

CHINA'S NEW ROLE IN AFRICA AND THE SOUTH:

A Search for a New Perspective

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Expediency and Interests in Contemporary China-Myanmar Relations

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The primacy of interests

Political

At the United Nations Security Council on 12 January 2007 a draft resolution titled "The Situation in Myanmar" and jointly tabled by the US and UK was defeated by a double veto from China and Russia. This was perhaps the culmination of two opposing currents that had been gathering steam for some years.

Widespread protests and disturbances had engulfed the country in 1988, and in September of that year the Burma Socialist Programme Party (BSPP) party-state was dismantled and a military regime was installed. Political parties were allowed to register and a general election was held in May 1990. There was no provision for a transfer of power, and differing interpretations of this on both sides of the political divide led to further protests, unrest and repression.

The democratic opposition, many of whose members are now abroad, found support among Western governments which had been appalled by the military government's clampdown. Various means such as isolation, ostracism and economic sanctions were applied, with the intention of forcing the regime to relent and come to terms with the opposition, but without much success. Recourse to the UN Security Council was seen by most of the democrats and some Western governments – notably the United States – as the ultimate means of reining in the Myanmar military regime.

On the other side, the military council – the State Peace and Development Council – has adamantly refused to accede to the demands of the opposition and the West. When efforts gathered momentum to take Myanmar's case to the UNSC, the protection provided by a veto-wielding permanent member – China – assumed critical importance.

As to the fallout of the UNSC vote, retired British diplomat Derek Tonkin has this to say-

One of the unexpected benefits of the recent consideration by the Security Council of "The Situation in Myanmar" is the surprising and welcome converg-

ence of views among the five Permanent Members of the Council (China, France, Russia, UK, US) that something needs to be done about the appalling situation there. Chinese diplomacy has in recent times become increasingly proactive and sophisticated, as James Traub noted in his article in "The New York Times - Magazine" of 3 September 2006 (attached). Ambassador Wang Guangya's appeal in the Council on 12 January 2007 to Myanmar "to listen to the call of its own people, learn from the good practices of others and speed up the process of dialogue and reform" could almost have been written in the US State Department or the UK Foreign and Commonwealth Office. Indeed the Chinese contributions in the Security Council on 15 September 2006, 29 September 2006 (in private, but leaked) and 12 January 2007 contained far more detail than ever before about the Chinese position on the need for reform and renovation in Myanmar. (Tonkin, March 2007)

In another article, Tonkin states that -

...it was China which said that it "sincerely hopes and expects that the Myanmar Government will listen to the call of its own people, learn from the good practices of others and speed up the process of dialogue and reform, so as to achieve prosperity for its nation, bring benefits to its people and contribute to peace, stability and development in South East Asia." These words could almost have been written in Washington or London. In short, there is little difference in the assessments of Moscow, Beijing, Washington, London and Paris - the "Permanent Five" of the Security Council - that political and economic reform in Burma is essential. Where they do differ is on how this may best be achieved. (Tonkin, March 2007)

Another point worthy of note is that none of Myanmar's neighbours have complained that a threat is being posed to them.

With the situation being the way it is, Myanmar will continue to be dependent on China's support. Political change will come about slowly, and both the pace and the result are likely to be contentious. If there is no substantial improvement in dealings with the West, the present relationship with China can only grow stronger and deeper. China's role in this partnership is cursorily viewed and criticized in some quarters as 'coddling dictators'. But even after discounting China's stand regarding intervening in internal affairs, a closer look reveals that detailed and forceful advice is being delivered to the top leaders in the Myanmar military council. Member of the State Council Mr Tang Jiaxuan visited Myanmar in late February this year and advised Myanmar leaders to settle thorny issues with the International Labour Organization as well as bring about better cooperation with the UN. An amicable outcome with the ILO followed not long after. Mr Tang is also reported to have warned the military council against any precipitate move to disarm the ethnic paramilitaries with which peace agreements had been reached. This is real leverage, being applied with finesse upon a withdrawn, recalcitrant regime. This is the kind of thing that the West would love to bring about, yet cannot.

On the matter of overarching relations between the two countries, a longtime scholar of Myanmar Andrew Selth has put it elegantly and convincingly –

It is possible to identify three schools of thought regarding China's relations with Burma. The "domination" school believes that Burma has become a pawn in China's strategic designs in the Asia-Pacific region, and is host to several Chinese military facilities. The "partnership" school sees a more balanced relationship developing between Beijing and Rangoon, but accepts that China has acquired bases in Burma as part of a long term strategy to establish a permanent military presence in the Indian Ocean. The "rejectionist" school, however, emphasises Burma's strong tradition of independence and Rangoon's continuing suspicions of Beijing. This school claims that, despite the conventional wisdom, Burma has been able to resist the enormous strategic weight of its larger, more powerful neighbour. Some members of this school argue that Burma has the whip hand in its relations with China, and has been able successfully to manipulate Burma's sensitive geostrategic position to considerable advantage. While acknowledging the close bilateral ties that have developed since 1988, they are sceptical of claims that China has any military bases in Burma. (Selth)

Elaborating on the 'rejectionist' school, he continues -

The third, or rejectionist, school seems to consist mainly of scholars with a specialised knowledge of Burma, and Sinologists sceptical of China's purportedly expansionist designs. Their arguments consist of three main points. Firstly, they argue that, throughout history, Burma has always been very suspicious of China, and only turned to Beijing in 1989 out of dire necessity after it was ostracised by the West and made to suffer a range of sanctions. This change of policy was adopted reluctantly and by no means represented a permanent shift in focus or allegiance. The members of this school recognise the diplomatic, military and economic benefits that China currently offers Burma, and the pressure that China could exert on Rangoon if it chose to do so. They are more confident than the members of the other two schools, however, that Burma will be able to manage the complexities of the bilateral relationship, and resist becoming a major player in the strategic competition between China and other powers, like India or the US. To support their case, they cite Burma's fierce national pride and its preparedness over the years to bear enormous costs to maintain its independence and territorial sovereignty. They have been suspicious of claims regarding Chinese intelligence collection stations and accept the military regime's repeated assurances that permanent Chinese military bases will never be permitted in Burma. Also, the members of this school believe that Burma is looking first to Southeast Asia for its models of government and economy, not to China.

Secondly, followers of the rejectionist school point out that China has not been as successful in winning Burma's confidence as is often reported. Despite their unprecedented closeness at present, Beijing has not always been able to get its own way with Rangoon, nor seems likely to win everything it wants. For

example, the Irrawaddy River transport corridor scheme, once a high priority for the Chinese government, has struck numerous problems in recent years. First the SLORC, and since 1997 the SPDC, has been dragging its feet over the scheme, apparently troubled by the economic and political leverage it will give China.

Thirdly, while it suits Burma to develop its relationship with China now, it will always retain the option of drawing back from China's close embrace. China casts such a long shadow, that the very thought of a small, weak country like Burma being able to resist its advances or to reduce its level of engagement seems far-fetched. Yet there are already a number of precedents for this to occur. Vietnam, for example, was able to detach itself from a close relationship with China, and even went on to resist an invasion by Chinese military forces. Similarly, North Korea was once beholden to China for its continued existence, but never surrendered its sovereignty. Even Pakistan, which is often quoted in this context as another creature of China, has been able to develop independent relations with countries like the US. Should the Rangoon regime wish to escape China's embrace, the rejectionist school argues, then there is little chance that the SPDC would be left to manage the process alone. India has already won back an important place in the regime's strategic thinking and other regional countries would doubtless see it in their interests to do so as well. If Burma could resolve its key differences with the Western democracies, even they would be prepared to offer the Rangoon regime a range of other options.

Indeed, it can be argued that, in some respects, it is not Beijing but Rangoon that has the whip hand in this relationship. The military government has been quick to recognise Burma's growing importance in the more fluid Asia-Pacific strategic environment. It knows how its relationship with China is viewed by other countries. Over the past 15 years, the Rangoon regime has become adept at exploiting Burma's geo-strategic position and manipulating the concerns of its regional neighbours. For example, it has been quite comfortable about using its close relationship with Beijing, and the fear that it might become an ally of an expansionist China, to attract support from influential countries like India, and to gain attention in important councils like ASEAN. The SPDC would no doubt be prepared to play the China card again, if it felt the need. Since the discovery of extensive natural gas fields off the western coast of Burma, the regime has another lever it can use to keep its more powerful, but energy-hungry, neighbours on side. Burma's rapidly developing links with India, its continuing, albeit patchy, relationship with ASEAN and its arms deals with Russia and other suppliers, can all be seen as part of Rangoon's continuing efforts to balance China's influence and to keep open other foreign policy options. (Selth)

There are efforts underway from the Myanmar opposition abroad and also from Western governments to persuade and even pressurize China to exert more of its influence on the Myanmar regime. In current parlance, the intent is to turn both countries into 'responsible stakeholders' in the region as well as globally.

Security

As is to be expected from the close proximity, on at least three occasions (one of them global) in the 20th century, turmoil, war and revolution in China had impacted upon Myanmar.

- 1) Following Japan's invasion of China in 1937, the "Burma Road" connecting the port of Yangon to south-west China was built to transport much-needed war materiel and other supplies to the beleaguered Chinese government. One could say that the campaign in Myanmar in World War II was in large part fought over control of this strategic road.
- 2) The end of the civil war in China and its sequelae: KMT units entered Myanmar and gained a foothold. They were supplied by air, and offensives were launched against the PRC, only to be defeated. It took military operations and diplomatic efforts at the UN over many years to evict them.
- 3) The Cultural Revolution, which affected Myanmar beginning in 1967, and strained relations till 1985.

Relations in security affairs made an about-turn following 1988 and the advent of the military government. Observers estimate that Myanmar's acquisition of arms and security-related materiel is in the order of \$ 1.4 billion. A large part of the hardware (as well as the software) in the Myanmar Armed Forces originates in China. However there have been problems over the standard of workmanship and capabilities of the materiel. Andrew Selth writes that –

To China's reported annoyance, the regime is now turning to Russia and other countries (like India, the Ukraine and even North Korea) for its latest arms acquisitions. Chinese officials in Burma have kept a low public profile, and learned to tread warily in contacts with their local counterparts. This seems to be out of concern that they will upset the notoriously volatile and unpredictable military leadership, and lose the gains China has made since 1989. Beijing may even fear a recurrence of the violent anti-Chinese demonstrations that led to a break in diplomatic relations with Rangoon in 1967.(Selth)

Economic

During the days of socialist autarky in Myanmar, economic stagnation and chronic shortages were pervasive. As a result, Myanmar's borders became conduits for essential goods. It was the parallel market or unofficial trade, first with Thailand, then with other countries, that provided the Myanmar people with what their government could not or would not deliver. China's turn came in the mid-1980s when textiles, medicines and even items like toothpaste started coming in. With the legalization of border trade in 1988, things have not looked back.

In a recent paper, Toshihiro Kudo writes –

Against the background of closer diplomatic, political and security ties between Myanmar and China since 1988, their economic relations have also grown stronger throughout the 1990s and up to the present. China is now a major supplier of consumer goods, durables, machinery and equipment, and intermediate products to Myanmar.

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 center of Upper Myanmar to Yunnan Province in China. Both physical infrastructure developments such as roads and bridges and institutionalization of cross-border transactions, including "one-stop services," promote border trade. Without the massive influx of Chinese products, the Myanmar economy may have suffered severer shortages of commodities. Without the opening up of China's export markets, Myanmar may have suffered severer shortages of foreign currencies.

China also provides a large amount of economic cooperation and commercial-based financing in the areas of infrastructure, state-owned economic enterprises, and oil and gas exploitation. Without Chinese long-term loans with low interest rates, the Myanmar government could not have implemented its massive construction of state-owned factories such as textile and sugar mills. Although China's official foreign investment is rather small, it is not insignificant in that it has recently poured into oil and gas exploration. Chinese enterprises may soon be major players in this booming field in Myanmar. To be sure, Myanmar's economy is now heavily dependent on economic ties with China.

However, its lopsided trade with China has failed to have a substantial impact on Myanmar's broad-based economic and industrial development. About seventy percent of Myanmar's export to China is wood in the form of logs or roughly squared ones. Wood extraction and its export is quite different from other major export items such as beans and pulses and garments in that the latter has induced the improved utilization of existing factors of production such as land and labor in the whole economy. In contrast, wood export is no more than an exploitation of a limited natural resource that happened to remain untapped during the past closed period.

China's economic cooperation and commercial loans apparently support the present regime, but their effects on the whole economy will also be quite limited under an unfavorable macroeconomic environment and distorted incentives structure. In particular, the newly built state-owned factories may become a burden on the Myanmar government budget and eventually bad loans of Chinese stakeholders. After all, strengthened economic ties with China will be instrumental in regime survival in the midst of economic sanctions by Western nations. However, it will not be a powerful force promoting the process of broad-based economic development in Myanmar. (Kudo)

There is also a growing feeling that China is reaching the limits of sustainability of its current model.

As to deeper regional cooperation, the Greater Mekong Sub-region (GMS) and ASEAN+3 both include Myanmar and are underway. The ASEAN Free Trade Area and East Asian Community are on their way. Myanmar's political problems are making it difficult for her to participate fully in ASEAN. Taken together, Myanmar is among the weakest partners and is perhaps the weakest link in all of this.

The GMS – which also includes Yunnan province – is in a way the shape of things to come. There are provisions for the free flow of not only trade but also technology, capital and people across borders but this is getting off to a rather slow start. An important question for economically weaker countries like Myanmar has to be on the implications of a very open but uneven regional grouping.

Discussion

Whichever way one views it, interchanges between the two countries are far more likely to grow rather than wane. It happens to be the natural order of things. How does any state system seek to contend with a 1384 mile-long border that becomes more porous with each passing day? The critical thing is to ensure that the interchanges, the diffusion, the two-way traffic, are beneficial, sustainable and equitable. As befits a relationship that stretches back a thousand years or more, the orientation towards the future should encompass centuries and not just decades to come.

China does have an influence in Myanmar, but it cannot be said to be a strong influence, much less a dominant or pervasive one. The leaders of the present Myanmar government see China primarily in terms of expediency – of providing critical support to tide over the difficulties they are faced with. And for this, they give in return what is in China's interests – economic interests mostly. Myanmar's present leaders have had to 'embrace' China – but warily. All of them have experienced the Chinese-supported CPB insurgency at first hand and memories are still fresh. It is hard to envision Myanmar becoming a client state in the present period. The non-approval of the Irrawaddy Waterway reflects these concerns.

Both countries are embarked upon political transitions, however slowly or reluctantly, but with important differences. The opposition in Myanmar is aiming for as full a liberal democracy as can be achieved. And even the military-sponsored constitution that is to be drafted soon allows for a multi-party system and devolution of power. One thing that could be constructively emulated from the contemporary Chinese scene are the political reforms at grassroots level.

It is sometimes said that the incumbent establishment in Myanmar inclines towards the Chinese 'model' whereby a transition to a booming market economy is achieved without letting loose the reins of political power. However, both in terms of internal capabilities

as well as external circumstances, this does not appear to be possible. Myanmar is staggering through a market transition that has to fend for itself most of the time whilst being encumbered by heavy and incompetent state interference.

It is in the consequences that commonalities are seen – the corruption, the inequalities, the environmental costs, the social disruption and unrest. Perhaps it is wishful thinking to envisage the two countries working together on these issues and learning from each other. If carefully handled, civil society could take the lead in this far-reaching process.

Expediency and economic interests by themselves are poor justification in light of the immense stakes involved, especially for future generations.

Appendix

Table 6: Bilateral Agreements between Myanmar and China since 1996

SPDC Chairman Than Shwe's Visit to China (Jan. 1996)
Agreement of Economic and Technical Cooperation between the GPRC and the GUM Protocol on Cultural Cooperation between the Ministry of Culture of the PRC and the Ministry of Culture of the UM Framework Agreement on Provisions of Interest Subsidized Credit by the GPRC and the GUM
State Councilor Luo Gan's Visit to Myanmar (March 1997)
Agreement between the GUM and the GPRC on Myanmar-China border Areas Management and Cooperation Agreement on the GPRC Providing Five Million RMB Yuan Grant Given Gratis to the GUM Agreement on Supply of Agricultural Machinery Equipment and Spare Parts and Technical Cooperation
Vice Premier of State Councilor Wu Bangguo's Visit (October 1997)
Framework Agreement between the GUM and the GPRC on a Preferential Loan with Interest Subsidized by the Chinese Government
Vice Foreign Minister Tang Jiaxuan's Visit to Myanmar (Jan.-Feb. 1998)
Agreement on Mutual Exemption on Visas between the GUM and the GPRC for Holders of Diplomatic and Official (Service) Passport
SPDC Secretary 1 Khin Nyunt's Visit to China (June 1999)
Agreement on Economic and Technical Cooperation between the GUM and the GPRC
SPDC Vice Chairman Maung Aye's Visit to China (June 2000)
Joint Statement of the PRC and the UM on the Framework of Future Bilateral Relations and Cooperation
Vice President Hu Jintao's Visit to Myanmar (July 2000)
Agreement on Economic and Technical Cooperation Agreement on Tourism Cooperation Agreement on Science and Technology Cooperation
SPDC Secretary 3 Win Myint's Visit to China (Oct.-Nov. 2000)
MoU between the Union Solidarity and Development Association (USDA) and the All China Youth Federation (ACYF)
Minister for Home Affairs Jia Chunwang's Visit to Myanmar (Jan. 2001)
MoU on Narcotic Drugs Control between Myanmar and the PRC
Minister for Land Resources Tian Fengshan's Visit to Myanmar (July 2001)
MoU on Cooperation in the Geological and Mineral Resources Sectors between the GUM and the GPRC
Vice Foreign Minister Wang Yi's Visit to Myanmar (Aug. 2001)
Agreement on Economic and Technical Cooperation between the GUM and the GPRC
President Jiang Zemin's Visit to Myanmar (Dec. 2001)
Agreement on Phytosanitary Cooperation Agreement on Cooperation on Fisheries Contract for Improving Petroleum Recovery on IOR-4, Pyay Field Protocol on Cooperation in Border Area Agreement on Economic and Technical Cooperation Agreement on the Promotion and Protection of Investment Agreement on Cooperation in the Animal Health and Quarantine

Table 6: Bilateral Agreements between Myanmar and China since 1996 (Continued from the previous page)

SPDC Chairman Than Shwe's Visit to China (Jan. 2003)

Agreement on Health Cooperation between China and Myanmar
Agreement on Economic and Technical Cooperation between Myanmar and China
Agreement on Cooperation in the Field of Sports

Vice Premier Li Lanqing's Visit to Myanmar (Jan. 2003)

Agreement on Partial Debt Relief for Myanmar
MoU on Extending a Grant for the Supply of Culture, Education and Sporting Goods by the PRC to Myanmar
MoU on the Programme of Aerospace and Maritime Course by the PRC to Myanmar

Vice Premier Wu Yi's Visit to Myanmar (March 2004)

MoU between the GUM and the GPRC on the Promotion of Trade, Investment and Economic Cooperation
Agreement on Economic and Technical Cooperation between the GPRC and GUM (Providing a Grant of RMB 50 Million)
Framework Agreement between the GPRC and the GUM on Provision of Concessional Loan (USD 200 Million)
MoU on Cooperation for Promoting Trade and Investment between China Export and Credit Insurance Corporation and the Ministry of Finance and Revenue of the UM
Government Concessional Loan Agreement for MPT Project Phase II between the Export-Import Bank of China and the Financial Institution Authorized by the GUM
MoU between UMFCCI and China Council for Promotion of International Trade
Loan Agreement on Hydraulic Steel Structure (Lot HSS-1) of Yeywa Hydro-Power Project
Commercial Contract for the Supply of Hydraulic Steel Structure (Lot HSS-1) of Yeywa Hydro-Power Project
The Strategic Cooperation Agreement on Myanmar National Telecommunications Network Construction Project
Commercial Contract for the Supply of Hydraulic Steel Structure Works and Electrical and Mechanical Equipment for Kun Hydro-Power Project
Commercial Contract on Myaungtaka-Hlinethaya-Yekyi 230 KV Transmission Lines and Substation Project
MoU on the Supply and Installation of Complete Equipment for Float Glass Production Line with Melting Capacity of 150 TPD and for Tempered Glass, Laminated Glass and Mirror Glass Production Lines
Contract for Construction of No.4 Urea Fertilizer Factory at Taikkyi Township
MoU on Hydraulic Steel Structure (Lot HSS-2) and Electromechanical Equipment (Lot EM-1) of Yeywa Hydro-Power Project
National Theatre Renovation Project
Rice Milling Machine Installation Project
Combined Harvester Production Project
Three Small-Scale Hydro-Power Plants Project
Project on Probation of Quality Sugarcane and Cotton Strains
Geological and Minerals Exploration in Myanmar-China Border Region
LASHIO-THABANG RAILWAY PROJECT

Prime Minister Khin Nyunt's Visit to China (July 2004)

Agreement on Economic and Technical Cooperation between the GUM and the GPRC
Exchange of Notes on Project of International Convention Centre between the GUM and the GPRC
Exchange of Notes on Project of Master Plan for Hydro-Power Projects in Myanmar
Exchange of Notes on Project of Master Plan for Thanyin-Kyauktan Industrial Zone
Exchange of Notes for the Provision and Shipment of Rails for the GUM
MoU between the Ministry of Communications, Posts and Telegraphs on the UM and the Ministry of Information Industry of the PRC in the field of Information and Telecommunication
MoU on Payment of Debt Rescheduling between the GUM and the GPRC
Agreement on the Financing Plan for No.4 Urea Fertilizer Factory at Taikkyi between the Ministry of Finance and Revenue of the UM and the Export-Import Bank of China
Supply Contract between the Ministry of Communications, Posts and Telegraphs of the UM and ZTE Corporation of the PRC for GSM System Expansion Project
MoU between the Ministry of Industry (1) of the UM and China Metallurgical Construction (Group) Corporation for Extension of 200 TPD Pulp Mill Plant (Thabaung) and Proposed 500 TPD Pulp Mill Plant (Rakhine)
Nickel Mineral Exploration and Feasibility Study Agreement between the Department of Geological Survey and Mineral Exploration of the Ministry of Mines of the UM and China Nonferrous Metal Mining and Construction Co. Ltd.
Supply Contract for Myanmar National Telecommunication Network Construction Project between Myanmar Communications, Posts and Telegraphs of the UM and ZTE Corporation

Prime Minister Soe Win's Visit to China (Feb. 2006)

Agreement on Economic and Technical Cooperation
Air Services Agreement
Agreement on the Ministry of Railways of the PRC Donating Passenger Coaches to the Ministry of Rail Transportation of the UM.
MoU on the Construction of Greater Mekong Information Super-Highway Myanmar Section
A Sub-loan Agreement on Loans (USD 31.5 million) extended to the Ministry of Communications, Posts and Telegraphs of the UM by the Export-Import Bank of China
A Loan Agreement for Urea Fertilizer Factory Project
A Supply Contract (Phase-I) between the Ministry of Communications, Posts and Telegraphs and ZTE Corporation.
Contract for the Supply of Mechanical and Electrical Equipment and Services for Paunglaung Hydro-Power Project Phase-II

(Source) *New Light of Myanmar*, *Myanmar Times* and other press. Compiled by JETRO Yangon Office.

(Note) GUM stands for the Government of Union of Myanmar.

GPRC stands for the Government of the People's Republic of China.

MoU stands for Memorandum of Understanding.

UMFCCI stands for the Union of Myanmar Federation of Chambers of Commerce and Industry.

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