

## Chinese Involvement in Southeast Asia on the Example of Myanmar

After the *coup d'état* in 1988, the military junta, that had seized the power, changed the name of the country from Burma into the historical, Burmese language name Burmese language – the Union of Myanmar. This new name is not acknowledged by most opposition groups, who believe that the regime lacks the legality to engage in any government function, including changing the name of the country. In this article I shall use the old and a new name of this state alternatively.

China's cultural, economical, and political relationships with Southeast Asia have made important pattern of this region. However until the late 19th century, the tributary system dominated Chinese relations with Southeast Asia. In the 20th century, after World War II, when the policy of new postcolonial states was overfilled with the spirit of Bandung Conference, this ancient pattern of mutual relations rapidly changed. In 19th century, after the Second World War, when the policy of new postcolonial states, was overfilled with the spirit of Bandung Conference. Ideas and values like nonalignment, neutrality, mutual respect and equality in political relations made a good background for the developing Chinese relationship with Southeast Asia. Nowadays, this relations is undergoing a significant shift. In the 1990s, China was perceived as a threat to its Southeast Asian neighbors partly due to its conflicting territorial claims over the South China Sea and former support for communist revolts. This perception began to change in the wake of the Asian financial crisis of 1997/1998<sup>1</sup> when China resisted the pressure to devalue its currency, while the currencies of its neighbors were in free fall. In November 2004,

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<sup>1</sup> See: Bruce Vaughn, Wayne M. Morrison, *China-Southeast Asia Relations: Trends, Issues, and Implications for the United States*, CRS Report for Congress, April 4, 2006.

China and the Association of Southeast Asian Nations (ASEAN) agreed to gradually remove tariffs and create the world's largest free trade area by 2010.<sup>2</sup> China is also beginning to increase bilateral and multilateral security relationships with Southeast Asian states.

In ancient times the Chinese regarded Myanmar as a 'barbarian' kingdom which wasn't included within the 'civilized' countries that adopted exclusively Chinese culture.<sup>3</sup> After World War II, when the state of Burma gained independence, it attempted to maintain a public stance of neutrality. Especially during the Ne Win's era (began in 1962),<sup>4</sup> this policy of preserving Myanmar's status as a neutral buffer state became a key concept of Myanmar foreign policy. Therefore, when in 1967 the Beijing's embassy in Rangoon began to encourage the local Chinese to participate in the Cultural Revolution, Ne Win's regime prohibited these activities. It soon led to the confrontation with overseas Chinese in Burma and caused a rift in Sino-Burmese relations. Ne Win's skilled personal diplomacy, including a visit to Beijing in 1971,<sup>5</sup> resulted in normalizing the relations between Rangoon and Beijing. Although the Chinese support for the Burma Communist Party continued to be the main point of Burma's irritation with mutual relations. Until the great Burmese political crisis of 1988, Chinese military's aid for BCP was described as "fraternal party" relations. Since then Beijing cut back on its support for the BCP and began to establish closer relations with, the State Law and Order Restoration Council (SEOK) which seized power in a stage-managed *coup d'état* on 18th September 1988.<sup>6</sup> The new martial law passed by SEOK opened up the economy to foreign business. The economically weak, politically divided and socially fragmented state of Burma started to search in the world for external sources of economic and military support. Political isolation of the new established military rule in Myanmar, and it's cash-hungry militant government saw China as the main political and economical partner in the region. Even the long-held principles of neutrality and nonalignment in Burmese foreign policy, could not stop this constantly developing process. Furthermore Myanmar soon moved away from a nonalignment policy and has become China's closest ally.

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<sup>2</sup> *Agreement on Dispute Settlement Mechanism of the Framework Agreement on Comprehensive Economic Co-Operation Between the Association of Southeast Asian Nations and the People's Republic of China*, <http://www.aseansec.org/16635.htm> (January 29, 2012).

<sup>3</sup> Donald M. Seekins, "Burma China Relation, Playing with Fire," *Asian Survey*, Vol. 37, No. 6, June 1997.

<sup>4</sup> Michael W. Charney, *A History of Modern Burma*, Cambridge: Cambridge University Press, 2009, p. 107.

<sup>5</sup> Ting Maung Maung, "Myanmar and China. A Special Relationships?," *Southeast Asian Affairs*, 2003, p. 189-210.

<sup>6</sup> *Ibid.*

According to Donald M. Seekins “by the mid-1990s until now, Myanmar seemed to be drawn increasingly into a Chinese sphere of influence.”<sup>7</sup>

Myanmar calls China the “Paukhpaw,” a term that means ‘sibling’ or ‘intimate’ in Burmese.<sup>8</sup> Moreover, this word has never been used for any other foreign country. It is a proof of a strong historical and political connection between those two nations. Although, most important thing is that this perception of its neighbor in past, same as in the present, has undergone a series of ups and downs. In the past such events like the invasion of Mongols army in the 13<sup>th</sup> century, which destroyed the first unified Burmese kingdom, and the invasion of Qing’s army in the 18<sup>th</sup> century evoked a strong distrust and resentment in the minds of the designers of Myanmar’s foreign policy.<sup>9</sup> However after the *coup d’état* when the military junta made a transition from socialistic economy in the era of Ne Win into free market system, historical resentment has become less important than economical interests which is beneficial for the military junta. The State Law and Order Restoration Council used foreign business to consolidate military rule, but not to: “promote economic growth or industrialization”<sup>10</sup> in the state. This attitude in economy has a long historical tradition, according to Robert Taylor: “the experience of the monarchical system in Burma was such as to convince kings that they would be unable to control the private power which would probably have resulted from economic expansion and rationalization, even if this would have increased the overall resource base of society and ultimately the state.”<sup>11</sup> According to this pre-colonial pattern which exists in the present, economic, military and political relations with China soon became the main source of support and legitimacy of the Myanmar junta.

In economical relations the Chinese position can be seen as a dominant. According to Thai source from 1995, Sino-Burmese two-way trade in 1994–1995 amounted to 1.2 billion USD, or 60 percent of Burma’s total trade.<sup>12</sup> It made China the major trade partner for the Union of Myanmar. This growing development of bilateral trade relations shows a growing asymmetry since 1988. It is evident that Myanmar’s import from China grew more rapidly than its export to China throughout the 1990s and up to 2005. Myanmar’s exports to China increased 1.3 times, from 133.7 million USD in 1988 to 169.4 million USD in 2003 its import from China

<sup>7</sup> Seekins, *op. cit.*

<sup>8</sup> Toshiro Kudo, *Myanmar Economic Relations with China: Can China Support the Myanmar Economy?*, Institute of Developing Countries, Discussion Paper No. 66, July 2006.

<sup>9</sup> *China’s Myanmar Dilemma*, International Crisis Group, Asia Report No. 177, September 14, 2009.

<sup>10</sup> Seekins, *op. cit.*

<sup>11</sup> Robert H. Taylor, *The State in Burma*, Honolulu: University of Hawaii Press, 1987, p. 38.

<sup>12</sup> Seekins, *op. cit.*

increased 7.1 times, from 136.2 million USD in 1988 to 967.2 million USD in 2003, resulting in a huge trade deficit of 797.7 million USD in 2003.<sup>13</sup> Also the Chinese economic presence, which is most visible in the central and northern part of the country – the Upper Burma – and in the frontier region along the Burma-China border adjacent to Yunnan Province, becomes more and more unbalanced year by year. Mandalay, Burma's second largest city, could be a good example of this regularity. The city enjoyed a great development due to the Chinese activity in land purchase. But soon it became obvious to the local Burmese that commercial center of this old royal city became the so-called 'Chinatown,' where prices of property had become too high for the Burmese to afford. It forced the Burmese citizens to move to the city's outskirts.

On the Chinese side of the border, districts like Yingjiang, and Lungchuan, Tengchung in Yunnan Province gain profits from bilateral trade. To support this trade Beijing has given the towns of Wanding and Ruili on the Burma-China border a special open city status. The area neighboring on Ruili has been designated as a 'special economic development zone.' In the shadow of this progress stands an enormous growth of border drug trade which throughout Yunnan, has been affecting the whole China since the 80s. Burma serves as a passageway for opium and heroin, and most recently also for amphetamine type stimulant, from the 'Gold Triangle.' The center of opium and heroin production is located in the Kokang region in the northeast of Burma. According to David Arnott: "most of the drug warlords in Burma were either born in China, are ethnic Chinese, or of Chinese/Burmese parentage."<sup>14</sup> One of them was Ma Siling who was arrested after a secret operation of the Chinese police in his fortified villa in Pingyuan. He kept 981 kilograms of drugs there, along with a huge number of various weapons and his private army of 854 people.<sup>15</sup> Nowadays drug trade from Myanmar to the People's Republic of China causes a huge number of social problems for the Chinese government, especially in border provinces like Yunnan. The most significant is the growing number of drug users in this province which increased from 1.7 percent in 2004 to 11.1 percent in 2007 also during this time the age of narcotics users dropped rapidly.<sup>16</sup> Since in Myanmar: "narcotics have be-

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<sup>13</sup> Kudo, *op. cit.*

<sup>14</sup> See: David Arnott, *China – Burma Relations*, in: *Challenges to Democratization in Burma: Perspectives on multilateral and bilateral responses*, International Institute for Democracy and Electoral Assistance (International IDEA) 2001, p. 69–86, [http://www.idea.int/asia\\_pacific/burma/upload/challenges\\_to\\_democratization\\_in\\_burma.pdf](http://www.idea.int/asia_pacific/burma/upload/challenges_to_democratization_in_burma.pdf) (June 28, 2012).

<sup>15</sup> Bertil Linter, *Drugs and Economic Growth. Ethnicity and Exports*, in: *Burma: Prospects for Democratic Future*, ed. Robert I. Rotberg, Washington D.C.: Brookings Institution Press, 1998, p. 173.

<sup>16</sup> *China's Myanmar Dilemma...*

come the country's single most important export"<sup>17</sup> there are no prospects for a change. Especially that many corrupted Chinese officials have been involved in this drug business.

The other stage of economic relations between China and Myanmar is the Chinese cooperation in mining, oil, gas, hydropower and infrastructure. According to the research made by nongovernmental EarthRights International (ERI) in Myanmar there are at least 69 Chinese multinational corporations involved in at least 90 hydropower, oil and natural gas, and mining projects in Burma.<sup>18</sup> Chinese corporations have been involved in 63 hydropower projects including the largest 7,100 megawatt Tasang Dam on the Salween River,<sup>19</sup> is going to be integrated into the Asian Development Bank's Greater Mekong Sub-region Power Grid in the future. What is interesting in this project is that most of the electricity is destined for export to the neighboring Thailand.<sup>20</sup> In the Kachin State, several Chinese MNCs are involved in the construction of seven large dams along the N'Mai Hka, Mali Hka, and Irrawaddy River, according to the agreement signed in 2007 between China Power Investment Co. and Myanmar authorities.<sup>21</sup> China is also involved in mining industries and gas and oil companies. Mining is often located in areas where access is restricted, so our knowledge about this type of Chinese projects is very poor. According to foreign researchers the most important sphere of the Chinese influence in Burma is the Chinese activity in exploitations of oil, natural gas and also construction of pipelines. The longest pipeline, which is now being constructed, will lead from Kyaukphyu to Kunming or Chongqing. In the future this and other pipelines would help China facilitate import of oil and natural gas from the Middle East, South America and Africa. It has a strategic meaning for China resource safety during the time when transport through Malacca Straits is dangerous because of piracy.

Chinese military assistance in Burma has begun since the visit of Generals Khin Nyunt and Than Shwe to Beijing in October 1989.<sup>22</sup> After this visit SLORC purchased as much as 1 billion USD worth of weapons from China, which is the largest arms deal in Burma's history. These weapons included fighter aircrafts, patrol boats, tanks, armored personnel carriers, missiles, anti-aircraft guns, and trucks. China soon became the larg-

<sup>17</sup> Linter, *op. cit.*, p. 178.

<sup>18</sup> *China in Burma: The Increasing Investment of Chinese Multinational Corporations in Burma's Hydropower, Oil and Natural Gas, and Mining Sectors*, Earth Right Organization, September 2008, [http://www.burmalibrary.org/docs5/China\\_in\\_Burma-ERI.pdf](http://www.burmalibrary.org/docs5/China_in_Burma-ERI.pdf) (June 28, 2012).

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> *China in Burma...*, *op. cit.*

<sup>22</sup> Marvin C. Ott, *From Isolation to Relevance. Policy Considerations*, in: *Burma: Prospects for Democratic Future...*, p. 72.

est supplier of arms to Burma. However, in the mid 1990s, the generals diversified their weapons suppliers, which was a response to dissatisfaction with the quality of Chinese military weaponry.<sup>23</sup> Myanmar authorities also believe that it would be better to rely on various sources if the main supplier cut them off. Chinese assistance in the construction of military facilities that could pave the way for a significant Chinese presence in the Indian Ocean according to Andrew Selth flourish in: “a steady stream of newspaper stories, scholarly monographs and books that have referred inter alia to the existence of Chinese military bases in Burma” which only a few: “drew on hard evidence or gave verifiable sources to support their claims.”<sup>24</sup> When in 2005, the Chairman of the Indian Defence Force’s Chiefs of Staff Committee announced that reports of a Chinese intelligence facility on one of Burma’s offshore islands were incorrect and that there were no Chinese naval bases in Burma, scholars became more skeptical about the Chinese military presence in Myanmar.<sup>25</sup> Now it is certain that claims about China’s influence in Burma over the past 15 years have been greatly exaggerated.

Because of the ‘Malacca Dilemma’ China has developed port facilities in the cities stretching from the South China Sea through the Straits of Malacca, across the Indian Ocean, and towards the Persian Gulf. Ports in Hainggyi, Coco, Sittwe, Zadetkyi Kyun, Myeik and Kyaukphyu became a part of the Chinese ‘string of pearls’ system.<sup>26</sup> Their main aim is to protect Chinese oil shipments. In these ports China provided assistance in the construction of radar, communications upgrade, and refueling facilities.

Another important factor in bilateral relations is the Chinese pressure on Burmese ethnic minority. China is trying to prevent Myanmar’s ethnic groups from gaining full autonomy. China fears that such precedent could rouse nationalist views among the groups on its side of the boundary. Especially that most of this groups along the border areas of China and Myanmar are related, such as the Shan and Yunnan’s Dai people, the Kachin and Yunnan’s Jinpo people, and the Wa on both sides of the border.<sup>27</sup> Chinese authorities have also been active in assisting SLORC to make ceasefire agreements with border insurgents, especially the Kachin Independence Organization, which are one of the best-organized, best equipped and most motivated ethnic rebel group.<sup>28</sup> However, a ceasefire

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<sup>23</sup> *China’s Myanmar Dilemma...*

<sup>24</sup> Andrew Selth, *Chinese Military Bases in Burma: The Explosion of a Myth*, The Griffith Asia Institute, Regional Outlook Paper No. 10, 2007.

<sup>25</sup> *China’s Myanmar Dilemma...*

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> Ardeth Maung Thawngmung, *The Karen Revolution in Burma: Diverse Voices, Uncertain Ends*, Singapore: East West Center, 2008, p. IX.

agreement is not the final solution to Burma's current rising political problem connected with minorities insurgencies. It also cannot stabilize the situation on the Chin-Burma border side which is greatly desired by China. China is trying to use its relationships with ethnic groups as a buffer and leverage in managing its relationship with the government. For example China's closest relationship is with the Wa, who has the largest army. It caused a discontent of the Myanmar militant regime.<sup>29</sup> Although this pattern in bilateral, China-Myanmar relationships will not change in the near future or they even will not change at all. The Chinese aims are first of all pragmatic. Good relations with both the junta's government and various insurgent movements can easily enable China's access into strategic sources placed in the areas occupied by the government and ethnic minorities armies.

Nowadays, Myanmar-China relation becomes the main cause of frustration and dissatisfaction for Beijing. China reaction to the Saffron Revolution in 2007 and then a year later in May, when the military junta denied the access for national aid agencies and aid workers to the victims of the Cyclone Nargis, shows Beijing's great discontent. From Beijing's point of view, especially in 2008, the timing could not have been worse, just three months before the Olympics. Furthermore this crisis did not change anything in the attitude of the junta's generals. The government in Naypyidaw is intensely nationalistic and resistant to foreign interference. It does not have a rational perception of foreigners and international relations. General Than Shwe, who played the main role in policy making, is considered to be particularly unpredictable and superstitious, similar to one of his great predecessors Gen. Ne Win<sup>30</sup>. The military regime is capricious, unreliable and suffers from the lack of transparency. Its decision to relocate the capital to Naypyidaw in November 2005 caused consternation and anger in Beijing.<sup>31</sup> A similar situation took place when Gen. Khin Nyunt's proChina policy led to doubts about his loyalty and ended in his elimination. Until that, the Chinese leaders believed that Khin Nyunt could have become a statesman and they called him 'Deng Xiaoping of Burma.'<sup>32</sup> Burma's geostrategic position makes this country the most important part of the Chinese strategy directed to Southeast Asia. Myanmar is also important in the context of being for China the a key to revive its 'southwest silk road', which origi-

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<sup>29</sup> *China's Myanmar Dilemma...*

<sup>30</sup> See: David Martin Jones, *The Southeast Asia Development Model. Non-Liberal Democracy with Market Accountability*, Southeast Asian Affairs, 2007; Diane Mahler, *Than Shwe's Burma*, Minneapolis: Twenty First Century Books, 2010, p. 73.

<sup>31</sup> *China's Myanmar Dilemma...*

<sup>32</sup> *Ibid...*

nally led from the Yunnan Province to Myanmar and westward to Bangladesh, India and the West. However Myanmar has posed an increasing challenge to China's global diplomacy and international image with its irresponsible political behavior. In my opinion, Myanmar's strong sense of nationalism and its determination to preserve its independence and cultural identity, guarantee that it will not become a 'Chinese puppet' like some scholars would like to see it. But without Chinese political and economical help, especially long-term loans with low interest rates the Myanmar government could not resist an internal political crisis. Strengthened economic ties with China are for the regime a chance to survive economic sanctions of Western nations. China's policy towards Myanmar is based on the principles established at the Bandung Conference. The principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.<sup>33</sup> From China's point of view, which is based on its past experience, sanctions punish people more than governments. Rejecting tactics of isolation and sanctions in case of Myanmar is connected with Beijing's belief that political change must be gradual and is best promoted by engagement and encouraging economic development. However, Chinese assistance will not be a powerful force promoting the process of broad-based economic development in Myanmar. Burma's relationship with China preserves an incompetent and repressive order, and puts the country in economic and political stagnation. On the other side of the border, Burma stands in the Chinese perspective, in the way of regional development and is the main 'exporter' of HIV/AIDS and drugs to China.<sup>34</sup>

China's support for the military regime in Burma has had negative consequences for both countries. However, geostrategic interests of the both countries are currently stronger than disadvantages of these relationships. Due to the different scenarios the situation in Burma can develop in various ways. According to the most pessimistic, Myanmar is playing with fire, seeking closer military, strategic and economic ties with China. It can lead the state into a quasi colonial dependence on China and Rangoon will become a strategic satellite base for China, like it was for the British Empire 150 years ago. However according to Poon

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<sup>33</sup> See: See Seng Tan, Amitav Acharya, *Bandung Revisited Offers a Critical Reassessment of the Intellectual, Social, and Political Legacies of the 1955 Asian-African Conference by Drawing on Research in Area Studies, Diplomatic History, and International Relations*, Singapore: National University of Singapore, 2008, p. 13, 135; Pobzeb Vang, *Five Principles of Chinese Foreign Policies*, Bloomington: AuthorHouse, 2008, p. 32.

<sup>34</sup> Poon Kim Shee, "The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions," *Ritsumeikan Annual Review of International Studies*, The International Studies Association of Ritsumeikan University, Vol. 1, 2002, p. 33-53.

Kim Shee: “Sino-Myanmar ties are uneven, asymmetrical but nevertheless reciprocal and mutually beneficial” and the entente is not a tributary relationship but rather “a marriage of convenience.”<sup>35</sup>

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<sup>35</sup> *Ibid.*

- Ott Marvin C., *From Isolation to Relevance. Policy Considerations*, in: *Burma: Prospects for Democratic Future*, ed. by Robert I. Rotberg, Washington D.C.: Brookings Institution Press, 1998.
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