



SAFERWORLD
PREVENTING VIOLENT CONFLICT. BUILDING SAFER LIVES

Public perceptions of the Belt and Road Initiative

**Guiding 'win-wins' for people, business
and policy makers**

August 2021

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Cover photo: Workers in Pengfei Group's workshop are making large building materials and equipment for export to countries along the 'Belt and Road' line. Hai'an city, Jiangsu province, China, 27 February 2020.

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Abbreviations

AIIB	Asian Infrastructure Investment Bank
BRI	Belt and Road Initiative
CBIRC	China Banking and Insurance Regulatory Commission
CDM	Civil Disobedience Movement
CMEC	China–Myanmar Economic Corridor
CSBP	Conflict-sensitive business practice
CSO	Civil society organisation
CSR	Corporate social responsibility
EAOs	Ethnic armed organisations
ESG	Environmental, Social and Governance
ESIA	Environmental and social impact assessment
ETI	Ethical Trading Initiative
EXIM	Export-Import Bank of China
FDI	Foreign direct investment
ILO	International Labour Organisation
ISO	International Organization for Standardization
KIA	Kachin Independence Army
KIO	Kachin Independence Organisation
LCR	Local content requirement
MEE	Ministry of Ecology and Environment
MFA	Ministry of Foreign Affairs
MOFCOM	Ministry of Commerce
NDRC	National Development and Reform Commission
NEMA	National Environment Management Authority
NLD	National League for Democracy
NUG	National Unity Government
OECD	Organisation for Economic Co-operation and Development
PDF	People's Defence Force
SAC	State Administration Council
SASAC	State Asset Supervisory and Administration Commission
SDGs	UN Sustainable Development Goals
SEZ	Special economic zone
SOE	State-owned enterprise
SRF	Silk Road Fund
UNHRC	UN Human Rights Council
UNRA	Uganda National Roads Authority

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Foreword

China's Belt and Road Initiative (BRI) has, since its announcement in 2013, attracted great international interest and comment – not least because of its enormous scale, scope and ambition. Governments of many countries across the world have joined the process, and have agreed joint BRI programmes with China. Major infrastructure projects have been completed, many others are under construction, and the momentum behind the BRI continues to grow. It is time to take stock and learn lessons from the BRI process so far.

There is no doubt that the BRI not only has the potential to contribute to the economic development of both China and its partner countries, but is already doing so. However, there are also risks and problems, and some of these have become serious. One of these emerging problems is that BRI programmes have become highly controversial *within* many of the countries benefiting from BRI-associated investment and infrastructure. In some cases, these programmes have become sources of political tension and insecurity within the countries concerned, and have stimulated public resentment towards China. It is important to research the reasons for such tensions and resentments, to enable effective measures to prevent or mitigate them.

In this context, Saferworld's long track record of research and engagement with the challenges and priorities for conflict-sensitive aid and investment in fragile developing countries is particularly relevant. Over the last 20 years, it has become widely recognised that well-intentioned aid and investment in fragile areas can inadvertently become a source of insecurity and violence as well as of development. Responsible aid and investment programmes in fragile areas need to be carefully designed and implemented to ensure conflict sensitivity, in order to reduce the risks – direct or indirect – that the programmes increase societal tensions, instability, conflict or insecurity.

This report presents the results of research on civil society perceptions of China and its BRI-associated programmes in three fragile or conflict-affected countries: Kyrgyzstan, Myanmar and Uganda. It provides rich detail and discussion, and is a constructive contribution to important debates. Perception studies do not provide a complete picture of the problems, but they are very helpful in contributing insights about local communities' concerns and in identifying issues for further investigation.

The case studies in this report focus on three very different countries and contexts, with different BRI programmes and different relationships with China. Some of the insights and recommendations are therefore country-specific, and can hopefully help to address problems and improve overall benefits from the BRI programmes in each country. However, there are also some wider lessons which emerge from these and related studies.

One major lesson is that broad statements from the Chinese government that it does not interfere in the internal affairs of its BRI partner countries are not credible for many, if not most, people within these countries. In countries where there are serious internal political tensions or societal divisions, decisions by foreign powers to work solely with the President or Prime Minister's circle are inevitably perceived to be taking sides in internal disputes. Almost by definition, this is particularly serious in fragile or authoritarian countries, where there are major challenges of government legitimacy, state-society relations, corruption, clientelism, disregard for the rule of law, and community insecurity. On top of all this, big infrastructure programmes are normally particularly controversial even in stable and well-governed democratic countries. In fragile areas, where government priorities may not have widespread popular support, the controversy may also be compounded by the misallocation of funds and a feeling that stakeholder communities, who are most affected by the – potentially damaging – impacts of the projects, are marginalised and not adequately consulted.

In this way, as this report shows, BRI-associated programmes are sometimes not perceived by local people to be 'win-win', but instead as Chinese government-supported interventions in support of sectarian or elite interests. China therefore needs to nuance and develop its approach to 'non-interference' so that people see China consulting widely with stakeholders in all sections of the partner state, and not simply negotiating deals with top national politicians.

A further, wider lesson from the research in this report is that local civil society tends to view the Chinese government as directly responsible for BRI-associated programmes, and the ways in which they are implemented. Experts are aware that Chinese government ministries are generally not directly involved in the detailed design or implementation of BRI programmes; rather, Chinese companies are in the lead. However, from the point of view of local people, the Chinese government shares substantial direct responsibility for problems or concerns with these programmes. Almost everyone is aware that virtually all substantial Chinese companies have close relationships with the Chinese government, and that the Chinese state is the principal source of the finance and credit supporting BRI-associated projects. It is therefore in the direct interests of the government of China to take active measures to ensure that BRI programmes are designed and implemented in ways that involve real consultation with all relevant stakeholders in the country concerned, and avoid unintentionally contributing to internal conflicts or tensions.

All fragile and conflict-affected states include many local groups and stakeholders who are determined to promote equitable and peaceful development in their country. And the Chinese government has a track record of effective problem-solving, once issues and challenges affecting Chinese interests become clear. BRI-associated investments tend to be long-term engagements, so there is time available to properly and widely research and consult within fragile partner countries in order to promote wide support for BRI programmes and to help ensure conflict-sensitive project design and implementation. This report aims to contribute to understanding the needs for such processes, and thus deserves to be widely read and discussed.

Professor Owen Greene
University of Bradford, UK

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A Chinese-owned oil refinery plant on Made Island off Kyaukphyu, Rakhine State (Photo by Ye Aung THU / AFP) / TO GO WITH Myanmar-China-economy, FEATURE by Richard SARGENT and Su Myat MON).

© YE AUNG THU/AFP via Getty Images

Executive summary

Since its official launch in 2013, the Belt and Road Initiative (BRI) has evolved into a far-reaching global platform at the heart of China's international development cooperation. It currently spans – across land and sea – over 70 countries throughout Asia, the Middle East, Africa and Europe. While immediately focused on boosting connectivity and trade between China and the rest of the world, BRI-affiliated projects encompass a number of sectors and industries, from major infrastructure to agriculture and, more recently, the distribution of vaccines. Official Chinese statements emphasise the intrinsic, benign 'win-win' nature of the initiative, which is intended to spur 'high quality' development in participating countries, while at the same time contributing to China's economic growth.

The BRI is important due to its reach, implications for geopolitics and the sheer number of investments around the globe, including in conflict-affected and fragile countries. In such contexts, peace and prosperity are often hindered by divisions, tensions and disputes over access to resources and power that have often existed for a long time. Despite these dynamics, little attention has been paid to the conflict impacts that increased Chinese investment can have. Official statements related to the BRI regularly assert the inevitability of peace and improved security as a result of increased economic development. Such statements often ignore the multitude of factors that can drive conflict and the fact that economic development alone will never be effective in achieving long term peace and reconciliation in fragile and conflict-affected countries. The realities are much more complex.

Investment and responsibility

While national governments take primary responsibility for determining how successfully and sustainably their countries seize the opportunities afforded to them by the BRI, Chinese entities also have a significant role to play. Ensuring that BRI project plans and delivery partners operate to the highest standards, in line with the UN sustainable development goals (SDGs) and the latest Environmental, Social and Governance (ESG) guidance, is a crucial first step. However, Chinese companies themselves (private or state-owned) hold their own priorities and are driven by incentives which do not always align well with those of affected communities. This is important as the vast majority of economic interactions at a grassroots level are conducted by firms, not states.

While legal compliance and risk mitigation are increasingly important priorities for Chinese state-owned enterprises (SOEs), consistent compliance with non-compulsory international sustainability standards and (yet-to-be-standardised) ESG benchmarks is still to catch up. However, as social responsibility lies at the heart of conflict and gender sensitive business practice, these factors cannot be overlooked. The failure to act in a socially sustainable manner can lead to backlash against investors operating in environments affected by instability and conflict. For example, recent

protests against Chinese investment in Myanmar, amid the turmoil caused by the military takeover, put on display years of mounting frustration over Chinese influence in the country and poor corporate operating standards, including disregard for the rights and security of local people.

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The failure to act in a socially sustainable manner can lead to backlash against investors operating in environments affected by instability and conflict.

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Taking heed of civil society perspectives

This paper outlines the impact of the BRI in three conflict-affected and fragile countries: Kyrgyzstan, Myanmar and Uganda. Across all three countries, Chinese investment offers many opportunities and benefits, including the prospect of faster economic growth based on improved transport infrastructure and communications, job creation, better public services, training programmes and new opportunities for business. However, civil society in all three countries have raised questions about how sustainable and inclusive the BRI really is, especially when it comes to conflict, peace and security.

Understanding the issues

While commonalities and trends exist across all three case study countries in respect to the impacts of Chinese investment, the majority of challenges facing Kyrgyzstan, Myanmar and Uganda remain unique to each specific context. In Kyrgyzstan, Chinese investors have had to contend with an unstable political climate, high-profile controversies and corrupt practices. In Myanmar, following the violent seizure of power by the armed forces (*Tatmadaw*) in February 2021, a deepening political crisis has made investing in the country much more difficult and risky. And in Uganda, while the BRI has brought essential new infrastructure to the country through projects such as the Karuma hydropower dam, it has also exacerbated community grievances as a result of land grabs and disputes, a lack of labour rights and protections, and impacts on the environment and local biodiversity.

Practical and constructive engagement across a range of issues and actors is crucial to meeting these challenges. The extent to which this is already well understood by Chinese investors currently operating in these countries is unclear. However, the evidence presented from original research with civil society suggests that there is work to do to improve conflict and gender sensitive business practice in respect to Chinese investment and the BRI in conflict-affected and fragile socio-political environments.

Recommendations

Based on a wide spectrum of views and perspectives from civil society, practical recommendations listed below identify ways to ensure that BRI projects at the very least do no harm, and, at best, contribute positively towards long-term peace and security for local people.

While the number and variety of actors involved in the planning and delivery of BRI projects is extensive, the recommendations below are intended for three specific audiences. These include Chinese companies (both state-owned and private entities) operating in conflict-affected and fragile countries; national governments of BRI host countries; and official Chinese government bodies including, but not limited to, the State Asset Supervisory and Administration Commission (SASAC), the National Development and Reform Commission (NDRC), the China Banking and Insurance Regulatory Commission (CBIRC), the Ministry of Ecology and Environment (MEE), the Ministry of Commerce (MOFCOM) and the Ministry of Foreign Affairs (MFA). A full list of detailed recommendations can be found towards the end of this report.

Recommendations for Chinese companies

- **Institutionalising gender-sensitive conflict impact assessments, analysis and conflict-sensitive business practice (CSBP).** Traditional forms of political and financial risk assessments are insufficient when assessing the full range of issues that might cause or fuel violent conflict. Chinese companies active in fragile- and conflict-affected settings should develop a more gender- and conflict-sensitive consciousness, as well as more effective conflict management and prevention capabilities, and should adopt proactive long-term conflict sensitive business practices. (Find more information on CSBP in box on page ix.)
- **Increasing dialogue with affected communities.** Companies have a major role to play in proactively engaging with affected communities. Frustrated expectations bring risks. Ensuring that community priorities are clearly understood and addressed during project design and implementation can only be achieved through engagement and dialogue. For investors, increased dialogue with communities could also provide greater assurance in the event of sudden government turnovers, as their social licence to operate becomes less dependent on the government of the day.

- **Dedicating resources to mitigate risks, reduce conflict and enable peace.** An open and transparent fund should be set aside and used by Chinese firms as a tool for handling conflict risks more effectively. The fund would provide the resources needed to establish regular forums for engagement throughout the lifecycle of a project, bringing company representatives, local authorities and communities together to discuss the impacts of a BRI project on people's social, political and economic priorities and grievances. Doing so could legitimise an investor's social licence to operate, helping mitigate reputational damage that may cost them follow-up business.
- **Forging partnerships for peace.** Chinese companies should adopt a more positive attitude towards forming coalitions and partnerships for project delivery. By ensuring that local communities, CSOs, international CSOs, think tanks and educational institutions are able to input on matters related to human security and conflict, companies can better understand how their operations might negatively impact local dynamics, and take preventative action to mitigate such risks.
- **Adopting and implementing accountability mechanisms.** Where currently not in place, companies have a responsibility to implement mechanisms that empower people to air grievances so that these can be addressed before they become major problems. Working with national governments to do so, would not only demonstrate a commitment towards greater social responsibility but it would also provide a channel through which companies could ensure effective and timely remedy for those affected when mistakes do occur, accidents happen or other things go wrong.

Recommendations for national host governments

- **Inclusive national development planning.** National governments should empower communities and CSOs by ensuring inclusive and consultative national development, as committed to in the SDGs, during the 'upstream' process of national development planning. Doing so will help provide a framework for wider spread BRI project approval and more inter-communal commitment towards large development investments.
- **Putting gender-sensitivity at the heart of projects.** A lack of women involved in BRI decision-making has led to gender insensitive policy-making. National governments have a responsibility to ensure effective consultation with women during project planning to lower the risk of potential harm for all members of society.

- **Greater transparency and the systematic adoption of anti-corruption measures.** A transparency deficit exists across all levels of responsibility in respect to project planning and delivery and has led to allegations of corruption linked to Chinese investments. However, responsibility for ensuring anti-corruption lies with national governments. Host governments should both lead by example and ensure that Chinese investors adhere to and actively demonstrate compliance with internationally agreed standards of transparency and sustainable corporate practice.
- **Improving communication in partnership with local and international civil society.** It is critical that national governments and authorities make progress towards adopting and implementing improved communications practices due to the lack of trust in Chinese investments. Improving communication with local people regarding investments, the contributions that Chinese companies can make to society and their long-term commitment could help build trust and allay concerns.

Recommendations for Chinese government bodies

- **Addressing the issue of transparency.** Insufficient levels of transparency in respect to the BRI and its associated projects are eroding trust. Chinese government bodies, such as SASAC, should ensure that existing policies related to project transparency and accountability are in line with internationally agreed standards of transparency and sustainable corporate practice and that policies are being effectively enforced.
- **ESG compliance as the bare minimum.** All national and multilateral funding banks and government bodies should ensure that newly approved BRI projects and project delivery partners comply with the latest ESG guidance and standards. While existing capacity for ensuring compliance is currently limited, mechanisms should be put in place to rate the past performance of companies as part of NDRC and MOFCOM assessments of project proposals. Such measures should be consistently applied.
- **'High quality' label must include conflict and gender sensitivity.** SASAC and MOFCOM should ensure that BRI projects truly reflect their 'high quality' label by ensuring credible, inclusive environmental and social impact assessments as part of projects; obtaining free, prior informed consent from affected people; protecting key biodiversity areas; and ensuring alignment with international norms in regard to gender equity and conflict-sensitive business practices.

Conclusion

While the instabilities that exist in all three countries limit the prospective scope for corporate action in certain arenas, businesses cannot afford to overlook or brush aside the importance of peace and security issues. Chinese companies should consider a number of immediate priorities in order to establish platforms for stronger community relations and enhanced gender and conflict sensitivity. Increased engagement with affected communities will be crucial to achieving this, giving companies a more comprehensive understanding of local contexts and the access to forge stronger dialogue with civil society. Working in partnership with civil society would enable companies to manage potential risks better, ensure relations with host governments and local communities remain positive, and improve China's and Chinese companies' reputations, while protecting their 'social licence to operate'.

Institutionalising gender and conflict sensitivity across all levels of BRI decision-making would ensure that all parties involved work together towards achieving positive outcomes for the safety, security, livelihoods and well-being of communities impacted by the BRI. Doing so could potentially yield peace dividends. It could also enable an environment for improved economic return on investment in the long-term while ensuring that prosperity is shared more equitably. For Kyrgyzstan, Myanmar and Uganda – as well as for China – embedding gender and conflict sensitivity at the heart of BRI project planning, implementation, evaluation and impact assessment will better ensure sustainable and mutually beneficial, 'win-win' partnerships for each country and its population, as well as for the Chinese companies and other foreign businesses operating there.

Conflict-sensitive business practice (CSBP) and the BRI

Conflicts often revolve around competition for power and resources. By introducing new resources into environments that are already fragile and/or affected by conflict, development aid and investment inevitably have an impact on the local political economy. This may challenge and change existing power relations, and affect dynamics of peace and conflict. Companies and international agencies are increasingly recognising this risk, and have tried to adopt a more 'conflict-sensitive' approach. This entails:

- understanding the context they operate in, especially the potential causes and drivers of conflict and the roles and interests of major parties to conflict
- understanding the nature of their engagement and how this affects the conflict context, and vice-versa
- acting on this understanding to avoid reinforcing conflict dynamics and to capitalise on opportunities to support peace

Piers for the Luang Prabang railway bridge, a section of the China-Laos Railway built by the China Railway Group Ltd., stand under construction near Luang Prabang, Laos, on Sunday 21 October 2018.

© Credit



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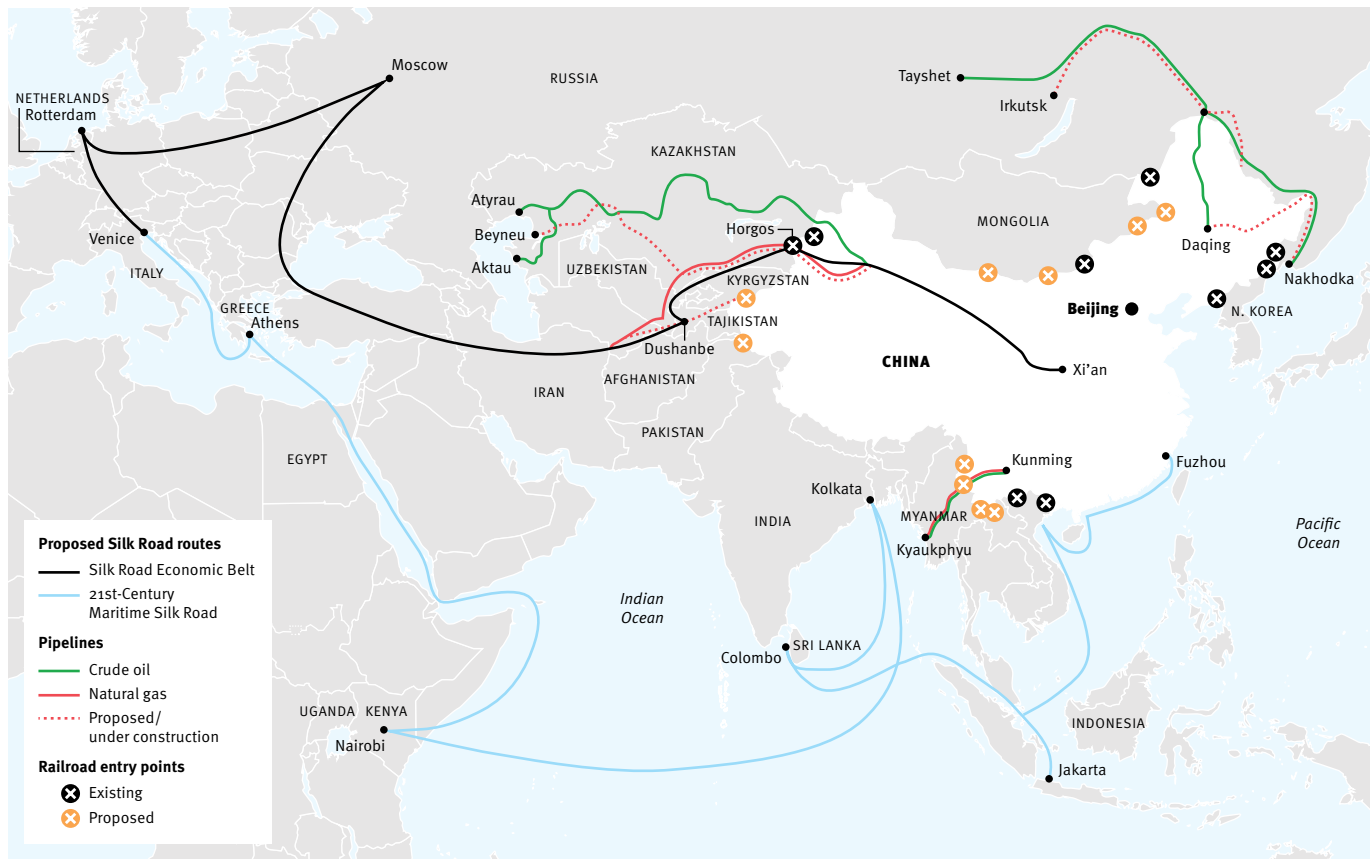
Introduction

Since President Xi Jinping unveiled the Belt and Road Initiative (BRI) in 2013, it has become the backbone of China's foreign policy, proving pivotal to China's outward engagement with the world. The stated objectives of the initiative revolve around: improving cross-country transport and communication infrastructure; facilitating cooperation in trade and investment, tourism, and financial markets; and strengthening cultural ties. Currently spanning over 70 countries across Asia, the Middle East, Africa and Europe, the BRI consists of two initiatives: a Silk Road Economic Belt (the land-based element), linking China to Europe via transport corridors across Central Asia, the Middle East and Russia; and the 21st century Maritime Silk Road (the sea-based element), linking China with the rest of the world by sea through three 'Blue Economic Passages'.¹ In addition, six economic corridors² are meant to bridge the two initiatives.

Such is the reach and ambition of the BRI that some estimates suggest the total amount of Chinese investment attributed to it is set to exceed one trillion USD over the course of the current decade.

When first introducing the BRI, President Xi outlined his vision for a new Chinese model of international development based on "mutual trust, equality and mutual benefit, mutual tolerance and learning from each other, as well as cooperation and win-win outcomes".³ While the language surrounding the BRI is often highly idealised, in practice the conceptualisation of the BRI as an open, worldwide platform has enabled many different business figures and investors to situate their projects under its umbrella. This has resulted in confusion over what constitutes an official BRI project and what does not,⁴ as well as criticism levelled at the Chinese government over a lack of quality control, coherent vision and sensitivity to the concerns and priorities of communities.⁵ However, in an attempt to set official BRI projects apart from other Chinese infrastructure development programmes and foreign direct investments (FDI), in recent times the official rhetoric has shifted, placing the emphasis on 'high quality' and 'sustainable' projects and funding.

The Belt and Road Initiative: New Silk Roads



Based on a map produced by *The Wall Street Journal*. Sources: Xinhua (Silk Road routes); U.S. Department of Defense, Gazprom, Transneft (pipelines); United Nations (rail entry points).

Development experts, officials and international commentators generally agree that, in theory, the BRI's strategic aims complement those of the 2030 Agenda for Sustainable Development.⁶ More specifically, the BRI's focus on connectivity and infrastructure aligns well with the ninth of the United Nation's 17 Sustainable Development Goals (SDGs), which focuses on industry, innovation and infrastructure. One of the BRI's main strategic goals is to address the substantial infrastructure gap in developing countries that hinders local development and global economic growth. The high acceptance of risk demonstrated by BRI investments to date has enabled infrastructure project delivery in countries and regions that have been underserved by other international entities including the World Bank, the Asian Development Bank and Western development agencies.⁷

Many BRI-related investments are heavily concentrated in highly fragile and conflict-prone environments with large tracts of the BRI's 'corridors' passing through areas where political and ethnic tensions have often led to violence. Although the risks of operating in such settings are well recognised by a number of stakeholders, including Chinese investors, the peace and security implications of the BRI have received insufficient interest to date. This paper will focus on such contexts where BRI investments are affecting

domestic power balances, economic development and reconstruction, with both positive and negative effects. When Chinese investments introduce new resources into environments where power, influence and access to opportunities are contested, tensions can be further inflamed, especially where the benefits are not experienced equally or are monopolised by elites.

China's growing engagement with fragile and conflict-affected countries along the BRI has had a positive, although uneven, effect on economic growth, economic diversification, job creation and connectivity. For example, the BRI has been associated with a sizeable growth in two-way trade between China and Africa, with Chinese investment in productive sectors – from natural resource extraction to the production of agricultural goods – playing a catalytic role in raising productivity in many African countries and enabling the diversification of local economies.⁸ Chinese investment has proven an effective vehicle for providing essential infrastructure to conflict-affected countries in line with national government development priorities. China's role in the development and financing of critical infrastructure is therefore a crucial avenue through which to help address existing constraints on the realisation of economic potential, with Chinese investments contributing towards the delivery of public goods and services that otherwise

would not be provided, even if the method of delivery can and should be improved.

Both directly and indirectly, Chinese investments linked to BRI projects have created job opportunities for citizens in fragile and conflict-affected countries. For example, in 2019, Chinese investment in Uganda created an estimated 18,000 jobs for Ugandans.⁹ Chinese firms responsible for the delivery of BRI projects also engage in skills development and training for local workers, although with huge variations between sectors and firms.¹⁰

Meanwhile, the BRI has been linked to a number of controversies, commonly shared concerns (as expressed openly at the UN Human Rights Council)¹¹ and conflict risks. In certain contexts, BRI projects have negatively impacted on people's lives in terms of security and conflict, leading to the initiative being described as 'conflict-blind' in reference to the fact that project planning and implementation do not take into account the possibility that projects themselves can become potential conflict drivers.¹²

Chinese construction projects overseas have also often been associated with high levels of pollution, as well as having a negative impact on biodiversity, local ecosystems, water resources and (mainly agricultural) livelihoods.¹³ There have been controversies over the allocation of contracts as a result of BRI agreements often stipulating the prioritisation of Chinese contractors – mainly state-owned enterprises (SOEs) – to conduct the work in-country, thereby ensuring that Chinese firms stand to benefit economically over local contractors.¹⁴ BRI loans are also regularly favoured by national governments with poor standards of governance over those on offer from international development banks, as a result of China's official stance of non-interference in the domestic politics of other states – meaning that development finance is available with 'no strings attached' when it comes to political reforms (although certain expectations might exist in relation to the use of Chinese contractors, closed bidding and political alignment with China at the UN level). This makes Chinese lending susceptible to corruption and perceptions of dishonest deal making.

Chinese companies that pursue operations in fragile contexts can find themselves delivering BRI projects in extremely complex environments, where their actions have the potential to transform people's lives for the better, but also carry the risk of exacerbating or creating inequality and conflict. It may not be immediately clear how, for example, a road-building or electrification project could, alongside its direct outputs (such as roads or bridges) increase or even alleviate conflict risks, but the introduction of significant resources, employment opportunities and longer-term resource

management considerations can have significant implications for local and national dynamics in conflict-affected and fragile contexts.

However, many Chinese investors and companies have little previous experience of operating in such settings and therefore lack the internal policies, capacities and processes needed to: analyse and understand the context and the different stakeholders who may stand to 'win or lose' as a result of their presence; understand and monitor the potential impacts, positive and negative, of their investment on the context; take action to mitigate identified risks linked to the factors that are driving tension, inequalities, insecurity, conflict and violence; and ultimately work with communities and authorities to leverage their operation to promote equality and peace – all practices that fall within a broad definition of 'conflict sensitivity' that goes beyond traditional commercial risk management. This is compounded by China's commitment to non-interference in the political affairs of other countries, whereby Chinese companies are discouraged from seeing themselves as political actors in these local contexts. Inevitably, though, these companies *do* have the potential to influence local power dynamics for good or bad, even if that is not their intention.¹⁵ As a result, Chinese companies – and their associated national staff – tend to distance themselves from local communities and communicate only minimally about their objectives and activities, leading to accusations of a lack of transparency and consultation. Companies may also lack the appropriate guidelines, experience, contacts and confidence to engage with communities in the places where they operate in order to explain what they are doing and take on board local concerns. The companies are therefore less accountable, and less likely to achieve positive outcomes related to peace and security.

There are signs that the BRI is evolving, proving its versatility to adapt to new realities, challenges and criticism. In January 2021, China published a white paper on international development cooperation that included insights into China's approach and principles for development cooperation overseas. The paper reflected on the success of previous projects and outlined future commitments, many of which were attributed to the BRI directly. Specific areas of focus included the strengthening of infrastructure connectivity, 'green development', the promotion of trade, and the deepening of financial integration and people-to-people ties.¹⁶

“ Chinese companies that pursue operations in fragile contexts can find themselves delivering BRI projects in extremely complex environments, where their actions have the potential to transform people's lives for the better, but also carry the risk of exacerbating or creating inequality and conflict.

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Regardless of teething problems – including allegations of ‘debt trap’ politics, international and national concerns over the environmental impact of projects, supply chain and labour challenges posed by the COVID-19 pandemic and more – President Xi’s prioritisation of the BRI as a vehicle for achieving specific economic, aid and development aims shows no signs of waning. Before the pandemic, concerns over capital outflow and the need for risk reassessment were beginning to drive a slowdown in BRI investments, yet adjustments are to be expected and the initiative seems no less relevant now than it was in 2013.¹⁷ In fact, increased cooperation between China and BRI host countries in areas related to health, technology, governance and debt management are already underway. China, as a major economic force, will inevitably emerge from the COVID-19 crisis with a crucial role to play in helping steer the global economic recovery in a way that is sustainable. How well it achieves this will have wider consequences for peace and stability around the world.

This report helps us better understand China’s engagement in countries along the BRI and how projects and investments affect peace processes and peacebuilding efforts in a world where COVID-19 has upended the status quo and brought further hardship to the most vulnerable and marginalised groups within societies. It explores the impact of BRI-related infrastructure projects on conflict dynamics in three case study countries (Kyrgyzstan, Myanmar and Uganda) using interviews to uncover pre-existing and newly established trends related to the BRI in conflict contexts. By illustrating the complex relationships and conflict dynamics in each country, the report highlights several ways in which Chinese-funded infrastructure projects are transforming conflict environments through the eyes of civil society representatives living in these countries and working on issues related to peace and security.

Original data for analysis as part of this research project was acquired through semi-structured interviews, eighteen in total across all three case study countries, with a balanced gender split between men and women. Selected participants were all civil society representatives with professional experience across a variety of sectors. This data was used to update and complement an extensive literature review and ongoing day-to-day discussions with colleagues in China and the case study countries. Saferworld itself has programmes in all three case study countries with an operational presence and professional networks spanning local authorities, civil societies and communities.

Based on our findings, the report presents practical conclusions on how to provide infrastructure development in a conflict-sensitive manner, how to more effectively mitigate external risks before they become reality, and how to ensure that BRI projects at the very least do no harm and, at best, contribute positively towards long-term peace and security for local people. Recommendations include how to ensure that BRI projects are delivered with conflict sensitivity at their core, highlighting that, while institutionalising robust conflict analysis within the framework for delivering BRI projects could help investments have a positive long-term impact in conflict-affected contexts, this is only the first step. Only by working closely with communities and authorities to uncover creative solutions – and by putting these into practice – can companies mitigate the risk that their actions might inflame or cause tensions and maximise the potential for projects to be delivered on time, within budget and in a way that helps address underlying grievances and challenges.

While the term ‘BRI project’ can be used to cover any infrastructure project located in a country that has officially signed on to the BRI, it can also refer to a project that is either funded or constructed by Chinese actors, or both. That is the definition adopted by this report.

Notes

- 1 These link the South China Sea with the Mediterranean Sea through the Strait of Malacca, the Indian Ocean and the Suez Canal.
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Smoke from a power generating station billows into the air over grazing cattle 20km from Bishkek in Novopokrovka on 12 January 2010.
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2

Suspicion next door: perceptions of Chinese investments in Kyrgyzstan

Kyrgyzstan, a country of over six million,¹⁸ lies at the centre of the Eurasian landmass along what was once the network of trade routes known as the Silk Road, and is now a key part of China's overland 'corridors' connecting Europe and Asia. The country is often referred to as an 'island of democracy' in an authoritarian region, with a healthy protest culture and a strong civil society. But it has also been the scene of political turbulence and domestic inter-ethnic conflict since independence in 1991. The country experienced the Tulip Revolution in 2005 and another in 2010. The most recent political crisis occurred in October 2020, when allegations of vote rigging led to the overthrow of the government amid calls for new elections.¹⁹

Kyrgyzstan has experienced violent upheavals; for example, in the diverse southern part of the country in 2010 when fighting broke out between ethnic Kyrgyz and Uzbeks,²⁰ and clashes along its border with Tajikistan over disputed land and resources. Within communities, conservative gender norms can contribute to violence in the home (particularly violence against women and girls), and tensions around ethnicity, generational identity or religious observance can escalate into violent clashes. Abusive behaviour and corruption from the authorities can also inflame tensions and mistrust, and lead to security concerns going unreported and unaddressed.

The BRI and the new role of China

With a shared Soviet history, Russia's presence is still strongly felt in Kyrgyzstan. Linguistic, historical, economic and security ties between the two countries remain in place, and polls show that Russia enjoys the greatest amount of public support of any foreign power in Kyrgyzstan.²¹ However, since the 2000s, China has become a dominant economic power and the main source of foreign investment in Kyrgyzstan and the Central Asia region. In 2019, nearly half of the Kyrgyzstan government's debt was held by the state-owned Export-Import Bank (EXIM) of China.²² Since the announcement of the BRI in 2013, investments from China have been ramping up. According to the Kyrgyzstani government's own statistics, the largest foreign direct investors in 2019 were China, Canada, Switzerland, Turkey and the United Kingdom, and preliminary data for 2020 shows that China remains in second place after Canada (the Kumtor mine, Kyrgyzstan's largest foreign-held investment, is owned by a Canadian company).²³ China has also become by far the largest source of Kyrgyzstan imports, accounting for \$5.1 billion in 2019, followed by Russia at \$1.62 billion. However, Kyrgyzstan does not export to China in large quantities, with its main exports of gold, precious metal ore, dried legumes and refined petroleum going to the United Kingdom, Kazakhstan and Russia.²⁴

FDI (in thousands USD)	
2019	2020*
China (338,053)	Canada (154,961)
Canada (259,241)	China (117,101)
Switzerland (103,264)	The Netherlands (45,436)
Turkey (94,566)	Switzerland (39,866)
United Kingdom (73,202)	Kazakhstan (27,676)

*based on preliminary data

While Chinese investments are not 'officially' tied to the BRI, many fall under the umbrella of the massive infrastructural development strategy that seeks to connect China with the rest of the world.²⁵ Few of these projects are seen as particularly profitable for Chinese companies, raising the question of whether alternative incentives and interests (including transit and infrastructure needed for trade elsewhere) drive their execution.²⁶

Government-to-government loans have declined recently (due to the already substantial Kyrgyzstan government debt to China), but FDI from private and Chinese state-owned enterprises continue to flow – often in coordination with local Kyrgyzstani ventures – largely into mining, geological explorations and oil businesses.²⁷ According to the Organisation for Economic Co-operation and Development (OECD), the metals industry received over 79 per cent of all FDI in the country – over ten times the next largest sector, building and construction materials (7.1%), followed by transport (3.3%) and alternative energy (1.3%).²⁸ The Chinese government had previously financed several transport and energy connectivity projects as concessional loans, but these have largely tapered off and given way to smaller grants for transport infrastructure.²⁹

A number of projects – either funded by Chinese government loans or at least partially by FDI from China – have gained notoriety. After the completion of a \$386 million project to modernise a Bishkek thermal power plant, a malfunction during the winter of 2018 left residents in the capital without heating in freezing cold temperatures – leading to accusations of corruption that ended with a former Prime Minister and other officials sentenced to lengthy prison terms³⁰ (although the Prime Minister was later freed by protesters during the October 2020 protests, and his sentence later annulled).³¹ Another case involves the cancellation of a \$275 million logistics centre in At-Bashy – China's second largest investment in the country – after local residents staged mass protests, demanding the land not be leased to China as part of a new free trade economic zone.³² More recently, following the political upheaval in October 2020, several mining operations were seized or damaged by local residents and, in some cases, Chinese managers and workers were expelled.³³

Perceptions and impacts of Chinese investments on communities in Kyrgyzstan

Despite its growing economic presence in Central Asia, China is still widely mistrusted by the public in Kyrgyzstan. According to the Oxus Society's protest tracker covering protests between January 2018 and December 2020, there were 42 rallies and protests in Kyrgyzstan which were in some way related to Chinese policy or investments.³⁴ According to the interviews, concerns over investments revolve around a range of issues.

First is the belief that China is attempting to grab land or assets from Kyrgyzstan, which is reinforced by narratives of historical competition over land and concern over 'debt trap diplomacy'. China's investments are sometimes interpreted as an attempt to gain footholds abroad to increase the country's influence. The 'expansionist' role of China, it is argued, means that Kyrgyzstan (and other Central Asian states) have limited autonomy in the face of China's growing influence and economic might.

There are widespread concerns over environmental contamination by Chinese projects, along with a lack of community engagement over the environmental effects of such investments. Many also believe that investments are intended to benefit China and local elites, but not local communities. Chinese workers being paid more for the same work, or seeing money going to corrupt officials, are cited as examples of this.³⁵ This is compounded by a sense that projects are sometimes poorly planned – for example, proposed transport links through Kyrgyzstan, such as the much-discussed China-Kyrgyzstan-Uzbekistan railway, which avoid major towns or settlements and are seen to bring few benefits to locals.³⁶

Communities have also cited as problematic the limited interaction between local people and Chinese workers, who often bring in armed security to protect their investments. The self-isolation of Chinese workers who tend to live separately without interacting with the communities in which they live and work can reinforce divisions and a sense of separateness.³⁷ Such concerns spill over into xenophobic attitudes towards Chinese people, with protestors demanding that allegedly illegal Chinese immigrants (mostly men) be deported or that

marriages between Kyrgyz and Chinese citizens be stopped.³⁸ This can be driven by Kyrgyz nationalism as well as by gender norms that strongly disapprove of Kyrgyz women marrying foreign men, especially Chinese.³⁹ One respondent indicated that these feelings were often driven by nationalist sentiment and were strongest among men, stemming from prevailing gender norms that place expectations on Kyrgyz women to marry Kyrgyz men. Such opinions are often voiced the loudest by nationalist groups such as Kyrk Choro.⁴⁰

Benefits of Chinese investment in Kyrgyzstan

These views are not shared by all. Where some see only drawbacks, others see benefits – both short- and long-term. Firstly, there are the short-term benefits of Chinese investments bringing jobs and tax money to communities, although the ratio of local to Chinese workers remains a point of contention, as do differences in pay. Chinese projects can also bring training and skills-building programmes, as well as Chinese language instruction. In the longer term, better roads and transport links help move goods and facilitate business (and can lead to knock-on effects such as boosts to local economies).⁴¹ For example, few can miss the highly visible improvements to roads in Bishkek, or from the capital to lake Issyk-Kul and further south.⁴² Some observers have also pointed to China continuing to invest much-needed funds in what is considered a high-risk environment unstable for business, and which is seeing a growing trend towards resource nationalism – not only against China, but other 'outsiders' who are not seen as having the interests of local residents at heart.⁴³ When such sources of funding from outside the country are used effectively, it can free up government financing for other vital yet under-resourced areas such as healthcare or education.⁴⁴

Local women and men tend to be employed in different kinds of jobs – with men being hired for the hard labour in mining or oil refining, while women can find opportunities (often better paid than elsewhere) as cooks, cleaners or sometimes as translators or liaisons between communities and companies (although this would be a relatively small proportion of those hired in total). Local and national government officials, despite being at odds with many of their constituents, often approve Chinese

investments, seeing them as a crucial source of revenue, infrastructure development or personal enrichment.

As heard in the interviews, even within one town or village, perceptions of China and Chinese investments can vary substantially depending on personal circumstances or other factors, such as employment, social status, age or gender – all which help determine how benefits or consequences are experienced or perceived. Views of investment can also vary depending on the stage of development of the project. For example, in areas with a history of such investments, communities are more likely to know what to expect and what benefits or consequences might come as a result, as opposed to projects in the scoping or exploratory stage, where outcomes are more uncertain and viewed with suspicion.⁴⁵ Media access and coverage also play a role – in Russian-speaking communities where there is greater proliferation of Russian language news, people have different perspectives from those where information is more commonly shared and accessed informally on social media. Rumours and dubious media reports can build on existing grievances or perceptions – COVID-19, for example, has led to growing misinformation and distrust of China, further entrenching opposition to any of its activities, although this has been mitigated somewhat by China's containment of the virus domestically (although mistrust persists, as evidenced by the lack of enthusiasm for Chinese-produced vaccines).⁴⁶

Impacts on livelihoods and the environment

Effects of Chinese investment projects on livelihoods vary substantially. Some projects provide direct jobs – both through direct employment as well as an indirect increase in trade, like higher use of shops, hotels and restaurants – and training, with a large local labour force feeling many of the benefits. However, this can create resentment for local people who are not hired and feel left behind. For example, in Ala-Buka village, Jalal-Abad province, one respondent noted how those in the centre of the town benefited from infrastructure investments and jobs linked to the Full Gold Mining Company deposit, while those living further out felt they were neglected, leading to stronger anti-Chinese sentiment.

Many workers compare their pay or benefits to those of Chinese labourers, who are often brought in because of their specialised skills or project management experience. Some local residents claim they face hardships as a result of the projects – including those who work on land or with livestock. They argue that their properties have been poisoned by contamination from mines or refineries. In some mining sites, artisanal and small-scale miners who once gathered gold or other minerals close to the surface have now been squeezed out due to increased mining operations by Chinese companies.

Apart from the effects on livelihoods, other environmental impacts of Chinese projects are a source of anti-Chinese protests. In deposits like Salton-Sary, which have seen violent clashes between locals and Chinese workers before,⁴⁷ cases of contamination of rivers and loss of livestock and crops are frequently cited in nearby settlements, although there has been limited evidence documented and few investigations have been carried out to measure these effects.⁴⁸ One interviewee described how residents in Kara-Balta began to complain of a strong sulphuric smell, as well as damage to crops and an ancient burial ground, leading to the suspension of the work. In Bishkek, the high-profile heat and power plant, which failed in 2018 and led to multiple arrests, is based on coal usage and is thus seen as a 'non-green' project⁴⁹ that contributes to the city's dire pollution problem (although it is not the main cause).⁵⁰

Across the country, state inspections have been carried out, but there is little public trust in them.⁵¹ In some cases, Chinese companies have paid compensation but this has done little to alleviate concerns or resolve grievances. It should be noted that Chinese companies operating abroad largely follow local environmental standards, and so host governments can also play a larger role in ensuring higher standards and enforcement. But as we heard from interviews, cleaner technology is more expensive and so is not always the preferred option for the host government when striking such deals.⁵² However, with a greater appetite for green investments within China, and with the desire to move away from its reputation as a polluter, future projects are likely to place more emphasis on environmental factors.⁵³



A rural scene in Altyn-Arashan, near Karakol, in the Issyk-Kul region of Kyrgyzstan.
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Perceptions of corruption and inter-communal tensions

Corruption is a factor that significantly damages the reputation of local officials as well as Chinese investors. While the Chinese-funded Bishkek thermal power plant provides a high profile case study where politicians were allegedly involved in corruption, the interviews suggest this is not unique. Many of the deals struck between Chinese companies and local decision-makers, which are opaque and closed to public scrutiny, involve dealings that often benefit elites or officials and undermine trust between state and society. Both public and private Chinese companies prefer to deal exclusively with governments, without getting involved with civil society or communities directly. If they encounter issues with communities in the course of their work, Chinese companies will work with local officials in the first instance and then

escalate to higher level officials in Bishkek (through backroom deals) rather than engage directly with those affected.⁵⁴ This solidifies public perceptions that the benefits of such projects are intended for a select few, and not for local residents, generating considerable antipathy towards China.

Isolation and securitisation of Chinese companies and workers also inflame tensions. Chinese workers have their own compounds and live separately. Project managers hire Chinese private security companies who provide protection in the form of armed guards and equipment,⁵⁵ which can lead to anxiety among communities due to a growing sense of militarisation and insecurity.⁵⁶ These security companies are hired to protect Chinese workers from ‘hostile populations’ and serve to increase the gulf between them and local communities.⁵⁷ Some of the interviewees mentioned that, at times, Chinese workers can be seen to act ‘superior’ to Kyrgyzstanis, hiring their own drivers, translators, cooks and cleaners. While this can provide relatively well-paid jobs, it can also cause resentment and be seen as disrespectful of local people who wish to share in some of the more prestigious positions.⁵⁸

Avenues of engagement

At the national level, despite multiple changes in leadership, most parliamentarians and high-level officials have remained supportive of Chinese investments, often acting as major advocates for these projects. With few viable alternatives and an unstable investment climate, Chinese money and investments are welcome due to the relative lack of conditionality and willingness to play by local rules. Despite recent efforts to take control of investments in its territory, such as the case of the Canadian-financed Kumtor mine, the biggest in the country, the government still faces a budget crisis and so is unlikely to turn away from the few outside opportunities available to fund projects.⁵⁹ In fact, most projects are launched on the initiative of the Kyrgyzstani government or businesses, which then seek funding from China.⁶⁰ But given the

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Taking a more inclusive approach to project planning and delivery, one that involves civil society and affected communities, would be a first step towards building back trust and improving outcomes for all.

unpopularity of many in the government, this support from national or local officials does not necessarily translate into greater sympathy from the public.

A pervasive trust deficit also affects the role of civil society organisations. There are suspicions as to why CSOs – especially international entities – would want to get involved in ‘internal’ or national matters, unless they represent the interests of foreign powers. Both the Kyrgyzstan government and Chinese companies

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therefore prefer to keep third parties out of the equation, meaning that no one benefits from the expertise that local or international CSOs can offer on specific issues, including those related to sustainable investment, local buy-in and community engagement. Any social benefits or corporate social responsibility (CSR) schemes are planned in coordination with the government, with few examples of work involving CSOs. From the interviews, it was highlighted that social, environmental and economic impact assessments – either in conjunction with civil society support or not – are almost never carried out at any stage of project planning or implementation.

Conclusion

Kyrgyzstan, like other Central Asian states, suffers from instability and fragility resulting from its recent history. With all the negative perceptions of Chinese investments in Kyrgyzstan – as well as the unstable political environment, relatively unprofitable ventures, unsustainable government debt and clashes with local people – public enthusiasm for such projects is low, highlighting that business investments on their own do not necessarily reduce instability, especially when such investments are not broad-based and inclusive. The country’s own political and economic weaknesses, which have been amplified by the COVID-19 pandemic, compounded with increased animosity directed against ‘the Chinese’, have reached a level that threatens the safety of Chinese investments and Chinese people in the country.

For any investments to be sustainable, Chinese investors and authorities in Kyrgyzstan will need to rethink their approach by increasing their understanding of the local context and sensitivities, and the impact on local communities, including the variable impacts on women and other marginalised groups (on which there seems to be limited data or research), and by considering a more transparent, inclusive and responsive way of working with the public across all stages of the project. Taking a more inclusive approach to project planning and delivery, one that involves civil society and affected communities, would be a first step towards building back trust and improving outcomes for all.

Recommendations

- In line with its commitments under the SDGs, the Kyrgyzstan government should **consult civil society and the wider population about the content and design of transparent development strategies**, including the national development plan and other documents guiding policy on foreign investments. In this way Chinese and other foreign investments in national development infrastructure and services will be subject to greater public accountability within a transparent national development framework and less open to potential conflicts of interest or accusations of corruption.
- Such corruption cases further feed nationalist discourses and dissonance between official and public attitudes towards China. Greater transparency and practices that are in line with international anti-corruption standards and practice would also allow for more open dialogue and feedback on proposals. **Complaint mechanisms must be introduced whereby communities can air their concerns.** The only mechanism raised in the interviews related solely to environmental concerns (via the State Agency for Environmental and Forestry Protection), but impacts are much more far-reaching than environmental effects.
- The Kyrgyzstan government and Chinese government should **actively engage to build public confidence that loans will not result in a debt crisis or loss of autonomy, continuing (and clearly communicating) concessional policies for loans and pitching grants.** The government could also **implement more transparent policies (such as public information on financing or information sessions for affected communities)** in Kyrgyzstan to provide a greater degree of transparency and as a measure to mitigate risks of clashes. Currently, the thinking seems to be that more exposure of investments is risky – but done in the right way, it could greatly increase the public’s acceptance of Chinese projects and presence.
- Chinese companies should **conduct more gender-sensitive social impact assessments and community consultations in cooperation with civil society**, including women from different ages and backgrounds, and held at various stages: before project implementation and at key milestones. These could complement and enhance commercial risk assessments (which are already carried out by financing banks in China), and also create greater transparency and demonstrate Chinese concern for local people’s wellbeing and take into account their concerns and priorities. This would not only maximise benefits for communities and put their wellbeing front and centre, but it would also make commercial sense for companies to gain buy-in from residents. Preliminary assessments, for example, could have flagged people’s concerns in At-Bashy – especially over effects to livelihoods and practicalities around rental of land – where the cancellation of the logistics centre came at a cost of \$275 million.⁶¹
- Government officials in Kyrgyzstan – both at local and national levels – should also play a role in **promoting transparency and conflict-sensitive business practice.** Given that local actors have greater access to communities, they can have a large part to play in ensuring sufficient opportunities for public feedback on proposed projects, as well as feedback mechanisms during the project cycle. In some cases, where government officials may face public scepticism, they can work with CSOs or other trusted and impartial groups to conduct such assessments and consultations.
- **Increased communication** through multiple channels – such as town meetings, radio or social media – would help raise public awareness of the ways in which existing projects already bring benefits to communities, including jobs, training programmes and CSR programmes. These can increase access to opportunities for both women and men who may be interested in developing skills. While budgets may be set aside for these programmes, the lack of any true engagement between Chinese and Kyrgyzstani workers means that perceptions will not shift or that people will fail to realise the opportunities that Chinese investments can bring.

- As reported in the interviews, China generally does not invest as much of its energy in ‘soft power’. It chooses to focus on the economic sphere, with the assumption that better infrastructure will lead to development and, in turn, a better view of China and decreased conflict. While there have been some improvements through increasing exchanges between Kyrgyzstan and China – especially among younger generations, both women and men, who are provided with scholarships to study Chinese or live in China through the Confucius Institute and other programmes – more work needs to be done to **promote people-to-people ties and reduce the animosity directed towards Chinese workers.** This could involve ‘community engagement and benefit plans’, which could include activities such as cultural exchange events, free or subsidised health or education services, and sporting events.
- Local media in Kyrgyzstan is one avenue through which to better explain the purpose of investments and some of the facts behind them – as well as to more openly discuss concerns and impacts on communities as they arise. While media outlets should not be treated as solely ‘public relations’ opportunities to promote investments, trusted sources could **provide the population with factual information as well as a space to raise their concerns.**
- **More research should be done on the variable effects of investments on gender dynamics** – including on factors such as access to opportunities, the workplace environment and the changing pressures and expectations placed on women and men. The findings could help inform future engagement with women and men in communities affected by large investments.
- In many parts of the country, there are strong suspicions not just of China but also international NGOs and foreign governments. As such, these entities should be aware of how they may be perceived and **focus on establishing strong collaborative partnerships with international, national and community-based organisations** that are trusted locally and have a strong understanding of the dynamics in any given region. Such organisations can act as mediators for consultations, or help monitor the implementation of projects to ensure they stay on the right side of the law and do no harm – especially where public trust in local officials is low. Where needed, **requests for international organisations to provide training or other support should be discussed with local partners.**

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A protester delivers a speech during a protest against Myitsone Dam project in Yangon, Myanmar on 18 January 2019.

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3

Myanmar and the BRI: economic development in crisis

Acknowledgement of the current context

On 1 February 2021, under the leadership of Senior-General Min Aung Hlaing, Myanmar's armed forces (*Tatmadaw*) seized administrative control in the nation's capital, citing claims that the National League for Democracy (NLD) government led by Aung San Suu Kyi had committed elections fraud during the 2020 general election. Aung San Suu Kyi was detained and has only been seen by the public at her court hearings, where she is being charged with a series of crimes. Other members of the NLD and political opposition parties also remain in detention. A State Administration Council (SAC), chaired by Min Aung Hlaing and consisting of eight military representatives and eight civilian representatives, was formed immediately after the 1 February military takeover. Upon seizing power, the SAC announced a one-year state of emergency, promising this period would be followed by fresh multi-party elections.⁶² In an interview with Hong Kong-based Phoenix TV in May 2021, however, Min Aung Hlaing backtracked, suggesting that any new elections would likely be postponed beyond the stated period of one year, especially given the high levels of resistance to the military seizure of power which those responsible for the military takeover had not foreseen.⁶³

All but one of the interviews conducted as part of this research took place before the events described above. Since 1 February, the conflict context and investment climate in Myanmar have radically changed due to the extreme levels of military-led violence against civilians, intensifying armed clashes between the Tatmadaw and various armed groups, and roiling instability due to impacts on livelihoods, health, food security and education. Therefore, the civil society perceptions presented in this chapter garnered their relevance from the context in which they were collected during the burgeoning democratic period of the NLD government. By drawing on more recent analysis, news events and informal discussions with civil society representatives, this chapter presents a snapshot of the situation in Myanmar as of June 2021. Analysis and recommendations included in this section therefore represent conclusions drawn from the information available at the time of writing. The situation remains highly unpredictable and changes almost daily.

In response to the unlawful military takeover and violations against civilian populations, in March 2021 Saferworld issued a statement of support for civil society and conflict-affected communities in their pursuit of democracy, calling for the release of Civil Disobedience Movement (CDM) activists, including journalists, human rights defenders, students and elected civilian government leaders.⁶⁴ In May, Saferworld Europe joined more than 200 global organisations urging the UN Security Council (UNSC) to impose an arms embargo on Myanmar, calling for immediate action to help protect peaceful protesters against military violence.⁶⁵

Conflict in Myanmar

Myanmar has a long and complex history of violent political conflict. Within its borders, subnational conflicts define the country's political landscape.⁶⁶ Specific territories are controlled by different forces, varying by region between the Myanmar central government authorities, militias and border guard forces affiliated with the Tatmadaw, and ethnic armed organisations (EAOs). There are also zones of mixed authority and contested administration. Myanmar's EAOs have existed for decades – in some cases since before independence from the UK – and have well-formed political agendas and social bases. EAOs are tied to particular ethnic identity groups which, in many cases, maintain their own non-state administrative structures that control substantial areas of the country and which provide public services, including security and justice, healthcare and education, to populations living in those places.

Nearly 50 years of military rule following independence meant that Myanmar's government and economic institutions were under the tight grip of the armed forces,⁶⁷ with political elites maintaining near unilateral control over development decision-making and on the collection and spending of revenues. Violent unrest commonly arose in response to sustained discrimination and exclusion of ethnic minorities by the dominant Bamar majority.⁶⁸ Frustration over the centralised extraction of wealth by political and military actors from areas populated by these marginalised ethnic minority groups also fuelled conflict. A desire for autonomy and federalist structures on the part of the country's ethnic minorities – which make up almost 40 percent of the population and which include, among other smaller ethnic groups, the Kachin,

Karen and Shan – has been a major root cause of violence.⁶⁹ Federalism has therefore been at the heart of conflicts in Myanmar for decades, as a result of heavily centralised decision-making and the lack of revenue-sharing by successive military and civilian governments.

During the 2010s, civic space in Myanmar opened up as a result of the military's orchestrated political transformation and the gradual liberalisation that followed the re-introduction of multi-party elections and the adoption of more democratic processes. Whereas previously, heavy media censorship and public surveillance blocked any meaningful public discourse on key issues – including those related to China, foreign investment and development – news and media outlets, CSOs and political parties could begin to more openly discuss issues of resource sharing and self-determination.

However, following the military seizure of power, the space for civil society discourse and engagement on development-related issues has significantly diminished once again. A 'Civil Disobedience Movement' (CDM) continues in response to the actions of the military, while local armed militias have been formed across the country to defend their communities against the Tatmadaw. The People's Defence Force (PDF) – the first machinations of an armed wing of the National Unity Government (NUG) which claims to be the legitimate civilian-led transitional government of Myanmar – has also been established as a forerunner to a federal army. According to local media sources, the SAC were caught off guard by the intensity of the protests, and by March the tactics used to quell the protests were increasingly violent, including shooting protesters in the head in urban streets, midnight raids on homes, torture and mass arrests.⁷⁰ According to the Assistance Association for Political Prisoners-Burma (AAPP), over 840 people have been killed since 1 February 2021, with more than 5,800 people arrested, including civil society advocates, political activists, academics, labour leaders, celebrities, and other individuals. Of those arrested, more than 4,600 remain in detention as of 6 June 2021.⁷¹

The military seizure of power has profoundly damaged the already tenuous peace process with a number of EAOs which had signed the Nationwide Ceasefire Agreement, leading thousands of people to flee their homes, with some attempting to cross the border into Thailand.⁷² In response to events, the Association of Southeast Asian Nations (ASEAN) convened on 24 April in Jakarta in an attempt to address the crisis, producing a five-point plan agreed to by the regional bloc's leaders.⁷³ The plan includes a call to immediately cease violence in Myanmar and for dialogue to be held among all parties to seek a peaceful solution in the interests of

the people, but does not call for the release of political prisoners nor a rejection of the coup. Following a meeting between Min Aung Hlaing and the Chinese Ambassador to Myanmar, Chen Hai, on 5 June in Naypyitaw, Chinese state media reasserted China's support for the consensus reached by ASEAN countries, vowing to play a constructive role in resolving the conflict.⁷⁴

Chinese investment in Myanmar

Since the late 1980s, China has been Myanmar's leading international investor, as well as its most significant ally in matters of defence and diplomacy. It is hard to overplay the sheer scale of Chinese investment in Myanmar. China has spent billions of dollars in the country over many decades via investments in projects in sectors including hydropower, coal power, mining, oil and gas pipeline construction, banana and rubber plantations, industrial parks and more. Chinese investments have indeed brought money and created jobs; however, due to the complex political landscape, many projects operate in conflict-affected areas, meaning that Chinese businesses are tied to the conflict economy in many regions. Chinese investments have also been linked to the exacerbation of conflict in the past. For example, widespread environmental and social damage caused by Chinese investments in logging, mining and extractive industries in northeast Myanmar was said to be a factor in the outbreak of violence in Kachin state in 2011.⁷⁵

In the period immediately after 2011, during the quasi-democratic government of President Thein Sein (2011–2016), bilateral economic relations between China and Myanmar became strained, following the suspension of the China-led Myitstone dam and hydropower project in Kachin state. The project, which would have cost USD \$3.6 billion, was suspended due to public concerns over mass displacement, land confiscation, flooding, contamination of water and soil and deforestation, among other potentially devastating impacts on people's livelihoods and heritage. However, the suspension was indicative of the Myanmar government's approach to Chinese investment under Thein Sein, which oversaw the reduction of Chinese investment from \$1.5 billion in 2010 to \$70 million in 2014.⁷⁶ By opening up the country to more western investment and rejecting Chinese investment, Thein Sein sought to rebalance Myanmar's external relations with China, pursuing a

nationalist approach to investment and international autonomy.⁷⁷

Thein Sein's successors, the semi-civilian government led by the NLD under Aung San Suu Kyi, were less reluctant to accept Chinese investment. During a visit to China in 2016, Aung San Suu Kyi commented positively on the progress and achievements of the BRI, paving the way for Myanmar to officially agree to increased Chinese investment once again. In September 2018, both governments signed an MoU to implement the China–Myanmar Economic Corridor (CMEC). CMEC is the main vehicle for BRI projects in Myanmar, consisting of a number of infrastructure projects aimed at supporting connectivity between Myanmar, China and the surrounding region. During President Xi's state visit to Myanmar in January 2020, the two countries further endorsed CMEC by signing 33 additional agreements. In January 2021, Chinese Foreign Minister, Wang Yi, urged progress on key BRI projects during a visit to Myanmar, emphasising the initiation of the Kyaukphyu deep-sea port and the Mandalay-Kyaukphyu Railway. It is difficult to estimate the total amount of investment planned for CMEC based on publicly-available information. However, the Myanmar Investment Commission's Directorate of Investment and Company Administration reported \$21 billion in BRI-related approved Chinese foreign direct investment as of March 2020.⁷⁸

Although many CMEC projects are yet to start, signing the MoU provided both governments with an opportunity to refocus relations on positive cooperation after an unsettled period. At the same time, CMEC has created an opportunity for Chinese companies to fill the gap left by other foreign investors who withdrew following the outbreak of the Rohingya crisis in 2017.⁷⁹ However, what the February 2021 military seizure of power in Myanmar means for China and Chinese investments in the country is quite unclear.

It is unlikely that Chinese investment under the BRI will cease entirely, despite an initial slowdown in the fallout of recent political events and the struggle to contain the spread of the COVID-19 pandemic. In May 2021, for example, the SAC announced the approval of a \$2.5 billion power plant that will run on liquefied natural gas, built and operated by Chinese companies.⁸⁰ However, while the announcement was not officially tied to the BRI, it was among 15 new investments announced by the Myanmar Investment Commission. After the military takeover, the SAC overhauled a key committee established by the NLD government for managing CMEC projects, meaning that the requirement for the involvement of local stakeholders (including local authorities) in project development has been omitted from its decision-

making process in order to fast-track major Chinese infrastructure projects.⁸¹

At the same time, anti-Chinese sentiment – already long-established in Myanmar – has risen dramatically following the outbreak of anti-military protests targeting Chinese investments in March 2021.⁸² Protesters angered at Beijing’s blocking of UNSC efforts to take action against Tatmadaw leaders also threatened to bomb strategically important oil and gas pipelines.⁸³ Although these threats have not yet been carried out at a significant scale, later in May there was a deadly knife attack on security personnel standing guard at an offtake station in Mandalay, part of the nearly 800-kilometre-long oil and natural gas twin pipelines that run from Myanmar’s western region to China.⁸⁴ These pipelines are known to be strategically important to China and for the BRI, leading Min Aung Hlaing to reassure Beijing that his regime will protect foreign-funded enterprises in the country, including Chinese investment, amid the turmoil caused by the recent military takeover.⁸⁵

A report, first published following the 2019 Independent International Fact-Finding Mission on Myanmar, concluded that no business should enter into an economic or financial relationship with the Tatmadaw, or any enterprise owned or controlled by them or their individual members, until and unless they are restructured and transformed.⁸⁶ More recent statements at the UN Human Rights Council (UNHRC) have reiterated the need for companies operating in Myanmar, including Chinese companies, to act in line with the Guiding Principles on Business and Human Rights to avoid contributing to human rights violations, or becoming complicit in crimes if they continue to operate in the country.⁸⁷ In May 2021, UN Special Rapporteur Tom Andrews urged countries at the UNHRC to impose further sanctions targeting the Tatmadaw to ensure that they are unable to profit from business activity in Myanmar, especially the timber and gemstone-mining industries.⁸⁸ There is major concern among the international community that any such profits may be spent on arms and used against the people of Myanmar, perpetuating violence and enabling further crimes against humanity.

How major BRI projects interact with conflict in Myanmar

Official CMEC projects include the building of road and rail transportation links from China’s Yunnan Province through Muse and Mandalay to Kyaukphyu, where a planned deep sea port forms an essential element of the Kyaukphyu Special Economic Zone (SEZ). Kyaukphyu is located near the epicentre of widespread violence against the Rohingya people in Rakhine state, where tensions remain high. Another planned SEZ is the Myitkyina Economic Development Zone which, when complete, will occupy approximately 2,000 hectares surrounding the Kachin State capital of Myitkyina.⁸⁹ The region is home to the Kachin Independence Organisation (KIO), one of the country’s most powerful EAOs that has been leading calls for federalism since the 1960s.⁹⁰ In northern Shan State, on the border with China, there is a third SEZ being developed in Muse, whose surrounding area is affected by numerous local conflicts as the Tatmadaw, EAOs, militias, and other government and armed group proxies engage in violent disputes.⁹¹ Across Myanmar, various EAOs have voiced support for anti-military protesters since the events of February 2021, leading to deadly clashes between EAO fighters and the Tatmadaw.⁹²

Research findings

From the interviews conducted prior to the military takeover,⁹³ it is possible to better understand the acute impact that Chinese investments and the BRI can have on conflict dynamics and local communities in Myanmar.

Among all those interviewed, there is a general sense of optimism that BRI projects – under a democratically-elected civilian government – will create more job opportunities for local people, that access to money will grow and that the country’s GDP will expand. Following the damage caused by the COVID-19 pandemic, many hope the BRI could enable local economies to recover faster as a result of investment. Residents located close to specific projects, for example the port at Kyaukphyu, are hopeful that new roads and connectivity links related to BRI project implementation could improve local livelihoods. Interviewees cited improved trade links as being important to small- to medium-sized

local businesses, in the expectation that trade between Myanmar and China will increase. Chinese investments have also brought new educational opportunities for students in Myanmar, with scholarships to Chinese universities on offer.

However, as is the case in other conflict-affected countries, while the BRI has the potential to create economic opportunities for communities and businesses in Myanmar, conflict-related issues have also come to the surface. In the current context, engagement with the Tatmadaw/SAC to progress BRI projects will inevitably strengthen the military's position and further worsen the situation for the people of Myanmar, at a time when the international community is calling for targeted sanctions and arms embargoes. There are also inherent risks for Chinese companies (and their workers) if they are seen by the EAOs, armed local militias and CDM participants as collaborating with the military.

A point raised by all interviewees is that, owing to a lack of accessible and transparent public information, few understand what constitutes an 'official BRI project' and what falls under the category of more generalised Chinese investment in Myanmar. This has resulted in confusion, the spread of misinformation, and has exacerbated a pre-existing sense of injustice among marginalised communities at the lack of inclusion in decision-making or consultation on social and environmental impacts. According to an expert based in Rakhine state, such mistrust has led to the common assumption that the economic benefits of BRI projects will inevitably be shared unequally, mainly among political elites (some of whom are now part of the SAC) and members of the Tatmadaw, as was the case with previous Chinese investments in the country. One civil society representative from Kachin state summed up this sentiment, saying that, "they [Chinese companies] invested here and use our resources but the profits go to them. It is not right that the public does not receive the benefits."

More broadly, as suggested by a local expert on Chinese infrastructure investment, in the eyes of local communities, "whatever China does [in Myanmar], they just do it for the BRI. For example, when China provided COVID-19 prevention, it was for the BRI again." So widespread is the misunderstanding and misinterpretation of what the BRI means in practice, that it is nearly impossible for people and communities to differentiate between the various forms of Chinese influence in the country – financial, cultural, state-led or otherwise. This is due to a lack of transparency, inherent in the way that projects are rolled out. The responsibility for clarity lies with the nation state (Myanmar) and China. This means that even when Chinese entities donate supplies to mitigate health crises like

COVID-19, their actions are perceived in cynical terms – dictated by self-interest or as a mere public relations stunt – but do not enhance the reputation of the entity making the donation. Public frustration and violence targeted at Chinese investments since the military takeover are no doubt linked to pre-existing public tensions over the scale of Chinese influence in the country.

Chinese investment and conflict dynamics

All those interviewed predicted that if BRI infrastructure projects pass through conflict-affected areas, then further conflict is inevitable. Following the military takeover, the traditional 'conflict' areas have now been augmented by the armed opposition movement that is taking hold across the country. The increased securitisation of BRI projects was cited as one potential reason for this, as the provision of security would likely be provided by the Tatmadaw or state-backed militias, resulting in the movement and expansion of armed groups into areas currently under the authority of EAOs or embroiled in active protest movements. One expert stated that "if not carefully handled, then there will be more fighting due to conflict of interests," also suggesting that "a major ongoing cause of conflict is resource management. What we are seeing might be related to Chinese investment in some ways, because if you have authority over the land you can implement taxation on projects."

In Kachin state, a civil society representative expressed concern that certain BRI projects could economically benefit resident armed groups, such as the Kachin Independence Army (the armed wing of the Kachin Independence Organisation), or state-backed militias. This would directly influence conflict dynamics by shifting how groups are resourced and stirring rivalries around those resources. Another civil society representative from Rakhine state suggested that project activity related to the BRI, including plans linked to the Kyaukphyu deep sea port, will only move faster once peacebuilding work has progressed. In Rakhine state, grievances related to Bamar-led political domination and suppression of the Arakan culture, along with exploitative practices of natural resource extraction and profit sharing, have long existed. It was also highlighted that increased conflict as a result of BRI project activity would almost certainly lead to more internal displacement of people across the country – already a major cause and consequence of conflict itself, one which has been increasing with the widespread



A train makes its way slowly past vendors as they remove their goods from the tracks at the railway bazaar near Tha Ye Zay railway station in Mandalay on 19 May 2019.

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fighting between the Tatmadaw, EAOs and now the PDFs since February.

All civil society representatives interviewed for this paper suggested that peace is unlikely to be achieved without the concerted effort of all relevant parties, including former elected government officials now represented by the Committee Representing Pyidaungsu Hluttaw (CRPH) and NUG, the Tatmadaw/SAC, the PDFs, EAOs, local communities, CSOs and business representatives – including Chinese investors. A Yangon-based expert suggested that while potential threats to the safety and security of BRI-affected communities remain absent from official BRI-related discourse and project planning on the part of both China and Myanmar, peace is far from inevitable. Statements issued from both Chinese and Myanmar civilian government officials (prior to the military takeover) have expressed generalised assertions that increased economic development linked to the BRI will bring peace to Myanmar, a claim which has not been borne out in conflict-affected contexts globally. The current crisis, however, means that any hope that increased economic development via the BRI

would contribute to conditions for peace or reconciliation has been rendered even less likely.

On the other hand, an expert based in Kachin state highlighted that, due to cultural and historical connections shared between certain ethnic groups in Myanmar and those across the border in China, EAOs may be encouraged to collaborate and work together to ensure the successful delivery of BRI projects, incentivised by profit and other potential benefits. Such benefits could include ensuring that social and environmental impacts are assessed and accounted for in order to protect populations in their areas. However, in light of the recent violent protests against Chinese investments in Myanmar, those with strong connections to China (including those in Yangon and Mandalay) may find themselves facing violent public backlash if they choose to side with, or help pursue the agenda of, Chinese business representatives in the country.

BRI projects, social sustainability and conflict sensitivity

One interviewee from Shan state shared that they had stated, while in discussion with business people from Muse, that it would be better for business, for peace and security, and for the BRI, if local people had been given a say in the design of BRI projects that affect the town, such as the Muse-Mandalay railway. Another local consultant described how there is “little engagement between CSOs and Chinese actors”, blaming high levels of suspicion between the two actors as a causal factor in this. What all these insights suggest is that conflict sensitivity and local CSO engagement is not factored into the design and implementation of BRI projects in Myanmar. Projects are designed centrally with minimal, if any, consultation with the communities they are likely to impact the most. In addition to this, according to the interviews, project plans are commonly perceived as being devised by Chinese companies themselves, leading to concerns that initiatives to help prevent or address the causes of conflict are left out due to a lack of sufficient knowledge of complex environments.

The Myanmar government has, on occasion, acted to ensure that environmental and social impact assessments (ESIAs) are included as part of Chinese investment agreements. As heard in the interviews, when companies from Myanmar have been employed to conduct ESIs in consultation with impacted communities, relevant community members – including women and other marginalised groups – were excluded from discussions, resulting in outcomes that were not fully informed by their perspectives and opinions. When Chinese investors directly engaged communities in relation to the planned SEZ near Myitkyina, they are reported to have explained very little about the project plans to affected villagers, making negotiations vague and difficult. According to a representative from a human rights organisation in northern Myanmar, such experiences fuel suspicion among local communities that consultations are intentionally opaque, as Chinese investors fear that the better informed people are, the more likely they are to object or protest. Ultimately, however, a lack of coherent information, reports and analysis of BRI projects, as well as of joined-up impact mitigation and management and effective and responsive community engagement, make it difficult for anyone to effectively assess which projects will have what kind of social and environmental impacts.

Although Chinese companies operating in Myanmar have seldom taken their responsibilities towards social sustainability seriously,⁹⁴ there are signs that they are beginning to factor in the crucial importance of maintaining a good reputation in order to uphold their social licence to operate. But efforts to do so are not always being met with public enthusiasm. According to one expert, during a centrally-planned response to the COVID-19 crisis – organised by the Chinese embassy – Chinese companies operating in Myanmar made public donations to support the action. However, when those companies used social media to publish news about their donations, many saw it as a self-interested and shallow attempt to garner attention and praise, especially in cities where BRI projects will be implemented.

Land, labour and gender dynamics

Labour issues associated with BRI projects are a major source of tension in Myanmar. People perceive that Chinese workers are more likely to receive jobs than locals. According to an interviewee based in Rakhine State, workers of Bamar ethnic origin receive higher salaries than workers from other ethnic groups, exacerbating pre-existing tensions between community groups. This is often made worse as a result of internal migration by workers grappling with high levels of unemployment.

BRI projects in Myanmar are seen to offer few openings for women. For example, railway construction projects will normally employ men, due to gendered assumptions about construction work. At all levels, women are not seen as being involved in BRI project planning and consultation, leading to accusations of gender-insensitive design and implementation. According to one interviewee, “when there is armed conflict, it is children and women who are affected the most and it is therefore necessary to include children and women as part of [project] assessments.”⁹⁵ Another interviewee suggested that previous Chinese investments in gold mining and logging projects attracted an influx of men workers (from Myanmar and China) to various regions in search of work. These men are said to have sought out sex workers, encouraging the growth of commercial sex work and leading to an increase in HIV transmission rates. Women have also experienced sexual abuse or harassment from Chinese migrant workers for BRI-associated projects in Rakhine state.

According to an expert on China in Myanmar, anxiety among BRI-affected communities has increased as a result of fear they might be forced to leave their land or give up their livelihoods when their farmlands are

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As a result of the dearth of information related to specific projects, there is the perception that ‘if a project falls in the village area, the village has to move. And if it falls in a farming area, the farmland should be given away.’

taken from them – a move made easier by the Vacant, Fallow and Virgin Land Management Law. This law, introduced in 2012, offers residents – particularly women – little protection from land grabs.⁹⁶ As a result of the dearth of information related to specific projects, there is the perception that “if a project falls in the village area, the village has to move. And if it falls in a farming area, the farmland should be given away.”⁹⁷ There are therefore few protections for landowners. For those who are offered compensation for their land, it is often perceived as being at a lower price than

the land is worth. Once the land is attained, how it is used can also cause substantial problems for local communities. For example, as heard from one interviewee, “communities are worried that if fences go up, it will divide communities”.⁹⁸

There have been many cases of land confiscation associated with the BRI, mostly linked to the creation of the three planned SEZs. When land is taken from families, according to a conflict resolution and peacebuilding expert, “women face the more profound and immediate impacts as it is women that hold the responsibility for managing households, including the management of access to essential resources such as water, while the men work in the fields and factories.” All those interviewed predict that there will be more grievances related to land and that more land might be confiscated, especially given that the Tatmadaw are often responsible for driving people off their land using violent means.

Conclusion

Whatever form the Myanmar government takes over the coming years, Myanmar will remain strategically very important to China and the BRI. If the military remains in power, its position strengthened, and if China chooses to broker further deals with the Tatmadaw/SAC, the people of Myanmar, especially those from minority ethnic groups, are likely to experience greater insecurity.

Owing to the long history of Chinese political, cultural and economic influence in the country, Chinese support and involvement remain critical to the long-term chances of mitigating the violence associated with Myanmar’s subnational conflicts. Meanwhile, the ubiquitous presence of the Tatmadaw and state-backed militias throughout conflict areas – closely linked to the state’s need to secure trade corridors and to protect BRI development sites – continues to cause violence, insecurity and displacement, and represents a major source of grievance for rural ethnic communities.

There is a need for greater detail on the human impacts that BRI projects have in conflict areas. Conflict-affected communities also urgently require more meaningful control over development in their areas. However, while the Tatmadaw/SAC remain in power, measures taken to ensure the increased conflict sensitivity of Chinese investments in Myanmar are unlikely to be effective, as any engagement with the Tatmadaw is in itself problematic and likely to exacerbate local tensions and prolong conflict.

The reputation of Chinese companies operating in Myanmar has been tarnished by a legacy of mass displacement, land confiscation, flooding, the polluting of water sources, soil erosion, deforestation, and a host of other negative impacts on people’s lives and livelihoods. Centralised development programmes have undermined customary and indigenous land practices, creating grievances that can also spill over into violence. The role that China-backed development has previously played in forcing rural people off their land and into precarious and exploitative jobs in other towns or neighbouring countries must be more effectively mitigated in the future. Such unsustainable behaviours lead to increased mistrust, further grievances, the outbreak of protests and, potentially, to violence.

While few of these issues are the direct result of Chinese development alone, investments have proven a major contributing factor behind conflict drivers, which goes some way towards explaining why tensions and anti-Chinese sentiment remain so high in Myanmar and why further engagement between the Chinese business community and the Tatmadaw/SAC will further fuel tensions and lead to more violence.

Recommendations by scenario

As the situation in Myanmar is unpredictable and currently highly volatile, this report puts forward two sets of recommendations. The first is based on the existing situation following the events of 1 February 2021, whereby the Tatmadaw/SAC remain in power for the foreseeable future without allowing free and fair elections or the release of Aung San Suu Kyi alongside other political detainees. The second set of recommendations, based on the findings of the interviews conducted prior to 1 February, assumes a scenario whereby a civilian elected government and democratic principles are reinstated, increasing stability and allowing for more investment into the country once again.

Recommendations under existing circumstances

- If Chinese investors decide to move ahead with CMEC projects under the current conditions of far reaching anti-Chinese sentiment and political instability, their investments will face serious and continuing risks. These issues will continue as long as the SAC refuses to restore democratically elected governance and democratic rights and continues to reduce the civic space. Therefore, **Chinese businesses should suspend all investment and engagement with the Tatmadaw/SAC until international sanctions on members of the SAC are withdrawn and a civilian elected government is reinstated.** Only then can the security of Myanmar's people be better guaranteed.

Recommendations for BRI investment under a civilian elected government

- In line with its commitments under the SDGs, the Myanmar government – under the leadership of a civilian elected government – should **consult with civil society and the wider population about the content and design of its national development plan**, to ensure transparent development strategies and foreign investment plans benefit all people. In doing so, **gender- and conflict-sensitivity should become central to all BRI projects in Myanmar** as part of special measures to ensure that the diverse needs of all people and communities in the country are served. To achieve this, there should be increased diversity among those responsible for national development planning so that issues related to gender and conflict are addressed from the very start.

- A major challenge related to conflict sensitivity in Myanmar exists in respect to **giving conflict-affected communities more direct control over the development and execution of projects.** One-off attempts at 'consultation' and other downstream activities at the implementation stage are insufficient and so companies and civilian government authorities should provide people – including women and other marginalised groups – with the right to **'free, prior and informed consent'** over projects, especially when those projects might remove them from ancestral lands.

- In respect to the Chinese companies responsible for project delivery, interviewees emphasised that company directors should ensure **compliance with international sustainability standards.** They should also **ensure that BRI projects are people-centred and based on a strong understanding of local contexts and culture.** This is especially important when operating in areas of Myanmar with fewer historical and cultural ties to China, where Chinese companies may not have operated before, and where they may be less familiar with local cultures, values, practices, and socio-political dynamics. In such cases, it could be useful for companies to devise and engage in **cross-cultural training programmes** in the areas of operation. Courses that help companies understand local cultures, values and practices and which also help local people understand a company's culture and operations, could also present opportunities for increased inter-communal dialogue.

“
... communities are worried that if fences go up, it will divide communities.
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- **Companies delivering BRI projects should operate in a more economically, socially and environmentally sustainable manner** in order to improve the reputation of Chinese investors in Myanmar and drive business competitiveness in the long term. The Myanmar government should enforce measures, such as those incorporated in the NLD's Myanmar Sustainable Development Plan, to encourage responsible investment.

- **Inclusion, accountability and transparency are all essential for responsible business conduct that responds to legitimate demands from society.** Educational institutions, think tanks, civil society, policy institutes and an independent media are all crucial to ensuring public oversight and engagement in regard to BRI projects and should be involved in the monitoring and assessment of projects throughout delivery.

- **ESIAs are central to the sustainability of any infrastructure project and should be carried out in a gender- and conflict-sensitive manner well in advance of any BRI project commencing.**

In practice, companies should also undertake risk analyses about the effects of their projects on the environment and people. There is a strong third-party case for describing and analysing the context-specific political economy and socio-political settlements to warn key project actors about conflict risks – once the risks are known, they are harder to be ignored. Such analyses would benefit from the involvement of CSOs, who bring the expertise that companies or other third-party entities may lack. This would help ensure that projects themselves provide genuine economic opportunities and real benefits for local communities (not just a select few), that they do not harm the environment and that they do not risk exacerbating conflict.

- Given the high stakes for everyone, including local people and Chinese companies, the risk of conflict over land rights and access needs to be addressed with urgency. In particular, there is a **need to provide equitable and sustainable solutions to ensure that local people do not risk losing their livelihoods if land is required for projects**. Companies should respect land rights, develop their knowledge of ownership patterns and negotiate directly with local landowners.
- There should be **more avenues for communities to express grievances with investors and local authorities**. This is key to reducing tensions and avoiding potential confrontations that place companies at odds with affected communities, which may ultimately lead to violence and the possible suspension or cancellation of certain projects.

- **More transparency and better communication about policy, plans, actions and targets are of paramount importance**, not only to build trust with the public in regard to Chinese investments but also to ensure that actors such as EAOs or the Tatmadaw do not unintentionally benefit most from projects. Currently, there is no way of knowing who benefits most, but it is often not the communities immediately impacted by projects. Although efforts are already being made to disclose more information about Chinese investments, such as the establishment of the Union Project Bank that lists all new projects, more needs to be done to demonstrate how companies are trying to be responsible, add value to the communities where they operate and mitigate any negative impacts that could create tensions. Potential quick solutions could include **the use of inexpensive communications tools such as the production of informative leaflets in the relevant languages, or posting information on company websites** on how they are performing as responsible businesses operating in Myanmar. CSOs should also be involved in this process as an alternative avenue through which to relay information back to the public.
- The vast majority of BRI workers in Myanmar are men and, as heard in the interviews, there are no women in senior, public-facing, decision-making positions in respect to BRI development project planning and delivery. **Project planners and contracted companies should consider the involvement of women from both rural and urban backgrounds** during project planning to ensure that equal opportunities are considered and included from the start and that women's rights are protected.

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Uganda's President Yoweri Museveni (centre) and China's third vice prime minister, Wang Yang (third from the left) visit the Mpala toll station during the inauguration ceremony of the Chinese-funded 51-kilometre Expressway linking the capital city and the international airport in Entebbe, Uganda, on 15 June 2018.

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4

Sino–East African trade and cooperation: the BRI in landlocked Uganda

Uganda is a resource-rich country in East Africa with a population of more than 42 million people.⁹⁹ It is home to a wide range of ethnic groups, the largest of which is the Baganda, constituting almost a sixth of the total population. Despite decades of instability after attaining independence in 1962, Uganda is now considered a country of relative stability, albeit with signs of fragility. Uganda’s politics is marked by political divisions and tensions that still cause conflict to this day. The root causes of tension are often linked to its colonial history and its ethnic and religious divisions. Land is also an important but sensitive resource for Ugandans. Land ownership in Uganda has a complicated history marked by conflict and political meddling. Borders and boundaries have frequently been changed to suit political interests, often displacing or denying people’s rights, increasing tensions among local communities and undermining stability.¹⁰⁰

President Yoweri Museveni has led the Ugandan government since 1986, significantly shaping the country’s political landscape. Many Ugandans, as well as international commentators, credit the government with bringing relative stability and economic prosperity to the country – in 2020, Uganda was listed among the world’s top ten fastest-growing economies.¹⁰¹ However, ineffective job creation policies, a significant lack of formal employment opportunities available for young people, and regional imbalances in the distribution of jobs, have proven a major source of grievance for the young and disenfranchised. Increased dissatisfaction over recent government policies has led to instability and violence, as demonstrated by the deadly public protests in November and December of 2020 in the lead up to the general election.¹⁰²

Climate change is also making it harder for Ugandans to make a living from traditional forms of livelihood, including agriculture. As rains are becoming ever more unpredictable and international investors increasingly engage in large-scale land acquisitions for agriculture (food and biofuel crops), construction projects and natural resource extraction, many local people have to seek alternative livelihoods.¹⁰³ This shift in socioeconomic circumstances in specific regions, including oil-rich Karamoja, is leading to uncertainty among communities as families increasingly abandon their pastoralist way of life in favour of chasing new opportunities. This has led to intercommunal clashes and violence within families.¹⁰⁴

Chinese investments

Chinese investment into Uganda officially began in 1987 following the signing of a major bilateral economic cooperation agreement between the two countries. The discovery of oil, marble and valuable minerals such as gold and phosphate in Uganda's northern and north-easterly regions in 2006 soon accelerated the arrival of further Chinese investment. In 2018, Uganda signed an MoU to join the BRI. It is estimated that, between 2018 and 2020, new Chinese investment and construction contracts in Uganda amounted to roughly \$690 million.¹⁰⁵

As is the case in other BRI recipient countries, the majority of China-funded Ugandan infrastructure projects are under the framework of government-to-government bilateral development support, with major projects hinging on state-led policy planning and authorisation. Also typically for the region, the Ugandan government prefers Chinese investment as a major source of infrastructure finance to western investments due to China's public stance of non-interference in the internal affairs of other countries. Chinese finance is therefore viewed as a crucial opportunity through which to plug Uganda's infrastructure gap without attracting criticism of the government's less liberal policies. Since the January 2021 presidential election in China, unlike western nations, has not threatened the Ugandan government with sanctions over its crackdown on opposition politicians and followers immediately after the election.¹⁰⁶

Following the outbreak of COVID-19, Uganda experienced major shortfalls in domestic revenues and a huge loss of jobs, predominantly in the informal and private sectors. If delivered sustainably, the BRI has the potential to drive solutions and create economic opportunities that could help strengthen and rebuild local economies after the pandemic. However, it will take time for positive impacts to materialise. For example, large-scale projects associated with the BRI, such as the China-Uganda Agricultural Industrial Zone – funded by the Kehong Group and estimated to be worth \$220 million – are predicted to boost local agricultural output and increase the value of Uganda's exports.¹⁰⁷ However, the long-term impact of such projects will only begin to show after a few years.

In recent years, as a result of Chinese investment in Uganda, the number of Chinese citizens living in the country has increased significantly, with many

Chinese nationals migrating from the province of Sichuan while working for private companies.¹⁰⁸ In general, attitudes towards the large Chinese presence in Uganda are starting to shift and the COVID-19 pandemic has exposed a growing anti-Chinese popular sentiment in Uganda. In 2020, tensions heightened following the publication of Chinese media reports accusing Africans, including Ugandans, of bringing the virus back to China, resulting in several incidents of discrimination against Africans residing in China.¹⁰⁹

Major BRI projects in Uganda

- A \$480 million expansion of Entebbe airport by China Communications Construction Corporation, which is also building a toll road between the airport and Kampala
- Two large scale hydropower plants at Karuma and Isimba – both backed by loans from China's EXIM Bank
- Rail and road construction projects, including the standard gauge railway connecting the Ugandan network to the rest of East Africa, and the Hoima-Bulisa road that connects the 'Oil City' of Hoima to the oil wells.
- The recently commissioned Hoima international airport¹¹⁰
- Industrial parks and SEZs, such as Mbale industrial park

Key findings: the impact of the BRI on conflict drivers in Uganda

All interviewees agreed that, through the BRI, China is investing in projects that have the potential to bring significant economic benefits to Uganda – at both a local and national level. So high are the levels of investment in some areas that certain projects, especially those related to hydropower generation, have earned themselves special recognition among local residents. For example, the area surrounding Karuma Hydropower Dam has been dubbed 'China City', as the project has led to increased urbanisation in the area surrounding the project site.

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If delivered sustainably, the BRI has the potential to drive solutions and create economic opportunities that could help strengthen and rebuild local economies after the pandemic.

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In reference to Isimba and Karuma hydropower dams, interviewees suggested that both projects have opened up opportunities for technical and non-technical employment – attracting workers of different age groups (but mostly youth) from across Uganda. Given the high national unemployment rates, especially among the youth, new livelihood opportunities have been welcomed by most. Interviewees therefore recognised job creation as one of the major positive benefits of Chinese investment. Chinese companies delivering BRI projects overwhelmingly employ Ugandans, who make up an estimated 95% of the workforce or more.¹¹¹ A Kampala-based gender researcher acknowledged how BRI projects have created opportunities for Ugandan workers to learn new skills through training programmes for both men and women, mainly in the field of engineering. Chinese investments have also brought with them the opportunity for many Ugandans to learn Mandarin.

At a national level, BRI investments have bolstered the overarching development agenda of the Ugandan government. Trade between the two countries has also increased. Locally, interviewees have seen improved connectivity and infrastructure – the result of new roads, communications technologies and railways. One local land use consultant suggested that Chinese investments have boosted the creation of numerous new businesses by local investors in a diverse range of industries including wood production, the supply of consumer goods and services, ecotourism and the health sector.

Poor governance and a lack of social sustainability

In the words of one respondent, the BRI has brought with it “a number of common challenges often associated with industrial capitalism”. Many of these issues are social sustainability problems related to workers’ rights; for example, the terms of remuneration and working conditions for local employees. One respondent described how community rights are being exploited by Chinese companies through the untimely payment, and at times non-payment, of wages for local labour. Another interviewee highlighted poor working conditions, a lack of employment protections and the perception of unfair compensation associated with BRI project implementation as growing sources of tension among local workers.

A Ugandan expert on conflict resolution described how, during the construction of the Karuma Dam, there were reports of numerous injuries suffered by local workers due to a lack of personal protective equipment. Workers even went on strike following the persistent lack of compensation paid out by one Chinese company to members of staff injured while on duty.¹¹² It was said that local experts and CSOs with the experience and local knowledge required to help resolve grievances related to labour law and best practice are often ignored by the Chinese companies responsible for project delivery. A Kampala-based researcher highlighted feelings of “exploitation among a disgruntled youth”, especially among those “who have worked with [Chinese companies] before”.

The lack of transparency and accountability surrounding Chinese investments in Uganda has led to increased mistrust among the public too, which has given rise to misinformation about company operations and their behaviour. According to one local expert, the dearth of information about BRI projects has meant communities lack of a sense of ownership over projects, made worse by their exclusion from participation in project planning. It is therefore easy for local people to conclude that the BRI is simply a vehicle for “white elephant projects agreed to by highly placed government officials and persons in uniform”.¹¹³

Owing to the lack of detail over how contracts are awarded – particularly those related to land acquisitions for factories and other industrial infrastructure – there is a perception among the Ugandan business community that land acquisitions are granted to whichever Chinese investor can offer to pay the most to the allocating authorities, or as a result of backdoor lobbying. There is a widespread perception of corruption linked to BRI contract awarding processes. Ugandan companies that lose out on BRI project contracts view local politicians as systematically favouring Chinese competitors. Although this is usually required as part of BRI agreements, such perceptions exacerbate pre-existing suspicions of corruption concerning entities such as the Uganda National Roads Authority (UNRA) or city authorities including the Kampala Capital City Authority.

Interviewees suggested that BRI-associated Chinese companies operating in Uganda rarely consider themselves as long-term partners to local governments, authorities and communities. Those responsible for corporate decision-making within these firms see their presence in Uganda as merely temporary, resulting in the low prioritisation of CSR. One respondent argued that, by taking a short-term approach to doing business in Uganda, companies are acting in an unsustainable fashion. In doing so,

companies risk eroding public trust and, in turn, their social licence to operate.

Land rights violations, forced evictions and delayed justice

If managed fairly, land investments offer promising opportunities for peace and development. However, poor natural resource governance in Uganda has led to a rapid increase in land and natural resource disputes. Land and mining disputes in particular have long proven a major destabilising factor for the country. Northern Uganda and Karamoja have been historically marginalised, principally due to legacies of armed conflict that continue to affect development, peace and security in these regions. Recently, investment in the Ugandan land and extractives sectors, as well as large infrastructure projects – including those associated with the BRI – have intensified friction between investors and marginalised communities.¹¹⁴

There are a number of laws designed to protect Ugandan citizens in case of grievances related to land; for example, the Local Governments Act (Cap. 243) and the Uganda National Land Policy 2013. These laws and policies aim to protect citizens' rights to own land, by preventing illegal evictions and land grabbing, and regulating the access to and control of land by vulnerable groups.¹¹⁵ Despite efforts by the Ugandan government to adopt fairer laws in this regard, how effectively these laws are being implemented is the subject of ongoing debate, especially among civil society groups focusing on land rights and justice.

Chinese investments related to the BRI have increased the demand for land acquisition to undertake large infrastructural development, mineral exploration, urbanisation and commercial agriculture.¹¹⁶ According to a land use consultant, increasing demand has raised the price of land, residential rents and general living costs in locations near BRI project sites, forcing some local residents to leave their homes in search of cheaper rent and lower living costs. It was also suggested by interviewees that land required for BRI project delivery is only occasionally acquired through official acquisition processes. This has resulted in numerous incidents of rights violations, including forceful evictions without compensation. Land acquisitions associated with BRI infrastructure projects are leading to increased tension within and

between communities, and between communities, local governments and investors. According to a Kampala-based researcher, there is the growing perception that the Ugandan government is “supporting Chinese [investors] to take away land from Ugandans” – particularly in northern regions.

In respect to forceful evictions attributed to BRI projects, one interviewee emphasised that, when people are forced from their land, they can become internally displaced if not offered an alternative place to live. Displacement caused by BRI projects – for example, the construction of the Karuma dam – has forced residents to move to new towns and villages in search of work and lodgings. This, when coupled with pre-existing ethnic strife, has intensified livelihood disputes and further stoked existing tensions related to internal displacement.

While litigation is often presented as the only viable option for those adversely affected by land issues, many who follow this avenue face delayed justice. There are currently legal disputes dating as far back as 2014 still being fought in court. A gender researcher argued that key institutions “lack adequate capacity to address these grievances ... local leaders have [also] failed to intervene and to come up with good and amicable solutions”.¹¹⁷ Engaging in legal proceedings is therefore often expensive, which tends to favour the elites, leaving the most marginalised members of society with few options to pursue justice when land is taken from them unfairly or without adherence to due process. While legal avenues can prove futile or too complicated to navigate, some marginalised groups – especially the youth – have shown an increasing willingness to defend their land and interests from investors and the government through forceful means, escalating tensions.

The gender-related impacts of the BRI in Uganda

One interviewee described Uganda as “a country with an enabling environment for women”.¹¹⁸ Yet, despite the efforts of the Ugandan government and of national and international organisations to improve the status of women and promote gender equality in the country, most women in Uganda still experience an array of gender-related challenges. Shifting economic dynamics in parts of Uganda – resulting from a gradual shift away from agricultural livelihoods – have had specific gendered impacts as

social and gender norms are challenged. Research shows that men often find they are unable to fulfil their traditional role as income providers for their family and community, and these frustrations have resulted in an increase in gender-based violence (GBV) as they seek to exert control in the private sphere.¹¹⁹

The BRI, however, with its focus on major infrastructure development, has impacted gender dynamics and norms in different, and sometimes indirect, ways. For example, interviewees highlighted how some BRI projects have negatively impacted local environments, destroying agricultural produce and damaging biodiversity. The construction of the Isimba and Karuma dams, for example, reportedly increased erosion and flooding along the river Nile. Such environmental damage threatens long-term livelihoods. Yet, as heard in the interviews, it is women who most often bear the brunt of this impact, as they occupy the majority of agricultural jobs that become adversely affected. According to one expert in conflict resolution, this has pushed many women, having lost their main source of income, to move back into the family home, resulting in greater poverty and increased financial pressures on families. Under such circumstances men are considered better able to seek alternative avenues for livelihoods by landing short-term employment opportunities more easily, especially in jobs that are more physically demanding, such as the construction of roads and hydropower plants.

While the BRI has created employment for women too, according to a gender researcher, job opportunities tend to be in less physically demanding roles; for example, many women have been hired as cleaners or in administration roles at the Mbale industrial hub. However, one interviewee suggested that, due to the informal nature of some of the jobs, Chinese companies avoid hiring women as they may need to take maternity leave. Such discriminatory practices can of course be found in other parts of the world as well, with similar practices being adopted by western companies. It was also suggested by one interviewee that, following the outbreak of COVID-19, it was mainly women who lost jobs associated with the BRI, not men.

In respect to land rights, men and women are equally susceptible to forced evictions. Although all local owners are entitled to seek financial compensation whenever disputes over land acquisition arise, women face additional challenges. According to a Kampala-based researcher, as Uganda is a patriarchal society, women – especially elderly women – risk being taken advantage of most, as their bargaining power is limited in comparison to

men and they can end up being cheated out of compensation altogether.

Although Ugandan authorities – such as the National Environment Management Authority (NEMA) – have often tried to ensure that ESAs are included as part of Chinese investment agreements, the interviews suggested that ESAs frequently fail to involve civil society in consultations. As a result, assessments have failed to prevent detrimental environmental and social impacts with gender-specific outcomes, leading one interviewee to comment that “community rights are not protected at all”.¹²⁰

The issue of sexual exploitation was also raised during the interviews. One respondent, a development researcher, highlighted alleged incidents of sexual abuse by Chinese nationals against women Ugandan staff working for companies delivering BRI projects. Another interviewee, a transparency practitioner, noted that an increase in sexual relationships between Chinese men and Ugandan women (including extramarital affairs) has heightened inter-communal tension between local Ugandan and Chinese expatriate communities, especially among men. While these issues are not unique to Chinese investments specifically, they have had a detrimental social impact, negatively affecting perceptions of Chinese investment in the country.

Conclusion

The BRI in Uganda has been welcomed at the highest levels of government and seen as an essential avenue through which to pursue national development goals. If managed well, it provides promising opportunities for peace and development. However, dissatisfaction rates among the public are rising and trust in Chinese investors is diminishing. While many have welcomed the new jobs and business opportunities attributed to Chinese investments, members of the public and the Ugandan business community have little or no say in what projects are agreed, nor which companies are chosen to implement them.

Issues related to land acquisitions negatively affect Ugandan communities the most immediately, while the gendered impacts of BRI investments are too often ignored and therefore unaddressed. Entities involved in the BRI must recognise the history of marginalisation and conflict in Uganda, as well as the complexities and sensitivities of land ownership. Concerns over a lack of labour rights, loose employment contracts and limited attention paid to CSR have also had a negative impact on local

perceptions of BRI investments. Unless addressed through conflict-sensitive approaches to land governance processes, frustrations may build, potentially leading to the exacerbation of existing tensions, further discrimination and more violence.

Recommendations

- Reflecting on the engagement of Ugandan and Chinese leaders and business representatives, the findings of this report point towards the **need to build a forward-looking relationship that better reflects people's opinions and needs**. A fundamental way of doing this is to **involve people in a consultative and transparent process for establishing a national development plan**, following the commitments in the SDGs to offer a transparent and publicly accountable framework for subsequent investments. The Ugandan government and relevant ministries are central to ensuring that project planning is carried out in consultation with affected communities and that related tender processes, contractual agreements and progress reports are communicated transparently too. Key Ugandan ministries and authorities, including the Ugandan Ministry of Finance, the Ministry of Gender, Labour and Social Development, NEMA, and the Equal Opportunities Commission all have a key role to play in this and must work closer and more collaboratively to do so.
- **Chinese investors must undertake gender- and conflict-sensitive participatory impact assessment studies prior to any large-scale investments** and use the findings to design or adjust commercial activities that are conflict sensitive and inclusive, to better understand local contexts and sensitivities, improve standards of social sustainability and avoid environmental damage. This will lessen tensions, reduce costs for investors and companies, and improve the relationship between communities and investors, while supporting efforts to address gender inequalities and gender drivers of conflict.
- **Chinese investors should better understand and comply with Ugandan labour laws** and, where possible, engage with Ugandan organisations that have specific expertise in workers' rights, such as the Federation of Uganda Employers.
- **All land required for BRI investments in Uganda should be acquired legally and in accordance with Ugandan law**. Given the complicated history and high sensitivities surrounding land ownership in Uganda, Chinese investors in Uganda must ensure that they acquire land through a consultative process that engages all parties concerned in a transparent manner, to reduce contention over land ownership that may heighten tensions and result in violence. **People giving up their land must be allowed to do so in a free, informed and consensual way (not forced), with compensation paid out in full**. In this regard, it is crucial to promote dialogue activities on land conflict issues that bring together representatives from communities, investors, civil society and local government authorities. By doing this, links will be created which will contribute to more conflict-sensitive and inclusive approaches to natural resource governance.¹²¹
- **Chinese investors and local government officials should endeavour to improve transparency and the spread of project-related information through increased engagement and dialogue with communities, local civil society and authorities**. One way to do this is by using community days and radio talk shows, as they remain popular with local audiences and would ensure effective outreach to the target audience. Also, ensuring that women participate meaningfully in all dialogue activities will help guarantee that women's concerns are better prioritised and addressed.
- **More professional training and apprenticeship programmes organised by Chinese firms** would help ensure career progression and increased economic benefit for Ugandan workers who aspire to become managers – positions that right now are most likely to be occupied by Chinese nationals. By taking a longer-term approach to employment and human capital, Chinese companies operating in Uganda have an opportunity to leave a genuine and lasting economic legacy, especially for those currently employed on an informal basis yet who are critical to BRI project delivery.
- **Meaningful CSR programmes designed and delivered in partnership with local authorities, communities and civil society organisations should be included in the delivery of BRI projects from the start**, demonstrating a long-term commitment towards the societies in which the investor operates. This is crucial to upgrading and maintaining a social licence to operate and ensuring that CSR projects go beyond tokenistic gestures or public relations stunts.

- **The Ugandan government should bolster local content requirements (LCRs) as part of BRI contracts.**¹²² Including policies like LCRs would make Chinese firms use domestically manufactured goods or domestically supplied services, rather than relying on imported materials and supply chains from China. This would help the Ugandan government better achieve policy objectives related to employment, as well as industrial and technological development, ensuring that the benefits of BRI investment are more evenly spread.

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The new expressway is seen near Mpala toll station before the inauguration ceremony of the Chinese-funded 51-kilometre Expressway linking the capital city and the international airport in Entebbe, Uganda, on 15 June 2018.

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Conclusions

This paper explores some of the positive and negative impacts that Chinese investment through the BRI can have on conflict dynamics in conflict-affected and fragile countries. While the positive economic impacts of the BRI could prove essential to national development plans and the creation of more prosperous societies over the coming years and decades, the challenges remain plentiful and varied. Some of the more positive aspects of the BRI are primarily economic: BRI projects are beneficial to development, meaning that people can access goods and services more easily. Livelihoods improve, which can have a positive impact on safety, security and well-being. How effectively the BRI promotes development that is truly sustainable in respect to a multitude of economic, social and political factors remains in question. Negative outcomes, however, tend to stem from, or revolve around, complex local and national socio-cultural and political dynamics, gender norms, environmental degradation, poor governance, inadequate transparency, labour rights violations, the confiscation of or inadequate compensation for land, the destruction of livelihoods, and corruption – or perceptions of it.

While the analysis in this report shows some cross-over trends in terms of common issues and general areas of concern across all three case studies – especially in regard to land-, gender- and labour-related issues – each context must be understood and assessed in its own right. The root causes of conflict and tension in Kyrgyzstan, Myanmar and Uganda go far beyond simplistic diagnoses such as ‘underdevelopment’. They are multifaceted in nature and vary by context and by group – ethnic, religious, gender and generational – meaning that no one-size-fits-all solution, in respect to economic development alone, can be effective. While this paper focuses on elevating civil society perspectives in relation to the BRI, it is often local civil society representatives and organisations that are most attuned to the important issues that impact local communities and people the most. Involving civil society more in the BRI will therefore be crucial to conceptualising, and providing the necessary solutions to, many of the difficulties and complications identified by the interviewees.

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While the analysis in this report shows some crossover trends in terms of common issues and general areas of concern across all three case studies ... each context must be understood and assessed in its own right.

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Development that responds to the needs and priorities of conflict-affected people and communities should begin with an inclusive, consultative and transparent process that leads to the production of a national development plan. As signatories to the UN SDGs, the national governments of Kyrgyzstan, Myanmar and Uganda, as well as that of China, have all committed to engaging with civil society and populations to produce wide-ranging development plans that not only cover tangible outcomes like health, education, livelihoods and improved infrastructure, but also concepts like peace, justice and security. Such inclusive plans, that factor in local, regional and national needs and priorities, should form the basis for engagement with external investors and act as a framework for accountability between states, investors and people. Chinese entities looking to invest in new business ventures, including in conflict-affected nations, should ensure that any potential new development projects belong to an inclusively designed national development plan as a means of further legitimising their investments.

The challenges raised in this report are not unique to Chinese investment in conflict-affected states, nor to the BRI. All international entities – including national governments, multilateral organisations, multinational corporations and civil society – are not only affected by conflict, but they themselves also affect local conflict dynamics. The interviews suggest that Chinese companies operate in ways that demonstrate questionable commitment to long-term sustainability and peace, and are often the cause of complaint among communities negatively affected by BRI projects. A deeper understanding of conflict sensitivity may also be useful for various Chinese state agencies involved in BRI development planning and assistance, including, but not limited to the State Asset Supervisory and Administration Commission (SASAC), the National Development and Reform Commission (NDRC), the China Banking and Insurance Regulatory Commission (CBIRC), the Ministry of Ecology and Environment (MEE), the Ministry of Commerce and the Ministry of Foreign Affairs (MFA). Funding institutions like the China Export-Import Bank and China Development Bank also have a part to play to ensure that investments and investors are ESG-compliant, as environmental, social and governance issues are directly related to conflict drivers in the three case study countries discussed in this report.

Conflict-sensitive business practice (CSBP) benefits both host communities and businesses. For communities, it is essential that investments avoid exacerbating conflict. For businesses, avoiding risks and costs associated with violent conflict is crucial to the long-term viability of any business operating overseas. Chinese entities cannot expect to control

the level of stability in the countries where they operate, but they can influence conflict drivers. Truly conflict-sensitive business practice means going further than one-dimensional ESG assessments – which look at impacts on the environment, people and communities – to also consider the socio-political dynamics of the project context, the conditions impacted in each situation, and how impact mitigation and management is best approached and conducted.

While responsibility for peace and security ultimately lies in the hands of national and local governments/ authorities, community leaders and local civil society, Chinese entities can and must take action to enable more informed decision-making that supports stability in all three country contexts investigated in this report. For Kyrgyzstan, Myanmar and Uganda – as well as for China – embedding gender- and conflict-sensitivity at the heart of BRI project planning and implementation will better ensure sustainable and mutually beneficial partnerships for each country and its population, and thereby true ‘win-win’ outcomes for all.

Recommendations

Inclusive national development planning

National governments should enable inclusive, consultative, transparent national development planning as a means of ensuring engagement with communities and CSOs (as committed to in the SDGs) during the ‘upstream’ process of national development planning. While many Chinese overseas investments already sit within national development plans, ensuring that national development planning processes are truly inclusive and consultative in the first place will help provide a framework for widespread approval and greater inter-communal commitment towards large development investments, including infrastructure. Chinese investments would then fall within an agreed national development plan and progress would need to be reported against this, greatly improving accountability. It is beyond the remit of Chinese companies or Chinese government officials to produce national development plans – that is the role of the host government. However, encouraging inclusive and consultative national development planning, and asking where their investment fits within the national development plan while in negotiation with host governments, is something that Chinese companies could do to legitimise their investments.

Gender sensitive conflict impact assessment and analysis

As experience proves, traditional political and financial risk assessments are inadequate when assessing the full range of issues that might cause or fuel violent conflict. Chinese corporations active in fragile and conflict-affected settings should strive to develop a more gender and conflict sensitive consciousness, practice and ultimately more effective conflict-management capabilities. Conducting in-depth conflict and gender analysis before commencing any new project is central to this. Accurately understanding complex environments and the ways in which investments could worsen or ease tensions goes beyond traditional risk management, allowing for more informed business decisions, the avoidance of a range of costs that violent conflict imposes on companies and their staff and the increased safety and viability of Chinese investments. This is also crucial to ensuring that projects do more good than harm, do not worsen conflict and insecurity, and contribute positively towards peace.

The Chinese government should systematically promote guidelines calling for conflict impact assessments and the application of conflict management tools to reduce conflict and increase the long-term sustainability and profitability of BRI investments. From the vantage point of Chinese government authorities, which for two decades have been promoting the ‘going out strategy’, identifying risks that Chinese companies face when they invest in conflict-affected environments, and developing more effective conflict-sensitive tools to minimise such risks, will enhance the reputation of Chinese companies, providing an important public good to the host countries, which is also in the interest of Chinese companies.

Chinese think tanks and academic institutions could also contribute more to conflict risk and impact assessment overseas. Very few studies have been done in China that look at conflict-related topics linked to the BRI – for example, on the impact of internal migration driven by the arrival of new major infrastructure projects into rural regions where livelihoods are traditionally agricultural and where tensions between different ethnic groups might be rife. Chinese CSOs could therefore help steer policy improvements that ensure more effective conflict analysis as part of future BRI projects.

Early and consistent involvement of national civil society ultimately lies at the heart of CSBP. Civil society can play a crucial role in developing a greater understanding of local environments and analysis in respect to the potential impacts of investments. Greater inclusion of civil society in BRI project

planning and delivery from the outset is therefore essential to enabling this. This must include more consultation with communities, including women, youth, and other marginalised or minority groups.

Increased dialogue with communities

Frustrated expectations bring risks. Tensions rise when individuals and communities feel neglected; when their perspectives, concerns and priorities are not consistently taken into consideration; and when policies, practices, interventions and investments increase their marginalisation, discrimination and insecurity. While managing expectations is important and best achieved through awareness-raising, education and consultation, the issue goes beyond raising awareness and managing expectations – it is about ensuring needs are included in project design and implementation.

At the very minimum, increased outreach about BRI-related infrastructure and trade projects could assist in avoiding misunderstandings – even more so if the project falls under the umbrella of an inclusive and transparent national development plan. This is an issue that needs addressing at all levels: from national governments, to Chinese investors, to local authorities. Inclusion is central to CSBP and, without the involvement of civil society and local communities as part of project consultations, BRI projects cannot be considered inclusive of, and responsive to, the concerns of all interested parties.

Successful dialogue can only be achieved when differences – be they cultural, social, gender-related, political or otherwise – are openly acknowledged and addressed from the outset. For example, when engaging in dialogue with Chinese companies, civil society must be aware of Chinese business culture and understand that there may be a degree of indifference to social engagement activities. On the other hand, Chinese companies must be prepared to listen to, integrate and take seriously the various concerns and priorities of local people and communities.

Generating increased dialogue with communities can sometimes appear easier said than done, with differences in language, culture and – perhaps most profoundly – social norms presenting barriers to success. If Chinese companies are to engage in meaningful consultation with communities in Kyrgyzstan, Myanmar, and Uganda, they will require guidance and support. If such assistance is unavailable in China or via Chinese entities, local and international CSOs may provide the support needed to generate effective channels for increased engagement.

Improving communication in partnership with local and international civil society

While ongoing conflict and political fragility can present a challenge to businesses working in conflict-affected environments, the findings in this paper demonstrate that it is critical that companies make progress towards adopting and implementing improved communications practices.

Given the common lack of public trust in BRI investments in all three countries examined in this report, it is important that national governments and/or local authorities make people aware of the bigger picture – why Chinese companies are there in the first place and how the project or projects will benefit the community. For their part, Chinese companies should also find ways to communicate better with local people regarding their investments, their contributions to the society and their long-term commitment. Taking action to clarify a company's environmental, labour, governance and safety standards, for example, is a confidence-building measure that could help avoid the spread of misinformation. In this way, companies can also work with, and encourage more communication from, the authorities, as well as raising awareness of their own working practices.

Companies delivering the BRI should acknowledge existing limitations in respect to communications and work together with local CSOs to communicate and engage better with affected communities. The appropriate use of language and tone is central to effective communication and engagement. For example, when liaising with companies engaged in BRI-related projects, CSOs should be prepared to interact using language that reflects a real understanding of the interests and incentives of these companies, at the same time as advocating for greater consideration of the potential impacts on local communities.

Adopting and implementing accountability mechanisms

While there is currently no systematic way of collecting project data, and while statistics from government authorities remain limited or non-existent, greater engagement by Chinese CSOs in the collection of information and data would help. Western organisations, including international NGOs, trying to collect data for research and analysis are often met with suspicion by distrusting Chinese investors operating in conflict-affected areas. Chinese CSOs could act as the bridge between Chinese businesses and national civil society groups

seeking ways to improve transparency and accountability in relation to BRI project delivery.

Mechanisms should be put in place to ensure that people's grievances are heard and addressed before they become major peace and security issues. Not only is this crucial to protecting and respecting local communities but it also demonstrates social responsibility through increased accountability. It also provides a channel through which companies and local government authorities can ensure effective and timely remedy when mistakes are made, accidents happen or things go wrong, reducing the potential for tensions to spill over into violence. While accountability mechanisms are essential to CSBP at a local level, other entities also have a role to play in ensuring greater accountability in relation to social responsibility and conflict sensitivity.

The potential role of ESG reporting and analysis in improving accountability

Currently, funding organisations that are directly overseen by the Chinese government – such as the SRF and the central bank – are encouraged to approve projects that are seen to deliver strategic or diplomatic benefits for China over those which comply with the highest ESG standards. All national and multilateral funding banks should ensure that all newly approved BRI projects and project delivery partners comply with the latest guidance and standards in relation to ESG. Rating companies effectively and taking action to reduce or halt funding to those operating in an unsustainable fashion are concrete ways to ensure that companies operate in a fashion that is more conflict sensitive and accountable.

Financial analysts and institutions are central to this, and should rate a company's ESG performance based on a comparison of its stated positive societal impact with the observed reality. This may require new training and capacity strengthening but would go some way to ensuring that BRI investors develop and adopt an approach and methodology as part of an ESG-compliant project plan that fits with their specific project activity, the markets they operate in, and the impact that they aspire to and can realistically achieve. Those companies which simply ignore or overlook the importance of the 'S' in ESG (social sustainability) cannot be considered ESG-compliant. After all, conflict sensitivity lies at the heart of social responsibility.

Greater transparency and the systematic adoption of anti-corruption measures

Opaque tender processes and confidentiality regarding the detail of BRI loan agreements, as well as a focus on bilateral top-level negotiations, shift the responsibility to ensure the fair implementation of the BRI directly onto national political systems. Such systems are often unable to deliver this due to corruption or a lack of resources, leading to public grievance. Ensuring greater transparency in regard to BRI planning and agreements, the creation and maintenance of reliable information platforms, as well as independent oversight at a national government level present three immediate, deliverable opportunities for improvement.

The transparency deficit across all levels of responsibility in respect to project planning and delivery has led to allegations of corruption linked to Chinese investments, be it perceived or real. One way of ensuring greater transparency and accountability of Chinese corporate operating standards would be for all BRI-related companies to adhere to and actively demonstrate compliance with internationally agreed standards of transparency and sustainable corporate practice. This would require some upfront investment, including, for example, an audit of current practice and the development of internal guidelines and training, but, once established as institutional policy, it would form part of regular checks and balances associated with new business ventures. Many standards and guidelines already exist, including:

1. The OECD Guidelines for Multinational Enterprises (OECD Guidelines) – these reflect the expectation from governments to businesses on how to act responsibly. They cover all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition and taxation.¹²³

2. The UN Global Compact – a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. Numerous Chinese companies are already members of the UN Global Compact.¹²⁴

3. The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) – the GRI creates a common language for organisations – large or small, private or public – to report on their sustainability impacts in a consistent and credible way. Again, numerous Chinese companies are already members of the GRI.¹²⁵

4. The International Labour Organisation's Core Conventions – a system of international labour standards aimed at promoting opportunities for people to obtain decent and productive work, in conditions of freedom, equity, security and dignity.¹²⁶

5. International Organization for Standardization (ISO) 26000 – guidance for companies that recognise that respect for society and the environment is a requirement for success. The ISO 26000 is increasingly viewed as a way of assessing an organisation's commitment to sustainability and its overall performance.¹²⁷

6. The Ethical Trading Initiative (ETI) – The *ETI Base Code of labour practice* is focused on ensuring that the labour standards endorsed by the International Labour Organisation (ILO) are also adopted within supply chains.¹²⁸

7. Social Accountability (SA)8000 – an international certification standard that encourages organisations to develop, maintain and apply socially acceptable practices in the workplace.¹²⁹

8. The Equator Principles – a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.¹³⁰

Besides adopting the above guidelines and principles, at a minimum, all Chinese corporations should abide by the operating standards laid out in the **UN Guiding Principles on Business and Human Rights**, first published in 2011.

Putting gender sensitivity at the heart of projects

This report shows that the impacts of the BRI are felt by different sections of society in different ways, and are often ignored. Interviews conducted for this paper suggest that the lack of women involved in decision-making has led to gender-insensitive policy-making in respect to the BRI. Women and girls are often left out of consultation processes (if they happen at all) related to the environment, social or conflict dynamics, and other decision-making processes at all levels.

National ministries, Chinese investors and independent contractors responsible for ESAs and conflict assessments should ensure that assessments are conducted jointly with local communities and civil society representatives, including women, young people and other marginalised groups – those who best understand

the local context. This could lower the risk of potential harm for all members of society. Chinese investors could also work in partnership with civil society and local government to devise gender-sensitive social impact initiatives to ensure that the benefits of BRI investment are more equitably shared.

Inclusive consultations would enable concerns to be flagged early, including concerns over the potential gendered impacts of projects or issues surrounding gender-sensitive labour practices and land rights. Consultations that include women would therefore provide a platform for deepening understanding of women-specific concerns, priorities and potential gender-specific impacts related to major infrastructure investment in conflict-affected communities, better enabling the development of gender-sensitive solutions.

Forging partnerships for peace

The importance of forming partnerships for sustainable peace is central to SDG 17. Where needed, CSOs should build up the required skills and expertise to support more CSBP. CSOs, international CSOs, think tanks and educational institutions should form coalitions to address the human security and conflict issues created by, or related to, the BRI. Platforms for effective knowledge sharing, capacity strengthening and training workshops are crucial to this. Pivotal BRI actors, including local authorities and Chinese company representatives, should be encouraged to join such platforms and to share experiences and learning in a collaborative fashion.

International organisations could also partner with national or local organisations to contribute, through further research, to paint a clearer picture of how BRI investments affect people. Based on this and other evidence, they could produce constructive recommendations for companies, local and national officials, Chinese civil society, government think tanks and the Chinese government itself. They could also point to examples of best practice when it comes to community engagement related to overseas investments and FDI.

Dedicating resources to mitigate risks, reduce conflict and enable peace

An open and transparent ‘consultation’ or ‘engagement’ fund should be set up and used by Chinese firms as a tool for handling conflict risks more effectively. The fund would provide resources for bringing company representatives, local authorities and communities together to discuss the impact of a BRI project on people’s social, political and economic aspirations; to highlight any social and environmental concerns; and to generate cooperative ways to address them. The same fund could be used to set up local forums for longer-term initiatives for engaging directly with people. This sort of communication is crucial to the long-term sustainability of a project, and is therefore good for both business and communities. Along the same lines, the fund could include resources for community liaison or adviser positions as part of project setups. These advisers and other consultants could be a useful resource for investors to draw upon when attempting to maintain effective and meaningful relations with communities.

Notes

- 123 For more information on the OECD Guidelines, visit <https://www.oecd.org/corporate/mne/>
- 124 For more information on the UN Global Compact, visit <https://www.unglobalcompact.org/>
- 125 For more information on the Sustainability Reporting Guidelines of the Global Reporting Initiative, visit <https://www.globalreporting.org/standards/>
- 126 For more information on the International Labour Organisation's Core Conventions, visit <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>
- 127 For more information on the ISO 26000, visit <https://www.iso.org/iso-26000-social-responsibility.html>
- 128 For more information on the Ethical Trading Initiative, visit <https://www.ethicaltrade.org/>
- 129 For more information on the SA8000, visit <https://sa-intl.org/programs/sa8000/>
- 130 For more information on the Equator Principles, visit <https://equator-principles.com/>

About Saferworld

Saferworld is an independent international organisation working to prevent violent conflict and build safer lives. We work with people affected by conflict to improve their safety and sense of security, and conduct wider research and analysis. We use this evidence and learning to improve local, national and international policies and practices that can help build lasting peace. Our priority is people – we believe in a world where everyone can lead peaceful, fulfilling lives, free from fear and insecurity. We are a not-for-profit organisation working in 12 countries and territories across Africa, Asia and the Middle East.

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