Ear to Asia podcast

Title: How China safeguards its interests amid conflict in Myanmar

Description: With escalating military conflict between Myanmar's ruling junta and various ethnic armed organisations (or EAOs) in recent months, China is pursuing a delicate balancing act along their shared 2200 km border, juggling its economic interests, security concerns, and regional reputation. While Beijing has traditionally supported the junta, recent events have signalled the limits of such backing as the regime appears to weaken. In Northern Shan State, a region with a rich tapestry of ethnic groups and militias – many at odds with the central government – China has attempted to position itself as a mediator, convening peace talks and exerting pressure on various factions. Meanwhile, reverberations of the unrest have been felt across the border in China's Yunnan Province, impacting trade, border security, and prompting calls for a potential Chinese security presence in Myanmar. So what's really at stake for China as events in Myanmar become increasingly uncertain? How much do Beijing's aspirations in the region rely on continued support for the ruling junta? And what constructive role, if any, could Beijing play in a more peaceful future for Myanmar? Jason Tower, Myanmar country director for the United States Institute of Peace, and Dr Pascal Abb, China foreign policy analyst at the Peace Research Institute Frankfurt, examine the intersection of Myanmar's fate and China's interests with Ear to Asia host Sami Shah. An Asia Institute podcast. Produced and edited by profactual.com. Music by audionautix.com.

Voiceover: The Ear to Asia podcast is made available on the Jakarta Post platform, under agreement between The Jakarta Post and the University of Melbourne.

Sami Shah: Hello, I'm Sami Shah. This is Ear to Asia.

Pascal Abb: This may be a situation where China might have a long term advantage. You know, in also being able to deal with political actors in Myanmar that other powers simply are unable to touch. If that is actually, however, going to result in these kinds of broader Chinese visions of pulling Myanmar into its economic and ultimately political orbit, that is highly questionable to me.

Jason Tower: From China's vantage point, the risks at this point for its projects, for its geostrategic connectivity are extreme, that it's going to almost have to lean in more on ethnic armed organizations to stabilize some of its projects, and that over the longer term, you'll probably see where China begins to lose more and more patience with the military regime that simply doesn't have a pathway forward.

Sami Shah: In this episode, how China Safeguards Its Interests Amid Conflict in Myanmar.

Ear to Asia is the podcast from Asia Institute, the Asia research specialists at the University of Melbourne.

With escalating military conflict between Myanmar's ruling junta and various ethnic armed organizations, or EAOs, in recent months, China is pursuing a delicate balancing act along their shared 2200 kilometer border, navigating its economic interests, security concerns and regional reputation. While Beijing has traditionally supported the junta, recent events have signaled the limits of such backing, as the regime appears to weaken. Major military offensives in recent months, launched by different ethnic groups against the junta's forces, have disrupted vital cross-border trade with China and threatened Beijing's economic stakes in the region. In northern Shan State, a region with a rich tapestry of ethnic groups and militias, many at odds with the central government, China has attempted to position itself as a mediator, convening peace talks and exerting pressures on various factions, though key challenges remain. Meanwhile, the reverberations of the unrest have been felt across the border in China's Yunnan province, impacting trade, border security and prompting calls for a potential Chinese security presence in Myanmar. So what's really at stake for China as events in Myanmar become increasingly uncertain? How much do Beijing's aspirations in the region rely on continued support for the ruling junta? How is Chinese engagement seen by Myanmar's neighbors in South and Southeast Asia? And what constructive role, if any, could Beijing play in a more peaceful future for Myanmar? Joining me to examine the intersection of Myanmar's fate and China's interests are Doctor Pascal Abb, senior researcher at Peace Research Institute Frankfurt, and Jason Tower, Myanmar Country Director of the United States Institute of Peace. Welcome back to Ear to Asia, Pascal, and welcome, Jason.

Pascal Abb: Thanks for having me.

Jason Tower: Thanks, Sami.

Sami Shah: Jason, how would you characterize Beijing's stance, official or otherwise, on the ongoing military conflicts between Myanmar's ruling junta and the country's ethnic armed organisations?

Jason Tower: I would say, first off, just to point out that Beijing actually had quite good ties with the NLD government before the military coup. The NLD government had really kind of come on board with Beijing around these agreements to move forward with China's China-Myanmar economic corridor. It had put together a series of agreements with the Chinese side for building out critical infrastructure that would give Beijing access to the Indian Ocean, and was in the process of going forward with implementing those plans. And

while the pace was a bit slow, there was actually steady progress towards many of those different projects. Um, when the military coup hit, though, in February of 2021, that was really a major setback, given that it suddenly put all of those plans into sort of very much the instability that was present after the military coup. While Beijing, you know, has more or less dealt with the Myanmar military regime as the government of Myanmar and bestowed a significant level of legitimacy on that regime. It's also been frustrated in that it simply sees where the military regime no longer has adequate control over, for example, logistics corridors in the country.

Jason Tower: It really hasn't been able to move forward with any on the ground progress on the large scale economic projects. And so, you know, overall, Beijing is now facing a really multifaceted crisis on its border. Growing levels of instability as conflict in the border region continues to escalate. And then also major instability at the outlet to the Indian Ocean down in Rakhine State, where the Chinese side, uh, has big plans for the Kyaukphyu port and special economic project. So, you know, I'd say on the whole that China's really trying to hedge across some of the ethnic armed organisations that's worked with, you know, for several decades in the border area to try to assert some additional leverage over to the Myanmar military regime in order to try to help stabilize the situation. It's also been putting quite a bit of pressure on the military regime, particularly on new security challenges such as threats from growing criminal activity. And so I would say it's largely been a process of of hedging between those different parties while ignoring the broader pro-democracy movement in the country, which Beijing has really been very hesitant to engage with.

Sami Shah: Pascal operation 1027 and operation 0307 are the names of two military offensives launched in recent months by different ethnic armed organisations against Myanmar's military junta. Can we generalize about what these operations set out to achieve and their impact on the ground?

Pascal Abb: Yeah. Um, so as you already mentioned, those operations were launched by ethnic armed organisations which have interests that are slightly different from the democratic opposition. So the democratic opposition is contesting the central government, whereas these ethnic armed organisations have more limited territorial aims. So they basically either already maintain or aim to build de facto statelets of the borderlands, which are geographically very difficult to access. And this has allowed these insurgent movements really to survive sometimes decades long military conflicts with the junta. So what recently happened is that an alliance of these three EAOs in northern Shan State, called the three Brotherhood Alliance, last October started an offensive in the territory of Kokang. So this is northern Shan State again, a region that is directly bordering China and which is especially relevant to China because those areas also contain the two most important overland border

crossings. So for what China is trying to do economically in Myanmar, be that resource imports or these grander and more ambitious designs of building an economic corridor across the whole country, Kokang is really one of the anchor points. And this also meant that Chinese interests were directly affected by this.

Sami Shah: What have the operations meant then for China's economic interests in the region?

Pascal Abb: Um, so the most direct impact was that this overland trade, which again, happens through the gates in the region, was disrupted. And so the gates were closed first due to fighting. And now, apparently, even though we have reached a ceasefire agreement, that there's still like a disagreement over how it's actually going to be implemented and what the ceasefire was really from the Chinese side, supposed to get this trade flowing again. And from what is known, they apparently brokered an agreement where you would see some revenue sharing. So the border trade generates proceeds, and 70% of that was supposed to go to the new de facto controllers, the EAOs. Whereas 30% would go to the junta government. But apparently that is not quite so easy as imagined to implement. And so from what I've heard, the border gates have actually not really been reopened. And because China is still awaiting confirmation from the junta that it is indeed on board with this agreement. So that's that's the most direct impact that trade flows have dropped pretty much to zero. And whatever trade is happening right now between China and Myanmar has actually been relocated to the maritime route. So being shipped from the Andaman Sea all the way around Southeast Asia and to Chinese ports. So if you look at the overall volume, this is not actually at the national level, a big problem for China. So apparently the overland trade volume was like a billion a year, which if you imagine the scale of the Chinese economy is really not very much, but it is a significant problem for Yunnan province, which is the province in China that's bordering Myanmar. Yunnan province is one of the poorest, if not the poorest province in China, and it is actually much, much more dependent on resource inputs from Myanmar than Beijing as a whole is. And this, I think, also makes it a player in this whole, you know, diplomatic agenda that Jason already has alluded to.

Sami Shah: Well, Jason, let's come back to you then. What is the significance of Myanmar's military's loss of control over territory and trade routes along the China Myanmar border?

Jason Tower: Yeah, I think this is of profound significance. First of all, the Myanmar military no longer enjoys a monopoly over the provision of security to the China-Myanmar economic corridor. In Beijing's eyes, really, the Myanmar military has been reduced to one of many different armed actors that have some presence or some level of control along that corridor that runs from the China Myanmar border down to the Indian Ocean in Rakhine State. And

at the same time, also keep in mind that that same route is where the China Myanmar Pipeline project is present, meaning that when it comes to provision of security for the China Myanmar Pipeline project, which is, I would argue, critical for China's energy security for its southwestern provinces. It's actually the single source of piped oil and gas to China's southwestern provinces. This means that, you know, really, Beijing at this point now has to work with quite a few different parties in order to ensure the security of that pipeline, the security of those resources and increasingly down in Rakhine State also to work, you know, across the Arakan Army and the Myanmar military, in order to ensure that it can continue unloading oil and gas onto the pipeline and continue to provide those various resources. I would say also of equal significance is the fact that, you know, in losing these routes, the Myanmar military has also really lost access to a lot of its ground game. You know, it's lost access to the logistics that it needs in order to sustain ground operations vis a vis many of the ethnic armed organizations.

Jason Tower: This I think. Over time has hampered its ability to maintain positions, resupply positions, which does play to the favor of many of the different ethnic armed organizations. I think also, interestingly, you know, the military junta is now having to come to terms with the fact that it's not really seen any longer as the key player when it comes to the economy and when it comes to security in the country. While, of course, Beijing is still quite happy to extract concessions from the Myanmar military to lock in better deals vis a vis national level projects. When it comes to the recent trade talks, I mean, as Pascal referenced, you know, Beijing has been pushing for this agreement around a 70/30 split of benefits of trade, which makes the junta, for the first time, a junior partner. And while the junta continues to reject that current formula, it is a formula that Beijing continues to push, which I think in many regards, you know, provides some level of recognition from the Chinese side that the Myanmar military has much less value when it comes to securing trade. And, you know, when it comes to the role that it plays in security more broadly in the country. So those, I think are a few of the implications of this pretty significant shift.

Sami Shah: So between the security and the economic and as you mentioned now, the reputational damage, one of the more interesting aspects has been the supposed or purported belief that operation 1027, for example, might have been supported by China. Why would China support and back such an operation?

Jason Tower: Well, one thing to go in mind here, and I think we'll have to back up and talk through a little of, you know, some of the non-traditional security threats that Beijing was facing from Myanmar, both before the coup, but which became much more acute, I would say, after the coup and even more so following the end of the pandemic in China. You know, really, throughout most of the 2000s, you saw the rise of these casino cities on the

China-Myanmar border. And, you know, these casino cities largely were built out, you know, through an arrangement between the Myanmar military, different militia groups, and later on its own border guard force up in the Kokang territory, which ultimately enabled the creation of these giant casino cities that would build out online gambling platforms targeting Chinese nationals. This was a source of aggravation for Beijing. I would say over the past, more or less two decades, where you saw these intermittent crackdowns on online gambling from time to time. But following the pandemic and later the military coup, you saw a sudden shift in a lot of these online gambling operations away from online gambling and towards just outright fraud and scamming, highly sophisticated forms of fraud and scamming that initially were targeting primarily a Chinese domestic market. So you saw a really during the pandemic, these scams, you know, rise to steal billions of dollars of assets from Chinese nationals all across China.

Jason Tower: And then following China's reopening after the pandemic, you also saw where there was a major uptick in human trafficking. This was trafficking of Chinese nationals into these scam compounds, which were often using forced labor. So people inside of the scam compounds were actually literally forced, you know, at threat of torture or some other form of cruel punishment to go on and to engage in this form of online scamming. So the Chinese government started to raise this issue with the military regime in May of 2023, when the Chinese foreign minister made a visit and made this issue the center of his engagement with the Myanmar military regime. Following several other high level warnings and visits, you saw where China became increasingly frustrated that the military regime simply was doing nothing to address this growing security challenge on China's border, which was impacting not only China, but really countries all around the world, as the scammers were really by that point, targeting very much a global population. This led to growing Chinese interest in a unilateral crackdown. China put a lot of pressure on the Myanmar military's border guard force starting from late September, when it detained a number of members of the Myanmar military's border guard force, as well as some of the other elites involved in the illegal scam operations.

Jason Tower: And it also started to put pressure on other ethnic armed organizations in the border involved in this as well. Then in late September, you had this incident where it's still not fully clear exactly what happened, but there was an attempted escape made from one of these compounds, which resulted in the death of a large number of Chinese nationals. As many as 60 Chinese nationals were killed in this incident. And this really, um, you know, I think ultimately led to this coalition of ethnic armed organizations, the three Brotherhood Alliance that Pascal just mentioned, launching an operation that was framed around eradicating the scam centers out of Kokang and out of the border area more broadly, as well as eradicating the military dictatorship. And you saw China really embrace that operation. It

strategically put in place arrest warrants against the Myanmar military's border guard force leaders. It put quite significant pressure on the Myanmar military to withdraw from Kokang. And ultimately, you know, Beijing was able to really tell a story as the Kokang territory fell and as the scam syndicates were disrupted, of how this operation was able to reduce scamming, targeting Chinese nationals. So I think this is really the reason why you saw China, you know, kind of be willing to consider such a large scale military operation right on its border.

Sami Shah: Much of what you've described took place in 2023. And much of what we've now been talking about centers on northern Shan State in Myanmar's northeast. Can you give us a bit of a nutshell than, Jason, on what the region's ethnic and social makeup is?

Jason Tower: Yeah, it's actually an extremely diverse region. You have many cross border ethnic nationalities groups from Jinghpaw to Lisu to Tong to Wa. Many of these groups, you know, they're spread across India, they're spread across China, spread across Myanmar, but they're cross-border in nature. So this means that many of these groups have contacts with their kin on the China side of the border. They have close and long term family ties, business relations, cultural relationships. All of that is present there in the border area. China also historically has played a role in supporting many of these ethnic groups, as well as the ethnic armed organizations that often represent these various groups, both militarily and politically. You know, going back to the 1950s and 1960s, China played a key role in supporting the Burmese Communist Party, out of which, you know, you saw quite a few of the modern ethnic armed organizations that are present in very active along the China-Myanmar border and are some of the most powerful of the EAOs in the country. All of those groups, I mean, going back to the CCP days, received significant support from China. So there's very deep ties and linkages across these different groups. But at the same time, there's often many different long term rivalries as well as alliances that are there across these groups as well. So you'll see, for example, that some of the groups from Shan, which are related to the Dai people in China, they have quite deep rivalries, for example, with the United Wa State Army, which in turn has, you know, tried to split these groups in Shan State to keep them divided. And so you have two very significant ethnic armed organizations in Shan State that represent the Shan people, a northern Shan State Army, which is closer to the United Wa State Army, and a southern Shan State Army, which tends to be a bit closer to the Myanmar military. So that gives you kind of an overview of some of the complexity. You have at least seven major ethnic armed organizations in that area, all of which maintain some level of cooperation and relations with China.

Sami Shah: But why is this particular region such a thorn in the side of Myanmar's ruling junta, more so than some of the other areas?

Jason Tower: You know, I think it's, first of all, the fact that you do have these long term relationships with China, the fact that the Chinese government has provided support to many of these groups, ultimately enabling them really to consolidate the borderlands in ways that ethnic insurgents and other parts of the country haven't, at least until very recently, been able to do so. The most powerful of the Eaos have always been in the northern part of the country. They've consolidated territory. They've, you know, throughout history, continued to manage some of the key border crossings, particularly in the UWSA or United Wa State Army territories, and they control major natural resources in the border area, the United Wa State Army and the tin mines that it controls. Actually, that represents such a large percentage of the global tin market that any form of instability in the Wa territory is actually going to impact the global price of tin almost immediately, you know, so I think beyond that, also, these ethnic armed organizations have really been an obstacle or an impediment to the Myanmar military being able to capture the border trade and to also capture benefits from connectivity with China. So that's another reason why this has been, I think, a very difficult issue for the Myanmar military. Interestingly, though, for Min Aung Hlaing, the current commander in chief, part of his legacy was actually consolidating parts of the China-Myanmar border area under the control of the Myanmar military. So he personally, in 2009, led this operation that defeated one of the powerful armed groups, the Myanmar National Democratic Alliance Army, and which placed the Kokang territory under the Myanmar military's control. That basically is Min Aung Hlaing's legacy, and I think it's quite interesting, you know, operation 1027, its outcome was basically to erase that legacy with the Mdaa coming back, defeating the military and retaking Kokang. So that gives you, you know, again, also a sense of the personal stakes that Min Aung Hlaing, the current commander in chief, has up in the border region.

Sami Shah: From December of last year, China moved to take on the role of a mediator in the conflict in Myanmar. Can you elaborate on how China went about this role and what steps they might have taken?

Jason Tower: Yeah, so this actually started in 2022, late 2022. It was at that time, after more than six months of not having an active Asian affairs special representative for Myanmar, China suddenly made an appointment of Deng Xijun, who's the former ambassador to ASEAN, to take on role as this this new envoy. And almost immediately, he began public engagements with seven of the ethnic armed organizations on the border. These seven groups, making up a configuration that's known as the FPNC or the Federal Political Negotiations Consultative Committee. And so China really worked with these groups, engaged these groups began to pressure and encourage these groups to have some level of talks with the Myanmar military. And then after convening the group several

times, China actually was able to get a written mandate from these seven EAOs to take on a role as a mediator in the conflict. Interestingly, China is the only country that has an envoy with such a mandate. None of the other envoys, I think, including most recently you saw Thaksin was rejected as a mediator by some of the EAOs in an attempt to try to gain a similar mandate a little bit earlier this year. But, you know, so with that mandate in hand, China began to engage regularly with the Myanmar military and to push for two different coalitions of EAOs to have regular talks following the fall of Kokang. The Chinese jumped in much more forcefully and began to actually negotiate specific agreements for northern Shan states. And I think that's where you've seen the most progress on the part of the Chinese in this role.

Sami Shah: Is that mandate, the Haigeng agreement?

Jason Tower: Um, the mandate itself is not the Haigeng agreement. The hi Gung agreement is the agreement that was carved out between the Three Brotherhood Alliance on one side and the Myanmar military on the other side. Um, was came into effect on January 12th after the fall of Kokang. And basically what that agreement does is it freezes the conflict in northern Shan State. It stipulates that the Myanmar military no longer is, you know, going to engage in any form of, of airstrikes or heavy artillery attacks on positions of the three Brotherhood and northern Shan. And in turn, the Three Brotherhood will stop its own offensive against the Myanmar military. That has more or less held, um, although you have seen, you know, intermittent tensions since that agreement took place, but it's more or less held in northern Shan State, which has, I think benefited the junta in terms of allowing it to, you know, focus more of its resources on other parts of the country. But at the same time, it's also benefited the Three Brotherhood alliance and consolidating its position on the China border.

Sami Shah: You're listening to Ear to Asia from Asia Institute at the University of Melbourne. And just a reminder to listeners about Asia Institute's online publication on Asia and its society's politics and cultures. It's called the Melbourne Asia Review. It's free to read and it's open access at melbourneasiareview.com.au. You'll find articles by some of our regular Ear to Asia guests and many others. Plus, you can catch recent episodes of Air Asia at the Melbourne Asia Review website, which again you can find at melbourneasiareview.com.au. I'm Sami Shah and I'm joined by Myanmar country director for the United States Institute of Peace, Jason Tower, and by interstate conflict research specialist Doctor Pascal Abb of Peace Research Institute Frankfurt. We're talking about how China is both impacted by and exerts influence on the conflict zones of Myanmar.

Pascal, what has all of this meant for Yunnan province and China over the border from the northern Shan State? We've heard about the impact on Myanmar. Now let's take a look at the impact on China.

Pascal Abb: Um, let me backtrack a bit to what I mentioned earlier. Yunnan province has some distinct interests in Myanmar that are different from those of the central government, and those are mainly economic interests. So Yunnan is a relatively poor province in China. It's one of the inland provinces that did not profit immediately off this kind of economic boom that you saw, especially in the coastal regions of China since the 1980s. And this meant that it is also the recipient of specific developmental schemes by the central government to help boost its internal development and actually CMEC. So this China-Myanmar economic corridor is the offshoot of one of those schemes. And as you can imagine, the Yunnan central government is very, very keen on seeing this project put into practice, and especially of also resuming its economic and trade ties with Myanmar. And the problem here is that this trade as I mentioned earlier has now mainly moved towards overseas shipping, which is kind of the way that most global trade is really handled and which is, as we know, a very relatively cheap and economical way of transporting things. So when you have an overland connection that always comes with a set of challenges, it's rarely economic. And when you look at the specific case of Myanmar, you have the problem that this corridor crosses multiple lines of fighting and of territorial control. So you need a lot of players in this conflict, really to all be on board with China-Myanmar trade in order to be able to conduct it.

Pascal Abb: And that has made Yunnan's trade with Myanmar one of the first casualties, really, of the conflict that has broken out. So it had to close its border gates, often at the direction of the central government. This is actually not just a problem with the coup, but even earlier during Covid, we already had a significant disruption. And this really establishes, as I mentioned, these these kind of diverging interests between Yunnan, which is mostly focused on getting its economy going again, and the central government, which is more focused on border security. And the border gates, the crossings are really where those interests clash with each other, and where local officials sometimes try to lobby the central government to relax the restrictions which they put in place. So this makes them also a natural point of contact, really, with the de facto new authorities that are running these border gates now on the Myanmar side of the border, and has created a sort of parallel diplomacy that's going on where the central government in Beijing is still keen on not, you know, creating the kind of impression that it is officially dealing with any of the ethnic armed organisations and the Yunnan officials, you know, frequently visit actually those organizations over the border and not even like in a secret capacity, but that is openly publicised. So kind of Yunnan is not just, you know, an economic player in this very, very

complex relationship between China and Myanmar, but actually even a political and diplomatic one.

Sami Shah: What about the situation in Kachin State, Myanmar's other large state bordering China?

Pascal Abb: Um, so there the situation. So first of all, the situation when it comes to Chinese interests is a bit different. So Kachin State is nowhere near as important for the cross border trade as northern Shan State is. So the China-myanmar economic corridor does not actually pass through it. And the Chinese economic interests on the ground when we asked about those are also of a very, very different nature from those that are captured under CMEC. So actually when we asked about it, what everybody immediately started talking about was rare earth mining, which is not part of infrastructure development, of course. And the way particularly in which it happens in the border region of Kachin State around Pang War is also not just unofficial, but also illegal, actually. So you have seen Chinese investors whose operations, also in rare earths mining were shut down within China, actually moved their operations across the border and take advantage of the kind of lack of regulation that they enjoyed there. So the situation has actually a bit more like the scam centres that Jason mentioned earlier, not as directly a problem for China itself, but also a highly illegal, and unofficial, unregulated border economy.

Sami Shah: So, Jason, what's been China's response then on its side to the goings on in Kachin State.

Jason Tower: I guess on Kachin State? One other important factor to consider is the ongoing dispute between China and Myanmar around the Myitsone Dam project. So, you know, one of the key projects that the Chinese government began to become involved in in Kachin was a mega dam that was on the upstream of the Irrawaddy, actually at the confluence of two rivers that ultimately flow into the Irrawaddy River, which is the country's major river. The Chinese actually broke ground on this dam before the original reform period started, and I think, were really quite shocked when the Thein Sein government, back at the time decided to suspend this project. You know, at the time, the so-called reformist USDP party, uh, government cited the will of the people in suspending this project. This project had really played a role in, I would say, driving conflict between the Kachin Independence Army and the military, uh, back before 2009, I think ultimately playing a role in causing a ceasefire to break between those two parties and a resumption of violence between the KIA and the military. But following the suspension, you'd seen where, you know, Chinese government actors for years put pressure on subsequent Myanmar governments to try to reset this project. Really, I think under the NLD government period, despite a lot of pressure from from

China, there was no movement made in really coming to a resolution of this with the Chinese state owned enterprises behind it, you know, ultimately saying that, um, the Myanmar side would have to repay billions of dollars in debt, in damages as a result of their suspension of this project, which is now gone on for well over a decade. Well, one of the key things that has played in here is that the military regime very recently has signaled to China that it wants to restart this project now.

Jason Tower: Interestingly, at the very moment where the CIA is making rapid progress in pushing the Myanmar military out of positions all across northern Kachin State, liberating the border area, defeating the military left and right, the Myanmar military side are now indicating that they want to, you know, establish a working group and resume construction on this project. So this, I think, does have some pretty significant implications for the conflict in Kachin State. The Chinese company behind this, SPIC - State Power Investment Corporation, has actually for years been lobbying the Chinese government to try to resume the project and has been putting large amounts of resources into trying to build a more favorable public opinion around the project in Kachin State and across Myanmar more broadly, but without much success. And so, you know, I think at a very moment where the KIA is kind of, um, has an advantage on the battlefield, the Chinese side now has to suddenly think about whether or not it wants to go in with the junta and try to resume this project, which could cause and spark even further violent conflict. Or it may potentially, you know, have the option of deflecting and not resuming this project, which I think would be a pretty devastating blow to the Myanmar military in terms of its desires to try to maintain something of a foothold in Kachin State. So this is kind of I think one of the key issues that China is looking at at the moment in Kachin is around, you know, the status of this extremely controversial dam project that the key armed group, the KIA, there has long spoken out against.

Sami Shah: We're now hearing about so many varying groups with varying amounts of power and influence in this outside of China, of course, Pascal for the competing powers within Myanmar. To what extent is the conflict about economic, sometimes criminal opportunities rather than ethno-nationalist territorial ambitions?

Pascal Abb: Um, so the Chinese projects, especially again when it comes to those which are facilitating cross-border trade, represent significant revenue sources for those groups. And I think that also made the crossings and especially attractive target to capture. Then there's the problem that whenever you have a security regime that is being deployed to protect those projects, that can itself become a source for renewed fighting. So, for example, if outposts, military outposts need to be set up in order to protect, for example, the pipelines or a route for cross border crossing, like a road, then the deployment of military forces along

those points can actually be interpreted as a military offensive by their EAO opponents, and they will, as a result, strike out against them. So this is kind of, you know, where development work, um, may not actually bring peace, but actually exacerbate fighting. This is kind of a dynamic that we've seen over and over really happening. Um, I would not necessarily call these criminal opportunities, although it of course also covers, for example, the scam centers that we talked about earlier, those were a significant source of revenue, apparently for the border guards regime, which is why they refused on cracking down against it.

Pascal Abb: And then, you know, this established a whole interest on China's side, you know, to see a change of leadership on the other side of the border. But this is mostly about taking advantage of the kinds of economic resources which the Myanmar borderlands have. And those tend to be, you know, especially in extractive industries. There has not been much in the way of industrial development, which was supposed actually to be a priority of CMEC, you know, to establish industrial zones in Myanmar, where Chinese enterprises would then move operations across the border and no longer just extract resources, but actually start refining them and to working them into products that could then be exported to China. And this kind of economic activity has been totally made impossible by the kind of fighting that you have seen following the coup. So that basically leaves you with the kind of resources that we describe as so-called lootable resources, right, which can be extracted and then sold very often, just smuggled illegally across the border. And that is a very, very well known driver, actually, of civil wars, in the sense that it allows combatants to economically sustain their operations.

Sami Shah: Jason, what's been the impact on the lives of civilians in all of this? We've heard about dams. We've heard about rare earth minerals, cross-border tensions, everything. What's the humanitarian situation now in the affected regions?

Jason Tower: I mean, in a word, it's deplorable. And I think backing up here, it's important just to point out how the military coup and what has ensued since has fundamentally erased all progress that was made over the last decade. That's economically, that's politically, that's in terms of, you know, addressing some of the historical humanitarian crises that the country has faced. You have since the coup, 2.5 million people displaced. That's additional people displaced. You have well over 100,000 refugees, people driven across the Thai border, the India border, the Bangladesh border. Recently, another 45,000 Rohingya were displaced, on top of the over 1 million Rohingya that have been displaced since 2016. Um, you've seen, you know, again, the Rohingya very much kind of right in the middle of the violence that's going on between the military and the Arakan Army in that area and facing much more serious challenges as a result of that, then you also have just the challenges of access,

right? Because the Myanmar military has systematically blocked humanitarian access across the country. You now have upwards of 20 million people who need humanitarian aid, with the vast majority of those people being in places where there simply is no access unless countries are willing to use the back door, you know, to go through Thailand or to go through India or Bangladesh or China to deliver that aid. Beyond that, you know, you've seen also major losses in terms of civilian fatalities and casualties, over 5000 documented cases of civilians being killed by the military's violence. You've seen arbitrary airstrikes across the country on on civilian targets, especially in the Myanmar heartland. Um, and then you've also seen tens of thousands of political prisoners, including both the NLD government leaders, president and state councilor, who continued to be imprisoned, but also many other individuals who were captured by the junta in the early, uh, phases of peaceful protests against the military coup. So it's really been devastating for the people of Myanmar, as well as for the neighboring countries, who have to take on a huge burden in terms of dealing with a lot of the fallout and instability.

Sami Shah: What about the other countries outside of China? Have they had any role for regional players and maybe major international players as well? How is this engagement seen by Myanmar's neighbors, for example?

Jason Tower: Yeah, so ASEAN has tried in different ways to play a role around addressing the crisis. You saw just a few months after the coup, actually, that they carved out this five point consensus, which was supposed to serve as a roadmap for ending violence in the country, releasing political prisoners and so on. But the Myanmar military rejected that consensus, walked it back almost immediately after, you know, the so-called agreement was made in in Jakarta not long after the military coup. And since then, you've really seen, you know, subsequent ASEAN chair countries, Indonesia has tried to make progress on this. Cambodia tried before that to make progress. But you really haven't seen ASEAN being capable of making any major breakthroughs. And with Laos being the current chair with its limited capacity, it's been looking more to China and to Thailand to play a bit of a role. Recently, since a new government took power in Thailand at the end of last year, you have started to see that new government, the Pheu Thai government in Thailand, prioritize a bit more trying to find a solution to the crisis in Myanmar. Thailand has become more proactive in trying to deal with criminal activity along its border and trying to engage with the different stakeholders, but it's also struggled to make any inroads on addressing the crisis. And then beyond that, I think you've seen where Western countries, including the United States, have, you know, kind of come together to put pressure on the military regime to demand that it stop violence, to demand that it be held accountable for atrocities and, you know, also be pushed to restore democracy in the country, but because of a lack of buy in from regional level countries, you really haven't seen where those strategies have been so effective either.

Sami Shah: Even India, for example, has this been a topic of discussion? Has it been a consideration for India's regional interests?

Jason Tower: Yeah, I mean, Myanmar definitely is critical for India in terms of its neighbourhood policy and its Act East policy. That said, though, I mean, since the coup, you haven't really seen India become involved the way that China has, for example, in trying to mediate across ethnic armed organisations in the military. And I think one of the key challenges that India faces is that it's for a long time has taken a very state centric approach to Myanmar. So it hasn't really engaged with EAOs or built ties with ethnic armed organisations the way that China has, which puts India at a significant disadvantage, I think since China became much more involved, though in 2022 with, you know, the mediation efforts, and then in 2023, following operation 1027, it does seem that India now is becoming much more concerned about the level of Chinese influence, both in Myanmar as well as in the Indian Ocean region, especially when it sees the Myanmar military, you know, kind of really tilting into Beijing to try to get more security assistance by making major concessions on the Kyaukphyu port, which would give China a back door into the Indian Ocean and would be very threatening to, I think, India's interests, particularly as a quad partner in the region. That said, though, I think that India has struggled to find a pathway forward in terms of addressing growing Chinese influence in the region, and that's one space where there should be more. I think, you know, space for cooperation between India quad partners and other parts of the region.

Sami Shah: Pascal, competitive dynamics, geo economic rivalry. How much of that, let's say, between China and Japan? How much of that has played a role in this engagement?

Pascal Abb: So the coup also reshuffled the political, the diplomatic landscape in Southeast Asia. And when it comes to Myanmar's ties with some of its developmental funders, of course, in some ways this is actually made it easier for China to pursue its own developmental objectives in the country, because you have seen the kind of political will on the part of the junta to agree some highly controversial projects. As Jason mentioned, restarting the Myitsone dam and also actually agreeing some new projects under the scope of CMEC, like for example, a new natural gas liquid natural gas terminal and new power plants. However, we need to distinguish what is, you know, being agreed on paper and what is actually happening on the ground. Because, as you can imagine, building infrastructure, which takes a very, very long time to amortize itself in a war zone is not something that many investors are very keen on doing. And what you've seen in practice on the ground is that the most ambitious elements of CMEC have really been stalled. So, for example, this railway land that was supposed to connect Mandalay to the border crossing at Muse that has not

been able to progress, and the only, to my knowledge, CMEC projects that actually have been advancing are the ones in an area in Rakhine State which has at least until recently been relatively peaceful and which was a port at Kyaukphyu. Now, when it comes to Japan's presence in the country, they have the advantage of their projects being much, much less controversial and generally being able to take advantage that you don't have an anti-Japanese sentiment to the degree that you have an anti-Chinese one in Myanmar.

Pascal Abb: And their primary project, the Thilawa Industrial Zone, is actually also relatively advanced. It is still up and running, and Japanese developmental cooperation with Myanmar has also continued, even under the junta government. However, the problem which they are facing is that their projects are kind of funded on a timeline that is going to run out relatively soon, I think beginning in 2025, and then those loans that keep the whole thing going need to be politically reauthorized. And as you can imagine, it's going to be very, very difficult for the Japanese government to justify extending developmental loans that were originally agreed with a democratic government in Myanmar with its junta successor. So this may be a situation where China might have a long term advantage, you know, in also being able to deal with political actors in Myanmar, that other powers simply are unable to touch. If that is actually, however, going to result, you know, in these kinds of broader Chinese visions of pulling Myanmar into its economic and, ultimately, political orbit, if that is actually going to materialize, that is highly questionable to me because, again, we are seeing a fragmented country in which the kind of cross country infrastructure projects are simply impossible to actually construct.

Sami Shah: Well, China seems to have made a great deal of inroads with many of the ethnic armed organizations. Has Japan done the same in pursuit of its developmental goals?

Pascal Abb: No, not to my knowledge, which is also due to the fact that the Japanese projects tend to be in the central lowlands of Myanmar and not in the areas that are held by EAOs. Whereas if you build anything from these kinds of central areas of Myanmar through the Chinese border, you invariably have to cross EAO-held territory.

Sami Shah: Jason, what then, given China's aspirations in the region, do you see as a future for Myanmar?

Jason Tower: Yeah, I guess it's important, first of all, to point out just how bad the situation is now for the Myanmar military. Just since last October with this operation, 1027 up until present, the military has lost over 40,000km² of territory, including, you know, control over the key border trades with China, with India, and also increasingly with Thailand. And, you know, on the Thai border, it's really at this point relying on a border guard force involved in

mass scale criminal activity to keep a foothold on that border, with border trade already being very highly disrupted. The Myanmar military has lost over 10,000 troops. And I think, you know, politically, it just really has no story to tell in terms of how it stabilizes things, how it builds some form of stable status quo for the future of the country. You know, there's been talk by the military about trying to hold an election, which I think most people in the country would see as an outright sham, given the way in which the military came to power in an illegitimate military coup. So there's not a political pathway, nor is there a military pathway for the military to get out of this mess. I think you're seeing the military strategically is trying to lean into China, you know, giving it additional concessions on economic projects. Over the short term, that might be somewhat effective in gaining a little bit of additional Chinese support. But I think the China side also sees that the situation is not going well for the military. And at the same time that the military is not willing to make significant concessions that might help, um, you know, at least reduce tensions with some of the ethnic armed organisations.

Jason Tower: And so what I really see happening, kind of looking forward is the military continuing to lose more and more control over the periphery, looking internally, you know, into the heartland to see whether it can kind of regain control there. But again, there, it's also facing major resistance from People's Defense Forces that have formed across the country. And it really doesn't, again, have a way of even stabilizing the heartland. So I think at some point the military is going to reach kind of a crossroads where it's going to have to come to some form of a deal that, you know, ultimately results in the military having to step out a bit politically. Uh, I think the military's, you know, sort of leaning on San Suu Kyi, and the fact that it's holding on San Suu Kyi, that might be its sort of last card, that it would potentially play as a means of trying to regain some level of political support. But we've gone so far in this mess now in terms of there being just so many different actors that are struggling for the future of the country, where I think even that is going to be difficult for the junta to deal with. So I would say from China's vantage point, the risks at this point for its projects, for its geostrategic connectivity are extreme, that it's going to almost have to lean in more on ethnic armed organizations to stabilize some of its projects, and that over the longer term, you'll probably see where China begins to lose more and more patience with the military regime that simply doesn't have a pathway forward politically or militarily.

Sami Shah: Pascal.

Sami Shah: Any final words of optimism to leave us with?

Pascal Abb: Uh, unfortunately not, as Jason described. The situation that we are seeing right now is just too messy, too violent for me to to be in any way optimistic about it. So what

I expect for the future, as far as we can foresee, is really the fragmentation of the country, a persisting and probably even worsening. And what China is going to pursue in that situation is, I think, much, much more limited and short term objectives, which are about, you know, tying these border areas more closely to itself. Again, Yunnan province probably being especially keen on exploiting resources on the other side of the border and shipping these locally. But that is going to be really a far cry from this original scheme of a cross-country economic corridor that would, you know, jumpstart nationwide development. And that is also going to dictate, I think, how China diplomatically engages with all of the many different actors on the border. Not really, you know, officially recognizing the authority of any single one of them, but really keeping their options open and continuing to engage in parallel diplomacy with, you know, just acknowledging the fact that the de facto no longer have a unified Myanmar, but it has been fragmented into a ton of de facto sovereign statelets. And with those, China is going to be pursuing its own short term diplomacy.

Sami Shah: Our guests have been Doctor Pascal Abb of Peace Research Institute Frankfurt and Jason Tower of the United States Institute of Peace. Thank you both.

Pascal Abb: Thank you.

Jason Tower: Thank you.

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