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Public perception of Chinese investment in Myanmar and its political consequences: A survey experimental approach

In brief

- This study seeks to understand the determinants of public perceptions of Chinese investment projects in Myanmar.
- We asked respondents to read invented news stories describing scenarios with varying types of investment and compared the reactions of different groups. We also conducted a Facebook-based survey to understand how university students in Myanmar view Chinese investment and overarching perceptions of Myanmar's major foreign investors.
- We find public perceptions of Chinese projects are contingent on the firm's local partner and social engagement strategy. Overall, there is an implicit bias against Chinese investments, which is likely based on experience of previous Chinese investments in Myanmar.
- The findings suggest Chinese companies can improve their image by engaging more actively with local communities and selecting local partners more carefully.
- Though results suggest an overall positive attitude toward foreign direct investment (FDI), foreign investors need to be wary of the public's pervasive and consistently negative view of investments in natural resources.

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Background

In recent years, China has become one of the largest sources of FDI inflows for developing countries. In Southeast Asia, Chinese investment in Myanmar, Laos, and Cambodia has seen incremental growth with implications for wider regional economic and political cooperation. China's outbound direct investment in Myanmar was insignificant until 2008. However, from 2008-2011, Chinese investment increased dramatically due to the finalisation of three major investments – the Myitsone Hydropower, the Letpataung Copper Mine, and the Sino-Myanmar Oil and Gas Pipeline. Though Myanmar has started to diversify its sources of foreign investment since the warming of its relations with western countries in 2011, China remains the largest source of FDI in stock, amounting to around 20% of total FDI according to the Directorate of Investment and Company Administration (DICA). China is likely to continue investing in Myanmar under its Belt and Road Initiative (BRI), which the Myanmar Government has agreed to participate in.

Following the recent Rakhine Crisis in western Myanmar, it seems that Myanmar is once again leaning towards China as Western governments and non-governmental entities increasingly place heavy criticism on the Myanmar government for its human rights record. This shift could have further economic implications. In February 2018, the Myanmar Government signed a Memorandum of Understanding (MoU) with China to collaborate on the China-Myanmar Economic Corridor and Myanmar's Cabinet approved the MoU in early May, a move signaling that Chinese investors will continue to play an important role in Myanmar in the near future.

Motivation

While under sole military rule prior to 2011, the presence and activities of multinational corporations (MNCs) in Myanmar were infrequently mentioned by the media and largely obscured from public attention. However, since 2011, FDI has become one of the most salient and hotly debated issues in the context of Myanmar's rapidly changing political economy. Among all FDI inflows, those from Chinese MNCs have proven by far the most controversial and have faced the most opposition within Myanmar. A prominent example is the Myitsone Hydropower Project in Kachin State, amounting a total investment of $3.6 billion from a Chinese state-owned enterprise (SOE), which was suspended in October 2011 by then-President Thein Sein due to nationwide opposition. As of now, the fate of the project is still unclear. When the National League for Democracy (NLD) government took office in 2016, the new government indicated that it would adopt a "people-centered" economic policy. It was expected that this meant foreign investors would face stricter scrutiny from local communities and civil society, whose voice has been given more weight since 2011. Under such circumstances, public opinion can have a significant impact on the success of an FDI project.

Nevertheless, attracting FDI remains a crucial strategy and urgent agenda for the NLD government to move the country towards a path of sustainable development and poverty alleviation. Thus, a more granular understanding of citizen preferences for FDI in Myanmar would provide critical insights into political behaviour and valuable lessons for policymaking in Myanmar.

A key obstacle to a more evidence-based and rational debate on host countries' attitudes towards Chinese investment is systematic data collection. According to existing evidence and case studies, researchers generally assume Chinese FDI as monolithic and seldom examine public attitudes towards different types of Chinese FDI in more depth. In the absence of such information, it is not only more difficult for policymakers to assess what backlash a certain FDI project might encounter, but also for investors to understand their investment environment and mitigate risks. To arrive at a more nuanced understanding of public perceptions of Chinese FDI, several questions come to the fore: how do local communities in Myanmar view investment projects from different types of Chinese firms (state-owned[1] and private) with different local partners (military-affiliated or non-military affiliated companies), as well as different engagement strategies with local stakeholders? How does Chinese investment shape public attitudes towards broader political and diplomatic ties between China and Myanmar?

Research design

To answer these questions, we collected and analysed data from a survey experiment covering 956 respondents from all regions and states in Myanmar, except Kayah State.[2] We created eight different scenarios describing investment projects with different key features. For example, in Group 1, a Chinese SOE is presented as investing in a natural resource-related project, partnering with a military-affiliated local company. The SOE has informed the local government but have not consulted the communities yet. By comparison, in Group 3, we kept the same scenario but replaced the Chinese SOE with a Japanese company. We then separately presented the eight pieces of news to eight randomly assigned groups of respondents, and asked them to share their reactions through our questionnaire.

In the second survey, which we conducted online via Facebook, we used a similar questionnaire to explore how university students view Chinese investment. Instead of having eight groups, we randomly assigned the respondents two pieces of news describing foreign investment projects in Myanmar. However, the articles do not identify the firms' country of origin. News A describes how a project is implemented by a foreign company X, partnering with a military-affiliated company with no direct engagement with the affected communities (simplified as "irresponsible investment"

1. Here state-owned firms refer to central SOEs run by the Chinese central government.
2. None of the participants came from Kayah state according to our snow balling strategy.

hereinafter). News B describes a similar project by foreign company X which partners with a local non-military affiliated company and consults the local communities directly (simplified as "responsible investment" hereinafter). We then asked the respondents to guess the investor's country of origin from a list of the top five investment sources in Myanmar, listed alphabetically.

Despite the challenges faced in carrying out representative surveys in Myanmar, we believe our results are generally indicative, yet we caution against generalised conclusions. Constrained by existing resources, we used a snowballing approach to find respondents and while both samples are not nationally representative, we did cover most regions and states.

Findings

Our empirical analysis reveals that public perceptions of Chinese projects are contingent on the firm's local partner and social engagement strategy. In the experiment, respondents act more favourably to investment projects from Japanese firms than Chinese firms when both partner with military-affiliated local companies and engage with local communities indirectly. However, respondents show similar support rates for projects conducted by firms from the two countries when they partner with local private companies and engage with local communities directly.

- We also note that change in one variable (either the type of local partner or social engagement strategy) alone does not affect support rates for the projects. This result suggests that the interaction effect between local partner and social engagement strategy is the main explanatory variable of changing public perceptions of investment projects.

- There is an explicit bias against Chinese investments, which is likely based on experience of Chinese investments, or implicit bias against China. Japanese firms are regarded (or perceived) much more positively than their Chinese counterparts, even when firms from both countries similarly collaborate with military-affiliated local companies and do not directly engage with local communities in their operations. In contrast, the difference between Chinese SOEs and private enterprise is not significant. The existence of this bias against Chinese investments is corroborated when we ask the respondents to guess the country of origin of foreign company X in the Facebook survey. 51% respondents guess the "irresponsible investment" (in News A) is from China, whereas only 38% guess the "responsible investment" (in News B) is from China. In contrast, Singapore, Thailand, and Japan all enjoy a higher percentage of being seen as responsible investors.

- We also examine the effect of local partner types and community engagement strategies on broader issues of regional economic cooperation such as the BRI. Similarly, our survey results suggest that public support for BRI is contingent on Chinese firms' local partner and social engagement strategies. For instance, Chinese SOEs that are working with non-military affiliated companies and engaging with communities directly would result in improved public support for infrastructure development as part of BRI. This finding has broader implications for economic cooperation schemes under the BRI.

- We have similar findings among approximately 2,000 university students from 25 high ranking universities across the country: foreign firms collaborating with non-military affiliated companies and engaging with local communities directly are significantly more favored by the respondents.

We also gathered data on how the public expressed negative views about FDI projects. In general, respondents were more likely to choose non-violent means to express their voices, as less than 10% opted for violent means against unpopular projects.

Policy implications and recommendations

In this brief, we attempt to understand how Myanmar people view different types of investment projects when local partners and social engagement approaches vary. Our results have shown that we need to disaggregate FDI to better understand FDI projects and that the Myanmar public perceive them differently.

The results suggest that public perceptions of FDI inflows are correlated with the perceived image of the investors' country of origin (e.g., Japan vs China). Therefore, Chinese investors should be wary of existing negative attitudes but can improve their image by carefully selecting their local partners and engaging directly and actively with the affected communities. Furthermore, this research offers a warning for the BRI and the China-Myanmar Economic Corridor about the potential local resistance they may face if their investment strategies do not consider the local context carefully.

A caveat not only for Chinese companies, but also for other foreign investors, is that it is crucial to apply a more carefully considered approach – more due diligence for example – when it comes to investing in a natural resources sector that might have a strategic component and may trigger opposition. This is especially the case for Myanmar's designated ethnic states such as Kachin State and Rakhine State, which are abundant in natural resources but are affected by long-running conflicts with the central state.

Finally, we call for future research to explore specific mechanisms through which engaging with communities and partnering with responsible firms can improve public support for FDI projects.