

26

SEPTEMBER 2010
IPCS Research Papers

China and Myanmar
Strategic Interests, Strategies and the
Road Ahead

Billy Tea



Institute of Peace and Conflict Studies
New Delhi, INDIA

Copyright 2010, Institute of Peace and Conflict Studies (IPCS)

The Institute of Peace and Conflict Studies is not responsible for the facts, views or opinion expressed by the author.

The Institute of Peace and Conflict Studies (IPCS), established in August 1996, is an independent think tank devoted to research on peace and security from a South Asian perspective.

Its aim is to develop a comprehensive and alternative framework for peace and security in the region catering to the changing demands of national, regional and global security.

Address:

B 7/3 Lower Ground Floor
Safdarjung Enclave
New Delhi 110029
INDIA

Tel: 91-11-4100 1900, 4165 2556, 4165 2557,
4165 2558, 4165 2559

Fax: (91-11) 4165 2560

Email: officemail@ipcs.org

Web: www.ipcs.org

CONTENTS

I. INTRODUCTION.....02

II. WHAT DOES CHINA WANT FROM MYANMAR.....04

III.WHAT DOES MYANMAR WANT FROM CHINA15

IV. CONCLUSIONS.....21

V. BIBLIOGRAPHY.....22

I. Introduction

China is renowned for its extraordinary economic growth in the last 30 years. As of 2010, it is the third-largest economy in the world, behind the European Union and the United States, and also the world's largest exporter.¹ Although China has become a key player in the international economy, in the political arena, it has kept a low profile except on issues that would negatively influence its development and sovereign power.

On the other hand, Myanmar has experienced the longest civil war in the world, for over half a century, with 70,000 out of 3,00,000 children having become child soldiers,² and 30 to 50 per cent of the population living below poverty line.³

China and Myanmar share a common history and have strong economic ties. China is currently the largest investor and trading partner of Myanmar, while Myanmar forms only a small portion of China's total economic input. In the past, China's ambition for fast economic growth had taken precedence over all other issues, but in recent years it also started to pay attention to its international reputation as was demonstrated during the last Olympic Games. Given Myanmar's unenviable record of human rights, what will be the future of

Sino-Myanmar relations in the next five to ten years?

The answer lies in China's strategic priorities and its wish for economic growth and international reputation. An understanding of the past and present of China's and Myanmar's actions will enable a more concise view of their strategic relations. The future of Sino-Myanmar relations depends on the balance that China will establish between its economic development and international reputation on one hand, and on the other, the strengthening of the legitimacy of Myanmar's Junta.

This research paper is divided into two parts to provide a more complete view of how both countries think in terms of their ambitions and the methods they deem important to achieve them. This paper argues that firstly, China will seek to increase its influence in the region for the exploitation of Myanmar's natural resources. To achieve its goal, it will outbid all other players by paying a higher price for these goods, engage in the construction of necessary infrastructure at its own cost, provide financial support to uphold the Junta as also a political umbrella in the international community. The possible obstacles to China's ambitions include border instability, growing resentment against the local Chinese population in Myanmar, a weak Myanmar government, and stronger international pressure that could tarnish China's reputation and consequently, affect its economic trade. This paper will demonstrate that China's strategic goal is to become a superpower in the 21st century, but that it will have to face several obstacles to reach this goal.

Myanmar's Junta wants to gain legitimacy and be recognized as the official government of the country. During the time

¹ Michael Pettis. 2010. "China Is Misread by Bulls and Bears Alike." *The Financial Times*. 25 February.

<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=40260> Accessed on 30 April 2010.

² Human Rights Watch. 2002. "Burma: World's Highest Number of Child Soldiers." 16 October. <http://www.hrw.org/en/news/2002/10/15/burma-worlds-highest-number-child-soldiers> Accessed on 30 April 2010.

³ Australian Government. 2010. "Burma." AusAID. <http://www.ausaid.gov.au/country/country.cfm?CountryId=8493641> Accessed on 30 April 2010.

of the writing of this essay, the Junta had announced the election for the leadership of the country, but had not fixed any date. Reports now suggest that the election may be held on 10 October 2010. It is believed that General Than Shwe is awaiting the approval of his astrologer for the election date to improve the Junta's chances for victory.⁴

To gain political legitimacy, it uses the country's natural resources to bargain with other countries in exchange for economic gain, which will then translate into political support for the regime. In addition, Myanmar does not want foreign involvement in its sovereign territory and consequently, will keep a low profile in the international arena. The obstacle to Myanmar's ambition would be an awakening of ethnic groups and stronger international sanctions that would pressure China to balance its economic development and political ambition.

From Myanmar's perspective, the future of Sino-Myanmar relations will be characterized by a strengthening of the Junta's regional and international legitimacy.

⁴ Wai Moe. 2010. "Election To Be Held in October?" *The Irrawaddy*. 8 January. http://www.irrawaddy.org/article.php?art_id=17548#comment. Accessed on 20 July 2010.

II. What does China want from Myanmar? Understanding Beijing's Objectives, Obstacles and Strategies

To provide an accurate strategic foresight, an understanding of the past and present ideologies that influence the Chinese government's policies at the national, regional, and international levels is vital.

Just like any other country, China wants to encourage its growth and development. However, it does not see itself as any other country; it considers itself unique. China has a long and rich history; a history of great philosophers who have changed the way the world thinks, great leaders who influenced the academic and political sphere, and a cultural heritage that has travelled to every corner of the globe. Prior to the intervention of foreign powers in its territory, China was self-centered and self-dependent. While China did not need others, others needed China. During its colonial period, China felt ashamed⁵ of its inability to defend itself against foreign powers. This experience has deeply influenced the politics of its government and its relations with other powers. Post-World War II and the Cold War, China distanced itself from the Soviet Union's communist system and started its own style of "semi-communism" or "socialism with Chinese characteristic." China takes pride in what it has accomplished in a few decades; it is looking for long-term and gradual growth to reach its ultimate goal of becoming a superpower.

Five Principles of Peaceful Co-existence was initiated at the first session of the National Committee of the Chinese People's Political Consultative Conference

⁵ Richard, Hines. 1999. "Ch'ing China: The Opium Wars." Washington State University. 14 July. <http://wsu.edu/~dee/CHING/OPIUM.HTM> Accessed on 12 August 2010

on 29 September 1949 and put into practice during the China-India dispute over the Tibet region in 1953. These principles include: mutual respect for each other's territorial integrity and sovereignty (changed to mutual respect for each other's sovereignty and territorial integrity at the Asian-African Conference in April 1955), mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit (changed to equality and mutual benefit in the Sino-Indian and Sino-Burmese Joint Statements in June 1954,⁶ and peaceful co-existence.⁷

Since 1996, China has strongly advocated a New Security Concept (NSC) to deal with regional and international issues through dialogue and cooperation. It also condemns strong resolutions against countries, and prefers instead a softer approach of peaceful negotiation. As the Chinese government presents it, "it is a concept established on the basis of common interests and is conducive to social progress."⁸ It focuses on ideas of "mutual trust, mutual benefit, equality, and coordination." The NSC aims to "surmount differences, to increase mutual trust through dialogue, to resolve disputes

⁶ Lixin Geng. 2006. "Sino-Myanmar Relations: Analysis and Prospects." *The Culture Mandala*. Vol.7(2), December: 2-4.

⁷ Ministry of Foreign Affairs of the People's Republic of China. 2000. "China's Initiation of the Five Principles of the Peaceful Co-Existence." 17 November. <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm> Accessed on 30 April 2010.

⁸ Embassy of the People's Republic of China in Australia. 2003. "China Offers New Security Concept at ASEAN Meetings." 24 November. <http://au.china-embassy.org/eng/jmhzt46228.htm> Accessed on 30 April 2010.

through negotiations, and to promote cooperation through security.”⁹

In December 2000, the Beibu Bay Demarcation Agreement signed with Vietnam, demonstrated the effectiveness of Chinese foreign policy. According to China’s Foreign Ministry spokeswoman, Zhang Qiyue, “[it] shows that the two countries proceed from a strategic height for promoting the good-neighborliness and all-round cooperation between them.”¹⁰

“Bu Chu Tou” and “Tao Guang Yang Hui”

Literally, this means “don’t get your head out” and “hide brightness, nourish obscurity.” Although there is an academic debate about the application of this belief to China’s external relations, this is a long-term strategy that took root under Deng Xiaoping’s opening up policy in the 1990s. It is usually taken to mean that China needs to devote its energies to developing economically and should not seek to play a leadership role abroad.¹¹

Such a belief can be seen to operate in China’s behavior at the international level, especially in the case of the United Nations (UN). Since 1976, China has only used its veto power six times, in comparison to its counterparts France (18), Britain (32), the US (82), and Russia (124).¹² China has been

keeping a low profile in the international arena. Nonetheless, on matters of national security and economic development, China will act as a realpolitik actor.

I CHINA’S OBJECTIVES: MEET THE PRESENT & PREPARE FOR FUTURE NEEDS

China’s growing population and economic boom can be sustained only if it has access to natural resources. The importance of securing these is a priority in its external relations, which has led it to support governments with dubious track records. China’s population is estimated to touch 1.3 billion and industrial growth, 11 per cent, by 2010.

By May 2009, China had consumed 33.35 million metric tons of crude oil, which was an increase of 2.6 per cent over 2008.¹³ Also, it is estimated that by 2025 China will import three quarters of its oil requirement.¹⁴ With the population and industry growing steadily, China has to secure its natural resources and change its current dependence on fossil fuels. In the near future, China will work to secure its energy resources to continue to promote economic growth, internal prosperity, and consolidate its international reputation as the key player of tomorrow’s world.

China’s Motivations to Trade with Myanmar

China’s relations with Myanmar are part of its “Go West” campaign since 2000. It aims to eliminate poverty and bridge the economic gap between China’s coastal and

⁹ Xia Liping. 2004. “The New Security Concept in China’s New Thinking of International Strategy.” *International Review*. Spring, Vol.34: 22-54

¹⁰ “Sino-Vietnamese Agreement on Beibu Bay Demarcation Hailed.” *People’s Daily*. 26 December 2000.
http://english.peopledaily.com.cn/english/200012/26/eng20001226_58871.html Accessed on 30 April 2010.

¹¹ Joseph Khan. 2006. “China, Shy Giant, Shows Signs of the Shredding Its False Modesty.” *The New York Times*. 9 December.
http://www.nytimes.com/2006/12/09/world/asia/09china.html?_r=4&oref=slogin&pagewanted=print Accessed on 30 April 2010.

¹² Global Policy. “Changing Patterns in the Use of the Veto in the Security Council.”
http://globalpolicy.org/images/pdfs/Z/Tables_and_Charts/useofveto.pdf. Accessed on 30 April 2010.

¹³ “China Oil Consumption Growth Raises Stimulus Hope.” 2009. *Commodity*. 23 July.
<http://www.commodityonline.com/news/China-oil-consumption-growth-raises-stimulus-hope-19850-3-1.html>. Accessed on 30 April 2010.

¹⁴ Tonnesson, S and A Kolas. 2006. “Energy Security in Asia: China, India, Oil and Peace.” International Peace Research Institute. *PRIO Report*, April. pp.8-25.

western provinces within the next 50 years.¹⁵ Between 1996 and 2005, the Myanmar-Yunnan border trade accounted for about 55 per cent of Myanmar's total trade value; over 80 per cent of its exports to China and about 40 per cent of Myanmar's imports go through the border trade. Myanmar is the largest trading partner of Yunnan.¹⁶

Since 1995, the "one-stop-service" was initiated and proved to be essential for Myanmar and its neighbouring local economies. It has since been expanded over Myanmar's border due to Western sanctions. In 2000, the policy changed, allowing the use of both Myanmar's Kyat and the Chinese Yuan as trading currencies. The China- Myanmar border trade has flourished in recent years. China's exports increased 3.1 times, from US\$261.2 million in 2001 to US\$800.4 million in 2007, while China's imports increased 2.5 times, from US\$93.7 million in 2001 to US\$231.6 million in 2007.¹⁷ China's "Go Out" strategy, which encourages energy companies to secure equity investment abroad, is essential for the country's economic and political development.

The 'Malacca dilemma,' refers to China's excessive reliance on the strait with 60-70 per cent of its oil shipment going through. Two threats emerge from this: first, piracy and maritime terrorism; second, influence or dominance of other powers over the strait. China has increased its presence in the region by developing special diplomatic and strategic relations.¹⁸

¹⁵ "China's Myanmar Dilemma." International Crisis Group (ICG). *Asia Report No.177*. 14 September 2009.

¹⁶ Maung Aung Myoe. 2007. "Sino-Myanmar Economic Relations Since 1988." No.86. Asia Research Institute, National University of Singapore. April.

¹⁷ Toshihiro Kudo. 2008. "Myanmar's Economic Relations with China: Who Benefits and Who Pays?" In Monique Skidmore and Trevor Wilson (eds.) *Dictatorship, Disorder and Decline in Myanmar*. Canberra: Australian National University. pp.87-101.

¹⁸ ICG, n.14.

II GAINING ACCESS TO MYANMAR'S RESOURCES: CHINESE STRATEGIES

China's involvement in Myanmar ranges from mining, oil, and gas to hydropower. To secure these resources, China will outbid all other players, build necessary infrastructure at low cost, provide low-interest or no-interest loans, arms sales and technical assistance, provide a political umbrella for the Junta in the international community, and maintain good bilateral relations with ethnic groups and the Junta.

Be the Best: Outbid All Other Players

China's political history and the fact that the so-called democratic countries that are sitting on natural resources are already being exploited by established multinational companies, explain why China is involved with many governments with dubious records, including Myanmar.

To guarantee its access to natural resources, China is not afraid of paying a high price for these resources. There are limited resources and China believes that the price of these resources can only increase; therefore, it is preparing itself for the "bad days." Says Christopher H. Stephens, a senior partner at Coudert Brothers, "The Chinese take a long-term perspective to secure strategic resources rather than a short-term investment perspective."¹⁹

In 2003, China lost an oil agreement with Kazakhstan to western companies already exploring the field.²⁰ Two years later, China was again involved in oil in the same region, but this time it learned from its past mistake, and rather than buying the rights to explore the field, it proposed to buy a company and

¹⁹ K Bradsher and J Mouawad. 2005. "China Oil giants Crave Respectability and Power." *New York Times*. 9 July.

<http://www.nytimes.com/2005/07/09/business/worldbusiness/09cnooc.html?pagewanted=1& r=3>

Accessed on 2 May 2010.

²⁰ Ibid.

that too at a higher price.²¹ As of 2009, China owned 67 per cent stake in the Kazakh-based PetroKazakhstan Inc. which produced 10 million tons of crude oil in 2007, equivalent to around 200,000 barrels a day.²² It is believed that China paid \$4.18 billion for the company, when India bid US\$3.9 billion, demonstrating China's will to acquire the resources.²³

In 2005-2006, China demonstrated its diplomatic and business skills after it signed a gas agreement with Myanmar's Ministry of Energy to sell 6.25 trillion cubic feet from A-1 to A-3 block (Rakhine Coastline) reserves through a pipeline that would connect Kunming in China's Yunnan province and Myanmar's port of Kyauk Phyu in the western state of Rakhine for the next 30 years.²⁴ This agreement came as a shock to Indian authorities who had spent several years negotiating with Myanmar for a Myanmar-Bangladesh-India pipeline.²⁵

Investment and Economic Assistance

China's investment and economic assistance in Myanmar is part of its "Go Out" strategy. In practice, China has provided generous government support and preferential loans. For the last decade, Myanmar has received economic assistance in the form of grants, interest-free loans, concessional loans or debt reliefs.

According to the Asia Research Institute, the China-Myanmar bilateral trade in 2005

²¹ Ibid.

²² "China, Kazakstan Sign Loan-for-Oil Deal." 2009. *The Wall Street Journal*. 18 April. <http://online.wsj.com/article/SB123996097676128865.html> Accessed on 2 May 2010.

²³ Anand Kumar. 2006. "Myanmar-PetroChina Agreement: A Setback to India's Quest for Energy Security." *South Asia Analysis Group Paper No 168I*. 19 January. <http://www.southasiaanalysis.org/papers17/paper168I.html>. Accessed on 2 May 2010.

²⁴ Ben Blanchard. 2010. "Factbox: Pipeline From Myanmar to China to Carry Oil." *Reuters*. 3 February.

<http://www.reuters.com/article/idUSTRE6120MQ20100203>. Accessed on 2 May 2010.

²⁵ Anand Kumar, n.23.

was US\$1209.25 million.²⁶ Between 1989 and 2005, Myanmar's export increased by 2.2 times while its imports from China increased nearly 5 times. Also, China's foreign direct investment was only US\$194.221 million in 26 sectors in Myanmar.²⁷

China provides economic assistance to protect its own investment in the country and influence the Junta and ethnic groups on their sides to pursue economic trade with Myanmar.

Development Assistance

During 1966–2005, Myanmar received loans equivalent to US\$138.7 million from China for various infrastructure projects, including building bridges such as the Yangon-Thanyin Rail-cum-Road Bridge (built with the assistance of the Yuan 169 million loan from China) to the installation of the Satellite Communication Earth and Satellite TV Ground Stations.²⁸

In December 1989, Myanmar and China signed an economic and technical cooperation agreement. In 1991, China committed a grant of Yuan 50 million. Again in 1993, Myanmar received an interest-free loan of Yuan 50 million from China.²⁹

More recently, in 2003, during the visit of Senior General Than Shwe in China, the Chinese government provided a grant of Yuan 50 million and a loan of US\$200 million as preferential buyer's credit. The grant was to be utilized for building a combine harvester plant in Ingone and three small-scale hydroelectric plants.³⁰

Under the partial debt relief, China provided a grant of Yuan 5 million for the supply of culture, educational and sporting goods. Also, that same year, China agreed to loan

²⁶ Maung Aung Myoe, n.15

²⁷ Ibid.

²⁸ ICG, n.14

²⁹ Maung Aung Myoe, n.15

³⁰ Ibid.

US\$200 million for the construction of the Yeywa hydropower plant.³¹

Due to the secrecy in China and Myanmar, unreliable data and the fact that there is no distinction between China's state-owned enterprises and state-commercial investment, it is difficult to provide numerical evidence of China's investment and economic support.

Infrastructure Building

Due to the lack of investment by Myanmar's government, Chinese infrastructure development is another important aspect of economic assistance. Chinese companies are building roads, dams, and ports, using low-interest loans and export credit. For example, China is building the Tasang Dam on the Salween River, which will be integrated into the Greater Mekong sub-region power grid.³²

Since 1988, China has helped the Myanmar government build 8/9 sugar mills [US\$ 158 million], 20 hydroelectric plants [US\$ 269 million], 13/45 new factories for the Ministry of industry-1 [US\$ 198 million], and 12/21 new plans for the Ministry of Industry-2 [US\$ 137 million]. Also, China upgraded 6 factories for the Ministry-2 [US\$ 346 million], provided 6 ocean-going vessels, and built a dry dockyard [US\$25 million]. In 2006, Chinese firms built 7/11 new hydro-electric plants [US\$ 350-400 million]³³

In sum, foreign investment and technological transfers from China to Myanmar aim to increase the value of exports. China's development assistance is closely linked to Chinese business interests in Myanmar. Commercial loans were provided to guarantee Chinese firms could also benefit from China's development programme. Also, it helps China to secure the supply of semi-finished materials for its growing economy. In addition, it secures

China's geopolitical interests in the Indian Ocean.³⁴

Arms and Technical Assistance

Since 1988, it is believed that through barter deals and interest-free loans, China has supplied Myanmar's army with military equipment including tanks, armored personnel carriers, military aircraft and artillery pieces such as howitzers, anti-tank guns and anti-aircraft guns.³⁵ Also, in 1998, the UN reported that China delivered US\$5.9 million worth of military equipment to Myanmar under a trade category entitled "tanks and other armored fighting vehicles", and US\$3.4 million of "military weapons."³⁶ In addition, the PLA provides training in the technical use of weapons and weapons system.

Political Umbrella

China's permanent membership in the UN Security Council provides political support to Myanmar's Junta regime. In 2007, the UN drafted a resolution that condemned Myanmar's human rights violations, which if it had not been vetoed by China, would have enabled international humanitarian organizations to operate without restriction and begin political dialogue with all stakeholders.

Although China is "flexible" when it comes to human rights standards, there is a limit to this political support, which will be discussed in the next section.

China sees itself as the future superpower and to achieve this goal, it needs to increase its regional and international influence. Myanmar provides the opportunity to ensure access to natural resources and to some extent, improves China's international image as it "mediates" the Myanmar crisis.

China wants to continue to explore Myanmar's natural resources and have good

³¹ Ibid.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ Andrew Selth. 1995. "Asia, the Burmese Army." *Jane's Intelligence Review*, 1 November: 84-125.

³⁶ ICG, n.14

relations with the government in power to guarantee border stability and protect its economic investment that will result in high return only if Myanmar can deliver these goods. In addition, the strategic position of the country compels China to maintain its relations with the Junta to be less dependent on the Malacca Strait and secure its access to the Indian Ocean.

III OBSTACLES TO CHINA'S QUEST IN MYANMAR

China wants to develop itself just like any other country; now that it is an economic power, it naturally wants to establish itself as a political power. Therefore, in recent years, there has been a more conscious attempt on its part to balance its economic development with its international reputation. Four factors will prevent China from realizing its goal: first, an increase in border instability; second, growing resentment against the Chinese; third, weak Myanmar governance; and fourth, growing international pressure on China to be more involved in Myanmar.

Border Instability

Economic growth has a direct relation with internal stability; China has made it a priority to maintain regional and border stability to pursue its economic development. In August 2009, at the Chinese-Myanmar border, a Junta military operation against the Kokang Myanmar National Democratic Alliance Army (MNDAA) led to a massive influx of more than 50,000 people into Chinese territory.³⁷ China responded immediately by providing emergency food, shelter, and medical attention. In addition, China deployed extra troops and armed policemen at the border to prevent a possible spill over of the violence.

³⁷ Larry Jagan. 2009. "Border War Rattles China-Myanmar Ties." *Asia Times*. 1 September. http://www.atimes.com/atimes/Southeast_Asia/K101Ae04.html Accessed on 2 May 2010.

The Kokang are of Chinese ancestry, speak Mandarin, and have lived for decades in the Northeast of Myanmar. Just like other ethnic groups, they have their own militia and have fought against the Myanmar Junta for decades demanding autonomy. Also, the Kokang were part of the Burma Communist Party, but since 1989, had agreed on a ceasefire that was upheld until the Junta's attack.³⁸

This military operation led to a diplomatic scuffle between the two countries. China was "deeply upset" over the spill over effects and "furious" with the Myanmar government for not informing it of the military operation. Furthermore, Myanmar had to "apologize" to Chinese authorities for the instability caused by its offensive.³⁹

This is a prime example of what China wants to avoid. Border stability is key to the peaceful development of China and therefore, it is working hard to curb illegal activities such as narcotics trade, prostitution, HIV/AIDS, and gambling, to reduce instability along its border. Although there is the political will, corruption at the border frustrates efforts of the Chinese authorities to respond effectively against these "forbidden deeds."

Drug and Gambling problems

The Golden Triangle, which includes Myanmar, had been the center of opium and heroin trade in the 1980s, and today, 95 per cent of heroin in China comes from this region. The Chinese authorities believe that there is a strong correlation between drugs and crimes, as well as drugs and sex, which can lead to the spread of HIV/AIDS.

In addition, since gambling is forbidden in China, many Chinese nationals have gone to bordering countries to play in casinos. From the Chinese government's perspective, gambling can lead to the kidnapping, torture, and murder of people unable to

³⁸ Ibid.

³⁹ Ibid.

repay their debt. Therefore, China has taken strong action against these illegal activities. The problem also arises from the corruption on either side of the border, and even high officials in border provinces. Also, many ethnic groups depend on these illicit activities for revenue, and a strong relationship between the military Junta and ethnic groups was forged to capitalize on these resources.⁴⁰

Growing Resentment against China

China's economic investment in Myanmar does not lead to social development due to China's lack of trust on Myanmar and the latter's lack of investment within its own society. This has pushed the locals to resent Chinese presence.

There is a strong, but unequal economic investment between the two nations. From the 1990s to 2006, Myanmar's imports from China grew much faster than its exports to China. In 1990, Myanmar's exports to China were US\$33 million and in 2006 they had increased 6.9 times, reaching US\$229.7 million. During the same period of time, its imports were US\$137.7 million and increased 9.6 times to US\$1.098 billion.⁴¹

Many problems arise from this unequal trade: firstly, there has been growing disenchantment with the quality of Chinese goods; secondly, a feeling of neo-colonialism and alienation; and thirdly, the destruction of natural resources without any compensation.

Cheap Chinese Products, but at What Price?

Since the 1970s, Chinese consumer goods have flooded Myanmar's market through illegal trade. Just like the rest of the world, every household in Myanmar relies on Chinese products.⁴² Similarly, there has been a growing resentment against the quality of these goods. Moreover, once these products arrive in the cities in Myanmar's interior, they become more

expensive due to the many bribes and fees that are paid along the way.⁴³

A Feeling of Alienation in their Own Country

In the north, for instance, Myanmarese citizens feel as if they are being pushed out of their own land. Mandarin is spoken widely, there is an increase of signs translated into Chinese, most businesses have some kind of Chinese investment, and it has been estimated that China owns 60 per cent of Myanmar's economy in Central Mandalay, which has been unofficially renamed "Chinatown."⁴⁴ As a Burmese shopkeeper said, "after 100 years of colonization by the British, we had so many things left, but after twenty years of colonization by China, we have nothing."⁴⁵

The Destruction of the Environment without any Compensation

The absence of reliable information on land acquisition, environmental impact and displacement by Chinese hydropower, mining, wood trade, oil and gas exploration projects have raised concerns of international environmental organizations and locals.⁴⁶ Chinese construction and infrastructure development projects do not involve the locals due to the lack of confidence on Myanmar's labor force; the Chinese instead, bring thousands of laborers along for their projects in Myanmar. Consequently, there is little economic input in the local economy. In addition, these infrastructure projects have to be protected due to instability and necessitate a large labor force; thereby promoting military presence, forced labor, and forced relocation.

⁴³ ICG, n.14.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Regional Environmental Forum. 2004.

"Advancing World Governance: Perspective From the Regional Environmental Forum for Mainland Southeast Asia." REF II, Bangkok, Thailand.

⁴⁰ ICG, n.14.

⁴¹ Toshihiro Kudo. n.16.

⁴² Maung Aung Myoe, n.15.

Weak Governance in Myanmar: A Threat to Chinese Investment

Efficient economic trade between states demands a stable socio-political environment. Therefore, it is in China's interest for Myanmar to have strong governance. Confidence in a country to secure, provide, and achieve economic trade is based on the political atmosphere. A weak or incapable Myanmar government will threaten Chinese investment. Myanmar's lack of expertise and knowledge on economic planning and policy makes China's investment insecure.

In 2007, China tried to establish Special Economic Zones (SEZ), just like it had done on its territory in the early 1990s, but Myanmar's inability to understand the SEZ concept and lack of economic expertise resulted in its failure to pass a law that would have helped develop the country.⁴⁷ Myanmar's weak governance which is riddled with corruption, weak judicial system, and lack of transparency and accountability has made it difficult to do business in Myanmar. Even Chinese businessmen complain of the widespread corruption, which is worse than in China.⁴⁸

Myanmar's inability to provide a secure environment for trade combined with a lack of professionalism and widespread corruption, make it appear that China's investment stands on precarious ground. China, thus, clearly does not want to see a weak Myanmar government because it knows that the return on all its investment is based on the stability of the government. Therefore, it is in China's interest to ensure the stability of Myanmar's socio-political environment that includes building relations with ethnic groups and the Junta.

Relations with Ethnic Groups

Much of the natural resources are located in territories inhabited by ethnic minorities; therefore China maintains strong relations

with these ethnic groups to guarantee access to the resources. According to the International Crisis Group, China wants to maintain a balance of power between ethnic groups and the government to ensure the maintenance of the current stability under which China can exploit the resources of the country. Also, China has its fair share of ethnic minorities and knows only too well the importance of preventing ethnic groups from gaining full autonomy without allowing the situation to escalate. China is afraid that such movements could lead to border instability since nearly 25 of the 55 ethnic minorities live in Yunnan province.⁴⁹

China helps and supports these minorities especially the Kachin, Wa, and Kokang, by providing economic assistance, arms, and basic utilities (electricity, water, and telecommunication), therefore, securing the border trade.⁵⁰ Myanmar's government does not approve these relations because they undermine its authority as the government, which continues to fight these groups. China can use its relations with the minorities as leverage when dealing with the Myanmar government, which has reinforced the latter's dislike of its dependence on China. Consequently, Myanmar's government does not trust China and tries to limit Chinese influence in its internal and external policies.

China has invested and financed many projects in Myanmar. It does not expect an immediate return, but believes that in the long term it will be beneficial for China's economic development. Therefore, it is essential for China to maintain good relations with ethnic groups that live in resource-rich areas and with Myanmar's government to gain official access to these resources. This "two-face" policy that China

⁴⁷ ICG, n.14.

⁴⁸ Ibid.

⁴⁹ Kezia Dewi. 2009. "Yunnan: Home of 25 Ethnic Minorities in China." *Associated Content*. 30 March.

http://www.associatedcontent.com/article/1593284/yunnan_home_of_25_ethnic_minorities.html?cat=47 Accessed on 2 May 2010.

⁵⁰ ICG, n.14.

is employing is dangerous and unstable, but at the same time, guarantees its access to resources. Just like the British “divide and rule” policy, China wants to maintain this relationship for economic purposes, to prevent internal instability vis-à-vis its own ethnic minorities and gain some leverage over Myanmar’s government for business trade.

China’s Rise to Superpower Status: The Limits of Human Rights Violations

China’s unique political system and history make it more *tolerant* of human rights violations, but there is a limit to Chinese support for dubious governments. Although it is impossible to define such limits, China’s support is clearly diminishing given Myanmar’s human rights violations. Greater international pressure on China would affect its reputation, which is essential for its future ambitions.

China in the recent years has tried to balance economic trade interests and international image by getting more involved in the international arena during the 2007 Saffron Rebellion, 2008 Cyclone Nargis, and the 2009 extension of Aung San Suu Kyi’s house arrest.

Veto Power: China does not like to be put on the spot

After the January 2007 Chinese veto on the UN draft resolution, China called on the Myanmar government to “listen to the call of its own...people and speed up the process of dialogue and reform.”⁵¹ This veto was the first non-Taiwan related veto used by China, and China felt uneasy about having stood up against the West. As mentioned earlier, China’s foreign policy is based on the New Security Concept; it does not want to be in that situation again, and consequently advised the Junta to at least appear to be cooperating with the international community.

China’s veto had some positive consequences, as the International Labor Organization (ILO) was expelled out of country, the government accepted a new agreement allowing ILO to stay, and the Myanmar government announced a return to talks on the constitutional national convention. At the same time, China tried to improve the Junta’s relations with ethnic groups by influencing leaders of ethnic groups living in Yunnan province, it advocated the Junta to hold direct talks with Aung San Suu Kyi, and China hosted “secret” talks between US and Myanmar.⁵²

The 2007 Saffron Revolution: A Pro-active China

This time China faced strong international pressures to take a stronger stance against the Junta, which resulted in China supporting the Security Council statement and resolution on violence against peaceful protestors. China called for democratic progress and political dialogue with the opposition, and it helped the UN Secretary-General Special Advisor Ibrahim Gambari to access senior generals and Aung San Suu Kyi.

It is believed that China’s influence on the crisis was deeply affected by its decision to join the international community against the Junta. China has been criticized by Myanmar for “siding with them.”⁵³ Despite Myanmar’s condemnation, China is still providing strong diplomatic support to the UN. It even supported the UN Security Council statement of 2008 that expressed disappointment at Myanmar’s slow progress on the Seven Step Roadmap to Democracy, which led Myanmar to establish a timeline for the same.

The Saffron Revolution was an eye-opening experience for the international community; they saw a pro-active China that had the will to improve the human rights situation in Myanmar. Although China made sure that the UN Resolution was softer than the

⁵¹ UN Security Council, S/PV.5919, 12 January 2007.

⁵² ICG, n.14.

⁵³ Ibid.

original draft, it was one of the rare times that China did not defend its economic relations as a priority. China has provided and continues to provide diplomatic and logistical support to the UN. At the same time, China openly supports Myanmar's roadmap saying that "it is much better than not having a roadmap."⁵⁴

2008 Cyclone Nargis: Bad Timing

Just a few months away from China's 2008 Olympic Games, the natural disaster put pressure on China due to the international outcry over Myanmar blocking international assistance. With a direct appeal from Condoleezza Rice to pressure the Myanmar government, China along with ASEAN's support convinced the Junta to allow international aid. Unfortunately, right before the disaster, China had acknowledged a presidential statement focusing on the constitutional referendum.⁵⁵

In November the same year, about 14 pro-democratic activists received 65 years of prison sentence due to their involvement in the 2007 Revolution.⁵⁶ Chinese Foreign Minister, Yang Jiechi, advised Myanmar's Junta to condemn these activists to 3-4 years of prison to reduce international attention. According to a western diplomat, "the Chinese are actively trying to ensure that the regime does not go too far. China does not want a US-oriented state on its border, but neither does it want the world's pariah on its border."⁵⁷

Aung San Suu Kyi and China

After the decision to extend Aung San Suu Kyi's prison term by 18 months, a Chinese official said that the world should respect the judicial sovereignty of Myanmar.⁵⁸

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Ian MacKinnon. 2008. "Burma regime Jails Pro-Democracy Activist for 65 Years." *The Guardian*. 11 November.

<http://www.guardian.co.uk/world/2008/nov/11/burma-democracy-students> Accessed on 2 May 2010.

⁵⁷ ICG, n.14.

⁵⁸ "Respect Myanmar Sovereignty, China Says After Trial." *Reuters*. 12 August 2009.

Furthermore, China said that it would oppose a UN statement against deploring the verdict; therefore, the UN press statement only expressed "serious concern" regarding the situation.⁵⁹

At the Ninth Asia-Foreign Ministers meeting (ASEM), China expressed its discontent and concern about the Aung San Suu Kyi situation. The ministers agreed to call for the release of those in detention and the lifting of restrictions on political parties.⁶⁰ In addition, China joined the Group of Friends in calling for the release of Aung San Suu Kyi and other political prisoners.⁶¹ There are signs that China would be willing to participate in some consortium that would work to bring about the release of Aung San Suu Kyi and the opposition to talk with the Junta, but China is not willing to lead the mediation due to its strategic ambitions.

Economic Growth vs Political Ambition

There is a clear dilemma between China's economic growth and its international reputation. The timing of these events is important; the Olympics were a great opportunity to project itself as "Grand China," one that has great history, culture, economy, and is the future world power. China's joining the international community in its stand against Myanmar was not driven by altruistic motives, but clearly, because China was gaining either through economic growth or the amelioration of its international reputation.

<http://www.reuters.com/article/idUSTRE57B00020090812>. Accessed 2 May 2010.

⁵⁹ United Nations. 2009. "UN Security Council Press Statement on Myanmar." SC 9731. 13 August.

⁶⁰ ASEM. 2009. "9th Asia-Foreign Ministers Meeting Chair Statement." Hanoi, Vietnam, 26 May.

⁶¹ "Ban Briefs Group of Friends on Myanmar on Latest Development." UN News Centre. 5 August 2009.

<http://www.un.org/apps/news/story.asp?NewsID=31693&Cr=myanmar&Cr1=> Accessed on 2 May 2010.

China is cautious about its position on Myanmar-related issues because it has large investments and is expecting high returns. Greater international sanction would affect China's international image, which would pressure its economic ties with Myanmar. On the one hand, it has business deals and on the other, the political ambition to become a superpower, thereby, demanding some economic sacrifice on its part. China wants to become a regional and international superpower, which will entail the responsibility of promoting higher and better standards for human rights, economic growth, and global peace. Therefore, China has demonstrated in recent years a more active position in the international arena, but still abstains itself from taking an overly critical stance against the Junta.

III. What does Myanmar Want from China? Understanding Burmese Objectives, Obstacles and Strategies

Myanmar understands that it is strategically located between the two large powers, China and India, both of which have the ambition to become superpowers. In addition, Myanmar's natural wealth and China's thirst for the same have made these resources economically valuable, thus, bringing greater income to the military Junta. In exchange for assuring regional trade, Myanmar is confident that China will implicitly support its government, and even trade, which is important for economic and political sustainability.

I HOW DOES CHINA FIT INTO MYANMAR'S OBJECTIVES?

China is the largest investor in Myanmar, but Myanmar is far from being "controlled" by the dragon. Furthermore, it is China that is being manipulated by Myanmar. As discussed in the previous section, China provides a wide range of services from financial support to infrastructure building in Myanmar, but Myanmar still has the upper hand in this unequal relationship.

Myanmar uses China for its economic investment, political support in the international community, and most importantly as leverage when negotiating with other regional or international companies on resource exploitation.

Myanmar's Junta has played upon its key strategic geographic location and natural resources with China, India, and ASEAN countries. Myanmar's regional neighbours are directly supporting the current Junta regime and its government understands too well that the demands of *realpolitik* are

more powerful than the political beliefs of states – ultimately it comes down to the simple question of economic supply and demand.

Myanmar is surrounded by developing countries; for countries to develop, they need to have access to natural resources. Energy is the foundation of any country to grow and prosper. Therefore, energy consumption is directly related to development and internal peace.⁶² In this context, where Myanmar has the "goods" and a long list of countries has the "demand," it uses its strategic leverage to gain economic growth to sustain its political system.

Myanmar uses its close relation with China to influence and increase its leverage with other powers such as India and ASEAN to achieve their goals of economic and political support for the development of the Junta to legitimize its hold of power.

Myanmar has been a great manipulator of its neighboring countries; it has managed to bring the South and Southeast Asian nations to support its government financially and politically.

Myanmar Plays with China and India

It is important to mention that in this paper, *political legitimacy* has been defined in terms of economic trade; when countries agree to trade with a government, whether they overtly or covertly support the government does not matter, their business ties

⁶² Namrate Panwar. 2009. "India and China Competing over Myanmar Energy." University of Leicester. 14-16 December. pp.1-35 BISA Conference December 2009

legitimize the government in place. In this sense, Myanmar is a legitimate government because of its strong regional and international trade relations. I will show how Myanmar gained political legitimacy through economic and political recognition with China and India.

Myanmar understands the competition between China and India. By maximizing on this situation Myanmar sustains the upper-hand, hypothetically, if India is not willing to pay for goods at the price desired, China or ASEAN will, and vice versa. Therefore, the Junta has strong notions of capitalism although it is an authoritarian regime. Competition provides more economic support to the Junta and therefore it provides political legitimacy.

The recent bidding war between China and India for the Shwe project demonstrates Myanmar's regional importance for the growth of both countries. From an Indian perspective, Myanmar is an open door to South Asia and Southeast Asia. From a Chinese perspective, Myanmar presents an untapped market, alternative routes for natural resources, and stronger influence in the region. China and India both only have one option: development. This can only be achieved by securing its access to raw material, consequently secure their access to Myanmar.

India lost the right of distribution to China, although it tried to "sweet the deal with \$20 million in 'soft credit,'"⁶³ and it offered to build a power plant. After more than a decade of negotiations⁶⁴ involving the two

Indian companies - the Gas Authority of India Ltd (GAIL) and Oil and Natural Gas Corp (ONGC), the two put together have 30 per cent stake in the resource exploitation. The tri-nation pipeline (India, Bangladesh, and Myanmar) failed due to an inability to find a common agreement between India and Bangladesh. Also, China's incentives and means to acquire these resources, combined with economic and financial assistance, building of infrastructure, arms trade, and the political umbrella it provides, managed to take away the deal from India.

China won the bid to be the sole operator (50.1 per cent) and Myanmar Oil and Gas Enterprise (MOGE) holding (49.1 per cent) to distribute the oil through its two pipelines (oil and gas) that it is currently constructing.⁶⁵ The estimated cost of construction of both pipelines combined is US\$3.5 billion in addition to the development of offshore field for gas component worth US\$3 billion.⁶⁶ Additionally, China National Petroleum Corporation (CNPC) may pay an annual transit fee of US\$150 million per year to the regime for the use of the pipeline in Myanmar,⁶⁷ a cost that will be shared by the CNPC, GAIL (India), which will participate at 4.17 per cent, the ONGC which will take another 8.35 per cent,⁶⁸ and other partners

[to-negotiate-without-conditions](#). Accessed on 29 April 2010.

⁶³ "Shwe Gas and Pipeline Project-Myanmar." Banktrack. <http://www.shwe.org/archives/myanmar2013bangladesh-india-gas-pipeline-bangladesh-is-preparing-to-negotiate-without-conditions>. Accessed on 29 April 2010.

⁶⁴ "Factbox: Pipelines From Myanmar to China." Reuters. <http://www.reuters.com/article/idUSTRE6120MQ20100203> Accessed on 29 April 2010.

⁶⁵ Banktrack, n.81..

⁶⁶ "ONGC, Gail Can Invest in China's Myanmar Gas Project." *The Hindu*. 18 February 2010. <http://www.thehindubusinessline.com/2010/02/19/stories/2010021952470100.htm> Accessed on 29 April 2010.

⁶³ Gideon Lundholm. 2007. "China Trumps India in Myanmar Gas Stakes." *Asia Times*. 11 September. http://www.atimes.com/atimes/Southeast_Asia/III1Ae02.html Accessed on 29 April 2010.

⁶⁴ "Myanmar-Bangladesh-India Gas pipeline: Bangladesh is preparing to negotiate without conditions." *The Shwe Gas Movement*. 17 May 2007.

<http://www.shwe.org/archives/myanmar2013bangladesh-india-gas-pipeline-bangladesh-is-preparing-to-negotiate-without-conditions>

in the block including Daewoo International, MOGE, and Korea Gas Corp.

According to the Reuters, China is building two pipelines: first one will allow oil from the Middle East and Africa to be offloaded from tankers at a Myanmar port, then piped into China. This new route will avoid the Malacca Strait. It will take 12 million metric tons of crude oil a year into China, about 6 per cent of China's total imports in 2008-2009; there is no timeline for this project. The other pipeline will have the capacity to bring 12 billion cubic meters of Myanmar gas every year into China, and is expected to start functioning within the next two years.⁶⁹

The gas pipeline will alone provide an income of US\$29 billion and at least US\$4.5 billion in transit fee for Myanmar over 30 years.⁷⁰

China's Rise to Superpower Status

China wants to become a regional and international superpower. China has strong economic and political relations with Myanmar, although in recent years there has been frustration due to the limits of its influence on the military Junta. The benefits of China's investment will only be visible in the years to come, therefore it is in China's interest that the government of Myanmar stays stable, hence, to support and guarantee the strength of the Myanmar government.

China wants political stability in the country because of its economic investment. On the other hand, China gains political legitimacy by acting as the mediator between Myanmar and the international community. It is a win-win situation for Myanmar and China, since both gain either strategic access and political credibility. As China provides financial support to the Junta, it helps to sustain its power, which consequently allows China to have some level of preferential treatment regarding natural resources exploitation. In

⁶⁹ "Factbox: Pipelines From Myanmar to China," n.82.

⁷⁰ Ibid.

addition, when China is seen as supporting and working with the UN on sanctions against the human rights violation or promoting party talks with Aung San Suu Kyi, China is improving its international image and reputation. Hence, the requirements for a future superpower.

The recent 2007 Monk Strike and the 2008 natural disasters, when the Junta did not allow international aid into the country for over three weeks, led to international outcry and condemnation of the Junta, regionally and internationally.⁷¹ In the last few years, the Junta has tried to keep tight control over its national sovereignty. To continue the hold on power, the Junta has kept a low profile in the international arena.

China's experience with international criticism caused it to advise Myanmar to keep a low profile. After the *Depayin Massacre* in May 2003, the regional and international outcry over the Junta's actions pressured the government to improve its human rights record. The Junta responded with the "Seven Step Roadmap to Democracy" in August of that year, which initially was widely supported by ASEAN and China for the future of Myanmar and its people.⁷²

In sum, China provides advice and acts a mediator between Myanmar and the international community. China's large economy provides the country with political leverage and Myanmar uses that facts to its advantage especially when it comes to UN sanctions.

⁷¹ "Worst Asian Cyclone since 1991." *Reuters: Alert Net*. 28 March 2010.
http://www.alertnet.org/db/crisisprofiles/MM_STO.htm Accessed on 29 April 2010.

⁷² "Not Only the People of Myanmar but also ASEAN and the International Community Support the Seven-Point Roadmap of Myanmar." *The New Light of Myanmar*. 21 October 2003.
<http://www.myanmar.gov.mm/Article/Article2003/oct/Oct21a.htm> Accessed on 29 April 2010.

II

Obstacles to Myanmar's Objectives

Myanmar's Junta wants to gain the respect of regional and international powers as the legitimate government of Myanmar. In this quest, there are two possible events that could restrain its ambition: firstly, stronger sanctions by the international community, therefore, pressuring China to get involved and choose between its economic development and political ambition. Secondly, if pushed too hard by the Junta, there is a possibility that ethnic groups such as the Wa and the Kachin may unite against their common enemy - the Junta.

Stronger International Pressure on China

A country cannot rise to superpower status without promoting peace and stability. Political reputation is essential for the world to accept a state as a superpower. As previously stated, China has worked on its international image through Myanmar, especially during the 2007 Saffron Revolution and 2008 Cyclone Nargis. China believes in peaceful development and it promotes peace and stability through its external policies of the Five Principles of Peaceful Co-existence and the New Security Concept (NSC), which in turn, have helped improve its international image, tarnished in the past by the infamous Tiananmen Massacre.

China is seen to be tolerant to some extent of human rights violations if they are considered necessary for the economic and political growth of the country. In the case of Myanmar, China has recently been more critical of the Junta, even expressing its frustration and at times siding with the West against the Junta, but it still takes into account its economic investment in the country.

China's involvement in helping and supporting the UN and providing international assistance to enter Myanmar in the aftermath of Cyclone Nargis,

demonstrated the pro-active side of the country to the international community. It seemed that China was promoting peace and stability for a better world. In addition, China joined the Asia-Europe Meeting (ASEM) and concurred with the legitimate concern that ministers had over the handling of the opposition in Myanmar. According to a senior European diplomat, Chinese Foreign Minister Yang Jiechi did not openly mention Suu Kyi by name in closed-door remarks, "but he de-facto did."⁷³ This demonstrates China's stronger influence and involvement in the international community.

China's behavior demonstrates ambivalence and a struggle between its wish for economic growth and political ambition. Myanmar is only a small economic input for China, but there is a strategic interest to have strong relations with this country which is based on development necessities. Myanmar's weak government and inability to adopt sound and rational development policies have frustrated China in recent years. Although China has been active in supporting the international community against the Junta regime, it has at the same time, been overtly supportive of the latter. China is playing both fields because it needs to keep good relations with the Junta for returns on its economic investment and at the same time, wants to become a stronger international player, which demands a good international reputation and image. If such inconsiderate actions and policies persist on Myanmar's side, China's image and reputation will suffer and thus, thwart its ambition to become a superpower.

Ethnic Fault lines

Myanmar has a long history of ethnic conflict since its creation, between the Mons, Pyi, Arakanese, and Burman in the 900s.

⁷³ "ASEM Condemns North Korea and Myanmar." *Dalje*. 26 May 2009. <http://dalje.com/en-world/asem-condemns-north-korea-and-myanmar/260822> Accessed on 30 April 2010.

These ethnic groups possess a strong sense of nationalism. For example, the KIO uses Kachin language to impart education and promote culture in its schools, it runs civilian hospitals, and has initiated infrastructure projects such as roads and hydro-electric power.⁷⁴ These social services and the strong sense of nationalism deepen their non-Myanmar citizenship because the KIO is winning over the hearts and minds of its people by providing security and social services. In the late 1980s, Gen. Khin Nyunt arranged to sign a ceasefire treaty with ethnic groups, especially with the powerful ones such as the Wa. According to the Myanmar government, from 1989 to 1995, 17 insurgent groups signed ceasefires with the ruling generals.⁷⁵ The only groups that have continued their armed struggle into the present day and have a significant army are the Karen National Union, the Karenni National Progressive Party, and the Shan State Army (South).⁷⁶

In 2004, the then Prime Minister, Khin Nyunt was arrested under the charge of corruption. He was the creator of the Seven Road Map toward Democracy and the initiator of the ceasefires. His arrest considerably weakened relations between ethnic groups and the Junta, and created the possibility of renewed fighting.⁷⁷

The 2009 Kokang attack demonstrates the will of the government to take over these ethnic groups and make them part of the government under the system of Border

Guard Forces.⁷⁸ According to the 2008 Constitution, “all armed forces shall be under the command of the defense services.”⁷⁹ The Kokang are the weakest group and some have stipulated that it was just a way for the Junta to test grounds.

Ethnic groups such as the KIO and the United Wa State Army (UWSA) have strong military forces and work as mini-states. They would rather accept terms of the Panglong Agreement that established a federal state system than become part of the Junta’s armed forces.⁸⁰ Prior to the Junta’s attack on the Kokang last August, the Myanmar Peace and Democracy Front (MPDF) openly supported the Kokang’s stance to refuse the Junta’s army to enter its territory.⁸¹ In addition, the UWSA supported the Kokang in their fight against the Junta due to a previous agreement that also included the Kokang Army or MNDAA, the Mongla or Nationalities Democratic Alliance Army (NDAA) and the Kachin Independence Organisation.⁸²

The potential problem is that since individualism and nationalism are very strong among these ethnic groups, and since groups like the KIO and UWSA possess strong military power, they could combine their forces to fight against the Junta. Any type of instability prior to the election in 2010 would further de-legitimize the Junta

⁷⁴ International Crisis Group (ICG). 2003. “Myanmar Backgrounder: Ethnic Minority Politics.” *Asia Report No.52*, Bangkok/Brussels. 7 May. pp.6-16

⁷⁵ Wai Moe. 2009. “Wa Army to Celebrate 20th Anniversary.” *The Irrawaddy*. 8 April. http://www.irrawaddy.org/print_article.php?art_id=15456 Accessed on 30 April 2010.

⁷⁶ ICG, n.104

⁷⁷ “Myanmar PM Ousted, Under House Arrest.” *China Daily*. 20 October 2004. http://www.chinadaily.com.cn/english/doc/2004-10/20/content_383929.htm Accessed on 30 April 2010.

⁷⁸ EBO. 2009. “The Kokang Clashes-What Next?” *EBO Analysis Paper 1*, September 2009. pp.1-7.

⁷⁹ Wai Moe. 2009. “Border Guard Force Plan Leads to End of Ceasefire.” *Democracy for Burma*. 31 August.

<http://democracyforburma.wordpress.com/2009/08/31/border-guard-force-plan-leads-to-end-of-ceasefire/> Accessed on 30 April 2010.

⁸⁰ Saw Yan Naing. 2009. “No Border Guard Force Deadline for KIO.” *The Irrawaddy*. 30 December. http://www.irrawaddy.org/article.php?art_id=17512 Accessed on 30 April 2010.

⁸¹ EBO, n.108.

⁸² M Gyi and Mungpi. 2009. “Myanmar: Thousand flee as Kokang and Government Troops Fight.” *Relief Web*. 28 August.

<http://www.reliefweb.int/rw/rwb.nsf/db900SID/ADGO-7VCR28?OpenDocument> Accessed on 30 April 2010.

leadership. In addition, the Tatmadaw does not have the efficient military capability to take on these ethnic groups. Additionally, fighting in mountainous terrain requires tremendous training and experience, which they both lack. Nonetheless, the Tatmadaw has an estimated 492,000 soldiers,⁸³ many of whom are conscripted and do not have the passion to fight for their country. The strength of a soldier comes from his heart, from the fact that he is fighting for the higher good of his nation, which is absent.⁸⁴

In March 2010, Shan rebels killed 20 Myanmar soldiers in an ambush.⁸⁵ Also, 2 000 Karens took refuge in the jungle last January, to escape a military attack on their villages by the Junta's army.⁸⁶ Therefore, if ethnic tensions continue to rise, this, combined with a strong nationalism due to the election later this year, may lead to uniting of the ethnic groups against the Junta. Consequently, the lack of internal legitimacy in Myanmar would undermine the Junta's ambition to be internationally accepted as the country's rightful government. In other words, it would threaten Myanmar's legitimacy. The main obstacles on the path of the fulfilment of Myanmar's ambition to prove its legitimacy as the government of its country thus include: firstly, the attempts by China to

balance its wish for economic development and political ambition. Secondly, the possibility of the uniting of ethnic groups, especially the KIO and the UWSA. If they were ever to combine their forces, these ethnic minorities would together have the potential to create more conflict and more unrest, therefore, further discrediting the Junta's current fragile situation.

In sum, obstacles to Myanmar's ambition includes stronger international pressure and further alienation of ethnic groups. In both scenarios, the credibility and legitimacy of the ruling Junta would once again put into doubt.

⁸³ Amnesty International. 2008. "Myanmar: Ongoing Misuse of Arms Transfer." *Blood at the Crossroads: Making the Case for a Global Arms Trade Treaty. AI Index ACT: 30/011/2008.* September 2008.

⁸⁴ Clifford McCoy. 2006. "Myanmar's Losing Military Strategy." *Asia Times.* 7 October. http://www.atimes.com/atimes/Southeast_Asia/HJ07Ae01.html Accessed on 30 April 2010.

⁸⁵ "Rebels Kill 20 Myanmar Troops in Shan State Ambush." *The Star.* 19 March 2010. http://thestar.com.my/news/story.asp?file=/2010/3/19/worldupdates/2010-03-19T172548Z_01_NOOTR_RTRMDNC_0_-470599-1&sec=Worldupdates Accessed on 30 April 2010.

⁸⁶ "Myanmar Army Attacks Force 2,000 Karens to Flee." *The Inquirer.* 24 January 2010. <http://newsinfo.inquirer.net/breakingnews/world/viaw/20100124-249179/Myanmar-army-attacks-force-2000-Karens-to-flee> Accessed 30 April 2010.

Conclusions

Since the end of the bipolar system and the rise of globalization, the world has become interconnected and interdependent through culture, economy, and the polity. In order to provide an accurate strategic foresight of Sino-Myanmar relations, it is necessary to understand the historical and present context, national ambitions, and the current means available to achieve these goals. At the same time, to offer a precise forecast, there is a need to hypothesize the possible obstacles to these ambitions.

The paper concludes that the period of the next 5-10 years, from a Chinese standpoint, will be one of balancing between securing its economic investment through bilateral relations between China and ethnic groups, China and the Junta, and its wish for stronger involvement in the political arena. In this quest, China will outbid all other players; provide economic assistance; infrastructure building; and a political umbrella to the international community. Nonetheless, China will have to face certain obstacles to achieve these goals, mainly the growing resentment of local Chinese presence in Myanmar; border instability; weak Myanmar governance; and stronger international sanctions.

Alternatively, from a Myanmarese standpoint, due to the Junta's controversial history, it wants to prove to the regional and international community that it is a legitimate government. Through the Seven Step Roadmap to Democracy and the election later this year, the Junta wants to

show its credibility as the government of Myanmar. The Junta has been successful at making regional actors compete for its natural resources and its strategic importance works in its favor. When China, India, and ASEAN compete for access to Myanmar, they are supporting the Junta with financially, which gets translated into political support. Also, the Junta does not want foreign involvement in its national affairs. Therefore, it purposely keeps a low profile in the international arena. The obstacles to the achievement of Myanmar's goals would be an increase in international criticism that would pressure China to further influence the Junta, and ethnic groups uniting against the government, which would weaken furthermore the credibility of the Junta.

In conclusion, in the near future, China's economic thirst will be challenged by its wish to become a regional and international superpower on the one hand, and on the other, Myanmar's Junta will try to convince its neighbors and the world that its government is legitimate.

Bibliography

- Australian Government. 2010. "Burma." AusAID. <http://www.ausaid.gov.au/country/country.cfm?CountryId=8493641> Accessed on 30 April.
- Ah Ngae Htwe. "Bilateral Trade Between Myanmar, China Skyrockets." The Eleven Media Group. http://eversion.elevenmediagroup.net/index.php?option=com_content&view=article&id=466&Itemid=109 Accessed on 29 April 2010.
- Amnesty International. 2008. "Myanmar: Ongoing Misuse of Arms Transfer." Blood at the Crossroads: Making the Case for a Global Arms Trade Treaty. *AI Index ACT: 30/011/2008*. September 2008.
- ASEAN. "Overview." http://www.aseansec.org/about_ASEAN.html. Accessed on 30 April 2010.
- "ASEM Condemns North Korea and Myanmar." Dalje. 26 May 2009. <http://dalje.com/en-world/asem-condemns-north-korea-and-myanmar/260822> Accessed on 30 April 2010.
- ASEM. 2009. "9th Asia-Foreign Ministers Meeting Chair Statement." Hanoi, Vietnam, 26 May.
- "Ban Briefs Group of Friends on Myanmar on Latest Development." *UN News Centre*. 5 August 2009. <http://www.un.org/apps/news/story.asp?NewsID=31693&Cr=myanmar&Cr1=> Accessed on 2 May 2010.
- Blanchard, Ben. 2010. "Factbox: Pipeline From Myanmar to China to Carry Oil." *Reuters*. 3 February. <http://www.reuters.com/article/idUSTRE6120MQ20100203> Accessed 2 May 2010.
- "Burma at 60: Time for Change!" ALTSEAN: Burma. 27 December 2007. BN 2007/1040
- Boot, William. 2006. "Burma's Bumper Energy Sale." *The Irrawaddy*. September 2006. Vol.(14)9. http://www.irrawaddy.org/print_article.php?art_id=7604 Accessed on 29 April 2010.
- Bradsher, K. and J. Mouawad. 2005. "China Oil giants Crave Respectability and Power." *New York Times*. 9 July. <http://www.nytimes.com/2005/07/09/business/worldbusiness/09cnooc.html?pagewanted=1&r=3> Accessed on ??? INCOMPLETE
- "China Oil Consumption Growth Raises Stimulus Hope." *Commodity*. 23 July 2009. <http://www.commodityonline.com/news/China-oil-consumption-growth-raises-stimulus-hope-19850-3-1.html> Accessed on 30 April 2010
- "China's Myanmar Dilemma." International Crisis Group (ICG). *Asia Report No.177*. 14 September 2009.
- "China, Kazakstan Sign Loan-for-Oil Deal." *The Wall Street Journal*. 18 April 2009. <http://online.wsj.com/article/SB123996097676128865.html> Accessed on 2 May 2010.
- CIA. "Burma" *World Factbook*. <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html> Accessed on 30 April 2010
- Dewi, Kezia. 2009. "Yunnan: Home of 25 Ethnic Minorities in China." *Associated Content*. 30 March. http://www.associatedcontent.com/article/1593284/yunnan_home_of_25_ethnic_minorities.html?cat=47 Accessed on 2 May 2010.
- EBO. 2009. "The Kokang Clashes-What Next?" EBO Analysis. Paper 1. September.
- Egreteau, Renaud. 2003. "India and Burma/ Myanmar Relations: From Idealism to Realism." Centre de Science Humaines. 11 September. http://www.csh-delhi.com/publications/downloads/papers/from_idealism_to_realism.pdf Accessed on 29 April 2010.
- Ekeh, C. and M. Smith. 2007. "Minorities in Burma." *Minority Rights Group International*. October.
- Embassy of the People's Republic of China in Australia. 2003. "China Offers New Security

Concept at ASEAN Meetings.” 24 November.
<http://au.china-embassy.org/eng/jmhzt46228.htm> Accessed on 30 April 2010.

“Factbox: Pipelines from Myanmar to China.”
Reuters.
<http://www.reuters.com/article/idUSTRE6120MQ20100203> Accessed on 29 April 2010

Geng, Lixin. “Sino-Myanmar Relations: Analysis and Prospects.” *The Culture Mandala*, Vol.7(2). December 2006.

Global Policy. “Changing Patterns in the Use of the Veto in the Security Council.”
http://globalpolicy.org/images/pdfs/Z/Tables_and_Charts/useofveto.pdf Accessed on 30 April 2010.

Gyi, M. and Mungpi. 2009. “Myanmar: Thousand flee as Kokang and Government Troops Fight.” *Relief Web*. 28 August.
<http://www.reliefweb.int/rw/rwb.nsf/db900SID/ADGO-7VCR28?OpenDocument> Accessed on 30 April 2010.

“History.” *The Voices for Burma*
<http://www.voicesforburma.org/about/history>. 29 April 2010.

“History of Burma.” Burma Issues.
<http://www.burmaissues.org/En/facts.html> Accessed on 29 April 2010.

Human Rights Watch. 2002. “Burma: World’s Highest Number of Child Soldiers.” 16 October.
<http://www.hrw.org/en/news/2002/10/15/burma-worlds-highest-number-child-soldiers> Accessed on 30 April 2010.

“India-Myanmar Trade Set to Touch \$1 Billion” 2009. *The Hindu*. 1 December.
<http://www.thehindubusinessline.com/2009/12/02/stories/2009120252801700.htm> Accessed on 29 April 2010.

International Crisis Group. 2003. *Myanmar Backgrounder: Ethnic Minority Politics*. Asia Report No52, Bangkok/Brussels, 7 May.

Jagan, Larry. 2009. “Border War Rattles China-Myanmar Ties.” *Asia Times*. 1 September.
http://www.atimes.com/atimes/Southeast_Asia/KI01Ae04.html Accessed on 2 May 2010.

Khan, Joseph. 2006. “China, Shy Giant, Shows Signs of the Shredding Its False Modesty.” *The New York Times*. 9 December.
http://www.nytimes.com/2006/12/09/world/asia/09china.html?_r=4&oref=slogin&pagewanted=print Accessed on 30 April 2010.

Kuppuswamy, C. 2006. “Myanmar: Immune to Sanctions and Pressures.” South Asia Analysis Group *Paper No.1696*. 8 February.
<http://www.southasiaanalysis.org/papers17/paper1696.html> Accessed on 30 April 2010.

Kudo, Toshihiro. 2008. “Myanmar’s Economic Relations with China: Who Benefits and Who Pays?” In Skidmore, Monique and Wilson, Trevor (eds.) *Dictatorship, Disorder and Decline in Myanmar*. Canberra: ANU E Press. .

Kumar, Anand. 2006. “Myanmar-PetroChina Agreement: A Setback to India’s Quest for Energy Security.” South Asia Analysis Group *Paper No.1681*. 19 January.
<http://www.southasiaanalysis.org/papers17/paper1681.html> Accessed 2 May 2010.

Liping, Xia. 2004. “The New Security Concept in China’s New Thinking of International Strategy.” *International Review*. Vol.34, Spring.

Lundholm, Gideon. 2007. “China Trumps India in Myanmar Gas Stakes.” *Asia Times*. 11 September.
http://www.atimes.com/atimes/Southeast_Asia/II11Ae02.html Accessed on 29 April 2010.

MacKinnon, Ian. 2008. “Burma regime Jails Pro-Democracy Activist for 65 Years.” *The Guardian*. 11 November.
<http://www.guardian.co.uk/world/2008/nov/11/burma-democracy-students> Accessed on 2 May 2010.

McCoy, Clifford. 2006. “Myanmar’s Losing Military Strategy.” *Asia Times*. 7 October.
http://www.atimes.com/atimes/Southeast_Asia/HJ07Ae01.html Accessed on 30 April 2010.

Ministry of Foreign Affairs of the People’s Republic of China. 2000. “China’s Initiation of the Five Principles of the Peaceful Co-Existence.” 17 November.
<http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm> Accessed on 30 April 2010.

Myoe, Maung Aung. 2007. "Sino-Myanmar Economic Relations since 1988." Asia Research Institute, National University of Singapore No.86. April 2007.

Moe, Wai. 2009. "Wa Army to Celebrate 20th Anniversary." *The Irrawaddy*. 8 April. http://www.irrawaddy.org/print_article.php?art_id=15456 Accessed on 30 April 2010.

Moe, Wai. 2009. "Border Guard Force Plan Leads to End of Ceasefire." *Democracy for Burma*. 31 August. <http://democracyforburma.wordpress.com/2009/08/31/border-guard-force-plan-leads-to-end-of-ceasefire/> Accessed on 30 April 2010.

"Myanmar." *ASEAN Focus*. <http://www.aseanfocus.com/publications/history/myanmar.html>. Accessed on 20 March 2010.

"Myanmar–Bangladesh-India Gas pipeline: Bangladesh is preparing to negotiate without conditions." *The Shwe Gas Movement*. 17 May 2007. <http://www.shwe.org/archives/myanmar2013bangladesh-india-gas-pipeline-bangladesh-is-preparing-to-negotiate-without-conditions> Accessed on 29 April 2010.

"Myanmar Turns Down 2006 ASEAN Chairmanship." *CBC News*. 26 July 2005. <http://www.cbc.ca/world/story/2005/07/26/asean050726.html> Accessed on 29 April 2010.

"Myanmar PM Ousted, Under House Arrest." *China Daily*. 20 October 2004. http://www.chinadaily.com.cn/english/doc/2004-10/20/content_383929.htm Accessed on 30 April 2010.

"Myanmar Army Attacks Force 2,000 Karens to Flee." *The Inquirer*. 24 January 2010. <http://newsinfo.inquirer.net/breakingnews/world/view/20100124-249179/Myanmar-army-attacks-force-2000-Karens-to-flee>. Accessed on 30 April 2010.

Naing, Saw Yan. 2009. "No Border Guard Force Deadline for KIO." *The Irrawaddy*. 30 December. http://www.irrawaddy.org/article.php?art_id=17512 Accessed on 30 April 2010.

"Not Only the People of Myanmar but Also ASEAN and the International Community Support the Seven-Point Roadmap of Myanmar." *The New Light of Myanmar*. 21 October 2003.. <http://www.myanmar.gov.mm/Article/Article2003/oct/Oct21a.htm> Accessed on 29 April 2010.

"Obituary: Ne Win." *BBC News*. 5 December 2002. <http://news.bbc.co.uk/2/hi/asia-pacific/1581413.stm>. Accessed on 29 April 2010.

"ONGC, Gail Can Invest in China's Myanmar Gas Project." *The Hindu*. 18 February 2010. <http://www.thehindubusinessline.com/2010/02/19/stories/2010021952470100.htm> Accessed on 29 April 2010.

Panwar, Namrate. 2009. "India and China Competing over Myanmar Energy." University of Leicester. 14-16 December.

Petty, Martin. 2009. "Myanmar Calls U.S. Senator's Visit a Success." *Reuters*. 18 August. <http://www.reuters.com/article/idUSSP41833320090818> Accessed on 29 April 2010

Pettis, Micheal. 2010. "China Is Misread by Bulls and Bears Alike." *The Financial Times*. 25 February. <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=40260> Accessed on 30 April.

"Rebels Kill 20 Myanmar Troops in Shan State Ambush." *The Star*. 19 March 2010. http://thestar.com.my/news/story.asp?file=/2010/3/19/worldupdates/2010-03-19T172548Z_01_NOOTR_RTRMDNC_0-470599-1&sec=Worldupdates Accessed on 30 April 2010.

Regional Environmental Forum. 2004. *Advancing World Governance: Perspective From the Regional Environmental Forum for Mainland Southeast Asia*. REF II, Bangkok, Thailand.

"Respect Myanmar Sovereignty, China Says After Trial." *Reuters*. 12 August 2009. <http://www.reuters.com/article/idUSTRE57B0O020090812> Accessed on 2 May 2010.

“Shwe Gas and Pipeline Project-Myanmar.”

Banktrack.Org.

<http://www.shwe.org/archives/myanmar2013bangladesh-india-gas-pipeline-bangladesh-is-preparing-to-negotiate-without-conditions>
Accessed on 29 April 2010.

Selth, Andrew. 1995. “Asia, the Burmese Army.” *Jane’s Intelligence Review*. 1 November. pp.84-125.

“Sino-Vietnamese Agreement on Beidu Bay Demarcation Hailed.” *People’s Daily*. 26 December 2000.

http://english.peopledaily.com.cn/english/200012/26/eng20001226_58871.html Accessed on 30 April 2010.

Tinker, Hugh. 1984. *Burma: The Struggle for Independence 1944-1948* (Vol. II). London: HMSO.

Tonnesson, S. and A. Kolås. 2006. “Energy Security in Asia: China, India, Oil and Peace.” International Peace Research Institute. *PRIO Report*, April. pp.8-25

United Nations. 2007. “UN Security Council,” *S/PV.5919*. 12 January.

United Nations. 2009. “UN Security Council Press Statement on Myanmar.” *SC 9731*. 13 August.

About the Author

Billy Tea was a Research intern at the IPCS in 2010.

