



## 'MYANMAR— CHINK IN CHINA'S ARMOUR'

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The traditional 'paukphaw' between China and Myanmar — a Burmese term for the tight embrace of friendship — has been showing signs of fraying at the edges since the latter part of last year. The altered US policy towards Myanmar has contributed to this. Greater strain has been imposed on the relationship following the clashes between the Myanmar Army and Kokang rebels of northern Myanmar in August 2009. Beijing, which has considerable investments in Myanmar and views it as of strategic importance, including as a buffer with India, remains understandably nervous at the prospect of the clashes widening and drawing in the other rebel outfits in northern Myanmar, which could unsettle China's southwestern border. In a rare rebuke, Beijing advised Yangon to 'properly handle domestic problems and maintain stability in the China-Myanmar border region' to cool matters down.

• China's relations with Myanmar, after a turbulent interregnum when Beijing supported Burmese communist rebels in the 1960s, improved steadily after the military junta seized power in 1988. Confronted by tough economic sanctions imposed primarily by the West and Japan and faced with isolation, Myanmar's military regime adopted an open economic policy to generate revenues and looked towards China despite its suspicion of the communist leadership in Beijing. The split in the Communist Party of Burma (CPB), due to conflict between the Burmese leadership and ethnic cadres in 1989, helped the rapprochement. Chinese assistance in military hardware, trade and

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investment grew within a decade from US\$ 15 million to US\$ 800 million. Military training and hardware which, between 1991 and 1995 totalled almost US\$ 740 million, was an important ingredient. Prompted by strategic interests, China commenced investing in infrastructure projects. These include a port, road and railways to link China's landlocked Yunnan

province with a deep water port on the Indian Ocean. As part of efforts to enhance energy security and avoid vital imports transiting the Malacca Straits, China recently invested in a major US\$ 2.5 billion Sino-Myanmar oil and gas pipeline project linking Madnay Island off Kyankpyu on the west coast of Myanmar to China. This pipeline, once completed in 2013, will carry 85 per cent of China's POL imports from the Middle East and Africa. By the end of 2009, at least 69 Chinese companies were involved in Myanmar's energy and mining sector and had invested in 90 completed, current and planned projects. 45 of the Chinese companies were engaged in 63 hydropower projects

and 16 in 21 onshore and offshore oil and natural gas projects. In contrast, in 2007 only 26 Chinese companies were involved in such projects. Beijing has emerged as Myanmar's largest trading partner and fourth largest foreign investor with investments presently totalling US\$ 1.331 billion. Two-way trade in 2008 amounted to US\$ 2.6 billion. China has also been a dependable ally and supported Myanmar by exercising its right to veto in international forums like the United Nations when resolutions critical of the

State Peace and Development Council (SPDC) regime were put to vote.

Despite this decades-old close relationship, the people of Myanmar and sections of the military junta have reservations about their dependence on China and have sought to explore alternate sources of investment and trade. China's continuing support to rebel groups in northern Myanmar has also not escaped notice and some years ago prompted a critical public remark by Senior General Than Shwe while on a visit to northern Burma. The memory of China's support to the communists over four decades ago has not yet been erased.

Other factors contributed to Yangon's tentative search for ways to reduce dependence on China. These include the overtures made by India, following a change in policy, since 1995-96. These were reinforced by ASEAN's decision to include Myanmar, first as an 'observer' and a year later in 1997 as a full member, allowing cooperation between Myanmar and ASEAN member-nations. Meanwhile Myanmar liberalised foreign investment regulations so that the regime could earn hard currency to support the country's ailing economy. Foreign investment resultantly flowed in from ASEAN. Important areas of interest comprised the extraction of natural resources such as timber, gems, and offshore oil exploration. Key investors included Thailand, Singapore, and Indonesia.

A major incentive to Myanmar's military junta to broaden trade and investments has been the US decision in early 2009 to review its policy of isolating Myanmar. After concluding that its erstwhile policy served only to push Myanmar closer into the Chinese embrace, Washington initiated steps to engage Yangon. In March 2009, Stephen Blake, a Director in the US State Department's Mainland South East Asia Office visited Myanmar. Though a fairly low ranking official, he was, in a marked departure from protocol, received by Myanmar's Foreign Minister Nyan Win and other high officials. Later, in July that year the US agreed to sign the ASEAN Treaty of Amity and Cooperation, which it had declined to since 1997, mainly, because of Myanmar's presence. In mid-September US Senator Jim Webb was accorded an uncharacteristically warm reception when he was received by Senior General Than Shwe and permitted to meet Aung San Suu Kyi. The Myanmar military regime additionally released incarcerated US national John Yettaw. This visit was followed by that of Kurt Campbell, US Assistant Secretary

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of State, in November 2009. Campbell, who was the highest ranking US official to visit Myanmar since US Secretary of State Madeline Albright's visit in 1995, was received by Myanmar's Prime Minister Than Sein. Campbell's visit paved the way for the first meeting in 43 years between a US President

and Myanmar Prime Minister. US President Obama met Myanmar's Prime Minister Than Sein on the sidelines of the ASEAN Summit in Singapore on November 15, when Obama urged the release of Aung San Suu Kyi and called on Myanmar to ensure that the upcoming elections in 2010 are free and fair.

The US plans to upgrade its diplomatic representation in Yangon to the level of a full fledged Ambassador. This will probably occur around March 2010. US business is expected to enter Myanmar shortly thereafter, sizeably boosting Myanmar's economy and opening a slew of foreign policy and trade options for the regime. An indication that Myanmar's regime is aware of the potential new opportunities was the visit in mid-December 2009 of Nobel Prize-winning economist Joseph Stiglitz to Yangon to advise Myanmar's Generals on economic reforms. He is understood to have advised the Generals to spend more on education and less on weapons. He also advised them on the sale of natural resources including oil and natural gas for revenues, but cautioned that these should be used wisely so that opportunities are not lost.

The recent tension in Myanmar's northern territories between the Myanmar Army and ethnic rebel armies comes amidst this backdrop of a changing scenario. It has aroused concern in China's foreign policy and strategic establishment as it has the potential to jeopardize China's considerable strategic interests in Myanmar and open the way for interference by other powers. An additional complication is that because of their Han ethnicity the Kokang rebel armies get a lot of media attention in the Chinese media. This coverage has prompted numerous nationalistic comments in Chinese cyberspace.

The Kokang, who are the only Burmese Chinese feudal state in Myanmar, are the remnants of the last Ming Dynasty and have consequently received considerable aid from China. The other ethnic rebel armies in Myanmar's northern areas are the United Wa State Army (UWSA), Kachin Independence Army, Shan State Army and the Mongla-based National Democratic Alliance Army-Eastern Shan State (NDAA). Together they can field almost

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40,000-45,000 fighters. A number of leading cadres of these groups are erstwhile members of the Communist Party of Burma (CPB). These groups have been involved in the drug trade and consequently been the target of anti-drug drives regularly launched by the Myanmar Army.

On this occasion, the rebel groups declined to comply with the Myanmar Army's directions to provide a specified number of people for the proposed Border Guards Force (BGF) programme. While the specific provocation for the latest operation against the Kokang rebel army is unclear, analysts feel it could be a follow up to the successful operation launched in June 2009 by the Army against the Karen rebels located along the borders with Thailand. It has been noticed that the Myanmar Army has chosen to fight the weakest of the rebel armies perhaps to pick them off one by one. Analysts suggest that the offensive could have been mounted to eliminate these armed opposition groups before the elections are held in 2010, as well as to test the limits of China's resolve to support the ethnic rebel groups. So far the Myanmar Army has not encountered Chinese interference.

The current fighting, which commenced in mid-August 2009, has demonstrated the Myanmar Army's ability to move quickly and effect a rapid advance. This round of fighting has simultaneously exhibited the limits of Chinese influence. Beijing had requested Yangon not to mount any offensive against the rebels till its 60<sup>th</sup> anniversary celebrations were over in October, but Yangon did not wait. The military offensive escalated tension between China and Myanmar as an estimated 30,000 refugees fled to China's Yunnan province. In an unusual criticism of Myanmar's military regime the authoritative English-language weekly, 'Beijing Review', published photographs of the refugee camps and said that 13,000 refugees had been housed in seven refugee camps and that the Yunnan province had provided Yuan 10 million (US\$ 1.46 million) for aid to the refugees. A provincial Chinese TV station also reported the clashes in Kokang. Though a report in a dissident paper cited a confidential document to claim that the majority of soldiers in China's Chengdu Military Region were 'spoiling for a fight', Beijing has confined its reaction to low-key

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criticism and responded carefully. It deployed 700 PLA troops along the border to prevent clashes and maintain the peace in border townships and advised Yangon to cool down the situation. It simultaneously allowed remnants of the rebel armies to enter Yunnan and discard their weapons and uniforms. China is talking to the various rebel armies in a bid to defuse tensions. It

does not want problems on its southwestern border and is concerned that protracted fighting between the Myanmar Army and estimated 40,000-45,000 fighters of the rebel groups could disturb the region where oil and gas reserves are located and jeopardize China's strategic interests.

Reports indicate, though, that survivors of the Chinese volunteers, thousands of whom formed the bulk of the Communist Party of Burma (CPB) during the 1968-79 heydays, are regrouping inside China to discuss ways to assist the ex-CPB rebel groups. They have already formed a committee to raise funds. An estimated 15,000 Wa soldiers from China have joined forces with the United Wa State Army (UWSA) and most have combat experience as Chinese soldiers in the war against Vietnam. The Wa, incidentally, are an ethnic Chinese minority people.

The strains in Sino-Myanmar relations are visible. In addition to Myanmar ignoring Chinese requests to defer action against the rebels till after the 60<sup>th</sup> anniversary celebrations in October, Yangon's official media publicized reports of the visits to Yangon by US personages. Particularly galling to the Chinese leadership would have been the article in 'Myanmar Times' in early September. This article, cleared by the official censors, reported on the Dalai Lama's visit to Taiwan. It assumes significance as this was the first mention of the Dalai Lama in Myanmar's official media in 20 years.

China is concerned that the relationship with its long-term ally has encountered turbulence. This was reflected in a recent (Dec 15) article in the Beijing-owned Hong Kong-based influential paper 'Ta Kung Pao', which described the relationship after the firing at Kokang as 'quite tricky'. The unusually candid article suggested that apparently 'Burma is undergoing delicate changes' consequent to 'America's hard-soft strategy', and expressed apprehension that the Kokang incidents 'are a premonition

of worsening Sino-Burmese relations'. An unidentified senior Chinese official separately described the relationship as based on mutual self-interest. He said: 'we are in it for what we can get out of it, and they are also in it for what they can get out of it'.

The altered US policy towards Myanmar has introduced fluidity in the geo-strategic situation in the region. China-Myanmar relations are, however, likely to be adversely affected only gradually. China is well entrenched in Myanmar's economy and infrastructure. Chinese companies have a major presence in core sectors in Myanmar and virtually control Myanmar's telecommunications network. China is unlikely to easily allow any loosening in its relationship with Myanmar. The 2-day visit to Yangon in mid-December 2009 by Chinese Vice President Xi Jinping, widely tipped to succeed President Hu Jintao, was an indication of Myanmar's importance to China. 16 agreements were signed during the visit when Xi Jinping was received by Senior General Than Shwe.

The US is also handicapped by domestic legislation that will limit the scope of its overtures and material assistance to Myanmar. Myanmar's military junta is, additionally, suspicious that the US maintains covert links with the ethnic rebel groups in the north, a majority of whom are Christians. These suspicions prompted Myanmar's military regime to deny the US Navy permission to send relief supplies directly to the affected areas in the aftermath of Cyclone 'Nargis' in May 2008.

A potential complication is the developing clandestine relationship between Myanmar and North Korea in which China has been complicit. This relationship was raised to a higher level by the MoU signed in November 2008, by Shwe Mann, the regime's third-most powerful figure and

Chief of Staff of the Army, Navy and Air Force and Coordinator of Special Operations. He secretly led a 17-member delegation to North Korea via China and visited Pyongyang and Myohyang, where secret tunnels have been built into mountains to shelter aircraft, missiles, tanks and nuclear and chemical weapons. The MoU formalizes military cooperation and provides that North Korea will build or supervise the construction of special military facilities for Myanmar, including tunnels and caves. Indications are that the tunnels being constructed in Myanmar could be linked to North Korea's clandestine nuclear weapons programme.

India has a short window of opportunity to expand influence in Myanmar, which it must seize now. This would be best done by encouraging large Indian business houses and industry, if necessary with incentives, to move in to Myanmar with their good practices especially in projects which require long gestation periods. Priority should be accorded to projects which will be in operation over the

longer term, like in the natural resources sector and those in the manufacturing, health and power sectors. This should be reinforced by substantially increasing financial assistance to Myanmar offering scholarships and opening Cultural centres. India should simultaneously push for enhanced military cooperation and offer training slots to larger numbers of Myanmar armed forces officers. In view of China's robust policy to enhance influence in India's neighbourhood, evidenced by the accords signed during Nepalese Prime Minister Madhav Nepal's recent visit to Beijing, India has to formulate effective policies so as not to lose further space. This includes substantially increasing fiscal assistance to its neighbours and reinforcing diplomacy with the strength of its indigenous industry.

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