

**CHINA-MYANMAR ECONOMIC CORRIDOR:
OPPORTUNITIES AND CHALLENGES**

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Executive Summary

1. The construction of China-Myanmar oil and gas pipelines started on 31 October 2009; a highway and a railway are scheduled to be built along the pipelines to link up the logistics system between Yunnan and Kyaukphu.
2. Once completed, a prosperous economic corridor is expected to be formed along this route, strengthening China's already substantial economic ties with Myanmar and contributing to a more integrated regional economy.
3. The economic corridor project is part of Beijing's broader strategy of investing widely to diversify its sources of imported energy, and to enhance its economic integration with Myanmar.
4. The project also creates many other opportunities for economic cooperation between China and Myanmar. For China, it will bring development opportunities to its economically backward southwestern provinces, in particular, Yunnan and Sichuan.
5. For Myanmar, the project reduces Myanmar's dependence on Thailand for foreign direct investment and its gas exports as it will provide Myanmar with an alternative export market for its natural gas and other commercial goods.
6. It will also increase Myanmar's foreign exchange earnings and reduce Myanmar's trade deficit with China. From the oil and gas pipeline project alone, Myanmar is projected to earn at least US\$1.8 billion in foreign exchange a year.
7. Nevertheless, the China-Myanmar economic corridor project comes with many potential risks and challenges including high construction costs of the pipelines, growing resentment of Chinese businessmen and wariness of some neighboring countries of China's growing influence.

8. Although China has plans to stake a long-term strategic energy investment in Myanmar, it does not necessarily mean that China has free rein over the outcomes. China cannot assume that with enhanced economic relations, its leverage on Myanmar is set to increase.
9. Various indications suggest that Myanmar has a growing interest in China's economic development models. This is an area where China could be of assistance. The China-Myanmar economic corridor could serve as the starting point. Other areas include cooperation and capacity building in economic system reform, agriculture and education.