

Rare Earths Mining Freeze; Chinese Market Squeeze



Vehicles transporting rare earth elements mined in Kachin State to China (Photo: MRHZ)

This discussion focuses on developments in China-Myanmar relations in the month of August 2023, based on ISP's Timeline on China-Myanmar relations. **Tensions are running high between Chinese company Wanbao Mining and the local population** in the area of the Letpadaung copper mine. Separately all rare earths mining in Kachin State has come to a halt after the State Administration Council (SAC) directly intervened in the sector. This temporary suspension of mining will **negatively impact the Chinese market**. Meanwhile, Chinese authorities have initiated a bilateral crack-down on the cyber-slavery which is prevalent in online organized crime gangs operating in those border areas of Myanmar with strong ethnic armed group presence. China is also gaining momentum for four-way cross-border operations in cooperation with Myanmar, Laos, and Thailand to combat this online organized crime. Meanwhile the SAC continues to promote Yunnan-Myanmar economic cooperation and participates in the dissemination of Myanmar news through Chinese media outlets to the world.

Summary of sixty-five issues around the bilateral relationship

An analysis of ISP-Myanmar's timelines on China-Myanmar relations in **August 2023** reveals a total of sixty-five significant issues documented (See table below), with the dominant subjects being **political economy, diplomacy, geopolitics, transnational crime**, as well as **social and human rights**. In this ISP Explainer No. 7, ISP-Myanmar will provide a concise overview of these **five pivotal issues**.

■ Dominant issues in China-Myanmar relations (August 2023)

No	Issue	Number of issue
1	Geopolitics	15
2	Political Economy	16
3	Diplomacy	7
4	Defense and Security	3
5	Conflict and Peace	1
6	Soft Power	6
7	Administration, Policy, and Standardization	1
8	Social and Human Rights	8
9	Transnational Crime	8
Total		65

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1. SAC Intervenes in to Halt Rare Earths Mining

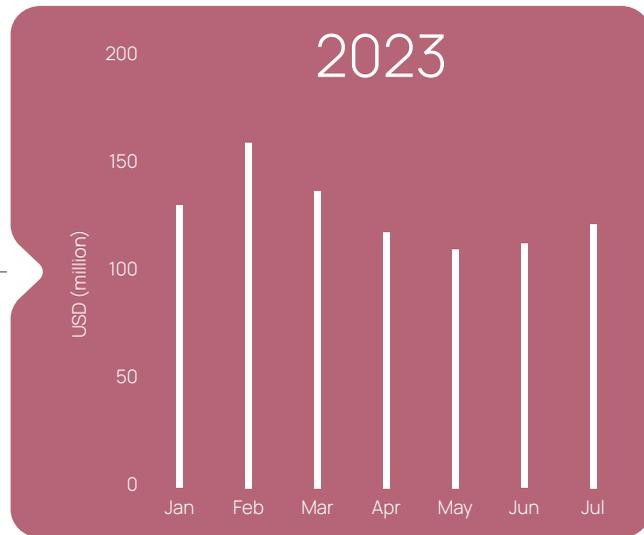
The temporary suspension of rare earths mining in the Panwa area of Kachin State has caused a backlash in the China market. Mining has been halted since the last week of August 2023, as the SAC initiated an investigation into the mining sites. It is reported that an **environmental impact assessment** will be conducted on September 6-7. The suspension of mining has forced Myanmar laborers to return to their homes. As a consequence, the price of rare earths has surged in the Chinese market, breaking two-year price records. The price of Dysprosium, a rare earth element of which Myanmar is the main supplier to China, rose to a high of USD 360 per kilogram from USD 320 within a single month. The value of another type of rare earth element, Terbium, reached a price of USD 1,200 per kilogram, USD 200 increased within a month. Many refineries in South China rely on raw materials produced in Myanmar. ISP-Myanmar calculates that according to China's General Administration of Customs (GACC), China has imported **at least USD 1 billion worth of rare earths from January to July 2023, including almost USD 900 million worth of rare earths from Myanmar**. Under President Xi's high-quality development approach, China in late August also halted its own domestic production of rare earths in Jiangxi and Gansu provinces pending an investigation by authorities.

Meanwhile, Chinese authorities from Nujiang Lisu Autonomous Prefecture of Yunnan, China visited Myitkyina, the capital of Kachin State for two days on August 24-25 for an unspecified purpose. A closed-door meeting was held with the Kachin State government of the SAC. Details of the meeting were not disclosed but likely centred on border trade, migrant labor issues, and investment. Interestingly, Nujiang prefecture borders the main rare earths mining sites of Kachin State, i.e. Chipwi Township, Panwa Town of Kachin Special Region No. 1, and Khaunglanphu Township. The Chief Minister, Commerce Minister, and Natural Resource Minister of the Kachin Administrative Council were present at the meeting and presumably rare earths mining was also on the agenda of the meeting with Chinese officials. On the other hand, the SAC has stated that rare ▶

- Value of Myanmar's rare earths exports to China in the first seven months of 2023
(From January to July 2023)

USD
890+
million

worth of rare earths, approximately 40,000 tons by volume, were exported by Myanmar to China in 2023.



Source: ISP-Myanmar collected data on rare earths exports to China based on data issued by the General Administration of Customs of the People's Republic of China (GACC).

- ▶ earths mining is not officially permitted, and that any activity is prohibited from continuing. With the SAC not fully in control of the nearly USD billion worth of rare earths exports, asserting central government control over the sector may be the driving motivation.

2. Protests against copper mining and attacks on China's projects

There has been a resumption of tensions between the local population, the local People Defense Force (LDF), and Wanbao's two Myanmar subsidiaries Myanmar Wanbao Mining Copper Ltd and Myanmar Yang Tse Copper Ltd which operate the Letpadaung copper mine in Sagaing Region. A primary reason for this is that **Wanbao has participated in confiscations of land adjacent to the copper mining project with the security aid of** ▶

► **SAC armed forces.** The SAC security forces are now based in the company's compound which is used as a base of operations for shelling neighboring villages and sending out military columns to nearby areas. In response, local villagers have organized more frequent protests and local PDF forces have threatened to attack Chinese invested projects. In August and September 2023, local villagers from Yinmabin and Salingyi Townships organized at least six protests against the two Wanbao subsidiary companies. In addition, **17 local protest groups sent out a group letter warning Chinese mining companies to halt all cooperation with the junta on August 7.** The local administration unit from Salingyi under the command of the National Unity Government (NUG) also sent a warning letter to the Wanbao company on August 10, demanding a cessation of cooperation with the SAC or to else face action. So far, Wanbao has not responded to these threats. The NUG also gave a directive to the PDF forces to not attack Chinese foreign investments, including large projects. It remains uncertain just how Salingyi local administrators could act against Wanbao.

Myanmar Wanbao Mining Copper Ltd did though make a statement that the Letpadaung project had been temporarily suspended since the military coup in 2021. However, the company is now transporting out already mined materials from earlier periods of operation with the help of SAC's security forces. In a separate incident on August 20, the Asho Chin Defense Force (CDF-Asho) attacked a security post guarding a China-Myanmar gas pipeline control unit in Ngape Township of Magway Region. In total, at least four military attacks against China's gas pipeline and copper mine project have occurred since China's then Foreign Minister Qin Gang's visit to Naypyitaw.

3. Cyber-slavery crackdowns amid increased combatting of transnational crime

China's government is specifically targeting online scam gangs which have been spreading cyber-slavery in the region. **Chinese authorities** ►

► **are cooperating with local authorities in Wa, Kokang, and Mongla regions of Shan State in cracking down on organized crime gangs** as most gangs based in Myanmar operate from these areas. United Wa State Party (UWSP) issued an order to fully participate in establishing the rule of law, assisting neighboring countries' officials, and warning to avoid involvement with these criminal gangs, and as a follow-up Wa region's authorities **arrested at least 1,500 Chinese nationals suspected of criminal activity and deported them to China**. Similarly, the Kokant region administrative council issued **an order to arrest suspected Chinese nationals and to protect the Belt and Road Initiative (BRI)**. The National Democratic Alliance Army (NDAA)- Mongla also officially stated that it will cooperate with officials from Myanmar, China, Laos and Thailand in combating online fraud.

The Chinese government is heavily focused on combating cyber-slavery which has grown from a regional security challenge to a global threat. China has established a four-way multilateral collaboration framework with the governments of Myanmar, Laos, and Thailand (**See ISP Insight Email No. 23**). On August 22, an important meeting was held in the Chinese embassy in Myanmar focused on cracking down on transnational criminal gangs operating in Myanmar. Ambassadors from China, Thailand, and Laos attended. China's Minister Counsellor Dr. Zheng Zhihong urged the SAC to create a cleaner environment in order to better implement the Belt and Road Initiative (BRI) successfully. In addition, Chinese Navy Vice-admiral Liu Zizhu, Deputy Commander of Southern Theater Command of the Chinese People's Liberation Army, visited Naypyitaw on September 4, 2023, and **discussed to conduct law enforcement training for Myanmar officials in order to ensure stability and peace in border regions**. Since Chinese nationals are both leading these transnational criminal gangs and are also the main victims, netizens of China have been exerting pressure on the Chinese government to act.

Omnipresent: Illicit Drugs Everywhere

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ISP Insight Email No. 23 ►

Myanmar's image among Chinese people has been badly tarnished particularly since the coup, as many Chinese criminal gangs are based in and operating from Myanmar. A Chinese blockbuster film, 'No More Bets' fictionalizes the story of Chinese nationals lured by the promise of high-paying jobs into scam compounds in Myanmar and Cambodia. The film financially grossed highly and became popular with Chinese youth. Chinese social media platform 'Sina Weibo' recently surveyed users, asking if they would travel to either Myanmar or Cambodia, the two countries portrayed in the film. Only 3,778 people said they would visit the "cost-effective" destinations, and about 181,000 selected "I don't want to, it's too dangerous," Nikkei Asia reported in an article. The low perception of Myanmar among Chinese nationals could be a blow to the SAC which hopes to entice Chinese tourists to the country.

4. Progress in Yunnan-Myanmar economic cooperation

China's government plans to connect South Asia and Southeast Asia through Yunnan Province. For this purpose, Chinese authorities have organized Trade Fairs and at least ten Economic Forums in Yunnan's capital Kunming recently. As Myanmar is geographically located in a position to bridge China with South Asia, the Yunnan Provincial government has invited SAC Ministers to participate in these forums. Between August 16-20 2023, Myanmar delegates participated in the 7th China-South Asia Exposition, the 27th China Kunming Import and Export Fair 2023, the Greater Mekong Subregion (GMS) Economic Corridor Governors' Forum 2023, and other related meetings. The SAC Ministers attending included Aung Naing Oo, Dr. Kan Zaw, and Maung Maung Ohn, along with regional Commerce Ministers from Sagaing, Bago, Mandalay, Yangon, Ayeyarwaddy Regions, and Shan State.

Myanmar has often been specifically invited to these China Trade Fairs as the '**Country of Honour**' and been allocated preferential positioning in some showrooms. At least 100 businesses participated in the trade show, highlighting their agriculture, food, precious gemstones, and jewelry ▶

■ China (Yunnan) Pilot Free Trade Zone (YNFTZ)

China (Yunnan) Pilot Free Trade Zone – (YNFTZ) was established in 2019, as one of the first three FTZs in China's border areas in order to develop Yunnan into a trade hub for South and Southeast Asian countries. The project includes three FTZs: Kunming, Honghe, and De Hong. De Hong FTZ is situated in Ruili in De Hong Prefecture, bordering Myanmar. Its planned use is for cross-border production capacity cooperation, trade, cross-border e-commerce, and financial transactions.

- ▶ products. The authorities and merchants discussed the development of online platforms to facilitate bilateral trade and commerce. In addition, **four Chinese companies based in Kunming, Chongqing, and Dongxing cities signed a Memorandum of Understanding (MoU) with four Myanmar companies operating in the Kokang, Yangon, and Ayeyarwaddy Regions** for facilitating import-export and logistics, and cooperation in agricultural and fishery products. The Greater Mekong Subregion (GMS) economic corridor forum and related Chinshwehaw-Lincang Border Economic Cooperation Zone investment promotion meeting were also recently held, as prioritized mechanisms for implementing the CMEC. Moreover, parties from the two countries discussed the advancement of the Muse-Ruili Border Economic Cooperation Zone and the De Hong FTZ pilot project which links the zone with related investments. The De Hong FTZ pilot project is planned as a hub linking China with South Asia and Southeast Asia countries via Yunnan, a key component of Yunnan's Free Trade Zone system implemented by China's central government. For this reason, both the SAC and De Hong Prefecture are advancing cooperation mechanisms for building trade infrastructure between Myanmar and De Hong (**See ISP Explainer No. 5**).

SAC's Election Plan and China Pays Special Attention

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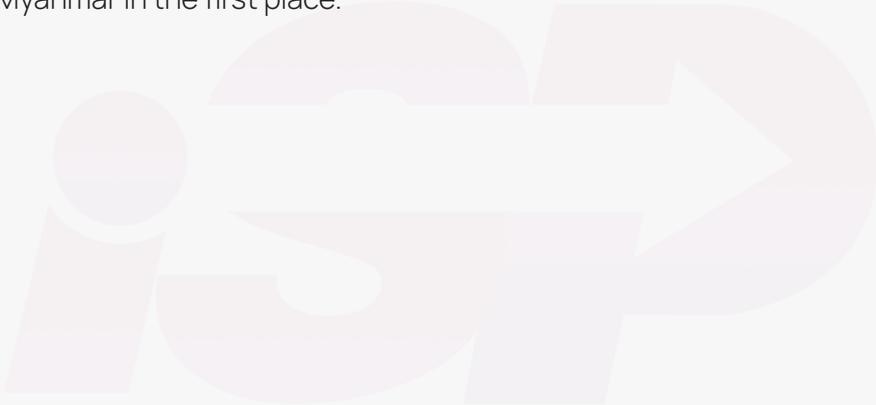
ISP Explainer No. 5 ▶

5. Boosting information dissemination and tourism in collaboration with China

On the occasion of the Belt and Road Initiative's (BRI) tenth anniversary, China has been more frequently engaging the media in Myanmar to push resumption of the China-Myanmar Economic Corridor (CMEC). The Chinese embassy in Myanmar organized a media session on August 23 during which Chinese Minister Counsellor, Dr. Zheng Zhihong praised the BRI as a global public good, highlighting the initiative's potential benefits for citizens worldwide. China also organized the 'Lancang-Mekong Audiovisual Week roundtable' in Kunming, Yunnan Province of China on 16th August in order to enhance broadcast media cooperation in Mekong and South Asian countries. Participating officials discussed the development of their respective countries' broadcasting sectors, market expansion into South Asia and Southeast Asia, the promotion of quality programming, media collaboration, future development, program exchange, translation, and copyright protection. This initiative underscores China's exercise of soft power. In addition, SAC's Information Minister, Maung Maung Ohn, proposed that Myanmar facilitates use of the 'Mekong Look App' created by Yunnan Media Group, a Yunnan provincial government state-owned enterprise. Maung Maung Ohn has stated that Myanmar could launch Burmese language news on the platform by the end of 2025. The SAC also intends to disseminate Myanmar local news in collaboration with China Media Group (CMG).

Similarly, the two countries are cooperating to boost post-COVID tourism. On August 1, the Chinese Culture Centre in Yangon held a green tea art campaign and promoted tourism in China as well as Chinese traditional foods, which was implemented as part of President Xi's Global Civilization Initiative (GCI). On August 18, Chinese companies from Anhui province visited SAC Tourism Minister Thet Thet Khine and advocated for visa relaxation for Chinese tourists, more convenient financial transactions for Chinese citizens during tours, and allowing Chinese companies to invest in the country's tourism sector. Soon after the event, the Lancang-Mekong Tourist Cities Cooperation Alliance Conference (LMTC) was held ▶

- ▶ in Chongqing, lasting ten days. On September 1 at the conference the **International Tourism Alliance of Silk Road Cities** was founded under China leadership. Members of the alliance comprised a total of 58 cities from 26 countries, including Myanmar. Nevertheless, from a Myanmar perspective it should be noted that the extension of Chinese tourism risks similar outcomes to the 'zero-budget tourism' prevalent around 2018-19, in which Chinese companies manipulated the tourist sector to create a closed value chain which only benefited Chinese tourists and Chinese tour companies while essentially exploiting the host countries. However, increasingly negative Chinese perceptions of Myanmar's reliability and security could limit the number of Chinese tourists coming to Myanmar in the first place.



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