



Research Centre for  
Sustainable Hong Kong

香港城市大學  
City University of Hong Kong

**A Summary of Discussion**  
**CityU CSHK PASS Workshop Series – Workshop 6**  
**Cultural Diversity and Risk Management: Hong Kong Professional Services, Overseas**  
**Investment & Special Economic Zone Development in Myanmar<sup>1</sup>**

CSHK Working Paper Series No.12

Man LUO, Linda Chelan LI and Jeffrey CHUNG<sup>2</sup>

2021.12.16

On 16 December 2021, the Research Centre for Sustainable Hong Kong (CSHK)<sup>3</sup> organized the sixth Professional Services Advancement Support Scheme (PASS)<sup>4</sup> workshop on Myanmar to assess the opportunities and risks of Hong Kong investment and professional service sectors in the country and its special economic zones before and after the 2021 coup. Local SEZ managers, seasoned managers, business leaders, journalists, and expert researchers from Myanmar, Hong Kong, and mainland China shared their experiences, observations, and opinions on the diversified topics. Over 200 participants joined the workshop online. Here is a summary of the sharing and panel discussion in the workshop.

### **Insight Sharing 1: Contextualizing China-Myanmar relations and ASEAN**

**Dr. Renaud EGRETEAU** - Associate Professor in Comparative Politics, Department of Asian and International Studies, City University of Hong Kong

*Born and raised in France, Renaud Egreteau has lived, studied, worked and carried out*

---

<sup>1</sup> For details of CSHK PASS Workshop Series, please refer to Project Brief in Appendix.

<sup>2</sup> Ms. Man Luo is PhD Student Researcher at Department of Public Policy, City University of Hong Kong. Prof. Linda Chelan Li is Director of CSHK and Professor at Department of Public Policy, City University of Hong Kong. Mr. Jeffrey Chung is Research Assistant at Department of Public Policy, City University of Hong Kong. He is also Project Manager for this PASS programme.

<sup>3</sup> Established in June 2017 by a cross-disciplinary research team, the Research Centre for Sustainable Hong Kong (CSHK) is an Applied Strategic Development Centre of City University of Hong Kong (CityU). CSHK conducts impactful applied research with the mission to facilitate and enhance collaborations among the academic, industrial, and professional service sectors, the community, and the government for sustainable development in Hong Kong and the Region. Linda Chelan Li, Professor of the Department of Public Policy at CityU, is Centre Director. For more information, please visit [www.cityu.edu.hk/cshk](http://www.cityu.edu.hk/cshk). Please send comments on the paper to [sushkhub@cityu.edu.hk](mailto:sushkhub@cityu.edu.hk).

<sup>4</sup> Professional Services Advancement Support Scheme ("PASS") is set up to support Hong Kong's professional services sector to carry out worthwhile projects to spearhead pro-active outreaching promotion efforts and to improve service offerings. For more information about PASS, please refer to PASS website at: <https://www.pass.gov.hk/en/home/index.html>

*research in India, Thailand, Singapore, Myanmar, the United States and Hong Kong. He received his PhD in Political Science from the Institut d'Etudes Politiques de Paris (Sciences Po) and now works across the areas of Comparative and International Politics as well as South and Southeast Asian Studies. His research concentrates on parliamentary institutions and legislative affairs, civil-military relations, and the politics of authoritarian rule, with a particular focus on Myanmar.*

*Before joining City University of Hong Kong, he was a Fellow-in-Residence at the Woodrow Wilson Center for International Scholars in Washington DC (2015-2016) and held visiting fellowships from the Singapore-based Institute of Southeast Asian Studies (ISEAS-Yusof Ishak). He also taught comparative politics at the University of Hong Kong, as a Research Assistant Professor in the Center of Asian Studies/HK Institute for the Humanities and Social Sciences (2009-13), and Sciences Po Paris, France (2008-09). He has also written policy guidance on Myanmar and India for international NGOs, think tanks, and various French governmental bodies.*

Dr. EGRETEAU shared his observations and insights on the impacts of the dramatic changes since the coup d'état in February 2021 and subsequent events on the China-Myanmar relations.

Even since long before the coup, China has been caught in some quandaries and policy dilemma in Myanmar that has internal diversity, divisions, and contradictions. Myanmar's borderlands and its center (Naypyidaw) have been at war for decades. China engages with both two sides, attempting to resolve the civil war regardless of who is in power. The second quandary is in dealing with Myanmar's military and the opposition. The political legitimacy of the military remains highly contested. Many anti-coup organizations have emerged, such as the shadow government National Unity Government (NUG) and the National Unity Consultative Council (NUCC), while Beijing is quite reluctant to contact them. The third dilemma for China is linked to the social reality in the country - how to deal with the upper levels of government elites to secure investments and sign new deals to expand the Chinese presence in the country without generating a mass popular reaction against Chinese interests. The fourth is to get Myanmar open to China and Hong Kong while not too open to the competitors and rivals. Myanmar is no longer isolated as it used to be in the 1970s and 1980s; it is now a member of the Association of Southeast Asian Nations (ASEAN) that is dealing with Japan, India, Russia, and other countries.

The February coup ignited fragmentation of political forces in Myanmar. The past ten months have witnessed the emergence of new entities and new voices like the shadow government and the NUCC, and the younger generation are active in both the cities and border areas. Beijing has yet had any dialogues with the new actors. For the *Tatmadaw* (Myanmar's military),

though is still in power through coercion, it has lost much control, especially over the Rakhine and Kachin States, and above all, the popular legitimacy. The Myanmar society protests against the military junta through civil disobedience and the disruption of government operations. The anti-junta armed groups, such as the People's Defence Forces (PDFs) and Local Defence Forces (LDFs), have proliferated. These emerging armed actors have a connection with the NUG, but they are not under the shadow government's full command and control.

Myanmar is returning to a pariah status in international society. The UN General Assembly adopted a resolution condemning the use of lethal force and violence in Myanmar, calling on all member states to stop selling arms to the country in June 2021. New economic sanctions from the western countries have also been imposed on the country. The junta is demanding to appoint its envoy to represent Myanmar at the UN. The UN credential committee put off a decision on the rightful representative of Myanmar on 1 December 2021. Yet, the influence of Japan, China's forgotten and long-standing rival in Myanmar, as well as Russia that abstained from the vote of the resolution to impose a comprehensive global arms embargo, are still uncertain.

Many sectors of the formal economy have been strongly hit with foreign investors closing the factories and leaving the country due to the impacts of the pandemic and political situations. The coup has become a tremendous catalyst for the underground economy, in particular the drug industry.

There is now a strong anti-Chinese sentiment in many places in the urban areas. The February and March demonstrations in Yangon in front of the Chinese embassy made the front page of international news. Boycott strategies could be a powerful tool, or a weapon of the weak against the companies, such as the Japanese beer giant Kirin.

If Beijing is guided by any strategy, it is the strategy of adapting to Myanmar's constantly evolving political realities, rather than trying to shape post-coup dynamics, and fully dictate the nature and terms of such an asymmetrical relationship. With the coup, Myanmar has entered a long phase of purgatory, with an ever more fragmented landscape where the armed forces can coerce, yet not govern orderly, and where both an increasingly militant Burmese society and a rising number of non-state armed actors have emerged as potentially disruptive challenges to China's public and private interests.

**Dr. Nian PENG** - Deputy Director and Associate Fellow, Research Center for Maritime Silk Road, National Institute for South China Sea Studies (NISCS), Haikou, China

*Nian Peng holds a PhD in Government and International Studies at Hong Kong Baptist*

*University. His main research interests are in the areas of China-Southeast/South Asia relations, Belt and Road Initiative (BRI), maritime security of the Indo-Pacific. His main research interests are in the areas of China-Southeast (South) Asian relations, Sino-US relations, and maritime security of the Indo-Pacific region. He is the author of the book "A Study on Indo-Myanmar Relations after the Cold-War" (Chinese version, 2017), and a number of peer-review articles as well as conference papers focusing on Myanmar issue, Indo-Myanmar relations and Sino-Myanmar relations. He also contributes his perspectives to many think tanks and various local and international media outlets.*

Though not being able to present in the workshop, Dr. Nian Peng shared his slides on the recent development of China-Myanmar relations, and the implications for Hong Kong and other businesses in Myanmar.

The political upheaval in Myanmar was resulted from the struggle between the National League for Democracy (NLD) government and the military. The military accused the NLD government of electoral fraud during the 2020 polls, which was a major justification of its seizure of power in February 2021. The fragile balance of power between the NLD and military leaders since the 2015 election was undermined in the 2020 election, considerably rising the tension between them.

The situations in Myanmar are of great concerns to the neighboring China. First of all was the risks of imported COVID-19 cases from Myanmar. Ruili, China's gateway to Myanmar, has been hit by waves of COVID-19 outbreak. Rising conflicts between Myanmar government forces and ethnic armed groups in northern Myanmar also threaten the border security of China. The growing anti-Chinese sentiment in Myanmar is another challenge, endangering the Chinese investment in Myanmar. For instance, the Chinese factories in Hlaing Tharyar industrial zone in Yangon were attacked by some furious locals in March and April 2021. Myanmar is in danger of an escalating civil war.

China has made efforts to deal with the Myanmar situations. For instance, Chinese Foreign Minister Wang Yi raised a three-point proposal to de-escalate tensions in Myanmar in March 2021. China supported ASEAN's engagement with Myanmar, and would like to engage with all parties in Myanmar. China opposed any UN resolution that would target the military while keeping silent on the issue of Myanmar's UN representative. In terms of anti-pandemic cooperation, China enhanced border management, established green channels and fast passes on the border, donated masks and vaccines, and provided humanitarian aid.

Myanmar's China policy under the military rule is influenced by both the domestic and international political situations. On one hand, the military government has been facing intensified Sino-US rivalry. The US imposed sanctions on the military while China sought to

restore the stability in Myanmar. On the other hand, the military government tries to get as much support and assistance as it can to enhance the legitimacy of the government and consolidate the military rule, in which China is the main partner. It is anticipated that the military government will move closer to China to obtain political support, economic and military assistance, while reinforcing relations with Russia, India and ASEAN. It aims to get more support and reduce dependence on China. In practice, the government received Chinese aid, but not so many high-level contacts.

The China-Myanmar relations will be quite different from that in the junta era after the 1988 coup, considering the distrust between the Myanmar military and China, as shown in the bomb blasts in Yunnan in 2015, China's interference in the ethnic conflicts in northern Myanmar, the increasing anti-Chinese sentiments in the country, and the deep concerns over Chinese loans.

**Mr. Bunna VANN** – President, the Thinker Cambodia; Research Fellow, the Cambodian Institute of Cooperation and Peace (CICP); Democratic Citizenship Education for Youth Project Officer, Youth Resource Development Program (YRDP)

*Bunna obtained a MA in Political Science from Jamia Millia Islamia University, India, and a BA in International Relations from the University of Cambodia. His articles appeared in The Diplomat, Asia Times, Southeast Asia Globe, Khmer Times, Cambodianess, Thmey Thmey, Politikoffee and Eurasia Review. His research interests are ASEAN Affairs, International Relations, and Youth's Political Engagement.*

Mr. Vann elaborated on the recent political and economic development in Myanmar from the ASEAN's perspective. Myanmar has been a member state of ASEAN since 1997. Intervening in Myanmar's crisis poses a great challenge to ASEAN, which has long insisted on the principle of "noninterference" and agreement by consensus.

The Five-Point Consensus was adopted as a pathway to address the Myanmar crisis in an ASEAN's special leaders meeting in April 2021. The Consensus includes ending hostilities, engaging in dialogue, facilitating humanitarian aid, and entering mediation with "all stakeholders" led by an ASEAN's special envoy to Myanmar. It took four months for ASEAN to appoint the special envoy. However, the military junta regime failed to honor ASEAN's solutions as it did not allow the ASEAN envoy to meet Aung San Suu Kyi. The ASEAN chaired by the Brunei in 2021 achieved less on managing Myanmar issue, losing credibility for its ineffectual handling. On 16 October, the Brunei unprecedentedly announced that the ASEAN excluded the junta leader Min Aung Hlaing from the 38th and 39th ASEAN Summits and

ASEAN-China Summit. This decision, however, was made with deep rifts among the member states.

Taking over the chairmanship of the ASEAN on 28 October 2021, Cambodia took a surprising U-turn on Myanmar recently. It invited military-appointed Foreign Minister U Wunna Maung Lwin to pay an official visit to the Kingdom on 7 December. Cambodia's Prime Minister Hun Sen planned to visit Myanmar for talks with its military rulers in January 2022, and the junta officials should attend the ASEAN Summit next year. There are three rationales for the proactive intervening strategies of Cambodia. First, Cambodia as a new ASEAN chair is to make more achievements in resolving Myanmar issues and thus it engages more with the Myanmar junta. Second, the Myanmar junta sanctioned by western countries inclined to communicate with the ASEAN peers, which provides an opportunity for Cambodia to involve in negotiations between the junta and other parties in Myanmar. The last rationale is that Cambodia is close to China and may leverage China as a bridge to urge the junta to make political concessions to deal with the crisis.

Diplomatically, by inviting a military-appointed foreign minister and putting his official title as "Union Minister for Foreign Affairs of the Republic of the Union of Myanmar", Cambodia seems to recognize the military regime. Cambodia's recent approach to Myanmar could also affect ASEAN's tough stance on the country. Cambodia has a good intention on Myanmar because the crisis cannot be resolved without getting in touch with the military junta. But this tactic may attract backfire, enlarging the division within the ASEAN.

It is recommended that to handle the Myanmar crisis while keeping ASEAN united, Cambodia should constructively consult all ASEAN member states to make a majority decision. To address the issue practically, Cambodia should use "backdoor and quiet diplomacy" to inclusively engage with all concerned parties in Myanmar. Being able to bring conflicting parties to the negotiation table would be a major success for Cambodia as ASEAN Chair.

To address the crisis with political means, it needs the political will from all Myanmar's relevant stakeholders, including the military junta, the civil institutions, and the people. An ASEAN constructive engagement mechanism is also of significance, which means that the dialogue and consultation should be on the high of the agenda. The political solution agenda also need to be largely agreed upon by the US and China that seek influence in the region.

Mr. Vann emphasized that Cambodia should be careful of the influences and outcomes when engaging with the junta, especially the geopolitical concerns of the member states. The stand and the hope of the ASEAN as a whole should be favored. Cambodia should do consultation and discussion before making any political concession with the junta, to reduce division within the ASEAN.

Prof. Linda Chelan Li asked how long it was expected to take to get all the stakeholders of Myanmar on the table, and what the biggest backfire of Cambodia's intervention strategies is. Mr. Vann responded that the deep crisis would take a long time. What Cambodia should do is to open the door for political negotiation and facilitate Myanmar itself to address the issue. Cambodia seems to recognize the legitimacy of the junta, which may draw criticisms from the western countries and the UN. The Myanmar issue has divided the ASEAN member states, many of them want to exclude the Myanmar junta from the ASEAN mechanism because it failed to obey the Five-Point Consensus. The ASEAN may be further divided.

## **Insight Sharing 2: SEZ and Projects**

**Mr. Win Myint** - Vice Chairman, Kyauk Phyu SEZ Management Committee

*U Win Myint is an Architect and Urban Planner and worked under the Ministry of Construction as Deputy Director General responsible for Urban Planning at the Department of Urban and Housing Development and retired from the service in 2005.*

*In 1984-1986 he was awarded a UN fellowship to attend a Master in Urban Planning course in the UK and obtained a M.Sc. Urban & Regional planning from the University of Strathclyde. In 1990, he was promoted to be the head of the Urban Planning Department as the Director. Within those 10 years, the role of Housing has transformed into a new era. Joint venture Industrial Zones were developed in Yangon and he was assigned to be the Chairman of the Mingaladon Industrial Park. Moreover, he was assigned as a team leader to attend a workshop in Kunming organized by the National Reform Commission of China, Seminar cum- workshop on Kunming-Mandalay Economic Corridor and the next seminar organized in Yangon named Kunming-Kyauk Phyu Economic Corridor. Within 2001 to 2003, he was assigned to work on a master plan of a Capital City Development in Naypyidaw as a Chief Planner. In 2008, he was in the process of evaluating the investor tender proposals in the Kyauk Phyu Bid Evaluation Committee. Meanwhile, he became a visiting professor at Yangon Technological University.*

Mr. Win Myint focused on the prospects of investing in the Kyauk Phyu Special Economic Zone (SEZ) that has unique strategic geographical advantages to China and the neighboring countries.

Myanmar is surrounded by India, China, Bangladesh, and ASEAN countries that account for 45% of the global population, which means large potential markets for Myanmar to provide products and services. Myanmar with its coastline of 3000 km facing the Bay of Bengal and the Andaman Sea plays a strategic role for neighboring countries to gain access as a gateway for multimodal and maritime transport corridors. Myanmar has a coastline of 3,000 km. It also

shares long borders with Thailand, India, China, and Bangladesh. In the past few years, Myanmar managed to make use of the advantages by initiating economic corridors, including the Kaladan Multi-Modal Corridor, the East-West Economic Corridor, and the China-Myanmar Economic Corridor (CMEC). The Kyauk Phyu SEZ is at the beginning of CMEC, which is a significant component of the Belt and Road Initiative (BRI).

SEZs are widely used in most developing and many developed economies. They are geographically delimited areas, where the governments facilitate industrial activities through infrastructure support and fiscal and regulatory incentives, such as relief from customs duties and tariffs, business-friendly regulations concerning land access, permits, and licenses or employment rules, and administrative streamlining and facilitation. There are some 5,400 zones across 147 economies today, rising from about 4,000 zones five years ago. Additionally, more than 500 new SEZs are in the pipeline on a global scale, including the Kyauk Phyu SEZ. In Myanmar, there are three SEZs in Dawei, Thilawa, and Kyauk Phyu. Each SEZ has its characteristics.

The Kyauk Phyu SEZ is located in Kyauk Phyu, Yan Bye Island in Rakhine State. It has direct access to the Bay of Bengal and becomes a western gateway for the China-Myanmar Oil and Gas Pipelines. Unlike the other two SEZs, the drafting and the selection process has been prepared by international consultants. The deep-sea port has superior geographical location. With a natural harbor that is well protected from cyclone devastation and a 30-meter sea depth, the port can accommodate very large crude oil carriers and the 5<sup>th</sup> generation container ships.

The Kyauk Phyu SEZ will be a good destination for investments. The products could have market access to the country, China, Southeast Asia, and the world. Skilled and semi-skilled laborers will be available with strong support from vocational and educational institutions. The construction of roads, water supply and waste management, communications, and power supply are completed or in process, aiming at providing good infrastructure for the investment. Real estate buildings and offices, service apartments, serviced sites, and business parks for information and communications technology companies are contained in the development programme.

Nonetheless, the Kyauk Phyu SEZ is facing many challenges, especially the manpower shortage, infrastructure gaps, and poor legal framework and enforcement regime. Myanmar is rich in unskilled laborers but short in skilled laborers and mid-level managerial personal in all sectors. Investments are needed in urban infrastructure to improve the road networks, water supply, housing needs, waste management, etc.

The development of the Kyauk Phyu SEZ is still in the preparation. Within the next few years,

the deep-sea port construction and industrial park project development will commence. When the projects are completed, the best option of the supply chain management, for instance from Singapore to China, will be delivering across the country rather than through a waterway along the Suez-far east trade route, reducing the transit time from approximately 40 days to only 14 days.

**Mr. Peng HOU** – Vice General Manager, the Vanguard Apparel, Thilawa SEZ

*Mr. Hou Peng joined Luthai Group in 2007. Due to his outstanding performance during the work period, he was recommended by the company to Shandong University of Technology for further study in 2009. After graduating in 2013, he worked as a production supervisor in the NO.1 garment factory of the Garment Division of Luthai Group. In 2015, Mr. Hou Peng was appointed to Myanmar to assist the General Manager in preparing for factory construction, recruiting and training local employees. After the Myanmar factory officially started, Mr. Hou Peng became the Factory Director of the Myanmar company to organize and manage the production work of the factory. In October 2020, Mr. Hou Peng took the position of the vice general manager of Luthai Group Vanguard Apparel Co., Ltd., assisting the general manager to manage the company's production, sales, finance, and administration work.*

Mr. Hou Peng shared his experience in investing and operating garment factories in the Thilawa special economic zone (SEZ). The Vanguard Apparel Co. Ltd. is a subsidiary of the Luthai Group, a Chinese high-grade yarn-dyed fabrics manufacturer and international first-line brand shirts maker. With 28 subsidiaries set up in 8 countries of China, United States, Italy, Japan, India, Vietnam, Cambodia, and Myanmar, the Luthai Textile owns the world's largest production base of high-grade yarn dyed shirt fabrics and sells 70% of the products to over 60 countries including the US, Japan, and European countries. It has developed strategic partnership relationships with Burberry, Calvin Klein, HUGO BOSS, Armani, Gucci, OLYMP, UNIQLO, and other international brands. Vanguard Apparel was established in the Thilawa SEZ in 2015, with a total investment of USD 10 million. Today, it has 8 sewing production lines and more than 1,200 employees, producing 2 million pieces of high-grade shirts annually to export to Europe, Japan, and South Korea. The Thilawa SEZ was established in 2011 and started operation in September 2015. It is 20 km away from the center of Yangon. The SEZ has a population of 500,000. The company is one of the earliest investors in the Thilawa SEZ and intends to reinvest in it, after investigating several industrial parks in Myanmar.

The Thilawa SEZ enjoys several advantages over other industrial zones in Yangon. The first of all is the financial incentives. Located in the Free Zone, the company enjoys a tax exemption of 7 years and a 50% tax discount of 5 years. If reinvest within one year from profit, the company can enjoy a 50% tax discount for 5 more years, adding to a total of 17 years of tax breaks. For the investors in the promotion zone of the SEZ, the incentives are a tax exemption

of 5 years, a 50% tax discount of 5 years, and a 50% discount for another 5 years for reinvestment.

Secondly, the absolute advantages of infrastructure development and facilities. The Thilawa SEZ provides outstanding services in water purification and sewage treatment, processing 6,000m<sup>3</sup> of water and 4,800m<sup>3</sup> of sewage per day. The power supply is very stable while other industrial parks and SEZs suffer from power cuts from time to time. The supporting services in solid waste treatment, environmental monitoring, and vocational training are supplied by Japanese companies.

Thirdly, the business environment is very friendly. The One-Stop Service Center is established to provide online government services for the investors, which is effective and efficient in providing support to them and addressing the problems like labor disputes. It takes only 30 days to get an investment permit approval in Thilawa, with more streamlined procedures than that in other industrial zones. The planning of the SEZ is very reasonable, with a complete set of facilities for living and business. The Thilawa SEZ has also been improving its services by regularly collecting advice from investors.

It is hard to deny that the SEZ and Myanmar have disadvantages in attracting investments, such as the lack of trained workers, the political instability, the currency fluctuation, the weak banking system, and the lack of sufficient infrastructure. To grow business, the Myanmar government and the Thilawa SEZ should endeavor to improve trading across the borders, improving trade facilitation, improving the digital banking system, building more infrastructures, and getting credits and financing. The successful cases of SEZs in China, Malaysia, and Philippines could be used as references for its development.

**Dr. Debby Sze Wan CHAN** - Visiting Fellow, Department of Public Policy, City University of Hong Kong

*Dr. Debby Chan researches China's economic statecraft and public diplomacy. In particular, she specializes in Myanmar societal actors' responses to the Belt and Road Initiative. Contrary to the state-centric international relations literature, she argues that societal actors can sometimes influence international outcomes even in the context of asymmetrical economic cooperation.*

Dr. Chan's sharing centered around the impact of regime types on the stability of Belt and Road projects in Myanmar. She argued that bilateral economic cooperation that ignored local people's consent and bypassed a democratic process would be prone to disruption.

Before the 2021 coup that abruptly ended the 10-year political transition in Myanmar, a number of BRI projects were signed in 2011-2021. A few BRI projects, including the Myitsone dam, the Letpadaung copper mine, and the Kyaukphyu-Kunming high-speed railway, encountered different levels of disruption during the Thein Sein administration, 2011-2016. Unexpectedly, under the Aung San Suu Kyi-led administration in 2016-2021, more BRI projects were in the pipeline. Chan was puzzled by the fact that BRI projects were stabler in a more democratic government in the host country. Could it be explained by improvements of Chinese state-owned enterprises' corporate social responsibility (CSR)?

Using the Letpadaung copper case, Chan argued that a more democratic government could have more leeway in handling disputes in state-coordinated agreements. The Letpadaung copper mine was selected for discussion because Chinese state media, including the People's Daily regarded the project as a successful case that could change the hearts and minds of local people. The project, operated by Chinese SOE Wanbao, is situated in Sagaing Division in central Myanmar. The contract was signed in June 2010, prior to the start of the political transition.

When political space opened up in the course of democratization, villagers stood up against the copper mine project. Vehement protests paralyzed the project. The Thein Sein administration brutally cracked down on protests in late November 2012 to demonstrate its resolve to continue the project. It inadvertently invited more anti-mining sentiment. The project was temporarily shelved. It could only be resumed under a revised contract that was in Myanmar's favor in 2013. Alongside the redistribution of gains, Wanbao promised to allocate 2% of net revenue to CSR programs. In the promotional video, Myanmar Wanbao: The New Dawn, the Chinese SOE recognized the importance of CSR programs and public engagement that could make local people understand the project's benefits.

Seemingly, the CSR efforts by Wanbao could transform contention into cooperation in the project area. In 2019, the Chinese SOE attempted to expand the project to the Wazeintaung area. The plan was opposed by villages as they worried adverse impacts in the Letpadaung copper mine would diffuse to their community.

What has happened in the Letpadaung copper mine since 2013? Underemployment, environmental non-compliance, and non-transparent practices have fueled tension in the project area. Although the project hired 90% of Myanmar nationals, only 10% of the impacted community members were employed. The project's copper extraction method allegedly contaminated underground water and villagers' farmland. Furthermore, the company has stopped issuing the CSR report since May 2016.

Despite contention remained in the project area, it did not affect Wanbao's operation. Instead

of the company's CSR efforts, Chan found that the hugely popular Aung San Suu Kyi-led government was less responsive to local people's opinions in BRI projects. Unlike the Thein Sein administration that had a strong quest for legitimacy to retain power, Aung San Suu Kyi could enjoy more flexibility in entering bilateral economic cooperation with China. That explained more BRI projects were signed during her leadership.

To conclude, regime types affected the stability of state-coordinated investments. Bilateral economic cooperation with democracies would be stabler due to the legitimacy of the governments. Arguably, bilateral economic cooperation with authoritarian regimes would meet less opposition due to political repression. Chinese SOEs should refrain from investing in authoritarian regimes not only due to human rights concerns, but also potential business and security risks. Regime change in host countries could pose threats to state-coordinated investments if people perceived contracts signed by dictatorships were illegitimate.

### **Insight Sharing 3: Business and Professional Sector**

**Ms. Shirley NG** - Director (Thailand & South Asia), HKTDC; Secretary General, the Myanmar Hong Kong Chamber of Commerce and Industries (MHKCCI)

*Prior to her current position in HKTDC and MHKCCI, Ms. Shirley Ng was Sales Manager of Exhibitions Department from 2018 to 2020. In this capacity, she was responsible for formulating and implementing sales strategies for a series of international trade fairs in Hong Kong. Shirley joined the HKTDC in 2006 and has extensive experience in leading a variety of promotional campaigns across various sectors and regions, including being responsible for a series of important initiatives related to the Belt and Road Initiative, high-level bilateral business committees and the Federation of Hong Kong Business Associations Worldwide.*

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement among the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. The trade pact is projected to enter force on 1 January 2022. Ms. Shirley Ng looked at how RCEP could bring business opportunities and transform the supply chains in the region, including Myanmar, in the long run. Furthermore, what the implications for Hong Kong service providers are.

Myanmar has undergone extreme tremendous political and economic reforms in the past decade. The major trade partners of Myanmar in 2020 are China, Thailand, and Japan in the export market and China, Singapore, and Thailand in the import market. China has close economic ties with Myanmar. It was also the largest source of FDI before the opening up of

Myanmar in 2010. However, the ongoing political and social turmoil has actually taken a toll on Myanmar's economy which has already been weakened by the COVID-19 pandemic, generating a significant impact on its export and import this year.

In 2020, Myanmar is the 8<sup>th</sup> largest import market and export market of Hong Kong among the Association of Southeast Asian Nations (ASEAN) states, accounting for less than 0.1% of the imports and 1.0% of the exports. It is obvious that Myanmar is not as significant for Hong Kong as other economies in the region at the moment, but in the future, there is still potential growth, especially with the implementation of the RCEP.

RCEP is the largest trade bloc in the world, as the 15 member countries represent 30% of the world population, 30% of the global GDP, and nearly 28% of the total trade. It is widely expected to enhance the economic integration among the members with the measures to facilitate trade and investment. The links between China and Southeast Asian countries will grow increasingly closer. The mainland companies, especially those in areas of manufacturing, consumer goods, professional and financial services, are now developing and implementing the new approach to lavish opportunities. Hong Kong as the international financial centre and transportation hub that used to handle the outbound investment from the mainland, including those to Myanmar the other economies, will be the key to such extension.

Asia has been the global manufacturing center, and with the implementation of RCEP, it is foreseen that the industrial landscape in Asia will be further transformed. Typically, the manufacturers in the lower-cost production sites in China and Southeast Asia like Myanmar import key parts and components from developed markets. China's production with higher value-added and higher-tech contents need the support of imported raw materials and intermediate goods. Therefore, a significant portion of products is produced in Asia by foreign investors and local enterprises. Such interdependency not only promotes the trade between China and the rest of Asia, but advances the overall development in the region. Myanmar has become one of the most popular production bases for the labour-intensive industry since 2011, with the easing of international sanctions, economic liberalization, and investment promotion policies. In need of a good supply of low-cost labour, many Mainland and Hong Kong companies have already set up light manufacturing factories in the country. The industrial zones introduced in the 1990s create a base for the manufacturing operation in and around the country's major cities.

Lower tariff and trade facilitation measures are committed under RECP. The import tariff on 92% of the goods will be eliminated in 20 years, and the majority of them will be reduced to zero percent immediately and within ten years upon the implementation of the agreement. The tariff preference will be easily enjoyed by most of the intra-regional trade through the application of the uniform rules of origins among the fifteen members. There will also be trade

facilitation through the implementation of the streamlined customs procedures as well as state inspection, and the removal of the monetary barriers suggested with the adoption of the generally accepted technical standards to avoid unnecessary obstacles to trade. The rules of origin will be more accommodating, making it easier for the business to claim the tariff preferences, so a business as a result will have greater choice and flexibility to fulfill the origin requirements, simplifying the custom hearings posture. The market access for the service suppliers and investors will also be improved. For producers, they can invest directly across the borders to optimize their regional production and the sourcing arrangements and also to enhance their regional services capabilities, such as distribution and logistics. Generally, the member countries will take on the negative list approach<sup>5</sup> whereby unless an exception has been specified. The investment provision based on the principle of the national treatment and the most favoured nation treatment will ensure that the foreign investors in any given member territory will receive fair and equitable treatment with full protection and security.

What are the implications for Hong Kong? Hong Kong right now is not an RCEP member, but it would continue to play an important role in the RCEP trade. As for the service providers, despite all the benefits mentioned above, there are also several business challenges. Whether relocating the production or the sourcing activities or planning the marketing region, limited knowledge of the local markets and also the different business practices, cultures, laws and regulations, and the risk management orders can still create hurdles for the business as well as the RCEP agreement. It is also a technical document that can be difficult to understand. For example, individual companies may not know that whether they can be qualified for the preferential terms. So here are opportunities for Hong Kong service providers because professional advice and due diligence will be necessary for the companies that wish to fully capitalize on the RCEP opportunities. Hong Kong is considered by the mainland companies as the first stop for help when they go out or seek to expand international businesses. Hong Kong will remain a super-connector linking mainland Chinese companies with the rest of the world. Hong Kong service providers can help clients translate the ideas or the requirements for expansion into actions, and establish a presence to operate in different places at the same time. From HKTDC's research findings and interviews with the industry players, one of the approaches for these services providers to achieve the regional expansion is to find local partners to support the local legal and administrative matters. It is important to set clear agreements with the local partner to uphold the quality of the services.

**Mr. Derrick WONG** - Director, Wealth Ocean Services; Director, the Myanmar Hong Kong Chamber of Commerce and Industries

---

<sup>5</sup> A negative list approach requires that discriminatory measures affecting all included sectors be liberalized unless specific measures are set out in the list of reservations.

*Derrick Wong is the director of Wealth Ocean Services Ltd., an established company in maritime industry for over 30 years whose commercial activities covers several major sector in the maritime industry. As an alumnus of Cambridge University, Derrick completed further postgraduate studies with World Maritime University and Yangon University where he studied business law. He led several projects in Myanmar helping the development of the local maritime education infrastructure, working closely with the Myanmar maritime authorities, and also raised awareness for Myanmar's maritime development by writing for a local newspaper. As a certified ISO9001:2015 lead auditor he also carried out consultancy work for the local logistics sector.*

The presentation of Mr. Derrick Wong is mainly about the responsible engagement of the Myanmar Hong Kong Chamber of Commerce and Industry (MHKCCI) and the contributory involvements of Wealth Ocean Services in the fishery industry in Myanmar.

Hong Kong business entered Myanmar a long time ago, led by garment manufacturers and fishing companies. Hong Kong business has invested a total of about USD 9 billion into Myanmar since 1988. Currently there are over 230 enterprises from Hong Kong operating in Myanmar. The MHKCCI now has 48 members, including some of the big names like Shangri-La, ALA, and Marga Group. Some of the members are involved in the power generation in Myanmar. The MHKCCI holds regular events and webinars inviting experts, or officials from authorities to talk about the legal status in Myanmar, the current economic development or policies in general.

Under the difficult COVID-19 situation in Myanmar, MHKCCI has run a vaccination program for the members and helped 264 individuals in Myanmar in getting their vaccinations. Apart from that, MHKCCI also works with other chambers of commerce like the American Chamber of Commerce and the European Chamber of Commerce to raise money to provide medical assistance to Myanmar society. With joint efforts, a total of USD 500,000 was raised in two weeks. The chambers of commerce purchased and delivered the oxygen concentrators, oxygen cylinders, protection materials, and medical supplies to local non-governmental organizations.

The Wealth Ocean Services was attracted by Myanmar's extremely long coastline of 2,200 km. At the time the shipping company just entered the country, Yangon was the major seaport and the commercial center of Myanmar. The Thilawa port near Yangon was then developed to handle some handy-size carriers or 1,500 TEU container ships. Recently a deep-sea port has been planned in Kyauk Phyu, with an impressive 30-meter water depth that to handle the mega carriers. Myanmar shares a border of 2,185 km with China and a border of 1,800 km with Thailand. If Myanmar can develop the infrastructure for land logistics, it will be a very good transportation hub to bypass the Strait of Malacca, which is one of the major bottlenecks

in the Asia-Europe trade route.

Only 0.15% of the 60 million Myanmar population are registered seafarers. But this small community of Myanmar seafarers contributes to about 1-3% of the country's gross domestic product. Myanmar seafarers are internationally famous for good English speaking and seafaring skills. The Wealth Ocean Services helped Myanmar seafarers build their first advanced simulation training center that meets the requirements of the International Maritime Organization's International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. This training center issues internationally recognized certificates to Myanmar seafarers. Without the certificates, seafarers cannot sail on international ships, and cannot earn the foreign currencies for Myanmar. Throughout more than ten years, about half seafarers from Myanmar have attended at least one course in the training center.

The Wealth Ocean Services shares Myanmar's culture of generosity. The company has been keen on donation. It has helped local villages in Ayeyarwaddy region that have been suffering from leprosy and other diseases because of in the polluted drinking water. There are only few drinking water treatment facilities in Myanmar. Villagers take freshwater from wells that are sometimes not safe for drinking. Over 20 freshwater wells and emergency electricity generators have been provided since 2006.

**Mr. Romain CAILLAUD** - Principal, SIPA Partners; Associate Fellow, ISEAS-Yusoh Ishak Institute

*Romain Caillaud is a risk and reputation management consultant with more than a decade of experience providing public affairs and strategic intelligence services to corporations, law firms and nonprofits in Japan and Southeast Asia. Currently located in Japan, Romain was based prior in Singapore and in Myanmar, and is originally from France. He is the principal of Tokyo-based advisory firm SIPA Partners, an associate fellow in the Myanmar Studies Programme at Singapore's think tank ISEAS-Yusof Ishak Institute, and a member of the Japan Committee of the Temple University Law School Compliance Advisory Board. Romain first worked in Myanmar in 2006 as an intern analyst at the French Embassy. He returned from 2008 to 2015, when he notably established the Myanmar office of a Southeast Asia-focused public affairs firm, acted as president of the French-Myanmar Chamber of Commerce, and obtained a certificate in Burmese language at Yangon University of Foreign Languages.*

Emphasizing that the events that took place in Myanmar since the 2021 coup are of deep significance to Myanmar politics, society, as well as the broader economy, Mr. Romain Caillaud discussed how the situation will evolve and how local and foreign companies should adjust their operations for not only their own interests, but also for the interests of Myanmar

stakeholders. As a risk and reputation management consultant, Mr. Romain Caillaud suggested that his clients in Myanmar look at the situations with open eyes, understand the challenges, and behave responsibly.

The unprecedented political crisis has deep impact on business. The transfer of power from the USDP government to the NLD government after the 2015 election enabled the international financial institutions like the World Bank and the Asian Development Bank to return to Myanmar to resume loans and all types of supports. But now a lot of technical support to the government has been suspended because these international financial institutions have no idea or do not want to violate their internal rules that they cannot support the regimes established by coups. The China-led Asian Infrastructure Investment Bank is also unclear about what it should do and what standards it should follow.

The whole territory of Myanmar now should be considered as a high-risk conflict area. The country has been affected by internal conflicts for many decades, but until recently this was restricted to certain remote parts of the country. Following the coup, daily events of violence have taken place in the major cities like Yangon, Mandalay, and even the capital Naypyitaw. The criminality is increasing because of the breakdown in law and order, adding the threats to the security of the employees.

Unfortunately, there is no offramp in the downward trajectory in the foreseeable future. We seemingly cannot see any solutions that can come next year thanks to the support of Cambodia's chairmanship of ASEAN (see the presentation of Mr. Bunna Vann). The former leader Aung San Suu Kyi was charged and convicted in December 2021. Later on, the four-year imprisonment term was reduced to two years. After the charges, internationally the United States, Canada, and the United Kingdom adopted a new round of sanctions against Myanmar. The European Union is also talking about it. Domestically, the explosions, violence, attacks by the military took place not only in remote areas but the urban areas. In early December, a military truck ran over young peaceful demonstrators in the downtown of Yangon, giving strong psychological shocks to people in the middle class and the whole population.

It is impossible to return to normality unless the political crisis is addressed. Some argue that the crackdown will end and the country will simply go back to normal as what happened in Hong Kong and Thailand. This is a misreading of current situation and a misunderstanding of the Myanmar actors that shape the future dynamics.

What does the context mean for the business? For the investors that are considering doing business in Myanmar or have already operated there, they need to heighten the risk management policies and practices. First, they should ensure compliance with the sanctions and avoid commercial cooperation with the entities on the lists. The military entities have

oversight over a lot of land plots including many commercial and residential developments in Yangon. Leasing land from entities that are sanctioned by the US and paying money to them will draw punishment from the US regulator. The second risk is on reputation. The military is financially boycotted and its commercial partners are also boycotted by the local consumers. For instance, the past ten months witness a tremendous fall in product sales of the Japanese beer giant Kirin in Myanmar, which is in joint venture with the military-owned UMEHL. Thirdly, the investors should be mindful of the human rights risks. They should consider what impacts they are posing on their employees, the local communities, and the consumers by doing business in Myanmar. For example, the Norwegian telecommunication company, Telenor, is in a dilemma as the military requires it to provide clients' data, which is against international ethical standards. The issue of human rights violations in business like that should be attached with high significance and addressed cautiously. The last suggestion is a reminder of operational risks for those who want to acquire the undervalued assets on sale in Myanmar. Indeed, the price could be very cheap as many investors are selling or restructuring their business. But it should be noted that without good operational expertise and a strong understanding of the country, it will be very difficult to deliver and to deliver successfully.

## **Discussion**

The discussion was hosted by Prof. Linda Chelan Li, Director of CSHK, City University of Hong Kong, and Prof Phyllis Lai-lan MO, Associate Director of CSHK. A dozen of questions were raised by the enthusiastic audience. Three questions were selected:

The first question was about Cambodia's approach to engagement. Mr. Bunna Vann put the emphasis on engaging the junta, and the audience wondered his recommendations, observations, or anticipations of a proactive engagement with other parties, especially the parallel government.

The second was on the development strategy of the SEZs: though the situation is tough today, if looking into the long term, what we can do to link the FDI in SEZs to the local industries to get the technical support and production spillover effects?

The last one was a generic question on effective ways of public engagement, which was of significance in doing business in Myanmar.

Mr. Romain CAILLAUD indicated that there is a very broad consensus that leaving, abandoning, and sanctioning is not the way forward, and that business can play a role in helping Myanmar to sustain its economic growth and at certain points return to the political transition. But at the same time, businesses need to have red lines. For example, the hydropower dam that was

supposed to be developed in northern Shan State near the border with China was halted a few days after the coup. The project is run by a consortium of a French state-holding company, a Japanese conglomerate, and a local company, which takes the human rights and responsible business issues very seriously and adheres to the international humanitarian standards. It claimed that it cannot proceed with the project that will require land acquisition and a large-scale displacement, which is impossible to be done responsibly in a military-ruled country. From his perspective, suspending the project is not a good decision because Myanmar is in dire need of electricity, especially climate-friendly electricity. Myanmar people also really need services in education and telecommunication. These investments are encouraged. Mr. CAILLAUD suggested the investors talk to a wide diversity of people and listen to the stakeholders when doing the risk assessment of investment there.

Despite the challenges in addressing the Myanmar crisis, Mr. Bunna Vann emphasized that there is room for Cambodia, the chair of ASEAN, to find a solution by engaging with all the concerned parties within the country and engaging with the outside parties like ASEAN and the great powers. Cambodia may draw experience from its successful engagement and negotiation in 1998 to deal with the Myanmar issue. There are some recommendations. In this regard, after engaging with a military junta leader, Cambodia should engage with a civil leader or Aung San Suu Kyi in order to address the issue. The first one is that Cambodia should ensure the use of a win-win approach to deal with all the concerned parties. Another point is that, Cambodia should represent the ASEAN community as a whole and listen to the voices of the great powers. Whatever the resolution or decision can be after engaging with the military junta, Cambodia must consult with other ASEAN member states to get a majority decision or majority support if not consensus, to unite the ASEAN community. Cambodia should also mind the rivalry of the big powers. If they were involved in the crisis and play a political game in Myanmar, it would be very difficult to address the issue.

Dr. Debby Chan clarified that even though public engagement matters, but it cannot mitigate the business risks if the bilateral economic agreements themselves are deemed illegitimate by the people. She then raised a question to Mr. Win Myint, wondering the recent development of the Kyauk Phyu SEZ and the deep-sea port after the military coup, whether the CITIC was still enthusiastic about proceeding with the projects after the coup, as well as the process of land confiscation in the area.

Mr. Win Myint replied that the Kyauk Phyu SEZ projects were awarded to CITIC through international tenders several years ago. The military government reorganized the management committee of the SEZ and tries to carry the projects forward with the CITIC. The projects have not been suspended or rejected, but are still ongoing. At this moment, the project is undergoing the environmental impact assessment (EIA) and social impact

assessment (SIA), and the contractor is doing a geo-technical survey for all the construction works carried out in the next few years. They are trying to reposition themselves to attract potential investors not today or tomorrow, but future investors in two- or three-years horizon. He encouraged Hong Kong businesses to consider investing in the SEZs in Myanmar by promising that the investors will be well protected and have good opportunities for investment. For Hong Kong, investors may make use of the locational advantages of Myanmar in logistics to transport the goods and sell them to the surrounding countries. Dating back 30 years ago, Hong Kong investors were the earliest entering Myanmar and many of the adventurous investments have succeeded despite the challenges under military rule.

Concluding the discussion, Prof. Linda Li remarked that the 2021 coup has produced huge challenges on all fronts that require acute and urgent responses. However, we should also note that many issues are actually long-standing predating the coup and addressing these would require more joint and constant efforts by all parties. More discussion, as in this workshop, should always be better than less discussion, even if views diverge. We would need to continue to be open-minded so as to better exchange views, enhance communication and understanding, and in this way hopefully to contribute to the current crisis resolution and long-term improvement of Myanmar.

## Appendix

**Research Centre for Sustainable Hong Kong (CSHK),  
City University of Hong Kong  
“Professional Services Advancement Support Scheme” (PASS)**

**Advancing Professional Development  
on Economic and Trade Cooperation Zones  
Along Belt and Road**

Project Brief

The Research Centre for Sustainable Hong Kong (CSHK) of City University of Hong Kong is funded by the ‘Professional Services Advancement Support Scheme’ (PASS) of the Commerce and Economic Development Bureau, HKSAR Government to conduct a Project entitled ‘Advancing Professional Development on Economic and Trade Cooperation Zones Along Belt and Road’, with the objectives to enhance the understanding of Hong Kong professional services on Economic and Trade Cooperation Zones (ETCZs) along the Belt and Road countries, deepen the understanding of key stakeholders of ETCZs on the competitive edges of Hong Kong professional services and business sectors; and explore potential development opportunities via exchange of ideas and sharing of analyses.

From January 2021 to March 2022, the Project will organize 6 professional workshops and 2 symposia (opening and closing), inviting zone operators, local enterprises, professional service leaders, expert scholars and government officials as speakers to conduct comprehensive and in-depth sharing on opportunities, challenges and experiences of overseas development in 7 countries (Cambodia, Sri Lanka, Vietnam, Malaysia, Djibouti, Belarus and Myanmar) and their respective ETCZs. A tentative schedule is as follows:

<b>Date</b>	<b>Programme</b>
7 January 2021	Opening Symposium
8 February 2021	Professional Training Workshop 1 – Cambodia
27 April 2021	Professional Training Workshop 2 – Sri Lanka
11 June 2021	Professional Training Workshop 3 – Vietnam
19 August 2021	Professional Training Workshop 4 – Malaysia
26 October 2021	Professional Training Workshop 5 – Belarus & Djibouti
16 December 2021	Professional Training Workshop 6 – Myanmar
March 2022	Closing Forum

Activities are all free-of-charge, and they will mainly be conducted in English<sup>5</sup> to project a

global orientation and facilitate participation of overseas stakeholders. Each participant will get a training pack containing country information and analysis for each professional training workshop. Investment / enterprises representatives, representatives from professional service sector, scholars and students who are interested in understanding more about ETCZs are welcome to participate and interact to discover more opportunities for collaboration.

The Project is supported and collaborated by a number of professional bodies and business chambers in Hong Kong, including Certified Management Accountants, Australia (Hong Kong Branch), Hong Kong Chinese General Chamber of Commerce (CGCC), Hong Kong General Chamber of Commerce (HKGCC), Hong Kong Institute of Certified Public Accountants (HKICPA), Law Society of Hong Kong and The Society of Chinese Accountants and Auditors (SCAA) (names listed in alphabetical order). We thank Golden Resources Group and Red Circle Company Limited for sponsoring the Project generously. Our Supporting Organizations include Association of Women Accountants Hong Kong, Hong Kong Electronic Industries Association, Hong Kong Financial Services Development Council, Hong Kong PolyU MBA Alumni Association, Hong Kong Trade and Development Council, and JCI Jayceettes. Our Supporting Units from City University of Hong Kong, including CityU Eminence Society, College of Business, CityU-TsinghuaU EMBA+MPA Programme, College of Engineering, College of Liberal Arts and Social Sciences, College of Science and School of Law.

Prof Linda Chelan Li, Professor at Department of Public Policy and Director of CSHK, is Project Co-ordinator and Prof Phyllis Lai Lan Mo, Professor at Department of Accountancy, is Deputy Project Co-ordinator. Project team members include Dr Linda Yin-nor Tjia, Assistant Professor at Department of Asian and International Studies and Dr Wilson Chan, Adjunct Professor at College of Business.

### **Research Centre for Sustainable Hong Kong (CSHK)**

Tel: 3442 8914

Website: [www.cityu.edu.hk/cshk](http://www.cityu.edu.hk/cshk)

Facebook: <https://www.facebook.com/sushkresearchhub>

WeChat Public Account: HK 持续发展研究中心 CSHK