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Abstract
Extract:
Both China and Myanmar name each other "paukphaw". This is the Myanmar word for sibling or intimate. It is a reflection of the closeness of Sino-Myanmar relations that "paukphaw" is never used for any other country. The two have maintained substantive relations for centuries.

Keywords
international relations, policies, military cooperation, economics, politics

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Sino-Myanmar Relations: Analysis and Prospects

by Lixin Geng(1)

Both China and Myanmar (2) name each other "paukphaw". This is the Myanmar word for sibling or intimate. It is a reflection of the closeness of Sino-Myanmar relations that "paukphaw" is never used for any other country. The two have maintained substantive relations for centuries. Based on China's pragmatic foreign policy, Beijing supports Yangon's (Rangoon's) current military regime through the full spectrum of political, strategic, and economic ties. When Chinese President Hu Jintao met with the Chairman of the Myanmar State Peace and Development Council (SPDC), Than Shwe, in the Indonesian capital, Jakarta, in April 2005, he reiterated the strength of the relationship: "Since ancient times, the people of two countries have conducted close exchanges as brothers. To build good-neighbourly friendship between China and Myanmar is a major part of China's foreign policy with neighbouring countries." (3)

Beyond the official rhetoric, Myanmar remains cautious about its relationship with China. In reality, Sino-Myanmar relations have undergone a series of ups and downs, and China even in modern history has posed a threat to Myanmar's security. This was evidenced at the end of 1949 by the incursion of defeated Chinese Nationalist (Kuomintang - KMT) troops into the northern Shan State of Myanmar from China's Yunnan province, and in 1967 which saw confrontations between Burmese and resident overseas Chinese, including militant Maoist students. This caused the anti-Chinese riot movement in Yangon, resulting in the two countries' relations slumping to an historic low. The Myanmar leadership has been extremely sensitive about the country's sovereignty, independence and territorial integrity and its strict neutrality during the Cold War meant it refrained from accepting military and economic aid from China. However, this changed when the current regime, the State Law and Order Restoration Council (SLORC), later renamed the State Peace and Development Council (SPDC), came to power by staging a military coup in 1988 following democratic elections. Under mounting international pressure on the military regime, Yangon had no choice but to accept close relations with China for their survival.

It is argued here that the prospects of Sino-Myanmar relations are basically sound and could improve further in the long-term. Meanwhile, in the short-term, tensions could erupt causing uncertainty in the relationship. On the one hand, Myanmar's internal instability is a key issue that influences the two countries' ties. On the other, external pressure on Myanmar, particularly from the United States and other western countries, could influence the direction of Sino-Myanmar relations. However, Myanmar's location on the tri-junction of South Asia, Southeast Asia and China is potentially important for China to achieve its strategic presence in the Indian Ocean and hence become a two-ocean power. Economically, too, Myanmar is important for China as a trading outlet to the Indian Ocean for its landlocked inland provinces of Yunnan and other south-western parts of China. Furthermore, Sino-Myanmar ties are strategically useful for China to contain the influence of India and other powers in Southeast Asia.

Historical and Political Background

Sino-Myanmar relations were evident since the founding of the kingdom of Bagan (Pagan, ancient Myanmar) in AD 849, (4) which occurred during China's cosmopolitan Tang Dynasty (AD 618 – 907). However, when China came under the Yuan Dynasty (1271-1368) of the Mongols, relations were no longer friendly. Mongol-ruled China invaded and fragmented Bagan in 1287; the Mongols ruled parts of the country until 1303. (5) The Burmese subsequently had intermittent tributary relations with Chinese empires in the long sweep of history, but this situation was destroyed by the impact of Western imperialism. The fall of the last Burmese king occurred in 1885. (6) China's last dynasty, the Qing, ended in 1911. Burma had become a British colony that was to gain independence in 1948, while China became a republic but faced civil war until 1949. Both suffered from the invasion of Japanese forces during Japan's own imperialist expansion.

After the founding of the People's Republic of China (PRC) in 1949, Sino-Myanmar relations were generally stable, except for the aforementioned anti-Chinese riots which occurred in the late 1960s. Formal relations were established on 8 June 1950. Four years later, China, Myanmar and India jointly proclaimed the Five Principles of Peaceful Co-existence that were subsequently adopted by the Non-Aligned Movement as the basis for international relations. The Five principles are: (1) mutual respect for each other's territorial integrity and sovereignty, (2) non-aggression, (3) non-interference in each other's internal affairs, (4) equality and mutual benefits, and (5) peaceful co-existence and peaceful settlement of disputes. These were contained in the Sino-Burmese Joint Declaration of the 29th of June 1954.

The relationship from 1950 to the present can be divided into four phases: ambivalent peaceful coexistence, 1949-1961; temporary setbacks, 1962-1970; improved relations, 1971-1988; and closer ties, 1989-present. The last phase saw the most significant change in Myanmar's China policy: one from 'strategic neutrality' to 'strategic alignment'. This paper focuses on analysis of Sino-Myanmar relations in the post-coup era since 1988.

In order to forecast future ties between Myanmar and China, it is necessary to first analyse China's foreign policy objectives, in particular its strategic goals towards Myanmar. Then this article will analyse Myanmar's response. This will be followed by the influence on Sino-Myanmar relations exerted by other actors: the United States and other Western countries, India and ASEAN.

Myanmar in China's strategic framework

China's strategic consideration in regard to Myanmar hinges on Beijing's pragmatic foreign policy and Myanmar's geographic position. It may be divided into three parts: politics and security; energy resources; and economic considerations.

Since the introduction of China's reforms in 1979, Beijing's Myanmar policy has conformed to its general policy of ensuring a stable external environment with neighbouring states so that its domestic modernization and development can proceed unhindered. Hence Beijing's support of Yangon's military regime is essentially defensive in rationale. Economic cooperation and construction of infrastructure is seen as the only way to improve local people's living standards and maintain stability in this region. Geo-economically, Myanmar is important for China as a "land bridge" to revive its 'Southwest Silk Road' from Yunnan Province to Myanmar and westward to Bangladesh, India and the Europe. The link up with Myanmar could help to develop the poor economies in the south-western part of inland China. Trade is expected to expand significantly with the realization of the ASEAN Free Trade Area (AFTA) with a population of 500 million. Moreover, with the development of 'Greater Mekong Subregion Program'(7), not only China, but also Myanmar and other countries in this region will benefit. Therefore, Myanmar is important to China to implement its western development strategy. Yunnan's provincial capital of Kunming, in particular, will benefit economically by linking up with Myanmar for trade and investments. The link up between China's

south-western provinces and mainland Southeast Asian states can shorten the gap of economic disparities between China's rich coastal and its poor south-western inland provinces.

1. Political and security considerations

From the perspective of security, China and Myanmar have enhanced their military cooperation and exchanges since 1988.(8) Myanmar's location at China's southwest holds strategic importance for the People's Liberation Army Navy (PLAN) in terms its reach to the Indian Ocean via Myanmar-controlled islands, which are about 30 km north of Indian-controlled islands. By the year 2050, China is expected to achieve world-class blue water naval status,(9) and Myanmar would be crucial for China's multi-directional access to both the Pacific and the Indian Oceans. By not passing through the Strait of Malacca to reach the Bay of Bengal, the PLAN would be able to shorten the distance by 3000 km, reducing the voyage by five to six days. China and Myanmar were reportedly interested in joint development of a deep-water port at Kyaukpyu on Ramree Islands in the Bay of Bengal.(10) In 2003, China assisted Myanmar in building an 85-metre jetty to naval facilities on Great Coco Island, which lies 18 kilometres from India's Nicobar Island. China also established a modern reconnaissance and electronic intelligence system on the island. These, along with electronic surveillance facilities at the Alexandra Channel in the Andaman Sea, monitor India's military movements – including missile testing - in the Indian Ocean.(11) Thus China's strategic gains in cultivating relations with Myanmar have long-term security implications.

Since 1988, Myanmar has moved closer militarily to China. In 1989, the first military delegation arrived in Beijing to negotiate the purchase of arms. It resulted in approximately US$1.4 billion in purchases.(12) Beside the supply of arms (inclusive of jet fighters, armoured vehicles, and naval vessels), China also agreed to train Myanmar's air force and army personnel. The motivation for the purchase was to upgrade Myanmar's military capability to suppress minority separatist insurgencies. In 1994, Myanmar brought about US$400 million worth of arms.(13) In October 1996, Army Chief, General Maung Aye's visit to China resulted in future military and intelligence cooperation between the two countries. China agreed to train 300 Myanmar air force and naval officers and to provide additional places for them in Chinese Staff colleges. China also offered favourable terms for Myanmar's arms purchases offering free loans and granting credit to the military regime, as well as economic aid and investments for the construction of Myanmar's basic infrastructure, such as dams, bridges, roads and ports as well as for industrial projects. Noteworthy is the construction of strategic roads along the Irrawaddy River trade route linking Yunnan province to the Bay of Bengal.

China's intention to seek close strategic alignment and economic cooperation with Myanmar could be seen to form the visit to Yangon of a high-level delegation (about 100 members) led by Li Peng from 26 to 28 December 1994. Both Li Peng and his counterpart, General Than Shee, agreed to affirm and further strengthen the close relations between the two countries. The communiqué issued at the end of the visit stated that both leaders were encouraged by the comprehensive 'strengthening of relations' and would continue to cooperate 'in the economic, agricultural, environmental, cultural, tourism, forestry, education and scientific fields, and in combating illicit drugs'.(14) Although Myanmar and China have close bilateral military ties, China has encouraged Myanmar to have military links with other countries: for example, defence supply relations with Pakistan and an arms trade with Russia.(15) China claims that most of the arms sold to Myanmar were for defensive purposes.

2. Energy resources

With the development of its economy, the demand for energy sources has greatly expanded in China. Understandably, Myanmar's oil and gas reserves have drawn China's attention. However, its presence in Myanmar's oil and gas fields has only recently been observed. The China's National Offshore Oil Corporation (CNOOC) signed six contracts on production sharing with the Myanmar Oil and Gas Enterprise (MOGE) of the Ministry of Energy, from October 2004 to January 2005.(16)

The China Petroleum and Chemical Corporation (SINOPEC) and its subsidiary Dian Qiangui Petroleum Exploration also operate on the inland fields. Moreover, the China National Petroleum Corporation (CNPC) and its subsidiary Chinnery Assets have been awarded contracts to upgrade the four old oilfields in central Myanmar.

These companies have invested US$163 million, rather small compared to the US$2,635million total foreign investment in Myanmar's oil and gas sector. However, it is only in recent years that Chinese companies have vigorously invested in Myanmar. Out of 26 Chinese foreign investments, 16 projects were made either in FY 2004 or 2005, occupying nearly 70% in terms of investment value. Most of those were invested in the energy and mining sector.(17)

Another big project is PetroChina's plan to build a gas pipeline from the A-1 block in the Shwe field off the coast of Rahine State to Yunnan Province.(18) The Shwe field is of unconfirmed size. Of these, A-1 block is estimated to be the largest, containing 2.88 trillion to 3.56 trillion cubic feet of gas. PetroChina signed a memorandum of understanding with the Myanmar Oil Corporation (MOGE) to buy gas from the block for 30 years starting from 2009. Moreover, some Chinese scholars have suggested building a Sino-Myanmar oil pipeline from the western coast of Myanmar to Kunming.(19) If this suggestion is granted by the central government, China could import oil from Middle East through this pipeline, avoiding the Strait of Malacca.

Myanmar already exports natural gas via pipeline to Thailand and this trade volume reached US $1.5 billion in 2005, becoming the largest foreign income earner.(20) Myanmar will have another big source of foreign earnings from gas exports to China in the near future. Moreover, oil and gas exports offer the Myanmar government a diplomatic advantage over its neighbouring countries. Indeed, India also made great efforts to secure Myanmar's gas from the same A-1 block.(21) India eventually reached an agreement with Myanmar to purchase the gas with more favourable conditions based on 'take or pay'. This means India guarantees earnings every year to Myanmar even if it is not able to access the gas. It would appear that Myanmar has come out the winner in the Sino-India rivalry for energy.

3. Economic considerations

Myanmar has a long tradition of economic links with China dating as far as the 11th century during the Bagan dynasty. Today's trade at the people-to-people level is mainly conducted at the upper Myanmar Shan and Kachin States and the border of Yunnan province. China's Yunnan province, which has a population of 44 million, was historically a 'Southwest Silk Road' trade route, linking Myanmar with Southwest Asia. It has now emerged as a potential target for China's long-term strategic ambition, transforming the whole region as part of a golden 'Quadrangle' trade zone involving Yunnan, Myanmar, Thailand and Laos. Moreover the China-ASEAN Free Trade Area Agreement represents a huge bonus for Yunnan province, since it would potentially open up trade to the entire Southeast Asian area.

China's enterprises have been heavily involved in Myanmar's industrial infrastructure and energy development. Provision of economic cooperation to Myanmar expanded around 1997 when the United States imposed economic sanctions that banned new foreign investment. Moreover, Senior General Than Shwe's state visit to Beijing in January 2003 marked another epoch, when China offered Myanmar a preferential loan of US $200 million and a US $6.25 million grant. In July 2003, the United States imposed stricter sanctions, which included a ban on all Myanmar-made products. Thus China stepped into the vacuum that was created by Western sanctions and compensated for Myanmar's need for trade and economic cooperation. China's economic cooperation and businesses were directed to focus on infrastructure development.

Among the many infrastructure projects financed and constructed by Chinese government and Chinese enterprises, emphasis was given electric power generation.(22) Myanmar has suffered

severe electricity shortages since the end of 1990s and the government has initiated massive dam-building programs for hydropower generation. Chinese companies constructed six hydropower plants and one thermal power station in the period 1996 to 2005, accounting for one-third of the entire national capacity. Among them, the Paunglaung hydropower project demonstrates the financial, managerial and technical capability of Chinese companies in this field.(23) It was completed by the Yunnan Machinery Import and Export Corporation (YMIEC) in March 2005. Its installed capacity of power generation (280 MW) surpasses that of Baluchaung (168MW), which had long been the biggest power source constructed by Japanese companies with Japanese war reparations and economic cooperation after World War II. The Paunglaung dam project was the biggest undertaking of the YMIEC. Indeed, it was China's largest hydropower plant exported to Southeast Asia and Yunnan's largest foreign trade project in Myanmar. The project was estimated to cost US $160 million, financed by the Export-Import Bank of China. In 2006, there were 11 major hydropower projects underway, with total generating capacity of 1734 MW. Contracts were signed for seven projects and all of them were with Chinese enterprises. The largest project is the Yeywa hydropower plant with the capacity of 790 mw.(24) Yeywa will cost US $700 million. In August 2003, the China Exim Bank approved a US $200 million loan at preferential interest rates for the project. The China International Trust and Investment Corporation (CITIC) gained contracts to provide generators and other equipment for the project. In addition to low-priced machinery, equipment and services, long-term and low-interest loans and export credits offered by public financial institutions made it possible for Chinese enterprises to become major players in this field.

Yunnan Province obviously seeks a direct access route through Myanmar to sea ports from which it can export products to South Asia, the Middle East and Europe.(25) Such an outlet would also reduce transport costs and time, and would avoid the Malacca Strait in the event of a conflict in the South China Sea.

China is a positive rather than negative factor in ensuring stable Sino-Myanmar relations. Though China has remained a staunch ally since 1988, it is concerned about Myanmar's long-term political and social stability because of a failing economy and lack of political legitimacy. China supports the idea of UN mediation to bring about political dialogue between the current military government and the National League for Democracy's Secretary-General, Aung San Suu Kyi.

Myanmar's Responses

1. Political and security response

Myanmar historically has relied on a foreign policy of strict neutrality, coupled with low-key bilateral relations based on the afore-mentioned 'Five Principles of Peaceful Co-existence'. From the first government to the current regime, all the leaders of Myanmar have placed high value on an independent foreign policy and rejected attempts at foreign interference in internal affairs. This foreign policy is reflected in Myanmar's relations with China. From Myanmar's perspective, Myanmar's leaders have always watched China with suspicion. They have been particularly concerned about Chinese intervention in support of the Burmese Communist Party (BCP), as well as the perceived threat from the China's huge population.

Why was strategic cooperation between Myanmar and China possible in 1988? The main reason was the West's diplomatic isolation and sanctions on Myanmar. The military coup and the killing of the students in 1988 received strong criticism and resulted in western economic sanctions. China saw a golden opportunity to fill the strategic vacuum in Myanmar's economic difficulties. Due to isolation and necessity, Myanmar decided to move closer to China so as to seek both military and economic assistance. The regime's need for external support for its survival led the arms deals with China. At the same time, the current regime is still sceptical about China's ambitions, and retreated into

neutrality at the beginning of 21st century. In order to minimize Myanmar's military dependency on China, in August 2001, Myanmar decided to purchase 12 MIG-29 fighters from Russia at a comparative low cost of between US $130 to US$150 million. Myanmar also sent 300 military personnel to Moscow for training to fly the MIG's and to acquire missile technology.(26) The strategic significance of this purchase is that Russia offers another potential alternative to Myanmar to balance China and India. There have also been reports of Myanmar renewing ties with North Korea.(27)

The closer strategic and economic ties between Myanmar and China have presented a dilemma for Yangon. How can it keep its independence, strategic neutrality and at the same time maintain a good relationship with its neighbouring states, especially with China?

2. Economic and trade responses

Since 1988, economic relations between China and Myanmar have accelerated. China is now a major supplier of consumer goods, durables, machinery and equipment, and intermediate products. China also offers markets for Myanmar's exports such as wood, agricultural produce, marine products, minerals, and recently oil and gas. Border trade provides a direct route connecting the centre of Upper Myanmar to Yunnan Province in China.

China occupies an important position in Myanmar's external trade.(28) Myanmar's exports to China increased from US $133.7 million in 1988 to US $169.4 million in 2003; its imports from China expanded sevenfold, from US $136.2 million in 1998 to US $967.2 million in 2003. China is one of Myanmar's trading partners in non-energy related goods, such as clothing, beans, fish and rice. Trade statistics for Myanmar are often inconsistent, but in 2004 Myanmar's exports were estimated at $3.1 billion, and the country's imports were around $3.5 billion.(29) However, official figures are underestimated due to the amount of illegal smuggling of timber, gems, narcotics, and other products to China, Thailand and Bangladesh.

Legitimate trade between China and Myanmar started increasing dramatically in 1989. On the year 1988-1989, trade increased eightfold from US $9.5million to US $76 million.(30) In 1995, the total value of trade grew to US $767 million, and after a slight decline in 1998, total trade recovered in 2000 to US $621 million. In 2004, Myanmar and China started free trade activities under the Early Harvest Plan, which is an advanced program of the ASEAN-China Free Trade Area.(31) The plan covers 596 items, including meat and dairy products as well as fruits and vegetables. Myanmar will remove the tariff on these items by 2009. In 2005, Myanmar's trade with China reached US $1.21 billion, equivalent to 20% percent of Myanmar's foreign trade volume. Both countries hope to reach a target of US $1.5 billion in bilateral trade in the future. Trade deals signed in July 2005 worth US $300 million should help the two countries achieve this goal. Myanmar has also opened six trade points along the countries' shared border to further facilitate transactions. The success of these recent commitments was reflected in the first four months of 2006 when trade between China and Myanmar reached US $466 million.(32)

Not only has China granted Myanmar favourable trade agreements, such as preferential tariffs, but it is also the largest foreign investor in Myanmar. It has provided loans, labour contracts, and emergency aid. For example, in 1998, when Myanmar was faced with a debt crisis, China provided it with a US $150 million loan. In 2004, China loaned Myanmar US $200 million. In June 2006, China publicly announced its intent to provide Myanmar with special low-interest loan of another US $200 million.(33)

Since 1982, China also initiated project and labour cooperation contracts in Myanmar.(34) By the end of 1999, Chinese companies had signed 507 contracts worth US $1.4 billion.(35) The vast majority of these are devoted to engineering; however, labour contracts also comprise a large portion of the total. By October 2002, Chinese companies had contracted a further 293 projects for a total

value of over US $2.1 billion. In September 2005, China signed a US $46 million contract to provide Myanmar with equipment and power cables for the construction of Myanmar's biggest hydropower plant. This was the fifth contract signed between the two countries on this project alone.

Other Factors

1. The West and Japan

Historically, the importance of Myanmar for the United States and Western countries after World War Two has been linked with the spread of Communism. Western interest in Myanmar declined after the collapse of the Soviet Union and the end of the Cold War in 1990. But the strengthening of Sino-Myanmar ties has influenced other countries in the Asia-Pacific since 1988. Japan, for example, is concerned about China's increasing influence in Myanmar. This has led the Japanese government to restore its aid and grants despite opposition from the US and other Western countries.(36)

Washington's attitude towards Myanmar is well known throughout the world, and it drives economic and political pressure for a change in Yangon. The United States imposes economic sanctions on Myanmar and support Aung San Suu Kyi and her party. Following the detention of Aung San Suu Kyi in May 2003, the US imposed a new and harder ban.(37) The ban was renewed in July 2004.

The European Union (EU) has adopted a similar position, also following policies strongly supportive of the democracy movement in Myanmar. The characteristics of EU policy could be summarized in three points: 1) a common line is always quite difficult to implement, leading to a weaker position by EU delegates; 2) EU pressure on the Myanmar military regime is generally indirect; and 3) the EU has directed its efforts increasingly towards ASEAN, trying to push Myanmar's neighbours to use their greater influence for positive change.(38) In 2003 and in 2004, however, even the EU took a stronger stance toward Myanmar, with an extension of the scope of existing sanctions in view of the military regime's failure to make significant progress in normalising the situation in the country. In their annual meeting of March 2005, Southeast Asian and European foreign ministers renewed pressure on Myanmar's military regime over democratic reform, formally requesting access to a UN envoy in the country and the release of Aung San Suu Kyi, as well as recognizing the resumption of the national convention as a positive step toward that.

Myanmar's relationship with the West is complex and contradictory. Since 1988, the West's application of sanctions and attempts to isolate Myanmar to force a transfer of power to the democratically-elected government, has increased Yangon's suspicions about Washington's designs. It is worth noting that there is little the West can do directly to remove Myanmar's junta, and sanctions are proving to be ineffective. Unlike North Korea, there was up to now no incentive for the United States and its allies to confront Myanmar directly and, unlike Iraq, Myanmar does not have anything the West strongly needs. Furthermore, any military intervention in China's sphere of influence would be considered unacceptable by Beijing.

In reality, the China factor is the key to solving the Myanmar problem. The West should think about China's possible role in developing Myanmar. China's cooperation with the West, together with ASEAN, is the best way to press the current military regime toward the goal of a peaceful transfer of power.

2. India

India Myanmar's the new strategic partner in recent years, the one who can alter the balance of power in the region. Myanmar and India share a border of about 1,331 km. Furthermore, Myanmar has a long coastline of 2,276 km that shares parts of the Bay of Bengal, in particular the surrounding

areas of the Coco Islands and the Andaman Sea, which are very important in India's strategic considerations. Myanmar's location is central to strengthening India's geopolitical position in Southeast Asia. At the same time, Myanmar also is a key stepping stone in India's new 'Look East' policy which seeks to develop and expand political, economic and security ties with ASEAN.

India's growing interest in Myanmar could be seen from the shift of its low-key policy in the 1980s and beginning of the 1990s; the emphasis on human rights and democracy changed to a strategic realist policy towards Myanmar. The main reason for India's shift was the growing concern over Myanmar's abandonment of its traditional policy of 'strategic neutrality' and adoption of a strategic tilt toward China. Since the beginning of the 1990s, India has been sensitive to the growing influence and presence of China in the Bay of Bengal, particularly so when China helped to upgrade Myanmar's radar facilities in the Coco Islands and the construction of a naval base in the Sittwe.

India increased its high-level delegation visits to Yangon, with the primary aim of moving Myanmar away from close ties with China. Besides playing on security and strategic issues, India also used religion in fostering closer India-Myanmar relations. Buddhism and Hinduism are depicted by the Indian leadership as 'branches of the same tree'.(39) Thus India's main objective is to remove Myanmar from China's orbit or sphere of influence.(40)

However, China has more leverage than India in seeking influence in Myanmar. First, there are more Chinese than Indian immigrants in the northern towns of Myanmar, engaging in trade and business. Thirty percent of the population in Mandalay, for example, are new migrants form China.(41) China also produces more cheap goods to sell than India. Finally, India's lagging economy, the backwardness of the areas bordering Myanmar and separatist insurgencies in the Northeast regions make it difficult for India to compete with China in seeking influence and a presence in Myanmar.

3. ASEAN

Myanmar's relations with the Association of Southeast Asian Nations represent one of the keys of Myanmar's foreign policy. China's growing influence over Myanmar has resulted in anxiety for the ASEAN states. The wariness over China's inroads into Myanmar resulted in Thailand's initiative - with the support of other ASEAN members - to lobby for Myanmar to become a full-fledged member of ASEAN in 1997. From Myanmar's perspective, joining ASEAN moderates relations with China. Moreover, joining ASEAN, carried economic benefits as well as the prospect of having sanctions from the West lifted. However, Since the 1990s, relations between China and ASEAN greatly improved; China and ASEAN have signed a framework agreement on mutual co-operation. As a result, China has enhanced mutual understanding and trust with ASEAN in the political and security fields. The close ties between China and ASEAN could indicate that China would prefer a dialogue regarding Myanmar within the framework of ASEAN. There is no doubt that China has a stake in ASEAN. If the Myanmar issue damages intra-ASEAN relations, it could also damage Sino-ASEAN relations.

Problems and Difficulties

1. Drugs

Narcotics are a key issue in the Sino-Myanmar relationship. In reality, China is also a victim of drugs, in particular in the border areas with Myanmar. On 14 February 2006, Premier Wen Jiaobao of the State Council held talks with the Prime Minister of Myanmar, Soe Win. Premier Wen pointed out that the spread of narcotics in the border areas has severely damaged local communities, causing deaths and impairing people's heath. It was necessary to take serious measures to stop it. China hopes to strengthen bilateral and multilateral cooperation with Myanmar in narcotics control and

sign the agreement on narcotics control cooperation at an early date.(42) Myanmar is the world's second largest producer of illicit opium, Afghanistan being the first. Myanmar's opium is grown predominantly in Shan State, in areas controlled by former insurgent groups. The main and the militarily strongest producers are the Wa. The value of opium production in 2005 was estimated at US $58 million, equivalent to about 0.7 per cent of the Myanmar's GDP.(43)

Historically, large-scale production of opium and heroin in Myanmar is related to Chinese interventions: first, from January 1950 KMT forces established bases inside Myanmar, following their defeat by the Chinese communists. Subsequently the CIA attempted to use these forces to resist the advance of Chinese communism. The KMT and CIA developed opium and heroin production as a means of funding the military operation.(44) Second, the military and other support given by China to the Communist Party of Burma (CPB), especially during and immediately after the Cultural Revolution, allowed the CPB to build up its forces and control larger tracts of territories. With the reduction of Chinese assistance which followed the accession of Deng Xiaoping in 1978, the opiate business was one of the few ways the CPB could acquire the funds to continue to hold onto substantial territory and maintain the armed struggle against Yangon.(45) In 1989 a mutiny took place within the CPB, and the army broke up into its ethnic components which, through the mediation of Lo Hsing Han, a Kokang Chinese warlord, agreed to cease-fire terms with the SLORC. The terms amounted to freedom for groups to produce and traffic opiates in exchange for a cease-fire with Yangon.

China is currently the major transit country for Myanmar's heroin, which is trucked to Kunming, and onwards deeper into China and via Hong Kong and ports on the South China coast, to Taiwan, the United States and other overseas markets. An increasing amount is being consumed in China.

Since the mid-1990s Yunnan has become more organized in its crime prevention activities, with much technological assistance from the United States, but the crime wave, led by drug trafficking, has spread throughout the whole of China. In terms of drug problems, Sino-Myanmar relations have not progressed as well as they should.

2. HIV/AIDS(46)

Myanmar is one of the countries in Southeast Asia with the lowest life expectancy at birth, and now has one of the world's fastest growing incidences of HIV/AIDS infection. UNAIDS estimates that the prevalence of HIV amongst adults aged 15 to 49 is 1.3% in 2006.(47) UNAIDS also estimates that approximately 650,000 people in China are infected with HIV, and injecting drug users account for almost half. In areas like Yunnan province, HIV prevalence among injecting drug users is over 50%. Export to China of HIV/AIDS from Myanmar, along with heroin addiction, could, in addition to the humanitarian implications, severely retard China's economic development.

The main reason of the spread of the HIV virus in Myanmar and China are needles shared by intravenous drug users and unprotected sex. The increasing migration and road transport from and across border acts to carry the virus, particularly along drug trafficking and labour migration routes, into Central Asia, South China and Hong Kong, as well as back into Myanmar. The border town of Ruili (China) and Muse (Myanmar) joined by a bridge on the Myanmar Road, are major centres of heroin trafficking and use, as well as of prostitution. Ruili and adjacent areas have been designated as a Special Development Zone in order to benefit from the border trade, and road, rail and water transport into Myanmar and China is being upgraded. This allows greater movement of vehicles transporting heroin and thus the flow-on spread of the HIV virus.

Myanmar's military government has not done enough to prevent the spread of the disease or educate the local people about its existence. In recent years, some international NGOs, together with Chinese local hospitals, have launched projects to control the spread of HIV/AIDS. However, in terms of China-Myanmar relations, considerable difficulties still remain in their struggle with HIV/AIDS.

Prospects for Future Sino-Myanmar Relations

What are the prospects for future Sino-Myanmar relations? The answer is uncertain. Both internal instability and external pressure in Myanmar are contributing factors that influence Sino-Myanmar relations in the short-term. However, the relationship is likely to be stable and friendly in the long-term, largely because China is willing to play an important role in developing relations to a higher and more sustainable level.

1. China's possible role

Myanmar's national reconciliation is a necessary step towards democratization. It has been at the heart of the democracy movement since 1988. There are two components of the national reconciliation: 1) reconciliation between the military junta and the democratic forces led by Aung San Suu Kyi; and 2) reconciliation between Burmans and other ethnic groups.

The ethnic reconciliation began in December 1990, when the Karen National Union agreed to the formation of the National Coalition Government of the Union of Burma (NCGUB) in Karen territory. Despite agreements being concluded and the United Nations calling for dialogue to resolve Myanmar's future,(48) a stalemate has ensued between the pro-democratic forces and the military government. China views Myanmar's national reconciliation as a domestic issue. To adhere to the principle of non-intervention in state-to-state relations, China will not express any view about how the Myanmar regime should launch a dialogue with the opposition forces. China should not and will not have the right to interfere. This is China's basic position.

China has shared the same view as Myanmar with regard to bilateral relations, international situations, human rights and Western values. They were both invaded and exploited by Western imperialists and are suspicious of Western ideology. Both countries strongly oppose any interference in the domestic affairs of other countries on the pretext of religion or human rights. They have supported each other in the meetings of the UN Commission on Human Rights. Thus, China will not be happy to see any country interfere in Myanmar's domestic affairs. However, China acknowledges the positive result of dialogue on human rights issues. China itself has such regular dialogue with the United States and the European Union. For this reason, China will not oppose Yangon's dialogue with any other countries regarding the human rights issues in Myanmar. Likewise, China will hold the same attitude towards the dialogue between the military regime and the opposition forces in Myanmar.

China's view regarding Aung San Suu Kyi is likely to be quite similar to the position it holds on the military junta ruling Myanmar. China usually regards Nobel Prize winner Aung San Suu Kyi as a political instrument of the West. Moreover, from China's perspective, she does not command sufficient capability to accomplish her aims and would be unlikely to become the next leader of Myanmar. In her struggle, she faces not just a few military leaders, but a strong, well-organized, unified and experienced Myanmar army, which cannot be easily overthrown. For this reason, China is very reluctant to push the dialogue of reconciliation between the Yangon government and Aung San Suu Kyi.(49) However, it should be noted that for the sake of regional stability as well as for the interests of China in Myanmar, China would rather not see domestic turmoil within country. A friendly and stable Myanmar is very important for China. For that reason, China was the first to offer its congratulations to the National League for Democracy immediately after the 1990 general elections.

If Myanmar's military regime is willing to arrive at a compromise with the opposition forces, China would welcome such an occurrence, and would possibly provide assistance upon the request of the Myanmar government. The success of economic reform in China has encouraged the Yangon regime

to begin its own reform in recent years, and the China model may be regarded as the most suitable to follow in that economic reform occurs while maintaining authoritarian political control.

Furthermore, since China is a regional great power, its influence over the surrounding countries is to be expected. This matters in terms of policy choices in Yangon. Because of the good relationship between China and Myanmar, if China expresses its willingness to see national reconciliation in Myanmar, Yangon would be more likely to listen to Beijing rather than being pressured to act by Western hardliners.

There are other issues for China to consider. First, with regard to democratization, China faces the same problem. Whether Myanmar becomes democratic or not is purely a domestic matter of that country. According to China's pragmatic foreign policy, China will have to respect the choice of the Myanmar people. Second, if there is a mechanism to be established within ASEAN in dealing with the issue of Myanmar, China will no doubt be willing to participate in the relevant process, as illustrated in the current ASEAN+3 and ASEAN +1 dialogues. China's attitude could be more supportive. In addition, China and ASEAN have signed the framework agreement on mutual co-operation. As a result, China has enhanced mutual understanding and trust with ASEAN in the political and security fields. The close tie between China and ASEAN may well indicate that China would prefer a dialogue regarding Myanmar within the framework of ASEAN. Through early 2006 Beijing was willing to be more direct in urging Myanmar to further its economic reform and 'to continue to push forward reconciliation at home', while still recognising that human rights remained Rangoon's 'internal affair'.(50)

2. The Prospects for Sino-Myanmar's relations

In June 2000, the Chinese Foreign Minister Tang Jiaxaun and Myanmar's Foreign Minister U Win Aung signed a joint statement on 'Future Cooperation in Bilateral Relations between the People's Republic of China and Federation of Myanmar.(51) This document determines the future direction of Sino-Myanmar relations on the basis of the Five Principles of Peaceful Coexistence and the consolidation of mutual relations for wider regional stability and development.

The document indicates an optimism about future relations. However, its realisation requires serious effort. As discussed above, China has vital interests in this region. By employing a pragmatic foreign policy and using economic cooperation, China believes relations will improve further. China has criticized the 'hegemonic behaviour' of the US when it declared its sanctions against Myanmar (the Burmese Freedom and Democracy Act of 2003).(52) On the other hand, China was concerned as to whether Myanmar would yield to American pressure. China continues to promote the friendly relationship between ASEAN and Myanmar, and to support the Myanmar military government. Beijing's own increasing economic cooperation with Yangon will increase its stake in the country. There is no doubt China will continue to maintain the traditional friendly relationship with Myanmar in the long-term.

From the Myanmar side, military regime faces pressures from both inside and outside the country. Washington's hardline approach has not been effective in pushing the Myanmar government to change its policy. Despite this, it is still a pressure tormenting the regime. Pressures may also come from other ASEAN member countries, such as Thailand and Philippines.

The close political, military and economic ties with China are beneficial to the current regime, particularly in the context of sanctions and isolation from the West. Clearly, if the United Stats and other countries continue to choose to impose sanctions against Myanmar, this country will continue to rely heavily on China. Moreover, it should be noted that no matter who comes to power, even Aung San Suu Kyi, the Sino-Myanmar relationship will be maintained and developed in a friendly and stable manner.

Conclusion

China values its relationship with Myanmar, especially in its western development strategy, its active involvement in GMS (Greater Mekong Subregion) program and as a means to enhance its military presence in Southeast Asia. At the same time, it is also on the receiving end of many negative externalities from Myanmar, particularly the outflow of drugs and HIV/AIDS into Yunnan province. However, from the perspective of Myanmar, positive and reciprocal relation with China not only benefit the current regime, but also represent the only way to escape the hardship imposed by the sanctions of Western countries. Even if the current regime delivers power to the elected democratic government, the latter would still maintain strong relations with China for the sake of Myanmar's strategic interests and economic development. Therefore this paper forecasts that irrespective of who is in power in Myanmar, the maintenance of positive relations with China is inevitable.

Endnotes

1. Lixin Geng, from Yunnan University, China, was a visiting scholar in international relations at Bond University, 2005-2006.

2. The official name is Pyidaungzu Myanma Naingngandaw (translated by the Burmese as Union of Myanmar). The conventional short form before 1988 was Burma, later changed in Myanmar since 1989. But in US reports, as support to the democratic movement, the name used is still Burma – as in *CIA World Factbook* 2006. The term adopted in this paper is, however, Myanmar, without any political connotation.

3. See 'Hu Jintao Meets with Chairman of Myanmar State Peace and Development Council Than Shwe', Ministry of the Foreign Affairs of the People's Republic of China, 23rd April 2005 [http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2747/2749/t193711.htm].

4. Robert H. Taylor, *The State in Burma*, Honolulu: University of Hawaii Press, 1987, p. 13.

5. D. R. SarDesai, *Southeast Asia: Past and Present*, 3rd edn, Boulder, Colorado: Westview Press, 1994, p. 49; Edwin O. Reischauer and John K. Fairbank, *East Asia: The Great Tradition*, 8th printing, Boston: Houghton Mifflin Co., 1970, p. 423.

6. Taylor, *The State in Burma*, p. 13.

7. The Greater Mekong Subregion Program (GMS) is integrated as part of China's strategy towards the South. From the 1992, with the support of Asia Development Bank, the GMS is becoming growth centre in the regional economy. China has played an important role in the GMS.

8. See 'Exchanges and cooperation in other fields', Embassy of the People's Republic of China in the Union of Myanmar [http://mm.china-embassy.org/eng/zmgx/t174781.htm].

9. Shee Poon Kim, 'The South China Sea in China's strategic Thinking', *Contemporary Southeast Asia*, Vol.19, No.4, March 1998, pp.369-387.

10. *International Herald Tribune*, 7 April 1995.

11. See C.S. Kuppuswamy, 'Myanmar-China Cooperation: Its implications for India', available at http://www.saag.org/paper6/paper596.html.

12. http://www.cnn.com/aianow/asiaweek/99/0528/nat4html.

13. Marry P. Callahan, 'New Dragon or Still Dragging?' *Asian Survey*, Vol.35, No. 2, February 1995, p.206.

14. *South China Morning Post*, 30 December 1994.

15. S.D. Muni, *China 's strategic engagement with the new ASEAN : an exploratory study of China 's post-cold war political, strategic, and economic relations with Myanmar , Laos , Cambodia , and Vietnam* , Singapore : Institute of Defence and Strategic Studies, 2002, p. 80.

16. See, for example: *New Light of Myanmar* and *Myanmar Times* in that time period.

17. For foreign investment in Myanmar, see 'Foreign investment in Myanmar hits 7.6 bln US dollars', *People's Daily Online*, 18th November 2005 [http://english.people.com.cn/200511/18/eng20051118_222296.html].

18. 'Myanmar pact with Petro China for sale of gas', The Shwe Gas Movement, 11th January 2006 [http://www.shwe.org/news/2006/01/myanmar-pact-with-petro-china-for-sale.html].

19. Qu Jianwen and Li Chengyang, Institute of Southeast Asian Studies, Yunnan University, 2004.

20. See Supratim Mukherjee, 'Myanmar: Cheers, jeers over giant gas find', *Asia Times Online*, 14th February 2004 [http://www.atimes.com/atimes/South_Asia/FB14Df05.html].

21. See Anand Kumar, *India-Myanmar Gas Pipeline: Disentangled at Last*, Paper no. 1822, South Asia Analysis Group, 30th May 2006 [http://www.saag.org/%5Cpapers19%5Cpaper1822.html].

22. For details, see, "Hydro-Powering Regime", Akimoto, 2004, available at: http://www.irrawaddy.org/aviewer.asp?a=3757&z=102.

23. 'Myanmar Takes Measures to Tackle Power Shortage Problem', *People's Daily*, 26th June 2001 [http://english.people.com.cn/english/200106/26/eng20010626_73539.html].

24. 'Chinese consortium, Myanmar sign largest hydropower project contracts', People's daily Online, 15th July 2005 [http://english.people.com.cn/200507/15/eng20050715_196322.html].

25. This intention can be seen in local government reports.

26. Stratford Global Intelligence Update, 22 August 2001, see further www.burmaproject.org/082201.

27. See Bertil Lintner, 'Myanmar and North Korea share a tunnel vision' Asia Times Online, 19th July 2006 [http://www.atimes.com/atimes/Southeast_Asia/HG19Ae01.html].

28. The following statistics are sourced from China’s Embassy in Myanmar, See:

http://mm2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/200412/20041200008181.html

29. See CIA: *The World Factbook: Burma*.

30. See: http://mm.mofcom.gov.cn/static/column/zxhz/tjsj.html/1

31. 'China Start Free Trade under Early Harvest Plan', Xinhua News Agency, Myanmar, 15th June, 2004, available at: http://www.china.org.cn/english/BAT/98311.htm.

32. See: http://mm.mofcom.gov.cn/static/column/zxhz/tjsj.html/1

33. 'China, Myanmar sign one more loan agreement', China View, Xinhua News Agency, 8th June 2006 [http://news.xinhuanet.com/english/2006-06/08/content_4664690.htm].

34. 'Economic Relationship between China and Burma', China Development Gateway,2004 [http://www.chinagate.com.cn/english/355.htm].

35. Ibid.

36. In 2000, Japan announced plans to increase significantly aid to Myanmar, including US $28 million to restructure the Baluchaung dam.

37. This is the "Burma Freedom and Democracy Act (BFDA)", which includes a ban on all the imports from Myanmar, a ban on the provision of financial services to that country, a freeze on the assets of some Burmese financial institutions and extended visa restrictions on Burmese officials.

38. Some important documents and statements by EU about Myanmar can be found in: European Foreign Bulletin Database, available at http://www.arc.iue.it/BASIS/efpb/all/rec and also 'Burma slowly comes in from the cold', BBC News, 10th October 2001 [http://news.bbc.co.uk/2/hi/asia-pacific/1590992.stm].

39. Bruce Matthews, 'Myanmar 2000, Beyond the Reach of International Relief?' *Southeast Asian Affairs 2001*, Singapore: Institute of Southeast Asian Studies, 2001, p. 235.

40. See Subhash Kapila, *India-Myanmar strategic partnership: Indian imperative*, South Asia Analysis Group, Paper No. 197, 2001 [http://www.saag.org/papers2/paper197.htm].

41. Anthony Davis, 'China's Shadow', *Asiaweek*, 28 1999, p.30; see Mya Maung, 'On the Road to Mandalay, a case study of the Sinoization of Upper Burma', *Asian Survey*, Vol. XXXIV, No. 5, 1994, pp.447-459.

42. 'Premier Wen Jiabao Holds Talks with Prime Minister of Myanmar Soe Win', Ministry of Foreign Affairs of the People's Republic of China, 14th February 2006 [http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2747/2749/t235759.htm].

43. United Nations Office on Drugs and Crime report (2005). Available via http://www.unis.unvienna.org/unis/pressrels/2005/unisnar923.html

44. See Alfred W. McCoy, *The Politics of Heroin*, Chicago: Lawrence Hill Books, 2003; and Bertil Lintner, *The Rise and fall of the Communist Party of Burma*, Ithaca, N.Y. : Southeast Asia Program, 1990.

45. See Lintner, ibid.

46. Derived from 'AIDS epidemic update 2002', by WHO and UNAIDS, and other country and regional reports on health available on World Health Organization and UNAIDS websites (www.who.int and http://www.unaids.org/). According to UNAIDS, by the end of 2001, an estimated 180,000-400,000 individuals were living with HIV/AIDS.

47. See UNAIDS, 2006 report on the Global AIDS Epidemic: Overview of the Global AIDS Epidemic, 2006, p. 413.

48. The United Nations urges the government of Myanmar to establish democracy in accordance with the democratic elections held in 1990 and to engage in national reconciliation. See UN doc.e/cn.4/res/2000/23 (Situation of Human Rights in Myanmar).

49. It should be noted that China has never openly criticized Aung San Suu Kyi, and the latter has never done that either, though she once complained about China's support of the regime. It seems that both sides maintain some degree of flexibility for future dialogue.

50. Rowan Callick, "Chinese Heat on Rangoon", *The Australian*, 16th February 2006, p9.

51. 'Bilateral Relations', Ministry of Foreign Affairs of the People's Republic of China, 23rd November 2003 [http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2747/default.htm].

52. See *Report on U.S. Trade Sanctions Against Burma*, U.S. Department of State, 28th April 2004 http://www.state.gov/p/eap/rls/rpt/32106.htm].

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