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**CHINA** *local / global*

# Chinese Mining Companies and Local Mobilization in Myanmar

Xue Gong

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## China Local/Global

China has become a global power, but there is too little debate about *how* this has happened and what it means. Many argue that China exports its developmental model and imposes it on other countries. But Chinese players also extend their influence by working through local actors and institutions while adapting and assimilating local and traditional forms, norms, and practices.

With a generous multiyear grant from the Ford Foundation, Carnegie has launched an innovative body of research on Chinese engagement strategies in seven regions of the world—Africa, Central Asia, Latin America, the Middle East and North Africa, the Pacific, South Asia, and Southeast Asia. Through a mix of research and strategic convening, this project explores these complex dynamics, including the ways Chinese firms are adapting to local labor laws in Latin America, Chinese banks and funds are exploring traditional Islamic financial and credit products in Southeast Asia and the Middle East, and Chinese actors are helping local workers upgrade their skills in Central Asia. These adaptive Chinese strategies that accommodate and work within local realities are mostly ignored by Western policymakers in particular.

Ultimately, the project aims to significantly broaden understanding and debate about China's role in the world and to generate innovative policy ideas. These could enable local players to better channel Chinese energies to support their societies and economies; provide lessons for Western engagement around the world, especially in developing countries; help China's own policy community learn from the diversity of Chinese experience; and potentially reduce frictions.

Evan A. Feigenbaum

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## Summary

Since the 2010s, China has invested enormous amounts of capital in major infrastructure construction projects in developing countries around the world, including in Southeast Asia. Many argue that China aims to export its development model to the world, but Chinese actors have also at times sought to address project concerns at least to some degree. The question is this: how are Chinese business actors adapting to the local contexts, legal and regulatory requirements, technical standards, and community norms in the places where they operate?

To answer that question, it is important to focus on the interactive dynamics between Chinese players and local civic actors (such as local nongovernmental organizations (NGOs), faith-based organizations, community groups, government-owned NGOs, activists, associations, and other networks in exile) in Myanmar that can collectively be termed local societal actors. By tracing Chinese local engagement activities involving a major Chinese-backed resource-extraction project, the Letpadaung copper mine, this paper argues that the past few decades of China's deep embeddedness and interests in Myanmar's political economy forced Chinese businesses to adapt to Myanmarese societal demands, by way of a local community-based approach. Beijing knows that projects supported by Myanmar's government today might not have the same traction tomorrow. Therefore, when pressure has built, Chinese actors have paid greater heed to demands from local residents in projects' host countries, even at times integrating these demands to adjust existing Chinese strategies, choices, and behaviors. That said, these concessions have not caused these disputes to entirely disappear, and the staying power of these Chinese adaptations is open to question, particularly amid the political upheaval Myanmar has weathered since the 2021 coup.

A key variable in these changes is the power of the local societal actors: when they are strong and supported by local institutions, Chinese business actors often are more adaptive to local demands and take greater steps, including with local partners, to win support from local societal actors. Because the interactions between local institutions and local societal actors vary by place and time, Chinese responses to local actors and practices also do vary in different periods. In sum, it is clear that Chinese actors are making progress at the local level by showing their adaptability not just in terms of the Letpadaung copper mine case but also on other shared development projects in Myanmar. Nonetheless, Chinese actors' approach to local community engagement is subject to the local context and specifically to what extent local institutions have the capacity and will to support local societal demands.

- The Letpadaung copper mine shows that the Chinese company Myanmar Wanbao Mining Copper Limited (or Wanbao) initially tended to work within the framework of local institutions and business partners affiliated with Myanmar's long-standing military junta before the demo-

cratic opening in 2011. However, during the democratic opening, when Myanmarese societal actors became powerful and were supported by local governing institutions, Wanbao started to accommodate local societal demands as well.

- After Aung San Suu Kyi and the National League for Democracy gained influence amid Myanmar's erstwhile democratic opening, Chinese actors were forced by both local institutions and local societal demands to retool their investment projects and engage with the community. In some circumstances, Wanbao has adopted new standards and practices, including by reaching out to a few international nonstate actors for community engagement advice.
- Once public pressure and scrutiny recedes a bit, Chinese actors tend to work closely again with local institutions, thus relaxing their community engagement standards.
- Since Myanmar's 2021 coup, the country's military government has repressively harassed and coerced civil society. Although not against the idea of local engagement in principle, with the military regime back in full control, Chinese actors may not have much incentive to maintain a strong commitment with local community engagement, particularly amid Myanmar's ongoing political uncertainty.

## Introduction

Over the past decade or so, China has poured capital into major infrastructure projects in developing countries worldwide, including in Southeast Asia. As a result, China's economic and political footprint has expanded quickly and widely, particularly through the Belt and Road Initiative (BRI)—the country's flagship multibillion-dollar effort to finance infrastructure projects abroad.

Critics worry about the global implications of what they paint as China's singular development model, but Chinese actors have in some cases strived to somewhat address project concerns.<sup>1</sup> In some respects, it is because international views on Chinese investments are so negative that Chinese investments have encountered pushback in host countries.<sup>2</sup> According to research published by the Development Research Center of China's State Council, such critical international views of Chinese financing (on counts such as insufficient transparency and corruption, inadequate inclusive development, and unsustainable development) will put a financial and political strain on China.<sup>3</sup> To foster positive feelings in host countries toward Chinese investments and to protect Chinese economic interests, Chinese actors also started to mobilize public relations campaigns through local community engagement strategies. So how are Chinese business actors adapting to the local contexts, legal and regulatory requirements, technical standards, and community norms in the places where they operate?

Chinese overseas investments in Southeast Asia present interesting variations in how Chinese actors work with their local partners. One important story of Chinese adaptation in the region is a shift in the way Chinese entities undertake community engagement to win support for their projects and investments. In Southeast Asian countries, Chinese firms either lack deep experience with local communities or initially pursued strategies that yielded very considerable community resistance and pushback. On meeting this social resistance, Chinese players have increasingly looked to local players and partners (and sometimes even international partners) for advice on community engagement and help fine-tuning their approach.

The interactive dynamics between Chinese and local societal actors—including local NGOs, faith-based organizations, community organizers, government-owned NGOs, associations, activists, and other networks in exile—display distinctive local traditions and regulatory rules. Tracing Chinese local engagement activities related to the Chinese-backed Letpadaung copper mine shows that Chinese actors are, in fact, increasingly enmeshed in the contexts where they operate—integrating local practices into their *existing* strategies, choices, and behaviors. A key variable in these changes, therefore, is just how powerful local societal actors are: when they are strong and supported by local institutions, Chinese business actors can be very adaptive to local demands and work much more aggressively, including with local partners, to win support from local societal actors.

Chinese players have shifted from their initial exclusive reliance on Myanmar's national government and ruling elites to a growing relationship with actors that local communities trust and listen to as de facto partners and informal advisers. This shift of strategy has somewhat improved Chinese business relations with Myanmar communities that had previously resisted their projects and investments, although the disputes have not been entirely resolved and there are some signs the firm's commitment to community outreach has since softened to a degree. How Chinese companies will navigate these dynamics after Myanmar's military retook control of the political system in February 2021 remains unclear.

## Evolving Chinese Approaches to Local and Nonstate Players

Much of the narrative about Chinese economic activities abroad is too state-centric.<sup>4</sup> Many commentators and analysts also believe that China's overseas infrastructure investors do not adequately engage with local stakeholders, civil society organizations, and communities because of their focus on state-to-state economic deals.<sup>5</sup> Chinese business actors have been criticized for not applying the same standards as the Organisation for Economic Co-operation and Development (OECD) in terms of consulting with affected communities or addressing local grievances.<sup>6</sup> These critical views are deeply held in part because of Chinese banks' and firms' perceived adherence to Chinese political norms, especially ostensible claims of noninterference in other countries' domestic affairs.<sup>7</sup> Therefore, with very limited information disclosures on Chinese economic actors' engagement with local communities in host countries, China's overseas business activities tend to be portrayed as much less accountable for investment decisions.

However, this view has certain limitations. For one, this critical approach has generally failed to acknowledge China's ever improving regulatory reforms since the Going Out strategy was launched in 2001. In recent years, the Chinese government has come to require Chinese business actors to abide by local laws and regulations and observe local norms in host countries, at least on paper. China has altered its regulatory regime by promulgating twenty guidelines and policies related to its overseas investment activities since the 2010s.<sup>8</sup> One example is the "Green Credit Directive," which pledged to develop a Chinese standard for green credit with a more stringent management system for environmental and social impact assessments (ESIAs); this document was issued in 2012 by China's banking regulator, the China Banking Regulatory Commission.<sup>9</sup> Despite Beijing's poor reputation on environmental standards, the "Green Credit Directive" by some accounts has made considerable strides on this front even if implementation has seemed to lag.<sup>10</sup>

Second, a state-supported economic approach does not mean that *all* reputational factors fall by the wayside. Indeed, the Chinese state cares about its reputation, image, and sustainable economic relations with host countries, especially vis-à-vis developing states that are of strategic importance to

Beijing's foreign policy goals. Thus, the Chinese government expects Chinese business actors to support a positive image of China, bolster China's soft power, and thereby buttress the Chinese state's efforts to improve relations with host countries.<sup>11</sup>

Third, the complex local contexts in Southeast Asian economies require Chinese actors to closely follow and respond to local conditions in one way or another. Compared to countries in other regions, Asian-Pacific countries including members of the Association of Southeast Asian Nations (ASEAN) are, in fact, more likely to impose restrictions on foreign direct investment (FDI).<sup>12</sup> In addition to institutional and legal barriers, informal institutional obstacles—such as corruption, opaqueness, and political stability—can contribute to the complexity of the environments that foreign investors face.<sup>13</sup> To reduce these FDI-related risks, foreign investors need to observe local conditions, laws, norms, and customs. Doing so is now even more important for Chinese companies because their investments are often state-driven and entail close relationships with elites in positions of power, which can make Chinese investments vulnerable during times of regime change.

Given these complexities, many Chinese players have chosen to cooperate with local partners. Chinese firms have tended to work with select local businesses that are well connected to host governments, financially stable, and capable. For instance, a major high-speed rail project in Thailand, a part of the Thai government's Eastern Economic Corridor initiative, is led by the Charoen Pokphand Group, one of the largest local multinational corporations in Thailand.<sup>14</sup> Moreover, Chinese players and their local partners often form joint ventures or consortiums rather than bidding alone, an increasingly popular approach for Chinese business actors to reduce the overseas investment risks they face. As a general rule, when it comes to cross-border investments, the structure of a business venture—whether it is a wholly Chinese-owned enterprise, a joint venture, or a local partnership with a Chinese firm holding a minority ownership stake—determines how Chinese players and capital intersect with local business partners and practices.

But beyond considerations of corporate governance, host country politics and social values play an important role too, resulting in a challenging political economy landscape for foreign investors in numerous ways. The more foreign business actors are embedded in a given host country, the fewer local institutional, commercial, and societal constraints they tend to encounter. As China's overseas investments have increased in scale and size, Chinese business actors and their daily encounters with multifaceted local societal actors can, in fact, yield quite unexpected outcomes in terms of both society-to-state and state-to-state relations. In certain circumstances, local societal actors have played a determining role in shaping the environments of Chinese overseas business interests and foreign policy goals. For instance, local resistance to the Myitsone Dam in Myanmar not only escalated conflicts between the country's military junta and local Kachin ethnic groups but also triggered a diplomatic spat between Beijing and Naypyidaw.

The degree to which Chinese firms and investors adapt to local demands to address project-related grievances can vary. Chinese companies can respond in at least three ways: by adopting local norms and practices wholesale (localization), selectively adopting a host country's norms and practices (selective adoption), or rejecting local practices but persuading a host country or partner to accept the Chinese firm's own approach (exportation of Chinese practices).

In the case of wholesale localization, the local societal actors often are normatively powerful in the domestic political economy of the host country, and governing institutions observe and acknowledge the normative power of those actors. If a social movement is supported by local institutions, foreign investors are more likely to respond to its demands because they face a threat of punishment for failing to do so, institutionally and socially.

In cases where local societal actors are not as powerful but strong governing institutions exist, Chinese firms may be less responsive to social movements but nevertheless adapt selectively at least somewhat to local laws and regulations. Such elective localization is often challenging. When tensions between local societal actors and governing institutions grow and locals start mobilizing to exert influence on decisionmaking in their countries' domestic political economy, Chinese actors that work closely with host governments have to adjust course to respond to the local actors' demands. By contrast, in cases where local societal actors have no power and host countries have very weak governing institutions, China often exports its own practices.

But Chinese firms do not work with local civic groups in host countries alone—they also selectively cooperate with nonstate actors and adopt international standards and norms. At times, multilateral efforts to encourage responsible investment overseas have come into play at the behest of the Chinese government or host governments. For instance, seven Chinese financiers (six of them private and one formally state-linked) have adopted the Equator Principles, which promote socially and environmentally responsible investments.<sup>15</sup> Similarly, by 2016, at least 130 Chinese firms had begun some degree of voluntary reporting on their business activities to the Extractive Industries Transparency Initiative, a global standard that promotes best practices and transparency in hydrocarbons extraction operations.<sup>16</sup> Sometimes, Chinese businesses operating overseas also receive assistance from Chinese or international nonstate actors such as NGOs and consultancy firms to facilitate interactions between Chinese investors and local societal actors in host countries. However, Chinese actors' selective cooperation with these nonstate actors and adoption of international norms or standards is generally meant to be secondary and complementary to a locally rooted community engagement strategy, which is ultimately determined by interactive dynamics between local civic groups and local governing institutions).

## Chinese Involvement in Myanmar's Political Economy Before the 2021 Coup

As a resource-rich country, Myanmar has been a popular destination for Chinese companies to invest in mining, hydropower, oil, and natural gas. Several large-scale infrastructure projects backed by China were concluded in the late 2000s as state-to-state projects during Chinese leaders' visits to Myanmar.

Despite the common narrative that Chinese actors have an easier time than Western counterparts investing in Myanmar, it is fair to argue that the environment Chinese actors face in the country is perhaps even more challenging. As Myanmar underwent a democratic opening over the past ten-plus years, almost all Chinese investment projects started to experience growing popular protests and resentment from local civil society movements, which emerged in the early phase of democratization.

The Letpadaung copper mine is located in Salingyi Township in the region of Sagaing. Before the project changed hands, it had been a joint venture involving the Canadian mining company Ivanhoe Mines and a state-owned enterprise (SOE) in Myanmar called Mining Enterprise No. 1 since 1996.<sup>17</sup> Due to sanctions pressure, in 2006, Ivanhoe Mines decided to divest the mining project. It was acquired by two parties: a major cash cow of a conglomerate (founded in 1990), and linked to Myanmar's military junta, called the Union of Myanmar Economic Holdings Limited (UMEHL) and a Chinese company called Myanmar Wanbao Mining Copper Limited (hereafter Wanbao), a subsidiary of China North Industries Corporation (NORINCO), a well-connected, military linked Chinese SOE. The acquisition took place after the Chinese partner conducted two separate investigations on the project's production potential.<sup>18</sup> Although the ownership transfer was opaque,<sup>19</sup> it is clear that the mining project underwent an ownership change in 2010, the same year former Chinese premier Wen Jiabao visited Myanmar. Construction on the project started in March 2011, though the project soon stoked controversy.<sup>20</sup>

As scrutiny of foreign investments in general mounted, Myanmar's former president Thein Sein responded to the public outcry with a mixture of tolerance and accommodation. The suspension of the Myitsone Dam in response to demands from civil society in 2011 further emboldened social activism, resulting in the suspension, renegotiation, or even cancellation of several large-scale China-funded infrastructure projects (see table 1 for a rundown of major events related to the Letpadaung copper mine).<sup>21</sup>

TABLE 1.

**Major Milestones in Myanmar's Letpadaung Copper Mine (2010–2021)**

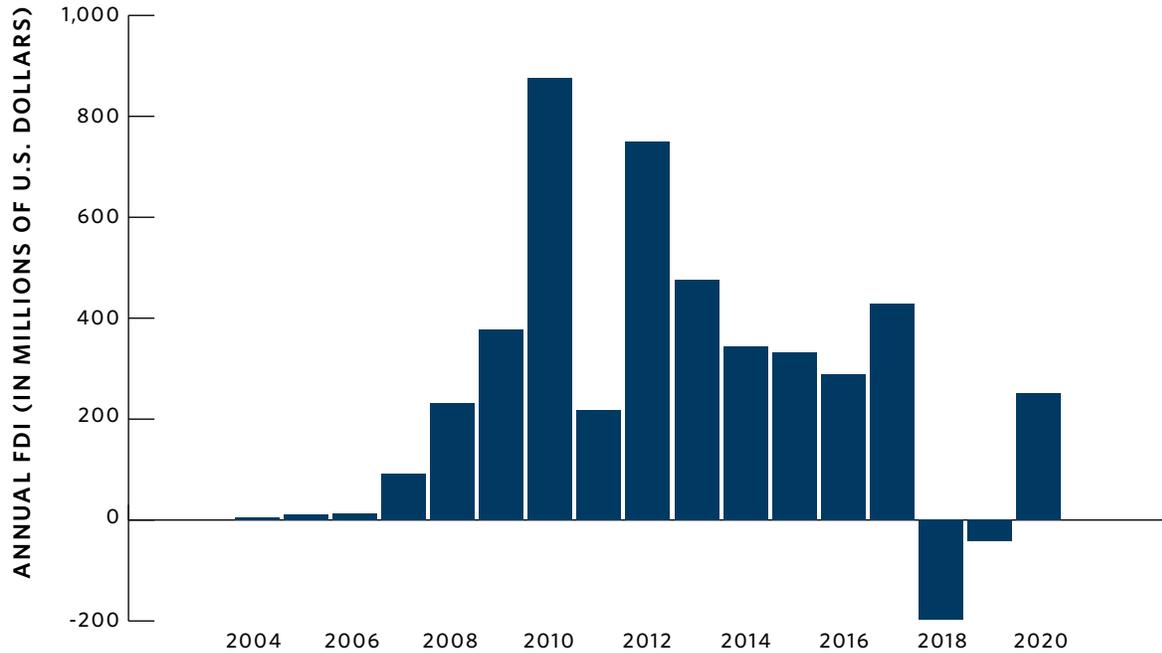
A joint venture between Wanbao Myanmar and the UMEHL was formed in 2010. Construction and land acquisition for the mining project began in 2011.
The first large-scale protests against the project started in March 2012 and ramped up in August 2012; in November, the project was suspended.
The Letpadaung Investigation Commission was established in December 2012.
After an investigation, the committee approved the resumption of the project in March 2013 but changed the contract terms. Construction on the mining project resumed in October 2013.
In the second large-scale protest, a female protester was reportedly shot dead by police in December 2014, and disruptions to the project continued.
The mine project resumed in January 2015. Mining operations began in March 2016 and have continued with fewer disruptions in recent years, though sporadic protests have recurred.
Wanbao and some villagers from Se Te completed negotiations in January 2021 on terms for resettlement and land acquisition (though some still refused to move).
The project was briefly disrupted due to workers' participation in the civil disobedience movement after Myanmar's February 2021 coup, but work resumed soon thereafter.

**SOURCE:** Compiled by the author. See later sections for sourcing and more details.

Recurring pushback against Chinese investments in Myanmar has led some scholars to argue that Chinese investors' close relationship with the country's military government over the past few decades resulted in negative sentiments toward Chinese investment among Myanmar's civil society groups.<sup>22</sup> Due to the changed climate for Chinese investments in Myanmar, since 2010 the scale of Chinese FDI to the country has fallen sharply, though it briefly rebounded in 2012 before falling again (see figure 1).

Initially, many Chinese scholars and analysts attributed these criticisms of Chinese projects among skeptics in Myanmar to defamation by international NGOs supported by the United States and other Western countries.<sup>23</sup> For instance, the Xinhua News Agency reportedly pitched stories to Myanmar media outlets claiming that "local unrest in Myanmar was orchestrated by Western countries."<sup>24</sup> Constrained by the perception that NGOs are untrustworthy, Chinese business actors generally limit their community engagement with such organizations, with some exceptions for NGOs involved in philanthropy.<sup>25</sup> For instance, a then president of a major Chinese energy corporation with operations in Yunnan, a firm involved in hydropower projects in Myanmar, once com-

FIGURE 1.  
**Annual Chinese Foreign Direct Investment in Myanmar**



**SOURCE:** CEIC, “China Premium Database,” CEIC, 2004–2020, accessed July 8, 2021, <https://info.ceicdata.com/en-products-china-premium-database>.

**NOTE:** These annual values are calculated in millions of U.S. dollars based on data from the Chinese Ministry of Commerce.

mented, “the environmentalists are all well fed and clothed; they are not the ones who need to improve their circumstances. There is no need to talk to them.”<sup>26</sup>

Once Myanmar’s erstwhile democratic opening set in, Chinese enterprises that had been able to rely on the country’s military government now had to adjust their business strategies to operate in the new regulatory environment, especially once the National League for Democracy (NLD) civilian government, led by opposition leader Aung San Suu Kyi, took office in 2016. In response to this political shift, Western governments for a time lifted most of their sanctions, which enabled Myanmar to diversify away from its heavy reliance on China by soliciting new sources of investment inflows, exploring markets for Myanmar exports, and developing deeper economic ties with other countries.<sup>27</sup> To ensure the quality of inbound FDI for Myanmar, the NLD government enacted several regulatory reforms and what were touted as “people-centered” policies including stringent and responsible screening of investment projects.<sup>28</sup> For instance, in 2016, the government of Myanmar

introduced the new Myanmar Investment Law, along with a series of economic and institutional reforms designed to make foreign investment more transparent and accountable.<sup>29</sup>

Given the changed climate of Myanmar's political economy, Chinese actors faced added scrutiny that incentivized them to modify their strategies in various ways to protect their investment interests in the country. First, many Chinese firms began diversifying their partnerships with local actors. They stopped relying so heavily on Myanmar's military and affiliated entities, and instead started to contact NLD leaders, members of the ethnic Chinese business community in Myanmar, and even civil society groups and local community actors.<sup>30</sup> Second, Chinese companies began improving their business practices to mitigate risks from running afoul of sociocultural differences and taboos of host countries. Chinese companies involved with a few commercial ventures in Myanmar sought to better observe local norms and practices, such as respecting Myanmarese religious traditions and making contributions to the lives of communities affected by their projects. Third, Chinese firms increased their investments in corporate social responsibility (CSR), to try to meet local demands. Fourth, some Chinese companies somewhat overcame a traditional aversion to dealing with Western media and international NGOs while investing more in public relations, as has happened to some degree with the Letpadaung copper mine.

## The Contentious Letpadaung Copper Mine

Having attracted around \$1 billion in investment capital, the Letpadaung copper mine project has been touted as the “largest copper hydrometallurgy [project] . . . in Asia.”<sup>31</sup> According to a 2017 report by the Social Resources Institute, the joint venture deal's original terms dictated that the UMEHL was supposed to receive 51 percent of the project's net profits, with the rest initially going to Wanbao (though the deal's terms were eventually changed in 2013); meanwhile, the government of Myanmar would get recurring revenues from royalty payments (4 percent), commercial taxes (8 percent), and income taxes (15 percent).<sup>32</sup> As part of the joint venture (before the project was temporarily suspended in December 2012), Wanbao provided the funds and was in charge of the business operations. Meanwhile, the UMEHL helped deal with related issues such as land acquisition, resettlement, and compensation, among others. Wanbao delegated the feasibility report to another Chinese firm. The construction of the copper mine officially began in 2011.

### Early Disputes Arise

The Letpadaung copper mine intensified economic and sociocultural conflicts between civil society and Chinese investors in the surrounding areas over land rights, allegations of pollution, and other disputes.

According to Amnesty International, Wanbao first claimed around 7,867 acres of land, but in the end it returned some of that land and actually kept around 6,785 acres.<sup>33</sup> The project was said to affect approximately 16,700 people from thirty villages.<sup>34</sup> After several years of standoffs involving villagers that refused to relocate or accept the offered compensation, many villagers from Se Te village agreed to the relocation plans in January 2021,<sup>35</sup> although some still refused to accept the offer.<sup>36</sup>

Allegations of forced land confiscation and a lack of transparency in resettlement terms were the key reasons for protests. Numerous reports, including ones by Amnesty International, have indicated a lack of full consultation with impacted residents by Myanmar's military government during this period.<sup>37</sup> Although Wanbao offered land compensation, the one-time cash payments were not sustainable for some villagers who struggled to find other work. Moreover, according to the Amnesty International report, some villagers appear to have been misled by the township government to believe that they were being compensated temporarily for lost crops (not for permanently relinquishing their land ownership rights). But later on, when villagers discovered the final contract terms called for them to relinquish their ownership rights (sometimes without explanation), villagers considered the compensation insufficient. Consequently, villagers demanded more compensation from the investors, a demand Wanbao seemed to perceive as unreasonable.<sup>38</sup> Many villagers have left, but some stayed. For those who have chosen to stay, some have still been able to access their land, but others lost access to their land when it was fenced off, which made them continue to oppose the project.

Other problems arose too. After taking over the project, Wanbao did not conduct environmental and social impact assessments,<sup>39</sup> but instead adopted the assessment report by the project's previous owners. Culturally significant religious sites including pagodas were also disrupted. The removal of Lete Abbot's Monastery angered the area's monks and villagers who viewed the site as an important landmark,<sup>40</sup> a dispute that intensified local grievances against the project. Although Wanbao built a larger pagoda to replace the original one near the mining site,<sup>41</sup> monks still participated in the demonstrations that followed. As monks wield strong social influence in Myanmar, their participation in the protests invited a great deal of support from other locals.

Due to Wanbao's heavy reliance on its local partner (the UMEHL) and the leaders of Salingyi township,<sup>42</sup> Wanbao failed to meet the social demands of local critics. The forceful seizure of the land by

Myanmar's government without appropriate consultation tarnished Wanbao's image in the eyes of many locals.<sup>43</sup> The rise of civil society during Myanmar's democratic opening eventually gave rise to public outcry over the project. Widespread demonstrations against the mining project erupted in March 2012 and ramped up in August. The military government's first response to the mass protests led by monks, farmers, and environmental activists was a heavy-handed crackdown by the security forces. On November 29, 2012, tensions between the protesters and the police sent to contain the demonstration started to escalate. The police broke the barricades in the mining site set up by protesters and launched smoke-bombs that injured some protesters. A report from the Letpadaung Investigation Commission indicates that the smoke-bombs carried prohibited chemicals that violated the 1980 Convention on Certain Conventional Weapons.<sup>44</sup> Naypyidaw's heavy-handed approach to addressing the villagers' grievances escalated the tensions to the national level.

As the disputes worsened, Wanbao sought to talk directly with the villagers, but the firm's local partners in the UMEHL nixed the idea.<sup>45</sup> Instead, the UMEHL warned Wanbao to stay away from the local protesters and villagers due to potential security concerns.<sup>46</sup> Wanbao was persuaded for a period not to get involved further, and at the time, the company was neither ready nor familiar with how to handle the conflicts.<sup>47</sup> The Chinese company chose to keep a low profile and only engaged with a small number of villagers who were willing to resettle after negotiations with the UMEHL, eschewing broader dialogue with the protesters for the time being.

The UMEHL's advice on community relations obviously posed obstacles for Wanbao to conduct community engagement, which might conceivably have prevented social tensions from escalating more. Wanbao miscalculated and underestimated the disputes because the Chinese company took the advice of local partners who, in turn, were overconfident and had a poor understanding of the likely local responses. In short, Wanbao did not expect its Myanmar partner and the government to handle land acquisition and multiple large-scale protests against the project so badly.<sup>48</sup>

The mass mobilization at the national level forced Naypyidaw to temporarily suspend the project in November 2012. On December 1, 2012, the government of Myanmar established, based on an order from the President's Office, a thirty-member parliamentary commission.<sup>49</sup> It was led by the head of the NDL, Aung San Suu Kyi, who had won a parliamentary seat in April 2012 and had already become a leading opposition figure, though her party did not win a majority until the 2015 election.<sup>50</sup> While the commission's investigation was underway in December 2012, the Chinese actors were preparing to renegotiate on the project. For example, NORINCO President Zhang Quoqing led a delegation in December 2012 to hold talks on resuming the project.<sup>51</sup>

### Limited Adjustments to Project Concerns

In March 2013, the aforementioned commission under Suu Kyi published a report calling for the project to resume under new terms. The revised contract suggested changes in shareholding arrangements, appropriate compensation for displaced locals, and an ESIA.<sup>52</sup> In response to this report, the project's ownership shares were changed: the Myanmar government's share went from 4 percent to a 51 percent controlling stake, while Wanbao's share was reduced from 49 to 30 percent and the UMEHL's share from 51 to 19 percent.<sup>53</sup> The revised contract also stipulated that 2 percent of the project's net profits must be invested in corporate social responsibility initiatives and local community development.<sup>54</sup> The findings and suggestions actually cleared the way for Wanbao to resume the project, so the firm publicly welcomed the investigation outcome.<sup>55</sup>

However, realizing that even the backing of political leaders like Suu Kyi was not sufficient, Wanbao moved further to seek a "social license" or buy-in from the local community for the project.<sup>56</sup> Wanbao not only accepted the revised contract but also broke with its past practice of relying on its traditional local business partner, the UMEHL, and the local township government. After the investigation of the commission, Wanbao reformed its social and environmental strategies in light of the investigation's suggestions. Also, reacting to the challenging environment for Chinese investments in Myanmar during the country's democratic opening, Wanbao shifted to local community engagement by crafting a new series of approaches.

First, Wanbao started to institutionalize its local community engagement by establishing an Investigation Executive Committee (as required by Myanmar's government and the investigation commission) and a public relations team in late 2012. According to Wanbao's parent company NORINCO,<sup>57</sup> it was Wanbao that promoted the establishment of the Investigation Executive Committee composed of Myanmar government officials and local business partners to maintain regular communication with the Myanmar government. NORINCO's corporate disclosure also revealed that Wanbao conducted dialogues with influential entities such as the NDL and the 88 Generation Students (a student-led pro-democracy movement in Myanmar founded in 1988), and other NGOs.<sup>58</sup>

Wanbao later expanded the public relations team into a community social development (CSD) team, and an internal committee was set up to oversee the project.<sup>59</sup> According to the Chinese company, the committee comprises not just Wanbao employees but also representatives of other stakeholder groups such as the local government, villagers, and NGOs.<sup>60</sup> Wanbao appointed Chinese representatives from the CSD team to go to the villages to gather feedback from villagers and handle their grievances. The company felt that having Chinese representatives do the door-to-door visit might help foster positive feelings about the company and dispel perceptions that the firm's representatives were hard to reach or out of touch.<sup>61</sup> Furthermore, the company felt that dispatching Chinese representatives for the visit might better convey the company's visions and plans for the project and

reduce unnecessary misunderstandings or miscommunications.

To complement this outreach, in 2014, Wanbao contracted Knight Piésold, an international consultancy company specializing in energy and resource extraction projects to perform the ESIA report.<sup>62</sup> To show its commitment, Wanbao offered affected villagers compensation amounting to twenty times higher than the standard set by the government of Myanmar. As of July 2018, the total expenditures for land compensation have exceeded 12.1 billion kyats (about \$6.8 million).<sup>63</sup>

Second, Wanbao has sought to repair its reputational damage through various CSR efforts as demanded by the investigation commission and the local community. According to the parent company NORINCO,<sup>64</sup> Wanbao reorganized the public relations team into the CSR department in 2014 and promised to provide \$1 million for the CSD fund to contribute to local community development on a yearly basis. As required by the commission's investigative report, Wanbao will also use 2 percent of the project's annual profits as a fund to support a wide range of community development projects on governance training, education, healthcare, construction, electricity, water, environmental protections, irrigation, religious donations, and more.<sup>65</sup>

Taking cues from the local community that some villagers are not suitable for employment in the mining industry, Wanbao proposed an unemployment safety net program for villagers whose land had been acquired to promote self-employment and provide certain income guarantees for the villagers. According to NORINCO, as of January 2021, nearly 1,000 villagers (more than 88 percent of those that lost land in the thirty-plus villages) have accepted these terms, and a total of around 5.2 billion kyats (nearly \$3.0 million) in unemployment subsidies has been paid out.<sup>66</sup> Regarding the issue of localized employment at the mine, Wanbao claimed that the majority (more than nine out of ten) of the employees are from Myanmar and that more than 2,500 workers were locals.<sup>67</sup> Wanbao also created a series of localized supply chains to encourage ties with small and medium enterprise suppliers. In addition to providing jobs and vocational training opportunities, Wanbao opened chicken farms in 2018 based on suggestions by the CSR team and launched a fertilizer project to help local villagers diversify their sources of income with shared dividends<sup>68</sup> from the chicken farms' profits.

Third, in recognition of the importance of Buddhism in Myanmar, Wanbao has not only worked proactively with local institutions, including the Ministry of Religious Affairs and Culture,<sup>69</sup> but more importantly, the firm also reached out to nearby religious figures who have credibility with the local community. To understand local culture and norms, Chinese staff received social and cultural training.<sup>70</sup> After this training, Chinese workers at Wanbao also started to participate in some religious and spiritual practices with the area's locals. After some active engagement, a group of prominent Buddhist monks agreed to a proposal to move Lete Abbot's Monastery in an effort to defuse one

significant objection to the mining project.<sup>71</sup>

Last, to further increase transparency in response to local demands, Wanbao invited an outside risk advisory consultancy firm based in Shanghai, known as China-I, to organize community consultation meetings. Taking the advice of China-I, Wanbao launched something called the Contribution Plan<sup>72</sup> to offer stable payments to affected villagers, as another way to build stronger ties between the Chinese company and the local community. (It is somewhat unclear how this plan relates to the aforementioned unemployment subsidy initiative, though there are some indications they are different.) Wanbao even produced a documentary titled *A New Dawn* in April 2016 on the Contribution Plan.<sup>73</sup>

Understanding that Myanmar was undergoing a political and economic opening that reinforced engagement with local civic groups as a norm for foreign investors to observe,<sup>74</sup> Wanbao released information on its ESIA findings and even created a Facebook page, though the social media platform is banned in China, to increase its engagement with local concerned residents. Starting in 2014, Wanbao began to publish its CSR reports in English and Burmese and disclose information on the project through its official website as well as on WeChat, Facebook, and YouTube, among other platforms.<sup>75</sup>

Whereas Chinese companies operating overseas conventionally are seen as quiet and low profile in their foreign media engagement, Wanbao proactively courted influential local media such as the *Irrawaddy* and *Mizzima News* and even international media outlets like the *Economist*.<sup>76</sup> Moreover, Wanbao shifted from being silent on the complaints and accusations it faced to directly responding to the feedback posted by organizations such as the Business and Human Rights Resource Centre, an international NGO based in the United Kingdom and United States for advancing human rights in the business world.

These various efforts indicate that Wanbao somewhat adjusted its approach with selective adaptation in accordance with changing local conditions, balancing the needs of local partners and the demands of residents near the mining site. After more than a year of local community engagement, Wanbao resumed the construction of the project expansion in 2014, which led to protests again in December 2014. In January 2015, progress on the project resumed after being disrupted by the protests. The Letpadaung copper mine began operations in March 2016.<sup>77</sup> These proactive local community engagement strategies did seem to make some difference. By 2017, the protests around Wanbao's copper mine reportedly were less sizable and frequent than they had been a few years earlier in 2012 to 2014, according to the Social Resources Institute report.<sup>78</sup> However, sporadic protests over land confiscation, resettlement, and compensation terms were still seen between 2016 and 2020, although mining operations continued. In January 2021, before the coup, Wanbao completed resettlement

negotiations with some villagers from Se Te (although some farmers still did not accept the terms of the compensation offer).<sup>79</sup> In February 2021 after the coup, the project was disrupted again temporarily as some of the project workers reportedly participated in the civil disobedience movement in the wake of the coup (though the project eventually resumed).<sup>80</sup>

## Lessons in Community Engagement From the Letpadaung Copper Mine

Without a doubt, Wanbao's local engagement and outreach alone was insufficient to restart the mining project. The governments and political leaders of China and Myanmar also pushed for this outcome. Beijing has long publicly supported the project through high-level governmental dialogue with Myanmar's then military government and later the civilian government. In particular, Suu Kyi's support for the project has played a significant role in deciding its fate,<sup>81</sup> despite the disappointment of demonstrators, some of whom have continued holding small-scale protests.

But the Letpadaung copper mine has shown an evolution in the role of local societal actors in Myanmar. Because of the country's democratic opening, these actors started to exert influence on decision-making in Myanmar's domestic political economy, so the Chinese company that had previously worked closely with strong local institutions has had to adjust course to respond to local actors' demands with selective adaptation. In the case of Letpadaung, local societal actors such as Buddhist monks, villagers, activists, and protesters pushed Wanbao to adjust their strategies to adapt to local expectations and demands.

First, Wanbao became increasingly responsive to local demands for community engagement as the firm reduced its reliance on the UMEHL and began diversifying its partners by taking cues from local societal actors and sometimes even international nonstate actors. Likewise, the Chinese consortium led by the Chinese-owned conglomerate CITIC (formerly known as the China International Trust Investment Corporation) that invested in the Kyaukpyu deep-sea port and special economic zones has reached out to local NGOs in Myanmar, including the Myanmar Centre for Responsible Business, as prospective partners to help assist with community engagement.<sup>82</sup> Similarly, the Chinese energy giant known as the China National Petroleum Corporation (CNPC), a major investor in Myanmar-China oil and gas pipelines, has not only spent over \$27 million on corporate social responsibility<sup>83</sup> programs in Myanmar but also has conducted regular cultural and social awareness training for its Chinese staff in the country.<sup>84</sup> Pressured by recurring protests against China's investments, the CNPC was reported to engage with the Business and Human Rights Resource Centre.<sup>85</sup>

Second, Chinese business actors operating in Myanmar have changed course due to a combination of

political change and attendant shifts in the country's regulatory environment, including more stringent local regulations and norms.<sup>86</sup> The Letpadaung copper mine is not the only such case. For instance, upon the request of the NLD government, the Chinese SOE China Nonferrous Metal Mining, which has been developing the Tagaung Taung nickel mine joined the multilateral standard-setting EITI.<sup>87</sup>

Third, Chinese actors have proven quite adaptive and even accommodating in terms of restructuring shareholder arrangements to give local counterparties a greater share of and a larger say on a given project, in part as a response to local societal demands. Wanbao's willingness to cut down its share in the Letpadaung copper mine is one example. Similarly, in 2018, the Chinese government and the CITIC Group agreed to reduce the scale of the Kyaukpyu deep-sea port and special economic zone project and to increase the shareholding stakes in the venture controlled by the Myanmar party.<sup>88</sup>

One more important lesson of Chinese experiences at the Letpadaung copper mine is that Chinese companies in Myanmar have shown a greater appreciation for the importance of religious and spiritual traditions in the communities where they have daily business operations. This is a very direct adaptation to Myanmar local demands because engaging with religious figures and communities is not a traditional practice for Chinese firms. This is because Chinese business actors, especially managers of state-owned enterprises, generally are Chinese Communist Party members and therefore must be atheists and are forbidden from participating in religious activities, according to mandates on party discipline.<sup>89</sup> Nowadays, while Chinese companies engage with a more diversified set of local and overseas actors—including international NGOs, local NGOs, and government officials—to help Chinese actors adjust somewhat to local norms, Chinese companies display greater respect for the role of religion and spirituality in Myanmar, through gestures such as inviting prominent Buddhist monks to company events.<sup>90</sup>

Yet Chinese companies realize their corporate local engagement alone is insufficient for building bridges with the people of Myanmar. Chinese business actors also receive assistance from Chinese NGOs for communicating effectively with local residents near project sites in host countries. Because of prevailing mistrust toward Chinese investments in countries like Myanmar, Chinese nonstate actors work together with Chinese companies to improve community relations by investing in cross-cultural capacity building to understand local cultural norms, religious traditions, and business practices. In particular, Chinese NGOs in Myanmar provide intermediary services such as advice, training, community development support, and advocacy. For instance, the Social Resources Institute, a nonprofit Chinese research institution, conducted significant in-depth field research on the disputes surrounding the Letpadaung copper mine, and its July 2017 report on Chinese FDI in Myanmar<sup>91</sup> has helped stakeholders and observers of the copper mine better understand the pitfalls

and challenges Chinese actors face in overseas development projects. Taken together, these Myanmarese and Chinese NGOs now constitute a network that assists Chinese business actors and Chinese government players in their community engagement strategies in the country.

### Ongoing Disputes and the Limits of Selective Adaptation

Even so, Wanbao's public relations push has not been a panacea. Chinese adaptation to local contexts has not meant the end of conflict or tensions over these projects. Disputes and protests over the Letpadaung copper mine are still ongoing. In December 2014, during the conflict between the police and protesters, one villager was shot to death, and several others were injured, violence that triggered sizable protests in multiple cities in Myanmar.<sup>92</sup> Protests were ongoing after the 2014 incident. In its 2017 report, Amnesty International found that "human rights abuses continue at Myanmar's Letpadaung mine" including land confiscations, environmental damage, and arrests of individuals who oppose the mine and have called for the project to be suspended.<sup>93</sup>

Although Wanbao has proactively engaged with the local community near the copper mine to try to reduce the tensions and disputes, these local community engagement activities are far from sufficient to meet local societal demands. Studies have shown that ongoing conflicts have resulted from issues like an insufficiently representative CSD team, a top-down communication style, and CSR efforts that are inadequately calibrated to meet villagers' stated needs and demands.<sup>94</sup> Interestingly, Wanbao seems to have stopped updating its CSR reports on the Letpadaung copper mine in 2018.<sup>95</sup> The retreat in Wanbao's activity is possibly due to different interpretations of CSR standards that have led to differing expectations between company representatives and protesters. But from Wanbao's perspective, the support that the project received from major opposition party leaders in Myanmar like Suu Kyi (before 2016) and the civilian government was a strong indication of local acceptance of the project.<sup>96</sup> This perception was further strengthened by the decreasing scale and intensity of protests in subsequent years compared to 2012 and 2014.<sup>97</sup>

The Letpadaung copper mine case does seem to show that the nature and constructiveness of interactions between local governing institutions, local societal actors, and Chinese firms operating in Myanmar tend to vary over time. But a key variable in Chinese behavioral changes is just how powerful the various local societal actors are in local politics: when they are strong and when governing institutions in host countries are supportive of their demands, Chinese business actors often are more adaptive to local demands and do more, including with local partners, to win support from local civil society. The concessions that Wanbao made after the initial 2012 protests after the report by the Suu Kyi-led Investigation Committee demonstrate this.

The Letpadaung case also indicates that Chinese business actors like Wanbao went from working

mostly through *local* governing institutions and local partners tied to Myanmar's military junta to a wider cast of societal characters in the early days of Myanmar's democratic opening. First, during the democratic opening when Myanmarese societal actors started to unite and grow, their voices were being heard and supported by local governing institutions, especially the investigation commission. Therefore, Wanbao started to accommodate certain local societal demands and local norms.<sup>98</sup> Second, after Suu Kyi and the NLD began gaining influence amid the democratic opening, Chinese actors were forced by both local institutions and local societal demands to retool their investment projects and engage with the community.<sup>99</sup> In some circumstances, Wanbao has even engaged with international actors to fine-tune its approach to community engagement. For example, the firm not only engaged with local communities but also conditionally reached out to international consultancy firms for an independent ESIA to help with its community engagement strategy.

Ultimately, Wanbao did make some significant concessions to local demands on the Letpadaung mine project when societal pressure mounted, but these shifts likely only partially defused tensions with local residents of the areas around the mining site. Although many villagers in Se Te agreed to Wanbao's compensation and relocation plans in January 2021, some farmers still refused the compensation,<sup>100</sup> which indicates at least some signs that core complaints have not been fully addressed.

## Chinese Investment After Myanmar's 2021 Coup

It remains unclear how precisely Chinese firms will respond to the military's reassertion of political control in Myanmar in February 2021. While they have made some efforts to shore up their community engagement practices, none of these modifications imply that Chinese companies plan to standardize their practices with international ones. For instance, Chinese business actors may find it difficult to adopt the principle of free, prior, and informed consent for land acquisitions as enshrined in documents from international bodies such as the International Finance Cooperation, the United Nations, and the International Labour Organization.<sup>101</sup> Although not against the idea of local engagement, Chinese actors tend to observe certain boundaries while dealing with local communities.<sup>102</sup>

Since the military coup, popular resentment in Myanmar against the seizure of power has led to anxiety in China over what political instability might mean for Chinese business interests in the country.<sup>103</sup> With political instability, the ongoing protests, and the conflicts between ethnic armed groups and the military, the coup could harm Chinese economic ventures in the country and Beijing's strategic interests in maintaining security along China's borders. Given Myanmar's strategic importance to China, the former's political stability has become the top priority in Beijing's relationship with the military government. Revealingly, Beijing described the coup as a "cabinet reshuffle."<sup>104</sup>

However, Beijing's ostensible commitment to noninterference in the wake of the coup has angered

protesters in Myanmar and restoked long-standing anti-Chinese sentiments. Protesters congregated before the Chinese embassy in February and April 2021 to decry Beijing's failure to exert pressure on the junta following the coup.<sup>105</sup> Meanwhile, factories linked to Chinese investors in Hlaing Thayar, a township of Yangon, were set on fire in mid-March 2021.<sup>106</sup> Online threats to blow up the China-Myanmar pipelines<sup>107</sup> and calls from pro-democracy protesters to boycott Chinese products have unnerved the Chinese government and business actors.

Myanmar's military junta has responded with assurances to Chinese and other foreign investors. For instance, following February 2021, the military government approved the Mee Lin Gyaing natural gas power plant project by the Yunnan Provincial Energy Investment Group.<sup>108</sup> It is no secret that China's FDI and trade flows are critical for Myanmar's military amid its post-coup isolation. But Myanmar's military-backed government officials have not always been reliable partners for Beijing. Indeed, in many cases it has been the military government that turned its back on China's interests, particularly in 2011 when the military government at that time suspended a few large-scale state-to-state deals such as the Myitsone Dam in ways that proved costly to Chinese companies and financiers. Instead, it was the Suu Kyi-led NLD government that supported China's BRI,<sup>109</sup> endorsed the China-Myanmar Economic Corridor, and reopened the door (just two weeks before the coup)<sup>110</sup> to potentially resurrecting a railroad project that had been scrapped by the military government back in 2014.

China's deep embeddedness and interests in Myanmar's political economy over the past decade has forced Chinese business players to somewhat adapt to Myanmar's demands. But now these Chinese companies may view the environment and their incentives differently in the wake of the coup. With the military regime back in power, Chinese actors may not have as much incentive to continue with such local community engagement. This is because the military government obviously does not adopt a people-centered governance approach and instead adopts repressive measures to harass and coerce civil society. There have been consequences for Wanbao. Operations at the Latpadaung mine were disrupted again due to the workers' participation in demonstrations against the military coup in February 2021 (though the project eventually resumed).<sup>111</sup> Worse for the Chinese company, the U.S. Department of Commerce announced in July 2021 that it would sanction Wanbao and its entities for supporting Myanmar's military regime.<sup>112</sup>

To some degree it is clear that "Chinese actors have gained some experience and are making progress" at the local level by somewhat adapting their practices not just at the Latpadaung copper mine but also in other development cooperation projects in Myanmar.<sup>113</sup> The mine offers striking examples of Wanbao selectively bowing to local social pressure and institutions and adjusting its behavior accordingly. But there are also signs that key grievances are ongoing and have not been fully addressed yet, and the future of Chinese economic engagement remains unclear, with limited but important gains in community outreach hanging in the balance.

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