

Conflict and Development in the Myanmar–China Border Region

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This policy brief—and the report which it accompanies—analyzes three towns on the Myanmar–China border: Kan Pai Ti and Loi Je in Kachin State and Mu Se in northern Shan State.¹ They are key sites in the growing cross-border economic integration between the two countries, offering an opportunity to examine the political economy of the Myanmar-China border region and the challenges faced by local communities.

The research highlights how increased cross-border flows of investment and commodities interact with local conflict and economic dynamics in Myanmar's border regions. In doing so, it reveals how local

communities, ethnic armed organizations, militia groups, the Myanmar military (the Tatmadaw) and Chinese businesses interact with one another in everyday life.

In 2020–2021, local researchers at the Kachinland Research Centre conducted key informant interviews and focus groups with local men and women in Kan Pai Ti, Loi Je and Mu Se, including small-scale traders and former or active armed group members. Research revealed that the shift from decades of protracted conflict and instability to intensive investment and development during rapid economic growth in the 2000s has resulted in mixed outcomes for local populations. While some have benefited from new livelihoods opportunities and improved connectivity, these have come at a cost of economic inequality, social tensions, land insecurity, and environmental degradation.

This policy brief provides a concise overview of the core findings of this research. It includes overarching conclusions from across the border region as well as findings specific to each town. The brief concludes by setting out key policy recommendations for different stakeholders, including national governments and local authorities, international non-governmental organizations and donor agencies, and local civil society.

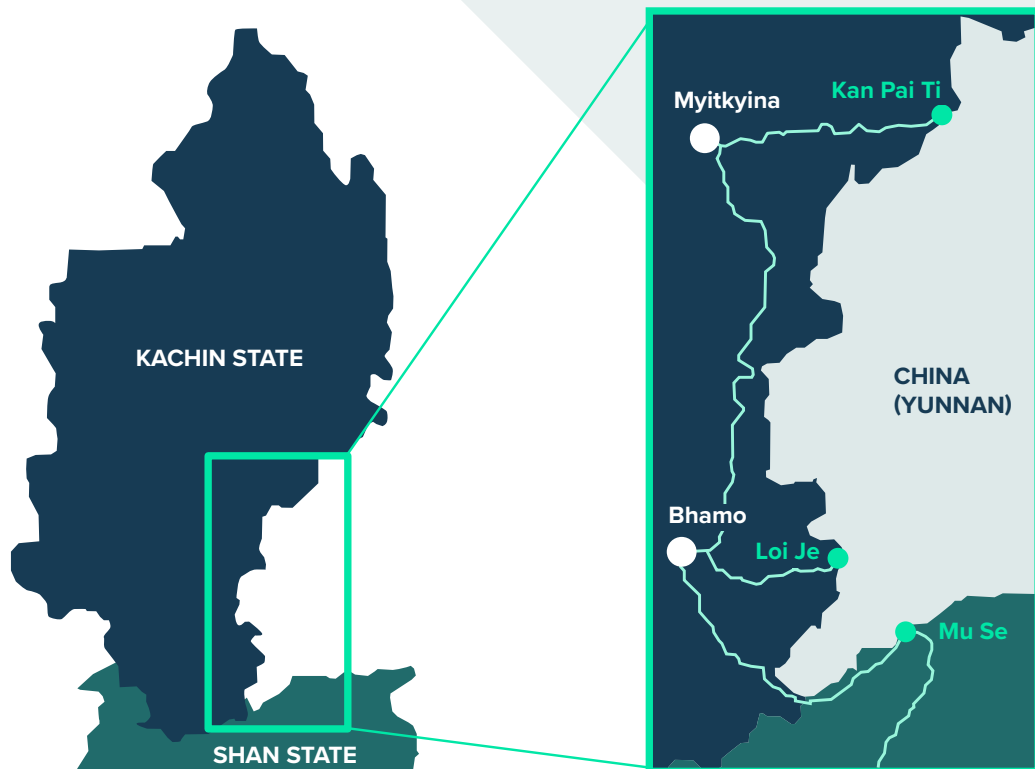
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1. Alternative English spelling of these place names includes Kanpiketi, Kan Pai Tee, Lwe Je, Lwejel and Muse.

Map 1.

Map of research area



Background

Myanmar's contested northeastern border region has never been under the firm control of the central government. The 1970s–1980s were marked by a triangular conflict between the Communist Party of Burma (CPB), Tatmadaw and the Kachin Independence Army (KIA). Following the CPB's collapse in 1989 and the establishment of a ceasefire between the Tatmadaw and the KIA in 1994, conflict dynamics shifted and a period of relative peace emerged. This coincided with market liberalization in both Myanmar and China, leading to the opening of their border for trade and investment. Commercial activity replaced armed clashes, ceasefires turned former adversaries into business partners, and for many former rebel leaders, economic interests took precedence over revolutionary goals and political ideology. As a result, the border towns of Kan Pai Ti, Loi Je and Mu Se developed into trade hubs.

Over the past decade, the political economy of this region has undergone drastic changes.

Increased tensions between the military government and the KIA led to the collapse of a seventeen-year ceasefire in 2011 and renewed armed conflict, displacing more than 100,000 people. Despite instability and escalating violence, Chinese political and economic influence grew. In 2013, China announced an ambitious global infrastructure development program, the Belt and Road Initiative, of which the China-Myanmar Economic Corridor is an essential component, running through the three case study border towns.

Although the economic transformation of Myanmar's border towns resulted in unprecedented economic growth, infrastructure development and connectivity, it also brought new challenges to local populations, especially in relation to loss of land, worsening inequality, and growing social tensions, due to an influx of migrant workers and increasing Chinese dominance over the local economy.

Key Research Findings

Long periods of instability and conflict in these border areas have resulted in chronic underdevelopment and political fragmentation.

- ▶ Following the CPB's collapse in 1989, different armed actors moved into the political vacuum. Kan Pai Ti is under mixed control of the central government and a Tatmadaw-aligned Border Guard Force, the New Democratic Army—Kachin (NDA-K), which collects taxes, provides limited public services and wields significant influence over business activity.
- ▶ More than a dozen militia, which emerged as part of the Tatmadaw's efforts to contest EAOs in northern Shan State, today operate and actively collect revenue in Mu Se. Their positions as brokers in the local political landscape allow them to pursue their interests and expand their influence, resulting in a fragmented environment of competing authorities and business elites. Contested governance and protracted conflict conditions result in weak rule of law, creating optimal conditions for illicit cross-border businesses to flourish.

Reductions in violence following new ceasefire agreements in the 1980s and 1990s coincided with the introduction of a market economy, transforming remote border regions into commercial hubs.

- ▶ Affordable Chinese consumer goods flooded Myanmar's border regions, benefiting the general public as well as transforming the traditional lifestyle of local communities. New livelihoods and employment opportunities emerged with the growing business environment, though Myanmar's exports remain largely limited to raw materials and natural resources.
- ▶ Cross-border trade between Myanmar and China is asymmetrical. Chinese businesspeople enjoy many advantages over local communities, such as access to investment capital, relationships with authorities on both sides of the border, extensive trade networks, and cross-border kinship ties. The borderland political economy is dominated by alliances between Chinese businesses and local authorities in ways that marginalize local communities.

Armed actors continue to generate significant revenue from maintaining control over local economies.

- ▶ New militia groups emerged in the region as part of the Tatmadaw's expansion of control and conflict management strategy following the collapse of the CPB. Capitalizing on their local influence, and with the tacit agreement of authorities, many militia established profitable business activities connected to the border economy.
- ▶ These groups are often at the forefront of illicit economies, including the production and trafficking of drugs. In Kan Pai Ti, the NDA-K attempted to introduce crop substitution as part of an opium eradication program in the early 2000s. It was ultimately unsuccessful as the alternative business opportunities it offered were accessible only to companies connected to the militia, and many ordinary villagers reverted to poppy cultivation from which local armed actors continue to profit.

Improved road connectivity under the ceasefires paved the way for unprecedented development, though local communities derived limited benefits.

- ▶ With conflict stabilized, central authorities improved transport infrastructure into the border regions, including roads between Mandalay and Mu Se, Bhamo and Loi Je, and Myitkyina and Kan Pai Ti. Large investments were made in border trade infrastructure, and activity increased rapidly with thousands of trucks transporting goods to satisfy high demand in China.
- ▶ Development initiatives were also undertaken with the construction of new schools and hospitals. However, local communities experienced unprecedented environmental destruction, loss of land and corruption among authorities, marginalizing many from the lucrative border economy.

With cross-border trade flourishing, the concurrent rise of Chinese influence in local political, social and economic matters has divided local opinion.

- ▶ As cross-border ties between Myanmar and China grow, Chinese influence in the local landscape becomes stronger. Mandarin is increasingly a language of business and new construction is often paid for with Chinese yuan. An unprecedented 33 official agreements signed between the governments of Myanmar and China in early 2020 included plans for special economic zones and trade zones in the border region, resulting in loss of land for many locals who report mixed opinions about compensation.
- ▶ Migration from China has altered the social fabric of local communities. They often benefit from greater access to investment capital and business networks, allowing them to take advantage of emerging opportunities in the border region. Local ethnic minority populations report being increasingly excluded from economic development.

Renewed conflict following the 2021 military coup, and increased transit restrictions relating to the Covid-19 pandemic, have underscored the border regions' unresolved fragility.

- ▶ The political landscape has shifted in response to the Tatmadaw's takeover of government. Armed groups' front lines have shifted as many seek to consolidate territory and access revenue-generating sites in Myanmar's resource-rich northeast. New armed actors have emerged from pro-democracy movements and civilians are facing greater risks of displacement and loss of livelihoods within a newly volatile conflict landscape.
- ▶ Following a significant reduction in cross-border trade flows due to restrictions on movement, the post-pandemic economic downturn has intensified into an acute crisis, with Myanmar's financial institutions on the brink of collapse even before the Tatmadaw-induced crisis of February 2021. The trade volume at Kan Pai Ti dropped by roughly 49 percent from 2020 to 2021; at Mu Se it fell by almost 50 percent during the same period. In Loi Je, imports and exports slightly increased, which may be due to road blockades in Kan Pai Ti.

Policy Recommendations

These findings generate useful lessons for the larger questions around peace, conflict and development policy in Myanmar. The experiences of these border regions after decades of ceasefires demonstrate that a top-down approach to conflict resolution failed to address the root causes of armed conflict. The study also indicates that economic opportunities and incentives without concrete political settlement can cause harm in the mid- and long-term. The following key recommendations are targeted toward different policy actors:

National government and local authorities in the border region

Policymakers must protect the livelihood interests of local communities in the face of growing Chinese business influence and megaprojects in border

areas. The activities of Chinese companies, especially large-scale business ventures and megaprojects linked to the Belt and Road Initiative, must be scrutinized to prevent land dispossession and exacerbated inequality.

To address the growing asymmetries in Myanmar–China cross-border trade, economic policies are needed that facilitate the growth of domestic markets and light industries on the Myanmar side, to create more job opportunities for local populations. The current trend of limiting export to raw materials and natural resources will not lead to a sustainable economic future in the border region.

The reasons why past opium crop-substitution programs failed, especially in the Kan Pai Ti region, must be reviewed to ensure sustainable and accessible livelihoods for local communities in future, including viable alternative income streams.

Border region business communities and investors

The development of border economic zones should not be limited to building physical infrastructure but should also address the long-term development needs of local communities, including social and welfare services. Despite their importance to Myanmar's economy, Kan Pai Ti, Loi Je and Mu Se are well behind the national average in terms of health and educational standards.

Large-scale economic projects can pose significant risk of environmental damage. Such projects should include transparent impact assessments that are made available to the public.

International organizations and donor agencies

Local civil society actors in Kan Pai Ti, Loi Je and Mu Se need support to continue the vital role they play in addressing risks to local communities and amplifying their voices. International organizations should advocate on behalf of local communities to the Myanmar government and local authorities, while sharing insights gathered from these areas with wider audiences.

International organizations and donor agencies should support independent research on the

Myanmar–China border region to address the absence of reliable public data on the impacts of megaprojects and economic development initiatives. They should also support youth empowerment and skills development programs to enable local voices to connect with wider policy audiences.

Peacebuilding initiatives and conflict resolution support must take into account the significant role played by militia groups in the local conflict landscape. These groups are often left out of formal peace discussions though their participation is critical for the success of any proposed agreement.

Local civil society

Northern Shan State and Kachin State–based civil society organizations should provide local communities with awareness training and workshops regarding legal, human rights, political, economic, and gender inequality issues. Ensuring that local communities have access to information on land laws is particularly important in light of the growing concerns regarding land dispossession.

Youth populations need specific support for skills training that will enable them to access jobs, develop business acumen, and have increased awareness of local risk factors, including drug use.

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