

## GLOBAL CHINA INITIATIVE

# Investment Coalitions and Public Support: A Survey Experimental Approach to Chinese Investment in Myanmar<sup>1</sup>



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## ABSTRACT

While under military rule before 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. Existing anecdotal evidence and case studies offer only a partial view of Chinese FDI and systematic data on public attitudes towards different types of Chinese FDI is lacking. To build a more nuanced understanding, we conducted a survey experiment on public perceptions of Chinese FDI in Myanmar composed of data from 956 respondents and another experiment with about 2000 college students across the country. The key factors under examination are types of Chinese firms' local partners and their social engagement strategies. We asked the respondents to read fabricated news with multiple scenarios of varying types of investment and subsequently react to our questionnaire. We found that public perceptions of Chinese projects are contingent on a firm's selection of local partner and social engagement strategy. Respondents react more favorably to projects that partner with local private companies and engage with local communities directly. With the newly initiated China- Myanmar Economic Corridor under the framework of the Belt and Road Initiative, this research informs stakeholders in China and Myanmar on how to better manage Chinese FDI in Myanmar.

*Keywords: Myanmar, China, FDI, survey experiment*

<sup>1</sup> This research project is funded by International Growth Center (IGC)'s Yangon Office. All errors remain our own.

## Introduction

Chinese outbound foreign direct investment (FDI) has been transforming the global economy profoundly, in particular in the developing world. Since the global financial crisis in 2008, Chinese companies — both private and state-owned enterprises (SOEs) — have dramatically expanded their foreign presence. Chinese companies now hold close to 11% of all FDI stock globally, up from just 6% of the total in 2007, second only to the United States and approximately double the British, Japanese, or German FDI stock (McCafrey 2017). As of 2017, China is the largest source state investing in the least developed countries (LDCs). At the end of 2015, Chinese FDI stock in LDCs was almost three times more than the second largest investor. From 2010 to 2015, its stock in LDCs more than tripled (UNCTAD 2017). More than half of Chinese FDI to LDCs was held in commodity-rich African countries, while three ASEAN LDCs – Laos, Myanmar, and Cambodia remained the largest single recipients of Chinese investment. As such, China's FDI has and will continue to have huge implications for the economic and social transformation of LDCs.

Viewed as the “last frontier” in Asia, Myanmar provides a window of opportunity to study the implications of FDI and MNCs for its nascent democratic transition and economic liberalization. According to the World Bank, Myanmar is now one of the fastest growing economies in Asia, with a projected GDP growth rate of 6.8% on average in the medium-term. Since the political liberalization initiated by former president U Thein Sein in 2011, attracting FDI has become an important national strategy for promoting economic development. Myanmar is also a host country for which foreign investors have high expectations yet have faced numerous setbacks. Though China is the current biggest foreign investor by stock, its investors have been hesitant to enter the country since the suspension of the Myitsone Dam – a 3.6 billion USD hydropower dam project in Northern Myanmar in 2011 (Sun 2017). Overwhelmingly, both Myanmar's domestic and international media report that “the anti-China sentiment is on the rise” (Walker 2014, Xie 2017) due to the huge influx of Chinese FDI and associated citizens. However, there is no systematic empirical evidence to support that argument.

In the developing world, public attitudes towards MNCs and their investment activities remain relatively understudied, and hardly anything in the Myanmar context. Moreover, the existing research on Myanmar regards FDI as a monolith and does not distinguish various types of FDI in terms of firm ownership, local partner, and social engagement strategy, etc.

(Bissinger 2012, Kiik 2016, GEI 2016). This is problematic as the differential effects of different types of FDI on host states are neglected. For instance, we have anecdotal evidence that Chinese private companies like Huawei are much more welcomed than Chinese state-owned resource and power giants.

To offer nuanced data on public attitudes towards Chinese companies, we disaggregate Chinese FDI along different lines: firm ownership (central Chinese SOEs versus local Chinese SOEs), type of local partners (military tycoons or private enterprises), and type of social engagement strategy (direct consultation with local communities and civil society organizations or not). By disaggregating Chinese FDI, we aim to better understand public perceptions of different types of Chinese companies and their investment activities and how these perceptions shape the Myanmar people's attitudes towards broader political and economic issues in China-Myanmar relations, such as the Belt and Road Initiative. We further examine how political party support mediates public attitudes toward Chinese FDI.

The main research question in this study is: does the Myanmar public respond differently to various types of Chinese investment projects? Our main findings are: First, partnership with non-military affiliated companies combined with direct community engagement strategy can significantly increase public support for a FDI project. Second, the impact of firm ownership on public attitudes towards Chinese investment projects is not significant.

The rest of this paper is structured as follows: we first situate the paper in the debate about the role of Chinese SOEs in Chinese foreign policy, and the role of Chinese FDI in Myanmar's economic transformation. Then we present the theoretical arguments and main hypotheses, followed by the survey experiment design and the data are explained. In the end, we present the main results as well as highlight policy implications and future research avenues.

## Background and justification

In recent years China has become one of the largest sources of FDI inflows for the developing world, and will continue to provide more



funding for developing countries under the framework of the Belt and Road Initiative (BRI). A distinct feature of China's "Going Out" strategy since the 2000s is that most of the Chinese MNCs with large projects overseas (in particular in the energy and infrastructure sectors) are state-owned enterprises (SOEs). Scholars and policy makers expect Chinese SOEs' outward FDI to work in the service of

strengthening Beijing's political and economic ties with the developing world, thereby serving broader strategic international objectives as implementers of Chinese statecraft. However, the political and diplomatic consequences of Chinese outbound capital are not nearly so straightforward. In some cases, China succeeds in utilizing SOEs to achieve its strategic objectives and increases political and economic influence abroad; in others, the outcomes are political, economic, or social pushback, and various degrees of failure in reaching China's initial objectives. Beijing wants to build a positive image as a responsible major power to promote and further its diplomatic goals, however, its proxies overseas might not assist to reach its goals.

In this paper, we focus on Myanmar as it can showcase the obstacles China's investment is likely to face in countries under political and economic transition. And it has been one of the most attractive destinations for China's outward FDI in ASEAN countries. By the year of 2011, China's FDI in Myanmar in stock is USD 2181.52 million, only second to Singapore. However, the suspension of Myitsone Hydropower Plant has changed the course of rapid increasing Chinese investment in the country. As of September 2018, Chinese FDI in Myanmar in stock is USD 5358.47 million, making Myanmar only the fourth largest recipients of Chinese investment among ASEAN countries.<sup>1</sup>

Still, from Myanmar's perspective, China is the single dominant investor in Myanmar till now partly due to decades of economic sanctions from the West. Since Myanmar's democratization in 2011, Western countries started to lift economic sanctions and bring investment into the country. As a result, Myanmar has diversified its sources of FDI, but China remains the biggest source of FDI in stock. With the establishment of Asian Infrastructure Investment Bank (AIIB), and China's BRI, China will continue to have a strong economic presence in Myanmar. Some of Myanmar's local scholars and political analysts welcome China's investment as long as it can bring benefits to the Myanmar people (Chaw 2017) while others are already alert to China "exporting" its "China Model" of development and governance, and it would turn Myanmar into a "democracy with Chinese characteristics" (Khin 2018). Some warn the public that Myanmar is not ready for the BRI with its weak legal framework and governance capacity (Wa 2018).

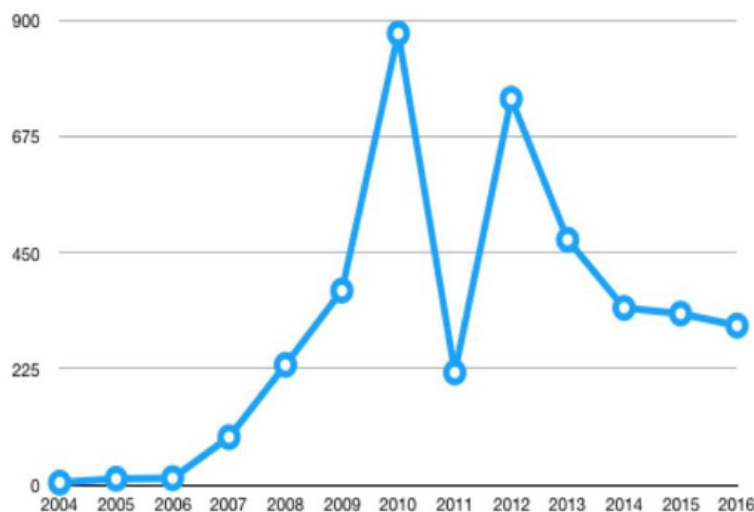
Since Myanmar's independence in 1948, geographical proximity and power asymmetry have long shaped the dilemma in China-Myanmar relations. Myanmar has always been wary of its giant northern neighbor, either due to fear of China's interference in its internal politics, or of China's economic dominance. Yet Myanmar has no choice but remain a cordial relationship with China. Myanmar is the first non-socialist country that recognized the People's Republic China (PRC) in 1949 (Tin 2003) and the two established diplomatic relations on 8th June 1950. In the mid-1950s, China and Myanmar had a "honeymoon" period and forged a "Phauk-Phaw" ("kinship" in Burmese) relations as Myanmar implemented neutralism diplomacy towards the Communist China, and the new-born PRC eagerly sought for recognition (Fan & Steinberg 2012). However, in the 1960s, China's clandestine support for the Burma Communist Party (BCP) created a strong sense of threat and distrust among the Myanmar's leadership. Furthermore, the two countries became more hostile towards each other due to anti-Chinese Riots that took place in Myanmar in 1967, after the outbreak of the Cultural Revolution in China in 1966. Both countries withdrew their ambassadors and downgraded bilateral relations to attaché level until 1971. China's shift to a more pragmatic diplomacy finally led to a rapprochement with Myanmar in the late 1970s. And the two countries further strengthened its political and economic ties since then.

However, Myanmar's growing political and economic overdependence on China in the 1990s had been to such a level that many researchers describe the two as in a "patron-client" relationship (Sun 2015, Tin 2003). Since the crackdown of both the "8888" student uprising in 1988 in Yangon and the 1989 Tian'an men Incident in Beijing, Myanmar and China entered into a "marriage of convenience" as both countries were sanctioned by the West (Kim 1997, Sutter 2012). Since then, Myanmar's military regime, the State Law and Order Restoration Council (SLORC), which became the State Peace and Development Council (SPDC) in 1997, continued to rely on China's military, economic, as well as diplomatic support.

<sup>1</sup> Data source: China's Ministry of Commerce via CEIC as of October 2018. <https://insights.ceicdata.com>



**Figure1: China's realized FDI in Myanmar (2004-2016, in million USD)**



**Source: Ministry of Commerce of China, retrieved in September 2017**

Though the two countries started to build close economic cooperation since the late 1990s, Chinese FDI in Myanmar only started to grow rapidly since 2008<sup>2</sup>. Before the 1990s, China barely had any investment in Myanmar. In 1991, the Chinese government approved the first investment project in Myanmar totaling 916 thousand US dollars, with Chinese capital accounting for 50%<sup>3</sup>. Since then, China's enterprises started to invest in Myanmar. But these investments were small in both their scale and number. According to statistics of Myanmar Investment Committee (MIC), by the end of March 2007, 27 Chinese investments projects were approved in Myanmar, with a contractual value of 475 million USD, accounting for 3.2% of total foreign investments in the country.<sup>4</sup> In FY 2008-2009, China's FDI in Myanmar accounted for 86.9% of all foreign investment in flow<sup>5</sup>. In 2010, China's investments increased dramatically resulting from the approval of several large projects. By the end of March 2010, Chinese investments only accounted for 8.3% of all foreign investments in stock. However, by the end of March 2011, the ratio rose sharply to 26.6%.

Chinese investment projects, especially large-scale ones, have a huge impact on Myanmar's political and socio-economic landscape, especially Myanmar's democratic transition. With the democratic transition initiated by SPDC, Myanmar held a general election in 2010 and a quasi-civilian government took power. The then-president Thein Sein initiated many progressive political and economic reforms that took the West by surprise. In Myanmar, one example of how specific projects can negatively impact broader political and economic ties is the proposed Myitsone dam. The Myitsone Hydropower project was invested by a Chinese central SOE, State Power Investment (SPI, CPI previously), partnering with the Mining Enterprise (1), a Myanmar SOE under the Ministry of Energy, and the Asia World Company<sup>6</sup>. In September 2011, the Myanmar government formally announced a suspension on development of the socially and politically controversial hydropower project, stating that no decision would be taken to move forward during the current governmental term. The SPI headquarter in Beijing was shocked as the top leadership was unaware of the strong opposition in Myanmar.

2 Retrieved from the outbound investments made by China provided by the Year Book of the Ministry of Commerce of China

3 Almanac of China's Foreign Economic Relations and Trade 91/92, Almanac Editing Committee of Ministry of Foreign Trade and Economic cooperation, P.R.C., 1992

4 Lu Guangsheng: Development of Myanmar-China Economic and Political Relations: Current Situation and Meaning, Journal of University of International Relations, Volume 2, 2009, P. 22

5 DICA data come from the investment approved by the MIC

6 Asia World Co. Ltd was founded in 1992 by a Kokang Lo Hsing Han, who was known to have amassed wealth through the drug trade, which he passed onto his son, Steven Law. Due to connections to his Singaporean wife, an estimated 50 per cent of Singapore's investments was exchanged between the two

countries through Asia World. Steven Law and his wife were on the American sanctions list for their suspected connections to the drug trade (Irrawaddy 2000).



The second most controversial Chinese FDI project is the Letpadaung Copper Mine project, located in Monywa District, Sagaing Region. In June 2010, Norinco (Wanbao's mother company) and the Union of Myanmar Economic Holding Limited (UMEHL), a military-affiliated conglomerate (Kyu Kyu 2014), acquired the development right of this project. With the involvement of police and local authorities, the forced relocation of communities started in late 2010 (Mark & Zhang 2017). This project is still facing ongoing local opposition due to unsolved land dispute and forced relocation as of March 2018 (BBC 2018). Due to strong and continued opposition, Wanbao engaged more directly with local communities in resettlement, compensation, and negotiations (Tang-Lee 2016).

Compared with the previous two projects, the Sino-Myanmar Oil and Gas Pipelines project received the least criticism. The China National Petroleum Corporation (CNPC) partnered with a Myanmar SOE, Myanmar Oil and Gas Enterprise (MOGE) to implement the Shwe Pipeline project. Different from compensation practices in many Chinese projects, CNPC paid land compensation directly to the local communities in response to reported corruption of local government officials.<sup>7</sup>

**Table 1: China's major investment projects in Myanmar**

Project name	Investor Firm and Ownership	Local partner	Engagement with local communities
Myitsone Hydropower Dam	SPI (SOE)	Asia World, ME1	Indirect until suspension
Letpataung Copper Mine	Wanbao (SOE)	UMEHL	First indirect, later changed to direct after strong resistance
Sino-Myanmar Oil and Gas Pipelines	CNPC (SOE)	MOGE	Direct compensation in some areas

Drawing from the case studies above and existing literature on Myanmar people's perceptions of Chinese FDI (Min Zin 2011, Jones 2014, Ford et al 2015), we find that the three factors below potentially play a role in framing how the Myanmar public view Chinese investment projects: 1) anti-Chinese sentiment; 2) China's partnership with military-affiliated companies; 3) Chinese investors usually do not engage with the local communities but only dealt with the host government until the suspension of the Myitsone Dam.

First, the Chinese government is viewed negatively by the Myanmar public in general since the mid-1980s due to historical legacies, and this sentiment was strengthened by the Myitsone dam project (Min Zin 2012). In particular, almost all big investment projects in Myanmar were conducted by Chinese central-level SOEs affiliated with the Chinese central government, the public nationalist sentiments against Chinese projects is relatively high compared towards non-state led investments. Second, there is a strong public sentiment against military-affiliated companies which are usually viewed as crony companies (Jones 2014, Ford et al 2015). Third, affected communities see Chinese SOEs doing Corporate Social Responsibility (CSR) only interact with local elites who do not in reality represent the communities, as per the case of the Lepataung Copper Mine project in central Myanmar (Tang-Lee 2016). Considering several Chinese FDI projects are faced with strong local resistance and opposition in Myanmar, we want to examine if there is a correlation between public perceptions of the investor's country of origin and of the investment project *per se*. We are also keen to learn whether the firm's behavior in the host country, i.e., its social engagement strategies with the communities, and its selection of partner firm are correlated with its public image.

## Hypotheses: Chinese SOEs, investment coalitions, and public attitudes

Based on the discussion above, we argue that foreign direct investment coalition (FDIC) is key to explaining the host country's public attitudes to an MNC and its projects. Investment coalition refers to economic and social coalitions which foreign investors forge with the

<sup>7</sup> Interview with a member of parliament at Hsipaw, July 2015.



local stakeholders, including two major groups, the host government and the affected communities. On the one hand, a foreign investor needs to obtain a legal license from the host government by forming joint ventures with local partners and shareholders in accordance with the host governments' preferences. Given the enduring dominance of Myanmar's military in its economic, political, and social spheres in the past decades, the military junta normally appointed military-affiliated companies, or the so-called "cronies", as shareholders of joint ventures with foreign investors. On the other hand, FDI projects need obtain social license to operate from the affected communities and other stakeholders such as civil society organizations and the media not controlled by the government. In the Myanmar context, in addition to the military junta, we also need to take into account political, social, or religious elites at sub-national level regarding smooth progress of the FDI projects. Below we illustrate the main hypotheses in detail.

To begin with, we focus on different local partners of Chinese FDI and argue that foreign investors can shape Myanmar's public preferences through lobbying, coercion, and interest transformation, echoing with broader policy diffusion literature (Simmons, Dobbins, and Garret 2006). Carefully designed FDIC is a way to increase an MNC's local legitimacy, especially in unstable political environment, mitigate the effects of an under-established institutional framework (Cui and Jiang 2012), lower transaction costs, and create the conditions for the exploitation of firm-specific capabilities by MNCs (Li & Ferreira, 2008). It had become a common practice for Chinese SOEs to partner with military companies after the two started to build a close relationship in the 1990s. When Myanmar was under military rule, military-affiliated companies were a required partner, and they were also considered to be a reliable partner to guarantee investment security. However, this reliable partnership has become a negative asset during an era of democratization as the general public grew to blame military cronyism for the underdevelopment of the country over the preceding decades.

Thus, in transitional Myanmar, Chinese enterprises vary in their type of integration into local economic and social groups: while some Chinese SOEs have set up joint ventures with both local private companies and other foreign investors, other Chinese companies have alarmed local communities by allying with military and government cronies, which worsen their image among general public given the bad reputation of military cronies either directly owned by or directly tied with the military, in particular among NLD supporters.

### **H<sub>1</sub>: All else equal, investment projects partnering with non-military affiliation will be more favored by the Myanmar public.**

Democratic transition and grassroots empowerment have raised local communities' awareness of their own rights. Corporate social responsibility (CSR) has become a diffused norm through the empowerment process. CSR requires a company to gain a "social license" – consent from informed community members. Different from an official license that gives legal permit to the company, a social license is what allows a company to operate without local opposition and resistance in the short and long term. While the CSR concept was once considered a sideshow or tokenism, it is now seen as a more mainstream tool to build community support across the globe. During the democratization and local empowerment process, Free, Prior, Informed Consent and a social license to operate have become widely known concepts among affected communities, thanks to civil society education and awareness raising programs (Tang-Lee 2016). Through interviewing affected communities, we found that indirect engagement of an MNC with the public, more often than not, creates room for corruption and political maneuvering, which usually leads to unresolved grievances. We use "direct engagement," a minimum step of implementing CSR as a proxy to test if this variable will have an impact on people's support rate of an MNC or not.

### **H<sub>2</sub>: All else equal, investment projects engaging with local communities directly will be more favored by the people in Myanmar.**

Japanese private enterprises have invested in similar sectors to Chinese firms with less involvement in geopolitics and domestic politics of Myanmar. In particular, Japanese firms have forged broader economic and social coalitions in host states compared with Chinese SOEs. Furthermore, Japanese firms in general are more aware of political and financial risks than Chinese SOEs. Their investment strategy is much more cautious and strictly profit-driven. Local media summarized their strategy as "4L," namely "Look, Listen, Learn, and



Leave.”<sup>8</sup> For example, in 2002, the Myanmar government invited a Japanese hydropower company KEPCO to invest in building a dam in Myitsone. However, KEPCO decided not to invest after feasibility studies there. And this highly political risky project was later taken by a Chinese SOE as mentioned earlier, and was suspended in 2011.<sup>9</sup>

Based on the reasons above, we have an observable implication that Japanese firms will be more favored by the respondents than Chinese firms. Compared with Japanese projects, Chinese FDI projects are faced with strong local resistance and opposition in Myanmar, we want to examine if there is a correlation between public perceptions of the investor’s country of origin and of the investment project *per se*. Therefore we have the second hypothesis.

**H<sub>2</sub>: All else equal, investment projects conducted by Japanese companies will be more favored by the Myanmar public.**

## Methods and data

A key obstacle to a more evidence-based debate on host countries’ attitudes towards Chinese outbound investment is systematic data collection. Despite anecdotal evidence and case studies, researchers mainly regard Chinese FDI as a monolith and seldom examine different groups’ attitudes towards different types of Chinese FDI. Absent such information, policymakers face difficulties in assessing what backlash a certain FDI project may encounter, and investors are less capable of understanding their investment environment, and are thus less able to mitigate risks.

To address the endogeneity issue in observational data analysis, we apply a survey experimental design to examine public perceptions of Chinese FDI in Myanmar. As we are interested in how different elements of investment coalitions can shape public attitudes towards Chinese investment, we take the vignette experimental approach. The advantages of vignette treatment design are to respectively estimate the effect of each treatment, and meanwhile measure the interactive effect between treatments on dependent variable (Mutz 2011).

The research design targets Myanmar public as the population as we see their attitudes matter in investment-related policy-making process. Due to Myanmar’s ongoing democratization, the general public’s opinion has an increasing significant weight in public policy formulation, either as a reference prior to the formation of policies, or in the process of accountability and legitimacy that rulers are constantly subject to (Bueno de Mesquita and Smith 2007). Investment affected communities are empowered to voice out their concerns and pressure on relevant government departments to take actions. We conducted a survey experiment with college student enumerators. We first recruited 41 undergraduate students at the Department of International Relations at University of Yangon to serve as survey enumerators. Each student enumerator conducted at least 20 face-to-face interviews for this study, when they returned to hometown for the Burmese New Year during summer break in 2017. We had around 1000 respondents for our survey study, covering all states and regions in Myanmar except for Kayah State.

We demanded student enumerators follow specific steps during our survey: first, survey enumerators started the survey experiment by collecting basic demographic information (age, gender, education, etc.); second, respondents were randomly assigned into treatment and control groups, and the treatment groups’ respondents would be presented with information on an investment project varying along the lines of firm ownership, type of local partners, and degree of social responsibility; third, we then elicited a range of issues assessing respondents’ perceptions of Chinese companies and political relations with China.

In order to ensure the quality of our survey sample, we specifically enforced the following details on sample recruitment. First, we required two degrees of separation between student enumerators and the survey respondents. The student enumerators were asked to contact 10

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8 James L. Schoff, “What Myanmar Means for the U.S.-Japan Alliance?” Carnegie Endowment for International Peace, September 09, 2014. <https://carnegieendowment.org/2014/09/09/what-myanmar-means-for-u.s.-japan-alliance-pub-56549>

9 Tao Hu, Min Chen, Yanyang Wu, “Analysis of Key Players in China’s Outward Foreign Direct Investment based on the Conceptual Matrix Part II: Case Study in Southeast Asia,” in Tao Hu and Yiting Wang eds., *Environmental and Social Risk Management of Chinese Transnational Corporations*. A Collaboration of the Yale School of Forestry and Environmental Studies and WWF. 2014. p. 107.



friends, classmates and/or relatives – these “intermediary contacts” each referred 2-3 people who would become the actual participants of the study. Second, explicitly aiming to cover a wide socioeconomic spectrum in the sample, we instructed each enumerator to recruit a sample that consists of: (1) long-term residents of the township; (2) respondents all above 18 years old; (3) half male and half female; (4) no more than 2 respondents from the same household; (5) a recommended ratio between urban respondents and rural respondents: 40%:60%; and (6) a recommended age profile of 7 respondents between 19-30 years old, 10 between 31-60 years old, and 3 above 60 years old.

After enumerator recruitment, we separate the survey participants within each enumerator group: ethnic Burman, which comprises two thirds of the total population<sup>10</sup>, and non-Burman ethnic groups. We made sure each participant received randomly assigned texts of news. Crucially, this randomization procedure allows us to overcome the systematic differences across enumerator groups (the most obvious ones being geographic location of residence and ethnicity), and to ensure that our causal inference of treatment effect is not confounded by fixed differences across the samples recruited by different enumerators. There are several advantages of blocking method: reducing sample variability, and allowing for separate ethnic group analysis (Gerber and Green 2012).

After asking general information questions, we exposed both treatment group and control group to a fabricated news article on a proposed FDI project in Myanmar. For the control group, we asked them to read a news report on a project conducted by a central Chinese SOE under a government-to-government framework with secured loans from Chinese state-owned banks. Then we designed different treatment texts by varying Chinese FDI along source states and firm ownership, local partner, and responsible business. In particular, we also change the Chinese firm into a Japanese firm in the text. To organize effective comparisons, we selected one control group and seven treatment groups as listed below, to ensure that we had around 100 participants in each group. Please refer to the appendix for treatment and control groups.

After treatment, we first asked about their attitudes toward these FDI activities. Then we asked their attitudes towards political relations with China both in direction (positive/negative) and in degree. Following which both groups of participants were asked about whether they agree that their home government should respect the source country’s core national interests (siding with China on South China Sea disputes, etc.) and advance Chinese strategic interests in host state (providing additional security for China-funded projects, etc). For detailed questionnaires, please see Appendix 2. In the end, all the participants were debriefed about the manipulations.

## Results

The main finding is that investment coalitions do matter in shaping public perceptions of Chinese investment. In figure 3 below, the higher the value, the more support the project gains from the respondents. Chinese companies, regardless of ownership, collaborating with non-military affiliated firms and engaging with local communities directly are significantly more favoured by respondents. We also notice that a change in one variable (either type of local partner or social engagement strategy) alone will not affect popular support for the projects, which indicates that the interaction effect between local partner and social engagement strategy is the main variable explaining changing public perceptions of investment projects.

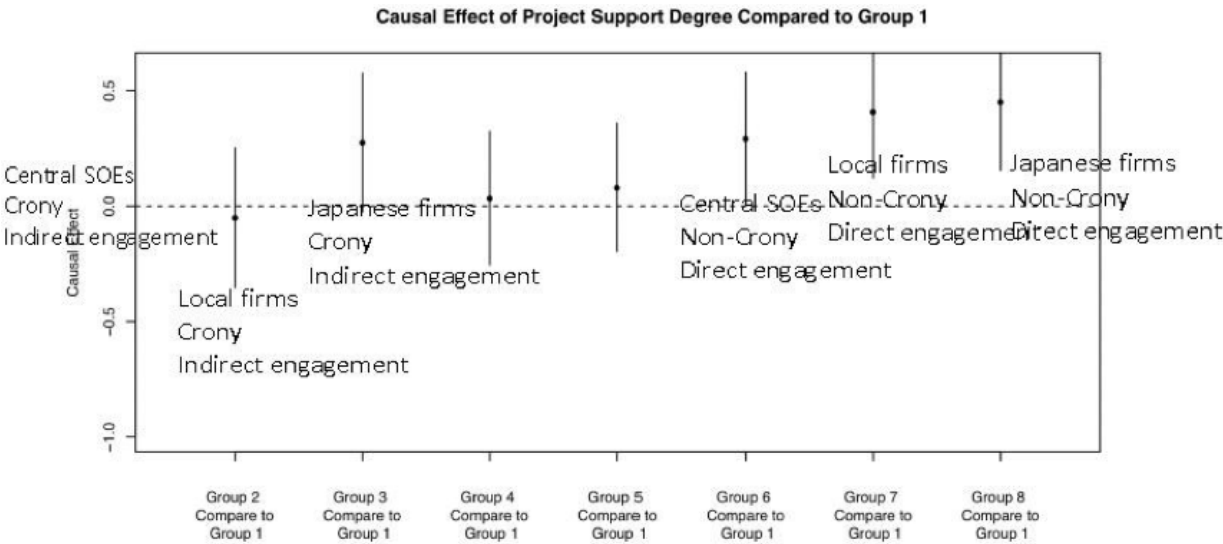
Japanese companies are perceived much more positively than their Chinese counterparts when companies from both countries collaborate military cronies and engage with local communities indirectly. This demonstrates that the general public are more concerned about Chinese companies with strategic and political motivations. In contrast, the difference between central SOE and local/private enterprise is not significant.

<sup>10</sup> The Union Report: Census Report Volume 2. The 2014 Myanmar Population and Housing Census. Nay Pyi Taw: Ministry of Immigration and Population. 2015.



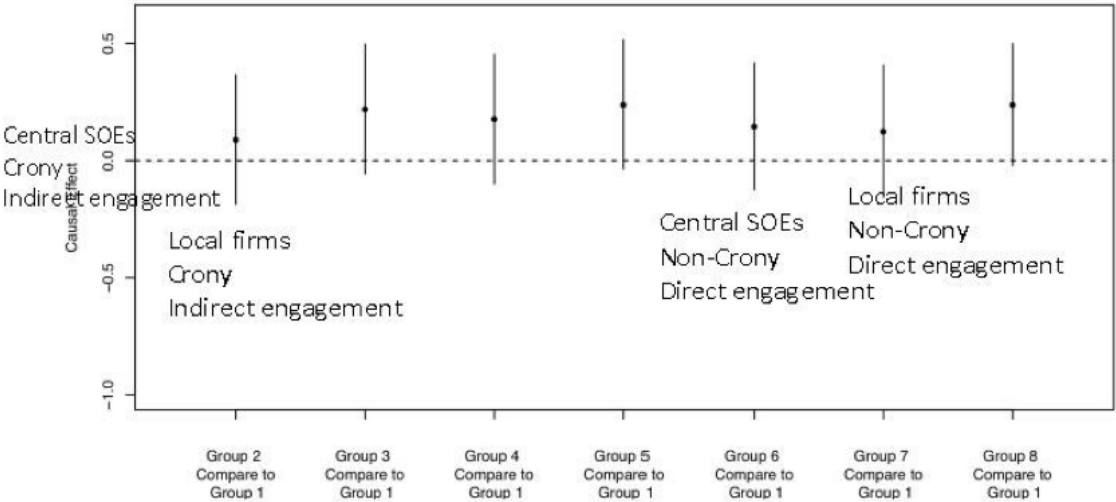


Figure 2: Effect of local partner and social engagement strategy on public support for FDI projects



We also examine the effect of local partner and community engagement strategy on broader economic cooperation issues such as the Belt and Road initiative (BRI). Similarly, public support of BRI is contingent on Chinese firms’ local partner and social engagement strategies. For instance, Chinese central SOEs working with non-cronies and engaging with communities directly improves public support for BRI infrastructure cooperation.

Figure 3: Effect of local partner and social engagement strategy on public support for Belt and Road Initiative



We also find that the treatment effect of local partners and social engagement strategies varies along the party affiliation, as the treatment effect is only significant among NLD supporters. This confirms the prior expectation that those who are relatively less favorable of the military regime are also more likely to disapprove foreign projects partnering with military-affiliated firms. In the meantime, NLD supporters more concerned about social and economic rights of lower income groups are more likely to disapprove foreign projects engaging with local communities indirectly, we will conduct more sub-group analysis in the future.

However, we have not found significant difference regarding attitudes towards FDI projects along ethnic lines. Hypothetically, this difference may exist but there is no evidence from our research to support this argument. One possible explanation could be that the residing location of the respondents matter more than their ethnic identity. Another possible reason might be that our sample size is not big enough to capture enough data from ethnic minorities to represent a certain ethnic group.

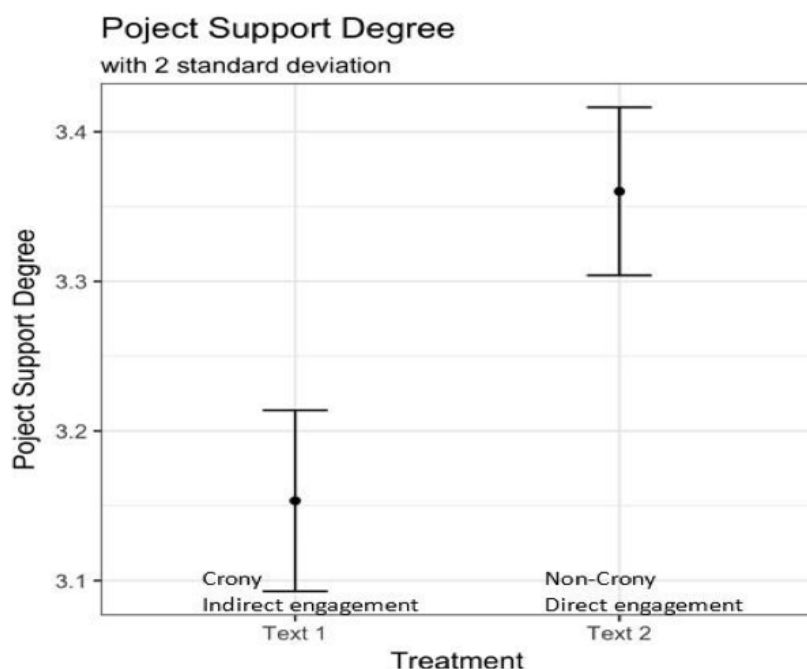
## Findings from a supplementary survey experiment

We design the first survey experiment to understand the public perceptions of Chinese investment in Myanmar. It is of equal importance to understand how Myanmar elites perceive Chinese investment as they can either influence the decision-making process or make decisions directly. Undergraduate students are often studied as proxies for elite behaviour (Hafner-Burton et al. 2014). In the field of experimental studies, there has already been some influential research using laboratory experiments with undergraduate respondents to understand decision-making behaviour in foreign policy (Berinsky & Kinder 2006; Boettcher & Cobb 2006, 2009; McDermott et al. 2002; Pronin et al. 2006). Specifically, Hafner-Burton et al. (2014) have conducted survey experiments on elites and undergraduates, arguing that under certain circumstances, university student samples can be useful for revealing elite-dominated policy preferences. Herrmann et al. (2001) have run a survey experimental study on samples of American elites and the general public to evaluate attitudes toward trade. Overall, Hyde (2015) points out in international studies, it is a crucial step to incorporate elites into experiments.

For another survey experiment, we targeted university students in Myanmar's major cities that all have access to internet. To reach our targeted respondents, we used Facebook as a platform to conduct our online survey, considering the popularity Facebook has among university students in Myanmar. University students, mostly fall into the age group between 16-20, and are active Facebook users. A Yangon-based Amara Digital Marketing Agency shows that, as of May 2016, there are 9.7 million monthly active users, making up 19% of the whole population and more than 60% of them are under the age of 25.

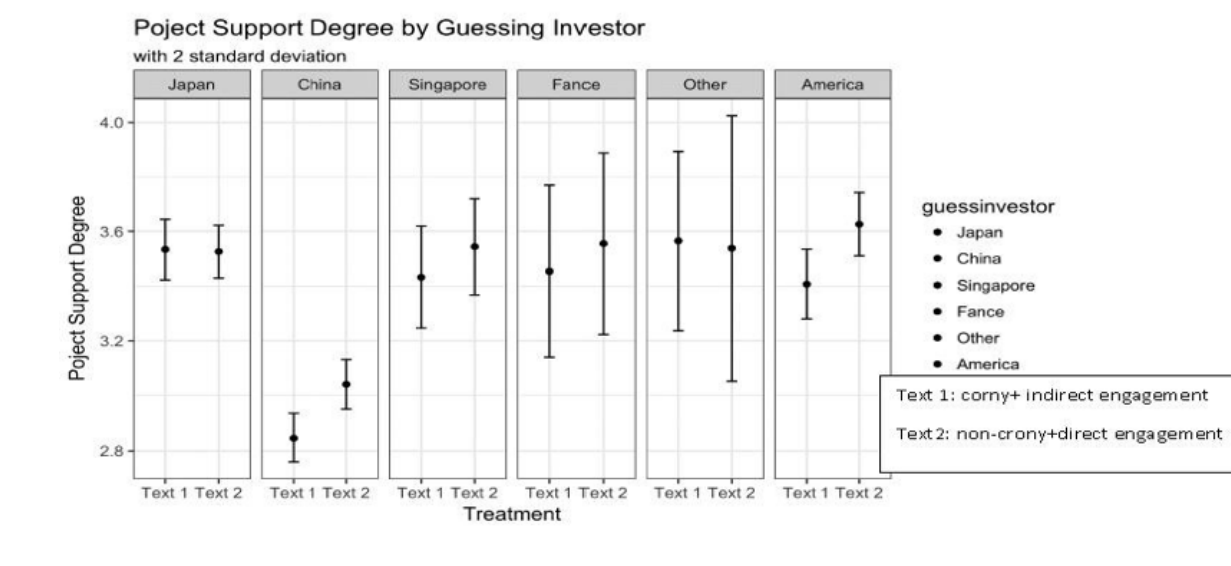
In this experiment, we recruited approximately 2000 respondents from 25 universities in winter 2017 and classified them into two groups randomly: Group 1 received a text about firm with low local legitimacy (military partner and indirect social engagement), and Group 2 with a text about firm with high local legitimacy (non-military partner and direct social engagement). Please check appendix for summary statistics of student participants. Similar to earlier results, Figure 5 below indicates that high local legitimacy leads to stronger support for FDI projects among college elites.

**Figure 4: Effect of local partner and social engagement strategy on students' support for FDI projects**



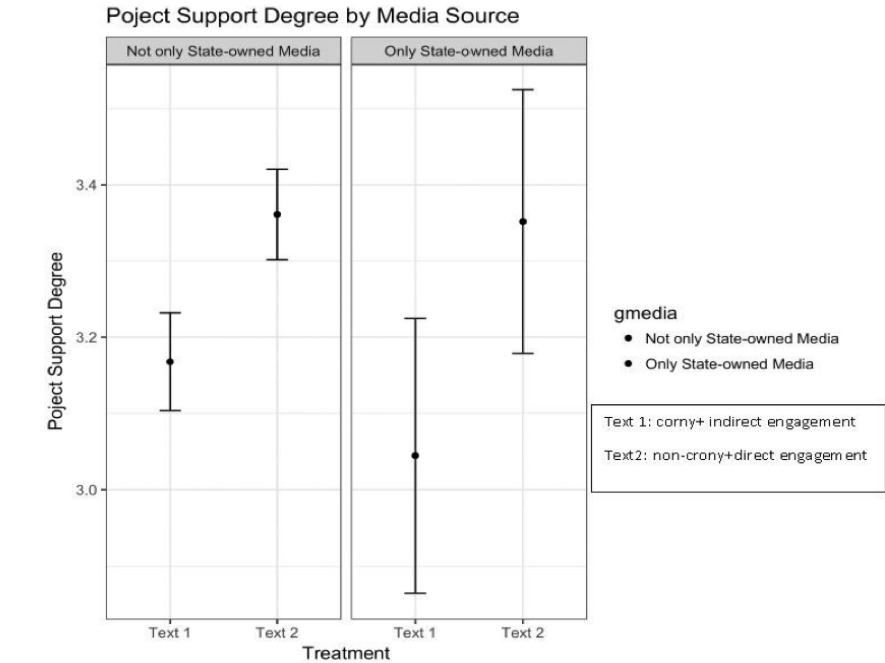
We also asked student participants about the source state of the FDI project they conjectured and came up with the following conclusions. First, when they conjectured the investor was from China, the overall sentiment against the project was higher than other source states. Second, the treatment effect was stronger when the investor was from China rather than from Japan.

Figure 5: Treatment Effects Across Source States



We also classified student participants according to their media sources. According to the below figure, the treatment effect is stronger among students with access to non- government owned media than those without.

Figure 6: Treatment Effects Across Media Sources



Conclusion and policy implications

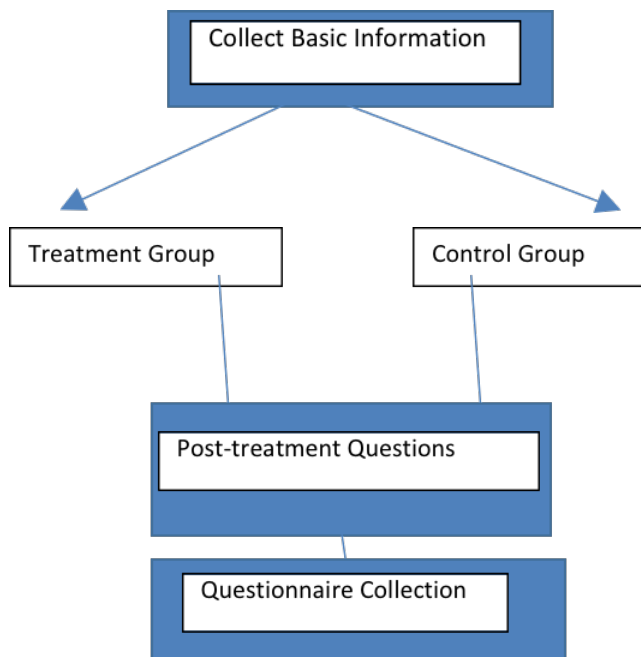
This paper focuses on why some Chinese projects are perceived less favorably by the public from the recipient countries of Chinese FDI. In this research, we aim to understand how the Myanmar people view different types of investment projects when investment coalitions of foreign firms vary. Our results have shown that we need to disaggregate FDI to better understand FDI projects and how an MNC can achieve higher public support in a host country.

More specifically, this research also suggests that two key elements of FDI coalition,

firms' local partner and social engagement strategy, shape our respondents' perceptions of Chinese projects. The Myanmar public prefers those Chinese-financed projects partnering with non-military affiliated firms and engaging with affected communities directly. 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. This research offers Chinese companies constructive solutions to reset the current setbacks faced by the Chinese economic footprint in Myanmar.

Our findings also have important policy implications for host governments developing countries that need FDI to promote economic growth. Understanding public preferences for various types of Chinese firms and their investment activities provides a critical insight into how to make sure the smooth progress of the FDI projects. This empirical research informs the current NLD government about how to manage Chinese firms wisely, and how to gain popular support and compensate groups suffering from Chinese FDI.

## Appendix I Research roadmap



## Appendix II Treatment and Control Groups

### Chinese central SOEs

	<b>Military affiliated local company</b>	<b>Private-owned local company</b>
<b>Indirect engagement</b>	Control group	Treatment group 3
<b>Direct engagement</b>	Treatment group 4	Treatment group 5

### Chinese local SOEs

	<b>Military affiliated local company</b>	<b>Private-owned local company</b>
<b>Indirect engagement</b>	Treatment group 1	
<b>Direct engagement</b>		Treatment group 6

### Japanese companies

	<b>Military affiliated local company</b>	<b>Private-owned local company</b>
<b>Indirect engagement</b>	Treatment group 2	
<b>Direct engagement</b>		Treatment group 7

## Appendix III Survey Questionnaire

Good day. My name is \_\_\_\_\_. I am a research assistant for a research team from International Growth Center (IGC), an international organization based in London. I do not represent the government or any political party. We are studying the ways in which Myanmar citizens view foreign investment. We would like to hear your thoughts and opinions on a number of different issues. Your answers will be confidential. They will be put together with those of 8,000 other people we are talking to, to get an overall picture. It will be impossible to pick you out from what you say, so please feel free to tell us what you think. This interview will take about 20 minutes. There is no penalty for refusing to participate, and if you do not wish to answer a question you are free to decline to respond. Do you wish to proceed? [Proceed with interview only if answer is positive].

### PART I BASIC INFORMATION

What is your gender? What is your age?

What is your family income? What is number of your family members? What is your ethnicity?

Which township do you live in?

What is your education level? How many years have you spent at school?

### PART II READING NEWS ARTICLE FROM A RESPECTED NEWSPAPER





"[ChinaPower, a Chinese company affiliated with the Chinese central government, is now planning on investment in resource and infrastructure sectors in Myanmar. The project will be under government-to-government framework with financing support from Chinese state banks]/[Yunnan Import and Export Corporation, a company from China's Yunnan Province neighboring China, is now planning on investment in resource and infrastructure sectors in Myanmar. The project will be a commercial project with finance all coming from the company]/[Japanese Kansai Electric Power, is now planning on investment in resource and infrastructure sectors in Myanmar. The project will be a commercial project with finance all coming from the company].

According to Myanmar laws and regulations, foreign companies should find a local company as their partner. The [Chinese]/[Japanese] company will form a joint venture with [Economic Holdings, a military-affiliated company in Myanmar]/[ Myanmar smart power, a new private Myanmar company without government background, on this project], on this project. So far the company [has not]/[has] directly consulted with local communities and CSOs about the resource investment project.

Since the new NLD administration came into power, the new government is reviewing all proposed investment projects and holding public press conference to hear about public views on foreign projects."

### PART III POST-TREATMENT QUESTIONS ON ATTITUDES TOWARDS PROJECTS AND SOURCE STATES

Do you agree or disagree that your government should continue to approve this project?

To what extent do you agree or disagree that your government should continue to approve this project?

A strongly agree B agree C neutral D disagree E strongly disagree

If this project is implemented, how will you react to the project?

A do nothing B appeal to the government C court dispute D peaceful demonstration E violent demonstration

Do you agree or disagree that this project will promote economic growth in your country?

To what extent do you agree or disagree that this project will promote economic growth in your country?

A strongly agree B agree C neutral D disagree E strongly disagree

Do you agree or disagree that this project will promote social equality in your country?

To what extent do you agree or disagree that this project will promote social equality in your country?

A strongly agree B agree C neutral D disagree E strongly disagree

If this project is implemented, how will you change your viewpoint on the current NLD government?

A much more supportive B more supportive C neutral D less supportive E much less supportive

If the Myitsone project was conducted exactly the same way as the project mentioned in the news article, what is your attitude towards the Myitsone project?



A much more supportive B more supportive C neutral D less supportive E much less supportive

If the Letpadaung Copper Mine project was conducted exactly the same way as the project mentioned in the news article, what is your attitude towards the Letpadaung Copper Mine project?

A much more supportive B more supportive C neutral D less supportive E much less supportive

If this project is implemented, do you agree or disagree that your government should take more measures to secure natural resources for China?

To what extent do you agree or disagree that your government should take more measures to secure natural resources for China?

A strongly agree B agree C neutral D disagree E strongly disagree

Which type of natural resources that you agree to reserve for China? (Multiple choices) A Hydropower B Mining (Copper and other types of metals) C Oil and gas D Others Which one type of natural resources that you disagree to reserve for China the most?

A Hydropower B Mining (Copper and other types of metals) C Oil and gas D Other

If this project is implemented, do you agree or disagree that your government should take more measures to ensure the security of Chinese citizens and investment in Myanmar?

If this project is implemented, to what extent do you agree or disagree that your government should take more measures to ensure the security of Chinese citizens and investment in Myanmar?

A strongly agree B agree C neutral D disagree E strongly disagree

If this project is implemented, do you agree or disagree that your government should take more measures to support Chinese government's proposals on energy cooperation and infrastructure investment in Myanmar and Southeast Asia, such as One Belt One Road (OBOR) and Asian Infrastructure Investment Bank (AIIB)?

If this project is implemented, to what extent do you agree or disagree that your government should take more measures to support Chinese government's proposals on energy cooperation and infrastructure investment in Myanmar and Southeast Asia, such as One Belt One Road (OBOR) and Asian Infrastructure Investment Bank (AIIB)?

A strongly agree B agree C neutral D disagree E strongly disagree

Which type of Chinese aid you favor the most?

A Building a bridge or a road B Building a government building C Providing loans with 1% interest rate for your government D Technical training E Medical and humanitarian service

Do you agree or disagree that your government should continue to host more immigrants from China?

To what extent do you agree or disagree that your government to host more immigrant from China?

A strongly agree B agree C neutral D disagree E strongly disagree



Which party you voted for in 2015 national election?

A National League of Democracy B The Union Solidarity and Development Party C Ethnic parties D Did not vote

How to describe your impression about China? To what extent you like China or not?

A Like very much B Like C Neutral D Dislike E Dislike very much

Which country would you most like to invest in Myanmar?

A China B Western countries C ASEAN countries D Japan E Other countries

Do you agree or disagree about your government's current policy towards foreign investors?

To what extent do you agree or disagree about your government's current policy towards foreign investors?

Which sector you hope Chinese companies to invest more?

A.Resources and energy B. Infrastructure C. Agriculture D. Manufacturing E. Service F Others

Please list three most unforgettable political or economic events in Myanmar-China relations in your mind.

Have you ever participated in any demonstration against foreign investment projects in Myanmar?

Control group: Chinese central-level SOE partnering with military cronies and engaging with local communities indirectly through local government

Treatment group 1: Chinese local-level SOE/private partnering with military cronies and engaging with local communities indirectly through local government

Treatment group 2: Japanese company partnering with military cronies and engaging with local communities indirectly through local government

Treatment group 3: Chinese central-level SOE partnering with non-cronies and engaging with local communities indirectly through local government

Treatment group 4: Chinese central-level SOE partnering with military cronies and engaging with local communities directly

Treatment group 5: Chinese central-level SOE partnering with non-cronies and



engaging with local communities directly

Treatment group 6: Chinese local-level SOE/private partnering with non-cronies and engaging with local communities directly

Treatment group 7: Japanese firm partnering with non-cronies and engaging with local communities directly

## Appendix IV Treatment Effects on Public Support for FDI Projects

	Dependent variable: projectdegree		
	Difference in Mean	Covariates Adjustment	Covariates Adjustment
G1	2.932 <sup>***</sup> (0.103)	3.135 <sup>***</sup> (0.305)	3.359 <sup>***</sup> (0.300)
G2 : G1	0.050 (0.148)	0.015 (0.157)	0.015 (0.157)
G3 : G1	-0.274 <sup>*</sup> (0.149)	-0.319 <sup>***</sup> (0.100)	-0.318 <sup>***</sup> (0.100)
G24: G1	-0.081 (0.140)	-0.112 (0.155)	-0.112 (0.155)
G5 : G1	-0.034 (0.148)	-0.073 (0.158)	-0.072 (0.158)
G6 : G1	-0.292 <sup>*</sup> (0.151)	-0.307 <sup>***</sup> (0.161)	-0.306 <sup>***</sup> (0.161)
G7 : G1	-0.408 <sup>***</sup> (0.149)	-0.435 <sup>***</sup> (0.100)	-0.430 <sup>***</sup> (0.100)
G8 : G1	-0.450 <sup>***</sup> (0.148)	-0.480 <sup>***</sup> (0.161)	-0.480 <sup>***</sup> (0.161)
gender		-0.011 (0.083)	-0.007 (0.080)
age		-0.002 (0.003)	-0.001 (0.003)
Income		-0.000 (0.000)	-0.000 (0.000)
Ethnicity		-0.001 (0.011)	0.0001 (0.011)
township		-0.002 (0.001)	-0.002 (0.001)
Education		-0.010 (0.015)	-0.009 (0.015)
Edu2		-0.005 (0.009)	-0.005 (0.009)
election			-0.043 (0.054)
Observations	865	792	792
R <sup>2</sup>	0.026	0.032	0.033
Adjusted R <sup>2</sup>	0.018	0.014	0.014
Residual Std. Error	1.109 (df = 857)	1.126 (df = 777)	1.126 (df = 776)
F Statistic	3.307 <sup>***</sup> (df = 7; 857)	1.828 <sup>**</sup> (df = 14; 777)	1.749 <sup>**</sup> (df = 15; 776)
Note:	G2 : G1 means Group2 compare to Group 1; *p<0.1; **p<0.05; ***p<0.01		

Table 2: Results on Project degree

## Appendix V Treatment Effects on Public Support for Belt and Road Initiative

	Dependent variable: OBORdegree		
	(1)	(2)	(3)
G1	2.906*** (0.096)	2.677*** (0.280)	2.750*** (0.280)
G2:G1	-0.089 (0.139)	-0.129 (0.147)	-0.130 (0.147)
G3:G1	-0.220 (0.140)	-0.237 (0.150)	-0.232 (0.149)
G4:G1	-0.239* (0.137)	-0.283* (0.145)	-0.285** (0.144)
G5:G1	-0.177 (0.139)	-0.208 (0.149)	-0.205 (0.148)
G6:G1	-0.146 (0.142)	-0.182 (0.151)	-0.179 (0.150)
G7:G1	-0.125 (0.140)	-0.158 (0.150)	-0.161 (0.149)
G8:G1	-0.239* (0.139)	-0.263* (0.151)	-0.262* (0.150)
Gender		0.027 (0.077)	0.041 (0.077)
Age		-0.002 (0.003)	-0.001 (0.003)
Income		0.000 (0.000)	0.000 (0.000)
Ethnicity		0.008 (0.010)	0.010 (0.010)
Township		0.002* (0.001)	0.002 (0.001)
Education		0.009 (0.014)	0.011 (0.014)
Edu2		-0.001 (0.000)	-0.002 (0.000)
Election			-0.135*** (0.050)
Observations	865	792	792
R <sup>2</sup>	0.006	0.015	0.024
Adjusted R <sup>2</sup>	-0.002	-0.003	0.005
Residual Std. Error	1.043 (df = 857)	1.054 (df = 777)	1.050 (df = 776)
F Statistic	0.717 (df = 7; 857)	0.826 (df = 14; 777)	1.200 (df = 15; 776)

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Table 5: Results on OBORdegree





## Appendix VI Summary Statistics of College Student Participants in Survey Experiment

Variable	Levels	n	%
gender	Male	1076	56.3
	Female	834	43.7
	all	1910	100.0
age	[16:19)	503	26.3
	[19:21)	639	33.5
	[21:23)	478	25.0
	[23:61]	290	15.2
	all	1910	100.0
state	Ayeyarwady Region	261	13.7
	Bago Region	146	7.6
	Chin State	4	0.2
	Kachin State	113	5.9
	Kayah State	10	0.5
	Kayin State	69	3.6
	Magway Region	96	5.0
	Mandalay Region	242	12.7
	Mon State	116	6.1
	Rakhine State	14	0.7
	Shan State	26	1.4
	Sagaing Region	202	10.6
	Tanintharyi Region	143	7.5
	Yangon Region	421	22.0
	Naypyidaw Union Territory	39	2.0
	Others	8	0.4
	all	1910	100.0
urban	Urban	1273	70.1
	Rural	542	29.9
	all	1815	100.0
ethnicity	Kachin	90	4.7
	Kayah	5	0.3
	Kayin	113	5.9
	Chin	17	0.9
	Bamar	1441	75.5
	Mon	62	3.2
	Rakhine	39	2.0
	Shan	53	2.8
	Others	90	4.7

	all	1910	100.0
incominterv	< 100,000	227	11.9
	100,000–200,000	352	18.4
	200,000–300,000	409	21.4
	300,000–500,000	430	22.5
	500,000–1,000,000	303	15.9
	1,000,000–2,000,000	116	6.1
	> 2,000,000	73	3.8
	all	1910	100.0
major	Engineering and technology	512	26.8
	Medical and life sciences	368	19.3
	Natural sciences	180	9.4
	Social sciences	207	10.8
	Humanities	307	16.1
	None of the above	336	17.6
	all	1910	100.0

Table 1: Subject Demographical Characteristics

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## GLOBAL CHINA INITIATIVE

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