

# Misfortune for Kokang's Bai Family

## 'Operation 1027' Affords China's Growing Influence



TNLA troops seen in Namhsan township in northern Shan State on December 13, 2023. (Photo: AFP)

As the Three Brotherhood Alliance's (3BHA) 'Operation 1027' gains momentum, China has begun to intervene. China has facilitated dialogue between the conflict parties by hosting two meetings in Kunming between the 3BHA and the State Administration Council (SAC), however no satisfactory resolutions have yet been reached. Concurrently, the Chinese government issued arrest warrants for former Kokang leader Bai Suoqian and nine other members of the Bai, Wei, Liu, and Ming families. This underscores China's apparent intention to remove the current leadership in Kokang. In terms of bilateral investments, there is a sense of urgency to implement plans such as the Kyaukphyu Special Economic Zone. Meanwhile, the Lancang-Mekong Cooperation Summit was resumed after being halted for almost three years. The junta's leader was allowed to attend it, marking the first regional summit-level meetings allowing him to attend.

## Summary of 130 China-Myanmar Relations Issues

An analysis of ISP-Myanmar’s timeline on China-Myanmar relations in October and November 2023 reveals a total of 130 issues documented (See table below), with the dominant subjects being political economy, transnational crime, and geopolitics. In this Explainer No. 9, ISP-Myanmar will showcase a concise overview of five pivotal issues in these subjects, by linking them with significant developments in December.

### ■ Dominant Issues In China-Myanmar Relations

(October 2023 - November 2023)

No	Issue	Number of issues
1	Geopolitics	21
2	Political Economy	33
3	Diplomacy	17
4	Defense and Security	8
5	Conflict and Peace	10
6	Soft Power	5
7	Administration, Policy, and Standardization	-
8	Social and Human Rights	7
9	Transnational Crimes	29
Total		130

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## 1. Misfortune for Kokang's Bai Family

The Chinese government issued an arrest warrant for the former Kokang leader and Chinese national identification card holder Bai Suoqian, along with nine others, on December 10. The arrest warrant identified influential figures in the Kokang region, including Bai Suoqian, the leader of the Bai family, Col. Wei San (Wei Huairen) of the Wei family, and Liu Zhengxian of the Liu family. This signifies the measures aimed at dismantling the authority and power granted directly or indirectly by the Myanmar military to the ruling families in the Kokang region since 2009. Prior to this incident, the Ming family, one of the four major powerful families in Kokang, had already faced warrants issued by China. On November 16, the SAC arrested Ming Xuechang, along with four family members, and transferred them to Chinese police. However, the SAC announced that Ming Xuechang committed suicide by shooting himself during the arrest.

The SAC might be facing a major crisis this time, especially considering that Bai Suoqian is at the top of China's warrant list. Bai played a crucial role in assisting Peng Jiasheng in removing Yang Maoliang from the MNDAA in 1992. However, during the 2009 Kokang Incident, Bai sided with the Myanmar military to oust Peng Jiasheng. Bai subsequently expanded his influence within Kokang and gained recognition within the Myanmar military by becoming a member of the *Amyotha Hluttaw* (the upper house of parliament). The head of the Wei Family, Wei Huairen (Col. Wei San), serves as the chairman of the supervisory committee of the Border Guard Force 1006 (Kokang Self-Administered Zone), in addition to being a representative of the *Pyithu Hluttaw* (the lower house of parliament). Liu Zhengxiang, from the powerful Liu family, is also a prominent political member of the Kokang Self-Administered Zone. In essence, the ten individuals currently under arrest warrants oversee Kokang's military, administration, and business sectors and are all also disciples of the former leader Bai Suoqian. Now, though, is a fateful time of reckoning for the Bai family and their associates.

In November, following the Chinese government issuing arrest warrants for the Ming family, the SAC subsequently arrested them. However, the SAC spokesperson dismissed reports of Bai Suoqian's son, Bai Yingcang, being subject to an arrest warrant as false. It will be interesting to see how the SAC handles the current situation. As per **ISP OnPoint No. 17**, the most recent warrant list reveals China's intention to reconfigure power in northern Shan State, specifically by ►

- ▶ tackling online crime and cybercrime through “substituting Bai Suoqian and current leadership in Kokang.”

It is noteworthy that preceding the issuance of warrants for Bai Suoqian and nine others between December 7 and 9, China mediated a dialogue meeting between the SAC’s delegates and representatives from the 3BHA at the Kunming Haigeng Hotel. China claimed that a temporary ceasefire was agreed upon as a result of this meeting. The SAC then announced that further discussions with the 3BHA would take place by the end of December in order to seek political solutions, with China’s assistance. Despite the second meeting being held from December 22 to 24 in Kunming, China, resolutions satisfactory to both parties were not reached.

The crackdown by the Beijing government on *Kyar Phyant* (诈骗) online gambling and the repercussions of the 3BHA’s ‘Operation 1027’ have directly impacted individuals previously favored by the Myanmar military in Kokang. At present, Laukkai remains the sole target yet to be captured by the MNDAA as part of the objectives of ‘Operation 1027.’ Whether Laukkai will eventually be taken through military action or whether political negotiations will succeed in averting urban warfare and the associated destruction depends on the plans of Peng Jiasheng’s son, Peng Deren, who currently leads the MNDAA, the response of the junta, as well as the ongoing impacts of China’s influence in the process.

## ■ Summary of Kokang History

In the mid-1600s, Yongli, also known as the prince of Gui and the last emperor of the Ming Dynasty, fled to Yunnan following the takeover by the Manchu. Accompanying Emperor Yongli was the palace warrior Yang Gaoxue, and one of his two children settled in Kokang. During the era of Yang Gaoxue’s grandson, Yang Xiancai, the Yang family established rule over the area (the modern Kokang region) after eliminating bandits. In the British era, titles of dukes and dominions were bestowed upon those governing Kokang. The British Government rewarded Sao Yang Wenbing with the title ‘*Saopha*’ in 1947. The last *Saopha* was Sao Edward Yang Zhencai. After 1948, the Yang family extended their influence into the ▶

► Burmese parliament and held positions in Kokang's governmental administration departments. While Shan *Saopha* (hereditary rulers of Shan polities) lost their political influence in 1959, the Yangs were able to regain their power. Kokang has a tradition of tribal rulers. From the era of independence until 2009, the Yang, Luo, and Peng families rose to become influential, while the Bai, Wei, Liu, and Ming families also gained prominence after 2009. Cultivation of cash crops other than opium was difficult, and opium remained the main income generator for Kokang.

Following Myanmar's independence, Kokang was officially acknowledged as part of Myanmar, and the Yang family's influence grew. In the 1950s, descendants of Sao Yang Wenbing, including Edward Yang (Yang Zhencai), Jimmy Yang (Yang Zhengshen), and Olive Yang (Yang Jinxiu), held sway in Kokang. They engaged in opium transportation to the Thai border, trained armed groups, and expanded their influence. Subsequently, Luo Xinghan, known as 'The King of Opium', ousted Jimmy Yang. Supported by General Ne Win's government to combat the Communist Party of Burma (CPB), Luo Xinghan received assistance. During this period, Peng Jiasheng, formerly close to Olive Yang, and his brother Peng Jiafu were with the CPB. Despite the CPB reclaiming Kokang from the Kuomintang with China's support, controlling the Kunlong Bridge and moving to the west bank of the Salween River proved challenging. Nonetheless, Peng Jiasheng shifted his focus to the drug trade while leading CPB forces in Kokang. In 1973, Luo Xinghan was arrested after rebelling against the Myanmar government, which had previously favored him.

Peng Jiasheng led a rebellion in Kokang, initially ousting the CPB, and later signed a ceasefire agreement with the State Peace and Development Council (SPDC) in 1989. Kokang was designated Shan State Special Region 1. Peng Jiasheng, the founder of the Myanmar National Truth and Justice Party (MNTJP) and the Myanmar National Democratic Alliance Army (MNDAA), gained notoriety as a prominent figure in the illegal drug trafficking. He was reportedly allowed to attend the 1993 National Assembly. In 1992, a brief drug war erupted in Kokang, leading Peng Jiasheng to temporarily flee to China after losing to Yang Maoliang, a descendant of the Yang family. In 1994, Yang Maoxian, Yang Maoliang's brother, received the death penalty from the Chinese government for involvement in the opium trade. Peng Jiasheng returned to Kokang, and the Peng family's influence ►

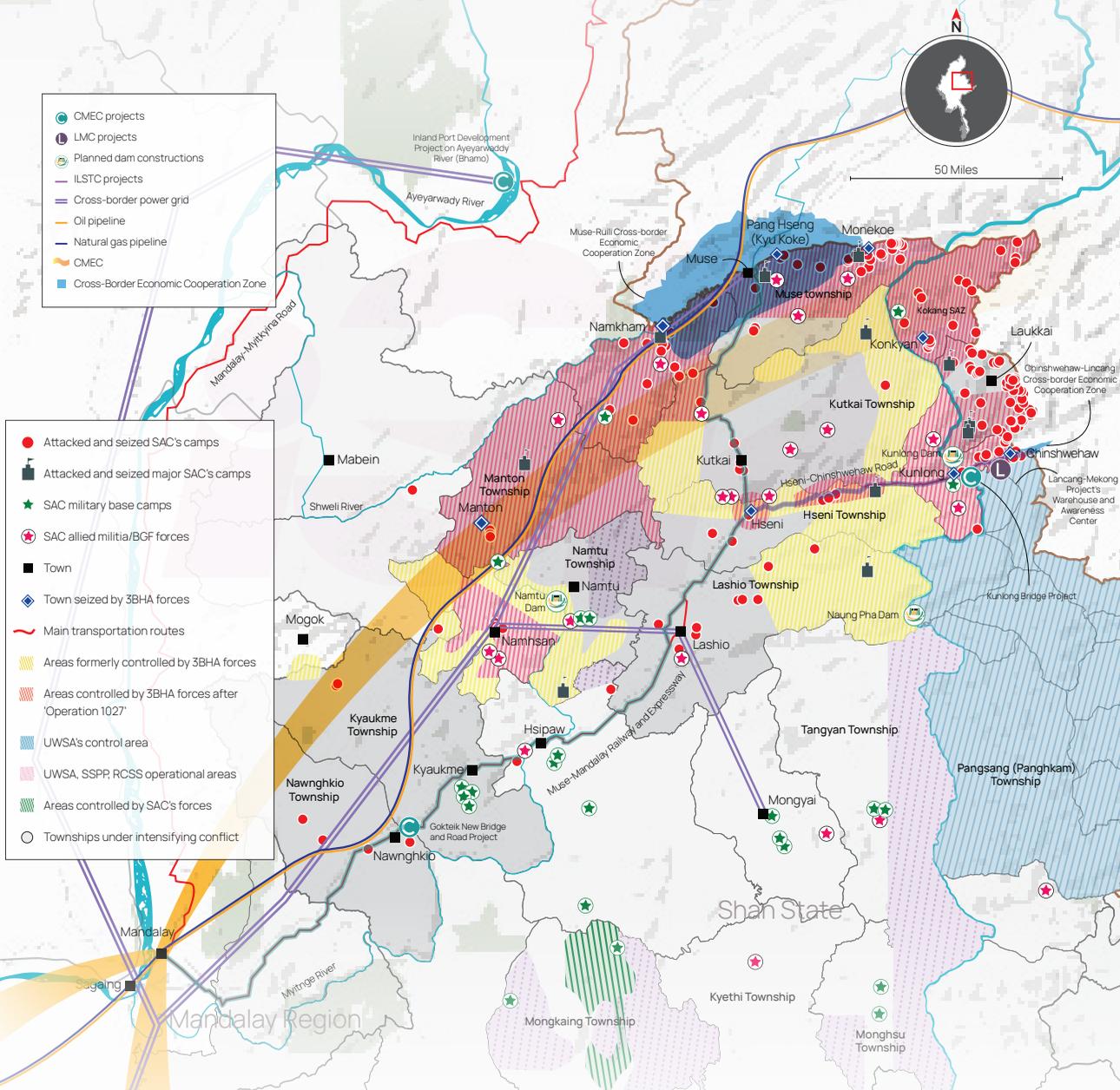
► rose after interventions by Gen. Khin Nyunt and Luo Xinghan in the conflict between the Peng and Yang families. Due to Peng Jiasheng's refusal to transform the MNDAA into a border guard force, clashes occurred with the Myanmar military in 2009. A military operation led by Division 2 Special Operation Chief (Current Chairman of the SAC) Lt. Gen. Min Aung Hlaing was executed. Peng Jiasheng lost and had to flee to Mongla, where his son-in-law Sai Leun, the Chairman of NDAA was located. Bai Suoqian, known for involvement in the drug and arms trade, replaced Peng Jiasheng. Although Bai Suoqian had previously assisted Peng Jiasheng in removing Yang Maoliang from the MNDAA, he aligned with the Myanmar military in ousting Peng Jiasheng. Kokang faced challenges in transitioning away from opium cultivation and, during the Bai era, Laukkai transformed into a city with a prominent gambling sector.

In 2015, under the leadership of Peng Jiasheng, the MNDAA attacked the IB-225 in Konkyan with the aim of gaining control over Laukkai and Kokang. Subsequently, the Ta'ang National Liberation Army (TNLA) and the Arakan Army (AA) worked collaboratively in joint attacks with the MNDAA. Battles took place over a period of five months until June 2015 when a unilateral ceasefire was announced by the MNDAA. The Bai family and Bai Suoqian's associates remained in control of Laukkai and Kokang. After the 2021 military coup, Myint Swe (Li Zhengfu) was assigned Chairman of the Kokang Self-Administered Zone Administration Body by the SAC. Bai Suoqian's son Khin Maung Lwin (Bai Yingneng) was also listed as a member. In November 2023, Myint Swe was removed and Brig. Gen. Tun Tun Myint was temporarily assigned as Acting Chairman.

On February 16, 2022, Peng Jiasheng passed away in Mongla. His son Peng Deren and the MNDAA continue to fulfill his wish to 'regain Laukkai and Kokang,' and 'the return journey of the Peng family' has been carried on up until the era of 'Operation 1027.' As of December 27, 2023, the MNDAA exercises control over Kokang and is only left to seize Laukkai. On the other hand, as Bai Suoqian and the four other influential families of Kokang have been issued arrest warrants by China, 'the return journey of the Peng family' is drawing closer.

## ■ Situation Report on 'Operation 1027' and China's Investment Projects (Oct 27, 2023 – Dec 27, 2023)

Since the launch of 'Operation 1027,' the Three Brotherhood Alliance (3BHA) has captured territories in northern Shan State where several of China's projects are located. According to ISP-Myanmar's data up until December 27, the 3BHA now exercise full control over six project locations as well as partial control over further seven project locations.



Note - Current map only indicates areas controlled by the Three Brotherhood Alliance. There are also many other EAOs controlling various areas of northern Shan State.

Reference - Data is collected by ISP-Myanmar's system for documenting information in armed conflicts and is cross-checked with reports from various independent organizations. Actual military camps' positions and control areas may differ from the situation on the ground.

## ■ Yang Family, One of the Three Most Powerful Kokang Families From the Colonial Era to 2009

### ● Yang Family (1927-1959)



Sao Yang Wenbing  
Saopha of Kokang

His 15 Children



Yang Zhenyuan



Sao Yang Zhencai/  
Edward Yang  
Saopha of Kokang, (Former)  
Minister for Finance of Shan State



Yang Zhensheng/  
Jimmy Yang  
Commander of Kokang  
Defence Force



Yang Jinmei



Unknown



Yang Jinxiu/Olive Yang  
Commander of Kokang  
Defence Force



Yang Zhenhui/  
Martin Yang



Yang Zhenshun/  
Francis Yang



Unknown



Yang Jinping/Jane Yang



Yang Zhenlei/  
Kenneth Yang



Yang Jinmun/  
Judy Yang



Unknown



Unknown



Unknown

### ● Yang Family (1992-1995)



Yang Maoliang  
(Former) Chieftain of  
Kokang PMG Company



(Brother)  
Yang Maoxian  
(Former) Major of MNDAA



Yang Xiaojian  
Major of No. 1006 BGF

— Deceased

### ● Yang Family (2009-2023)

Note – Yang Maoxian was executed in Kunming by the Lancang Police Force in 1994 for his involvement in the illegal opium trafficking. The Yang family then faced political defeat during struggles with the Peng family in 1995. Illustrations are based on official information and images, and generic male and female images are used for unidentified individuals.

## ■ Luo Family, One of the Three Most Powerful Kokang Families From the Colonial Era to 2009

### ● Luo Family



**Luo Xinghan**

Major of Kokang Defence Force, Chief of Kokang Militia,  
Founder of Asia World Company



(Son)

**Htun Myint Naing/  
Steven Law/Luo Pingzhong**  
Managing Director of  
Asia World Company



Children (Unknown)

Deceased

## ■ Peng Family, One of the Three Most Powerful Kokang Families From the Colonial Era to 2009

### ● Peng Family (1989-1992) (1995-2009)



**Peng Jiasheng**

Major of Kokang Defence Force,  
Founder of MNDAA



(Brother)

**Peng Jiafu**

Major of Kokang Defence Force,  
(Former) Co-chair of MNDAA



(Son)

**Peng Daxun/Peng Deren**  
Commander of MNDAA



(Son)

**Peng Dali**



(Daughter)

**Peng Xinchun/  
Nang Yin**



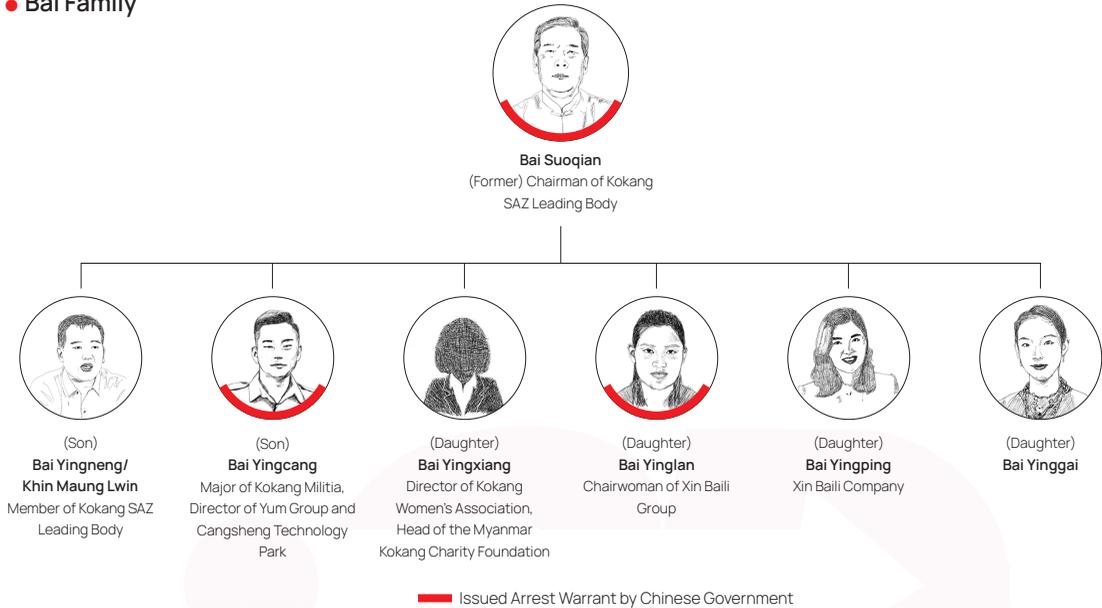
(Son-in-law)

**Sai Leun/Lin Mingxian**  
Shan State Special Region 4  
(Mongla) Chieftain,  
Chairman of NDAA

Deceased

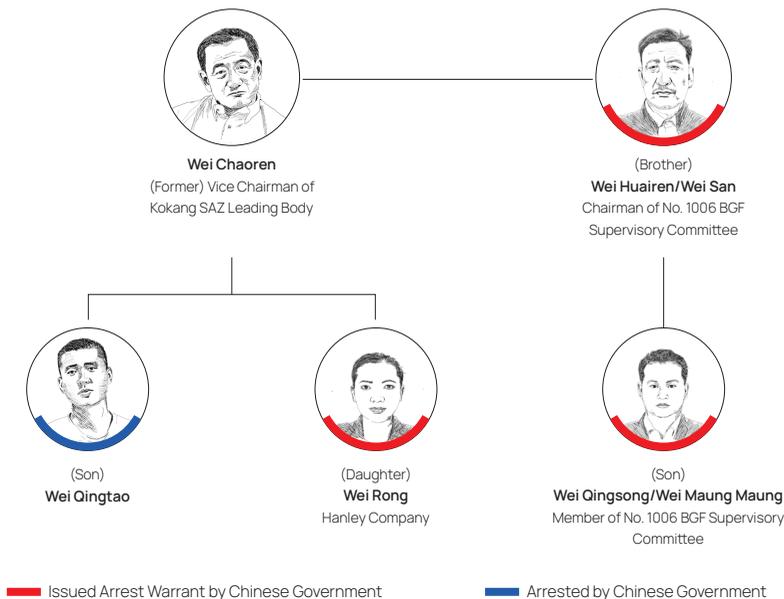
## ■ Bai Family, One of the Four Most Powerful Kokang Families From 2010 to Present

### ● Bai Family

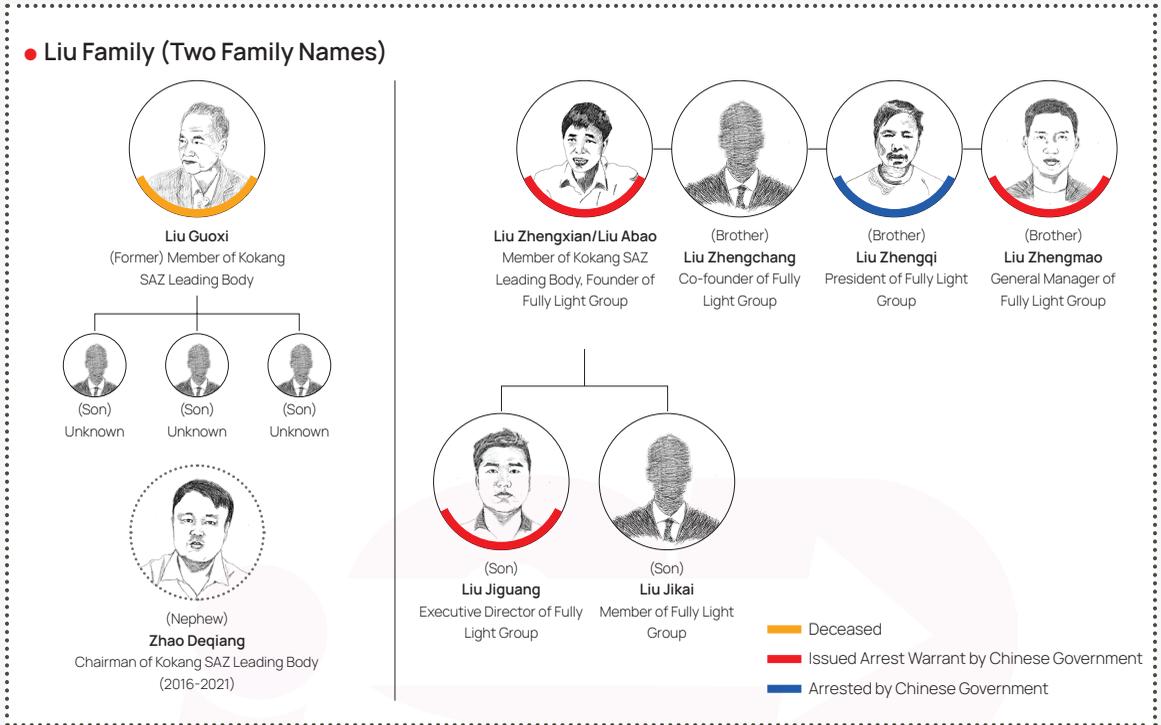


## ■ Wei Family, One of the Four Most Powerful Kokang Families From 2010 to Present

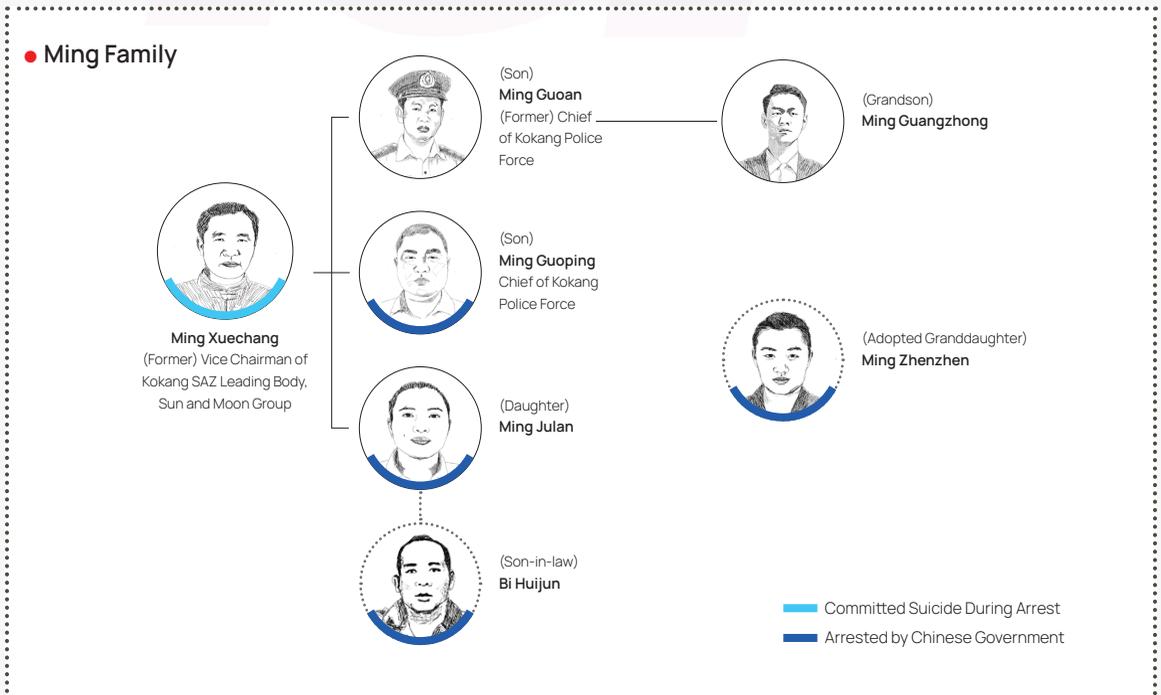
### ● Wei Family



## ■ Liu Family, One of the Four Most Powerful Kokang Families From 2010 to Present



## ■ Ming Family, One of the Four Most Powerful Kokang Families From 2010 to Present



## 2. 'Operation 1027' and China's Growing Influence

After 45 days since the launch of 'Operation 1027' by the 3BHA, China has begun to exert its influence. Representatives from the SAC and the 3BHA met at the Kunming Haigeng Hotel from December 7 to 9. During the meeting, Special Envoy for Asian Affairs of China Ministry of Foreign Affairs Mr. Deng Xijun, attended as a witness on behalf of the Beijing. The meeting, reported on December 11 by China and the SAC, primarily discussed a temporary ceasefire, prisoner of war exchanges, and war refugee assistance. According to China, discussions achieved a 'good result' that would benefit the interests of all parties. The SAC announced plans for another meeting by the end of December, meaning the SAC reaction to the situation with the 3BHA was now being overseen by China in its pledge to assist Myanmar in resolving its political issues. The two sides did meet again for a second time from December 22 to 24 in Kunming, China, but no significant agreements were made.

After the first meeting in Kunming, clashes between the MNDAA and the SAC reduced in number. However, SAC clashes with the TNLA and AA, especially with the TNLA and its joint forces, which saw an increase. Since December 11, the TNLA and joint forces were able to seize Namkham, Namhsan, and Manton as well as three townships. The MNDAA was also able to capture Yanlonkyaing (Yan Long Zhai) border gate in Laukkai on December 18 and some battles with the SAC forces also occurred around Laukkai. Due to this incident, on December 20, the China's Ministry of Foreign Affairs requested all armed groups to halt operations.

Details of any agreements reached during the Kunming meeting were not officially announced by the SAC nor the 3BHA. However, on December 12, a draft of the Ridge Consensus in Chinese and English widely circulated on social media. There is no evidence where the draft originated, but it has been assumed that the 3BHA, leveraging its media power, including strong social media presence, chose not to release it. Although both sides have not formally announced any agreements, the draft released on social media included a seven point plan as the 'Agreement for Ending Conflict in Northern Myanmar.' These points included:

- A ceasefire and the end of war operations before December 2023
- The release of war and related prisoners
- Ensuring the safety of civilians
- Aiding war refugees

- ▶ - Refraining from attacking civilian locations
- With the help of China, eliminating online crime in areas under military control, and arresting and transferring Kyar Phyant gang members and associates to the Chinese government
- Embracing peace, and not being disruptors of peace.

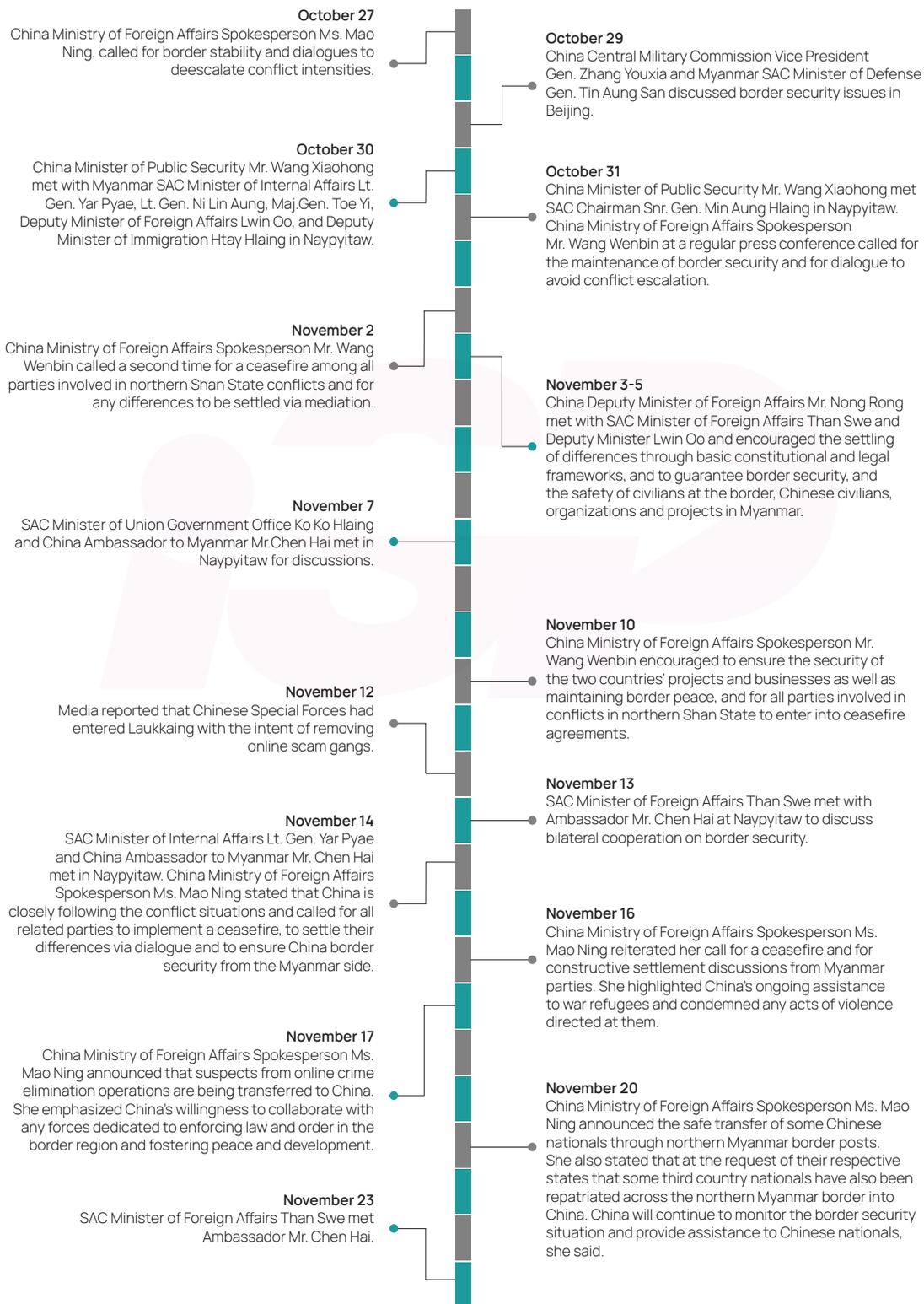
Moreover, the leaked document showed agreements for MNDAA being allowed to return to Laukkai, parties engaging in political dialogue to find solutions, the 3BHA not attacking Laukkai in strength, and the 3BHA cooperating with the SAC military in regulating and strengthening the flow of trade at cross-border gates.

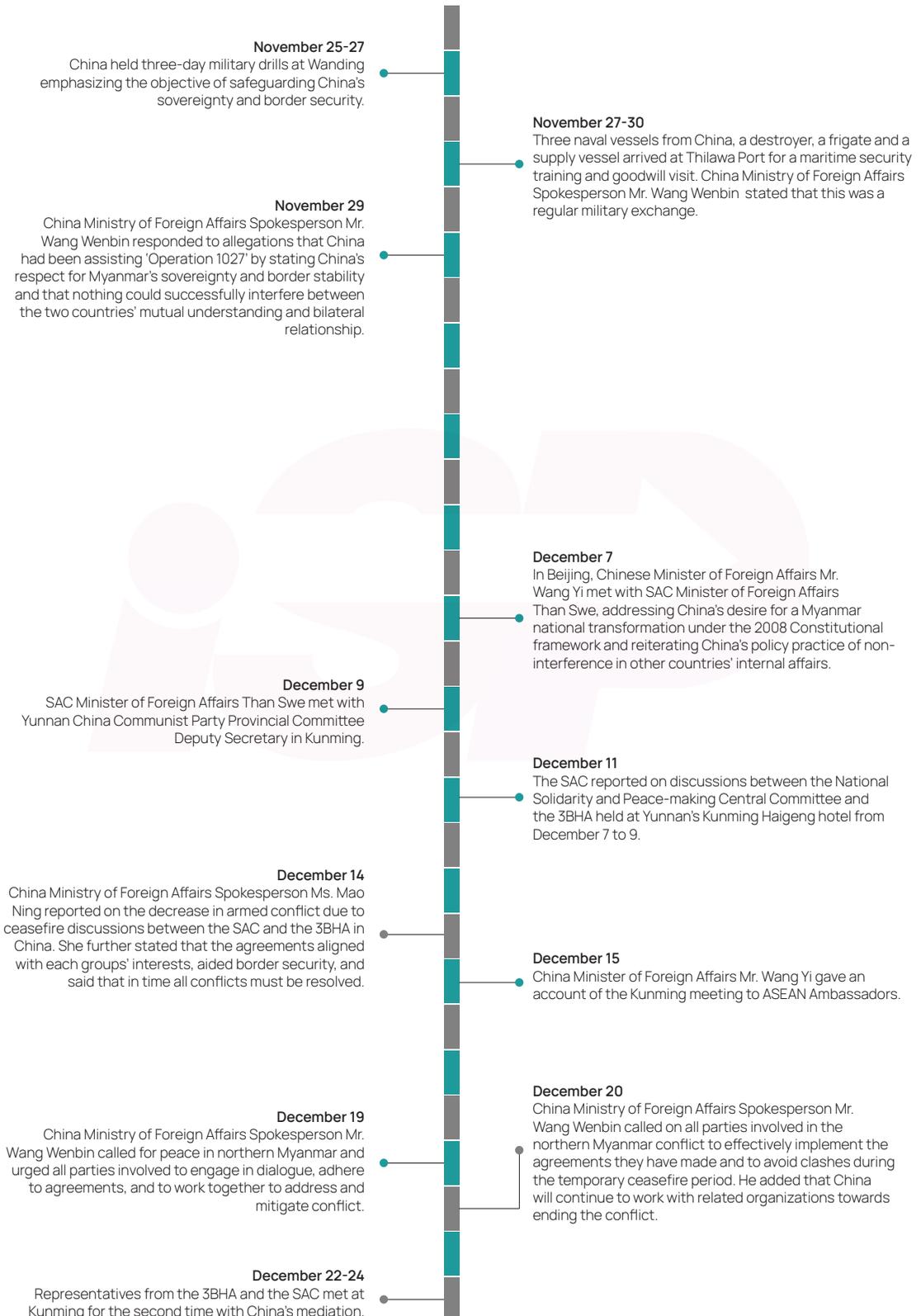
After the second meeting in Kunming, no clear response from either the 3BHA or the SAC was released. There were also no immediate reports on the results of bilateral discussions between both China and the SAC. However, according to media reports, the 'Haigeng Agreement' from the first meeting to cease fire until the end of December was further discussed. Relocation of forces from both sides and reopening China-Myanmar border trade were also discussed, but no agreements were made. Media reports also suggest that a third meeting will take place in January 2024. In a BBC (Burmese) video interview released on December 26, TNLA Gen. Sec. Gen. Tar Bone Kyaw stated, "As the battles intensify, China is pressuring us to stop the fight. All three of our forces are trying to find an answer to overcome this issue."

ISP-Myanmar has analyzed the major outcomes since the launch of 'Operation 1027' in three OnPoint publications. OnPoint 17, released on November 10, highlighted the signaling effects of 'Operation 1027.' China's power reconfiguration in northern Shan state was also analyzed across three key factors. 'Operation 1027' may be implicitly permitted by China, however Myanmar's conflict actors are not just passive actors but demonstrated their own agency and they can reinvent their positions within the given situation to maximize their strategic options.

OnPoint 18 from November 12 also highlighted that China is willing to accept 'Operation 1027,' which implies that a short-term conflict in the northern Shan State and Salween River basin lasting up to three months might be tolerated, considering the broader political, security, and economic factors mentioned above. However, if the conflict were to escalate and extend to Naypyitaw, and if the National Unity Government (NUG) and its People Defense Forces (PDF), ▶

## ■ China-Myanmar Relations Since 'Operation 1027' (Oct 27, 2023 – Dec 25, 2023)





- ▶ groups that China is suspicious of due to their links with Western countries, were to play a significant role, it could potentially disrupt the power balance in Myanmar and even lead to the replacement of the current junta. In such a scenario, China might be hesitant to accept the consequences. Furthermore, if the conflict persists, the probability of other powers, such as Russia or the United States, getting involved increases. In this situation, China would have a vested interest in ending the conflict as soon as possible. The unforeseen risks associated with being closely tied to the border conflict area would undoubtedly be assessed by China. The unexpected twists and turns of various dynamics make it difficult to achieve a straightforward outcome in any conflict.

**ISP OnPoint 19**, published on December 5, additionally highlighted that if 'Operation 1027,' conducted by the 3BHA forces, is successful in occupying a satisfactory number of territories, expanding their sphere of influence, and controlling economically significant areas and transport routes, then the operation's momentum could rapidly slow or even come to a halt. If the United Wa State Army (UWSA) and Kachin Independence Army (KIA) were to actively collaborate with the 3BHA operation, unless they pursued their own military or political objectives, the combined resistance could lead to an all-out (a total) civil war. Therefore, it is crucial to closely monitor how larger armed groups, such as the UWSA and KIA, decide to act, as it demonstrates one of the most important 'signaling effects' of the armed resistance. If the 3BHA and other major Ethnic Armed Organisations engage in the conflict with limited objectives, even if restrained or entered a truce due to various reasons, including pressure from China, they can still support the People's Defense Forces (PDF) and Local Defense Forces (LDF) under their sphere of influence. This support could strengthen a strategy to wear down and weaken the junta military. Finally, in the event that 'Operation 1027' does not lead to an all-out (a total) civil war, the outcomes of the operation could lead to a 'protracted war.'

ISP-Myanmar has often highlighted how China handles Myanmar with a frontier management strategy. As 'Operation 1027' intensifies, China's Southern Theater Command engaged in a three-day military exercise on November 25 along the China-Myanmar border. China clarified that these maneuvers are aimed at safeguarding sovereignty, border security, the security of Chinese nationals, and emergency defense, explicitly disavowing any intent to interfere in Myanmar's internal affairs. This seems to be a response to the possibility of spillover effects into Chinese territory from Myanmar's 'Operation 1027.' Concurrently, three naval ▶

► ships along with 700 Chinese soldiers led by Senior Captain Sun Bo arrived at Thilawa Port Terminal on November 27. The 44<sup>th</sup> PLA Navy Escort Task Group (ETG) that has been on a goodwill visit arrived three weeks after Russia-Myanmar marine exercises. China appears to be sending a message that it is unwilling to permit interference in Myanmar's internal conflict by other major powers. Simultaneously, there is a clear prioritization of political stability, with Beijing assuming the role of a conflict mediator, to ensure the safety of Chinese nationals and Chinese interests. China seems keen to avoid a scenario akin to the Libya civil war, where tens of thousands of Chinese nationals had to be evacuated due to regime change—a situation China aims to avoid in Myanmar.

### 3. Regaining Momentum on the Kyaukphyu Special Economic Zone (SEZ)

The SAC has concentrated its efforts to implement the Kyaukphyu SEZ (one of the strategic projects under CMEC), which will secure an Indian Ocean gateway for China. Since the launch of 'Operation 1027,' the 3BHA has captured territory in northern Shan State where six China projects are located as well as gaining partial control over other project sites (**see ISP OnPoint No. 18**). Throughout 'Operation 1027,' battles have been fought in northern Rakhine area, in particular around the India-invested Kaladan Multi-Modal Transit Transport Project. While there has yet to be significant impact from the action, the potential impact also expands to the Kyaukphyu SEZ and a 15-mile radius surrounding it, potentially affecting Chinese investments in the region.

Nonetheless, the SAC is attempting to begin implementation of the Kyaukphyu project in early 2024. Ms. Cao Jing, Minister Counselor of the Chinese Embassy in Myanmar, and Mr. Xi Guohua, China International Trust Investment Cooperation (CITIC) Group's Chairman, met with Aung Naing Oo, Union Minister of Commerce, and Chairman of Myanmar Special Economic Zone Central Working Body to discuss contract preparations for the Kyaukphyu SEZ. An Addendum to the contract was signed under the leadership of General Mya Tun Oo on December 26. As the SAC ordered to start the implementation of the project as soon as possible, the Rakhine State Administration Council and SEZ Management Committee met on November 3 to prepare the project site. Deliberations included decisions on land acquisition and compensation plans for affected areas. Concurrently, SAC plans are underway to establish a Myanmar Government ►

- ▶ Designated Entity (GDE) Consortium, with the Ministry of Commerce's Myanmar Trade Promotion Organization issuing a call for expressions of interest from November 6 to December 15.

China and Myanmar have also signed three Memoranda of Understanding (MoU) and a contract agreement as a part of the Bangladesh, China, India and Myanmar Economic Corridor (BCIM). The three MoUs concern the Kanpaikti-Myitkyina-Pansaung highway project, the Tengchong-Myitkyina-Pansaung Logistic Service project, and the Kanpaikti Cross-border Economic Cooperation Zone. An additional contract was signed on October 22 in Yunnan Tengchong, concerning aid funding for highway and bridge construction. In addition, on November 7 the SAC signed an agreement with Power China Resources Limited to purchase energy generated from solar power plant factory projects in Kye Ohn Kye Wa, KinTar and Sidoktaya. A combined 90 megawatts produced by these three projects will be distributed to Magway and Mandalay regions. While the Kunlong Bridge has been completed and an opening ceremony was set to take place on November 11, due to the ongoing conflict in northern Shan State, the ceremony has yet to take place. The new Kunlong Bridge crosses the Salween river and was one of the earliest CMEC projects and the first project to be completed. The new bridge along the Hseni-Chinshwehaw road as well as the old suspension bridge beside it were seized by the MNDAA and joint forces on November 12.

#### 4. Lancang-Mekong Cooperation Summit Attended by the SAC Chairman

The Lancang-Mekong Cooperation (LMC), which had been on hiatus for over three years, resumed online on December 25, with SAC Chairman Snr. Gen. Min Aung Hlaing in attendance. Myanmar and China had co-chaired the Lancang-Mekong Cooperation meetings from August 2020 to December 2023. During the period of operation, summits were supposed to be held every two years, along with other related meetings. The 2021 coup in Myanmar resulted in legitimacy issues for the military leadership in international fora, leading to invitations being revoked for the SAC Chairman for ASEAN summits and other regional summits. While China had initially paused the LMC summit, they later resumed it and allowed the SAC Chairman to attend. Therefore, this latest fourth LMC summit became the first regional meeting that the SAC Chairman was able to attend.

China Premier Mr. Li Qiang co-hosted the meeting with the SAC Chairman while ministers from Cambodia, Lao, Thailand, and Vietnam attended. At the summit, LMC developments were analyzed, and both the Naypyitaw Declaration and the Lancang-Mekong Cooperation Five-Year Plan of Action (2023-2027) were confirmed. In documents from China, the SAC Chairman was referred to as the 'Myanmar Leader' rather than as 'Prime Minister' (self-identified title) as other country leaders in attendance were. It is significant that in the reconstituted online summit China has persisted with Myanmar as Co-chair given that Myanmar's three-year term as Co-chair is set to expire soon as well as the meeting occurred after China intervened to contain the expansion of conflict between the SAC and the 3BHA.

Following China's grand reopening after Covid-19, most LMC meetings have taken place in person. The 8<sup>th</sup> LMC Foreign Ministers meeting was attended by SAC Foreign Affairs Minister Than Swe on December 7 in Beijing. The 10<sup>th</sup> High Officials meeting was held from November 3 to 5 in Naypyitaw, with Assistant Minister of Foreign Affairs Mr. Nong Rong in attendance. Mr. Nong Rong announced that the Lancang-Mekong Economic Development Belt proposed by Mr. Wang Yi from the previous meeting would receive more funding.

■ Lancang-Mekong Cooperation Special Fund Projects in Myanmar (2017 - 2023)

Project Batch	Number of Projects	Funding Amount in USD
2017	10	2.4 million
2018	19	7.2 million
2020	22	6.8 million
2021	22	6.1 million
2022	19	4.9 million
2023	14	3.8 million
Total	106	31.2 million

With LMC special fund from 2022, the Mekong-Lancang Project's Crop Yield Assessment Center Opening took place on November 7 in Naypyitaw. The Agricultural Management and Statistics Department stated that cultivation techniques employing drones will be used. The Lancang-Mekong cooperation, a regional integration effort spearheaded by China to extend its influence in the Mekong region, encompasses numerous projects. As of 2023, among the 779 LMC special funding projects across member countries, Myanmar hosts over 106 projects valued at USD 31.2 million. LMC projects are implemented in Myanmar by the Ministries of Agriculture, Livestock and Irrigation, Science and Technology, Cooperatives and Rural Development, Religious Affairs and Culture, Natural Resources and Environmental Conservation, and Home Affairs. Addition-ally, President Xi Jinping's Global Security Initiative (GSI), Global Development Initiative (GDI) and Global Civilization Initiative (GCI) are also to be implemented through the LMC.

## 5. Launch of the Cross-Border Interbank Payment System (CIPS)

China's Cross-Border Interbank Payment System (CIPS) is now operational in Myanmar. At Industrial and Commercial Bank of China (ICBC) Yangon Branch, yuan payments can now be made on bilateral trade and investments. Myanmar financial institutions will now be able to connect to global CIPS clearing and settlement networks from inside Myanmar. ICBC Yangon Branch connected to the CIPS system on October 18 and interbank cross-border yuan payments started on October 23. The China-Myanmar bilateral yuan payment trade system began in 2021. In order to bypass the SWIFT system sanctioned by Western countries, the SAC will use China's CIPS to connect with international banking institutions. Later, domestic Myanmar banks could use the Central Bank of Myanmar Financial Network System (CBM NET) to connect with CIPS, becoming an indirect participant.

In terms of physical trade though, China-Myanmar border trade has taken a hit. Since fighting began in northern Shan State, border trade with China has effectively halted. Trade through the Muse and Chinshwehaw border gates, which together ordinarily accounts for 91 percent of total border trade between China and Myanmar, is now losing an average of USD 9 million per day (see ►

## ■ Cross-Border Interbank Payment System

The People's Bank of China (Central Bank of China) founded the Cross-Border Interbank Payment System (CIPS) in 2015. The objective is to increase the use of yuan in settling international trade. However, the usage of CIPS remains much lower than SWIFT. CIPS provides a wholly China-controlled cross-border payment clearing and settlement service. This means that international trade, investment and remittance can be done entirely within the CIPS system, bypassing the SWIFT system. The Industrial and Commercial Bank of China is a China state-owned commercial bank and a direct participant in the CIPS system. All 80 CIPS direct members are supervised by the People's Bank of China.

- ▶ **ISP OnPoint No. 18).** Trade ordinarily also takes place through eastern Shan State Special Region 4's Mongla and China's Daluo border gates. On November 12, Shan State Special Region 4 Tax Department announced a 50% reduction in trade tax starting from November 13, 2023. And the SAC Department of Commerce announced on November 8 that trade with China will also become available through other border gates as well as the trade via maritime.

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# Gabyin Community

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