



Footsteps of China and India on Arakan in Post-Coup Myanmar

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The Center also intends to address the policy gaps in Arakan and Myanmar in general through analysis and recommendations in favor of democratic policy change and common solutions. The Center publishes a series of monthly reports, along with the policy briefing issues related to Arakan affairs, on its website and through various publications.

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Photo - Chinese Special Envoy for Asian Affairs Sun Guoxiang and
Arakan Army Leader Maj. Gen Twan Mrat Naing at a meeting held on January 10, 2020 (Photo/Kachin Net)

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Executive Summary

Rakhine State, historically known as Arakan has been a center of international and regional attention due to its strategic location with abundant natural resources in addition to the images of well-noticed armed and communal violence in recent years. The two regional powers with the world's first and second largest populations, namely China and India, have focused on the area for their strategic keynotes regarding regional and international trade, transportation, and communication. Since before the military seizure of power in a coup in Myanmar, China has invested heavily in the area, such as the implementation of oil and gas pipelines and, currently, the construction of the Kyaukpyu deep-sea ports to provide a vital link between China's Yunnan Province and the Indian Ocean and the Kyaukphyu Special Economic Zone (SEZ) which consists of industrial and residential parks along with other modern facilities. China has therefore been protecting its investments and strategic interests in the region by maintaining its relations with multiple stakeholders, including the Myanmar government, the Arakan Army (AA), and other ethnic armed groups. It has been involved in mediation efforts between the Myanmar government and the ethnic armed groups to maintain stability and secure its interests in post-coup Myanmar. India's approach to Rakhine State has otherwise been primarily focused on the construction of the Kaladan Multi-Modal Transit Transport Project for strengthening its transportation and communication between mainland India and its northeast states and countering China's influence in the region. India's Kaladan Project aims to connect India's northeast region to Myanmar's coast and beyond, reducing India's dependence on the vulnerable Siliguri Corridor. The focus of India's policy toward the region was based mainly on building good relations with the government of the country, and now with the regime. It didn't have good ties with local stakeholders, including AA, in the first place. There are nevertheless some visible changes in the approach of the Delhi government after the coup by diversifying its relations between both regime and local stakeholders as this could help the pragmatic movement of its mega-project.



Photo 1. "Rakhine State, Myanmar (as of 16 Jul 2013)," UN Office for the Coordination of Humanitarian Affairs, July 16, 2013.

Introduction: Why Arakan Matters

Rakhine State has since 2017 been full of complex political hotspots, mainly the Rohingya crisis and the rise of armed movements by the United League of Arakan/ Arakan Army (ULA/AA), as well as increasing amount of foreign investment by the two key regional powers, China, and India. Being situated on the Eastern bank of the Bay of Bengal, the area has also been seen as the strategic connecting point for these two regional powers with their multi-million-dollar investments and geo-strategic interests.

As for China, they have been eyeing the development of similar maritime and other infrastructure in Chittagong, located only 150 km from Rakhine State, which further expands its interests in the Bay of Bengal. Moreover, another way to look at China's involvement in Rakhine is through energy security. China is believed to see the strategic value of Rakhine's location and initiated plans to build oil and gas pipelines in the region to reduce its dependence on the Strait of Malacca for oil and LNG shipments from the Middle East. This initiative was launched under the rule of the former military regime before 2011, and the primary aim was to utilize the shorter route through Rakhine to reduce strategic vulnerability. While the situation of the "Malacca Dilemma" has been under increased challenge, and the transportation lines of China through the strait remain vulnerable to attacks in the event of blockage and tension. In addition, they have been seen as a crucial measure to alleviate China's energy shortage and insecurity in its Southwest region.¹

China's plan, however, to reduce its dependence on the Malacca Strait for trade and energy routes by securing alternative routes through Rakhine to other parts of Myanmar has raised concerns among regional and global powers. India has seen rising concerns about the Chinese presence in Bangladesh, which has a closed border with the Rakhine State, could threaten its own interests in the region. On the other hand, both powers also have economic interests. It is obvious that the development of the Kyaukpyu deep-sea port and special economic zone (SEZ) in Rakhine State would provide an alternative to the congested Malacca Strait for China's energy security and regional connection while India's strategic interests in Rakhine lie in the development of the Kaladan Multi-Modal Transit Transport Project, which also aims to connect Kolkata through Rakhine state Capital Sittwe to Mizoram in Northeast India.² These will help both states to improve

¹ "Oil Piped from Myanmar to China Hits 3.9 million Tonnes in 2017", Xinhua News, 26 January 2018
 Accessed: <https://www.legal-tools.org/doc/9djiwv/>.

their underdeveloped areas in their countries, like China's Yunnan and India's Mizoram province as an essential part of China's Belt and Road Initiative(BRI) and India's Act East Policy (AEP). To delve into the past and track the evolution or genealogy of the rival powers' footsteps in the area, Rakhine State has been occupied with the main potential place for China's BRI, which comes not from natural resources' requirements but from strategic importance towards access to the Indian Ocean.

Unlike other states and regions, Rakhine has had less foreign competition since the country's political and economic liberalization in 2011³. During that period, foreign investors sought to establish themselves in the country, with Japan and Thailand assigned to the Yangon Thilawa and Dawei special economic zones, respectively. This increased China's determination to secure the Kyaukphyu SEZ in Rakhine, as it did not want to lose all three major zones to foreign powers.

The reactions of these two powers to the Rohingya crisis in Rakhine have long been reflected in their strategic considerations toward the region. In 2017, when the Myanmar government defended an international court regarding the Rohingya crisis, the imposition of Western sanctions, including the US against Myanmar deterred foreign investment in Rakhine, except China. This is because China is said to follow the so-called non-interference principle and has historically maintained peaceful relations with local communities in Rakhine. China's influence over local Rakhine stakeholders and its investment projects located south of the most severe crisis areas have also contributed to its ability to maintain the security of its assets. Additionally, China's positive relationships with Bangladesh and Myanmar offer unique advantages in dealing with the Rakhine situation and the Rohingya issue.⁴

For India, it becomes a different matter due to its decoration of democracy and human rights, at least in terms of the political system. It thus needed to show its stand among the global community. At that point, the aim of India is to balance its relations with its neighboring countries, Myanmar, and Bangladesh, both of which have been in strained relations due to the Rohingya crisis in Myanmar's Rakhine. The crisis, which started in August 2017, is reported to result in the displacement

² M Shahidul Islam, "Rakhine: Where China meets India", The Daily Star, Oct 8, 2017. Accessed:<https://www.thedailystar.net/opinion/myanmar-rohingya-refugee-crisis-rakhine-where-china-meets-india-1472947>

³ SUN Yun, TOEP, "On the Yunnan-Rakhine Corridor", Policy Brief Series, No. 109, 2020. Accessed:<https://www.toaep.org/pbs-pdf/109-sun-yun>

⁴ SUN Yun, TOEP, "On the Yunnan-Rakhine Corridor", Policy Brief Series, No. 109, 2020. Accessed:<https://www.toaep.org/pbs-pdf/109-sun-yun>

of nearly 700,000 Rohingya Muslims, causing a major humanitarian crisis in Bangladesh. It is said that India considers the Rohingya crisis from both a humanitarian and security perspective and shares Myanmar's concern of 'extremist violence' in Rakhine State.⁵

In official statements, India opened about 'displaced persons from Rakhine State' due to Myanmar's sensitivity over the term Rohingya. During the visit of the Indian foreign minister to Myanmar in mid-May, India underlined the need for the 'safe, speedy and sustainable' return of the Rohingya refugees. India has committed US\$25m of development assistance, to be transferred over five years, to help the 'restoration of normalcy' in Rakhine State and the return of the Rohingya refugees to Myanmar. Furthermore, India and Myanmar signed an agreement for a development programme in Rakhine State, and India is currently constructing prefabricated housing for refugees returning there.⁶

Overall, the region of Rakhine can be seen as a more convergent note for the power competition and interest accumulation for two Asian powers. While the Naypyidaw government had relied heavily on China for political and economic support in the past, the current military regime is now diversifying its partnerships with other countries, including Russia, India, Japan, Singapore, etc. Both powers have designated the areas as a unique viable link for the expansion of their strategic interests. The momentum of their footsteps has now accelerated more under the current military regime in Myanmar.

In this report, the CAS has analyzed the policy changes and activities of these two regional powers, especially after the February 2021 Coup in Myanmar. Throughout the analysis process, the report has also made an effort to trace the pre-military coup situations and how they have also impacted the strategic thinking of each particular power. More importantly, it is also an interesting area to present how the local key stakeholders in Rakhine State, such as the ULA/AA and others, have perceived and interacted with the constituents of these two regional powers.

⁵ Viraj Solanki, "India boosts relations with Myanmar, where Chinese influence is growing" ONLINE ANALYSIS 1st June 2018.

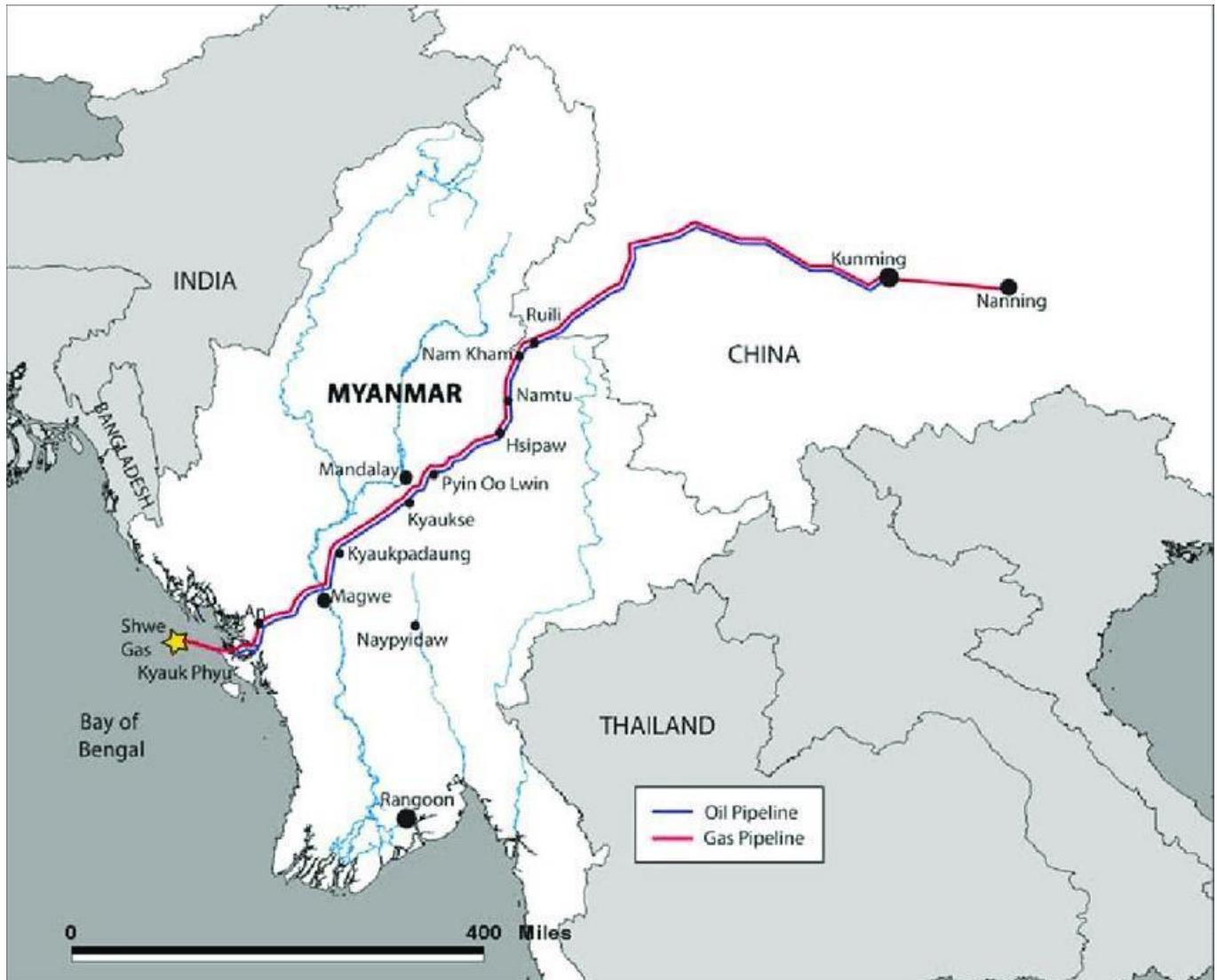
Accessed:

<https://www.iiss.org/online-analysis/online-analysis//2018/05/india-myanmar-china-relations>

⁶ Viraj Solanki, "India boosts relations with Myanmar, where Chinese influence is growing" ONLINE ANALYSIS 1st June 2018.

Accessed:

<https://www.iiss.org/online-analysis/online-analysis//2018/05/india-myanmar-china-relations>



Ambitious Approach of China in Rakhine

The investments of China in Rakhine began with the construction of oil and gas pipelines around a decade ago, aimed at reducing China's strategic vulnerability and attempting to gain a gateway to the Strait of Malacca for energy shipments.⁷ The pipeline projects were agreed upon by China National Petroleum Company (CNPC) and Myanmar's junta Ministry of Energy in 2009 during the visit of President Xi Jinping, and the gas pipeline was completed in 2013, while oil pipelines only in 2017. The total investment of these two pipelines is said to be around 2.5 billion USD. These pipelines have been operational for many years and are said to be successful

⁷Oil Piped from Myanmar to China Hits 3.9 Million Tonnes in 2017", Xinhua News, 26 January 2018
 Accessed: <https://www.legal-tools.org/doc/9djtww/>

in transporting a total of 24.6 billion cubic meters of LNG and crude oil to China in 2020.⁸

China has, additionally, planned for further infrastructure development in Rakhine, consisting of a railway, highway, and high-speed cable networking system. Another main step of China in the Rakhine region is the Kyaukphyu Special Economic Zone (SEZ), consisting of a deep-sea port, industrial park, and housing development, one of the most significant Chinese projects in the country. The project was awarded to the China International Trust Investment Corporation (CITIC)-led consortium in late 2015. For the industrial zone, the share ratio is said to be 51:49 between CITIC and Myanmar government sides, but the initial total amount in 2018 was about USD

2.7 billion, but the updated amount is still unknown. Next, the total estimated cost of the seaports at the first time was over USD 7 billion, but the NLD government reduced the size to USD 1.3 billion and changed the ratio from 85:15 to 70:30 between the Chinese SOE CITIC and the government led SPSEZ Management Committee.

The project has nevertheless been controversial, with criticism centered on the size of the SEZ being excessively large and the potential for Myanmar to rely heavily on Chinese loans to finance the project.⁹ These actions and interactions are starting points for why China has tried to focus and step on the Rakhine State in the different political arenas of Myanmar. However, the February 2021 military coup in Myanmar has hindered progress on these projects. Despite political instability and rising insecurity within the country, China views its investment in Rakhine as strategically important for diversifying its energy transport system and maintaining a presence in the Indian Ocean.

Accessing the Relations with the ULA/AA

Following the February 2021 coup, the concentration of China on its investment in the Rakhine state has become more accelerated. Among the various stakeholders for its interest, the degree of inter-relations with a key local actor, the United League of Arakan/ Arakan Army (ULA/AA), is still difficult to uncover. At the same time, various sources have speculated the shape of relations between the Beijing

⁸ “Sino-Myanmar Oil and Gas Pipelines Achieving High-Quality Cooperation”, [中缅油气管道实现高质量合作], People’s Daily, 17 January 2020, Accessed: <https://www.legal-tools.org/doc/4tosx7/>.

⁹ SUN Yun, TOEP, “On the Yunnan-Rakhine Corridor”, Policy Brief Series, No. 109, 2020. Accessed: <https://www.toaep.org/pbs-pdf/109-sun-yun>

government and the ULA/AA from different perspectives. Among them, the media agencies and analysts from India are more assertive, coding the AA as a key pro-China group hindering the Indian interest: implementing the Kaladan project in Rakhine. According to the 'Time of India' media agency, China reportedly provides financial support and advanced weapons to armed groups in Myanmar, including the Arakan Army (AA)¹⁰. A military source with knowledge of the situation in Southeast Asia has speculated that China is providing almost all the Arakan Army's funding, which is estimated to be around 95 per cent ¹¹. Yet, the ULA/AA leader Majar General Twan Mrat Naing once denied this accusation in his interview with the Chin Cable Network (CCN) in mid-2020. He replied, *"China does not even give us a bullet. If we were to be helped by China, we can probably go and occupy Naypyidaw."*¹²



Chinese Special Envoy for Asian Affairs Sun Guoxiang and Arakan Army Leader Maj. Gen Twan Mrat Naing at a meeting held on January 10, 2020 (Photo/Kachin Net)

¹⁰ The Times of India, "China supplies weapons to Arakan Army Armed Group to weaken India, Myanmar", Jul 2, 2020. Accessed: <https://timesofindia.indiatimes.com/world/china/china-supplying-weapons-to-arakan-arm-y-armed-group-to-weaken-india-myanmar-report/articleshow/76741890.cms> ¹¹ The Times of India, "China supplies weapons to Arakan Army Armed Group to weaken India, Myanmar", Jul 2, 2020. Accessed: <https://timesofindia.indiatimes.com/world/china/china-supplying-weapons-to-arakan-arm-y-armed-group-to-weaken-india-myanmar-report/articleshow/76741890.cms> ¹² https://www.youtube.com/watch?v=ITkTfABHD1o&ab_channel=ArakanNewsCollection

Another Indian analyst claimed that the Arakan Army possesses approximately 50 Man-Portable Air Defense Systems (MANPADS), which are surface-to-air missiles.¹³ This development is concerning as it could potentially escalate the ongoing conflict in Myanmar and pose a threat to regional stability.¹⁴ In addition, the analyst also speculated that China's support for the Arakan Army in Myanmar also has strategic benefits for China in relation to India's Kaladan project in the Rakhine state.

The Kaladan project is aimed at creating a direct link between India's northeast states and the Bay of Bengal, which would be achieved through the construction of new port facilities at Rakhine Capital Sittwe, a river transit system, and a road to India's Mizoram state. This project is significant because India's northeast states are currently only weakly connected to the rest of India, and the Kaladan project would provide a direct and more efficient route for transportation and trade between these regions.¹⁵ Therefore, China's good relations with the Arakan Army (AA) can also be seen as a means to counter India's increasing influence in the region and protect China's own economic and strategic interests.

New Developments in Investment Environment

China has, since the February 2021 coup, attempted to protect its economic and strategic interests in Myanmar, particularly in Rakhine State by promoting its ties with the junta regime and interest groups in the area. It can be seen as continuous actions of China in the region, although the political situations are under complex conditions among the junta regime, political parties, and armed groups. Starting from December 2021, the regime announced that at least 15 projects worth RMB 200 million implemented by China so-called for the development of Rakhine state had been reviewed and prepared.

These projects include various segments that will support the China-Myanmar Economic Corridor. The report said that the KPSEZ under the China-Myanmar Economic Corridor, including the deep seaport ports, are among the projects that the regime intends to implement as a priority.¹⁶ These initiations can also be seen as the initial steps that Chinese government started to take towards the Rakhine

¹³ The Times of India, "China supplies weapons to Arakan Army Armed Group to weaken India, Myanmar", Jul 2, 2020.

¹⁴ The Times of India, "China supplies weapons to Arakan Army Armed Group to weaken India, Myanmar", Jul 2, 2020.

Accessed: <https://timesofindia.indiatimes.com/world/china/china-supplying-weapons-to-arakan-army-armed-group-to-weaken-india-myanmar-report/articleshow/76741890.cms> ¹⁵ The Interpreter, "How China, India and Bangladesh could be drawn into Myanmar's conflict", 8 Nov 2022.

Accessed: <https://www.lowyinstitute.org/the-interpreter/how-china-india-bangladesh-could-be-drawn-myanmar-s-conflict>

¹⁶ <https://www.ispmyanmar.com/burmese/ispced-timeline2021/>

State after the military overthrow of the civilian government in February 2021.

Consequently, in early January of 2022, Aye Nu Sein, former leader of the Arakan National Party (ANP) and core member of the junta administration body, went to the Kyaukphyu area to review the SEZ in terms of accelerating as the main Chinese project under the cooperation. Then, China International Trust and Investment Corporation (CITIC) and a national NGO, Myanmar Survey Research (MSR), signed a service contract for the Environmental and Social Impact Assessment (ESIA) process regarding the deep seaports project on 10th February 2022¹⁷ and the process is said to be completed in mid-2023.¹⁸

Survey work for a bridge to Kyaukphyu's Maday Island was started in March 2022, but other projects, such as the railway, remain uncertain. In April 2022, China's Foreign Minister met with Myanmar's junta Foreign Minister to speed up the CMEC's implementation. Likewise, MSR also conducted the assessment in May 2022.¹⁹ The China Eryuan Engineering Group has, on another side, resumed preliminary work on a railway project in Myanmar as part of the China-Myanmar Economic Corridor, linking Kunming to a special economic zone and deep-sea port in Kyaukphyu Township, Rakhine State.

Acceleration and the Response of the AA

Despite conducting the processes of EIA and SIA in mid-2022, other segments of the project areas are under security and social acceptability challenges in an escalated Myanmar internal conflict. Preparations for the second segment had been stalled until last year.²⁰ In February 2023, General Min Aung Hlaing, leader of the Junta regime, said that Kyaukphyu SEZ would be implemented in accordance with the MoU and compromises.

A series of meetings between the regime and China has, so far, been conducted. In October of last year, the Vice President of CITIC and the Minister of Economy and

¹⁷ <https://www.ispmyanmar.com/burmese/ispced-timeline2022/>

¹⁸ BRIAN GICHERU KINYUA, China's Access to the Indian Ocean Via Myanmar is Almost Complete, The Maritime Executive, October 21, 2022.

Accessed: <https://maritime-executive.com/editorials/china-s-access-to-the-indian-ocean-via-myanmar-is-almost-complete>.

¹⁹ Andrew Landen, "China's Myanmar conundrum post-coup", Mizzima, EDI, 24 July 2022.

Accessed: <https://mizzima.com/article/chinas-myanmar-conundrum-post-coup>

²⁰ The Frontier, "China and Myanmar resume work on Muse-Kyaukphyu railway", February 27, 2023, (<https://www.frontiermyanmar.net/en/china-and-myanmar-resume-work-on-muse-kyaukphyu-railway-%ef%bf%bc/>)

Commerce, U Aung Naing Oo, met in Naypyitaw regarding the status of implementing the KPSEZ. And the CITIC company also did social support projects by donating medical equipment to the Kyaukphyu District Public Hospital in November 2022. The donation was announced as part of a project named "Kyaukphyu Future Social Benefit Project" and was carried out with Yunnan Aid funds.²¹

In early January 2023, Chinese Foreign Ministry Ambassador Deng Xijun met separately with seven ethnic armed groups of the Federal Political Dialogue and Coordination Committee (FPNCC), including Arakan Army (AA) in Yunnan province. During the meeting, the ambassador expressed China's desire for stability and peace in the border region and emphasised that China does not encourage mutual attacks. He also expressed concerns that fighting could hinder internal peace.²²

According to a report by Mizzima News in July 2022, U Khaing Thukha, a spokesperson of the Arakan Army, expressed his views on foreign investment in Myanmar, stating that the AA welcomes foreign investment that is fair and could bring benefits to local communities. He also mentioned that the AA acknowledges Chinese investment in the Rakhine state and would ensure its protection. However, he added that some deals might need to be re-negotiated once the AA is in a position to govern the region independently.²³

To analyze China's actions and footsteps in the region, it prioritizes its economic and strategic goals under the Belt and Road Initiative (BRI). Despite the political struggles in the region after the coup, China is unlikely to relinquish its economic interests. Furthermore, China maintains relations with both the junta regime and the Arakan Army (AA), which are powerful actors in the region. This suggests China is pursuing a pragmatic approach to maintain its influence and interests.

²¹ <https://www.ispmyanmar.com/burmese/ispcd-timeline2022/>

²² <https://www.ispmyanmar.com/burmese/ispcd-timeline2022/>

²³ Andrew Landen, "China's Myanmar conundrum post-coup", Mizzima, EDI, 24 July 2022. Accessed: <https://mizzima.com/article/chinas-myanmar-conundrum-post-coup>



Photo/The Print

India's Approach to Rakhine State

India has long recognised Rakhine State as a potential key to its economic and strategic interests, as well as it intends to maintain a steady presence in the region. There are multiple reasons behind India's efforts to enhance its engagement with Arakan (Rakhine State). One key consideration comes from China's strategic focus on Rakhine as a part of its Belt and Road Initiative, which in turn raises concerns for India's security given China's potential influence over Rakhine and its neighbouring border with Bangladesh.²⁴

In addition to security concerns, India is seeking to balance relations between Myanmar and Bangladesh, both of whom have strained ties over the Rohingya crisis happening in Rakhine. India shares Myanmar's concerns over extremist violence in the region but also is said to view the crisis from both humanitarian and security perspectives. India is said to commit \$25 million in development assistance to help

²⁴ DAVID BREWSTER, "How China, India and Bangladesh could be drawn into Myanmar's conflict", 8 Nov 2022. Accessed: <https://www.lowyinstitute.org/the-interpreter/how-china-india-bangladesh-could-be-drawn-into-myanmar-s-conflict>

restore normalcy in Rakhine State and support the safe and sustainable return of Rohingya refugees. India has also engaged with Bangladesh through high-level meetings and providing relief materials for refugees.²⁵

India, additionally, sees the development of the Kaladan project in Rakhine State as crucial to unlocking the economic potential of its northeastern regions. The project is also anticipated to reduce India's dependence on Bangladesh for transit routes, which could have significant implications for the relationship between the two countries.

The Kaladan Project and Arakan Army

Progress on the Kaladan corridor have been delayed while intensive fighting between Junta forces and the Arakan Army (AA) broke out from 2018 until late 2020. Consequently, the armed fighting has also allowed the AA to seize crucial territory along the project areas. This development gives the Arakan Army (AA) substantial leverage over India and raises questions about whether India will engage in negotiations with the group or maintain its longstanding support for the Junta regime. In the first place, the course of action on how India will decide on the issue still remains unclear.²⁶ As there were some hostile relations in relations between the Delhi government and AA at the beginning of the armed struggle, Indian diplomacy toward the latter was still in question for a long time, even after the coup in February 2021.²⁷ On the other hand, there were some perceptions from Indian media that the Kaladan project was under blockade due to the AA when the AA leadership claimed to tax all big economic investments in the state. Next, the armed group also publicly said that if the economic projects that are being worked on under contracts are beneficial to the Rakhine people, they have no reason to oppose.²⁸

India sees, however, the AA as a group linked to China and threatening its interests in the region because the Kaladan project can also be regarded as a part of the regional program that can counter-balance against China. At the same time, the

²⁵ Viraj Solanki, "India boosts relations with Myanmar, where Chinese influence is growing", Analysis, 1st June 2018. <https://www.iiss.org/blogs/analysis/2018/05/india-myanmar-china-relations>

²⁶ DAVID BREWSTER, "How China, India and Bangladesh could be drawn into Myanmar's conflict", 8 Nov 2022.

Accessed: <https://www.lowyinstitute.org/the-interpreter/how-china-india-bangladesh-could-be-drawn-myanmar-s-conflict>

²⁷ DAVID BREWSTER, "How China, India and Bangladesh could be drawn into Myanmar's conflict", 8 Nov 2022.

Accessed: <https://www.lowyinstitute.org/the-interpreter/how-china-india-bangladesh-could-be-drawn-myanmar-s-conflict>

²⁸ BBC, "အေအေအေကြောင့် ကုလားတန်စီမံကိန်း အခြိမ်းခြောက် ခံနေရလား", ၁၂ စက်တင်ဘာ ၂၀၁၉.

Accessed: <https://www.bbc.com/burmese/burma-49682863>.

project missed two deadlines due to instability in the project area²⁹. Compounding factors to this perception happened when the AA abducted five Indian workers from a project site in late 2019, leading to the death of one, reportedly due to a heart attack in custody.³⁰ One Indian newspaper, Time of India, wrote about the incident that the timely intervention of the Indian government saved five Indians from the Arakan Army in Myanmar.³¹

Before the event, the Spokesperson of the AA said to BBC in September 2019 that the incident happened just due to the normal check for security concerns in the areas, not to target the Indian Kaladan project.³² Sooner, Major General Tun Mrat Naing, the Chief of the AA, told the Irrawaddy news in December 2019 that AA was planning to collect the tax from large-scale projects, including the Kaladan Multi-Modal Transit Transport Project in Arakan and wouldn't allow work the companies or projects that denied paying taxes to them. He also added that AA had witnessed the ignorance of Kaladan project's operators about the group's authority and confirmed its plans to collect taxes from them.³³ In short, this landscape has also clearly shown how the relations between the Delhi government and the ULA leadership had been odd regarding implementing the Kaladan project in Arakan in the pre-coup politics in Myanmar.

Beyond the Relations with the ULA/AA

There are also some activities of the Indian government in the Arakan region which go beyond its relations with the AA. One of the most notable actions was the close relations with the local stakeholder in the area. After a private meeting between the former Rakhine Hluttaw Speaker U San Kyaw Hla and Dr Gautam Kumar Pandey, India's Consul General in Sittwe, in November 2020, the latter expressed his willingness to provide assistance to Rakhine internally displaced persons (IDPs) to return home.

²⁹ *India Today*, "Kolkata to Mizoram: Kaladan Project Likely to be Completed by 2023", 23 March 2021 (<https://www.indiatoday.in/india/video/kolkata-to-mizoram-kaladan-project-likely-to-be-completed-by-2023-1782655-2021-03-23>).

³⁰ Abhisek Bhalla, "Indian Worker part of Kaladan Project dies in custody of Myanmar Insurgent group", *India Today*, 5 November 2019 (<https://www.indiatoday.in/india/story/indian-worker-part-of-kaladan-project-dies-in-custody-of-myanmar-insurgent-group-1615819-2019-11-05>).

³¹ *The Times of India*, "Government's Timely Intervention Saved 5 Indians from Arakan Army in Myanmar: Home Ministry", 5 Nov. 2019. (Accessed: <https://timesofindia.indiatimes.com/india/govts-timely-intervention-saved-5-indians-from-arakan-army-in-myanmar-home-ministry/articleshow/71919351.cms>)

³² BBC, "အေအေအကြောင့် ကုလားတန်ဖိတ်နဲ့ အခြိမ်းခြောက် ခံနေရလား", ၁၂ စက်တင်ဘာ ၂၀၁၉. Accessed: <https://www.bbc.com/burmese/burma-49682863>.

³³ Nan Lwin Hnin Pwint, "Arakan Army to 'Tax' Large Projects in Myanmar's Rakhine, Chin States" *The Irrawaddy*, 10 December, 2019.

Before that, the Indian diplomat community had also been participating in some assistance activities in the areas. On January 21, 2020, a donation consisting of 2000 bags of rice, sunflower hair bean oil, Toor Dal, Chana Dal pepper, turmeric coriander powder, salt, and tarpaulins with a total value of US\$235,456 was supported to the Rakhine state government.

Recalling his meeting with the Indian counsellor, U San Kyaw Hla said, “He asked me what the necessary things for the Internally Displaced People (IDP) to go back home as the territory is also under a more stable situation are.” Some local analysts also saw the plans as a good show for the better implementation of the Kaladan project because the news also expressed that the Indian counsellor urged the Hluttaw Speaker to urge the stakeholders for the better implementation of the Kaladan project.³⁴



Arakan Army Fighters (Photo: YouTube/Arakan Army promotional video)

³⁴ အိမ်စိုးမြူ, “စစ်တွေရှိ အိန္ဒိယကောင်စစ်ဝန် ရခိုင်စစ်ဘေးရှောင်များ နေရပ်ပြန်နိုင်ရေး အကူအညီပေးရန်လိုလား”, နိုရူရှာ၊ နိုဝင်ဘာ ၃၀/၂၀၂၀

Accessed: <https://burmese.narinjara.com/news/detail/5fc4e8e53f8935047dbb7889>.

Tied its relations with Junta Regime

Despite India's stance on democracy and human rights, it has continued to engage with Myanmar Junta, particularly in Rakhine State, following the coup in February. India knows that it cannot neglect Myanmar as it is a long adjacent country and located in a strategic place for its crucial national interests, including rebalancing China's power. There were high-level visits between the two states after the coup, and some issues related to the Kaladan project were also discussed.

The high-level visits from India towards Myanmar after the coup also have impacts on all the issues in the border areas to India's border regions, especially the Northeastern States. During a two-day visit of Indian Foreign Secretary Harsh Vardhan in December 2021, he mentioned the importance of peace and stability in Myanmar for India. Besides, the Indian Ministry of External Affairs (MEA) highlighted that the current political changes in Myanmar have direct impacts on India's bordering regions.³⁵

Later, in late 2022, Indian Foreign Secretary Vinay Kwatra again visited Myanmar for two days, emphasising infrastructure and developmental projects, including those under the Rakhine State Development Program and Border Area Development Program.³⁶ The news also said that four months of armed clashes from August to November 2022 between the AA and junta forces led to the suspension of some implementation steps for the Kaladan project.

On December 4, 2022, Indian Consul Mr Jay Krishna and the junta authority in Rakhine State discussed the re-implementation of the stalled Kaladan River Comprehensive Project and reached an agreement regarding the issue. Some analysts pointed out that the Delhi government has been pushed to act in this way by the growing presence of China in Myanmar after the military coup. But there are some criticisms that although the junta forces have a temporary ceasefire with the AA, the situation of Chin State, especially surrounding project areas, has changed a lot compared to the pre-military coup condition. This also becomes a new factor for implementing the Kaladan project, as the car routes will need to pass through these areas and connect Mizoram State. Thus, a new question comes out whether peace and stability in the project area could be achieved only through a ceasefire with the

³⁵ Rajeswari Pillai Rajagopalan, "India's Foreign Secretary Visits Post-Coup Myanmar", The Diplomat, December 29, 2021.

Accessed: <https://thediplomat.com/2021/12/indias-foreign-secretary-visits-post-coup-myanmar/>

³⁶ Rajeswari Pillai Rajagopalan, "India Engages Myanmar", the Diplomat, November 26, 2022. <https://thediplomat.com/2022/11/india-engages-myanmar/>.

AA.³⁷ At the moment, some vessels to be utilised for the Kaladan River trade project are said to have been handed over to the company, as confirmed by the Indian Consulate official, a responsible India officer told to DMG on 14th June 2022.³⁸

Containing China's Influence in the Region

Tracing China and India's interactions and steps towards Rakhine State after the coup seems both have attempted to keep their incurs in the region because of their strategic projects and interests for achieving their national ambitions. From the side of China, its interactions with the local stakeholders and junta authority in Rakhine State could be found for several years, primarily through its strategic economic interests in the region. The Rakhine is an important location for China due to its proximity to the Bay of Bengal and its potential as a gateway to the Indian Ocean.

In order to improve its targets in the Rakhine, China has taken a pragmatic approach to maintain good relations with both junta forces and AA, the only two dominant actors in the area. The way that China is now playing its political strategy in the region can be clearly claimed that it holds cards with different powers for reaching out to the BRI's targets having an outlet towards the Indian Ocean via Rakhine State. It also wants a peaceful situation in the region that helps to achieve its main projects as it intended.

For India, it has continued to engage mainly with the Naypyidaw government, including the local junta authority in Rakhine State, and has emphasised the importance of peace and stability along its border regions. India's focus on infrastructure and developmental projects, including those under the Rakhine State Development Program and Border Area Development Program, suggests that it hopes economic development will deliver more positive improvement for the region.

More importantly, despite having hostile relations with the AA in the past, policy changes in India to negotiate regarding taxation and local stability have paved the way for more positive changes in the area. The actions of Indian counsellors in Sittwe to provide humanitarian assistance to the IDP community in Arakan could also be seen as part of this effort. Next, the leader of the AA has stated that they

³⁷BBC News, “ရခိုင်မှာ အပစ်ရပ်ပြီး ကုလားတန်ခိုးမိမိတိုင်း ပြန်စဖို့ပြင်”, ၇ ဒီဇင်ဘာ ၂၀၂၂. Accessed: <https://www.bbc.com/burmese/articles/c2jmrxmrr8o>

³⁸Khonumthung media Group, “ကုလားတန်ခိုးမိမိတိုင်း အကောင်အထည်ဖော်ဆောင်ရွက် AA အားပေးနေ”, Monday, June 20, 2022.

would not oppose the Kaladan River trade project if it proves to be beneficial for the people of Rakhine is a positive sign.

Beyond this change, the increasing regional competition and border tension with China will also cause policymakers in Delhi to consider containing China's influence along its border with Arakan. Since the position of the AA is seen as a more pro-China group having de facto authority over a large swath of territory along its border, the Indian government might consider more about securing its border areas along the Arakan.

Conclusion and Analysis

While Rakhine State is located as a strategic place for both Asian powers, China, and India, the two states are trying to incur in their footsteps by setting different approaches throughout the changing era. China, with its targets to achieve BRI strategy, has made significant investments in the Rakhine state in Myanmar, with the construction of oil and gas pipelines being a major achievement. These pipelines have enabled the transportation of billions of cubic meters of LNG and crude oil to China, which has been beneficial in diversifying China's energy transport system and maintaining a presence in the Indian Ocean. China has also planned further infrastructure development in the region, such as a railway, highway, and high-speed cable. However, the February 2021 military coup in Myanmar has hindered the progress of these projects. The rival powers are starting to approach the region in order to achieve their goals and interests in many ways. As described above, despite political instability in the country, China views its investment in Rakhine as strategically important. It has also been accused of providing financial support and advanced weapons to armed groups in Myanmar, including the Arakan Army (AA). The AA has denied this claim, but analysts suggest that China's support for the group could be a means of countering India's increasing influence in the region and protecting China's own economic and strategic interests.

Since the coup, China has attempted to protect its economic and strategic interests in Myanmar by promoting ties with the junta regime and interest groups in the region. Several projects worth RMB 200 million have been reviewed and prepared, including projects that will support the China-Myanmar Economic Corridor. The Kyauk Phyu Special Economic Zone (SEZ) under the China-Myanmar Economic Corridor and the deep-sea port project are among the projects the regime intends to implement as a priority. The Environmental and Social Impact Assessment of the

Kyauk Phyu Deep Sea Port Project is expected to be completed in mid-2023, and survey work for a bridge to Kyaukphyu's Maday Island has already started. China's approach is becoming more effective by making friends with both junta authority and local stakeholders and therefore, the projects it has operated on have become more accelerated.

India's approach to Rakhine State, Myanmar, which is important to India's economic and strategic interests. India aims to maintain a steady presence in the region and is concerned about China's strategic focus on Rakhine as part of its Belt and Road Initiative. India shares Myanmar's concerns over extremist violence in the region but also views the crisis from humanitarian and security perspectives. India has committed \$25 million in development assistance to help restore normalcy in Rakhine State and support the safe and sustainable return of Rohingya refugees. India sees the development of Rakhine State as crucial to unlocking the economic potential of its northeastern regions. However, the progress of the Kaladan corridor has been delayed, while the intensive fighting between Junta forces and the Arakan Army occurred in 2018-2020; consequently, the AA has seized crucial territory along the route. This development gives the Arakan Army substantial leverage over India and raises questions about whether India will engage in negotiations with the group or maintain its longstanding support for the Junta regime. In the past, India has also been providing support to the Myanmar government to counter the Arakan Army insurgency, but later the approach changed.

Despite India's stance on democracy and human rights, it has continued to engage with Myanmar Junta, particularly in Rakhine State, following the coup in February. Therefore, India's approach has faced criticism from some stakeholders, who argue that its support for the Myanmar government and the military junta has led to human rights abuses and instability in the region. India's ties to the junta regime have also drawn criticism from the international community, leading to calls for India to review its approach.

China, India, and the Arakan Army

The situation with the Arakan Army remains a point of contention between China and India in the region. While China has been accused of supporting the group, India has been providing support to the Myanmar government to counter the insurgency. The involvement of external actors in the conflict in Rakhine State has complicated the situation and raised concerns about the impact on regional stability.

By examining the available data and information, it becomes apparent that the interactions and relationships between Rakhine's stakeholders, China, and India, are complex and dynamic. Both China and India have strategic and economic interests in the region, and they have been actively engaging with local armed groups, parties, and stakeholders to further their goals.

China has been particularly active in building economic and infrastructure projects in Rakhine state, such as the Kyaukphyu seaport and special economic zone, as part of its Belt and Road Initiative. The Arakan Army (AA), a growing power in the region, has expressed its support for China's projects and has deep ties with China both before and after the coup of February 2021.

India, on the other hand, has been involved in the Kaladan project in the Rakhine state. However, its relationship with AA has been more contentious, with AA seeing Indian ignorance of its existence in the region and disregard for AA's tax collection over big projects like the Kaladan project. AA has been seen as an armed group supported and linked with China, which has further complicated India's relationship with the group.



Leaders of the Arakan Army gather with other leaders and of various Myanmar ethnic rebel groups at the opening of a four-day conference in northern Kachin State. July 26, 2016. (Photo/AFP)

Overall, the relationships between Rakhine's stakeholders, China, and India, have significant implications for the region's development and stability. While Rakhine State is under the strategic interests of the rival competing powers, the most important requirement is the policy implementation and pragmatic steps of the local stakeholders and the powers for creating benefits for the people. To achieve positive outcomes, the stakeholders must find strategic means to manipulate the interests of China and India towards the local community rather than engaging in conflict or ignoring the presence of certain groups. As such, it is critical for all parties involved to maintain open lines of communication and work together to address security concerns and promote economic development in the Rakhine state.

Arakan at the Focus

In 21st-century global politics, the basic power structure of international politics is nowadays beyond unipolarity, i.e., there is more than one great power, including China. Compared to China, India is relatively weaker regarding military might, global political influence, economic wealth, and technological development, etc. On the other hand, while China is in competition with the United States of America (USA) on the global stage, India is worried about the regional hegemony of China and needs a broader Western community to balance against China in the region.

In this way, the increasing foreign investment and accelerated implementation of these projects in Arakan inevitably bring a sense of power competition between these two regional powers. But the basic motivations are different. India needs the footsteps of Arakan more for their internal cohesion than external expansion, whereas it is more about external expansion than internal cohesion for China. It means it is a survival necessity for India to have a channel starting at Sittwe port passing through the Kaladan river up to its border with Mizoram state for promoting more cohesion between mainland India and seven Northeast seven sister states. Delhi government has long asked for this kind of communication channel with Bangladesh, but the latter has declined on national security grounds. For China, it is about their regional and international transportation lifespan to avoid the so-called 'Malacca Strait Dilemma' and for regional domination under the two oceans strategy and the newly adopted BRI project. The government of Beijing needs Kyaukphyu areas mainly due to its geographical location in which the deep water with a closed circle of the island is a paradise for harbouring heavy ships, a situation the port of Yangon and other areas in Myanmar cannot afford to offer. In short, the region of

Arakan becomes more a matter of necessity than a matter of choice for both regional powers.

Consequently, their approaches toward post-coup Myanmar are different in essence but the same in appearance. While China is the world's largest one-party authoritarian regime, India is the largest democracy with a multi-party democracy system. However, since foreign policy is a reflection of national interest, both powers focus on a more pragmatic approach which is more based on the interest than the value. But, since China has already dominated various actors, including the junta government and non-state armed groups, decades ago, India is not more in the same level of influence on various actors in Myanmar politics.

Even if India has changed its approaches toward the ULA/AA in post-coup Myanmar, it is still quite different from China government's multi-layered strategy. While China has multiple relations with various non-state armed groups and electoral political parties in the country, India is still far behind with a narrow focus on its project implementation plan. While China can have balanced domination on both junta authority and ULA leadership in the region, India is more inclined toward the junta government rather than the ULA. But, on the other hand, there are still some speculations that, unlike other ethnic armed groups on China border, the dependency of the ULA on China can reduce as far as the AA has more de facto power in the state. From another perspective, it could also mean that the future development of the ULA authority in Arakan could need India more, not much less than China, as the region of Arakan borders India.

For the ULA leadership, both for the current situation and future political stand, China seems to be a more pragmatic and reliable big partner compared to India for all political, ideological and economic reasons. But, there are still some challenges as well, especially when it comes to the issue of Chinese investments in the area and local people's rights to economic resources, social sustainability and environmental conservation.

To this day, the ULA leaders have stated that the Beijing government has played its parts well, and the lack of benefits for the local people is mainly due to the Naypyidaw government. However, the local population still thinks that the ULA has a responsibility to protect and persuade regarding their rights as it is a more legitimate entity in their eyes. Therefore, challenges still lie ahead.

Concerning the investment from India, especially the Kaladan project, the story is different. Firstly, the implementation of the project still has fewer negative impacts compared to the oil and gas pipelines and deep-sea ports implementation by China. But, it does not mean that the operation of the project and routes will remain the same. Second, the de facto power domination of the AA is more intensive over the Kaladan project area as the upper part of the Paletwa township is a highly conflict-sensitive area, vital for the survival and growth of the AA power compared to Kyaukphyu, the Chinese project area. In short, this factor has also caused the challenges posed by the Indian and Chinese investments for the ULA leadership.

Finally, as both India and China efforted to implement their respective investment projects under the current military government, the local people and the concerned civil society organisations will only have little space for speaking out about their rights. On the other hand, it is still not sure whether the key local actors, such as the ULA and other socio-political actors, are in a position to effectively bring a healthy investment environment in which all sides of the stakeholders can achieve a win-win solution.