Fletcher School Academic Research Thesis

Politics of China's development

China's investments and finance in Sri Lanka, Myanmar & Laos

Master of Arts in Law and Diplomacy Capstone Project

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Summary

This thesis will examine China's influence on Sri Lanka, Myanmar, and Laos and their transformations of those three countries through the lens of Chinese infrastructure projects in those countries. Firstly, I argue that before and after the Belt and Road Initiative (BRI) was proposed, China's national interest was the same and the Chinese government has continued to pursue it. Although the initiative was supposed to shrink the infrastructure gap and raise the quality of life in the recipient countries, some BRI projects seem more reflective of deep Chinese national interests (mainly based on energy security) or local government interests than pure economic profit calculations or broad recipient country benefits. Secondly, I argue that initially Sri Lanka and ASEAN countries perceived China as a counter balance against the regional hegemony of India and Western countries. Now these countries, which are mainly run by dominant dictatorships, rely heavily on China and may have fallen into a Chinese debt trap. The danger is that the local countries may lose credibility in the eyes of other countries and organizations, which may narrow their finance borrowing options and incentivize them to work more closely with China. Thirdly, I argue that the size of Chinese influence has no relationship to whether the developing countries are democracies or not. Lastly, local citizens' feelings toward China are swayed by the mobility of Chinese blue-collar laborers. Projects having many Chinese workers with high mobility can cause conflicts between the workers and local people. In making my arguments, I want to emphasize that, when they reach out to China to fund large projects in their countries, these three countries' governments exercise their agency based on domestic political concerns.

Issues of Concern

There are two big theories when it comes to predicting how an emerging new power, China, influences and alters conventional Global Governance (i.e. collective management of the world promoted by the United States since WWII).

One optimistic idea, advocated by John Ikenberry in his book "Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order," is that the Global Governance created by the US is firm and flexible enough to resist and accommodate with new emerging powers.[1]

On the other hand, Ian Bremmer proposes a pessimistic idea in his book "Every Nation for Itself: Winners and Losers in a G-Zero World" that Global Governance cannot avoid transformation because the economic level of developing countries has risen up. Until 2000s, G7 economies, accounting for more than half of the world GDP as shown in Figure 1, could decide a strategic policy of how to run the world economy. However, today, many stakeholders in G20 economies cannot cooperate easily and reach to one policy decision swiftly.[2]

[1] G. John Ikenberry. Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order (Princeton Studies in International History and Politics): Princeton University Press; 1st edition, 2011

[2] Ian Bremmer. Every Nation for Itself: What Happens When No One Leads the World: Portfolio, 2012

(Unit:US billion dollars) (Unit:%, World Total=100%)

Country	1990	2000	2010	2017	1990	2000	2010	2017
World	23,453	33,867	65,960	79,865	100	100	100	100
Advanced economies	18,343	26,809	43,197	48,188	78.2	79.2	65.5	60.3
G7	**14,941**	**22,038**	**32,926**	**36,746**	**63.7**	**65.1**	**49.9**	**46.0**
North America	6,895	11,797	17,734	22,291	29.4	34.8	26.9	27.9
U.S.A	5,980	10,285	14,964	19,391	25.5	30.4	22.7	24.3
EU	7388	8925	17017	17309	31.5	26.4	25.8	21.7
East Asia	4,058	7,168	13,543	19,357	17.3	21.2	20.5	24.2
China	**399**	**1,215**	**6,066**	**12,015**	**1.7**	**3.6**	**9.2**	**15.0**
Japan	3,133	4,888	5,700	4,872	13.4	14.4	8.6	6.1
Korea	279	562	1,094	1,538	1.2	1.7	1.7	1.9
ASEAN10	374	637	1,986	2,764	1.6	1.9	3.0	3.5
South Asia	428	637	2,084	3,295	1.8	1.9	3.2	4.1
India	327	475	1,711	2,481	1.4	2.0	2.6	3.1

Figure 1: Economic shares of the main regions and countries in the world[3]

The reality of development exists between the opinions of John Ikenberry and Ian Bremmer. There are wide differences of opinion from one policy field to another regarding the appearance of powerful emerging countries and the transformation of Global Governance. For example, during the Asian Financial Crisis of 1998-99, China helped out crisis economies by refusing to devalue the RMB and by providing $4.5 billion in aid through the IMF. Moreover, China, Japan, and other East Asia countries provided finance to support the liquidity of countries in crisis. They also protected their own national interest during the serious euro shock of 2011-12, because if the Euro collapsed, the world financial system would have faced a serious crisis. These examples show that the Global Governance is functioning well in the international finance field. In contrast to this, in economic development arenas, the conventional international regime in the G7 period is clearly about to collapse. The total aid by China's four largest national banks to

[3] "World Economic Outlook (April 2018) - GDP, Current Prices," accessed April 17, 2018, http://www.imf.org/external/datamapper/NGDPD@WEO.

developing countries was beyond that of the World Bank in 2010. However, China has not entered the OECD and is still not a member of the DAC (Development Assistance Committee). OECD member countries agree to regulate the amount of goods and services purchased from aiding countries by countries receiving aid. Moreover, the members forbade the combination of aid and commercial credit financing in 1978. China, as a non-OECD member, is not obligated to follow these rules.

Being free from DAC's norm (the cardinal rule of developing countries' aid), China continues paving its own way. Chinese SOE (State Owned Enterprise) will win a bid and procure Chinese technicians, labor forces, and materials for projects with a mixed credit (a combination of grants, credit financing, and general export credit). No matter if recipient countries' human rights and governance are problematic, China provides aid under the no-intervention principle. In the development arena, as China has become an essential key player, the financing rule has gradually been altered.

Since September 2013, when Xi Jinping advocated the enormous idea of the "Belt and Road Initiative (maritime and land silk road)", thereby encouraging infrastructure across Asia, the Middle East, and Africa, China's hybrid financing and development model has been playing a growing crucial role. To understand Chinese influence on recipient countries in line with the promotion of this vast concept, this paper looks at Laos and Myanmar. As Laos and Myanmar share geographic borders and long relationships with China, I believe they represent ideal subjects for thinking about China's growing influence.

Laos, a small landlocked country in ASEAN with six million people, has been functioning as a buffer state among China, Vietnam, Thailand, and Myanmar for a long time. Due to its location, size, and history, it is highly vulnerable to external pressure, especially from a large country like a China. Myanmar, the emerging geopolitical darling of major powers, enables China to evade the risk in Malacca and gain a safe energy supply route with its massive oil and gas pipeline. Myanmar is a lifeline of energy security for China and functions as a bridge state between sea and land.

Outside of ASEAN (Laos and Myanmar), a choke point in the maritime road is Sri Lanka. Sri Lanka is the birth place of Theravada Buddhism, the national religion in Laos and Myanmar, and this has created a religious tie between continental ASEAN countries and Sri Lanka that crosses the Indian ocean. China tries to take advantage of Sri Lanka as a sea-lane hub linking Asia and Middle East.

By looking at China's development policy in Laos, Myanmar, and Sri Lanka, this paper explores China's overall development strategy and the transformation of Global Governance. Chapter 1 introduces the reason these three countries (Sri Lanka, Myanmar, and Laos) were chosen and considers the extent of Chinese influence in terms of the statistics of economy, military, and tourism. Chapter 2 reveals that China's primary aim for the BRI is based on energy security and looks at how China tries to attain the goal efficiently and effectively through each countries' bilateral history. Chapter 3 explains the strength and attractiveness of Chinese development and financing policy. Chapter 4, 5, and 6 examine representative projects of the BRI in each country: Hambantota sea port, Myanmar-China pipelines, and the Laos-China railway. Chapter 7 investigates two non-BRI projects, both of which are Special Economic Zones (SEZ) in northern Laos. Chapter 8 considers Chinese workers and local conflicts from the view point of mobility.

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Chapter 1: INTRODUCTION

1.1 China's worldwide investment

Since the turn of the century, China's exponential growth and increasing influence in many regions, spanning Australia, Africa, and South America, have attracted the attention of many scholars, foreign policy professionals, and political leaders around the world. China has spread all over the world in its unquenchable thirst for resources, search for strategic locations, and reach for emerging markets. As depicted in Figure 2 and 3, according to the American Enterprise Institute's China Global Investment Tracker, from 2005 to 2017 China spent US$1778.4 billion in worldwide investments and contracts. $263.9 billion was invested in West Asia including Sri Lanka and $237.9 billion in East Asia including Myanmar and Laos. In more detail, $14.7 billion was financed in Sri Lanka, $7.4 billion in Myanmar, and $22.6 billion in Laos.[4] The number in 2017 was $270.6 billion (West Asia $36.3 billion, East Asia $39.1 billion), increased 77% from the number in 2013, which was $153.2 billion (West Asia $32.2 billion, East Asia $19.2 billion) when the BRI was unveiled by Xi Jinping.

[4] AEI "Private Data, Not Private Firms: The Real Issues in Chinese Investment." January 10, 2018, http://www.aei.org/publication/private-data-not-private-firms-the-real-issues-in-chinese-investment/.

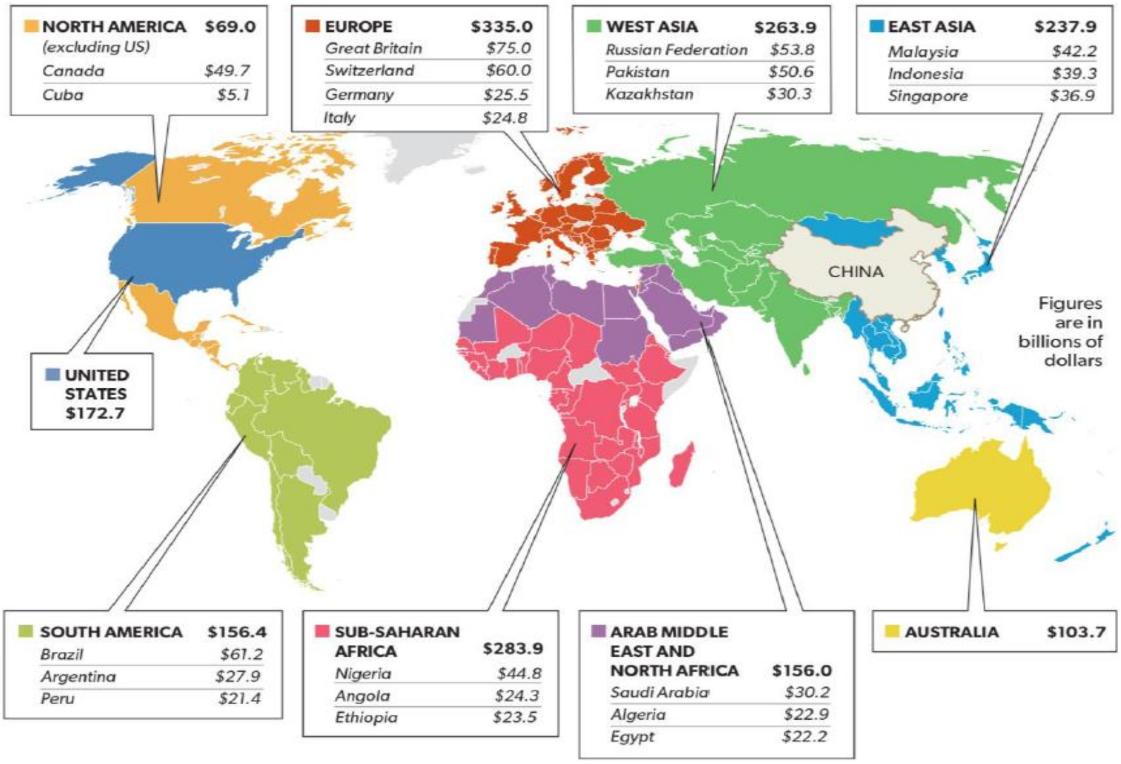

Figure 2: China’s worldwide investments and contracts[5]

(Unit: Billion US dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Europe	0.1	1.38	7.5	12.94	10.44	9.32	23.18	18.03	15.83	34.14	39.05	63.67	99.45	335.03
USA	1.74	0	8.4	4.97	8.71	8.82	2.28	9.08	15.99	17.73	16.73	53.75	24.52	172.72
Sub-Saharan Africa	2.04	8.48	9.09	19.74	12.12	10.61	26.88	30.36	36.36	31.92	38.03	37.37	21.14	283.87
East Asia	2.18	3.58	4.52	13.04	9.81	21.12	14.81	18.13	19.21	17.92	39.21	35.3	39.08	237.91
West Asia	6.67	14.17	14.77	5.81	14.64	15.39	12.5	16.5	32.18	27.72	35.48	31.72	36.31	263.86
Arab Middle East and North Africa	2.51	8.77	9.21	11.92	19.68	10.1	11.7	9.36	14.2	13.02	9.26	23.39	12.85	155.97
South America	4.2	2.06	1.54	2.3	4.48	34.61	14.62	8.1	8.95	19.74	14.45	18.16	23.23	156.44
Australia	0.32	2.92	2.18	15.78	10.99	4.97	10.28	9.12	8.87	10.19	11.43	7.36	9.25	103.66
North America	0.75	0.11	0.1	0.39	4.54	12.82	6.67	22.83	1.58	6.01	2.53	5.89	4.73	68.95
World	20.51	41.47	57.31	86.62	95.41	127.76	122.92	141.51	153.17	178.39	206.17	276.61	270.56	1778.41

Figure 3: Time series of China’s worldwide investments[6]

[5] “Private Data, Not Private Firms.”
[6] AEI “Chinese Investment Dataset - China Global Investment Tracker.”, July 8, 2015, http://www.aei.org/china-global-investment-tracker/.

In contrast, the International Finance Corporation (IFC), which is part of the World Bank group, has made cumulative investments worth US$1.0 billion in Sri Lanka since 1956, and committed portfolio as of June 2017 is over $330 million.[7] The IFC has provided more than $60 million in equity and loans to private Laos companies since 1998. The amount of investment in Myanmar is obscure, but the IFC re-engaged with Myanmar in August 2012 and increased its portfolio including numerous investments. Chinese investments in the three countries seem trivial compared to its global investments in regions such as Europe or Africa but if compared to other global investors such as the IFC, these are large figures and the diverse influences of China in infrastructure investments in the region are pervasive. In these countries, Chinese investments, grants, and trade are all intricately interlinked. For the cash-strapped economies of Sri Lanka, Myanmar, and Laos, China is the biggest investor making large-scale investments in diverse sectors spanning from agriculture, transportation, real estate, energy, and technology.

1.2 The reason of choosing Sri Lanka, Myanmar, and Laos

When exploring the relationship between China and other countries, choosing neighboring regional area such as South Asia (Pakistan, India, and Sri Lanka) or Southeast Asia (Myanmar, Thailand, Laos, and Vietnam) is rational. In the first place, the regional term "Southeast Asia" is relatively new. It was coined when the term "Cold War" appeared on the stage of history. The US tried dividing the non-communist sphere geographically from mainland China and created the new name "South East Asia" for the

[7] "Sri Lanka," accessed February 10, 2018, http://www.ifc.org/wps/wcm/connect/REGION__EXT_Content/IFC_External_Corporate_Site/South+Asia/Countries/Sri+Lanka/Sri+Lanka+Country+Page.

surrounding region of China.[8] South Asia shared the Sanskrit language in olden times and was under the reign of the British Empire before 1947, the EU inherited the common culture of Christianity and Latin language, and NAFTA was inspired by the shared border to create an economic alliance. However, as Southeast Asia was born and created as an anti-communist bloc, the regional alliance (ASEAN) was started by Thailand, Malaysia, and Philippines due to an external force. After the cold war, ASEAN incorporated Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The ten member-countries have converged into one alliance in the region located south of China and east of India without economic, political, and religious similarities in common. ASEAN has functioned as more of a political entity to keep the balance between China, India, and Western countries. In terms of this political functionality, Sri Lanka can be regarded as a part of ASEAN. Therefore, the scope of this thesis covers not only China's neighboring countries (Myanmar and Laos), which gain direct influence geographically, but also includes Sri Lanka. Sri Lanka has welcomed Chinese money mainly since 2004 and taken the advantage of a strategic location along the maritime silk road shown in Figure 4. Now Sri Lanka, which has weighed, accommodated, and encouraged both China and India to invest, can be viewed as an ASEAN member as a matter of practical convenience in this thesis.

[8] That's why Southeast Asia program was established at Yale University in 1947 and at Cornell University in 1950.

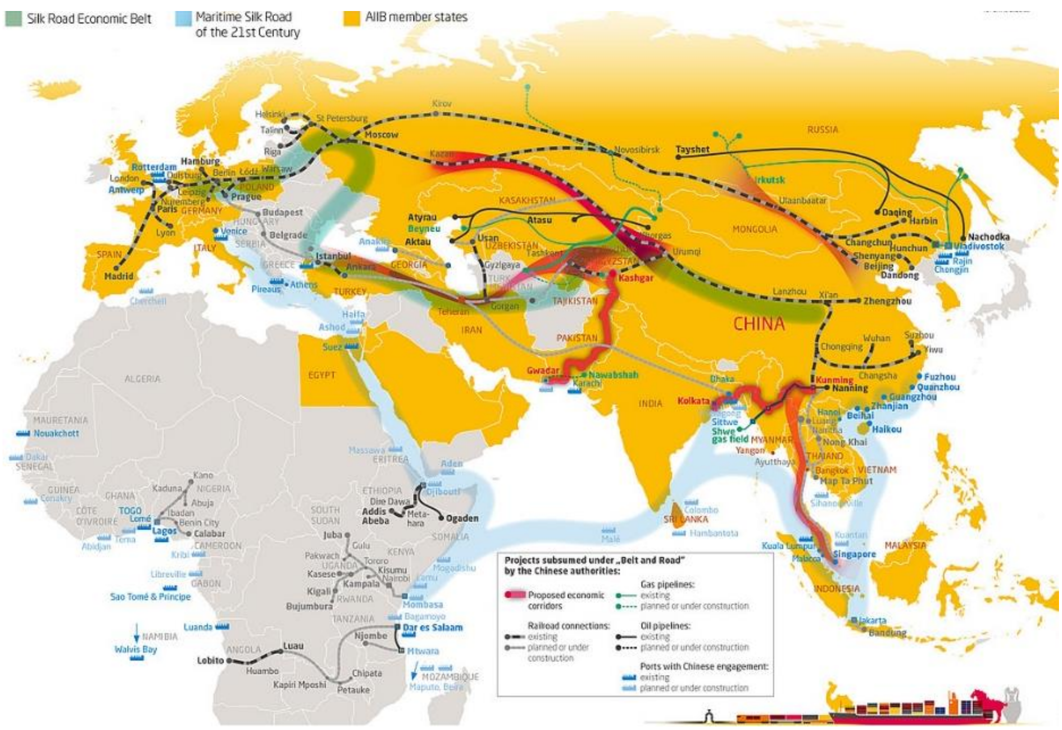

Figure 4: The Silk Road Initiative[9]

1.3 The statistical trend of China in Sri Lanka, Myanmar, and Laos

In the following chapter, statistic information of the relationship between China and each country is explored in terms of investment, financial aid, trade, and number of tourists. China's growing influence in all these domains can be seen in Figure 5.

	Investment (Total FDI)	Financial aid (2016)	Import (2016)	Export (2016)	Arms export (1990~2016)	Number of tourists(2016)
Sri Lanka	Jan to Sep 2017 **China 35%** India 16% Singapore 9%	**China 27%** ADB 22% IDA 15% Japan 10%	India 22% **China 12%** UAE 6% Singapore 6%	US 27% UK 10% India 7%	2.2% (2016:0%)	India 17% **China 13%** UK 9%
Myanmar	2010 to 2017 **China 31%** Singapore 29% Hongkong 12%	N/A	**China 34%** Singapore 14% Thailand 14% India 7%	**China 41%** Thailand 19% India 9%	11.8% (2016:8.9%)	Thailand 19% **China 14%** Japan 8%
Laos	1989 to 2015 **China 30%** Thailand 25% Vietnam 20%	N/A	**China 61%** Thailand 19% Vietnam 10%	**China 40%** Thailand 29% Vietnam 16%	0.2% (2016:0%)	Thailand 47% Vietnam 24% **China 13%**

Figure 5: The statistical trend of China in Sri Lanka, Myanmar, and Lao

[9] Silk Road Initiative | Mercator Institute for China Studies, accessed February 10, 2018, https://www.merics.org/en/china-mapping/silk-road-initiative. 2018.

1.4 Investment situation in the 3 countries

In Sri Lanka, China's foreign direct investments (FDI) amounted to $795.5 million during January to September 2017, consisting of 35% from China, 16.4% India, and 9.3% Singapore.[10] Hearing from the Board of Investment of Sri Lanka, total FDI amount in 2016, US$801.0 million, is composed of $133.3 million of Netherland, $119.9 million of Hongkong, $112.1million of India, $88.4 million of Malaysia, and $52.8 million of China which accounts for only 6.6%. China's FDI hit the peak in 2014, declined in 2015 and 2016, but revamped in 2017 as shown in Figure 6.

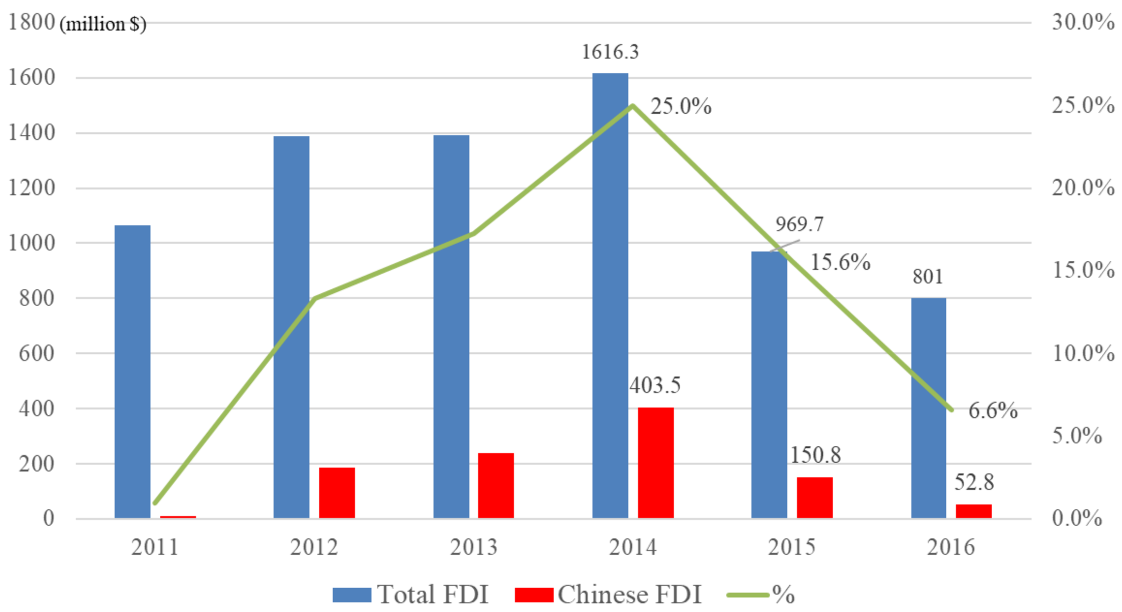

Figure 6: Total FDI and Chinese FDI in Sri Lanka (Sri Lanka BOI internal document)

Although the investment volume is project-based, there are numerous famous mega projects completed and ongoing in Sri Lanka. The Export-Import Bank of China has lent development loans for the projects, such as the Hambantota Port Development Project, Norochcholai Coal Power Plant, Mattala International Airport, Katunayake Airport

[10] Chinadaily.Com.Cn "China Tops in Sri Lanka's FDI for 2017." accessed February 10, 2018, http://www.chinadaily.com.cn/a/201712/11/WS5a2df113a310eefe3e9a1651.html.

Expressway, Moragahakanda Irrigation Development Project, and the Colombo Galle Expressway which is the first four-lane expressway.[11]

In Laos, China's total FDI from 1989 to 2015 accounts for 30% (US$5484.4 mil), following Thailand 25%, Vietnam 20%, Malaysia 4%, Korea 4%, France 3%, Japan 2%, Netherlands 2%, Norway 2%, and Others 8% according to Investment Promotion Department in Ministry of Planning and Investment.[12]

However, unlike Sri Lanka and Laos, China did not make any remarkable investments in Myanmar from 2012 to 2015. According to Directorate of Investment and Company Administration's statistics, a total FDI amount from 2010 to 2017 is US$59,095 million, out of which China accounts for 31.3% ($18,510 mil), Singapore 28.9%, Hongkong 12.3%, Thailand 6.0%, and Korea 6.0%. In 2010, a total FDI is $19,999 million and Chinese FDI accounts for 41.3% ($8,269 mil). In 2011, it has the highest share of 93.6% ($4,346 mil out of $4,644 mil), but the share drops to 16.3% ($231 mil out of $1,419 mil) in 2012.[13] $4,344 million of 2011 was invested for Chipwinge hydropower dam and the plant project which was admitted by then president Thein Sein in exchange for suspending Myitsone dam project in the end of September 2011.[14] Although a method of counting the number of the projects is different, this trend is also shown in the graph with the data of the American Enterprise Institute's China Global Investment Tracker in Figure 7. Investment in Myanmar from 2005 to 2017 is relatively

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[11] Central bank of Sri Lanka "Annual Report 2016," accessed February 10, 2018, http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/efr/annual_report/AR2016/English/content.htm.
[12] Ministry of Planning and Investment, Investment Promotion Department "Special Economic Zone (SEZ)." Accessed April 15, 2018. http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone.
[13] Directorate of Investment and Company Administration "Foreign Investment by Country." Accessed April 4, 2018. https://www.dica.gov.mm/en/topic/foreign-investment-country.
[14] JETRO Sekai boeki toshi houkokusho. Myanmar Asia kuni tiikibetsu ni miru Accessed February 11, 2018. https://www.jetro.go.jp/world/asia/mm/gtir.html.

smaller than Sri Lanka and Laos.

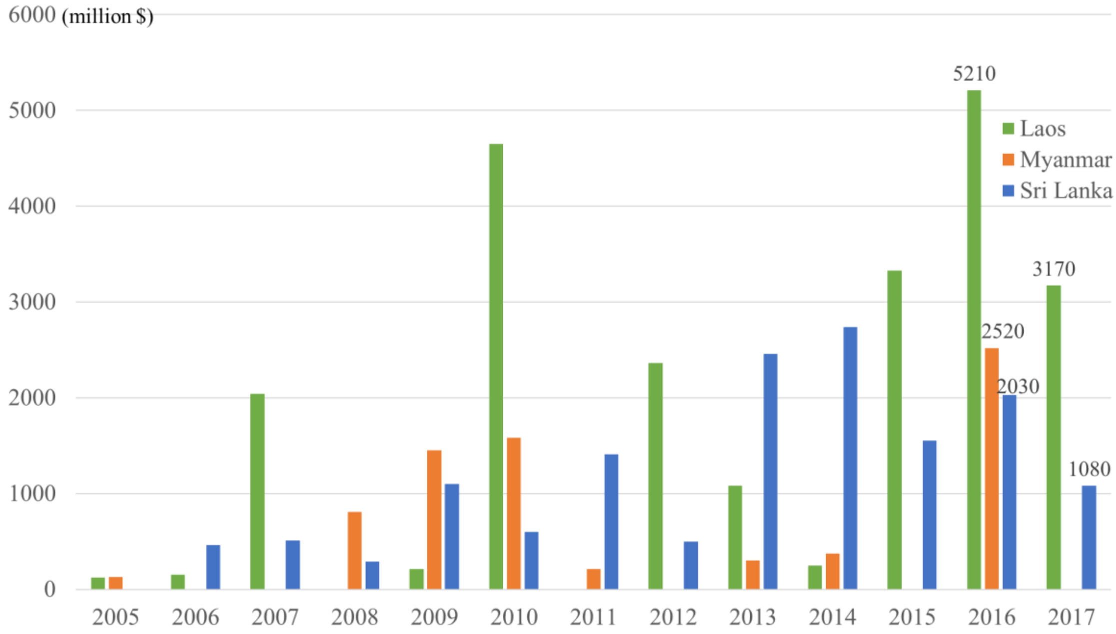

Figure 7: Time series of China's investments into 3 countries

1.5 Financial aid situation in the 3 countries

Same as its massive investments, China is also one of the largest donors to all three countries. China is Sri Lanka's largest donor. China extended Rs617.4 billion to Sri Lanka, which amounted to 26.9% of total foreign project loans in 2016. Japan was the largest donor up until 2009 and 2011, but since 2010 (except 2011) China has been the largest donor as shown in Figure 8.

The Amount of Foreign Project Loans (Rs.million)

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
China	931	1.2	17714	20.7	4393	3.8	33495	22.8	38837	**23.7**	35208	20.2	65618	27.2	65697	30.2	39472	24.0	54700	28.6	61744	**26.9**
ADB	18570	23.7	14889	17.4	25957	22.7	27986	19.1	34492	21.0	29892	17.1	37582	15.6	36093	16.6	32225	19.6	39754	20.8	49315	21.5
Japan	28040	35.8	21791	25.5	28567	24.9	33918	23.1	35047	**21.4**	40160	23.0	48025	19.9	34289	15.8	31308	19.0	22796	11.9	22501	**9.8**
IDA	10418	13.3	8201	9.6	10282	9.0	16925	11.5	16328	10.0	22257	12.8	20765	8.6	17325	8.0	16956	10.3	14046	7.4	34367	15.0
India	-	-	-	-	-	-	3136	2.1	1266	0.8	19667	11.3	31338	13.0	24159	11.1	14451	8.8	8720	4.6	6048	2.6
UK	-	-	-	-	19213	16.8	11261	7.7	8785	5.4	741	0.4	62	0.0	5430	2.5	7269	4.4	7691	4.0	6624	2.9
Netherland	-	-	213	0.2	1898	1.7	1000	0.7	2566	1.6	1990	1.1	-	-	5786	2.7	3817	2.3	7465	3.9	6960	3.0
EIB	-	-	4745	5.6	3119	2.7	2440	1.7	741	0.5	-	-	3995	1.7	1821	0.8	2754	1.7	11304	5.9	-	-
Korea	1998	3.0	2888	3.4	1559	1.4	835	0.6	4131	2.5	3025	1.7	6085	2.5	4703	2.2	2645	1.6	2830	1.5	2734	1.2
OPEC Fund	-	-	339	0.4	130	0.1	35	0.0	58	0.0	339	0.2	661	0.3	505	0.2	1974	1.2	2241	1.2	1795	0.8
Total	78254	100	85389	100	114600	100	146717	100	163860	100	174522	100	241662	100	217312	100	164594	100	190958	100	229269	100

Central Bank of Sri Lanka, Annual Report from 2006-2016

Figure 8: Time series of the amount of foreign project loans of Sri Lanka

In the case of Myanmar, in September 2016, the Asia Infrastructure Investment Bank (AIIB) provided a $20 million loan to develop the largest gas power plant: Myingyan power plant in central Myanmar.[15]

As for Laos, China Exim Bank offered $465 million loan from for China-Laos railway and they signed a $600 million loan agreement with Lao government for a hydropower project.[16]

1.6 Trade relation between China and the three countries

China is not only a key investor and donor, but also a significant trading partner of Sri Lanka, Myanmar, and Laos. According to The World Integrated Trade Solution (WITS), as for Sri Lanka imports in 2016, India accounts for 21.7%, China 12.1%, UAE

[15] AIIB "Annual Report 2016." accessed April 12, 2018, https://www.aiib.org/en/news-events/news/2016/annual-report/index.html.
[16] Center For Global Development "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective.", accessed March 10, 2018, https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective.

6.1%, and Singapore 5.9%. In terms of exports, The US accounts for 27.3%, the UK 10.2%, India 7.3%, and China 1.0%. Looking at Western countries, the US and the UK portion accounts for over one-third of imports, mainly textiles. On the other hand, China and India accounts for over one-third of imports, mostly automobile and textile.[17] China surpassed the US as Sri Lanka's second-largest trading partner behind India in 2013.[18]

In Myanmar, China is both top importer and exporter in 2016. In terms of imports, China accounts for 33.9%, Singapore 14.2%, Thailand 14.1%, and India 6.9%, while in export China makes up 40.6%, Thailand 19.1%, and India 8.8%. Border trade portion of Myanmar is outstanding: in terms of imports, the total of China, Thailand, and India is 62.2% and in terms of export, the sum of China, Thailand, and India amounts to 68.5%.

Looking at Laos' import, China accounts for 61.0%, Thailand 18.8%, and Vietnam 10.3%. Looking at export, China accounts for 40.0%, Thailand 29.2%, and Vietnam 16.0%. As a land-locked country, surrounding countries such as China, Thailand, and Vietnam in import add up to 90.2% and in export 85.2%. All those numbers regarding trade with China in 2016 rapidly increased from the numbers in 2011 as shown in Figure 9 and 10.

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[17] SIPRI "World Integrated Trade Solution (WITS) | Data on Export, Import, Tariff, NTM," accessed February 13, 2018, https://wits.worldbank.org/.

[18] The New York Times "Chinese Leader Visits Sri Lanka, Challenging India's Sway." accessed February 13, 2018, https://www.nytimes.com/2014/09/17/world/asia/chinese-leader-visits-sri-lanka-chipping-away-at-indias-sway.html.

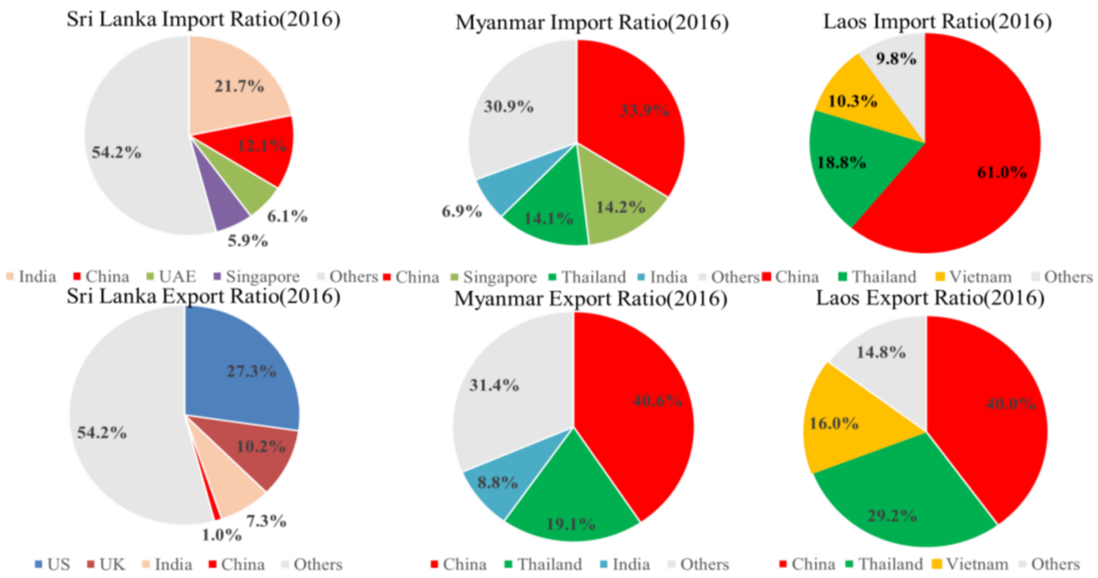

Figure 9: Ratio of import to China and exports from China 2016

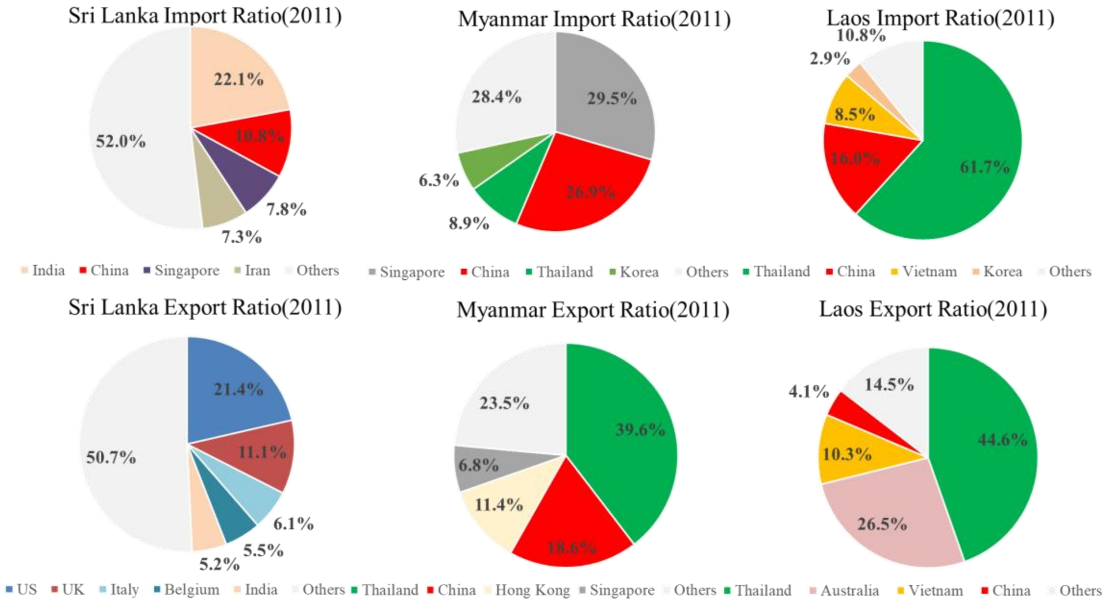

Figure 10: Ratio of import to China and exports from China 2011

1.7 Arms export from China to 3 countries

According to the Stockholm International Peace Research Institute (SIPRI), as for total trend-indicator value (TIV) of China's arms exports from 1990 to 2016, Sri Lanka imported US$560 million (2.2% of the world total), but recently from 2011 to 2016 after

Sri Lankan Civil War ended, its exports dropped to zero. At the same time, Myanmar imports $3011 million (11.8%). It has increased rapidly after 2011 comparing with 2000-2010. China is the key factor in Myanmar's military dispute. In comparison to these two countries, the exports to Laos is trivial, which imported only $45 million (0.2%).[19]

	1990	91	92	93	94	95	96	97	98	99	2000	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	Total	Country Amount /World Total
Pakistan	325	283	210	697	346	234	115	93	92	73	69	299	286	267	77	78	98	144	250	758	747	578	656	801	439	542	640	9195	35.9%
Myanmar	**217**	**182**	**14**	**323**	**93**	**176**	**118**	**197**	**156**	**116**	**3**	**50**	**9**	**57**	**74**	**23**	**10**	**2**	**10**	**17**	**5**	**277**	**254**	**190**	**65**	**185**	**190**	**3011**	**11.8%**
Thailand	2	231	187		258	258	150				25					11	11			12		2	20	24	8		77	1277	5.0%
Sri Lanka		**138**	**19**		**23**	**15**	**52**		**28**	**18**	**29**	**21**	**3**	**8**	**18**	**28**	**49**	**48**	**59**		**5**							**560**	**2.2%**
Indonesia																	10	3	3		2	8	69	78	39	43	42	297	1.2%
Cambodia					5													56		4			15	39				119	0.5%
Laos	**8**																		**7**				**15**	**15**		**1**		**45**	**0.2%**
Total	941	1315	703	1436	1111	1013	772	435	353	332	302	515	526	700	400	286	670	505	636	1140	1477	1274	1599	2113	1168	1764	2123	25608	100.00%

Figure 11: Amount of arms exports from China1990-2016 (SIPRI TIV, Unit: million$)

1.8 The trend of tourists from China to 3 countries

According to the statistics of Sri Lanka Tourism Development Authority, the country attracts 205.1 million tourists in 2016, out of which India consists of 17.4% (356.7 thousand), China13.2% (271.6 thousand), the UK9.2% (188.2 thousand), Germany6.5% (133.3 thousand), Australia3.6% (74.5 thousand), and the rest. The number of Chinese travelers hikes up 31.8 times from 2009, which was 8,550, to 2016, which was 271,577. At the same time, India increased 4.3 times from 83,634 to 356,729 as shown in Figure 12.[20] The increase of projects has been connected to the number of

[19] "Importer/Exporter TIV Tables," accessed February 13, 2018, http://armstrade.sipri.org/armstrade/page/values.php.
[20] Sri Lanka Tourism Development Authority "Tourism Research and Statistics." accessed February 14, 2018, http://www.sltda.lk/statistics.

tourists, because short business trips are conducted with tourist visas.

Figure 12: Number tourist arrivals to Sri Lanka

According to the Myanmar Tourism Statistics, made by Ministry of Hotels & Tourism, in 2016 the number of tourist using airport is 127.3 million: Thailand accounts for 19.1% (243.4 thousand), China 14.4% (183.9 thousand), Japan 7.9% (100.1 thousand), the US 6.0% (76.5 thousand), South Korea 5.1% (64.4 thousand), and the others. In fact, the number of tourists passing through the border in 2016 is 163.5 million, but the breakdown by country is not available (the number of tourists in 2016 is 290.8 mil). Looking at the general trend using the airport data, the number of Chinese travelers overtook other countries in 2008. Compared with 2008 and 2016, the number of Chinese travelers increased 6.0 times from 30,792 to 183,886, but the Thai number increased 8.9 times from 27,311 to 243,443.[21] One of the reason that the number of Thai visitors overcame the Chinese in terms of closeness of distance, culture, and religion. For example, Kyaiktiyo Pagoda, which is famous for a balancing golden rock, is a Buddhist pilgrimage site, attracting many Thai Buddhists. Now both countries try to promote ‘one destination’

[21] Ministry of Hotels and Tourism, Myanmar “Myanmar Tourism Statistics.” accessed February 14, 2018,http://webcache.googleusercontent.com/search?q=cache:http://tourism.gov.mm/en_US/publications/myanmar-tourism-statistics/.

tourism cooperation.[22]

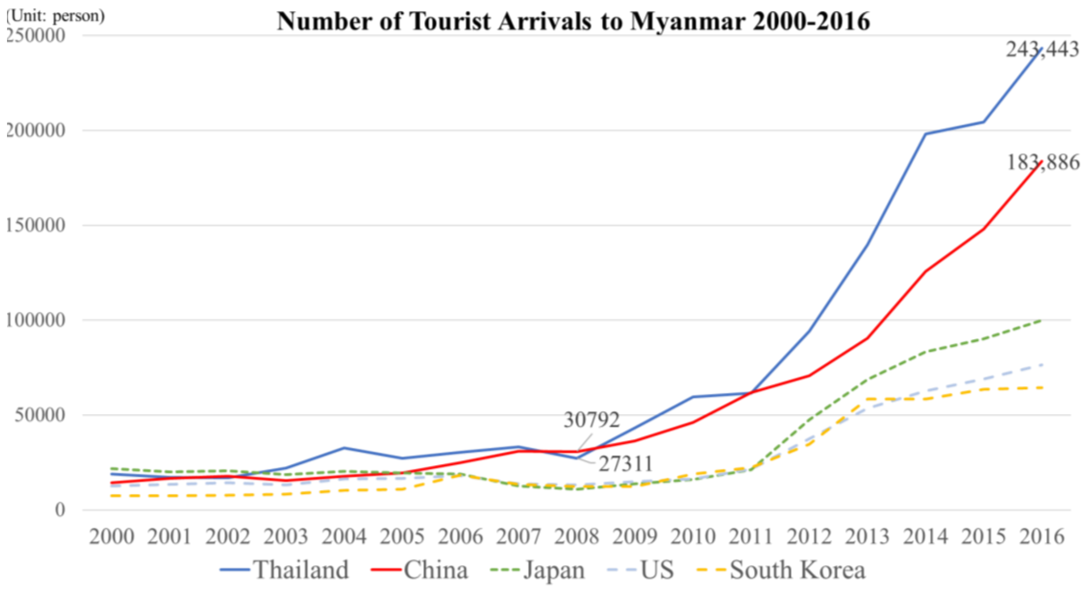

Figure 13: Number tourist arrivals to Myanmar

In Laos, the number of tourists in 2016 was 4239.0 thousand; Thailand accounted for 47.4% (2009.6 thousand), Vietnam 23.6% (998.4 thousand), China 12.9% (545.5 thousand), South Korea 4.1% (173.3 thousand), the US 1.4% (58.1 thousand), and the rest. The sum of Thailand, Vietnam, and China, which amounts to 83.9% of tourists, shows that the characteristics of a land-locked country appears its tourism trend. In 2008, the number of tourists from Thailand was 891.1 thousand, Vietnam was 351.1 thousand, and China was 105.9 thousand. In 2016, those numbers increased 2.3, 2.8, and 5.2 times respectively.[23]

[22] The Bangkok Post "Burma, Thailand Push 'One Destination' Tourism Cooperation- DVB Multimedia Group." Accessed April 11, 2018. http://www.dvb.no/news/burma-thailand-push-one-destination-tourism-cooperation/73982.

[23] Sabaidee Laos "STATISTICAL REPORT." Accessed February 14, 2018. http://www.tourismlaos.org/show.php?Cont_ID=43.

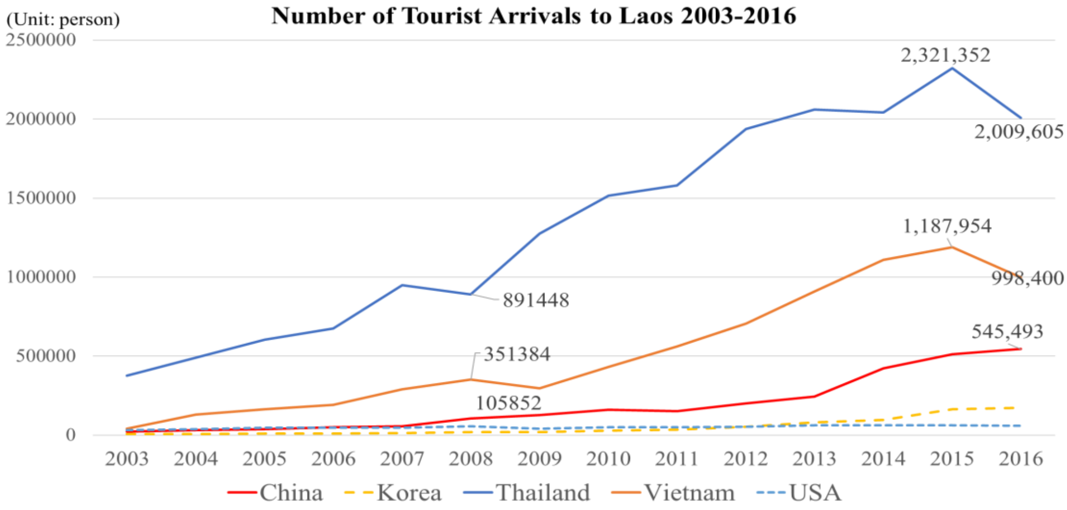

Figure 14: Number tourist arrivals to Laos

A common trend for Chinese tourists in those three countries is that the number of travelers has rapidly increased from around 2012. It is ordinary to see many Chinese tourists in sightseeing spots in those countries.

Chapter 2: CHINA'S INTEREST IN ASEAN

2.1 Chinese aim for the Belt and Road Initiative

There are wide speculations about China's ulterior motive for promoting the BRI such as geopolitical expansion, solution of materials and labor-force oversupply, and fulfilling the shortage of infrastructure. Their big political aim is the survival of the communism and communist party. It is a natural process that Chinese government desired to peruse new markets oversea to solve their domestic problems and advocated the new policy after struggling with low economic growth. Therefore, how much does the appearance of BRI influence the world after 2013? According to Xi Jinping's speech at China's massive Belt and Road Forum in Beijing on May 15, 2017, he states that "Total trade between China and other Belt and Road countries in 2014-2016 has exceeded US$3 trillion, and China's investment in these countries has surpassed US$50billion." He also committed an additional RMB100 billion to the Silk Road Fund, RMB250 billion respectively to the special lending schemes of The China Development Bank and the Export-Import Bank of China, and about RMB300 billion to encourage financial institutions to conduct overseas RMB fund business.[24] The point here is the main tool of the BRI is loan financing, not based on financial aid or even FDI. In this sense, it has no similarities with Marshall Plan, which was an unprecedentedly huge aid package offered by the US to Western European countries for reconstruction after the second world war.[25] The priority is not placed on economic growth or creation of demand in foreign counties, but on their national interest.

The majority of the BRI projects are infrastructure constructions, largely in the

[24] Xinhua | English.News.Cn "Full Text of President Xi's Speech at Opening of Belt and Road Forum." accessed February 15, 2018, http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm.
[25] The Economist Intelligence Unit "One Belt, One Road," accessed February 16, 2018, https://www.eiu.com/topic/one-belt-one-road.

form of foreign contracted projects backed by discounted loans from China. Such lending can go directly to recipient governments and is typically conditional on using it to fund a specific infrastructure project involving a Chinese company. Repayment of the loan can sometimes take place in the form of resources. China's policy banks also loan directly to Chinese companies implementing BRI projects.[26] Their target countries and projects are defined with their future interest such as energy and transportation systems to secure stable supply of energy as shown in Appendix D.

One of the benefits of the BRI is that the central government has succeeded in carrying out "selection and concentration strategy" and initiating foreign investments. Before launching the big picture, many stakeholders in China (the central government, local governments, State Owned Enterprise, and private companies) considered into their own interest and profit above, but now they have become global and engaged in various projects in line with the central policy. There were many projects that could not be handled by the government before 2013. The new strong guidance of investment in 2017 is a leading example of "selection and concentration strategy." China's new rules of overseas mergers and acquisitions was issued by the State Council and the National Development and Reform Commission on August 18th. This rule sorts overseas investments into three categories: banned, restricted, and encouraged. Chinese central government prohibits military, gambling and sex industries; restricts real estate and hotels, film and entertainment, sports, and environment damaging industries. On the contrary, it encourages Belt and Road industries, improves China's technology and research, promotes development, and expands oil, mining, agriculture and fishing.[27]

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[26] The Economist Intelligence Unit "China Going Global Investment Index 2017." accessed February 14, 2018,http://www.eiu.com/public/thankyou_download.aspx?activity=download&campaignid=ChinaODI2017.

[27] Covington "China's State Council Publishes New Guidance on Regulation of Outbound Investment."

2.2 China's Belt and Road Initiative projects in the 3 countries

Chinese projects along the BRI in Sri Lanka, Myanmar and Laos are Hambantota Seaport, Sino-Myanmar Pipelines, and the China-Laos railway projects. These are all essential for China to assure and protect its energy lifeline. The failure of securing the energy would lead to the instability of China's legitimate regime.

China had to start to import crude oil in 1993 and natural gas in 2007. In 2011, only 44.7% of crude oil and 78.6% of natural gas were supplied domestically. The proportion of crude oil out of all energy consumptions remained as 20%. The proportion of new energies increased to 8% in 2011 while the proportion of natural gas consumption also started to rise slightly in 2005.[28] In 2017, China surpassed the US as the world's largest crude oil importer.[29] Therefore, the crude oil consumption depends more and more on imports. China strengthens securing the energy transportation lane. They are cautious of the "Malacca dilemma", raised by the US Navy control of Malacca strait. Diversification of energy supply stabilizing the sea lane around Indian Ocean and building the oil-gas pipelines in Myanmar is of vital importance.

Back in 2004, the US consulting firm a Booz Allen Hamilton coined the word "string of pearls" and posits a geopolitical theory on potential Chinese intentions in the Indian Ocean.[30] As if proceeding this plan, China now has stakes in many ports and terminals in India Ocean and expand naval presence. Among them, one of the strategic

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Accessed February 15, 2018. https://www.cov.com/en/news-and-insights/insights/2017/09/chinas-state-council--publishes-new-guidance--on-regulation-of-outbound-investment.

[28] Nai-ming Xie, Chao-qing Yuan, and Ying-jie Yang, "Forecasting China's Energy Demand and Self-Sufficiency Rate by Grey Forecasting Model and Markov Model," International Journal of Electrical Power & Energy Systems 66 (March 1, 2015): 1–8, https://doi.org/10.1016/j.ijepes.2014.10.028.

[29] U.S. Energy Information Administration (EIA) "China Surpassed the United States as the World's Largest Crude Oil Importer in 2017 - Today in Energy." accessed April 26, 2018, https://www.eia.gov/todayinenergy/detail.php?id=34812.

[30] Juli A. MacDonald, Amy Donahue and Bethany Danyluk, Energy futures in Asia: final report (McLean, VA: Booz-Allen & Hamilton, 2004).

port is Hambantota in south of Sri Lanka as well as Gwadar port in Pakistan and Chittagong port as shown in Figure 15.

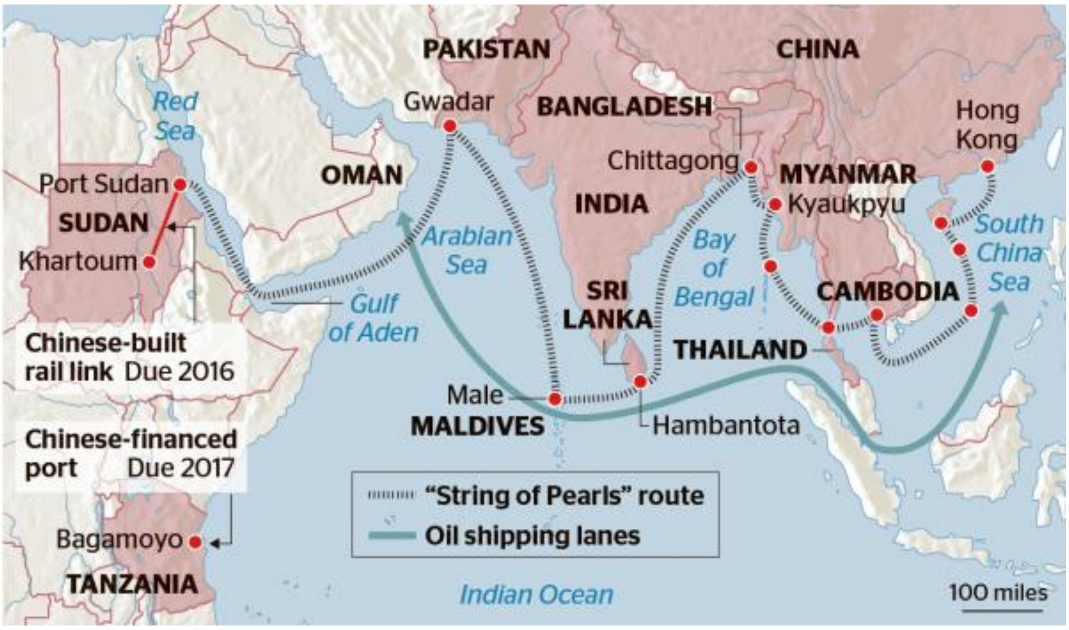

Figure15: Map of "string of pearls"[31]

As for Sino-Myanmar Pipelines, a research pointed out that by 2030, oil imported through pipelines from Russia, Central-Asia and Myanmar will make up about 10% of China's imports, of which the Myanmar-China oil pipeline will contribute only about 3.5% of total imports. And in terms of natural gas, the number is about 5%.[32] Still the Myanmar's energy project is key to respond the increasing demand of Yunnan province which is the second poorest province next to Gansu province by per capita income.[33]

The China-Laos railway project is not directly linked to energy. Chinese on-financial outbound direct investment (ODI) activities in countries along the BRI have taken place long before the strategy was first proposed in 2013. The political and financial

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[31] Vagabond Journey "New Silk Road Book Update: Research Travels Bout 3 Completed.", March 7, 2016, https://www.vagabondjourney.com/new-silk-road-book-update-research-travels-bout-3-completed/.
[32] Ole Odgaard and Jørgen Delman, "China's Energy Security and Its Challenges towards 2035," Energy Policy 71 (August 1, 2014): 107–17, https://doi.org/10.1016/j.enpol.2014.03.040.
[33] National Bureau of Statistics of China "National Data," accessed February 15, 2018, http://data.stats.gov.cn/english/.

support for the BRI, however, has created an additional incentive for Chinese companies to explore these markets or even rebrand existing investments under the BRI umbrella. Since 2010, officials of Yunnan province have planned a railway between Kunming and Vientiane, as part of a larger rail infrastructure project connecting China to Singapore and since the end of 2013 Chinese officials have cited this rail project as a signature example of BRI collaboration.[34]

These three countries with three projects vary in their political systems: from Sri Lanka's democracy and Myanmar's semi-democracy to Laos's one-party socialism. One would expect that these diversified political systems would affect recipient countries' attitude to Chinese development projects, however, China's influence is greater than the differences in their political systems. In order to understand the turning point in China's influence in these countries, one needs to understand China's historical relationships within each country.

Exemplifying Cambodia and Maldives cases brings deep insights to China's calculated scenario.

2.3 China and Sri Lanka relation

Sri Lanka was in conflict from 1983 to May 2009 for more than 27 years, and the number of victims reached to nearly 80,000.[35] According to India military strategist, Brahma Chellaney, "Chinese military and financial support has made possible Colombo's no-holds-barred campaign to score a decisive military victory over the Liberation Tigers of Tamil Eelam."[36] In detail, when the US cut direct military aid in 2007 due to the Sri

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34 "China Going Global Investment Index 2017."
35 The Independent "How Beijing Won Sri Lanka's Civil War." May 23, 2010, http://www.independent.co.uk/news/world/asia/how-beijing-won-sri-lankas-civil-war-1980492.html.
36 Chellaney, "Sri Lankan Bloody Crescendo," Stagecraft and Statecraft (blog), March 10, 2009,

Lanka's deteriorating human rights record, China strengthened aid to nearly $1 billion to become the biggest donor, giving tens of millions of dollars' worth of sophisticated weapons and giving away a free gift of six F7 fighter jets to the Sri Lankan air force.[37] China has been a huge influencer since the end of the conflict. President Mahinda Rajapaksa is the key player in deepening the relationship with China after he took the office on November 19, 2005, but people hated his corruption and inclination to work with China and chose a new president, Maithripala Sirisena, in 2015. His government's central challenge is to eradicate corruption and reduce its dependency on China. Sri Lanka demonstrates a healthy democracy where people choose their own leader, who is expected to diminish further Chinese influence.

2.4 China and Myanmar relation

The military junta, called Tatmadaw, which ruled the country from 1962-2011, has reserved 25% of the seats in both houses of the Myanmar parliament, whose ratio gives the military veto power over constitutional amendments. Even under the new government, which emerged after the election in the spring of 2011, and after Aung San Suu Kyi's National League for Democracy won the election in 2015, the military continued to hold onto essential power and governance under the constitution. In this sense, Myanmar's democracy is still a limited form of quasi-democracy or semi-democracy.[38] The most symbolic incident of China's influence is the suspension of Myitsone Dam in September 2011. This was among the largest of many Chinese-financed energy and mining projects,

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https://chellaney.net/2009/03/10/sri-lankan-bloody-crescendo/.

[37] "How Beijing Won Sri Lanka's Civil War."

[38] The New York Times "Myanmar Is Not a Simple Morality Tale," accessed February 18, 2018, http://comment-news.com/source/www.nytimes.com/2017/11/25/opinion/sunday/myanmar-aung-san-suu-kyi-rohingya.html.

costing $3.6 billion, but it would be the first dam to cross the Irrawaddy River, the birthplace of Myanmar civilization in Kachin state shown in Appendix B. Anti-Chinese sentiment rose and objected to the deal which said that 90% of the dam’s electricity could go to China.[39] Soon after this decision, the President Thein Sein held meeting with President Obama in the East Asia Summit in November and the State Minister Clinton visited Yangon in December. In October 2011, the Japanese government announced it will be resuming official aid to renovate the Lawpita No. 2 hydropower plant.[40] In April 2012, President Sein met Prime Minister Noda in Tokyo, agreeing to resume official development assistance (ODA).[41] Moreover, President Sein met Prime Minister Manmohan Singh in New Delhi and signed a contract to proceed in large-scale investments including the Kaladan Multi-Modal Transit Transport Project.[42] President Sein initiated a series of political and economic reforms leading to a substantial opening of the long-isolated country after he became the president in March 2011. These reforms included releasing hundreds of political prisoners, signing a nationwide cease-fire with several of the country's ethnic armed groups, pursuing legal reform, and gradually reducing restrictions on freedom of the press, association, and civil society.[43] In response to these achievements, the EU suspended sanctions except for arms and equipment from April 26, 2012,[44] and the US lifted most prohibitions on Americans doing business in

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[39] The New York Times Mike Ives, “A Chinese-Backed Dam Project Leaves Myanmar in a Bind.”, March 31, 2017, sec. Asia Pacific, https://www.nytimes.com/2017/03/31/world/asia/myanmar-china-myitsone-dam-project.html.
[40] Relief Web“Japanese Development Aid to Resume?” accessed February 18, 2018, https://reliefweb.int/report/myanmar/japanese-development-aid-resume.
[41] Relief Web “Despite Tsunami, Japan Resumes Aid to Myanmar.” accessed February 18, 2018, https://reliefweb.int/report/japan/despite-tsunami-japan-resumes-aid-myanmar.
[42] The Myanmar Times “President U Thein Sein Visits India.” accessed February 18, 2018, https://www.mmtimes.com/national-news/1962-president-u-thein-sein-visits-india.html.
[43] CIA “The World Factbook.” accessed February 21, 2018, https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html.
[44] International Cooperation and Development “Burma/Myanmar: EU Sanctions Suspended (Press Release of the Council of the European Union) - International Cooperation and Development - European

Myanmar on May 17, 2012.[45] Myanmar succeeded in attaining the balance in diplomacy after heavy reliance on China. However, after the Rohingya crisis happened in August 2017,[46] as the EU, the US, and the UN criticize Myanmar's behavior and try to resume economic sanctions, Myanmar has been drawn to China again.[47]

Now the China has invested in not only natural resources through mining, but also non-transferable assets and infrastructure, such as the Sino-Myanmar oil and gas pipelines passing through in the troubled region of northern Rakhine and a multitude of major hydroelectric projects.[48] Beside these projects, in September 2017 China agreed to take 70% of Kyauk Pyu port, which is placed on the coast of Myanmar's Rakhine State. This $7.2 billion port is scheduled to start building from 2018, which is the biggest ulterior motive for China to settle this Rohingya issue.[49] Myanmar now has strong negotiation power and will negotiate a good deal with China due to China's massive non-transferable investments.

Commission." March 3, 2014, https://ec.europa.eu/europeaid/burmamyanmar-eu-sanctions-suspended-press-release-council-european-union_es.

[45] The New York Times "White House to Ease Ban on Investment in Myanmar," May 17, 2012, sec. Asia Pacific, https://www.nytimes.com/2012/05/18/world/asia/united-states-rewards-myanmar-easing-ban-on-investments.html.

[46] Council on Foreign Relations "What Forces Are Fueling Myanmar's Rohingya Crisis?," accessed October 19, 2017, https://www.cfr.org/backgrounder/rohingya-crisis.

[47] The New York Times "In China, Aung San Suu Kyi Finds a Warm Welcome (and No Talk of Rohingya)," November 30, 2017, sec. Asia Pacific, https://www.nytimes.com/2017/11/30/world/asia/china-myanmar-aid-sanctions.html.

[48] David I. Steinberg and Hongwei Fan, Modern China-Myanmar Relations: Dilemmas of Mutual Dependence (Copenhagen: NIAS Press, 2012).

[49] Reuters "China to Take 70 Percent Stake in Strategic Port in Myanmar - Official." October 17, 2017, https://www.reuters.com/article/china-silkroad-myanmar-port/china-to-take-70-percent-stake-in-strategic-port-in-myanmar-official-idUSL4N1MS3UB.

2.5 China and Laos relation

Laos is uniquely one of the five communist countries along with China, Cuba, North Korea, and Vietnam. After independence in 1954, it has swayed it allegiance among its neighbors China, Vietnam, and Thailand as a land locked country. Since the 1975 revolution, Vietnam has been Laos's most amicable political partner. On the other hand, Thailand has been strongly connected with Laos economically.[50] In 1977, China and Laos' relationship began deteriorating when China declined further economic support to Laos with the purpose of showing concern for the deepening of the Soviet and Laos relationship, not of intending to worsen China's association with Laos. In January 1978, when China proposed new roads and light industry construction to Laos, aiming to refine the friendship, Laos, on the other hand fostering the relationship with the Soviet, rejected this offer. Furthermore, Laos started to criticize China in line with China disrupting relations with Cambodia over the Pol Pot issue.

Their political relationship suddenly came back to normal in line with normalization of the China-Soviet relationship and improvement of the China-Cambodia relationship. In May 1989, General Secretary of the Communist Party of the Soviet Union, Gorbachev, visited China and foreign vice-ministerial officials talks were conducted between China and Cambodia after 9 years' absence.[51]

The exchange of visits from official delegations between China and Laos had continued quickly. In November 1996, high-level Chinese parliamentary and military delegations visited Viang Chan.[52] Between July 13-16, 2000, President Khamtay

[50] The New York Times "How Laos Tries to Balance Its Powerful Neighbors,", September 6, 2016, sec. Asia Pacific, https://www.nytimes.com/2016/09/07/world/asia/laos-history-politics-human-rights.html.
[51] RIETI "Chugoku tono kankei wo mosaku suru Laos [Laos seeking for relationship with China]" Accessed February 21, 2018. 2011. https://www.rieti.go.jp/jp/publications/summary/11010016.html.
[52] Martin Stuart-Fox. Historical Dictionary of Laos (Historical Dictionaries of Asia, Oceania, and the Middle East). Scarecrow Press, 2008, 3rd edition.

Siphandone paid an official visit to China,[53] and in return Chinese president Jiang Zemin visited Laos between November 11-12, 2000.[54] This is the first ever visit of a Chinese head of state to Laos, which signaled the new importance of China. This exchange was followed up in 2003 by official visits by Lao Prime Minister Boungnang Vorachit and Defense Minister Douangchay Phichit. In 2004, it was the turn of President Khamtay, again to be received in Beijing.[55] As for the Chinese aid, the Lao were most appreciative of the export subsidies and interest-free loans China provided in 1999 to help Laos after the impact of the Asian economic crisis. One showy project was the US$7.2 million National Cultural Center in downtown Viang Chan, while a small project was the covered market in Udomxai. Some assistance has also been given to establish a rubber industry.[56] Historically, Laos diversified the political and economic relationship with China, Vietnam, and Thailand. However, as shown in section 6.1, History of Laos-China Railway, Laos has become heavily dependent on China since the construction of the railway began.

2.6 China's new financing strategy and each countries' political system

China aims for the best timing for providing financial aid. There are two examples of opportune timing of aid: times of political turmoil as seen in Cambodia and before elections as seen in Sri Lanka and Maldives. Historically, Myanmar and Laos face a rare dilemma in that their most important economic partner is at the same time an existential political and economic threat. However, non-neighboring country such as Cambodia,

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[53] "(KPL)Laos-China Cooperation Continues to Grow(Part 1)," accessed February 21, 2018, http://la.china-embassy.org/eng/zlgx/t1034300.htm.
[54] Embassy of the People's Republic of China in the Lao People's Democratic Republic "(KPL)Laos-China Cooperation Continues to Grow(Part 1)." Accessed February 21, 2018. http://la.china-embassy.org/eng/zlgx/t1034300.htm.
[55] Martin Stuart-Fox. Historical Dictionary of Laos (Historical Dictionaries of Asia, Oceania, and the Middle East). Scarecrow Press, 2008, 3rd edition.
[56] Ibid.

Maldives, and Sri Lanka have triggered China's ulterior motives. Cambodia was the first ASEAN country perceived as being in the sphere of Chinese influence. Maldives is a country targeted by China for the purpose of setting up a scope located along Maritime silk road shown in Figure11.

Cambodia's current prime minister, Hun Sen is the world's longest-serving prime minister from 1985 after Cambodian darkness: Cambodian genocide which was carried by the regime of the Khmer Rouge from 1975 to 1979. The turning point of China-Cambodia relationship came with the 1997 coup: Second Prime Minister Hun Sen ousted the First Prime Minister Norodom Ranariddh and dozens of people were killed during this conflict in July and August 1997.[57] Hun Sen started informal relationship with Beijing for the past decades after the accident. In August 1997, China granted US$6 million in assistance to Cambodia to build hundreds of wells, and interior minister Sar Kheng visited China to discuss cooperation "on security issues", even though the outcome of those discussions were never made public. And a few days later, Hun Sen announced the Taiwanese representative office in Phnom Penh was being shut down, despite Taiwan being one of Cambodia's major investors.[58] Clearly, Chinese investment in Cambodia tripled from 1997 to 1998 and grew another 40% in 1999, making China a biggest source of foreign investment.[59]

Prior to the coup, on July 18, 1996, the second prime minister, Hun Sen visited Beijing heading a 31-member delegation of Cambodian People's Party.[60] During the

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[57] Sigfrido Burgos, Sophal Ear "China's Strategic Interests in Cambodia: Influence and Resources." Asian Survey 50, no. 3 (2010): 615–39.
[58] Asia Times "China-Cambodia: More than just friends?" Accessed February 21, 2018. http://www.atimes.com/atimes/Southeast_Asia/EI16Ae03.html.
[59] Phou Sambath "Cambodia-China Relation: Past, Present and Future." Royal University of Cambodia, http://www.ncku.edu.tw/cseas/98CSEAS/report%20SEA/CAM/cam11%20phou%20sambath.pdf (n.d.): 245–278.
[60] UPI "Cambodia's Hun Sen Arrives in China." accessed February 21, 2018,

next five days, he met with President Jiang Zemin and Premier Li Peng, signed a new agreement on trade and investment. China had justifiably reasoned that Hun Sen was the man it could do business with in Cambodia and intentionally had not invited FUNCINPEC party which was aligned with Cambodian People's party.[61] Chinese strategic interest is said to both oil which is resided underground throughout Cambodian territory and hydroelectric power over Mekong river.[62] An example of such movement: the government grasping huge power after China's cooperation commitment is not a peculiar case in Cambodia.

Sri Lanka experienced same situation when the country received the Tsunami damage in 2004. With this as a turning point, the number of Chinese aids and infrastructure projects skyrocketed. In December 2007, China finally completed reconstruction of the three fishery harbors: Panadura, Beruwela, and Kudawela, and handed over to Sri Lanka government.[63] After 2005, China enlarged its military supplies to the Sri Lankan military manifold, resulting in more than 60% of the equipment in the arsenals of the Sri Lankan Air Force and Army are of Chinese origin.[64] An order for Chinese radars is said to being routed through Lanka Logistics and Technologies Co Ltd owned by Sri Lanka's defense secretary, Gotabaya Rajapakse: a brother of then president Rajapakse.[65] This fact shows that China aimed at Rajapakses and intended to grow

https://www.upi.com/Archives/1996/07/18/Cambodias-Hun-Sen-arrives-in-China/5353837662400/.

[61] The Diplomat David Hutt Diplomat The, "How China Came to Dominate Cambodia." accessed February 21, 2018, https://thediplomat.com/2016/09/how-china-came-to-dominate-cambodia/.

[62] Sigfrido Burgos, Sophal Ear "China's Strategic Interests in Cambodia: Influence and Resources." Asian Survey 50, no. 3 (2010): 615–39. http://as.ucpress.edu/content/50/3/615.

[63] Relief Web "China Hands over Tsunami Projects to Sri Lanka." accessed February 27, 2018, https://reliefweb.int/report/sri-lanka/china-hands-over-tsunami-projects-sri-lanka.

[64] The Diplomat "China, India and the Sri Lanka Elections." accessed February 27, 2018, https://thediplomat.com/2015/01/china-india-and-the-sri-lanka-elections/.

[65] "Sri Lanka News | Chinese Arms, Radar for Sri Lanka Military," accessed February 27, 2018, http://www.lankanewspapers.com/2017/08/06/their-bonds-and-our-bonds/.

strategic connections with him before Tsunami in 2004. In December 2007, when the US was concerned about human rights violations of the Liberation Tigers of Tamil Elam (LTTE) and severely reduced the foreign assistance package for Sri Lanka, China instead filled the gap and increased aids of defense weapons massively.[66] Owing to best timing of China's aid, he was elected for the president in November 2005 and lasted two terms until January 2015. China took the monopoly position intervening into the politics of Rajapakse for his presidency. After ten years' reign, voters selected Maithripala Sirisena as a new president in January 2015, because they hated Rajapakse's corruption related with China and pursed a clean non-corrupted politics. China's influence was too huge that created anti-Chinese feeling for Sri Lankan people. However, this ex-president party won no fewer than 239 out of 340 contests at the local-council election held in February 2018.[67]

There is a sense of déjà vu in the recent Maldives project. This country adopted democracy newly in October 2008, when the first-ever presidential elections under a multi-candidate, multi-party system were held. However, current president Abdulla Yameen who won the 2013 elections has pursued to weaken democratic institutions, jail his political opponents, restrict the press, and exert control over the judiciary to strengthen his hold on power and limit dissent.[68] The tipping point of China-Maldives connection visited December 8, 2017 with Maldives agreeing with Free Trade Agreement (FTA) with China. At the same time, Maldives signed a Memorandum of

[66] The Diplomat Jeff M. Smith "China and Sri Lanka: Between a Dream and a Nightmare,", accessed February 27, 2018, https://thediplomat.com/2016/11/china-and-sri-lanka-between-a-dream-and-a-nightmare/.

[67] The Economist "In Sri Lanka, Local Elections Have Rattled the Government." February 17, 2018, https://www.economist.com/news/asia/21737082-it-still-has-crumbs-comfort-sri-lanka-local-elections-have-rattled-government.

[68] CIA "The World Factbook."

Understanding about the Maritime Silk Road and bilateral cooperation in the fields of health, tourism, and climate change.[69] This sudden FTA was rushed through Parliament on November 29 in a record one hour without debate and was signed faster than FTA with India which Yameen was committed to.[70] This haste is strategically aimed for the next election to be held early September 2018.[71] China seems implementing their scenarios at its best timing after careful and calculated waiting. Key period when China strengthening influence is proximity to political turmoil, event, and natural disaster.

Typical idea about democracy is that democratic transitions, such as when a country first introduces elections, typically generate instability and can trigger violence. But the more democratic a country is, the less likely it is to engage in conflict.[72]

The three countries cases also show that developing countries which adopted democracy recently are susceptible to an external power since the political leaders are easily tempted to alter the constitution or pass new laws to prolong and legitimatize their rule. The countries' economic level or opposition party's funds are so low that advanced foreign economies exercise preponderant power or gain advantage easily as demonstrated in Figure 16.

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[69] The Diplomat Sudha Ramachandran, "The China-Maldives Connection,", accessed February 27, 2018, https://thediplomat.com/2018/01/the-china-maldives-connection/.

[70] The Economic Times "Maldives-China FTA: India Breaks Its Silence." December 14, 2017, https://economictimes.indiatimes.com/news/economy/foreign-trade/maldives-china-fta-india-breaks-its-silence/articleshow/62072220.cms.

[71] Maldives Independent "Maldives Presidential Elections First Round to Be Held Early September." accessed February 27, 2018, http://maldivesindependent.com/politics/maldives-presidential-elections-first-round-to-be-held-early-september-136007.

[72] Washington Post "Opinion | Is Democracy Good for Peace?" September 15, 2017, sec. Democracy Post Opinion A column or article sectionhttps://www.washingtonpost.com/news/democracy-post/wp/2017/09/15/is-democracy-good-for-peace/.

	Cambodia	Sri Lanka	Maldives	Myanmar	Laos
System	Democracy	Democracy	Democracy	Semi-Democracy	One-party Socialism
Chinese influence enlarging trigger	July, 1997~ Cambodian Coup	December 26, 2004 Tsunami	December 2017~ China-Maldives FTA	August 2017~ Rohingya crisis	December 2016~ Construction of Laos-China railway strarted
Current Top	PM, Hun Sen 1/14/1985~	Maithripala Sirisena 1/9/2015~	Abdulla Yameen 11/17/2013~	Htin Kyaw 3/30/2016~	Bounnhang Vorachith 1/22/2016~
Next election	July 2018	2020	September 2018	2020	One-party state
Previous Top	Chan Sy 2/9/198- 12/26/1984	Mahinda Rajapaksa 11/19/2005- 1/9/2015	Mohammed Waheed Hassan 2/7/2012- 11/17/2013	Thein Sein 3/30/2011- 3/30/2016	Choummaly Sayasone 3/21/2006- 1/22/2016
Top Term length	Five years, no term limits	Five years, renewable once	Five years, renewable once	Five years, renewable once	Five years, no term limits

Figure16: Developing countries' political systems and trigger of China's influence[73]

On the other hand, Myanmar and Laos with the different political systems and long history as a neighboring country understandably accept huge influence from China. In Myanmar, Tatmadaw military group, reserving 25% of the seats in Parliament, has taken the comparatively consistent policy toward China. In Laos, the Lao People's Revolutionary Party basically follows the goal set every five years at the Central Committee. The new plan "Vision 2030" was proposed in January 2016 by the 10th Congress of the Lao People's Revolutionary Party.[74] They are now faithfully following this plan, which includes the construction and development of Laos-China Railways.

2.7 China's means and purposes in each country

China set the target countries and projects even before the official announcement of the BRI. The aim of the message was to bring national stake holders together to pave the way towards the same goal. The main purpose for China in becoming involved with its target countries is combined with its future interest such as energy and transportation

[73] CIA "The World Factbook."
[74] JETRO Asia Keizai Kenkyujo. Laos jinmin kakumeito daijukkai taikai to bijon 2030 [Lao People's Revolutionary Party, The 10th Party Congress and "Vision 2030"] Accessed February 27, 2018. http://www.ide.go.jp/Japanese/Publish/Download/Kidou/2016_laos.html.

systems to secure stable supply of energy. China becomes involved with its target country is by waiting for the best occasions (related to political turmoil, event, and natural disasters). Careful and calculated waiting to grasp the best moment is China's strategy. As Michael Pillsbury describes nine principal elements of Chinese strategy in his book, two elements below best fit these cases in Cambodia, Sri Lanka, and Maldives.[75]

3. ***Be patient—for decades, or longer—to achieve victory.*** During the Warring States period, decisive victories were never achieved quickly. Victory was sometimes achieved only after many decades of careful, calculated waiting. Today, China's leaders are more than happy to play the waiting game.
7. ***Never lose sight of* shi.** (Omitted). Two elements of *shi* are critical components of Chinese strategy: deceiving others into doing your bidding for you and waiting for the point of maximum opportunity to strike.

[75] Michael Pillsbury. The Hundred-Year Marathon: China's Secret Strategy to Replace America as the Global Superpower. Henry Holt and Co, 2015, 1st edition.

Chapter 3: CHINA'S DEVELOPMENT AND FINANCE POLICY

3.1 Introduction

Although China explains three aims of the BRI (1. solution of excess demand and excess labor, 2. responding to huge infrastructure demands, and 3. securing the stable energy), the energy-related investments have remained major even after the BRI proposal in 2013.[76] This chapter exemplifies Chinese development and finance policy based on the countries and projects.

On the side of developing countries, there are various reasons which tempt them to reach out to China. The most important reason is that China rarely interferes in internal affairs of these countries and never imposes funding conditionalities on human rights, democracy, and governance, whereas Western countries moved away from Sri Lanka and Myanmar because of human rights issues such as Tamils and Rohingya. Western donors hesitate to invest in high risk and large-scale infrastructure projects which are apparently not economically beneficial in the long term. Over the last decade, China has also accumulated an expert knowledge on construction and engineering. Their past record is credible specially for building ports, energy pipelines, and railways. For dictators in developing countries, they need short-term projects to appeal to local voters and at the same time obtain a certain amount of cash in their pockets. Instead of less contribution to local labors and economy, China is speedy to bring all the necessities: whole project plans, Chinese labors, materials, and money. This is the reason they are adopting "balancing-policies" between past partners and China; sometimes switching from old pals to China as an alternative funder. However, in the long term, donors fall into the huge Chinese debt

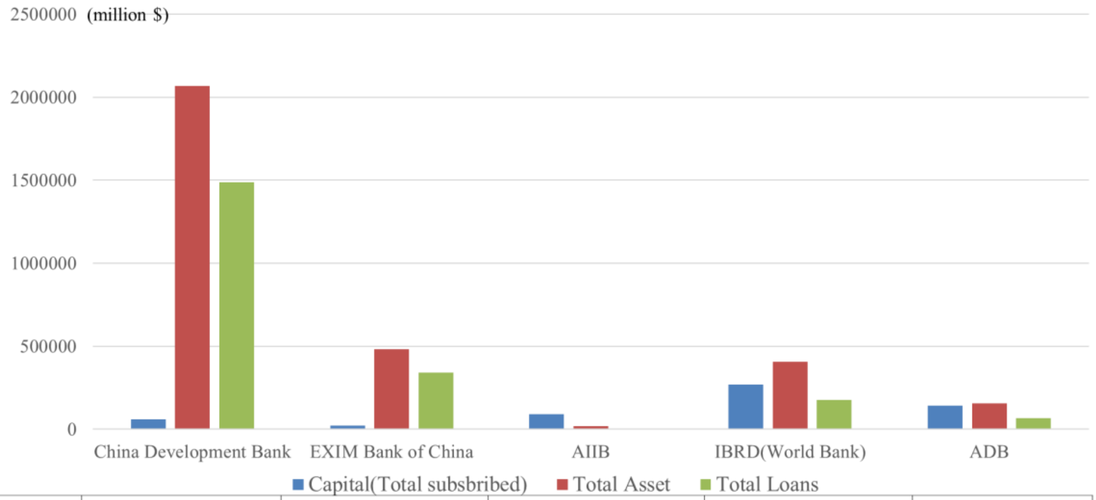
[76] Yiwei, Wang. The Belt and Road: What Will China Offer the World in Its Rise. Beijing: New World Press, 2016, 1st edition.

trap and lose other aiding bodies. In this Chapter, rational reasons for donors to choose China as a new partner and the aftermath of borrowing loans are examined.

3.2 Chinese way of development and finance policy

The AIIB was formally established in December 2015, and the Silk Road Fund with China's contribution of US$40 billion was announced in November 2014 in Beijing according to the state council of China.[77] These two new organizations for the BRI lack years of experience, innovative finance methods, and credibility. Moreover, their scale is limited compared with existing Chinese banks and international institutions at current stage as shown in Figure 17 (There is no annual report available about Silk Road Fund). For example, the approved finance by AIIB in its first year (2016) of operation was $1.73 billion including nine projects in Bangladesh, Tajikistan, Indonesia, Pakistan, Myanmar, Oman, and Azerbaijan.[78] In contrast, the total loans of China Development Bank (CDB) and EXIM Bank of China are $1,487 billion and $342 billion respectively.

[77] The State Council the People's Republic of China "AIIB, Silk Road Fund Crucial for Developing Countries in Asia: Cambodian Transport Minister." Accessed March 10, 2018.
[78] AIIB "Annual Report 2016."



Millions of USD	China Development Bank	EXIM Bank of China	AIIB	IBRD(World Bank)	ADB
Capital	60,699	21,614	90,327	268,937	142,699
Total Asset	2,066,268	480,454	17,795	405,898	156,666
Total Loans	1,486,765	342,352	1,730	177,422	67,547

Figure17: Sizes (Capital, Asset and Loans) of each financial institution

Note: Capital is total subscribed capital. 1USD=6.94Yuan (Rate of December 31th 2016) applies to the number of China Development Bank and EXIM Bank of China. Source: IBRD, Annual Report 2017. Other numbers, Annual Reports 2016.

Instead of featuring the AIIB and the Silk Road Fund, spotlighting on China CDB is worthwhile now because they created and sophisticated the Chinese development style with the following features: package proposal, speedy finance, and non-intervention policy. Even their businesses in Africa and Latin America have gathered much criticism by the western communities, their outstanding characteristics has intrigued certain countries. Dictatorship favors the short-term achievement which is clearly seen by residents in donor regions and tries to gain popularity. Around \$2,066 billion asset and \$1,487 billion loan of CDB is respectively 5.1 times and 8.4 times of IBRD. Why similar Chinese developments are favored in Sri Lanka, Myanmar, and Laos? How their methods are attractive enough? There are varieties of rational reasons behind them.

“China First Super Bank” written by Bloomberg news reporters fluent in Chinese is the first book widely covering CDB’s method of development. According to the book, as for the package proposal, one example is demonstrated in March 2011, CDB signed a deal with Congo that would improve Congo’s road and railway networks with mining, energy, agriculture, and manufacturing industry. The chairman of CDB from 1998 to 2013, Chen Yuan(陈元) mentions "package loans are aimed to balance cash flow and lessen identified risks, so as to make good projects better while remedying those requiring correction." This package also represents the speed of projects completion and returns from future economic growth. From oil companies to road construction firms, one country (China) can take lump-sum contracts all at once while no other western banks could offer such a package. Also providing basic infrastructure lays the foundation for the future growth.[79]

Furthermore, CDB conditions is less strict than IMF ones. IMF lending requires "quantitative performance criteria" and other fiscal and macroeconomic targets. On the other hand, CDB's loans directly go to Chinese contractors rather than the government and are secured by land and resources. On the flip side of these advantages undermine donor countries. Packaging many projects into one always needs land as collateral but counting on land to repay loan means that the costs of kicking people off must be kept lower than the market price. Therefore, the compensation fee is cheaper than the actual land price and original living cost, so officials deceive the locals and coerce them to move to new places.[80] These events similar as the exploitation of land by governments are easily conducted by dictatorial regimes. This idea is familiar with Sri Lanka, Myanmar, and Laos.

Another harmful aspect of the package is to kill the chance of growing domestic manufacturing and service industries. Of course, CDB as a policy bank tasked with carrying out the goals of China, is approaching further China's goals of securing energy

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[79] Henry Sanderson and Michael Forsythe, China's Superbank: Debt, Oil and Influence - How China Development Bank Is Rewriting the Rules of Finance, 1 edition (Singapore: Bloomberg Press, 2013).

[80] Sanderson and Forsythe.

supplies through the deal. Plus, since so much of the earnings of the loans is allotted to buy Chinese manufacturing goods and services from Huawei phones to CITIC-built railroads. CDB foster globally competitive multinationals and push them win market shares oversea.[81] Developing countries embrace risk of oppressing normal citizens living in the development site and are deprive of the potential businesses. In summary, not only Western and Chinese attitude for the development and finance but also their financial scheme and ability makes a difference for developing countries.

3.3 The Chinese Fund vs the World Bank Fund

There are two main lending arms in the World Bank: International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD). IDA typically provides grants or lend to low-income governments with a zero or very low interest rate, while IBRD lends to middle-income governments as well as some creditworthy low-income countries. In the fiscal year ending June 30, 2017, IDA commitments totaled $19.5 billion, of which 17% was provided on grant terms. New commitments in FY17 comprised 261 new operations.[82] As stated by IDA borrowing countries definition, the line between low-income and middle-income in fiscal year 2018 is $1,165 as GNI per capita. Even though per capita GDP of Sri Lanka, Myanmar and Laos is $3,835, $1,190 and $2,150 respectively, Myanmar and Laos are currently eligible to receive IDA resources with the annotation "Borrowing on blend terms: countries that access IDA financing only on blend credit terms." Sri Lanka is mentioned as "Sri Lanka graduated from IDA at the end of FY17 but will receive transitional support on an

[81] Ibid.
[82] The World Bank "What Is IDA?," International Development Association, December 23, 2015, http://ida.worldbank.org/about/what-ida.

exceptional basis through the IDA18 period (FY18-20)."[83] The graduation of low-income to the status of a middle-income country with a per capita income of over US$1,165 has shrunk World Bank attractiveness and comparatively bulged the way to Chinese finance. For example, according to IDA terms effective as of January 1, 2018, blend credit terms applicable to Myanmar and Laos are demonstrated in Figure 18.[84] Blend conditions imposing higher interest rate as 6.8% for more than 25 years term compare to regular terms as 3.125%. This hike up causes a big temptation for lenders to switch from the World Bank to China according to project types.

	Maturity	Grace Period	Principal Repayments		Acceleration Clause
Grants	NA	NA	NA	NA	NA
Small Economy	40	10	2% for yrs. 11-20	4% for yrs. 21-40	Yes
Regular	38	6	3.125% for yrs. 7-38		Yes
Blend	30	5	3.3% for yrs. 6-25	6.8% for yrs. 26-30	Yes
Guarantees	NA	NA	NA	NA	NA
Non-concessional Financing (IDA18 Scale-up Facility & Transitional Support)	Up to 35 yrs. maximum maturity; up to 20 yrs. average maturity		Flexible		NA

Figure18: IDA Lending Terms Effective as of January 1, 2018

3.4 Sri Lanka example from graduating World Bank into Chinese Fund

Sri Lanka is the best example to see how they have diversified funding sources as a graduating IDA country. Sri Lanka graduated to the middle-income status with per capita GNP of US$2,923 in 2012, just three years after the end of the civil war.[85] In "Foreign Financing Commitments" in Sri Lanka Ministry of Finance Annual Report 2012,

[83] The World Bank "Borrowing Countries," International Development Association, December 29, 2015, http://ida.worldbank.org/about/borrowing-countries.
[84] The World Bank "IDA Lending Terms," International Development Association, January 29, 2016, http://ida.worldbank.org/financing/ida-lending-terms.
[85] International Alert "Dynamics and Trends of Foreign Aid in Sri Lanka." accessed March 11, 2018, http://www.international-alert.org/publications/dynamics-and-trends-foreign-aid-sri-lanka.

it discusses the effects of the huge change of their financial situation,

> The composition of foreign financing has changed significantly during the past few years since the country graduated to a middle income economy. The amount of concessionary loans in the annual loan portfolio has declined gradually from US$ 2,615 mn in 2006 to US$ 1,475 mn in 2012 while non-concessional financing has increased from US$ 260 mn to US$ 1,677 mn during the same period.

The chance of utilizing concessional financing was closed and the government began considering the various non-concessional borrowing options.[86] Instead of European donors' concessionary loans, the government must resort to export-import banks with the market interest rates. Concessional funding from the ADB and the IDA is also on the decline.[87] The World Bank checks the Sri Lanka's economy, realigning public spending and policy in line with Sri Lanka's middle-income status, and mainly finances the areas of micro, small and medium enterprises development, public private partnerships, tourism, and tertiary education (skills and higher education), and facilitates improvement of the business environment, with a focus on attracting more FDI.[88]

This restricted opportunity leads Sri Lanka to explore other borrowing opportunities without such conditions and reduces the level of engagement with traditional donors. In such an external environment, China has become the biggest crucial donor, lender and an investor since 2012 as shown in Figure 8.

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[86] Ministry of Finance Sri Lanka "Annual Reports - HOME." Accessed March 11, 2018. http://www.treasury.gov.lk/web/guest/publications/annual-report.
[87] "Dynamics and Trends of Foreign Aid in Sri Lanka."
[88] The World Bank "Sri Lanka: Transforming into a Middle Income Country." accessed March 11, 2018, http://www.worldbank.org/en/results/2014/04/16/sri-lanka-transforming-middle-income-country.

3.5 The Chinese debt trap

When the return on a certain infrastructure project investment is preferable, it brings the positive impact to donor countries, leads to economic growth, and returns the debt without difficulty. However, large borrowing for an unproductive project leaves a country in a state with too much debt, which will obstruct sound future investments. This situation would create an unfavorable degree of dependency on creditors. There is a timeline from a projects-based debt to a nation-level accumulating debt. The initial stage of the Chinese debt trap tended to start from a high interest rate compared to donor countries' economic growth or a huge project loan compared to their economic level. Looking through the cases of Sri Lanka and Pakistan in 2016, they graduated from IDA and now borrow from IBRD with their per capita GDP: $3,850 and $1,500 each as demonstrated in Figure 19. Following the nature of their economy, as the economy becomes bigger, the economic growth rate goes smaller. The growth rate of Sri Lanka and Pakistan is 4.4% and 4.7%. Considering their GDP, their debt to China accounts for a small portion of the GDP: 4.7% and 2.3%. However, each project's interest rate is higher than each economic growth rate (i.e. 6.3% for Hambantota port project and 8% for China–Pakistan Economic Corridor (CPEC) project).

Year 2016	Sri Lanka	Pakistan	Myanmar	Laos
Status	Lower middle-income Borrowing from IBRD	Lower middle-income Borrowing from IBRD	Lower middle-income Borrowing on IDA blend terms	Lower middle-income Borrowing on IDA blend terms
GDP	$81.3 billion	$278.9 billion	$63.2 billion	$15.8 billion
Debt (USD billions) and % of GDP	Debt to China:3.85(4.7%) BRI lending:2.136(2.6%)	Debt to China:6.329(2.3%) BRI lending:40.021(14.3%)	Debt to China:3.956(6.3%) BRI lending: N/A	Debt to China:4.186 (26.5%) BRI lending:5.471 (34.6%)
Per Capita GNP	$3,850	$1,500	$1,190	$2,150
Population	21.2 million	193.2 million	52.9 million	6.8 million
Growth rate	4.4%	4.7%	6.5%	7.0%
Projects	Hambantota port=6.3% WB, ADB=0.25~3%	CPEC=8% WB, ADB=1.6%	Sitwee port=over 6% WB, ADB=0.1~3%	Railway projects=2.3% interest with a 5-year grace period and 35-year maturity
WB Commitments (USD millions)	2012:324, 2013:200, 2014:543, 2015:215, 2016:412, 2017:350	2012:1790 2013:744, 2014:2098, 2015:1351, 2016:2280, 2017:1126	2013:520, 2014:282, 2015:700, 2016:400, 2017:616	2012:35 2013:71, 2014:103, 2015:83, 2016:30, 2017:64

Figure19: Each country's economic and borrowing status

Note: WB is abbreviation of the World Bank.
Source: Debt to China and BRI lending of Sri Lanka, Laos and Pakistan cite from "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."[89] The data of Myanmar cites from a different source.[90] About Projects, the Sri Lanka number cites from an article[91], the Myanmar from another[92], the Laos from another[93] and the Pakistan from another.[94]

The paper "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective"[95] analyses national-level debts and identifies the 8 BRI countries at "particular risk of debt distress". The one of the 8 countries, Laos is referred to as

> The $6 billion cost for the railway represents almost half the country's GDP, and although Lao Ministry of Finance officials stress that the government will not guarantee the vast majority of the financing from China Exim Bank, the Laotian government will be under considerable pressure to cover any losses.[96]

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89 "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."
90 The Myanmar Times "Government to Repay Debt of US$600 Million in 2017-18." accessed March 8, 2018, https://www.mmtimes.com/business/26773-government-to-repay-debt-of-us-600-million-in-2017-18.html.
91 Tommy Tan, "Cambodia, Sri Lanka and the China Debt Trap," East Asia Forum (blog), March 17, 2017, http://www.eastasiaforum.org/2017/03/18/cambodia-sri-lanka-and-the-china-debt-trap/.
92 The Economic Times "China Effect? Myanmar Too Facing a Debt Crisis." May 12, 2017, https://economictimes.indiatimes.com/news/international/world-news/china-effect-myanmar-too-facing-a-debt-crisis/articleshow/58634899.cms.
93 Nikkei Asian Review "Land-Locked Laos on Track for Controversial China Rail Link." accessed April 3, 2018, https://asia.nikkei.com/Politics-Economy/International-Relations/Land-locked-Laos-on-track-for-controversial-China-rail-link.
94 Global Risk Insights "China's Belt and Road Initiative: Regional Outlooks for 2018." January 31, 2018, https://globalriskinsights.com/2018/01/chinas-belt-and-road-initiative-regional-outlooks-for-2018/.
95 "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."
96 "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."

External debt of Laos to China as is apparently large, taking the country's economy into scale and the record of the World Bank commitments as shown in Figure 19. The small economy with 7.0% economic growth rate would struggle with returning the 2.3% interest rate of the huge debt. Myanmar seems stable and balanced from the information in the Figure.

As many media highlight, the interest rate from China is higher than the World Bank and the ADB. Although the financial terms for many elements of the project remain a secret, in Myanmar, the general Chinese loan is 4.5%, other sources are 1.8%, and the international organizations' is around 0%.[97] The case of Sitwee port has an interest rate of over 6% from China and 0.1~0.3% from other organizations. Those comparisons among Sri Lanka, Myanmar, and Pakistan can be seen in the Figure. China's role in managing bilateral debt problems has already worsened internal and bilateral tensions in Sri Lanka. Citizens there have regularly clashed with police over a huge new industrial zone nearby Hambantota port.[98] The borrowing countries would fall into the same situation of Sri Lanka. They are saddled with onerous debt that it cannot repay on time, rendering it more vulnerable to China's influence and control, and finally prostituting a part of their sovereignty.

[97] The Myanmar Times "Myanmar Should Renegotiate Expensive Loans from China." accessed March 28, 2018, https://www.mmtimes.com/business/26789-myanmar-should-renegotiate-expensive-loans-from-china.html.
[98] Reuters "China's 'Silk Road' Push Stirs Resentment and Protest in Sri Lanka." February 2, 2017, https://www.reuters.com/article/us-sri-lanka-china-insight/chinas-silk-road-push-stirs-resentment-and-protest-in-sri-lanka-idUSKBN15G5UT.

Chapter 4: CHINA'S BRI PROJECTS IN SRI LANKA

4.1 Methodology

There is little information available about the current progress of the Belt and Road initiative on the Chinese official website: The State Council, The Belt and Road Initiative. On the other hand, some English websites offer useful information about Chinese oversea financing such as the College of William and Mary's AidData research lab, the Center for Strategic and International Studies' Reconnecting Asia project and American Enterprise Institute's China Global Investment Tracker. Those projects adopt the same method of collect project information from open primary sources.

I have adopted a mixed methodology for this section and my findings rely on primary source and secondary source. As primary source I conducted semi-structured interviews with a convenience sample of personnel on sites. My aim in conducting interviews with these personnel was to obtain their perspectives and feeling behind Chinese funding of these projects. Media tends to ignore rational view of local people and judge failure of projects. Success or failure of each projects should be defined not only by the returning rate of benefits and new employment creations but also the local peoples' feeling toward the projects.

There are many ongoing and completed Chinese projects in Sri Lanka, Myanmar, and Laos. In this section, only representative examples: Hambantota Sea Port in Sri Lanka, Gas and Oil pipeline project in Myanmar and Railway project in Laos, are presented.

4.2 China's and Sri Lanka's intention of building Hambantota project

China's intention is analyzed in section 2.2 and 2.7 as securing the strategic location in the maritime road to protect stable supply of energy and goods.

In contrast, Sri Lanka's motivation is described in *Mahinda Chinthana*, which is a vision for a new Sri Lanka, including the social, political, and economic ten-year development agenda of the Rajapaksa government. The vision of Sri Lanka as a dynamic global hub is declared by Rajapaksa, who said,

> "My determination therefore, is to transform Sri Lanka to be the Pearl of the Asian Silk Route once again, in modern terms. Using our strategic geographical location effectively. I will develop our Motherland as a Naval, Aviation, Commercial, Energy and Knowledge hub, serving as a key link between the East and West."[99]

At this point, China and Sri Lanka's needs and demands match. Based on this goal, Sri Lanka is attaining this vision through fueling financing and development competition among China, India and Japan. As a matter of fact, Sri Lanka originally set the high goal of Hambantota Port as below.

Hambantota Port (three out of five points)

- (Omitted)
- The new Hambantota Port is located within 10 nautical miles from the world's biggest Silk Route shipping lane. Around 70,000 – 80,000 vessels annually, or around 200 vessels daily, sail past Hambantota.
- With the functioning of the Hambantota Port, it is very likely that over 10,000 vessels will dock at the new Port, annually, thereby generating around Rs. 50 billion in foreign exchange. Further, since this port is expected to operate as a free port, it is also possible

[99] Mahinda Chinthana -Vision for the Future http://www.asiantribune.com/sites/asiantribune.com/files/Mahinda_Chinthana.pdf. Accessed March 29, 2018.

that the actual income earned from its operations could even be double such amount.

• (Omitted)

• The geographical zones that will benefit from this development will positively touch many difficult areas including Hambantota, Tanamalvila and Embilipitiya, and such developments will change forever, the life styles of those living in those areas.

When I visited the site in January 4, 2018, a custom officer working inside the port mentioned, “There is no ship coming today (1/4) and one ship came yesterday (1/3) loading off seventy-seven Chinese cars on record, but I saw more cars than that. There is no Chinese car demand in Hambantota and all those cars are just for transshipment going elsewhere.” The goal of meeting 200 vessels daily seems a high hurdle looking at the reality now.

4.3 Economic impacts of Chinese financed projects in Southern province

Media information discusses only the narrow site of the Hambantota Sea Port and viewers assume the rest of Hambantota is developed as well. Sri Lanka consists of nine administrative provinces as demonstrated in Appendix A and Hambantota belongs to the Southern province where ex-president Mahinda Rajapaksa was born. Population of the administrative capital Galle, the second largest city Matara, and the third largest city Hambantota is respectively 1.1 million, 851 thousand, and 647 thousand in 2017.[100] Matara is the last stop of the train from Colombo via Galle, so Hambantota is a segregated railway network even after numerous projects proceeded. Hearing from a local old man living in the Hambantota village for more than thirty years, I learned that “bus and car

[100] Department of Census and Statistics Sri Lanka “Population and Housing.” Accessed March 30, 2018. http://www.statistics.gov.lk/page.asp?page=Population%20and%20Housing.

access from Matara takes more time after the port construction - originally the road which took 3 minutes to the village must now take a 15-minute detour. The port is only an obstacle for local villagers and does not benefit the local economy."

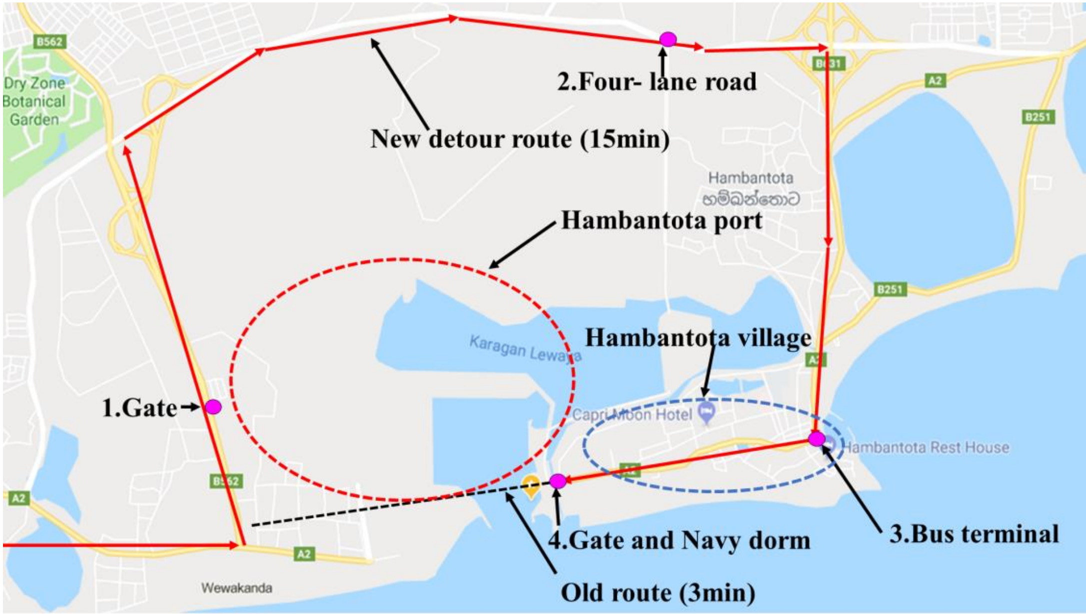

Figure20: Route map of Hambantota area

Photo1: Gate (January 3, 2018)


Left Photo2: Four-lane road, Right Photo3: Bus terminal (January 3, 2018)

Photo4: Gate (January 4, 2018)

The Hambantota Port construction began in January 2008 and the GDP growth of the Southern Province in 2008 was 23.1%. However, in 2016 their GDP share shrank from 10.5% to 10.1% as well as in the Western Province, which is the bigger economy. Although the GDP growth rate of the Southern Province in 2015 and 2016 is above 7.0%, all the local people said, “China procures all the construction materials and labor from China and nothing changes in the local economy. Four-lane beautiful highways do not improve the life of locals.” (Photo2) The Rajapaksa projects in Southern - the Magampura Mahinda Rajapaksa Port, Mahinda Rajapaksa International Cricket Stadium, Magam Ruhunupua International Conference Hall, the Mahinda Rajapaksa National Tele Cinema Park, and Mattala Rajapaksa International Airport - has ended up bringing a lesser economic impact to the local communities.[101]

Item/Province	Year	Western	Central	**Southern**	Northern	Eastern	North Western	North Central	Uva	Sabaragamuwa	Sri Lanka
Population (thousand)	2012	5,851	2,572	**2,477**	1,061	1,556	2,381	1,267	1,266	1,929	20,359
GDP (Rs, Bn)	2008	2003	431	**465**	139	246	439	207	200	281	4,411
	2009	2178	465	**492**	159	281	495	232	220	303	4,825
	2015	4,365	1,161	**1,106**	452	625	1,163	644	611	825	10,952
	2106	4,697	1,248	**1,190**	495	681	1,262	687	687	892	11,839
GDP Growth(%)	2008	20.4	25.2	**23.1**	33.4	32.9	24	45	13.1	22	23.2
	2009	8.7	8.1	**5.9**	14.1	14.0	12.8	12.1	10.0	7.8	9.4
	2015	1.6	6.6	**7.0**	11.1	10.0	4.5	14.7	8.6	12.7	5.7
	2106	7.6	7.5	**7.6**	9.5	8.9	8.5	6.7	12.4	8.2	8.1
GDP Share(%)	2008	45.4	9.8	**10.5**	3.2	5.6	9.9	4.7	4.5	6.4	100
	2009	45.1	9.6	**10.2**	3.3	5.8	10.3	4.8	4.6	6.3	100
	2015	39.9	10.5	**10.1**	4.1	5.7	10.6	5.9	5.6	7.5	100
	2106	39.7	10.6	**10.1**	4.2	5.7	10.7	5.8	5.8	7.5	100
Per capita income (Rs. '000)	2008	348	164	**190**	119	163	191	171	155	148	218
	2009	375	175	**199**	134	183	213	189	168	157	236
	2015	733	437	**433**	413	387	475	491	464	415	522
	2106	779	464	**461**	447	414	510	516	515	444	558

Figure21: Provincial GDP in 2008-2009 and 2015-2016

Source: Provincial Gross Domestic Product 2008-2009 and 2015-2016 cites from the Statistics Department of Central Bank of Sri Lanka. Population cites from the Department of Census and Statistics.

4.4 Financing structure of Hambantota project

A historical agreement was signed on July 29, 2017 when Sri Lanka and China signed the Hambantota Port Concession Agreement that allowed China to lease the port for 99 years. A massive loan of $8 billion with a 6.3% interest rate made Sri Lanka decide to use the Debt Equity Swap (method of converting loans into equity). As a result, 69.55% (originally 80%) of the stock is held by China. After 10 years, Sri Lanka can buy another 20% of the shares, making the two companies equal partners (China: 49.55%, Sri Lanka: 50.55%) as shown in Figure 19.[102]

[101] The Sunday Leader "Hambantota White Projects Eat Up Economy." accessed March 28, 2018, http://www.thesundayleader.lk/2015/06/28/hambantota-white-projects-eat-up-economy/.

[102] Institute for Defence Studies and Analyses "New Hambantota Port Deal: China Consolidates Its Stakes in Sri Lanka." accessed February 1, 2018, https://idsa.in/idsacomments/new-hambantota-port-deal-china-consolidates-its-stakes-in-sri-lanka_sspattanaik_140817.

China's financial cooperation for Hambantota Seaport		
Time line	・Hambantota development was agreed on 3/2007. ・Construction began 1/2008. ・The first phase of the port was open 11/18/2010.	
Project Finance	85% of Phase 1 (Total $361 million) was funded by the EXIM Bank of China	
Capital share	China Merchant Port Holding(CM Port) 69.55%	Sri Lanka Port Authority(SLPA) 30.45%
Repayment obligation	In 10 years, SLPA will purchase 20% stock and own 50.45%(CM Port49.55%)	
Extra	・Sri Lanka was indebted to China for $8 billion with 6.3% interest rate. ・First, Sri Lanka used DBS(Debt Equity Swap) and sold 80% of the port stock to China with $1.12 billion and lease the port to CM port for 99 years. ・"Hambantota Port Concession Agreement" was signed 7/29/2017 and reduce the stock of the Port to CM Port from 80% to 69.55%.	

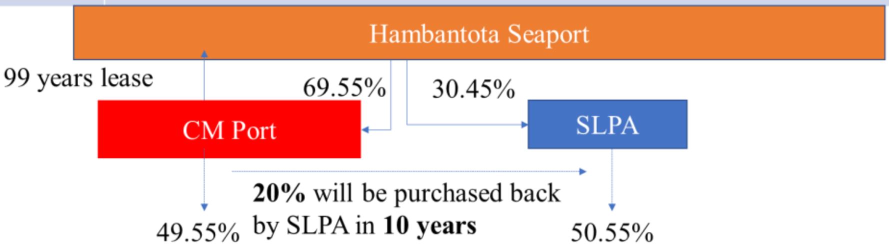

Figure 22: Financing structure of Hambantota Port

An interesting effort and trick which China used to disguise their control over the port is shown in the China Merchant(CM) Port's disclosure. Strangely, there are two similar special vehicle companies (SVC): Hambantota International Port Services Company (HIPS) and Hambantota International Port Group Company (HIPG), which seem to be owned by China and Sri Lanka respectively at first glance. However, CM Port holds part of the stock of the Sri Lanka company and virtually obtains the majority of both companies. Detailed information is demonstrated in Figure 20. This fact tells us that Chinese companies care about the local public's fear of Chinese domination.

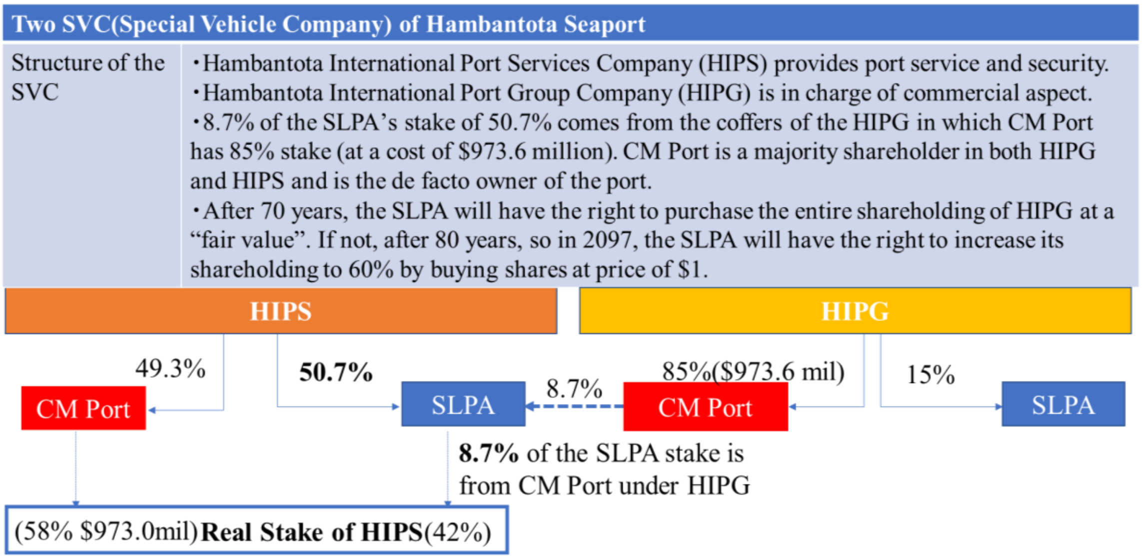

Figure 23: Financing structure of two SVC of Hambantota Port

4.5 Local peoples' sentiments for the Project

There exists neither appreciable nor hostile sentiments of local people in Hambantota village. In response to my question, a navy commanding officer in the port responded,

> There are 1,500 Chinese working inside. There is no interaction between locals and Chinese laborers in Hambantota because the blue collar workers must save money and their daily life is completed inside the port which only allows Chinese laborers, Sri Lankan navy and custom staffs to enter. They don't need to go outside. They will be relocated to different places after 3-4 months. People in Hambantota only see engineers and technicians when they come to Chinese restaurants on Friday and the weekends. The locals image of the Chinese workers is neutral.

I asked a fisherman near a fish market and he answered in the same way adding "There is no benefit to locals, because they bring all the labor and material from China." From those stories, the level of interactions between locals and Chinese seems to be almost zero because they don't often see Chinese workers, but I was misrecognized as Chinese all the time because they know about the Chinese project. A sudden rush of Chinese workers and their high mobility affects local peoples' sentiments. The case of Pakistan represents this phenomenon. A representative project from China, China-Pakistan Economic Corridor, is expected to triple the expatriate population and the number of residents to 60,000 from 2013. Most of them live in Karachi, Islamabad, and Lahore.[103] In Islamabad, over the past year massage parlors have increased in posh parts of town. Chinese women are starting to walk about the conservative capital in short skirts and shorts and local people are resentful, feeling their Muslim culture being intruded on.[104] Chinese investment, labor, goods and facilities are a normal package. However, Hambantota Port presents a rare case with relatively neutral sentiments of locals toward Chinese workers because the laborers do not frequently move outside the seaport.

4.6 Benefit for Sri Lanka

Hambantota was a useless rural area before the project. Now, thanks to China, the media talks about it and western countries pay attention to the next movement of China. India and Japan formed an alliance as a counter measure to China. Japan made a commitment to extend two yen currency based loans totaling approximately 45 billion yen for the expansion of water supply and basic infrastructure development in the former conflict-affected areas as well as granted aid of one billion yen for the enhancement of Trincomalee Port in the Japan-Sri Lanka Summit Meeting on April 12, 2018.[105] At a nation level, Sri Lankan Hambantota Port shows the best example of making the most of a geopolitical location, counter-balancing multiple countries, and benefiting out of it.

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[103] Subohi, Afshan. "Chinese Influence Outpaces Influx." DAWN.COM, January 22, 2018. https://www.dawn.com/news/1384511.

[104] The Economist "Massive Chinese Investment Is a Boon for Pakistan." September 9, 2017, https://www.economist.com/news/asia/21728619-china-pakistan-economic-corridor-project-carries-risks-massive-chinese-investment-boon.

[105] Ministry of Foreign Affairs of Japan "Japan-Sri Lanka Summit Meeting." accessed April 18, 2018, http://www.mofa.go.jp/s_sa/sw/lk/page4e_000597.html.

Chapter 5: CHINA'S BRI PROJECTS IN MYANMAR

5.1 History of Myanmar-China pipeline

"Malacca dilemma" is a key term when understanding the history of the Myanmar China pipeline. This term shows energy vulnerability of China in the Strait of Malacca where the US Navy could substantially stop more than 80% of the China's imported oil passing by in a possible future conflict. In 1993, since China fell into a net oil importer, they adopted a new strategy of diversifying its energy sources as well as reducing over-reliance on the Strait. This anxiety was revived in the Second Iraq War in 2003 when China felt conscious of Middle East energy risk and the US military power. Thereafter, the idea of the Kra Canal (The project of opening up of the Kra Canal by cutting across the Thai Isthmus) was proposed by Thailand in 2004, which rose heated discussions in China. China turned into an importer of liquified natural gas (LNG) in 2006 due to the rapid increase in consumption.[106] Given the potential risks beyond China's control, natural gas and crude oil piped through Myanmar are considered a means to ameliorate such energy security situations.[107]

Yunnan province actively promoted the idea of the Myanmar-China energy pipeline proposed by the Yunnan University scholars with the China National Petroleum Corporation (CNPC). Due to the endeavors of Yunnan province and the scholars, the proposal was quickly pushed to the central decision level in August 2004. Under the instruction of the National Development and Reform Commission (NDRC), CNPC began to research the feasibility of the Myanmar-China energy pipeline beginning in

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[106] IEA "Natural Gas in China Market evolution and strategy" Nobuyuki Higashi June 2009 https://www.iea.org/publications/freepublications/publication/nat_gas_china.pdf.

[107] Liu, Dawei, Kensuke Yamaguchi, and Hisashi Yoshikawa. "Understanding the Motivations behind the Myanmar-China Energy Pipeline: Multiple Streams and Energy Politics in China." Energy Policy 107 (August 1, 2017): 403–12. https://doi.org/10.1016/j.enpol.2017.05.005.

2005. Finally, in April 2016, NDRC admitted and incorporated it into 11th Five Year Plan.[108] In the meantime, the idea of the Myanmar-China energy pipeline also received an active response from the Myanmar side. In October 2006, the two countries reached a consensus on the cooperation of oil and gas pipeline. After a long discussion of the project details, in March 2009, both countries signed an agreement to construct the crude oil and natural gas pipelines.[109]

5.2 China's and Myanmar's intention of building Myanmar-China pipeline

The Chinese central government intends to lower its dependency on the Strait of Malacca and stabilize the energy supply. Yunnan province aims to lower the energy price, which has been most expensive in China, and promote the oil refinery industry and chemical manufacturing plants. The gas pipeline was put into operation in July 2013 after the Kazakhstan-China crude oil pipeline, Central Asia-China gas pipeline, and Russia-China crude oil pipeline.[110] The oil pipeline started in April 2017.[111] The project was planned to be US$ 2.54 billion ($1.5 billion for the gas and $1.04 billion for the oil). But experts predict that the total cost of the project may amount to US$ 5 billion ($2.55 billion for the gas and $2.45 billion for the oil) after adding the costs of constructing certain facilities and the maintenance costs.[112] The oil pipeline was also criticized for not helping to ease the "Malacca dilemma"; the amount imported through

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Liu, Yamaguchi, and Yoshikawa.

[108] Rui Aoyama. Chugoku no Asia gaiko [Chinese Asia diplomacy] Tōkyō-to Meguro-ku: Tokyo daigaku shuppankai, 2013.

[109] Liu, Yamaguchi, and Yoshikawa, "Understanding the Motivations behind the Myanmar-China Energy Pipeline."

[110] Ibid.

[111] CNPC "Myanmar-China Crude Pipeline Officially Put into Operation," accessed March 31, 2018, http://www.cnpc.com.cn/en/nr2017/201704/fb3ec32752134be884529e5523c0e80d.shtml.

[112] Caijing "Commercial Outlook for China-Myanmar Pipeline Bleak." accessed March 31, 2018, http://english.caijing.com.cn/2013-06-18/112920308.html.

the pipeline is relatively small compared with China's total import volume. There is a prediction that by 2030, oil imported through pipelines from Russia, Central-Asia and Myanmar will compose of around 10% of China's imports, of which the Myanmar-China oil pipeline will contribute only about 3.5% of total imports and natural gas about 5%.[113] Chinese experts are anxious about uncertainties in Myanmar's domestic situation as well. In short, there is asymmetric structure between dependency of China on Myanmar and vice versa. For China, Myanmar is only one part of the energy risk diversification.

On the other hand, this project brings direct benefit to Myanmar. Myanmar has directly obtained a road right fee of US$13.81 million from both gas and oil pipeline projects annually, plus a transit fee of $1 per ton of crude oil under a 30-year concession agreement. The crude oil pipeline is designed to transmit 22 million tons of crude oil annually.[114] Therefore, the annual maximum income of transit fee would amount to $22 million. A senior energy researcher at Wood Mackenzie proposed the following optimistic view for the long run: "It might get a small amount of oil and some revenue from oil storage and pipeline tariff fees, while experience from China in building energy infrastructure would be a boon later."[115] However, the continued energy infrastructure projects cannot remain in Myanmar without China due to different cultures and lifestyles. Chinese companies cannot find enough qualified local workers to get involved in these projects. The job opportunities and direct benefits that accrue to the local people from

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113 Odgaard and Delman, "China's Energy Security and Its Challenges towards 2035."

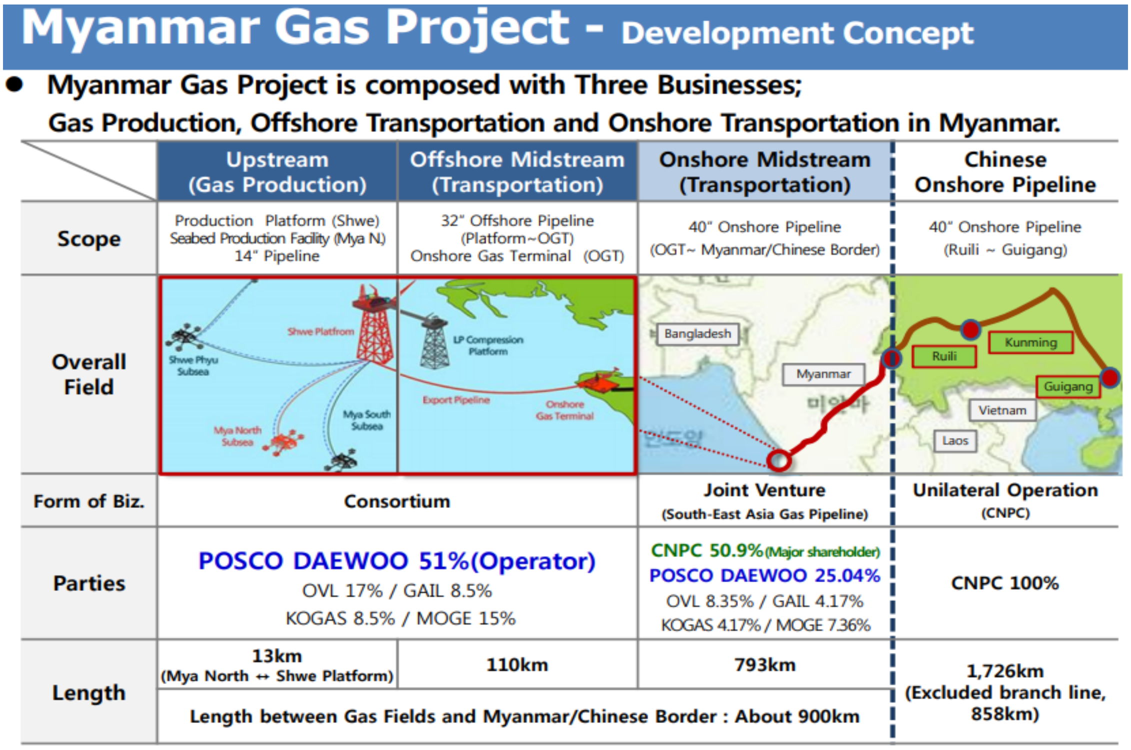
114 The Myanmar Times "Myanmar and China Sign Crude Oil Pipeline Agreement." accessed April 1, 2018, https://www.mmtimes.com/national-news/25676-myanmar-and-china-sign-crude-oil-pipeline-agreement.html.

115 South China Morning Post "Myanmar Pipeline Gives China Faster Supply of Oil from Mid-East." April 12, 2017, http://www.scmp.com/news/china/economy/article/2086837/myanmar-pipeline-gives-china-faster-supply-oil-middle-east.

Chinese companies are limited.[116] Therefore, there is less benefit to Myanmar in either the short or long run.

5.3 Financing structure of Myanmar-China pipeline

The 793km gas pipeline and the 771km oil pipeline started operation in July 2013 and April 2017 respectively. According to an official from CNPC (the constructor of both pipelines), "The pipeline is jointly invested and constructed by CNPC and Myanmar Oil and Gas Enterprise (MOGE), with each holding a 50.95% and 49.1% stake."[117] However, IR Material April 2017 of POSCO DAEWOO offers more precise information shown in the Figure 22.



Myanmar Gas Project - Development Concept

- Myanmar Gas Project is composed with Three Businesses; Gas Production, Offshore Transportation and Onshore Transportation in Myanmar.

	Upstream (Gas Production)	Offshore Midstream (Transportation)	Onshore Midstream (Transportation)	Chinese Onshore Pipeline
Scope	Production Platform (Shwe) Seabed Production Facility (Mya N.) 14" Pipeline	32" Offshore Pipeline (Platform~OGT) Onshore Gas Terminal (OGT)	40" Onshore Pipeline (OGT~ Myanmar/Chinese Border)	40" Onshore Pipeline (Ruili ~ Guigang)
Overall Field				
Form of Biz.	Consortium		Joint Venture (South-East Asia Gas Pipeline)	Unilateral Operation (CNPC)
Parties	POSCO DAEWOO 51%(Operator) OVL 17% / GAIL 8.5% KOGAS 8.5% / MOGE 15%		CNPC 50.9%(Major shareholder) POSCO DAEWOO 25.04% OVL 8.35% / GAIL 4.17% KOGAS 4.17% / MOGE 7.36%	CNPC 100%
Length	13km (Mya North ↔ Shwe Platform)	110km	793km	1,726km (Excluded branch line, 858km)
	Length between Gas Fields and Myanmar/Chinese Border : About 900km			

Figure 24: Myanmar Gas Project by POSCO DAEWOO, IR Material April 2017

[116] Hong, Zhao. "China–Myanmar Energy Cooperation and Its Regional Implications," Journal of Current Southeast Asian Affairs, Vol 30, No 4, 2011. https://journals.sub.uni-hamburg.de/giga/jsaa/article/view/502
[117] "Myanmar-China Crude Pipeline Officially Put into Operation."

Based on this material, the actual capital share is CNPC 50.9% and remaining share 49.1% can be broken down into POSCO DAEWOO 25.04%, OVL 8.35%, GAIL 4.17%, KOGAS4.17%, and MOGE7.36% shown in the Figure22.

Financing structure of Myanmar-China Gas pipeline		
Time line	・FS began in 2004. ・Agree in 3/2009. ・Construction began on 10/31/2009 and was completed on 10/21/2013. ・PetroChina signed a deal with Myanmar's Government to purchase natural gas over a 30-year period 12/2015. ・The length of pipeline is 793km	
Project Finance	China National Petroleum Corporation (CNPC)($ 1.04 billion gas pipeline)	
Capital share	CNPC 50.9%	POSCO DAEWOO 25.04%,OVL 8.35%,GAIL 4.17%,KOGAS4.17%, MOGE7.36%
Extra	Myanmar charges an annual transit fee of 13.81 million dollars in addition to the one dollar it collects for every ton of oil transported.	

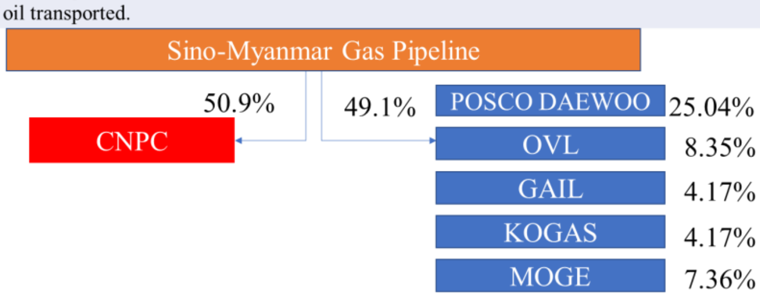


Figure 25: Financing structure of Myanmar-China Gas pipeline

MOGE is the only Myanmar Oil and Gas Enterprise. POSCO DAEWOO and KOGAS are Korean companies. OVL and Gail are Indian companies. The reason those companies own the share of onshore midstream leading to Chinese border is highly likely because of their formed consortium on upstream and offshore midstream project and because they could sell their partial amount to CNPC.

Regarding the oil pipeline, the capital share is CNPC 50.9% and MOGE 49.1% shown in the Figure 24.[118]

[118] Liu, Yamaguchi, and Yoshikawa, "Understanding the Motivations behind the Myanmar-China Energy Pipeline."

Financing structure of Myanmar-China Oil pipeline		
Time line	・Agree in 6/2009. ・Construction began in 6/2010 and was completed in 8/2014. ・The pipeline is jointly invested and constructed by CNPC and Myanmar Oil and Gas Enterprise (MOGE), with each holding a 50.9% and 49.1% stake. ・The length of pipeline is 771km in Myanmar and 1,600km in China, with designed transmission capacity of 22 million tons(6% of China import) per year.	
Project Finance	China National Petroleum Corporation (CNPC)($1.5 billion oil pipeline)	
Capital share	CNPC 50.9%	MOGE 49.1%
Extra	CNPC joined hands with its partners to build schools, hospitals, roads, bridges, water and power supply works, and telecommunication facilities for the local communities, and made donations in the relief work of natural disasters such as floods, droughts, hails and earthquakes. Additionally, the project paid great attention to local hiring, with the number of Myanmar employees exceeding 70%.	

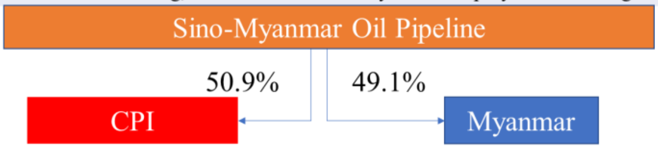


Figure 26: Financing structure of Myanmar-China Oil pipeline

5.4 Local peoples' sentiments for the Project

As shown in section 2.4: China and Myanmar relation, failure of building Myistone dam is a comparative case with the pipelines in Myanmar. The main reason for the failure was the huge resistance of Kachin state: one of the biggest minority group in Myanmar. The pipelines do not pass through Kachin state as shown in the Figure 25.

Figure27: The location of Myitsone dam[119](Left) and Myanmar-China pipelines[120](Right)

[119] Radio Free Asia "Kachin State Chief Minister Tours Myitsone Dam Site in Northern Myanmar." accessed April 1, 2018, https://www.rfa.org/english/news/myanmar/kachin-state-chief-minister-tours-myitsone-dam-site-in-northern-myanmar-08172016163423.html.

[120] Environmental Justice Atlas "Shwe Gas Field and Pipeline, Myanmar | EJAtlas.". Accessed April 1,

Another factor could be regionally dense concentration of the project. Myitsone dam could be the first dam to cross the Irrawaddy River in Kachin state. Despite huge reliance on Kachin state, 90% of the dam's electricity could go to China and there was not enough compensation or reward for them.[121] On the other hand, the pipelines are wide stretched with less density in a certain region. The CNPC seemed to take care of the surrounding communities, hiring over 70% Myanmar of all the employees.[122] About Myitsone dam, a professor at Yangon University of Economics gave her opinion that "The 140m height and 1,300m length dam is so huge that definitely harms environment. Moreover, enough compensation was not payed not only due to China's fault, but then-government hid some money taken from China and did not pay the locals," which is accorded with another article.[123] This trend is common for all the Chinese projects because Chinese loans and investments were government-led and mainly flew to Myanmar's state-owned factories and major infrastructure projects which were launched between the two government levels. They failed to bring more benefits to local people.[124]

2018. https://ejatlas.org/conflict/shwe-gas-field-and-pipeline.

[121] Ives, "A Chinese-Backed Dam Project Leaves Myanmar in a Bind."

[122] "Myanmar-China Crude Pipeline Officially Put into Operation."

[123] Reuters "RPT-China May Scrap Divisive Dam in Myanmar to Advance Other...," April 5, 2017, https://uk.reuters.com/article/china-silkroad-myanmar-dam/rpt-china-may-scrap-divisive-dam-in-myanmar-to-advance-other-interests-sources-idUKL3N1HD3M9.

[124] Hong, "China–Myanmar Energy Cooperation and Its Regional Implications."

Financing structure of Myanmar Myitsone Hydro Dam		
Info of the project (Started in 2009 and suspended from 2011)	・Supposed to be completed in 2017. ・9/30 2011, ex-president, Thein Sein announced suspension.	
Project Finance (BOT)	The China Power Investment Corporation (CPI) ($ 3.6billion)	
Repayment obligation	$800 million that CPI has already spent on the project	
Electricity share	CPI 90%	Myanmar 10% (Land use)
Capital share	CPI 80%	Asia World 5%, Myanmar Government 15% (Land use)
Extra	・Charge a withholding tax and an export tax on exported electricity to China. ・After a 50 years period, the government would totally own the project. ・Gov would charge a withholding tax and an export tax on exported electricity. ・Gov would earn about $54 billion by means of tax payment, power and shares, accounting for 60 percent of the total revenue.	

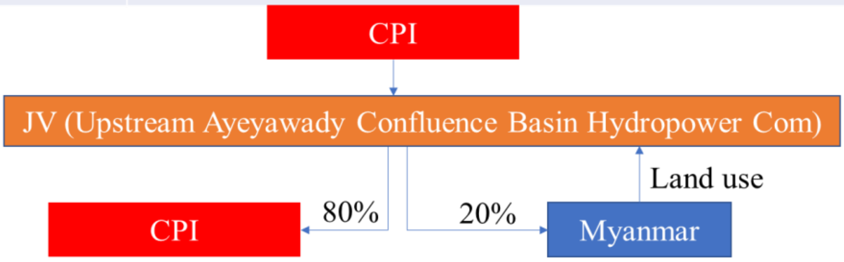


Figure 28: Financing structure of Myitsone Hydro Dam

Chapter 6: CHINA'S BRI PROJECTS IN LAOS

6.1 History of Laos-China Railway

As explained in section 2.5: China and Laos relation, Laos has sought to become a land-connected country from a land-closed country. China and Laos began talking about a railway linking Kunming in Yunnan province and Vientiane in 2001. In 2009, the two countries' presidents finally agreed to jointly promote the project, and a MOU was signed on April 7, 2010. Then the project stalled. On February 25, 2011, Liu Zhijun, then China's minister of railways who has signed the MOU, was fired on corruption charges.[125] After four years, ground-breaking ceremony of the project was held in December 2015 and construction of the whole route was commenced in December 2016. Construction of the project is scheduled for five years and will be completed in December 2021.[126]

6.2 China's and Laos's intention of building Laos-China Railway

As for China, their idea is linking the ASEAN continental region with three high-speed rails in a near future, one of which connects Kunming and Singapore as shown in the Figure 27. These are a part of the BRI and a ground-breaking ceremony of Thai-Chinese railway line was held on December 21, 2017 in the northern Thai province of

[125] "Land-Locked Laos on Track for Controversial China Rail Link."

[126] Real Estate Monitor Worldwide "Lao PM Visits Construction Site of China-Laos Railway." Amman, November 6, 2017. https://search.proquest.com/docview/1960494351/citation/938920C0B679416BPQ/1.

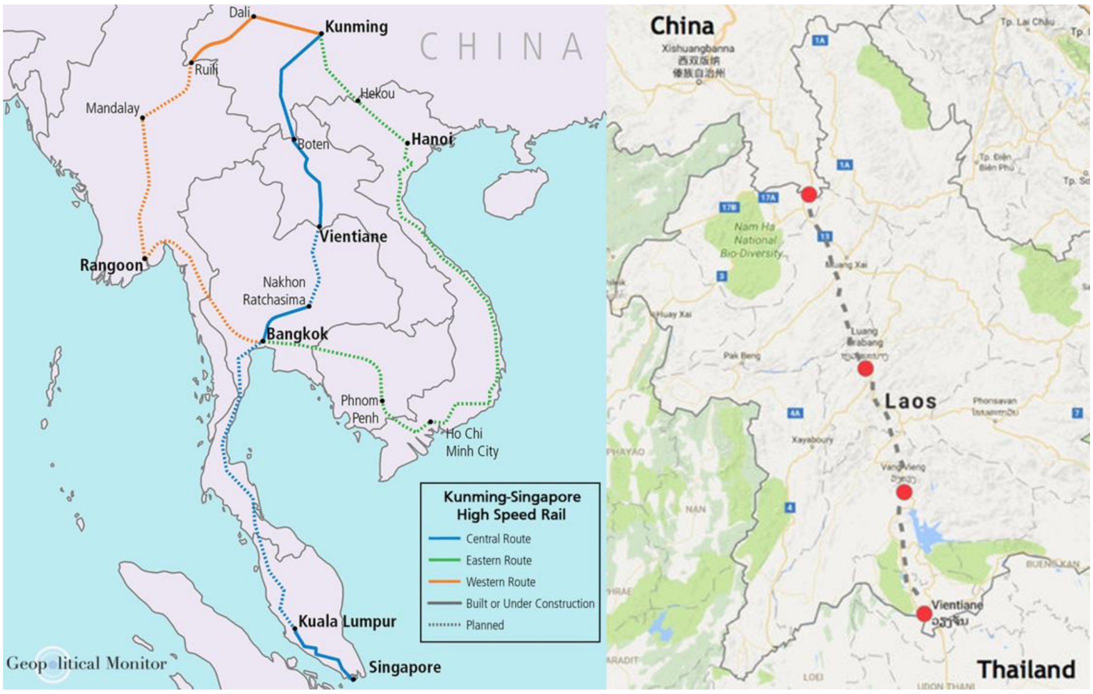


Figure 29: Three high speed rails[127](Left), Laos-China railway[128](Right)

Note: All online maps, passing Luang Namtha, is old and wrong. The railway is not going to pass the city.

Nakhon Ratchasima. The first phase of the project linking Bangkok to this Nakhon Ratchasima in Figure 27 is supposed to be completed in 2021.[129]

As for Laos, a China Daily article introduces the comment of Lattanamany Khounnyvong, Lao Vice Minister of Public Works and Transport,

> We are now working to assist Chinese contractors in the construction of infrastructure such as roads, education and healthcare facilities in villages along the railway. This is of great significance to the implementation of the eighth five-year national plan of Laos.

They spoke for the Lao government when they said that, "the railway will bring

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[127] Geopolitical Monitor "Fact Sheet: Kunming-Singapore High Speed Rail Network." December 19, 2017, https://www.geopoliticalmonitor.com/fact-sheet-kunming-singapore-high-speed-rail-network/.
[128] The Chartered Institute of Building "GCR - News - Work on Grand China-Laos Railway Kicks off, Again." Accessed April 3, 2018. http://www.globalconstructionreview.com/news/work-grand-china-laos-railw7ay-ki7cks-agai7n/.
[129] Reuters "After Delays, Ground Broken for Thailand-China Railway Project." December 21, 2017, https://www.reuters.com/article/us-thailand-china-railway/after-delays-ground-broken-for-thailand-china-railway-project-idUSKBN1EF1E6.

powerful momentum to social and economic development, while the construction of the railway has already brought great changes in many areas along the route."[130] History shows how railways connecting two big cities reduce the other spots on the way to mere passing points. Linking China and Singapore would cause the section in Laos to become much less important.

6.3 Financing structure of Laos-China Railway

Even though this project seems one part of the whole High Speed-Rail project under the BRI, the Lao Ministry of Finance asserts that no sovereign guarantee will be provided for the debt of the joint venture company.[131] However, the cost of around $6 billion, which is nearly half the Laos GDP, will impose significant pressure to the government with any loses. Financial terms for this project are that a $465 million loan from China Exim Bank for the joint company building and operating the railway will be provided at 2.3% interest with a five-year grace period and 35-year maturity as demonstrated in Figure 28.[132]

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[130] Chinadaily.Com.Cn "Laos-China Railway Brings Changes to Laos - Business." accessed April 3, 2018, http://www.chinadaily.com.cn/business/2017-08/07/content_30359991.htm.
[131] "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."
[132] "Land-Locked Laos on Track for Controversial China Rail Link."

Financial structure of Laos-China Railway		
Name of the project (Founded in 2016)	China-Laos railway project (Total investment $5.95billion)	
The initial investment	Laos Government ＄0.715billion($715million) ($50million×5years=$250million from the national budget) Exim Bank of China loan aid $0.465billion($465million) (2.3% interest with a 5year grace period and 35 year maturity)	
	($2.38billion out of $5.95bil), Laos($0.715bilion),China($1.67billion)	
Repayment obligation	Laos 30%	China 70%(中国磨万鉄路公司40%、北京玉昆投資20%、雲南省政府10%)
Capital share	Laos 30%	China 70%

※The rest $3.57 billion might be provided in concessions(i.e. land for the track)
※Initial agreement includes the land, 5 meters width along the track and 3 sq. km for each station free of charge during the 5year construction period and renegotiated after construction ends.

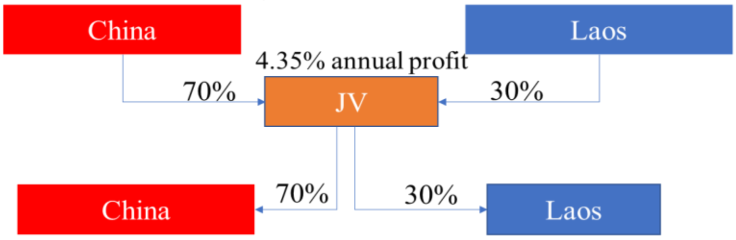

Figure 30: Financing structure of Laos-China Railway

6.4 Local peoples' sentiments for the Project

A main reason Laos has not had any railway crossing the nation is the small population, low population density, and less commodity movements from and to other countries. Historically, means of transportation have been limited to cars and bikes. In 2011, road transport was reported to account for 98% of passenger-kilometer travels and 86% of weight-kilometer of freight moved in the country.[133] Passing through route 13 from Boten to Muang Xai, the railroad construction was still happening on January 12th, 2018. The road near Boten is a clayish earth which turns into mud when it rains and the road from Nateuy to Muang Xai is unpaved or bumpy with full of cracking holes. The condition of the damaged road appears partly due to large trucks carrying construction materials all the way from China in Photo 5. The phenomenon of creating the railway to

[133] OECD "OECD Investment Policy Reviews: Lao PDR." accessed April 3, 2018, http://www.oecd.org/publications/oecd-investment-policy-reviews-lao-pdr-2017-9789264276055-en.htm.

cause further deterioration to the local road is contradictory to local people living nearby. About job creation, a Laos railway company engaging in the project stresses, “During the construction stage, a project of this magnitude will create more than 1,000 direct work forces and easily 10,000 indirect employment. The majority of these construction jobs can be undertaken by local workers.”[134] All the people and the language heard inside a CREC No5 Laos-China railways Boten-Vientiane company and material supply station(中铁五局集团有限公司) near Nateuy was Chinese.[135]

Photo5: Road near Boten (Left) Large trucks passing near Nateuy (Right) (January 12, 2018)

Photo6: CREC No5 Laos-China railways Boten-Vientiane company and material supply station

[134] Giant rail company limited “BENEFITS OF THE PROJECT TO LAOS.” Accessed April 3, 2018. http://grcl.asia/index.php/benefits-of-the-project-to-laos.
[135] A site visit with Japanese Lao language specialist

(January 7, 2018)

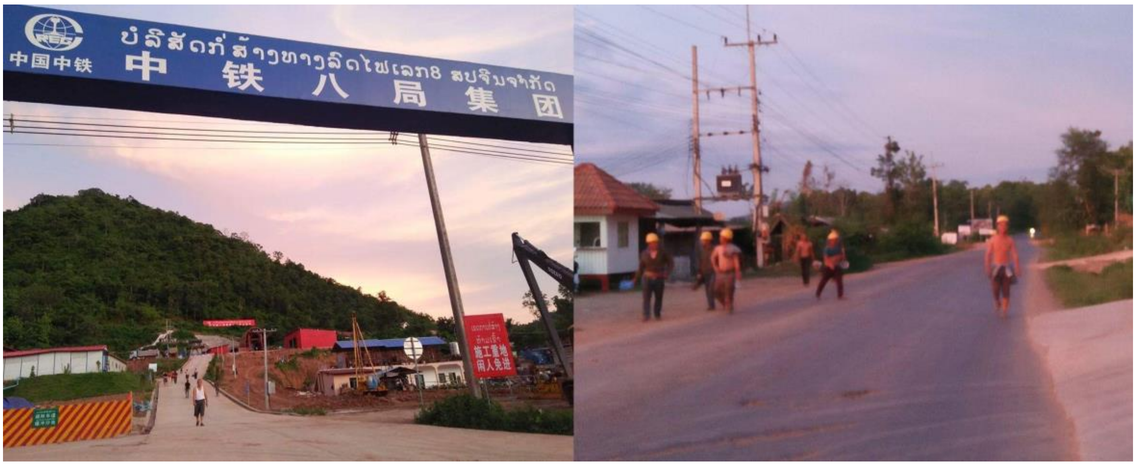

Photo7: CREC No8 Laos-China railways site near Luang Prabang (June 24, 2017)

In addition, all the workers look and sound like Chinese at a CREC No8 Laos-China railways station near Luang Prabang shown in Photo7. People seems indifferent to this project after several interviews in Luang Namtha and Muang Xai. They told me their current daily life had no relation to the ongoing project. On the other hand, an American man married to a Lao woman who is running a youth hostel at Luang Prabang was resentful of the ongoing construction of railway cutting across Mekong River close to the World Heritage ancient capital.

Photo8: Bridge across Mekong River by the CREC No8 near Luang Prabang (June 24 25, 2017)

Chapter 7: CHINA'S NON-BRI PROJECTS

7.1 Methodology

The method is basically same as section 4.1: Methodology but as primary source, I conducted semi-structured interviews with a convenience sample of personnel on sites, being helped by a Japanese Lao language specialist. As a secondary source, not only economy and political economy journals, but anthropological books and reviews support my main argument here.

7.2 SEZs in Laos

Chapter 6 mentions the BRI projects, while this chapter picks up non-BRI cases. Now western media pays much attention to the BRI projects, and the central government of China puts in maximum effort for the success of the BRI. However, the essence of Chinese development is in the details: conventional non-BRI projects. Therefore, special economic zones are one of the symbols of Chinese development. Of the ten approved SEZs in Laos, five have been operated by Chinese companies.[136] Conditions of running business differs from SEZs but Lao sovereignty inside the Chinese SEZ territory seems being transferred to China. De jure, it's Laotian territory, but de facto, it's Chinese. In this chapter, the two Special Economic Zone (SEZ): Golden Triangle Special Economic Zone and Boten Beautiful Land Specific Economic Zone in a northern part of Laos, are surveyed. General basic information from Laos Ministry of Planning and Investment, Investment Promotion Department official website is inserted in Figure 30, which is updated on April 3, 2018.

[136] Yos Santasombat. Impact of China's Rise on the Mekong Region. Palgrave Macmillan, 2015, 2015 edition.

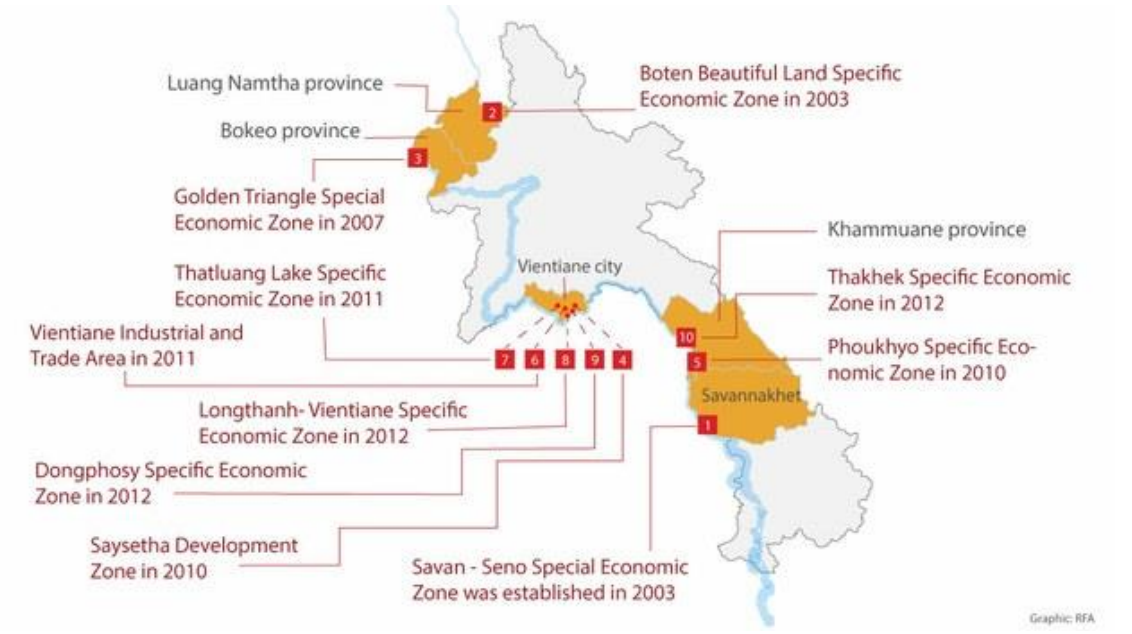

Figure 31: Ten SEZs in Laos[137]

	2. Boten Beautiful Land SEZ	3. Golden Triangle SEZ
Location	Luang Namtha Province (2011 Casino Closed)	Bokeo Province(Casino)
Developer	Fok Hing Company	Kings Romans Group
Establishment	Year 2003	Year 2007
Total Investment	500 million USD	86.6 million USD
Developer	Private 100 % (Chinese)	Lao Government 20%+ Private 80%(Chinese)
Area	1,640 ha	3,000 ha
Land Tenure	50 years	50 years
Location Advantage	The project site is geographically located adjacent to Road A3 as a strategic route to connect to ASEAN+3 (China, Korea and Japan).	The project site is situated on borders of two countries: Thailand and Myanmar.
Investment Projects	1.Agriculture, Livestock, Manufacturing Industries. 2.Cultural Center, 5 Star Hotel, Resort. 3.Golf Field, Tourism Zone. 4.Education Institution, Public Health Center. 5.Business and Trade Area. 6.Development of Real Estate and Financial Institution: Banking, Stock Market. 7.Post and Telecommunication. 8.Warehouse and Distribution Logistics Area	1.Construction of Economic Infrastructures. 2.Agriculture, Livestock, Manufacture Industries. 3.Hotel and Residential Area. 4.Tourism and Special Colorful Display. 5.Golf Field. 6.Educational Institution and Health Treatment Center. 7.Business and International Trade Area. 8.Development of Real Estates. 9.Banking, Insurance and Financial Institution. 10.Post, Telecommunication, Internet, Advertisement and Printing. 11.Transportation of Goods and Passenger. 12.Development of Tourism and Entertainment Zone. 13.Restaurants and Bars. 14.Warehouse, Duty Free Shop and Duty Free Area.

Figure 32: Boten Beautiful Land SEZ and Golden Triangle SEZ[138]

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137 Environmental Investigation Agency "SIN CITY Illegal wildlife trade in Laos' Golden Triangle Special Economic Zone." Accessed April 15, 2018. http://eia-international.org/wp-content/uploads/EIA-Sin-City-FINAL-med-res.pdf.

138 "Special Economic Zone (SEZ)," accessed April 15, 2018, http://www.investlaos.gov.la/index.php/where-to-invest/special-economic-zone.

7.3 Golden Triangle Special Economic Zone

On April 26, 2007, Hong Kong-registered Kings Romans Group (KRG) signed an agreement with the Laos Government for the 99-year lease of a 10,000 hectares concession in the Ton Pheung district of Bokeo province in northern Laos as shown in Appendix C. Within this concession, 3,000 hectares are designated as a duty-free zone, known as the Golden Triangle Special Economic Zone (GT SEZ).[139]

The stated aim of the agreement is to attract foreign investment in trade and tourism to drive local economic growth and alleviate poverty. Central to it is a casino to attract tourists, particularly from China. The Laos Government is reportedly a 20% shareholder in the project while KRG holds the remaining 80%. The casino opened in 2009, followed by a shopping and restaurant area called Chinatown in 2013. Both are located in the GT SEZ and so benefit from the duty-free exemption. Other developments in the zone included a private landing dock for boats, a hotel, massage parlors, museums, gardens, a temple, banquet halls, an animal enclosure, a shooting range, and a large banana plantation. KRG payed US$6.3million tax in total from 2009 to 2014.[140] The majority of the residents of the Zone are Chinese, but there are a number of Burmese laborers and Lao residents. The language of communication is Chinese. People live on "China time," which is one hour ahead of the Lao time zone. The SEZ has its own rules and regulations (regarding taxation, rents, fees, and punishments).[141]

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[139] Environmental Investigation Agency "SIN CITY Illegal wildlife trade in Laos' Golden Triangle Special Economic Zone." Accessed April 15, 2018. http://eia-international.org/wp-content/uploads/EIA-Sin-City-FINAL-med-res.pdf
[140] Ibid.
[141] Santasombat, Impact of China's Rise on the Mekong Region.

Photo9: The casino and the apartment house under construction behind (January 10, 2018)

Photo10: Inside the casino (January 10, 2018)

7.4 Local peoples' sentiments for the Golden Triangle SEZ

Much of Laos's economic growth has come from land concessions for natural resources—including timber, agricultural products, minerals, and energy—but some worry that it comes at a cost for those who lose their land.[142] This is the same method as demonstrated in section 3.2: Chinese way of development and finance policy: "Packaging many projects into one always needs land as collateral but counting on land to repay loan means that the costs of kicking people off must be kept lower than the market price." According to Pinkaew Laungaramsri, associate professor of Anthropology in Chiang Mai

[142] Radio Free Asia "Lao Government Should Grant Concession Leases Based on Investment: Former Official." accessed April 15, 2018, https://www.rfa.org/english/news/laos/leases-04262017142704.html.

University, there are three devices that have transformed the first targeted village and its people, the original place of GT SEZ, into the Chinese-designed dreamland: deception, coercion, and abeyance. The way of deception is to convince old residents to move just a few hundred meters away from their settlement and make them move 10 km without any prior notice. Coercion is not paying full compensation rate for land and houses fee as promised. The resettlement site at the Golden Triangle SEZ represents a site where the surplus Lao population is kept in abeyance: state of suspension between traditional agriculture and modern capitalism. They must stay passive and obedient to new jobs created by Chinese.

However, the newly built houses are a low cost to the Chinese company paid in exchange for the precious land they gained from the Lao residents. As a result, most villagers decided to waste no more time in any of the company's projects. They cannot come back to the self-sufficient lifestyle without farmlands. The casino hires them as lower rank and payment than the Chinese and Burmese. According to a Si Boon Huen village head, "This SEZ will not sustain us in the long run. They said we would have new occupations. But in reality, they forced us out and replaced us with the Burmese." The GT SEZ is brutal for the rural Lao who do not share the idea that their traditional livelihoods are "backward" and "uncivilized."[143]

7.5 Boten Beautiful Land SEZ

In 2003, a Hong Kong-registered company signed a 30-year lease with the Laotian government to set up a 1,640ha tax-free zone, a trade and tourism hub taking advantage of the border between China and Laos. After the casino opened in 2007, Chinese tourists

[143] Santasombat, Impact of China's Rise on the Mekong Region.

and business merchants poured over the border to casinos, brothels, nightclubs, and karaoke bars drawn by visa-free.[144] As a result, gambling fraud, prostitution, and drugs prevailed rampant, reaching to murder: a sex worker who was found with no hands and her throat cut.[145] In late 2010, reports emerged that casino concessionaires held visitors who were unable to pay off gambling debts captive. Reportedly, Chinese officials from Hubei Province were sent over the border to negotiate their release. Shortly afterward in mid-2011, China closed the border for anyone without visa, and finally China's Ministry of Foreign Affairs ordered the casinos closed and cut the phone networks and power supply to the town. Boten quickly went into decline.[146] In 2015, the Boten SEZ was under the control of a new Chinese developer, Yunnan Hai Cheng which spent US$10 million on developing the zone.[147]

7.6 Local peoples' sentiments for the Boten Beautiful Land SEZ

One can apparently see that Boten is mostly a ghost town of abandoned hotels and casinos and few people live and work. Desolate muddy road and empty buildings tells us the Chinese clear failure of the projects as shown in Photo 11. On January 8, 2018, there was a duty-free shopping mall opening to visitors but only Chinese tourists who quickly used restrooms, purchased nothing, and returned to a group tour bus were found inside. All the price tags were written with Chinese and Renminbi.

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144 The New York Times Sebastian Strangio, "The Rise, Fall and Possible Renewal of a Town in Laos on China's Border." July 6, 2016, sec. Asia Pacific, https://www.nytimes.com/2016/07/07/world/asia/china-laos-boten-gambling.html.

145 Chris Lyttleton Intimate Economies of Development: Mobility, Sexuality and Health in Asia. Abingdon, Oxon: Routledge, 2014, 1st edition.

146 The New York Times "The Rise, Fall and Possible Renewal of a Town in Laos on China's Border." July 6, 2016, sec. Asia Pacific. https://www.nytimes.com/2016/07/07/world/asia/china-laos-boten-gambling.html.

147 The Economist Intelligence Unit "The Boten Crossborder Zone Is Revived." Accessed April 15, 2018. http://country.eiu.com/article.aspx?articleid=743480658&Country=Laos&topic=Economy&subtopic=Forecast&trackid=43&alert=a48a35b5-968c-4122-a7e8-cafc57c63356.

Photo11: Boten SEZ (January 8, 2018)

Photo12: One duty-free shopping mall in Boten SEZ (January 8, 2018)

Photo13: Inside the duty-free shopping mall (January 8, 2018)

Boten was once a small Lao village and each resident was deported with US$800 before the declaration of a SEZ project in 2002.[148] There are just 1,500 people living in

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[148] "Casino in Business Despite Allegations," Radio Free Asia, accessed April 16, 2018,

three villages originally but grew up to 20,000 residents around the casino economy. However, in 2011, just four years after the casino opened, the SEZ became a ghost town with only a handful of shopkeepers and traders remaining who had paid advance leases and had no idea where to go.[149] Boten people had to move out of their hometown where they located for more than 200 years.[150]

7.7 Lao people in the two SEZs and Chinese development

People in both SEZs suffered from the unfair compensation with deception, coercion, and abeyance. They had to adapt their customs and lives because there were limited spaces in the new village for them to cultivate. Some grew up and earned themselves on paddy filed, so they have no other know-how to afford themselves. Without farmlands, they had to work out of the agricultural sector, which caused changes in community relations. They wanted a secure and stable life as they used to have when they were farmers. For farmers, migrating is not something simple and acceptable, because they heavily rely on land. However, they are still victims of the development and will be forced to surrender to the government and capital power. What happened in the two SEZs is just a non-BRI project case study about the disadvantages of development that those with less-power must face with. Chinese developments in northern Laos raises suspicions as to whether the development deserves its value and brings happiness.

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https://www.rfa.org/english/news/laos/casino-07192011163243.html.

[149] Chris Lyttleton Intimate Economies of Development: Mobility, Sexuality and Health in Asia.

[150] Sivarin Lertpusit, "Socio-Economic Impact and the Adaptation of Boten People under Chinese Transnationality." GMSARN International Journal 8 (2014) 109-116. http://gmsarnjournal.com/home/wp-content/uploads/2015/08/vol8no4-3.pdf

Chapter 8: CHINESE WORKERS AND CONFLICTS

8.1 Mobility of Chinese workers and their influence

When measuring the Chinese workers' influence on Chinese development sites, "mobility" becomes a key word. High mobility tends to raise the possibility of interactions and tensions between them and local people. Based on cases in Laos, Sri Lanka, and Pakistan, this general phenomenon can be explained.

8.2 Mobility of Chinese workers and tourists in northern Laos

As a neighboring country including two SEZs, the northern part of Laos is under China's huge influence. Chinese labors and tourists pass along road 3 and road 17B, which connect China and Thailand. In 2016, 66% of Chinese tourists came via the Boten border and 12% of them passed through the Huay Xai border as shown in Figure 33.

Figure 33: Road 3 and road 17B in norther Laos[151]

A huge problem along these roads is wide spread AIDs. According to Associate

[151] Sabaidee Laos "STATISTICAL REPORT." Accessed February 14, 2018. http://www.tourismlaos.org/show.php?Cont_ID=43.

Professor Chris Lyttleton in Macquarie University, “Nowadays, transactional sex is far more overt and numerous small roadside bars have dedicated rooms for women to receive guests.” Route 3 is ranked highest in HIV surveys in the 2000s and Route 3 and 17B showed high levels of chlamydia and gonorrhea. The main reason of this phenomenon is attributed to sex without condoms. He explains,

> Young women in these drink-shops report that men (Chinese customers) remove condoms during sex, or play on rank and status, offering more money to insist on their lack of use. Others profess to be potential husbands and as such offer an additional enticement to have sex without condoms. Thus, in the small drink-shops along Route 3 there remains ongoing evidence of STIs (sexually transmitted infections) and occasional pregnancies as women are either coerced or persuaded into not using protection.[152]

In these areas, high mobility and large number of Chinese laborers poses a sudden change and threat to locals.

8.3 Mobility of Chinese workers and tourists in Hambantota and Pakistan

As summarized in section 4.5: Local peoples’ sentiments for the Project, people in Hambantota do not receive much influence from the sea-port workers, because blue collar workers’ mobility is so low that they only stay and live inside the port. On the other hand, China-Pakistan Economic Corridor is vast enough to raise the mobility of Chinese labors, so that the project produces conflicts and resentments toward locals.

[152] Chris Lyttleton Intimate Economies of Development: Mobility, Sexuality and Health in Asia.

Conclusion

Based on the foregoing discussion, it is obvious that China is interested in maintaining its presence in the three countries because of their strategic, economic, political, and diplomatic importance. Sri Lanka is a linchpin in the Indian Ocean for vessel refueling and also transshipment. Myanmar is similarly important to China for linking Yunnan province to the Indian Ocean in order to avoid the risk of the Malacca Strait and ensure a secure energy route. Laos is a key land-locked country for connecting the whole ASEAN continental region from Kunming to Singapore. The BRI projects in each country provide Chinese companies with opportunities to engage in large-scale investment and earn revenue to export Chinese machinery to be used in these projects. These investments also boost China's soft power strategies by creating a political presence in these countries and providing a catalyst for development. Therefore, countries in ASEAN and South Asia benefit from close ties with China, and a strategic win-win situation is created between local country dictators and China. The process of depending on Chinese finance cannot be attributed to one main factor, but it is found in moments of political turmoil, natural disasters, approaching elections, and increases in the World Bank's financing interest rate. Helping hands from China never touch domestic issues related to governance, human rights, and corruption, and China's high interest rate, which can result in a debt trap for some recipient countries, is often undervalued by local governments in their pursuit of short-term cash and positive economic outcome. Sri Lanka and Myanmar, with geopolitically valuable locations for China, are in fact making use of China's recently emerging global leader status to their benefit. In that sense, these countries are acting with stakeholders to secure their interests. Sri Lanka, which tended to "bandwagon" with China under its ex-president, has shifted to "balancing" its diplomatic ties between China, India, and Japan. Myanmar, which adopted a "balance" among China, the US, the EU, and Japan, now appears to have switched to "bandwagoning" with China. A historically closed country, Laos, with its valueless location for energy security, is becoming heavily dependent on China after having had a traditional policy of "balancing" between China, Thailand, and Vietnam.

Apart from the splendid BRI projects, the essence of China's development policy in Laos can be seen in the northern part of the country. Chinese development and finance usually takes the form of benefiting a few people at the top of developing countries and coercing locals with less-power to accept the disadvantages of development. This irregular Chinese strategy of development threatens to alter global governance, the rules of the development arena, and possibly the meaning of "development." Through the reality happening now in developing countries, the world needs to consider what it means by the word "development."

APPENDIX A

Administrative Map of Sri Lanka[153]

153 "Administrative Map of Sri Lanka - Nations Online Project," accessed March 28, 2018, http://www.nationsonline.org/oneworld/map/sri_lanka_map.htm.

APPENDIX B

Administrative Map of Myanmar[154]

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154 "Administrative Map of Myanmar (Burma) - Nations Online Project," accessed April 11, 2018, http://www.nationsonline.org/oneworld/map/myanmar_map2.htm.

APPENDIX C
Administrative Map of Lao PDR[155]

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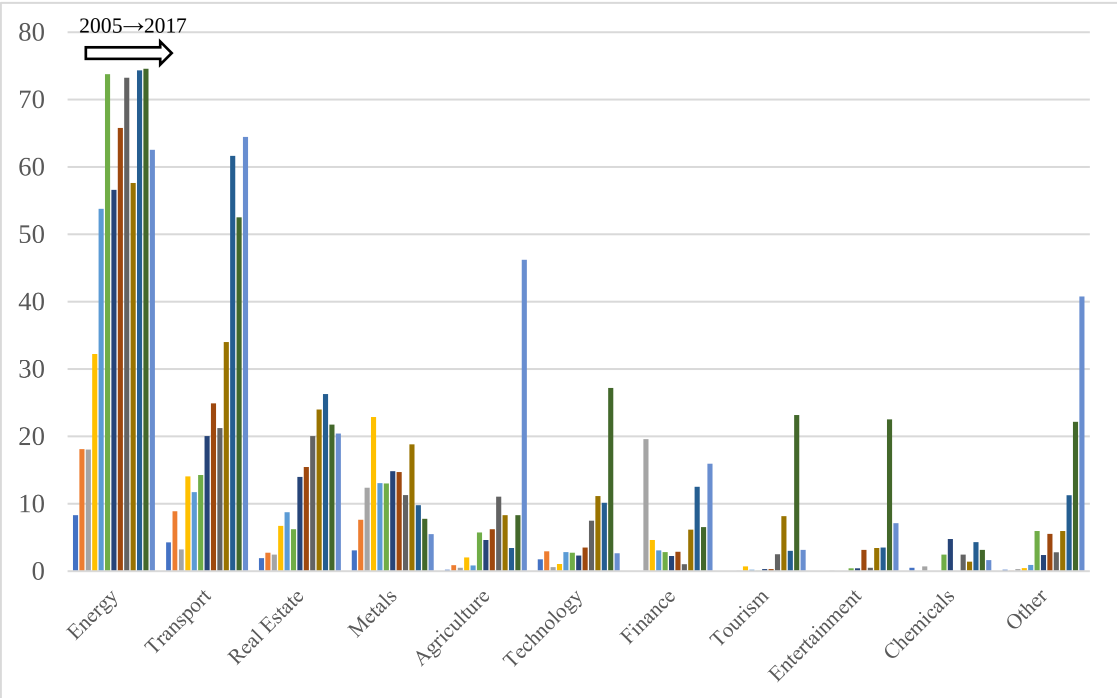
155 "Political Map of Laos - Nations Online Project," accessed April 11, 2018, http://www.nationsonline.org/oneworld/map/laos_map2.htm.

APPENDIX D

Table of Chinese Investment amount by industry (US billion dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Energy	8.29	18.12	17.47	33.74	53.79	73.75	56.89	65.66	73.42	56.82	64.82	77.86	62.53	663.16
Transport	4.25	8.87	2.84	14.35	11.78	14.14	18.75	23.97	19.81	33.67	55.84	52.38	64.46	325.11
Real Estate	1.94	2.75	2.34	5.94	8.19	8.79	12.71	14.88	18.38	24.37	25.02	22.61	20.45	168.37
Metals	3.3	7.65	12.39	22.88	13.05	13	14.82	13.87	11.28	18.29	9.02	11.21	5.49	156.25
Agriculture	0.21	0.48	0.27	0.58	0.85	4.97	4.63	6.45	11.36	8.56	3.01	8.55	46.26	96.18
Technology	1.74	2.95	0.61	0.4	2.61	2.47	2.21	3.39	5.17	10.17	8.18	23.98	2.66	66.54
Finance	0	0.1	19.37	4.65	3.1	3.03	2.28	2.9	1.02	6.15	12.53	4.1	15.97	75.2
Tourism	0	0	0.14	0.72	0.25	0.13	0.32	0.46	2.51	8.92	3.05	23.21	3.18	42.89
Entertainment	0	0	0.12	0	0	0.42	0.4	3.17	0.51	2.69	3.84	22.54	7.13	40.82
Chemicals	0.53	0.43	1.05	1.46	0	3.23	4.78	0	2.61	2.05	2.9	5.37	1.63	26.04
Other	0.25	0.12	0.71	1.90	1.79	3.83	5.13	6.76	7.10	6.70	17.96	24.80	40.80	117.85
World	20.51	41.47	57.31	86.62	95.41	127.76	122.92	141.51	153.17	178.39	206.17	276.61	270.56	1778.41

Bar graph of Chinese Investment amount by industry (US billion dollars)



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The location of Myanmar-China pipeline[156]

156 Liu, Yamaguchi, and Yoshikawa, "Understanding the Motivations behind the Myanmar-China Energy Pipeline."

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