

## Briefer on Chinese Investments in Myanmar

IHLO, January 2014

After sanctioning Burma (Myanmar) for two decades since the crackdown of the democratic movement in 1988, the US government took the lead to announce ‘pragmatic engagement’ in 2009. In the mean time, China has become the biggest investor in Burma, followed by Hong Kong, South Korea, Thailand, Britain and Singapore. By 2013, China has made a total of US\$14.1 billion Investments across 52 projects in Burma, accounting for 41.7% of Burma’s cumulative FDI. That has not included the investments from Hong Kong, where many subsidiaries of the Chinese companies are registered.<sup>1</sup> The value of trade between China and Burma is estimated at more than \$6 billion for 2013, an increase of 26.6 percent compared with 2012. The economic clout of Chinese companies in Burma is influential.

Table One: Accumulative Foreign Investment of Existing Enterprises – Top Countries (As of October 2013)

Country / Region	Approved Amount (US\$ in million)	Percentage
China	14115.0	41.7%
Hong Kong	6365.9	18.8%
South Korea	2973.3	8.8%
Thailand	2876.3	8.5%
UK	2503.3	7.4%
Singapore	2247.0	6.6%

Source: Ministry of National Planning and Economy Development, Burma

Foreign Direct Investment (FDI) in Burma dominates in the energy-related sector. Oil and gas, power and mining investments have captured 86% of the total FDI inflow to Burma in October 2013.<sup>2</sup> Earth Rights International identified at least 69 Chinese multinational corporations involved in 90 hydropower, oil and natural gas, mining, jade and other natural resource projects in Burma in 2008. China National Petroleum Corporation (CNPC), China Power Investment (CPI), Sinohydro Corporation and China North Industries Corporation (NORINCO) are the key players.

Table Two: Accumulative Foreign Investment of Existing Enterprises in Myanmar by Sector (As of October 2013)

Sector	Approved Amount (US\$ in million)	Percentage
Oil and gas	13630.1	40.3%
Power	13254.4	39.1%
Mining	2308.5	6.8%
Manufacturing	2253.9	6.7%
Hotel and tourism	1349.4	4.0%

<sup>1</sup> ‘Foreign Investment of Existing Enterprises - By Country - As of 31/10/2013’, *Ministry of National Planning and Economy of Myanmar*, <http://www.dica.gov.mm/dicagraph1.2.htm>.

<sup>2</sup> ‘Foreign Investment of Existing Enterprises - By Sector - As of 31/10/2013’, *Ministry of National Planning and Economy of Myanmar*, <http://www.dica.gov.mm/dicagraph1.1.htm>.

Source: Ministry of National Planning and Economy Development, Burma

Chinese outward investment shot up in Burma after the visit of then Vice-President of China, Xi Jin-ping in December 2009. Similar to other official visits, Xi's trip was concluded with bilateral business agreements. A total of 16 contracts were signed, which included transportation, infrastructure, hydropower projects, and purchase of machines. Among these contracts, the construction of the Sino-Burma oil and gas pipelines is the most strategic investment.

### **Sino-Burma Oil and Gas Pipelines**

According to US Energy Information Administration's data, China has become the biggest oil importer of the world since September 2013.<sup>3</sup> However, since 80% of China's crude oil imports from the Middle East and Africa are transported through the Strait of Malacca, oil import from Burma via the Sino-Burma pipeline can shorten the distance of energy supply to the landlocked southwest provinces, reducing China's dependence on the Strait of Malacca for its oil imports.<sup>4</sup> The 2,380-km long oil pipeline will carry 22 million tonnes of crude oil per year to China from the Middle East and Africa, compared to 20 million tonnes of crude oil carried by the Sino-Kazakhstan oil pipeline that was put into service in 2006, and the transportation of 400,000 barrels of oil per day from Russia. In that sense, the Sino-Burma pipeline is reckoned by the Chinese government as the fourth most important energy transportation route after the Central Asia pipelines, sea transportation and the Sino-Russia pipelines.<sup>5</sup>

The ownership of the gas exploitation project, gas pipeline and oil pipeline are not identical. In December 2008, CNPC signed a 30-year purchase and sale agreement with Daewoo, the largest shareholder of offshore blocks A-1 and A-3, for export of natural gas of 12 billion cubic meters of gas to China every year.<sup>6</sup> As part of the agreement, CNPC is contracted to design, construct, operate and maintain the gas, as well as the oil pipelines connecting Burma and China.<sup>7</sup> This US\$2.54 billion investment plan will give CNPC 51% shares in the ownership of the Sino-Burmese gas and oil pipelines respectively.

Table Three: Shareholders of the Onshore Natural Gas Pipeline

<b>Company</b>	<b>Share</b>
<b>China National Petroleum Corp., CNPC, China</b>	<b>51%</b>
Daewoo International, South Korea	25%

<sup>3</sup> 'China Overtakes US as the Biggest Importer of Oil', *BBC News*, 10 October 2013, <http://www.bbc.co.uk/news/business-24475934>.

<sup>4</sup> Jamil Anderlini in Beijing and Gwen Robinson in Yangon, 'China-Myanmar pipeline to open in May', *Financial Times*, 21 January 2013, <http://www.ft.com/cms/s/0/faf733ae-63b6-11e2-af8c-00144feab49a.html#axzz2jeEUcTVS>.

<sup>5</sup> Yun Sun, 'Chinese Investment in Myanmar: What Lies Ahead?', Stimson Centre, September 2013, p.6.

<sup>6</sup> South Korean conglomerate Daewoo International confirmed gas deposit in petroleum blocks A-1 and A-3 in western Myanmar in the Bay of Bengal in 2004. The other stakes are owned by Indian Gas Authority and Oil and Natural Gas Corporation, the Korean KOGAS company and Myanmar Oil and Gas Enterprise, according to Shwe Gas Movement, <http://www.shwe.org/shwe-proect-basics>

<sup>7</sup> See China National Petroleum Corp.'s website, <http://www.cnpc.com.cn/en/cnpcworldwide/myanmar/?COLLCC=263052597&>.

Oil and Natural Gas Corporation, ONGC Videsh, India	8%
Myanmar Oil and Gas Enterprise, Burma	8%
Korean Gas Corporation, KOGAS, South Korea	4%
Gas Authority of India Limited, GAIL, India	4%

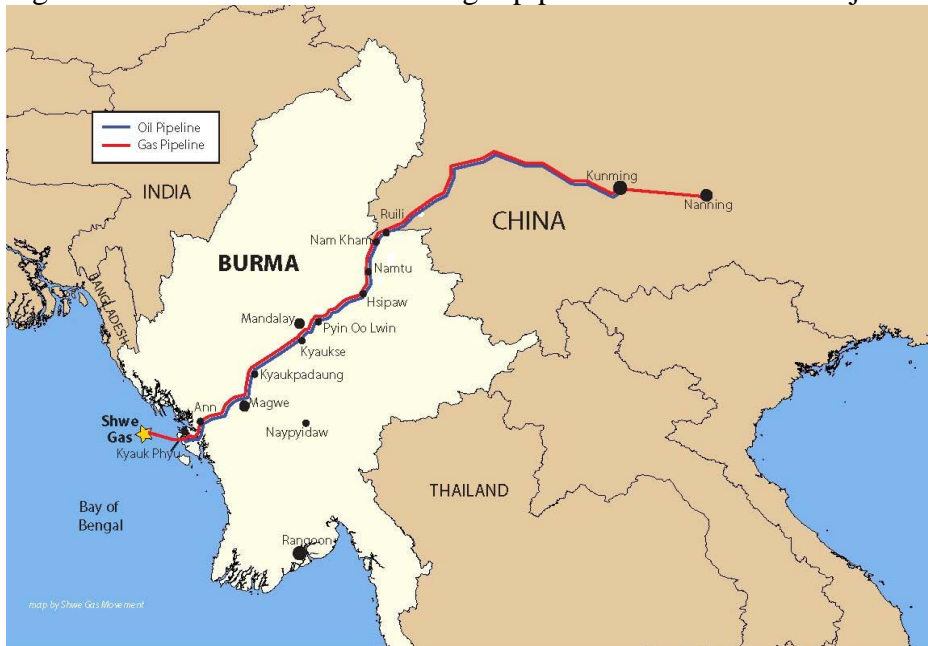
Source: Earth Rights International

Table Four: Shareholders of the Onshore Crude Oil Pipeline

Company	Share
China National Petroleum Corp., CNPC, China	51%
Myanmar Oil and Gas Enterprise, Burma	49%

Source: Earth Rights International

Figure One : Sino-Burmese oil and gas pipelines in Shwe Gas Project



Source: Shwe Gas Movement

The oil and gas pipelines, already in operation, connect the Indian Ocean coast of Burma with the southwest region of China up to Nanning city of Yunnan province<sup>8</sup>. Since the project was announced, a wide range of human rights violations have been documented by Shwe Gas Movement<sup>9</sup> and Earth Rights International, including forced labour, environmental degradation, loss of livelihoods, confiscation of land and suppression on peaceful protests inflicted by intensified militarization along the pipelines.<sup>10</sup> These

<sup>8</sup> The two pipelines run in parallel. The pipelines are about 2500 km long, which over 770 km lay in Burma's territory. The construction of the pipelines began in 2010 and completed in 2013. Both the oil and gas pipelines are now in operation.

<sup>9</sup> Shwe Gas Movement is based in Chingmai, Thailand which documents the environmental and social impacts of the controversial Shwe pipeline project.

<sup>10</sup> For more details, please refer to Shwe Gas Movement's report, *Drawing the Line* (September 2013). The report is downloadable at <http://www.shwe.org/drawing-the-line>.

allegations have been dismissed or ignored by CNPC and other partner companies of the projects.

In April 2013, about 400 people, mostly residents and workers, protested against the pipeline projects in Madaya Island. The protesters complained about inadequate compensation and demanded that the project developer provide better transportation infrastructure and higher salaries to the local workers.<sup>11</sup> Five months after the protest, ten of the protesters were charged by the government and sentenced to 3 months' imprisonment for breaking the Peaceful Assembly Law.<sup>12</sup>

The Burmese government is expected to earn US\$54 billion for the sale of energy to China according to Burma Partnership.<sup>13</sup> Yet, there is no financial transparency in the Burmese government. The villagers have lost their livelihoods and can barely benefit from the project. On the other hand, the Chinese contractors, including CNPC, have imported a large number of Chinese workers for the construction. The number of Chinese workers employed by these companies in 2010 and 2011 were 17450 and 16012 respectively.<sup>14</sup> The mass import of Chinese workers further stirs social discontent in the Burma.

## **Hydropower Investments**

### Myitsone Dam

According to International Rivers, China has completed 11 dam projects and 4 more projects are under construction, whereas the construction of 6 dams has been blocked and suspended. The major hydropower players are Sinohydro, Central China Power Grid Co., State Grid Co., and China Gezhouba Group Co., bringing along their contractors such as China National Electric Equipment Co., Hunan Savoo Oversea Water & Electric Engineering Co., China National Heavy Machinery Co. (CHMC), CNEEC etc.

The Myitsone Hydropower Dam project was also signed during Xi Jin-ping's visit to Burma in 2009. China Power Investment, CPI, backed by the China Exim Bank, is the major investor of the project<sup>15</sup>. Myitsone Dam has even higher generation capacity than the Three Gorges Dam in China, and 90% of the energy generated will be sent to China

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<sup>11</sup> Min Thein Aung and Zin Mar Win, 'Hundreds Protest Pipeline in Burma's Rakhine State', *Radio Free Asia*, 19 April 2013, <http://www.shwe.org/hundreds-protest-pipeline-in-burmas-rakhine-state>.

<sup>12</sup> Min Thein Aung and Kyaw Thu, 'Jails Activists Over Protest Against China-Led Petroleum Project', *Radio Free Asia*, 26 September 2013, <http://www.rfa.org/english/news/myanmar/pipeline-09262013205823.html>.

<sup>13</sup> 'A Dangerous Precedent for Development in Burma', *Burma Partnership*, 30 September 2013, <http://www.burmapartnership.org/tag/shwe-gas-movement>.

<sup>14</sup> China Trade and External Economic Statistical Yearbook 2012, p.624.

<sup>15</sup> The Myitsone project was proposed by the Burmese military government in 2006 and contracted to Asia World Company (AWC) and China Power Investment Corp (CPI) in 2009. While AWC is accused of having close ties to the military junta, CPI's venture pulled in a consortium of powerful Chinese companies including the China Gezhouba Group Corporation, whose contract is worth \$153 million, China Power Investment Corporation Materials and Equipment Company, whose concrete work had been priced at \$75 million and the politically connected Sinohydro Corp, which was responsible for road building and civil engineering. CPI was granted the contract to build and operate the hydro plant. Read further: China presses Myanmar on stalled dam, Melody Kamp, [http://www.atimes.com/atimes/Southeast\\_Asia/NB07Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/NB07Ae01.html)

according to the agreement. The value of the project is estimated at US\$3.6 billion and CPI claimed the Burmese government would receive US\$54 billion for the project over the first 50 years of the project.<sup>16</sup>

The 152-meter-tall Myitsone Dam is part of a seven-dam cascade. It is highly controversial for a number of reasons. The Myitsone Dam is situated a mile below the confluence of the Mali and N'Mai rivers in Kachin State, the source of the Irrawaddy River. A massive reservoir, with the size of Singapore, will be built as part of the project. The reservoir will submerge important historical and cultural heritage at the Mali and N'mai Hka rivers, which are recognized as the birthplace of Burma.<sup>17</sup> In addition, the reservoir will submerge dozens of villages and displace more than 10,000 residents.<sup>18</sup> The project is accused of damaging the ecology of the region and ruining the livelihood of the affected villagers who engage in agriculture and fishing.

CPI is also strongly challenged by the environmental organizations for hiding the dangers and risks of the project from the public. The official environmental impact assessment report released by CPI in 2011, giving green lights to the project, was found later by the civil society groups in Burma for concealing the findings of the Burmese experts the company had commissioned separately for biological assessment. Contrary to CPI's official report, the Burmese experts were recommending substitution of the Myitsone Dam with two smaller hydropower dams to preserve the forests.<sup>19</sup>

Opposition to the construction is further fanned by the fight between the Burmese government and the Kachin state.<sup>20</sup> In September 2011, as a surprise for most people especially CPI, Thein Sein announced the suspension of Myitsone Dam till 2015 because the project was "against people's will". The suspension alerts the Chinese enterprises which seem to be more cautious now about the changing political environment and public opinions in Burma. Since then, no major investment project was concluded in 2012-2013. Learning from the Myitsone Dam lesson, other Chinese companies, like the CNPC, have paid more efforts in boosting their social reputation in Burma. Sinohydro also includes

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<sup>16</sup> May Wong, 'Myanmar's Myitsone Dam Project Faces Uncertain Future', *Channel News Asia*, 27 August 2013, [www.channelnewsasia.com/news/asiapacific/myanmar-s-myitsone-dam/791802.html](http://www.channelnewsasia.com/news/asiapacific/myanmar-s-myitsone-dam/791802.html).

<sup>17</sup> 'Irrawaddy Mitsone Dam', *International Rivers*,

<http://www.internationalrivers.org/campaigns/irrawaddy-myitsone-dam-0>.

<sup>18</sup> Parameswaran Ponnudurai, 'Work Continues At Dam Site', *Radio Free Asia*, 2 March 2012,

<http://www.rfa.org/english/news/myanmar/dam-03022012183331.html>.

<sup>19</sup> In 2009, CPI funded and commissioned the Chinese based Changjiang Institute of Survey, Planning, Design and Research (CISPDR) to conduct the Environmental Impact Assessment (EIA) with Burmese experts from the Biodiversity and Nature Conservation Association (BANCA). CISPDR was in charge of technology and the overall quality of environmental assessment; BANCA was responsible for environmental baseline and biological impact assessment. CPI released the full EIA report in September 2011. Yet the Biological Impact Assessment and environmental baseline report compiled by the Burmese experts in BANCA was leaked to NGOs and other interested groups earlier, revealing contradictory opinions to CPI's report. 'The Myitsone Dam on the Irrawaddy River: A Briefing', *International Rivers*, 28 September 2011,

<http://www.internationalrivers.org/resources/the-myitsone-dam-on-the-irrawaddy-river-a-briefing-3931>

<sup>20</sup> The location of Myitsone Dam was in vicinity of Kachin State's capital. Tension between the Burmese government and Kachin demanding independence has been long-standing. More conflicts were provoked since the construction of the dams began. In mid-2011, the military launched an offensive against the Kachin Independence Organization which ended the 17-year-old ceasefire since 1994.

the international standard of obtaining the free prior and informed consent of indigenous peoples in its policy framework after a wave of campaigns from international environmental groups. Therefore it remains to be seen how the rhetorics are put into practice when companies from China are commonly relying on government and elites relations to secure projects, as many critics have observed.

### **Extractive Industry**

#### *Letpadaung Copper Mine*

Unfortunately, the success of the civilian resistance in the Myitsone Dam project is a unique case and it fails to set precedent for other projects which are also “against people’s will”. In Letpadaung Copper Mine in Sagaing Division of Burma, relentless protests have erupted in the Chinese owned mining field.

The US\$1.1 billion contract of the Letpadaung Copper Mine was signed during then Chinese Premier Wen Jaibao’s visit to Burma in June 2010. The mine is operated by a joint venture between Myanmar Wanbao Mining Copper Limited, a subsidiary of the military-owned China North Industries Corporation, and Union of Myanmar Economic Holdings Ltd. (UMEHL), also a military-owned conglomerate under the Burmese Ministry of Defence. Non-governmental organizations reported that the mining company had illegally confiscated more than 8,000 acres of farmland from 26 villages since 2011.<sup>21</sup> Since then, relentless protests broke out because of inadequate compensation, forced relocation, pollution and destroy of villagers’ livelihood, and damage to religious sites in the region. In November 2012, a few hours before Aung San Suu Kyi’s visit, the military cracked down the protest violently. Over 100 people, mostly monks and villagers, were injured in a mid-night attack by the army. Many protesters have their skin burned. In the aftermath of the crackdown, Aung San Suu Kyi headed an investigation to review the project. A report was issued in March 2013 which recommended the project to continue as the investor has promised to address the social and environmental impacts inflicted by the project.

The strong resistance of the displaced residents and the political intervention of Aung San Suu Kyi succeeded in pressuring the Chinese investor which re-negotiated new contract terms, yet to the benefit of the Burmese government and the military. The new contract, signed in July 2013, increased the Burmese government’s share in the joint venture’s revenue from 4% to 51% , while Wanbo and UMEHL are given 30% and 19% of the revenue respectively<sup>22</sup>. The re-shuffle of profits has nothing to do with the benefits of the victims nor to ease their grievances. The operation resumed in September 2013 despite the local opposition. In July 2013, Aung Soe, Maung San and Soe Thu were jailed for their participation in the anti-copper mine protest. Aung Soe was given a 11-year imprisonment. Another copper mine protester, Naw Ohn Hla, was arrested in August 2013 during a peaceful protest and subsequently sentenced to 2 years’ imprisonment with hard labour for disturbing public tranquility. In November 2013, during the high-level

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<sup>21</sup> ‘Both Sides File Suits in Mine Protest’, *Mizzima News*, 11 October 2012, <http://mizzimaenglish.blogspot.hk/2012/10/both-sides-file-suits-in-mine-protest.html>

<sup>22</sup> UMEHL and Wanbao’s share of the mine’s revenue was 45% and 51% respectively.

delegation from the EU and the visit of the former US President Bill Clinton, Naw Ohn Hla and more than 60 political prisoners were released.

Although the operation of the Letpadaung Copper Mine has resumed, protests demanding the suspension of the project have not come to an end. On 15 November 2013, the police fired rubber bullets at the protesters and seven people were injured.<sup>23</sup>

#### *Mwetaung Nickel Mine*

Besides the Letpadaung Copper Mine, NORINCO is also involved in the Mwetaung Nickel Mine project in joint venture with the Burmese government.<sup>24</sup> In similar way, the joint venture concedes up to 80% of the profit to the Chinese company and the Burmese government takes the remaining 20%. Complication of the ethnic factor counts since the project is located at the border town of Tiddim and Kale of the Sagaing Region next to Chin State. Although the Chinese investors are undertaking geological studies and the mine is not yet in operation, the lesson from Letpadaung has alerted the villagers in Chin State. Worrying about the destruction of the environment and their livelihood, hundreds of people participated in a demonstration to call for an end of the project in August 2013.<sup>25</sup>

#### **Railway Investments**

##### *Kyaukphyu-Kunming Railway (under negotiation)*

A Sino-Burmese railway is under construction running parallel to the oil and gas pipelines terminating in Nanning of Yunnan province, where it will be connected to the rail network to the Mekong region. In April 2011, the state-owned China Railway Engineering and Ministry of Railways of Burma signed a memorandum of understanding to build an 868-km passenger and cargo railway which connects Kyaukpyu, Arakan State of Myanmar and Kunming, Yunnan Province of China.<sup>26</sup> The construction cost of the railway is estimated at US\$20 billion and will be financed by China. While negotiation is still underway, the civil society has started to criticize the project for lack of transparency, secretive profit sharing between the Chinese company and the Burmese government as exposed in the other joint venture investments in the energy and infrastructure projects.

#### **Special Economic Zone**

The Special Economic Zone Law in Burma was enacted in 2011. Currently, there are three SEZs under development. The new SEZ Law provides numerous investment incentives for investors, including:

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<sup>23</sup>Zarni Mann, 'Police Open Fire, Injure 7 Protesters at Burma's Letpadaung Mine'

*Irrawaddy*, 15 November 2013,

<http://www.irrawaddy.org/burma/police-open-fire-injure-7-protesters-burmas-letpadaung-mine.html>.

<sup>24</sup> NORINCO collaborated with Jinshan (Hong Kong) International Mining Company. Jinshan, which is a branch of Zijin Mining Group holds 10% of the stake and NORINCO holds 90%.

<sup>25</sup> 'Demonstrations against Burma-China Nickel Project in Chin State', *Chinland Guardian*, 12 August 2013,

<http://chinlandguardian.com/index.php/chin-news/item/1855-demonstrations-against-burma-china-nickel-project-in-chin-state>

<sup>26</sup> Toh Han Shih, 'Strife Hangs over China Billions in Myanmar', *South China Morning Post*, 20 May 2013, <http://www.scmp.com/business/economy/article/1241559/strife-hangs-over-china-billions-myanmar>.

- a 5-year tax holiday;
- 50% relief on income tax on overseas sale products in the second 5-year investment period;
- 50% relief on income tax on reinvestment obtained from export sale for the third 5-year investment period; and
- a 5-year exemption on custom duties on approved products.<sup>27</sup>

While Thilawa SEZ and Dawei SEZ are backed by non-Chinese foreign investors, China International Trust & Investment Co (CITIC) is likely to form joint venture with Japan's Nippon Koei Company and Burma's Htoo Trading Company to develop the Kyaukpyu SEZ. A memorandum of understanding has been signed between the Chinese investor and the Burmese authorities.

The level of interests of the Chinese companies for Kyaukpyu is tremendous. Kyaukphyu, the coastal city of Arakan State, is where the oil port is located and the Sino-Burmese pipeline begins, leading all the way to Nanning city of Yunnan province. The proposed Burma-China railway will further connect Kyaukphyu and Kunming city for the creation of a fast track for goods and passengers. The construction of the SEZ in Kyaukphyu is expected to provide an outlet for manufacturing and service investments for Chinese enterprises.

Table Five: Special Economic Zone under Development in Burma

SEZ	Company	Details
Thilawa	Japan Thilawa SEZ Company Limited (49%) and Myanmar Thilawa SEZ Holding Public Limited (51%)	The first phase, 400 hectares of 2400 hectare, of construction is expected to be completed by 2015. <sup>28</sup> It is reported that a multi-purpose deep sea port to be built at the first phase will cost US\$205 million. <sup>29</sup>
Dawei	Italian-Thai Development Public Co Ltd.	It is labeled as Southeast Asia's most ambitious industrial zone - a 250 km <sup>2</sup> deep-sea port, petrochemical and heavy industry hub on the slim peninsular separating the Pacific and Indian Oceans. <sup>30</sup> Construction has begun and to be completed by May 2014.
Kyaukpyu	CITIC Group, Nippon Koei Company and Htoo Trading Company	The Burmese government calls for international bids to develop a proposed Kyuakpyu SEZ without declaring existing MoUs already signed with the three companies. China has a number of strategic

<sup>27</sup> *Myanmar Investment Guide*, Ministry of National Planning and Economy Development, Burma p. 33, <http://www.dica.gov.mm/Investment%20Guide.htm>.

<sup>28</sup> Onravee Tangmeesang, 'Japan Focused on Thilawa, For Now, Not Dawei: Jetro', *The Nation*, 14 October 2013, <http://www.nationmultimedia.com/business/Japan-focused-on-Thilawa-for-now-not-Dawei-Jetro-30216969.html>.

<sup>29</sup> 'Japan Loan Aimed for Thilawa Port', *The Nation*, 1 May 2013, <http://www.nationmultimedia.com/aec/Japan-loan-aimed-for-Thilawa-port-30205171.html>.

<sup>30</sup> Jared Ferrie, 'Myanmar turns to Japan, Thailand to kick-start stalled Dawei', *Reuters*, 19 November 2013, <http://www.reuters.com/article/2013/11/19/us-myanmar-industry-idUSBRE9AI0BP20131119>



investment projects at Kyaukphyu. It built and operates the oil port import terminal on Ramree Island where Kyaukphyu is located. Its twin crude oil and natural gas pipelines start there, and the Chinese have signed a MoU to build an 800-kilometer railway linking the SEZ with China's Yunnan Province, the destination of the pipelines.<sup>31</sup>

Table Six: Chinese Major Projects in Burma

Project	Company	Amount
<b>Oil and Gas</b>		
Sino-Burma Oil & Gas Pipelines (2010-2013)	Oil pipeline: China National Petroleum Corp. (CNPC) and Myanmar Oil and Gas Enterprise (MOGE) Gas pipeline: CNPC, MOGE, Daewoo International, Korean Gas Corp., IndianOil and Gas Authority of India Ltd.	US\$2.54 billion
<b>Hydropower plant</b>		
Yeywa Dam in Mandalay Division (2004-2010)	China International Trust & Investment Co (CITIC) and Sinohydro Corporation	US\$700 million (China Exim Bank provided a US\$200 million loan for the project)
Hatgyi Dam in Karen State (2006-)	Sinohydro and Electricity Generating Authority of Thailand (EGAT)	US\$1 billion
Tasang Dam in Shan State (2007-)	China Three Gorges Corporation, EGAT (56.5%) and others	US\$12 billion
Ywathit Dam in Karenni State (2010-)	Datang Corp.	unknown
Laiza Dam in Kachin State	China Power Investment (CPI)	
Chibwenge hydropower plant in Kachin State (-2013)	CPI	
Myitsone Dam in Kachin State (suspended)	CPI	US\$3.6 billion
Khaunglanphu dam (suspended)	CPI	
Chibwe Dam in Kachin State (suspended)	CPI	
Lakin Dam (suspended)	CPI	
<b>Mining</b>		
Tagaungtaung Nickel and Ferro-Nickel Mine in Mandalay and Sagaing Divisions	China Non-ferrous Metal Mining Company (CNMC) and Myanmar's Ministry of Mines	US\$800 million
Letpadaung Copper Mine	Wanbao Mining Ltd. (a subsidiary of Norinco) and Union of Myanmar Economic Holdings Ltd (a subsidiary of the military in Burma)	US\$1.07 billion
Mwetaung Nickel Mine	Zijin and Norinco are in	

<sup>31</sup> William Boot, 'Chinese and Indian Firms Tipped for Kyaukphyu SEZ Bidding Race', *Irrawaddy*, 12 September 2013, <http://www.irrawaddy.org/india/chinese-and-indian-firms-tipped-for-kyaukphyu-sez-bidding-race.html>.

	cooperation with the Burmese government	
Ferrotitanium Mine in Kokang	Zongshen Industrial Group	US\$100 million
<i>Railway</i>		
Kyaukphyu-Kunming Railway (negotiating)	China Railway Engineering	US\$20 billion

The Chinese projects in Burma are mainly concentrated in the energy and mining sectors which inflict high-risks to the communities and thus subjected to strong opposition from the locals. The changing political environment in the country and the opening up of the civil society has also entailed a change of business environment. Although China remains Burma's most important investor and trading partner, no significant investment has been signed after the suspension of the Myitsone dam. Nevertheless, the Chinese government has not given up the strategic partnership with Burma, but stepped up its public relations efforts for instance by offering a US\$100 million loan to Burma in mid-2013. The Chinese government officials also became more proactive in engaging the opposition groups and ethnic groups. It is believed that the Chinese government and companies will observe the new political development in the country till the next election in 2015 before making new and major investment moves in the country.

### **Manufacturing Sector and Strikes**

Chinese manufacturers, suffering from the appreciation of the Chinese yuan and high inflation rate at home, are looking for investment shifts to Vietnam, Cambodia, Bangladesh, and recently, Burma. At present, there is no legislation on minimum wage in Burma. The government of Burma and the chamber of commerce, UMFCCI, also leverage on China's economic re-structuring to strike cooperation agreements with Guangdong province and demand Chinese investments of higher industrial value other than the extractive industries.<sup>32</sup> Yet, this complementary need is based on the wage gap between two countries. The low wage levels of manufacturing workers in Rangoon, ranging US\$25-37 per month, could provide enormous margins to Chinese manufacturers who are paying statutory minimum wage of US\$263 and US\$266 to workers in Shenzhen and Shanghai city.<sup>33</sup> Chinese manufacturing investments are found mostly in the garment, footwear, machinery and glass manufacturing.

As of October 2013, there are only about 200 foreign enterprises engaging in manufacturing production in Burma. With the opening of more manufacturing sectors to foreign investments by the Burmese government in January 2014, including textile, golf clubs, leather bags, plastic, furniture, as well as smelting and palm plantation, it is expected that more Chinese investments will flock to the country for business opportunities.

<sup>32</sup> Burma Chamber of Commerce Wants More Chinese Hydropower Investment, The Irrawaddy, 19 December 2013,

<http://www.irrawaddy.org/burma/burma-chamber-commerce-wants-chinese-hydropower-investment.html>

<sup>33</sup> Labour Rights Clinic, Cooperation Program of Independent Laborers and other labour groups, entitled *Modern Slavery: A Study of Labour Conditions in Yangon's Industrial Zones 2012-2013*. The full report is downloadable at <http://www.burmapartnership.org/wp-content/uploads/2013/11/Modern-Slavery-ENG.pdf>.

Table Seven: Chinese Owned Garment Factories in Rangoon

Company	Capital	Location
AMG Factory	Hong Kong	Shwe Lin Pan Industrial Zone
Dong Fang Star Garment Factory	China	Hlaingthayar Industrial Zone-1
Donglong Feather Manufacture Company	China	Hlaingthayar Industrial Zone-4
Home Shin Cold Storage Factory	China	Dagon Port township
Jiangsu Solamoda Garments Group	China	Shwe Than Lwin Industrial Zone, Hlaingthayar Township
Kamtex Limited	Hong Kong	Industrial Zone-1 in Dagon Myothit (South)
Mesnac Tire Factory	China	
Pearl Garment Factory	China	Hlaing Tharyar Industrial Zone
SDI Manufacturing	China	Ngwe Pinlel Industrial Zone, Rangoon
Taiyi Shoe Factory	China	Hlaing Tharyar Industrial Zone
Unknown, partnered with B&N Garment Myanmar Company	Hong Kong	
Yangon Crown Steel Factory	China	Myaungdakar Industrial Zone

Source: Eleven Media, Myanmar<sup>34</sup>

In 2012, Burma passed two labour laws, namely the Labour Organization Law and the Settlement of Labour Dispute Law. The laws recognize the right to form trade unions and to strike. A mechanism for labour dispute resolution is also established. Nevertheless, labour groups in Burma accused that the laws contradict the standards laid down in the International Labour Organization conventions. For instance, section 32(b) of the Labour Organization Law stipulates that a labour organization registration must be approved by the Chief Registrar who is appointed by the President. And section 38(a) states that strikes of private sector and public sector must be notified 3 days and 14 days in advance. Further, section 40 of the Settlement of Labour Dispute Law entails that strikes are only permitted after a decision on a dispute has been made.<sup>35</sup>

Meanwhile workers in the newly industrialised sectors in Burma have not waited permission to strike for better treatment. In May 2012, at least 18 strikes were documented in the industrial zones in Rangoon in a single month.<sup>36</sup> The strikes were triggered by poverty salary and were supported by the labour activists, opposition parties and human rights lawyers.<sup>37</sup> In four strikes which took place in Chinese owned factories, the monthly salary of the Burmese workers was extremely low at US\$12 and US\$18 a month only. The Chinese companies are private companies whose outward investments and practices are hardly regulated by the Chinese government which by now has stepped up monitoring mechanisms for overseas Chinese investments, targeting mainly the Chinese state-owned companies abroad though.

<sup>34</sup> 'Hong Kong and China to Invest in Myanmar's Garment Industry', *Eleven Media*, 24 July 2013, <http://elevenmyanmar.com/business/2849-hong-kong-and-china-to-invest-in-myanmar-s-garment-industry>.

<sup>35</sup> Labour Rights Clinic *et.al.*, *Modern Slavery: A Study of Labour Conditions in Yangon's Industrial Zones 2012-2013*, 2013, p. 7-9.

<sup>36</sup> Noe Noe Aung and Myat May Zin, 'Eighteen Strikes Yangon in May: Activist', *Myanmar Times*, Vol.32, No. 628, 2012, <http://www.mmmtimes.com/2012/news/628/news62824.html>.

<sup>37</sup> Nyein Nyein, 'Over 5000 Workers Still on Strike in Rangoon', *Irrawaddy*, 22 May 2012, <http://www.irrawaddy.org/burma/over-5000-workers-still-on-strike-in-rangoon.html>.

Table Eight: Strikes at Chinese-owned Factories in Rangoon

Year	Factory	Details
Feb 2012	Taiyi Shoe Factory	A strike erupted at the factory with the participation of 2000 workers after the Chinese owner denied wages of workers during the Chinese New Year when the factory did not operate. It was the second time that workers went on strike since March 2011. <sup>38</sup> The strike ended after the factory agreed a small wage increase from 75 to 100 kyat per hour (approximately US\$0.11). The workers still have to work 12 hours per day and 26 days a month. <sup>39</sup> Video in Burmese: <a href="http://www.youtube.com/watch?v=khgtPTTZM9s">http://www.youtube.com/watch?v=khgtPTTZM9s</a>
May 2012	Yangon Crown Steel Factory	About 200 workers went on strike on 20th for pay rise. The workers earned a basic wage of 160 kyat (less than US\$0.20) a day. Monthly incomes, including overtime pay and various allowances, ranging from 4,500 to 10,000 kyat (US\$5.35 to US\$12) which is too low and workers demanded 40,000 kyat (US\$48) a month. Some workers went on hunger strike on 25th. The strike ended on 29th after the employer promised to improve the working conditions. The Burmese government has intervened in the labour dispute. <sup>40</sup>
May 2012	Pearl Garment Factory	Workers staged a protest outside the factory to demand for pay rise. They demanded a wage hike from 15,000 kyat (US\$18) per month to 30,000 kyat (US\$36) a month. <sup>41</sup> The strike has been last for more than 13 days.
Sep 2013	Home Shin Cold Storage Factory	About 100 workers staged a protest outside City Hall in Rangoon to demand legal compensation after the closure of the factory. Some members of the 200-strong workforce have been with the factory for 11 years. The strike ended after a negotiation between the workers and the employer with the involvement of the Labour Ministry. Workers with service of three years or more will receive five months' wages, and those with less than three years' service will receive three months' wages. <sup>42</sup> Video: <a href="http://www.youtube.com/watch?v=MalkhUskRyE">http://www.youtube.com/watch?v=MalkhUskRyE</a>

**Further readings:**

Shwe Gas Movement, <http://www.shwe.org/>

Earth Rights International, <http://www.earthrights.org/>

International Rivers: Burma <http://www.internationalrivers.org/campaigns/burma-0>

<sup>38</sup> Moe Kyaw, 'Factory Workers Hold Rare Strike', *Radio Free Asia*, 6 February 2012, <http://www.rfa.org/english/news/myanmar/strike-02062012145257.html>.

<sup>39</sup> 'Yangon, company grants wage increase to striking workers', *AsiaNews*, 16 February 2012, <http://www.asianews.it/news-en/Yangon-company-grants-wage-increase-to-striking-workers-23990.html>.

<sup>40</sup> Tun Nay Aung, 'Hunger Strike Ends at Hmawbi Steel Factory', *Myanmar Times*, 4 June 2012, <http://www.mmtimes.com/index.php/national-news/yangon/618-hunger-strike-ends-at-hmawbi-steel-factory.html>; and Nyein Nyein, 'Steel Workers Go on Hunger Strike', *Irrawaddy*, 25 May 2012, <http://www.irrawaddy.org/burma/steel-workers-go-on-hunger-strike.html>

<sup>41</sup> Nyein Nyein, 'Over 5000 Workers Still on Strike in Rangoon'.

<sup>42</sup> Ko Htwe, 'Factory Workers End Strike', *Democratic Voice of Burma*, 24 September 2013, <http://www.dvb.no/dvb-video/factory-workers-end-strike-burma-myanmar-myanmar/32780>.

Burma Rivers Network, <http://burmariversnetwork.org/index.php/investors/chinese>  
Report: Modern Slavery: A Study of Labour Conditions in Yangon's Industrial Zones  
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<http://www.burmapartnership.org/wp-content/uploads/2013/11/Modern-Slavery-ENG.pdf>