

## **Sino-Myanmar Relations and its impact on the region**

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### **Introduction**

Though engaging with Myanmar may be part of China's overall economic offensive as a "soft power" in the South East Asian region, its relationship with Myanmar is on a special footing because of strategic and geo-political reasons, particularly the access to the Indian Ocean. China is also known to protect the rogue states of the world which includes Myanmar along with the likes of Sudan, Iran and North Korea. Energy Security is another important factor for China to cultivate Myanmar with its abundance of natural gas. China is involved in over 62, hydro, oil, gas and mining projects in Myanmar.

"Beijing's influence in Burma may be waning but its political leverage over Naypyidaw is still greater than that of the US and EU combined" writes Ko Ko Thett (The Irrawaddy, September 11, 2010). The US is concerned over China's activities in SE Asia and the US-China Economic and Security Review Commission (USCC) met in February 2010 and again on January 26, 2011 to study the implications for US interests in the region. The Barrack Administration has also started realigning in its policy over South East Asia in general and Myanmar in particular.

### **"paukphaw" Relationship of Sixty Years**

The relationship between China and Myanmar is often referred to in Burmese language as "paukphaw" (fraternal). China and Myanmar celebrated the 60th anniversary of their diplomatic relations in June 2010 when Chinese Premier Wen Jiabao visited Myanmar. Myanmar (Burma) was one of the first countries to recognize the PRC on Dec. 17, 1949 and established diplomatic ties on June 8, 1950. In 1954 China, Myanmar and India jointly proclaimed the Panchsheel (or the five principles of co-existence) which became the basis for international relations and was adopted by the Non-Aligned Movement. These principles were included in the Sino-Burmese Joint Declaration of 29 June 1954.

This sixty-year relationship has progressed steadily with frequent exchange of high level visits. China was perhaps the sole country which did not condemn the crackdown on the pro-democracy uprising in Myanmar in 1988. Myanmar reciprocated identically on the Tiananmen incident in 1989. Since then China has been supporting Myanmar, diplomatically, economically and militarily and has recently surpassed Thailand as the largest investor in Myanmar.

On the negative side, China was supporting the Communist Party of Burma from 1968 to 1985. The relations were marred in 1967 when there were anti-Chinese riots in Yangon and the Chinese embassy was stormed. There was a setback in the relations in August 2009 when the Myanmar military action in Kokang close to Chinese border caused an influx of over 30,000 refugees into China

### **Diplomatic Relations**

In the last 60 years of diplomatic relations between these two countries, China has used pressure,

persuasion, economic and military assistance, and protection from the international community for the military regime in order to achieve its strategic and economic goals.

“China’s action at the UNSC (exercising the veto power) underscores its confirmed position as Burma’s most valuable ally. Since the early 1990s Burma has viewed China’s veto power at the UN as its ultimate insurance policy against an East-Timor-Style international intervention” -- Kanbawza Win (Burma Digest – 13 January 2011). If the sanctions of the West had no impact on the military regime it was all due to the whole hearted support of China though it had its own vested interests. China has stood by the military regime, at the time of pro-democracy uprising in 1988. China had supported the former premier Khin Nyunt (an ethnic Chinese) and had high hopes on him to help its influence over Myanmar and hence was upset when he was purged (2004).

Though the military rule suited China, it’s attitude towards Myanmar seems to have undergone a change since 2006. Some analysts are of the view that China had exerted pressure on the military junta to move towards political reforms and adopt a less confrontational course with the UN. China hailed the multiparty elections held in November 2010, which was condemned by most of the western nations. It has also felicitated Myanmar for convening the parliament on 31 January 2011 after two decades and thereby completing its road map to democracy. China was the first to commend Myanmar’s new leadership. President Hu Jintao sent his congratulations within hours (on February 4, 2011) to Thein Sein who was appointed president.

### **China and Ethnic Groups of Myanmar**

China has a 2192 km long land border with Myanmar in the Kachin & Shan states where some of the major ethnic armed groups are present with some major tracts under their control. The major groups are the United Wa State Army (UWSA), Kachin Independence Organisation (KIO) and National Democratic Alliance Army (NDAA). Some of these groups are ethnic Chinese. China’s main concern is stability on its border and economic development of the landlocked inland states.

Since 1985 when China stopped supporting the CPB, these groups are not getting any moral or material support from China but are looking up to China for negotiation or mediation with the military junta in helping their cause. These ethnic groups entered into a ceasefire at the first instance under pressure or advice from China. The ethnic nationalities are aware that China’s support is provisional and driven by its own economic and security interests.

Since April 2009, the ethnic armed groups are under pressure to disarm and transform into border guards. The military junta was aiming to achieve this transformation prior to the elections in November 2010 which did not materialise.

China was taken by surprise when the military junta launched an attack against the Myanmar National Democratic Alliance (the Kokang Group) in August 2009 that forced over 20,000 Kokang residents (ethnic Chinese) to flee into China. Hence China is apprehensive that the military junta may attempt such ventures with other armed groups on its border to enforce them to disarm and transform into border guards.

There is divergence between Beijing and Kunming in their interaction with the ethnic groups. Most border groups interact directly with the Yunnan government. This is mainly due to the provincial (Yunnan) government’s desire to expand the trade opportunities, while Beijing is more worried about the security of the border areas.

China has a key role to play in the future of these cease fire agreements. Till now China has manipulated both the ceasefire groups and the military junta to negotiate to ensure peace on its

border and economic development of the neighbouring provinces.

### **Military Assistance**

The armed forces of Myanmar have grown exponentially since 1988. Analysts are of the view that the expansion is not based on the fears of external threat but more because of the continuing civil war with ethnic armed groups and inhibition for national reconciliation with the pro-democratic opposition groups.

Most of the military equipment that Myanmar has is from China. Though there are no definite figures, it is estimated that under an arms deal in the early 1990s China had supplied US \$ 1 to 2 billion worth of arms under which Myanmar acquired Chinese made F-7 jet fighters, naval patrol boats, tanks, armed personal carriers, light arms, anti-aircraft guns and missiles, ammunition and other logistic and transportation military equipment. China undertook to train Myanmar's air force and army personnel. Another US \$ 400 million worth of arms were supplied in 1994. Besides training armed forces officers, seats were earmarked for the Myanmar officers in the Chinese Staff Colleges.

Though the Myanmar armed forces were not happy with the quality of the arms supplied to them, they had no choice since no other country had come forward to meet their requirements and secondly they were supplied to them under "friendship prices" with interest free loans.

From 2002-2004, China trained Burmese Navy officers and conducted joint naval exercises along Burma's Southern Coast.

In 2003, China helped Myanmar by building an 85 metre jetty along with reconnaissance and electronic intelligence system on the Coco Island, close to India's Nicobar Island.

The first ever port call to Myanmar by the Chinese Navy was in end August 2010 when two Chinese warships (Guangzhou and Caogu class) visited Rangoon's Thilawa port and were docked there for five days. These ships were on their way home after participating in international piracy efforts in the Gulf of Aden.

Recently (2010) the Myanmar air force acquired 50 K-8 Karakorum jet fighters from China.

Since the 1990's China has been assisting Myanmar in modernisation of the Myanmar naval facilities at Hainggyi Island, Great Coco Islands, Akyab, Kyaukpyu and Mergui, all in the Bay of Bengal.

### **Bilateral Trade**

Chinese commodities account for 80 per cent of Myanmar's imports. A media report indicates that out of 20 billion dollars of foreign investment for big projects that have come up since 1988, China's share is 12.3 billion dollars.

"Chinese investment and trade in Myanmar is growing dramatically. The amount of Chinese investment between April and August 2010 was two thirds of China's total investment in the country over the past two decades. Chinese companies have invested \$8.17 billion since March 2010 alone, including \$ 5 billion in hydropower, \$ 2.15 billion in the oil and gas sector and \$997 million in mining. Accompanying this increase in Chinese investment is fast growth in bilateral trade in the first four months of 2010, it jumped 76.8 percent. Total trade in 2009 climbed by 10.7 percent, a figure expected to continue to rise sharply in 2010. While trade is increasing, so is Myanmar's trade deficit with China. In the first four months of 2010, China exports were four times the amount of those from Myanmar." - International Crisis Group update briefing dated

21st September 2010.

China's imports from Burma are timber, teak, gem, seafood, marble, coal and nickel.

China exports to Burma electronic devices, heavy construction machines, electric cables, communication equipments, household appliances, chemical, medicines and agricultural machine and technology. Burma plans to export to China 596 items, including meat, dairy products, fruits and vegetables.

China is Myanmar's second largest trading partner for long and the top investor now. China is already Myanmar's top provider of Foreign Direct Investment.

## **Oil and Gas**

According to a report of Earth Rights International, 16 Chinese oil companies were invested in Myanmar in 2008. Since then more companies must have entered into the fray.

**Pipeline** -- China National Petroleum Corporation (CNPC), China's largest oil company, is constructing a dual oil and gas pipeline from Myanmar's western coast to China's Yunnan Province. Within Myanmar the Company will build a 793 km – long gas pipeline and a 771 km – long crude pipeline. The construction of the pipelines officially started on June 3, 2010 after premier Wen Jiabao's visit to Myanmar.

In a related project China's Qingdao Port has signed an agreement with CNPC to build and operate a wharf in the Arakan Coastal town of Kyauk Phyu in Myanmar. The deep sea port of Kyauk Phyu is also being developed by China. It is estimated China will annually Channel 22 million tons of oil and 12 billion cubic metres of gas to Yunnan Province from this wharf at Kyauk Phyu.

**Exploration** -- According to a Reuters report (January 6, 2011) Myanmar has been exploring oil/ gas in 49 onshore and 26 offshore blocks. Media reports indicate that Sinopec International Petroleum (SIPC) has discovered proven reserves of 909 billion cubic feet of gas 7.16 million barrels of concentrate in Pathilon field (central Myanmar) and in Mahutaung region (520 miles northwest of Yangon) with a capacity of 2.1 million cubic feet per day. Sinopec has been exploring oil and gas in Myanmar since 2004. A Xinhua new agency report of Jan 2007 indicated that China National Petroleum Corporation (CNPC) has signed production sharing contracts with the Myanmar Oil and Gas Enterprise for oil and gas exploration in a number of onshore and offshore blocks.

## **Hydro Electric Projects**

In February 2010 Myanmar's Ministry of electric Power and the Chinese companies signed an agreement for the Upper Salween (Kunlong) Hydropower project with a projected energy – generating capacity of 2400 kilowatts. This is close to the Chinese border and the area occupied by the UWSA.

The Irrawaddy (31 January 2011) reports that almost all of the electricity expected to be generated by hydropower dams now under construction in Myanmar will be sold to China and Thailand, with just one per cent going to domestic consumers. The report adds that Chinese companies are involved in all but one of 21 major dam projects currently underway in Myanmar. A project report on the impact of these dams on rivers in Myanmar indicates that “since China is the main investor in the dam projects, it will receive most of the electricity. China will get 48 %, while 38 % will go to Thailand and 3 % to India. Only 1 % will be available for domestic consumption”.

The biggest project is the Myitsone dam in Kachin state where China Power Investment has reportedly invested 120 billion RMB with the output expected to surpass the Three Gorges Dam. This Chinese project has been criticised by many human rights groups for having displaced over 15000 locals, depriving them of their livelihood and altering the bio-diversity of the area and the river.

### **Airport Construction**

A Chinese company has been entrusted with the construction of an airport near Nay Pyi Daw, the capital of Myanmar. The work started on this project in 2009 and is expected to be completed in early 2011. China Communications Construction (CCC), has invested over US \$ 100 million in this project for which the total outlay is around US \$ 250 million.

### **Rail Links**

A proposal is under construction for a 1920 km rail link between Kunming, the capital of China's Yunnan Province and Yangon, with plans to extend the line up to Tavoy where a major port development project of Thailand is coming up.

There are also plans to construct a railway line along the dual gas and oil pipeline (already under construction) linking Kyauk Phyu in the Arakan state and Kunming.

A rail link running through Shan state from Kunming to the Thai town of Chiang Rai is being planned. This link will be connected to the Thai rail network.

Media reports indicate that two more rail links between the Chinese town of Dali with Myitkyina and Lashio are being planned.

China has also agreed to upgrade Myanmar's rail stock.

### **Drugs**

One of the major concerns of China in its relations with Myanmar, is the drugs flowing into Yunnan (China) especially through the Ferry crossings on the Mao-Ruli river that serves as the boundary between China and Myanmar in this area. A report of the UN office on Drugs and Crime (UNODC) indicates that much of the drugs move into China from the three self-administered regions in the Shan state of Myanmar.

### **Loans & Aids**

Between 1962 and 1994 China gave Burma roughly \$62.5 million aid (Genser Jared. Testimony to U.S.-China Economic and Security Review Commission. August 3, 2006)

Consequent to Senior General Than Shwe's visit in 2003, China offered Myanmar a preferential loan of US \$200 million and a US \$6.25 million grant.

In 2005, China has committed US \$100 million in aid to Burma (Japan Focus, 2006).

In June 2006, China publicly agreed to provide Burma with a special low-interest loan of \$ 200 million for five unspecified government ministries. (Genser, Jared. Testimony to U.S.-China Economic and Security Review Commission, August 3, 2006).

In 2009 Myanmar had received a loan of US \$ 1.2 billion for economic development and

information technology development.

The Irrawaddy (September 21, 2010) reports that China has agreed to give Myanmar a 30 billion Yuan (US \$ 4.2 billion) interest free loan during the visit of Senior general Than Shwe to China (September 7-11, 2010). “The 30 year loan is intended to help fund mass hydropower projects, road construction, rail development and information technology development”.

A Chinese media report indicates that on 28 January 2011, the Ministry of Finance and Revenue of Myanmar and the Export-Import Bank (Exim bank) of China had signed agreement on bank loans for mutually beneficial cooperation and for a project concerning new air port at Nay Pyi Taw.

### **Telecommunications**

According to the country’s Ministry of Post and Telecommunications, most CMDA phones used in Burma are imported from a Chinese company called Huawei Co. Ltd.

### **Roads**

China is involved in renovating the Stilwell road constructed during the Second World War. According to the The Telegraph, the road which stretches from Myitkyina to Pangsau near the Indian border will be rebuilt by the Yunnan Construction Engineering Company in a joint venture with Burma’s Yuzana group.

A China-Myanmar-Bangladesh tri-nation road network is under consideration.

The “Irrawaddy Corridor” which envisages establishment of road links between China’s Yunnan Province with Myanmar and a railway connection between Kunming (China) and Lashio (Northern Myanmar) will help the economic development of China’s SW provinces (Sichuan, Guizhou and Yunnan).

### **Chinese Population in Myanmar**

According to a media report, Myanmar is home to more than two million Chinese nationals without taking into account the illegal Chinese population in the border areas especially in areas occupied by ethnic armed groups and those involved in illegal border trade in and around Ruili, the border town in the Yunnan state. In the city of Mandalay alone there are over 200,000 Chinese, who control the business in the city with the Chinese currency and with direct contacts with Kunming (Yunnan Province). This is an additional source for economic gains to China from Myanmar.

### **Impact of the Sino-Myanmar Relations on other Countries**

**ASEAN:** In the early 90s, Thailand also a neighbouring country of Myanmar was becoming wary of China’s strategic inroads into Myanmar. ASEAN was also worried about the increasing influence of China over the other countries in the region. To balance this and to adopt a common strategy towards China, ASEAN (under Thailand’s insistence) decided to accept Myanmar and Laos as members of the grouping in 1997 and Cambodia in 1999.

Since then ASEAN has resorted to “constructive engagement” with Myanmar (despite pressure from US) and the member nations also increased their diplomatic and trade relations with Myanmar.

However China-ASEAN relations have greatly improved in the last decade or so.

**European Union (EU):** The European Union has adopted a similar position to that of the US in imposing sanctions. The EU has exerted pressure more on ASEAN to use its influence for effecting political reforms in Myanmar.

The Asia-Europe Meeting (ASEM), which strongly favoured sanctions, is now divided because countries like France and Germany have begun to have economic engagement with Burma.

**Japan:** The Japanese government's policy is to put peer pressure on the intransigent regime by means of restrictive economic cooperation with support from the international community. It has been refraining from providing large-scale official development assistance in the form of yen denominated loans since 1988, while extending comparatively generous humanitarian assistance. Safely stated, Japan's policy toward Myanmar is one of "constructive engagement".

Cut aid to Burma in October 2007.

**India:** One of the reasons for the "volte face" in India's policy on Myanmar, from the ideal to the pragmatic, was Myanmar's increasing tilt towards China. India has figured that China was making friends with all neighbouring countries of India to contain the rise of India in the region with the strategy being called as "the string of pearls". As part of its "Look-East" policy India raised the level of interaction with ASEAN in general and Myanmar in particular. It suited Myanmar to have India on its side to counter balance its total dependence on China for all its military and economic needs. There was frequent exchange of visits even at the level of the head of state. India had also played the "Buddhist" card for cementing the relations.

With a 1642 km land border with Myanmar on India's eastern flank and China getting an access to Indian Ocean through Myanmar, it was strategically important to improve relations. The security of the North-East was also being endangered from the Indian insurgent Groups operating from Myanmar soil. Myanmar could also act as a land bridge for the economic development of the North-East. These factors along with the abundance of Gas available in Myanmar has egged India to maintain close relations.

However, India cannot offset China's influence over Myanmar with all the economic and military assistance provided by China and the diplomatic protection it has given to Myanmar so far.

**U.S.:** US interest in Myanmar declined after the collapse of the Soviet Union and the Cold War. The attitude towards Myanmar worsened after the 1988 democracy uprising. Since 1990 it has followed a policy of imposing economic sanctions which have hardened over the years.

Stanley A Weiss writes that Washington's Burma policy has isolated Washington and not Burma. "It is time to engage Myanmar as the real issue in Myanmar lies in the business sector. This is where Yankee ingenuity can lead by example."

In February 2009, US secretary of state Hillary Clinton announced a comprehensive review of US policy towards Myanmar primarily to contain the Chinese influence in Myanmar and the region. Since then the Obama administration has decided to engage the military junta diplomatically, while strictly enforcing the sanctions. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell visited Myanmar in November 2009 and met the military leaders and Aung San Suu Kyi. Campbell and his deputy Scot Marciel are the highest level American dignitaries to visit Myanmar since 1955

The US-China Economic and Security Review Commission held a lengthy hearing on China's activities in South East Asia in February 2010 and again in January 2011.. Concern about

China's rising influence and implications for the US interests in this strategic region were analysed. China has surpassed the US as ASEAN's third largest trading partner, behind the EU and Japan.

Post Suu Kyi's release the US has made no headway despite the conduct of the elections and formation of a "civil" government in Myanmar.

## **Conclusion**

The basis on which the Sino-Myanmar relations have progressed in the last decade or so is the joint statement signed in June 2000 between the Chinese Foreign Minister Tang Jiaxuan and Foreign minister U Win Aung on "Future Cooperation in Bilateral relations between the People's Republic of China and Federation of Myanmar.

If the Sino-Myanmar relations have prospered and gained strength over the years, the prime cause has been the US attitude towards Myanmar with its obsession, for democracy and human rights, for release of Aung San Suu Kyi and the imposition of economic sanctions that have become harsher over the years. The EU adopting a similar stance has further contributed to this cause.

China's Myanmar policy has been in accordance with its overall policy towards a stable external environment for its own modernization and development.

"By the year 2050, China is expected to achieve world-class blue water naval status, and Myanmar would be crucial for China's multi-directional access to both Pacific and Indian Ocean"—Lixin Geng of Yunnan University

Myanmar's significance to China both from the strategic and economic point of view can be summed up as under:

- Myanmar's location at the tri junction of South Asia, South East Asia and China
- Myanmar providing an access to the Indian ocean
- Strong ties with Myanmar help China to contain the influence of India and other powers in South East Asia.
- Myanmar acts as a "land bridge" for the economic development of its South Western States.
- The abundance of natural gas and hydro electric power that is made available to China
- China will not be dependant of on Malacca Straits for transportation of oil and gas from the Middle East once the pipelines through Myanmar are ready.
- Myanmar is pivotal to the development of the Greater Mekong Subregion.

The political instability and the continuing civil war with the ethnic groups in Myanmar have also helped China to improve the relations to its advantage.

There have been a few instances when the relations between these two nations have been strained or had a set back. In 1949 the presence of the Kuomintang (KMT) troops in Shan State posed a threat to Myanmar's security. There was an anti-Chinese riots in Yangon in 1967. The Chinese support to the Communist Party of Burma (CPB) till 1985 was a major irritant. Recently Myanmar's military attack on the Kokang Group in August 2009 resulting in a large influx of refugees had ruffled the Chinese administration.

From Myanmar point of view, to avoid the impact of the sanctions, it had no recourse except to improve the relations with China especially when the help was forthcoming. China's diplomatic protection with its veto power and condoning the anti-democratic policies has made Myanmar beholden to China. With some major ethnic armed groups on the border areas with China,



Myanmar needs the support of China to settle with these groups. China has scant regard for human rights and regards national reconciliation in Myanmar as an internal issue.

Myanmar is highly sensitive about its sovereignty. Despite all the bonhomie exhibited it is wary and cautious in pursuing its relations with China. Myanmar would not like to be cowed down by China's diplomatic and economic pressure or military might.

China's image in the eyes of the common man in Myanmar, especially in ethnic controlled areas, has been tarnished over the years as the benefits that accrue to them from the Chinese ventures are minimal, as China brings its own labour instead of employing the locals, as the locals have often been displaced and deprived of their livelihood without adequate compensation.

Myanmar by conducting the elections and installing a seemingly "civilian" government is hoping for the West to ease the sanctions. The recent change in US policy to engage with Myanmar without lifting the sanctions is a shot in the arm for Myanmar. To overcome its excessive dependence on China, it has started buying military hardware from other countries like Russia and Korea. With this aim Myanmar is also improving relations with India, Thailand and ASEAN countries.

Myanmar is a staunch ally of China due to circumstances, while China is Myanmar's ally by design. If the relations between China and Myanmar are very sound it is for mutual benefit – for China to achieve its national goals and ambitions and for Myanmar (the military leadership) to consolidate its own power and rule the country.

As of now, it is inevitable even for the "civilian" government now in power to maintain the strong relations with China.