thesis has shown that the Myanmar government is not a passive bystander, but plays an active role in the process of the spatial fix. In contrast to the realist perspective, Naypyidaw has taken on an active bargaining stance and achieved an arrangement which it perceived as beneficial. By far the most important turning point in Myanmar's bargaining position has been the country's political transition and its subsequent opening to alternative sources of investment. By decreasing its dependency on China, the Myanmar government gave itself the necessary manoeuvrability. This made the costs of suspending the Myitsone Dam acceptable. Moreover, even when the project was one of China's top priorities, as was the case with the pipelines, Naypyidaw was still able to postpone and renegotiate a better deal.

Secondly, this thesis has shown how the spatial fix can contribute to conflicts between various groups in society. Chinese investments often end up in conflict-prone areas, as was the case with the Myitsone dam and the pipelines. These 'apolitical' investment projects directly step into a highly politicized situation and are the cause of increased tensions between social or ethnic groups. Chinese actors and the Myanmar government ignored local minorities in Kachin State, Rakhine State and Shan State. This is in contrast to the language on peaceful development, in which Chinese investments supposedly achieve stability and development. Problematizing the language of peaceful development is important since it shows that the BRI is not 'win-win' for everyone. Instead, the BRI may participate in the marginalization of particular groups.

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