

Sino–Myanmar Relations: Security and Beyond

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Introduction

Relations between China and Myanmar – in particular the influence of China on the government of Myanmar – have recently become a hot topic in international politics. It is evident that China has emerged as the most important foreign actor in Myanmar after Western boycotts of its industrial and agricultural sectors. This is also true even after the recent political changes in Myanmar, which have increased international engagement and interest. The consequences of China's presence and its real impact in Myanmar are, however, a different matter, as it is becoming increasingly clear that no foreign government or internal group has a major influence on all the top leaders. This is seemingly the case even for China despite its relatively large influence on Naypyidaw in comparison with other countries. China's influence appears to be both fragmented within China as well as tempered by Myanmar's reluctance to rely too much on China. Nevertheless, government-to-government cooperation between Myanmar and China is substantial and China repeatedly blocked UN Security Council Resolutions against Myanmar. In addition, China increased its ties with Myanmar on a number of issues, including most significantly national security and economy. However, there are also a number of issues such as President Thein Sein's decision to block the China-backed Myitsone Dam and the Chinese links to various minorities.¹ Recent visits from leading politicians and officials from the United States and Europe have arguably undermined the Chinese position in Myanmar. This paper analyzes the Chinese role and influence in Myanmar as well as the reasons that China has for its actions.

It is often suggested that Sino–Myanmar security relations have

¹ Xinhua News, "China, Myanmar to enhance military ties," *English.news.cn*, November 28, 2011, http://news.xinhuanet.com/english2010/china/2011-11/28/c_131275049.htm (accessed March 14, 2012); Jamie FlorCruz, "China, Myanmar reaffirms ties amid U.S. diplomatic mover," CNN, <http://www.firstpost.com/topic/place/myanmar-china-myanmar-reaffirm-ties-amid-us-diplomatic-move-cnncom-video-VnGyGd2wnlc-3445-1.html>; Colum Lynch, "Russia, China Verot Resolution On Burma," *The Washington Post*, January 13, 2007; Anshul Rana, "China's Wen Jiabao, Myanmar leaders to discuss sensitive topics," *Los Angeles Times*, June 3, 2010; Niklas Swanström and Christopher O'Hara, "Myanmar Election: Old Wine in New Bottles and Does it Matter?" *ISDP Policy Brief*, No. 42, November 12, 2010; Yang Razali Kassim, "Myanmar's China Policy Shift: Preparing for ASEAN Chair?" *RSIS Commentaries*, March 14, 2012.

improved in recent years, rumors of forward-looking Chinese maritime bases in Myanmar remain just rumors. It is true that an improvement in security relations has been seen, but then in the context of a general improvement in bilateral relations between Myanmar and China. These enhanced relations are not without their limitations and the Chinese government has had a difficult task in dealing with the Myanmar government, particularly given that China's "strategy" is not uniform and centrally directed – Myanmar has a similarly dual relationship with China. In reality it has become increasingly apparent that differences in China's strategy towards Myanmar are seen between Beijing, the People's Liberation Army (PLA), the regional government in Yunnan, private business interests, and a multitude of other factions. Often seen as a uniform strategy, directed by the central government, China's foreign policy is increasingly fragmented and often in more or less open disagreement with the central government's ideas and strategies. Arguably, this is nowhere more apparent than in the case of Myanmar, due to its geographical proximity to China, Myanmar's important location in security terms, strong influence from Chinese minority groups in Myanmar, strong business interests locally, and the economic benefits for Yunnan, which is a poor Chinese region and less competitive internationally and internally in China.² China's influence on the leadership in Myanmar, especially after the recent elections, should not be exaggerated; regional leaders in Yunnan could have a greater impact in Myanmar than Beijing in many cases. Nevertheless, there is no doubt that China has increased its influence at all levels in Myanmar, often to such an extent that both Myanmar and other international actors are uncomfortable, not least among the Southeast Asian countries, as well as India.³

An increasing number of international actors have had reason to consider how the improved relationship between China and Myanmar will impact security relationships in South and Southeast Asia. There is no doubt that China's increased weight will have a significant impact, but that is just part of the picture. The influence and strategic importance that China

² Xiaolin Guo, "The Myanmar/Burma Impasse and Practices of Intervention," in *Myanmar/Burma: Challenges and Perspectives*, ed. Xiaolin Guo (Stockholm: Institute for Security and Development Policy, 2008), 9–33; Xiaolin Guo, "Peace, Conflict, and Development on the Sino-Burmese Border," *ISDP Policy Brief*, No. 13, December 2, 2009.

³ Ian Storey, "China's 'Charm Offensive' Loses Momentum in Southeast Asia [Part II]," The Jamestown Foundation, *China Brief*, Vol. 10, Issue 9, 2010.

will have in Myanmar is often exaggerated; China's rise is seen in a far too "positive" light, while the negative aspects of increased contacts are less apparent and often forgotten. The reality is that many dimensions of bilateral relations are tense and that the Myanmar government is deliberately trying to balance different external actors against one another in order to minimize external pressures and maximize concessions – particularly from its weaker neighbors – in a region where power is distributed unequally. There is growing unease among decision-makers and respective large segment of the population in neighboring countries regarding China's increasing influence, not just in the security area, but also from the perspective of economics and broader relations.

Trade and energy relations

China has established itself as one of the most important investors in Myanmar and a key trading partner, but China's strengths as well as its weakness in economic fields are easy to spot. There is no doubt that China has strong economic leverage over Myanmar, but this influence is double-edged. China has increased its influence, especially in northern Myanmar and in much of the border region where the economy is virtually a sub-economy of Yunnan and, to a certain extent, the broader Chinese economy.⁴ Beijing does not necessarily support this development since it has quite a few negative repercussions on the overall relationship, but for reasons later to be discussed the Chinese government does not intervene. On the contrary, Yunnan economic interests, together with private businesses, take liberties in northern Myanmar that go far beyond what China would like to see.⁵ Beijing would like to see a stable economic development, yet there are plenty of incentives for Yunnan and Beijing to allow a "Wild-West" mentality to prevail in the economic sector.

Yunnan is one of China's poorest regions and has the lowest productivity rate in China; it welcomes the opportunity to engage with a country with an even worse track record and few alternative options.⁶ Myanmar is a golden opportunity for Chinese companies based in Yunnan. The abundance of natural resources in Myanmar make the country highly attractive to investment in (see table 1). It would be difficult, if not impossible, for the local as well as the central governments in China to abstain from taking advantage of such a market to its regional (and national) companies. However, the Wild-West mentality that Chinese companies demonstrate in

⁴ Daniel Ten Kate, "Myanmar Seeks 'Win-Win-Win' in Balancing U.S.-China Competition," Bloomberg, <http://mobile.bloomberg.com/news/2011-12-04/myanmar-seeks-win-win-win-in-balancing-u-s-china-competition>, December 4, 2012 (accessed March 14, 2012); Zhao Hong & Yang Mu, "China-Myanmar Economic Corridor: Opportunities and Challenges," *EAI Background Brief*, No. 670, October 27 2011, <http://www.eai.nus.edu.sg/BB670.pdf> (accessed March 14, 2012).

⁵ Interviews in Yangon, Kunming, and Beijing, 2008–10.

⁶ "Chapter 8: Yunnan Province of China", in *Development of Enabling Policies for Trade and Investment in the IT Sector of the Greater Mekong Subregion*, report prepared by K.J. Joseph, Economic and Social Commission for Asia and the Pacific (2011), 327–35, available on http://www.unescap.org/tid/projects/gmsti_chap8.pdf (accessed March 14, 2012).

Myanmar has had a negative impact not only on the environment through unsustainable usage, ethically debatable policies, but also by outperforming local Myanmar businesses. It is also negative for the perception of the Chinese at large. China's reputation has suffered greatly in the wake of its economic advances. Local groups in Myanmar are increasingly eager to play off Chinese business interests against those of virtually anyone else. There is a great deal of criticism for China to be heard both among the minorities as well as the government and political opponents.

Table 1. FDI in Myanmar

Country	FDI, 1997–2010 (US\$ mil)
Thailand	6 395,29
China	1 317,68
Singapore	498,37
Malaysia	435,98
UK	366,95
India	172,08
Korea	170,68
Philippines	140,00
Russia	127,00
Hong Kong	107,28

Source: Information derived from the Ministry of Foreign Affairs, Myanmar, www.mofa.gov.mm

It is clear that Beijing views Myanmar from a more strategic point of view than the regional government in Yunnan and is looking beyond solely business interests that often tend to be focused on very short-term gains. This results in a blurred policy that is often seen as illogical and/or disorganized. It has also created notable resentment against China, and Chinese people in Myanmar despite China's good intentions. Beijing has attempted to improve the business culture among Chinese companies in Myanmar, and has emphasized political sensitivity and ecological sustainability. Unfortunately, results have been largely lacking. The profits to be made are too great and much of the economic activity is in the grey or black sectors, over which

the Chinese and Myanmar central governments have little control.⁷ The Chinese are viewed by people in Myanmar as breaching the non-interventionist policies of Beijing, but to the extent this is actually the case, it is due more to local and business interests than official policy from Beijing. It is also telling that much of the Chinese involvement and expansion of influence is in the economic field. China's is pursuing what is basically a "hands-off" policy in Myanmar.

Much of the "improvements" in economic relations between China and Myanmar do not depend on economic specialization, cost-benefit analysis, or even geographical proximity. Investments and trade have flourished between China and Myanmar in large part due to international boycotts, which have forced Myanmar to work with anyone willing and on almost any terms.⁸ The Chinese role in Myanmar's official economy should not, however, be exaggerated, since most of Myanmar's official trade is still with Southeast Asian countries, particularly Thailand. According to Thai, European, and Chinese statistics, Thailand has a dominant role as a provider of foreign direct investments (FDI) – in fact it overshadows all other investors – and as an export market. This is due to the substantial energy exports to Thailand and the investments necessary to accomplish this. China has become more of an official (and unofficial) import market for Myanmar. According to Myanmar's official statistics, China is increasingly dominating Myanmar's economy (see table 2).⁹ This might be the reason for the sensitivity in Myanmar over China's economic influence. Concurrent with this development, India has become a significant export market for Myanmar and is now on a par with China's official trade (not including illegal trade) with Myanmar. Despite this, there is still little interest from either Myanmar or India in developing India as an import market for Myanmar. In fact, the illegal markets – both grey and black – are major avenues of economic interaction. Wood, gems, and other natural resources provide the local and national economies in both China and Myanmar with important resources,

⁷ Interviews in Yangon, Beijing, and Kunming 2010–11.

⁸ Agnes Frittin and Niklas Swanström, "European Sanctions Against Myanmar," *ISDP Policy Brief*, No. 15, January 20, 2010.

⁹ Aye Thidar Kyaw, "China firms trade positions in Myanmar," *The Myanmar Times*, Vol. 31, January 16–22, 2012; Aye Thidar Kyaw, "Trade volume to jump 12 percent," *The Myanmar Times*, March 28, 2011; Thomas Kean, "Foreign investments floods into Myanmar," *The Myanmar Times*, June 27, 2011.

but the trade in narcotics and humans that has had a devastating effect on Yunnan and its capital, Kunming, which has at times been described as “the drug capital of China.”¹⁰ The amount of this trade is impossible to estimate, but over time as trade in opium and heroin has decreased with the expansion of Afghani markets, Myanmar’s trade in natural resources, humans, and methamphetamine has increased significantly.¹¹

Table 2: Major trading partners for Myanmar

Major import partner (million euro; %)	Major export partner (million euro; %)	The Major trade partner (million euro; %)
World 7 402,2	World 4 874,3	World 12 294,5
1. China 2 887,5 38,9	1. Thailand 1 962,5 40,3	1. Thailand 3 686,1 30,0
2. Thailand 1 723,6 23,2	2. India 771,2 15,8	2. China 3 548,5 28,9
3. Singapore 963,1 13,0	3. China 661,0 13,6	3. Singapore 1 019,2 8,3
4. South Korea 398,4 5,4	4. Japan 265,7 5,5	4. India 997,8 8,1
5. Malaysia 305,8 4,1	5. Malaysia 157,3 3,2	5. South Korea 507,2 4,1

Source: European Commission, Trade, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113423.pdf (accessed March 23, 2012).

There is a strong increase in Chinese investments and trade with Myanmar, but available statistics are notoriously unreliable and useful only for illustrating trends. The data derived from sources outside of China and Myanmar clearly show that there is no Chinese economic domination in Myanmar’s formal economy even if the domestic statistics paint a different picture.¹² However, there is a formal market that is significantly undervalued as well as large grey and black markets whose size remains largely undocumented. It is safe to say that Chinese investments in Myanmar are fundamentally undervalued by both Myanmar and China, due in large part to political reasons, but also due to that a large part of these investments are

¹⁰ Niklas Swanström, He Yin, “China’s War on Narcotics: Two Perspectives,” Caucasus-Asia Institute, Silk Road Studies Program, *Silk Road Paper* (December 2006); Niklas Swanström, “Smoking Tiger, Injecting Dragon: The Illegal Trade in Narcotics in China,” Center for Strategic and International Studies, *Freeman Report* (October/November 2010), <http://csis.org/files/publication/fr10n1011.pdf> (accessed March 23, 2012).

¹¹ *World Drug Report 2011* (Vienna: United Nations Office on Drugs and Crime, 2011).

¹² Central Statistical Organization, Myanmar, <http://www.csostat.gov.mm/Sdetails.asp?ID=001&Desc=Foreign%20Trade> (accessed March 21, 2012).

illegal.¹³ This is especially true in strategic areas such as natural resources and even the weapons industry. China has begun to initiate a number of large infrastructure projects in Myanmar and their magnitude, both in size and economy, will grow as the pipelines and the added transport infrastructure through Myanmar expand. With the increasing infrastructure investments, China's FDI in Myanmar will quickly outpace the FDI of others.¹⁴ When Thai investments in Myanmar are closely examined, it is noticeable that the bulk of these investments go to gas operations. There are strong indications that there is growing competition from Chinese investments in this area. Based on these data it is clear that China would like to expand its energy cooperation with Myanmar.¹⁵ It has been noted that China engaged in 17 large oil and gas projects in Myanmar during 2009. It is a trade in all regions of the world that has grown increasingly important for China but which, for geographical reasons, is particularly beneficial in Myanmar.¹⁶

It is evident that trade with Myanmar is important for China, particularly oil and gas. Myanmar has an estimated 2.54 trillion cubic meters of natural gas reserves and an estimated 3.7 billion barrels of oil – seventh in the reserves tally in Asia.¹⁷ It is no wonder that China has set its sights on this potential market, as have India and Thailand among others. The South Korean Daewoo International Corporation has invested almost US\$4 billion in 2009 in a joint effort with, among others, China's National Petroleum Corporation, India's ONGC Videsh Ltd., and Gas Authority of India Ltd. (GAIL), to exploit gas fields in Myanmar coastal areas and supply the Chinese market.¹⁸ Investments made by several Chinese oil and gas compa-

¹³ International Crisis Group, "China's Myanmar Dilemma," Asia Report No. 177 (2009), 17, 19–20; interviews in Yangon, Kunming and Beijing, 2008–10.

¹⁴ Myanmar: EU Bilateral Trade and Trade with the World, 2011, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113423.pdf (accessed March 14, 2012).

¹⁵ Joseph Allchin, "Thailand hungry for more Burmese gas," *Democratic Voice of Burma*, July 29, 2010, <http://www.dvb.no/news/thailand-hungry-for-more-burmese-gas/11005> (accessed November 25, 2010); "Myanmar starts sending gas from Mottama offshore gas field to Yangon," *China Daily*, June 10, 2010, <http://english.peopledaily.com.cn/90001/90778/90858/90863/7020606.html> (accessed March 14, 2012).

¹⁶ Jörn Dosch, "China and Southeast Asia: A New Regional Order in the Making," in *China, the Developing World, and the New Global Dynamic*, ed. Lowell Dittmer and George T. Yu (Boulder, Colo.: Lynne Rienner Publishers, 2010), 69.

¹⁷ *Ibid.*

¹⁸ "Daewoo-OVL consortium to invest \$3.7 bn in Myanmar," *Press Trust of India*, July 13, 2009, <http://www.business-standard.com/india/news/daewoo-ovl-consortium-to-invest-37-bn-in-myanmar/67542/on> (accessed November 25, 2010).

nies have increased. There are estimates that the government of Myanmar increased its foreign currency holdings from 2004 to 2009 to US\$3.6 billion from these sales to China and Thailand.¹⁹ These gains are bound to continue if the planned pipelines from the coast to China will be constructed. Naypyidaw is currently trying to secure Myanmar's border regions by peaceful means, sharing the economic benefits and incorporating the militants in the Border Guard Force, but also by using military means in an effort to secure these infrastructural projects.²⁰ These are strategies that China is not only positive to but is actively assisting Naypyidaw to successfully complete. However, with the brakes recently applied to the Myitsone Dam project by the Myanmar government, it is possible that China will, in the future, be less inclined to render its assistance to Naypyidaw.

One should not see Myanmar's importance as limited in the economic area to its role as a provider of natural resources. The country has also developed into a strategically important transport hub and could potentially be useful as a shortcut to China's inland areas in the south as well as providing a friendly harbor in times when China's usage of other shipping lanes is limited or made more expensive by outside forces. Harbors in Myanmar should be considered as part of a larger network of transport corridors that includes Gwadar (across Pakistan into Xinjiang in China) and a Greater Central Asian transport corridor (connecting Europe with China), that is potentially pivotal.²¹ China is extremely interested in diversifying its current transport routes. Since 80 percent of its imported oil today passes through the Malacca Strait with a premium of one dollar per barrel, Myanmar is

¹⁹ Daniel Ten Kate, "Myanmar Seizes Rebel-Held Town Near China Oil and Gas Projects," *Bloomberg*, August 27, 2009, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aV9DMwJB_Lq0 (accessed November 25, 2010).

²⁰ Brian McCartan, "China, Myanmar border on a conflict," *Asia Times Online*, September 10, 2009, http://www.atimes.com/atimes/Southeast_Asia/KI10Ae01.html (accessed March 14, 2012); "Burma Army shoots down KNLA peace moves," *Karen News*, September 26, 2011, <http://karennews.org/2011/09/burma-army-shoots-down-knla-peace-moves.html/> (accessed March 14, 2012); International Crisis Group, "Myanmar: A New Peace Initiative," *Asia Report* No. 214, November 30, 2011, <http://www.crisisgroup.org/en/regions/asia/south-east-asia/burma-myanmar/214-myanmar-a-new-peace-initiative.aspx> (accessed March 14, 2012).

²¹ Sudha Ramachandra, "China secures Myanmar energy route," *Asia Times Online*, April 3, 2009, http://www.atimes.com/atimes/South_Asia/KD03Df03.html (accessed March 14, 2012); Niklas Swanström, "China and Greater Central Asia: Economic Opportunities and Security Concerns," in *China, the Developing World, and the New Global Dynamic*, ed. Dittmer and Yu, 109-28.

of major interest as a key area for trade. The current trade routes are not only expensive to use but, more importantly, the Malacca Strait would be easy to close, either intentionally, by mistake, or simply due to some natural disaster. This is a matter that is not only in China's economic interests to resolve but also a security interest for China in which Myanmar plays an important role. This is not to say that other countries have been idle, waiting for China to tap into the gas and oil resources of Myanmar. On the contrary, South Korea, Singapore, and Thailand have been rather active, and India has upgraded a number of ports, waterways, and roads that link resources in Myanmar to India. It was estimated in 2009 that India will spend more than US\$100 million, and Myanmar will contribute some US\$10 million, to improve the Sittwe Port, Kaladan waterways, and roads connecting Setpyitpyin with India. This development has caused a stir within the Chinese government despite its comparatively small investment. China recognizes that India's projects involve a much less complicated area for transport and is only one of many similar projects that India has begun to invest in. Indian interests tend to focus only on profits, while the Chinese have a much larger strategic focus. Investments in transport, oil, and gas are so large that profit alone could not be seen as the reason for them, not least the construction of the oil pipeline to Yunnan. In many of the larger projects there is clear government involvement both financially and politically. To this end, there is a view among the leaders in Beijing that China's dependence on the Malacca Strait can be used against China. However, most Chinese scholars would argue that closing the Malacca Strait would be potentially more costly for the State that attempted it rather than for China, which has other solutions within reach.

Security interests in Sino–Myanmar relations

China's security interests can be divided into: 1) maintaining access to the Indian Ocean to counter Indian militarization; 2) countering encirclement of China; 3) stabilizing the Chinese border to Myanmar; and 4) preventing the spillover of Myanmar-internal conflicts into China. It is no secret that China has a strong influence in the regions of Myanmar bordering China. This is primarily due to the problems created by Myanmar minority groups of Chinese descent and Chinese immigrants to Myanmar, both legal and illegal. Regarding further engagement with Myanmar in security terms, China has shown interest in utilizing Myanmar as a future springboard to the Indian Ocean. Based on China's fear of containment and the increasing costs of trade there are several limitations that China encounters. Naypyidaw is concerned over China's influence in Myanmar – particularly in military areas – is becoming too strong. This will place limitations on the scope of military cooperation between Beijing and Naypyidaw. It is true that China has developed new military strategies that the People's Liberation Army Navy (PLAN) is placing greater emphasis on, such as "active defense," "offshore defense," and "distant ocean defense."²² The reality, however, is that these strategies have a long way to go before they will have an operational impact in Southeast Asia. It is evident that the instability in Libya has accelerated the discussion in China on how to increase its naval capacity and how naval bases around the world would increase Chinese capacity for rescue operations and securing economic interests.

Myanmar, on its side, has had an interest in utilizing Chinese assistance in 1) breaking the international boycott, or at a minimum avoiding exposure to additional and tougher actions such as military intervention; 2) reducing the tensions with the minority groups in the northern part of the country that are partially of Chinese descent with which China has good relations; and 3) managing Chinese interests and immigrants.

Myanmar understands that although its interests are often in conflict

²² Jason J. Blazevic, "Defensive Realism in the Indian Ocean: Oil, Sea Lanes and the Security Dilemma," *China Security*, Vol. 5, No. 3 (2009), 59–71; Zhang Wenmu, "Sea Power and China's Strategic Choices," *China Security* (Summer 2006), 17–31.

with China, it is crucial that it avoids challenging its giant neighbor. Despite that relations are often described as very cordial, the government of Myanmar has very little latitude with China and is in a dependent relationship. A recent example of this was the Kokang Incident in 2009, when the Myanmar army cracked down on weapons production in the border area, which resulted in a refugee flow of some 30,000 people according to sources in Yunnan and the UN High Commissioner for Refugees.²³ This incident was significant as it showed clearly that the Chinese were not pleased with the handling of the situation and Myanmar's foreign ministry later apologized. It is clear that both the Chinese and Myanmar governments would not like to see the occurrence of similar conflicts, especially if it risks damaging bilateral relations and creating further tension in the border regions.

Over the last few decades China has been adamant that it is not, and will not engage in Myanmar's internal affairs. That was not the case after the foundation in 1949 of the People's Republic of China, when the PLA engaged Guomindang (KMT) forces inside Myanmar. China has acted as a loyal friend in terms of preventing further actions against Myanmar. It is a task to which Thailand, Russia, India, as well as most of the Southeast Asian countries have rendered their assistance. The difference is that China has taken a radical non-interventionist position and defended the military junta in Naypyidaw more than most others, something that won it a privileged position in the eyes of the government in Myanmar today. In contrast, the direct involvement of Chinese regional and business actors engaging local and regional actors in Myanmar has been viewed by Naypyidaw as involvement in Myanmar's internal affairs. This is a development that has been criticized in Myanmar primarily at a government level but also at regional and grassroots levels.²⁴ The Chinese government has been critical of how different interest groups in China have behaved but has not acted in any decisive manner against this. The cross-border trade in narcotics has become a direct security threat to China and poses serious problems. However, with effective border control on the Chinese side and competition from Afghanistan

²³ Ian Storey, "Emerging Fault Lines in Sino-Burmese Relations: The Kokang Incident," *The Jamestown Foundation, China Brief*, Vol. 9, Issue 18 (2009), [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=35468&tx_ttnews\[backPid\]=25&cHash=cbed060d79](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=35468&tx_ttnews[backPid]=25&cHash=cbed060d79) (accessed March 14, 2012).

²⁴ Interviews in Myanmar, 2009–10.

the threat is less today than previously.²⁵ Nevertheless, organized crime gangs and their links to militant groups on both sides of the border have developed into a real security issue for China.²⁶ This is something that was noted during the Kokang Incident, when organized crime merged (as it often does) with weapons production and insurgency movements. Controlling both the militant movements as well as the criminal elements have emerged as a serious impediment to border stability and internal security, worsened by the fact that regional institutions were partly involved in the trade themselves. Yet, the Chinese government has failed to apply sufficient force.

In regional affairs China has not limited its interest in Myanmar. There is a “string of pearls” of port facilities that China has constructed or collaborated in construction stretching from Sihanoukville (Cambodia), Laem Chabang (Thailand), Kyaukphyu (Myanmar), Chittagong (Bangladesh), Hambantota (Sri Lanka) to Gwadar (Pakistan). A developed network of port facilities managed by regimes that are friendly towards China will improve its security situation both economically and militarily, even if the military component appears less important in the short to medium term. The port facilities in Myanmar have a special position within such a network, and are central to a strategy of securing China’s economic interests between the Gulf and China. Due to its geographical location, China has greater use of the port facilities in Myanmar, as goods could be taken up north directly to China if needed and any strategic base in Myanmar could be reinforced by the land route, if Myanmar allows. There is of course the question of what meaning a port facility would have in practical terms if the outlying waters were de facto controlled by India and/or the United States. Before a major port facility is constructed, China first needs to make sure that it has the capacity to protect and utilize their own facilities and, perhaps more importantly, needs to develop its strategic naval interests beyond Myanmar. To do so, there is a long way to go for the PLAN, which has a very weak force projection even if the rescue operations in Libya in early 2011 were a great success and an indication of the PLAN’s peaceful usage.²⁷

²⁵ *World Drug Report 2011*.

²⁶ Swanström, “Smoking Tiger, Injecting Dragon.”

²⁷ Cai Penghong, “Libya Rescue Mission and the Prospects of US-China Cooperation for Non-traditional Security at Sea,” *China & US Focus*, <http://www.chinausfocus.com/peace-security/libya-rescue-mission-and-the-prospects-of-us-china-cooperation->

China has connections to a number of ports in Myanmar, such as Haingyi, Coco, Sittwe, Zadetkyi, Myeik and Kyaukphyu.²⁸ To assume, as has been done repeatedly, that these ports are a sign of Chinese military expansion and potential aggression against India or other states in the region, is problematic.²⁹ The status of many of China's reputed "forward bases" is unconfirmed, and in cases such as the Coco Islands, initial reports have turned out to be incorrect. There is no doubt that China has an interest in developing port facilities – both for military and civilian purposes – but there is less evidence that this strategy has been successful. As the International Crisis Group has pointed out, most of the accusations regarding large Chinese signal intelligence stations, made primarily by India, have proven to be false.³⁰ This has given rise to a great deal of skepticism over the purposes for disseminating this information. It is clear that China's long-term intention is to cultivate closer naval and military cooperation with a number of Southeast Asian states. The development of a strong Chinese maritime presence must be seen in relation to the modernization of the PLAN, which is a navy that still is relatively weak in terms of blue water capacity and force projection. This has resulted in a modest yet significant Chinese interest in naval bases in Southeast Asia. It should also be noted that the skepticism from the military junta in Naypyidaw over relying too much on China has led Myanmar to open its ports in Sittwe and Dawei for the use of the Indian navy. This fits the Indian strategy of creating a fleet of 130 vessels comprising three aircraft battle groups by 2020 to counter Chinese influence.³¹ This jeopardizes the potential for future Chinese dominance in the maritime field. Similarly, many in the Myanmar armed forces have raised the possibility for increased cooperation with the United States and Europe for the very same reasons.

for-non-traditional-security-at-sea/, March 14, 2012, <http://www.chinausfocus.com/peace-security/libya-rescue-mission-and-the-prospects-of-us-china-cooperation-for-non-traditional-security-at-sea/> (accessed March 15, 2012); Gabe Collins, Andrew Erickson, "Implications of China's Military Evacuation of Citizens from Libya," The Jamestown Foundation, *China Brief*, March 10, 2011, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=37633&cHash=7278cfd21e6fb19afe8a823c5cf88f07 (accessed March 14, 2012).

²⁸ International Crisis Group, "China's Myanmar Dilemma," 17, 19, 20.

²⁹ Blazevic, "Defensive Realism in the Indian Ocean."

³⁰ International Crisis Group, "China's Myanmar Dilemma," 20.

³¹ Blazevic, "Defensive Realism in the Indian Ocean."

Arms sales

One of the most discussed issues is the growing arms sales to Myanmar. There is little doubt that China has emerged as the most important provider to Myanmar of military equipment and training.³² However, over the past decade its military forces have diversified their imports due to the inferior quality of some Chinese weapons systems (the Chinese have refrained from selling their best equipment), to reduce Myanmar's dependence on a single exporter and to improve quality. For Naypyidaw, Russia, India, Serbia, Ukraine and possibly North Korea have emerged as important additional suppliers of weapons.³³ This shift in import preferences is particularly prevalent in more advanced weapons systems, which the Myanmar military is increasingly trying to buy elsewhere than from China. Russia, to take one example, sold twenty MiG-29's to Myanmar for US\$570 million.³⁴ China has never been the most sought after provider of military equipment for Myanmar, but has come to play that role that out of necessity rather than choice. Due to the heavy investments already committed, this will not change in the short-term despite the improved relations with the EU and the United States, but could over time result in a diversification of the trade, decreasing Myanmar's reliance on China and the other traditional providers of military equipment.

China has been reluctant to sell weapons to the government of Myanmar that could be viewed as threatening to either its minority groups in the

³² Amnesty International, "Blood at the crossroads: Making the case for a Global Arms Trade Treaty," September 17, 2008, <http://amnesty.org/en/library/asset/ACT30/011/2008/en/64dec12-6ea3-11dd-8e5e-43ea85d15a69/act300112008eng.html> (accessed November 25, 2010); Richard F Grimmett, "Conventional Arms Transfers to Developing Nations, 2002–09," *Congressional Research Service*, 7-5700 (September 10, 2010), <http://info.publicintelligence.net/R41403.pdf> (accessed March 15, 2012).

³³ Wai Moe, "Arms Imported Over New Year?" *The Irrawaddy*, May 10, 2010, http://www.irrawaddy.org/article.php?art_id=18439 (accessed March 15, 2012); "More MiG-29s for Myanmar," *Defence Industry Daily*, March 2, 2011, <http://www.defenseindustrydaily.com/More-MiG-29s-for-Myanmar-06119/> (accessed March 15, 2012); Joseph Allchin, "Belarus PM talks trade with Thein Sein," *Democratic Voice of Burma*, December 1, 2011, <http://www.dvb.no/news/belarus-pm-talks-trade-with-thein-sein/19023> (accessed March 15, 2012).

³⁴ Grimmett, "Conventional Arms Transfers to Developing Nations, 2002–2009."

north or Myanmar's neighbors, and it has been relatively modest in its informal transfers (both to the central government in Naypyidaw and to insurgency groups). There has been a notable effort from Beijing to ensure that its special relationship with Myanmar will not negatively impact China's relationship with other Southeast Asian countries or its long-term position in the region. There have been consistent attempts from China to clarify this through official and unofficial channels.³⁵ In reality, Beijing's close relationship with Naypyidaw has often been misinterpreted as a part of a larger Chinese assertiveness or even aggressiveness against other neighbors such as India and the Southeast Asian countries, but from my conversations with representatives of the Myanmar government and sales representatives of Chinese arms companies, China has followed a sales strategy that is relatively limited.³⁶ This policy is not pursued because of Chinese good-heartedness but is at least partly due to the risk that such sales would entail for its own border security as well as the impact it might have on other countries in the region. China is reluctant to be perceived as a threat and is primarily concerned with its own national security. It has resulted in a limitation of its weapons exports as Beijing is aware of that sales to Naypyidaw and different militant groups in Myanmar could potentially spill over into China. Fighting has actually spilled over into China a number of times and the insecurity in Myanmar and the Mekong river area causes China much headache.³⁷ The security of Chinese nationals involved in trading and/or traversing Myanmar now constitutes a more serious concern today with the increasing number of deaths in Myanmar, as well as the negative collateral effects of the narcotics trade from Myanmar into China. Although Afghanistan is quickly expanding its market share for drugs in China, Myanmar officially remains the single most important source of heroin for the Chinese market.³⁸ The

³⁵ Interviews Yangon and Beijing, 2008–10.

³⁶ Interviews Beijing and Yangon 2010–11.

³⁷ Mitch Moxley, "Rising Border Tension Threatens China–Burma Relations", *The Irrawaddy*, May 20, 2012, http://www.irrawaddy.org/article.php?art_id=18508, http://www.irrawaddy.org/article.php?art_id=18508 (accessed March 15, 2012); Sarah Birke, "Ethnic tension grow in Myanmar," *The National*, July 3, 2012, <http://www.thenational.ae/news/world/asia-pacific/ethnic-tensions-grow-in-myanmar> (accessed 15 March 15, 2012); "Myanmar," *The New York Times*, January 19, 2012, <http://topics.nytimes.com/top/news/international/countriesandterritories/myanmar/index.html> (accessed 15 March 2012).

³⁸ Francis Wade, "Burma fuelling China's heroin crisis", *Democratic Voice of Burma*, March 12, 2012, <http://www.dvb.no/news/burma-fuelling-china's-heroin-crisis/8103>

impact of drugs has been devastating in Yunnan and its capital, Kunming, which is often called “the narco-capital of China.” Extensive illegal trading has led to increased criminality and spread of diseases related to the trafficking. Drug dealers and militants in both China and Myanmar are increasingly seen armed with Chinese weapons that have been traded legally but ended up in the wrong hands. This could affect security in the region.

As already mentioned, China has paid much attention to its neighbors and their security interests but yet been less interested in creating special conditions for India. This is understandable given China’s strong relationship with Pakistan and considering the border issues that China has with India. The bilateral relationship between China and India is changing rapidly and the great-power politics, including both China’s territorial dispute with India over Arunachal Pradesh but also the Tibet and Kashmir issues, have repercussions on all bilateral relations in the region. China and India have an interest in increasing the costs for other actors as long as it does not harm their improved economic and political relationship. There is no doubt that Sino-Indian relations have improved but, as China’s confidence grows, India’s interests and fear of China will mean that they will be on a collision course. Myanmar could become a future “battle ground” in this encounter. It is interesting to note that India’s great concern for China is not reciprocated by China. This is primarily due to the fact that China does not view India as a primary competitor – that is the United States. This said, the U.S. and Europe are not seen as a threat in Myanmar. Naypyidaw is interested in diversifying its security cooperation, aiming at not becoming a proxy battle ground for China and India. This is by no means an easy task. The people and the leadership of Myanmar still view Western governments with a great deal of skepticism after decades of neglect and boycotts. Nowhere is this more apparent than among the military elite in Myanmar.

(accessed March 15, 2012); Marwaan Macan-Markar, “Myanmar’s drug ‘exports’ to China test ties,” *Asia Times Online*, January 4, 2012, http://www.atimes.com/atimes/Southeast_Asia/MA04Ae01.html (accessed March 15, 2012).

External factors: the strongest component in Sino–Myanmar relations

Assessing the arguments in this paper for why there should be strong Sino–Myanmar relations there is much that indicates that the relationship is less than satisfactory. There are relatively few indications that a strong relationship will emerge. However, one of the most important factors behind the Sino–Myanmar relationship was the external pressure that pushed Myanmar into the warm embrace of China. This has not been seen as entirely positive in Myanmar and continued sanctions and refusals by the Western powers (the U.S. and EU), India, and many other states to deal with Myanmar, which makes it possible for Chinese strategists to increase China’s influence in Myanmar.³⁹ In many areas, such as in military and political, China is Myanmar’s least preferred partner, not least due to the history China has had in Myanmar, and yet no alternatives are available at present.

The development in Myanmar and the isolation of Naypyidaw has very much played into the hands of China and a handful of other actors such as Thailand, Russia, and, to a lesser degree, North Korea and India. International refusal to lift the sanctions against Myanmar made it difficult to instigate far-reaching changes. The failure of the more radical exile groups to work for engagement is only positive for the government in Myanmar and Chinese interest groups. In this context, the refusal of Aung San Suu Kyi to open up for more international engagement strengthened the Chinese position. Her stance has benefitted the Chinese government and a handful of actors, such as the military and economic actors affiliated to the government, active in Myanmar. Both Aung San Suu Kyi and the opposition changed their views, however, as they have realized that the impact was very much the opposite of what was intended and ultimately resulted only in greater isolation of Myanmar.

India was one of the first to identify China’s influence in Myanmar and has become increasingly worried. In contrast to the United States and the EU, New Delhi quickly realized that without proper engagement of Myanmar, China’s influence would continue to grow unchecked. The U.S. followed

³⁹ Frittin and Swanström, “European Sanctions Against Myanmar.”

suit rather quickly and the EU has recently reacted, albeit reluctantly, and re-initiated contact. India has directly expressed its concerns over China's increased influence in the region and pointed out that this will impact India's interests in Southeast Asia over time. The U.S. and the EU have no concrete agendas how to respond to China's activities in Myanmar beyond a loosely framed rhetoric on human rights and democracy – something that they both have effectively crippled with their sanctions in the past. India's influence is hampered by its own historical luggage and despite India's attempts to increase its influence in Myanmar, it dwarfs in comparison with China's. China's influence should not be exaggerated, however. It has its limitations and both Naypyidaw and the country's minorities do not want to rely too much on China.

In 2009, Washington woke up to realize that Myanmar had been handed over to China and that the United States would need to initiate engagement, if for no other reason other than to counter China's influence in the country. The number of official visits from the United States to Myanmar has since ballooned, culminating with an official tour by Secretary of State Hillary Rodham Clinton. Europe has followed suit with a number of high-level delegations but without clear policy of how to act towards Myanmar. Regrettably, the EU has not come up with a policy that could change its position but on the contrary, has kept a skeptical view of Myanmar. This stance has sullied any possibility of influence despite increased contact.⁴⁰ It is evident that as long as the international community fails to engage Myanmar, it will be detrimental to the security situation, both regionally and in Myanmar, as well as deprive the people in Myanmar of the much-needed "opening up." This aspect has been discussed in many capitals and some governments have taken steps towards engagement but there is a long way to go before any results will be seen. Moreover, the situation in Myanmar should not be seen as a zero-sum game, but rather as a cooperative effort. It has become increasingly clear to most observers that effective and constructive measures, in contrast to sanctions and isolation, need to be multilateral and inclusive of the entire international community, even Europe and the United States.

⁴⁰ Agnes Frittin and Niklas Swanström: "Offering Trade Benefits for More Inclusive Elections: EU Trade Sanctions against Myanmar hit the wrong targets," *ISDP Policy Brief*, No. 32 (June 2, 2010).

Concluding remarks

It has become increasingly apparent that the bilateral relationship between China and Myanmar is not without its problems. In fact, Naypyidaw is increasingly trying to reduce the Chinese influence in the Myanmar. On the Chinese side, there is an apparent benefit in utilizing Myanmar in China's security strategy, but there seems to be major problems with accomplishing this, not least related to its own naval weaknesses and complicated relationship with Myanmar. However, both Myanmar and China are dependent on each other for a number of reasons. China is most likely to continue to support Naypyidaw, but also the minority groups in northern Myanmar, even without a change of government. The long-term results will be one of two outcomes. Either the international community opens up to Myanmar and reduces China's influence, which will result in stable political transition over time. This would most likely strengthen Chinese links to the Kokang, Wa and Kachin minority groups, but reduce it with Myanmar at large. The other outcome is that the political liberalization suffers a setback, with the outside world continuing its old policy of containment and sanctions, which will inevitably strengthen Chinese influence both in the minority regions and in Myanmar at large. The ball is in the international community's court; something that has been realized and yet nothing significant has happened.

China's primary interest at present is not to increase its military might in and around Myanmar but rather to secure economic development and, more importantly, regional stability. With this in mind it is clear that in the short to medium term there are no indications that China's limited military cooperation with Myanmar will have a major impact on Southeast Asia or international interests. The reasons are that China is reluctant to strain its improved relations with other Southeast Asian countries and appear uncooperative on the international stage, while Myanmar is reluctant to rely too much on China since the benefits are minimal for the moment and there are ample opportunities to increase cooperation with new actors.

What could change this and increase the Chinese influence is an international boycott of Myanmar that by forces Naypyidaw to rely on China for economic and political support. It is apparent that China does not have the military capacity or willingness to expand too far beyond its national

borders. Its focus is to take “one pearl” at a time and cooperate with the countries in Southeast Asia. Isolation of Myanmar and, in a worst-case scenario even China, would be the most likely reason for the establishment of a policy that would be perceived as negative towards China’s neighbors and the United States.

In the long term, China has a strategic interest in strengthening military cooperation with Myanmar and Southeast Asia at large, including more permanent bases. These interests will impact on the security situation of the Southeast Asian countries, India, and the United States. This is not to say that China will have an offensive strategy but, for economic and security reasons, it is logical for China to increase its influence, something that became very apparent during the crisis in Libya. It is beyond doubt that China will increasingly clash with other actors over security concerns in both mainland and maritime Southeast Asia, but at the moment this has yet to play out.

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