

CHAPTER V

CHINESE INTEREST & STRATEGIC ENGAGEMENTS IN MYANMAR

"In the new century, China will enter a stage of developing a well-to-do society in an all-round manner accelerating the modernisation drive. To achieve this grand objective that we have set for us, we need a surrounding environment conducive to stability and development."

Mr. Zhu Rongji, Ex-Premier of China

5.1 General.

China is the fastest growing economy of the world with almost an average of 10 per cent growth rate over the past about 30 years. One of its current objectives is to secure its energy supplies. This has prompted the Chinese to enter into strategic cooperation with the resource rich countries of the world including its immediate neighbour Myanmar. Subsequently, the People's Republic of China has emerged as the most reliable strategic partner of Republic of the Union of Myanmar in the 21st century. At the same time, the booming energy cooperation between the two countries is advanced by military assistance. The Chinese are securing their lines of transit connectivity into the Bay of Bengal to gain access to the Indian Ocean. This process has been initiated by its strategic military support of Myanmar over the last over two decades. China supported Myanmar when the United Nations imposed economic and diplomatic sanctions and the United States declared it a rogue state along with other countries like Sudan, Iran and North Korea. In due course of time the Chinese have steadily got involved in over 62 projects including hydro, oil, gas and mining in Myanmar⁴³.

5.2 Background.

Subsequent to the World War II and the birth of the Union of Burma in

⁴³ Shivananda, H. (2011). 'Sino Myanmar Military Cooperation and its implications for India'. IDSA, Vol 5 No, P 117. (Online) Available at: www.idsa.in/system/files/5_3_H_Shivananda.pdf (accessed on 05 September 2014).

January 1948 and the establishment of People's Republic of China in October 1949, strain on the relationship between the two countries increased. The differences between the two nations were aggravated by the illegitimate activities by the Chinese Kuomintang in 1950's. Kuomintang continued their resistance against the People's Liberation Army (PLA) from Burmese territory. This soured the Sino Burmese relations, more so with Rangoon dreading an invasion by PLA and annexation by China. However, China and Burma inked a mutual trade agreement in April 1954 followed by a visit by Premier Chou En Lai for signing of declaration for 'Five Principles of Peaceful Coexistence'. Thereafter Friendship and Cooperation treaty was signed in 1960 which resolved the boundary dispute on very good terms for Burma. After Cultural Revolution in China, the Communist Party of Burma (CPB), sponsored by Beijing, became a nuisance for Burma. In early 1960's Chinese community was chased out of Myanmar, like Indians in 1930's. In 1962 Gen Ne Win formally debarred pro Chinese activities and blocked all border posts with China.⁴⁴ In 1967, Burmese commenced violent anti-Chinese demonstrations and riots in Rangoon. The Chinese embassy was also attacked. The emissaries of both the countries were called back. China stopped the assistance settled under 1960 friendship treaty and commenced aggressively supporting Communist Party of Burma. This was the rock bottom of the relationship between the two countries.

Improvement in Relationship. After the demise of Mao Zedong in 1976, Deng Xiaoping assumed power. The support from China to the Communist Party of Burma was stopped. Deng Xiaoping comprehended the *importance of Burma to China. In January 1978, he visited Burma and met Gen Ne Win.* This was reciprocated in the form of China receiving support for its Cambodia policy. Beijing also stopped its support to communists in Burma. Though political relations between China and Burma had been reinstated in 1970, but it was not until Deng Xiao Ping's visit that the relations were truly mended. During this time, Rangoon avoided any anti-Chinese stand and also kept distance from USSR. Due to this, Indo Myanmar relations were strained

⁴⁴ Renaud, Egreteau, Op cit, p-74.

as Myanmar perceived Indian viewpoint on Cambodia and Afghanistan as pro Soviet.

Post 1988. Post the violent repression of pro-democracy protests and emergence of military form of governance i.e. the State Peace and Development Council, the US, EU, Japan and various other multilateral aid organizations withheld official development assistance and imposed political sanctions and weapons embargoes on Myanmar. China took full advantage of international isolation of the military junta in September 1988 to foster friendly ties and develop a strategic relationship with Myanmar. Under mounting international pressure, the military regime in Myanmar had no choice but to increase its proximity towards China.

China was the first country to recognize the SLORC government. China regarded developments in Myanmar as an internal affair and refused to interfere, while the West and rest of the world adopted a moralistic approach in their relations with Myanmar. Sino-Myanmar relations took a leap forward from here on the basis of a clinical rationale frame-work around geographic, strategic and politico-economic considerations. Myanmar and China call each other 'paukphaw'⁴⁵, a Myanmar word for siblings. Paukphaw is not used for any other foreign country, reflecting Myanmar and China's close and cordial relationship. The Sino-Myanmar relationship has always been conceptualized on five principles of peaceful coexistence, which include mutual respect for each other's territorial integrity, sovereignty and non-aggression.

In 1988, China's strategic interests in Myanmar went through a fundamental change as it changed its relationship to military junta in Rangoon. Since 1988, Myanmar has grown to become China's closest ally in South East Asia, foremost beneficiary of Chinese military equipment and a possible springboard for projection of Chinese power in the region. The then Chinese President Hu Jintao, during celebrations of golden jubilee of Sino

⁴⁵ Geng, Lixin. (2006). 'Sino-Myanmar Relations: Analysis and Prospects'. The Culture Mandala, Vol. 7 No. 2. (Online) Available at: <http://www.international-relations.com/CM7-2WB/Sino-Myanmar.htm>. (accessed on 12 January 2015).

Myanmar relations, stated that strengthening Sino-Myanmar relations was 'an important part of China's diplomacy concerning its surrounding areas. Evidently, signatures of Chinese economic, political and military power in Myanmar have become so evident that it would be difficult for Yangon to reorient its policies. Myanmar emerged as a key Chinese ally on 6 August 1988, when the two countries signed an agreement establishing official trade across the common border. Significantly, the signing took place while Myanmar was in turmoil. China managed to take advantage of the domestic disturbance in Burma. The response of the international community accordingly threw the two neighbouring countries, partners at sins, (Tiananmen Square for China and Brutal suppression of pro-democrats for Myanmar) into each other's embrace. China was keen to find an outlet to the Bay of Bengal for its provinces of Yunnan and Sichuan, through Myanmar. The rail-heads of Myitkyina and Lashio in North-eastern Myanmar, and the mighty Irrawaddy River, were prospective conduits. The North-eastern borders were controlled by the Communist Party of Burma (CPB). The CPB's grasp weakened in 1989 when CPB had split along ethnic lines to become four regional armies which then signed ceasefire agreement with the government.

Severe constraints on human and financial resources, especially technical expertise, had led Myanmar to rely on Chinese expertise and imports of machinery and equipment. A delegation led by then State Law and Order Restoration Council's number two leader and chief of Army Lt. General Than Shwe to China in October 1989 was a watershed for Myanmar-China co-operation under the junta. China was involved in establishing state-owned enterprises in fields such as sugar plants, textile factories, plywood plants, rice mills and other industrial factories. China also provided coastal liners, irrigation pumps, construction materials, and satellite ground station. Since 1988, China has provided Myanmar with considerable amount of aid and preferential loans and cancelled numerous debts. Statistics showed that by 2010, China's total aid to Myanmar reached over US\$125 million.

From 1991 to 2005, the Bank of China and China Import-Export Bank

provided Myanmar with seller's credits worth over US\$1 billion. In 2006, China provided another US\$85 million of loans to Myanmar for purchasing two new oil-drillers. By the end of 2002, Chinese construction companies had invested over 800 projects worth US\$2 billion in Myanmar. By the end of 2005, this amount increased to US\$2 billion with a fulfilled turnover of US\$2.2 billion. All these laid a good foundation for China's further involvement in Myanmar⁴⁶.

5.3 Economic Cooperation

Trade. China has a substantial economic presence in Myanmar, especially the Chinese investors from Yunnan. Official figures of China's import and export with Burmese are actually well below reality. The regular Sino Myanmar trade is well over US \$ 1 billion per annum. In fiscal year 1995 -1996 it was estimated at 40-60 per cent of Myanmar's total trade.⁴⁷ Since late 1988, the Myanmar government has liberalized its trade policy and lifted the restrictions on trading by the private sector. Thus, the volume of trade has greatly increased. In addition, with the introduction of the market economy which encouraged private sector participation in the national economy, Chinese-made machinery and parts have made an inroad into the Myanmar markets. Since then, China has become a major supplier of consumer and capital goods for Myanmar. According to Chinese statistics, the total value of bilateral trade in 1989 was just US\$ 313.72 million, and China enjoyed a trade surplus of US\$ 61.60 million. By 1995, trade had reached a total value of US\$ 767.40 million and China had a surplus of US\$ 468.30 million. In 2005, China reported that the total value of bilateral trade was US\$ 1209.25 million with China's surplus being US\$ 660.45 million. Between 1989 and 2005, China enjoyed a total accumulated trade surplus with Myanmar of US\$ 6438.86 million. While Myanmar's exports to China increased in this period just 2.2 times, from US\$ 126.06 million in 1989 to US\$ 274.40 million in 2005, its imports from China grew nearly 5 times, from US\$ 187.66 million in 1989 to

⁴⁶ Zhao, Hong. (2007). 'China and India's Competitive Relations with Myanmar'. ICS Working Paper No- 8. (Online) Available at: ics.um.edu.my/images/ics/workingpaper/2008-7.pdf. (Accessed on 17 January 2015).

⁴⁷ Egreteau ,Op Cit, p 80.

US\$ 934.85 million in 2005. The bilateral trade figures show a chronic trade deficit on the part of Myanmar⁴⁸. Of the Myanmar's major exports, worth US \$9.04 Billion, as per 2013 estimates China and India accounted for 14.3% and 14.08% respectively. However in the major imports, worth US \$10.11 Billion, as per 2013 estimates, China accounted for 37% followed by Thailand 20.2% and Singapore 8.7%. India has a very insignificant share of US \$ 544.66 million in the same.

Chinese Investments. Chinese investment in Myanmar is driven by both geopolitical and economic factors. Besides official Chinese Foreign Direct Investment (FDI) in Myanmar there are a large number of hidden Chinese investments and business ventures, most of which are in the names of their relatives who hold Myanmar citizenship. Many large and small businesses, in almost all major cities in Myanmar, have some form of Chinese investment. From 1988 till September 2103 Chinese companies invested \$14.19 billion in Myanmar, accounting for 32 percent of the total \$43.74 billion foreign investment, which the Burmese government approved in the period⁴⁹. This highlights China's long history of dominance in Myanmar. China also leads in terms of actual investment with \$14.12 billion, or nearly 42 percent of the total \$33.67 billion. Oil and gas tops the list of actual investment by sector with \$13.63 billion, or more than 40 percent of the total, while electricity follows and mining occupies a distant third with just \$2.31 billion. Other FDI is also mostly in certain strategic sectors like energy and mining, and a few in manufacturing. Presently, there are 12 ongoing projects by Chinese firms. Two Chinese firms have invested in nickel mines: Tagaung in Thabeikkyin and Mwetaung in Tetain and Kalay. Contracts were signed with the China Non-Ferrous Metal Mining and Construction (Group) Co Ltd and Kingbao

⁴⁸ Myoe, Maung Aung. (2007). 'Sino-Myanmar Economic Relations Since 1988'. Asia Research Institute Working Paper Series No. 86. Pp 5-6. (Online) Available at: SSRN: <http://ssrn.com/abstract=1317139> or <http://dx.doi.org/10.2139/ssrn.1317139> (Accessed on 23 November 2015).

⁴⁹ Song, Sophie. (2013). 'Foreign Investment In The Region'. International Business Times. October 29. (Online) Available at: <http://www.ibtimes.com/reporter/sophie-song> (Accessed on 17 December 2014).

Mining Ltd. China Non-ferrous Metal Mining & Construction (CNMC) has received approval from the Myanmar government to invest US\$ 500 million in nickel mining operations. The targeted reserves are located 120 kms from the south-eastern border town of Liangjiang, in Yunnan province, and a few kilometers from Myanmar's Irrawaddy River, which will provide water for the open-pit mining project.

Another investment area is the energy sector, especially oil and gas. Myanmar has proven recoverable reserves of 510 billion cubic meters out of a total 2.54 trillion cubic meters estimated reserves of offshore and onshore gas. It is also estimated to have 3.2 billion barrels of recoverable crude oil reserve, according to official statistics. Between 1988 and 2006, the Myanmar ministry of energy developed 71 onshore and offshore blocks, and entered 67 production sharing contracts with 59 companies. A few more off-shore blocks were created later. China based companies have signed contracts for oil and gas exploration in 14 blocks. The China National Offshore Oil Corporation Myanmar Ltd (CNOOC-Myanmar Ltd) signed contracts on production sharing with the Myanmar state-owned Myanmar Oil and Gas Enterprise (MOGE). The CNOOC Myanmar formed a consortium with China Huanqiu Contracting and Engineering Corporation and Singapore-based Golden Aaron Pvt Ltd, chaired by U Tun Myint Naing. The exploration blocks under contracts are PSC-C1 (17,000 square meters), PSC-C2 (26,000 square meter), and M-2 (9,600 square meters)⁵⁰.

China plans to build an oil pipeline from Myanmar to China. The proposal was made by a team of Chinese professors from Yunnan's Social Science Academy. The pipeline would be constructed from Sittwe to Kunming. Sittwe port could also be used as a deep water seaport since it can handle up to 200,000 tonnage cargo. In connection with the gas pipeline, Petro China signed a Memorandum of Understanding (MoU) with the MOGE to buy 6.5 trillion cubic feet of natural gas from Block A-1 over a period of 30 years starting from 2009. China is also interested in the Kyaukphyu-Kunming corridor, which is both geopolitically and economically motivated.

⁵⁰ Myoe, Maung Aung. Op cit , pp 14-15.

In recent years, some Chinese companies began to invest in power generation plants in Myanmar. The Myanmar Department of Hydropower and Thailand's Electricity Generating Authority of Thailand (EGAT) have signed a MoU to build the US\$ 1 billion Hutgyi Dam and power plant on the Thanlwin River. China's state owned Sino-hydro Corporation has signed an agreement with the EGAT to build a power plant in the Hutgyi project. Hutgyi hydroelectric station, which will have an installed capacity of 600 MW, is the first of the 5-dam cascade on the Thanlwin River, with a total installed capacity of 12,700 MW. Sino-hydro will not only act as the major investor, but also the major contractor for the design, procurement and implementation works of the Hutgyi project. Other Chinese companies investing in Myanmar are Beijing Fisheries Corporation in the fishery sector, China National Complete Plant Import & Export (Yunnan) Corporation in the production of concrete rail sleepers at Myitnge, China National Construction Machinery Corporation, Yunnan Machinery and Equipment Import and Export Corporation, and Myanmar Sindo Wooden Products Co Ltd in the manufacturing of furniture, and Yunnan De Hong Prefectural Grain and Oil Group Corporation in agriculture-related foodstuff production⁵¹.

Recent Economic Engagements. China remains Myanmar's largest source of FDI with cumulative investments in excess of \$ 14 billion. The major areas of Chinese investments include the hydropower projects, natural resource extraction projects and infrastructure development. The recent developments in economic cooperation are :-

- (a) MoU for carrying out feasibility studies for extraction, cleansing and production of tin and tungsten at Tavoy river bed in Tanintharyi Region.
- (b) Agreement for carrying out socio-economic projects in 2013-14 for the local ethnic population residing along the Myanmar-China oil & gas pipeline.

⁵¹ Myoe, Maung Aung. Op cit , pp 16-17.

(c) Chinese grant of Yuan 50 million to Myanmar under the framework of bilateral economic and technical cooperation, donation of computers and peripherals and an aid of Yuan 10 million for assuming the ASEAN Chairmanship in 2014.

5.4 **Military Cooperation.**

China has been the major supplier of military hardware to Myanmar since the former junta regime had crushed a pro-democracy uprising in 1988. It is estimated that about 90 per cent of the Myanmar military transportation is supplied by China alone. The Tatmadaw's cooperation with the PLA of China has become much closer in recent years. It started with the visit of a Chinese military delegation to Myanmar in 1989 to negotiate the purchase of arms including jet fighters, armoured vehicles and naval vessels. China exported military equipment worth of \$ 1.4 billion to Myanmar in 1993, including light and medium tanks, armoured personnel carriers (APC), F-7 jet fighters, Hainan class patrol vessels, arms and ammunition. China has also trained the Myanmar army and the air force personnel. In December 1994, Li Peng and General Than Shee of Myanmar during their visit to China have bought huge military hardware (worth \$400 million) including F-7 jet fighters, naval patrol boats, tanks, armoured personnel carriers, light arms, anti-aircraft guns and missiles, ammunition, logistics and transportation military equipment⁵².

Later, in October 1996, the Myanmar Army Chief, General Maung Aye visited China to discuss military and intelligence cooperation between the two countries. During the mid-1990s, the Myanmar regime allowed Chinese intelligence services access to Zedtkyi Kyun Island, located off the coast of Myanmar's southernmost tip, Kawthaung or Victoria Point. China has also helped Myanmar to develop infrastructure such as dams, bridges, roads and ports including the strategic road along the Irrawaddy River trade route linking Yunnan Province of China to the Bay of Bengal. The Chinese are also attempting to secure the supply of natural gas and oil reserves from the coastal areas. A railroad through Kunjming via Dali in China links up with the

⁵² H Shivananda, Op Cit, Pp 120-121.

traditional Mandalay-Rangoon railways as part of the Irrawaddy Project. Besides, several Myanmar coastal points including the harbours built by the Chinese at Kyaukyupu and Thilawa and other vantage locations have strategic assets to both India and China. Significantly 80 percent of the Chinese imported oil passes through the Strait of Malacca. It has been the reason for infrastructural development in Myanmar which had increased after 1988 primarily in terms of transportation network linked with the China.

In the first decade of the 21st century Chinese military aid to Myanmar has escalated. In 2002, China sent 200 military trucks and 5 new war ships. In the following years between 2002 and 2004, China trained Tatmadaw naval officers and conducted joint naval exercises along Myanmar's southern coast. In 2005 alone, China sold 400 military trucks to Myanmar, bringing the total same of trucks to 1,500. Later, in October 2008, Myanmar and China stepped up military cooperation after Myanmar's top three generals met with Gen Zhang Li, the vice chief of staff of China's PLA, in Naypyidaw.

In addition to the selling of weapons to Myanmar, China is also building infrastructure to benefit both the countries. They have built a triangle-shaped series of four naval bases connecting Coco Island, Haigyi Island, Mergui and Thilawa. Coco Island which is located just 40 kms from the Landfall Island in the northern most part of Andaman's has been of most concern to India. Chinese security agencies are suspecting to be conducting electronic-intelligence and maritime reconnaissance from here since 1992. The islands are fully equipped with radars, antenna towers and other electronic equipment, installing comprehensive signals intelligence (SIGINT) collecting facility.

The Tatmadaw Air Force is essentially equipped with Chinese MiG-21 (60J-7s) and MiG-19 (12J-6 and 36 Q-5) variants. In 2009, Myanmar placed orders for 50 K-8 Karakorums, a joint venture between China and Pakistan and the JL-8 jet trainers and light attack aircrafts. The Myanmar Navy has also received a variety of small platforms and missiles(C-801). In August 2010, the Chinese PLAN (PLA-Navy) conducted a joint exercise with the Tatmadaw Navy. Two PLA warships the Guangzhou and Chaohu of the fifth

Escort Task Group came to the Thilawa Port near Yangon as they were returning from counter-piracy operations in the Indian Ocean region. Notably, it was the first Chinese naval warships visit to Myanmar with the objective of enhancing their military capability in the Bay of Bengal Sea. Later, in September 2010, when Gen Than Shwe of Myanmar visited Beijing, a senior Chinese military official called for further strengthening the military ties between China and Myanmar was exposed when the Vice Chairman of China's Military Commission, Xu Caihou arrived at Naypyidaw on 13th may 2011 on four-day visit at the invitation of General Min Aung Hlaingm, Commander-in-Chief of Myanmar Defence Services, and met the president U Thein Sein wherein the cooperation extended by China on the military affairs was appreciated by the later.

5.5 Other Chinese Interest in Myanmar

Myanmar-Integral Part of Chinese Strategy. The well thought out u turn in Chinese diplomacy in favour of Yangon, propelled Myanmar's to give up its neutral stand vis-à-vis China, the same was foreseeable since 1988.⁵³ Myanmar became an integral part of the new Chinese strategy, with Beijing taking advantage of the opportunity to woo the Myanmar's Generals in order to include them in its strategic plans for the region. The Chinese announced their new political and economic strategy for the Yunnan region and termed it as opening the South-West.

Strategic Movement. Close to the key shipping lanes of the Indian Ocean and South-east Asia, Myanmar could help China to extend its military reach into a region of vital importance to Asian economies. The bulk of Japan's Middle East oil imports, pass through the area. China also wanted to check India's growing strategic influence in Southeast Asia. The Chinese interest in Burma's roads, railways and Indian Ocean was outlined, almost unnoticed, in an article in Beijing Review, as early as September 1985. The then Vice Minister of Communications, Mr Pan Qui, authored an article "Opening the South West: an Expert Opinion" sketching a neat plan for finding

⁵³ Egretau . Op. cit. p 11.

an outlet for trade from China through Burma to the Indian Ocean. The blue print for Chinese trade through Burma that was charted in 1985 is now being fully implemented.

Renewing Southern Silk Route. China's primary aim was opening of its South-Western provinces (East Tibet, Yunnan and Sichuan) by creating a trade corridor southwards, towards the Indian Ocean, primarily through the Irrawaddy river route and then construction of land based infrastructure. The plan was to promote new ties in the South with Myanmar in order to open the doors to the Bay of Bengal, as had previously been the case in ancient times with the southern Silk Route, for exporting goods manufactured in Yunnan and Sichuan. This will open one more avenue to the outside world for the western part of Yunnan.

Permanent Sea Access. One of the Chinese objectives was also to ensure a truly secure emergency exit and permanent sea access in case of the blockade of the South China Sea or off the Malacca Strait by any foreign power⁵⁴. It therefore suited Beijing and the Kunming authorities to take over the modernisation of Myanmar's infrastructures in order to facilitate their use by Chinese traders and exporters and if the case arose, by the PLA and the Chinese Navy.

Containment of India. Since the 1980s, Chinese leaders had supported the theory of being able to counterbalance Indian domination in the Indian Ocean and exercise a stronger influence in South Asia, while providing them with the additional opportunity of interfering in North-East India. An alliance with Myanmar could enable Beijing to exert pressure all along the borders running through Arunachal Pradesh and right up to the Indian Ocean. Hence, a rapprochement with Myanmar's junta offered an additional advantage in the Chinese policy of the containment of India.⁵⁵

⁵⁴ EgretEAU, Renaud. (2003). *Wooing the Generals: India's New Burma Policy*. New Delhi: Authors Press. Pp.78

⁵⁵ Ibid. p.79

5.6 **China's Strategic Framework of Engagements with Myanmar.**

China has always maintained general policy of ensuring a stable external environment with neighbouring countries so that its modernization and development drive is not hindered. Their engagements with Myanmar have always been in the ambit of this policy therefore its support to Myanmar's military regime has always been defensive in rationale. China's strategic framework of engagement with Myanmar has been based on its pragmatic foreign policy and Myanmar's geographic position.

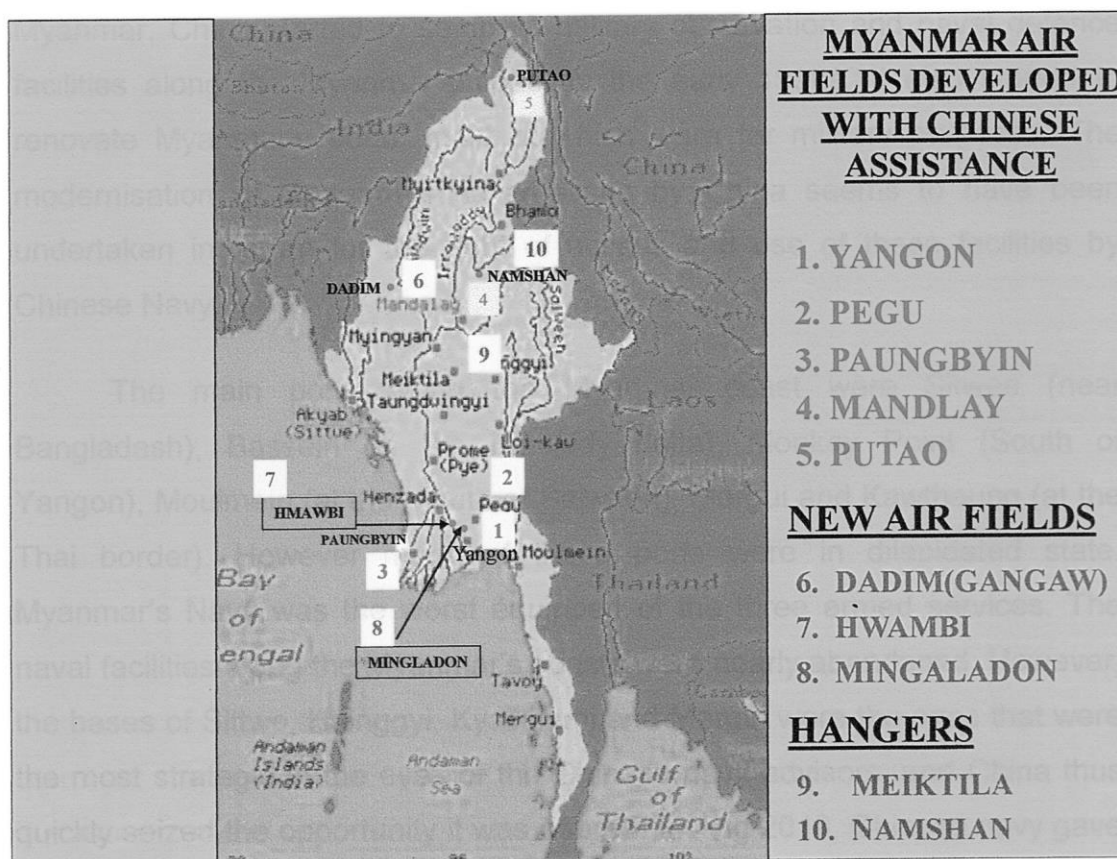
5.7 **Political and Security Engagements.** China and Myanmar have enhanced military cooperation since 1988. Myanmar's geostrategic location provides People's Liberation Army Navy (PLAN) with a strategic reach in the Indian Ocean via Myanmar's islands, which are approximately 40 km North of Andaman & Nicobar islands. In next decade, Chinese Navy is expected to achieve blue water status and Myanmar is crucial for Chinese access to Indian Ocean. This would shorten the distance by 3000 km as PLAN would not be required to pass through the Strait of Malacca and other narrow straits to reach Bay of Bengal.

China and Myanmar were also interested in joint development of a deep-water port at Kyaukpyu on Ramree Islands in the Bay of Bengal. In 2003, China assisted Myanmar in construction of an 85-metre jetty for naval facilities on Great Coco islands, which lies 40 kilometres from India's Nicobar Island chain. China also established a modern electronic intelligence and reconnaissance system on the island. These facilities are reportedly being utilised to monitor India's military movements in the Indian Ocean along with electronic surveillance facilities at the Alexandra Channel in the Andaman Sea. Thus, in cultivating relations with Myanmar, China is looking to exploit strategic gains which have long-term security implications.⁵⁶

5.8 **Military Engagements.** China's military involvement with Myanmar is reflected in these three spheres:-

⁵⁶ Geng, Lixin. (2006). 'Sino-Myanmar Relations: Analysis and Prospects'. The Culture Mandala, Vol. 7 No. 2. (Online) Available at: <http://www.international-relations.com/CM7-2WB/Sino-Myanmar.htm>. (accessed on 12 January 2015).

- (a) Sale of military hardware to Myanmar.
- (b) Chinese assistance in the construction of military facilities in Myanmar, which will pave way for a substantial Chinese presence in the Indian Ocean by making use of infrastructure within the country. Myanmar's ports along the Bay of Bengal assume great importance in this context.
- (c) Chinese military pressure on the insurgents on the Sino-Chinese border, who oppose control of the Tatmadaw.



China and Myanmar has adopted a de-facto alliance that suited their mutual short-term political and military objectives⁵⁷. In October 1989, General Than Shwe (the then number two man of Myanmar junta) undertook first visit to Beijing with 24 member delegation of the Myanmar's Army to the People's Republic of China. During this visit, Myanmar signed US\$ 1 billion worth of

⁵⁷ Ibid. pp.88,89.

arms, which was the largest and most important weapons contract for Myanmar. This contract was aimed at reactivating the Tatmadaw's modernisation programme, which was in the advanced state of decay. Between 1988 and 1992, Myanmar devoted almost 60% of its national budget in Myanmar's army renovation programme. In addition to the arms contracts, China had also undertaken to provide advanced training to 500 Myanmar's officers.

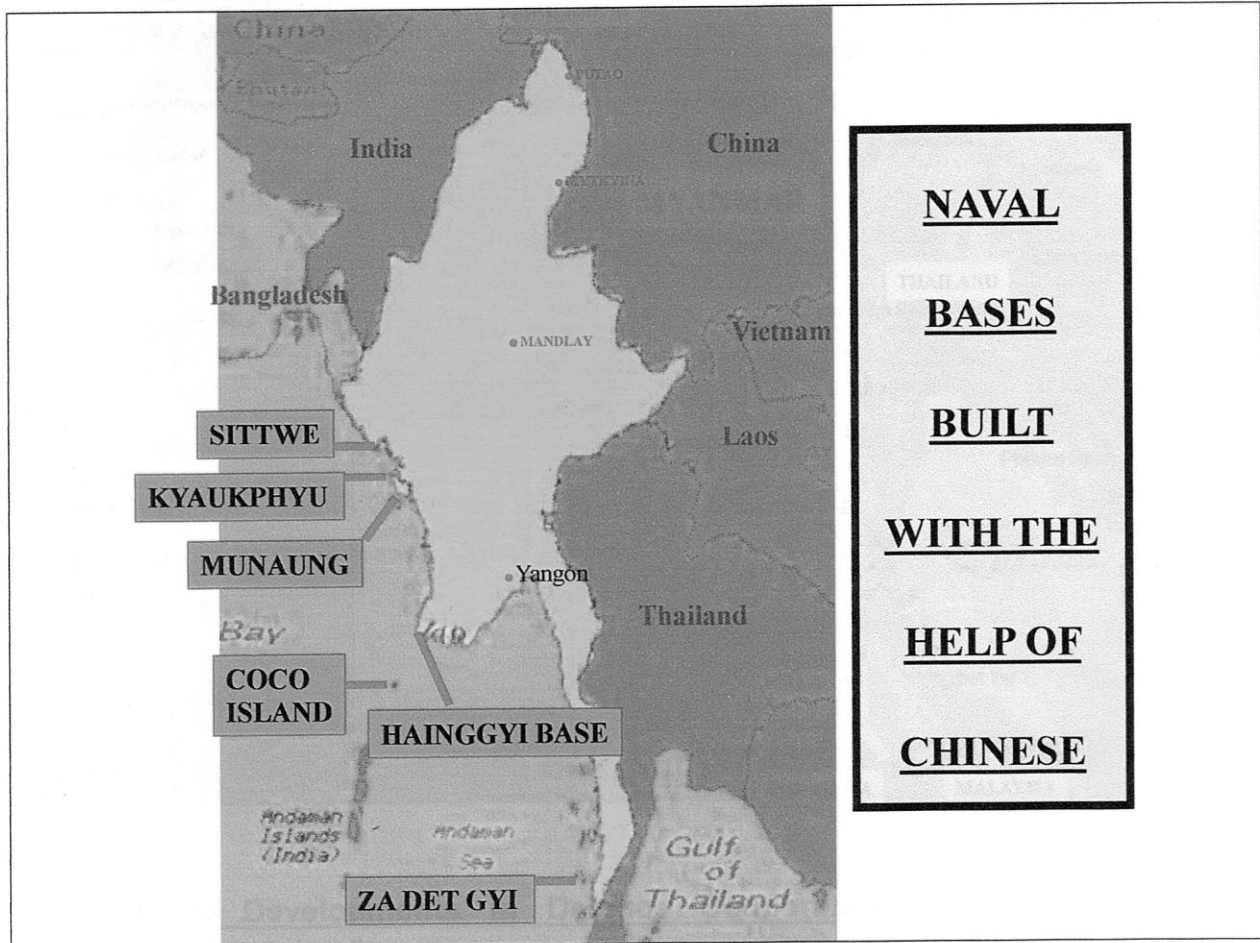
Chinese strategists understood the advantage of the Sino-Myanmar rapprochement very early and gradually advanced their stranglehold in Myanmar. China started to setup its military observation and naval defence facilities along the Myanmar's coast in the early 1990s. It also started to renovate Myanmar's ports, most of which were for military purposes. The modernisation of Myanmar's naval bases by China seems to have been undertaken in return for the right of access and use of these facilities by Chinese Navy.

The main ports along the Myanmar coast were Sitwee (near Bangladesh), Bassein (in the Irrawady delta), Monkey Point (South of Yangon), Moulmein (at the mouth of Salween), Mergui and Kawthaung (at the Thai border). However many of these ports were in dilapidated state. Myanmar's Navy was the worst equipped of the three armed services. The naval facilities along the Myanmar's coasts were nearly abandoned. However, the bases of Sittwe, Hainggyi, Kyaikkami and Mergui were the ones that were the most strategic in the eyes of the Chinese navy advisors, and China thus quickly seized the opportunity it was offered. In Aug 2010, Chinese navy gave its first port call to Myanmar, when its two warships visited Thilawa port and were docked for five days.⁵⁸

Chinese technicians have been suspected of developing a deep water port capable of housing a submarine base in in the Seikkyi roadstead. The seikkyi base is not far from the city of Hainggyi where an important monitoring

⁵⁸ Kuppuswamy, C. S. (2015). Sino- Myanmar relations and its impact on the Region. (Online) Available at: <http://www.southasiaanalysis.org>.(Accessed 02 February 2015).

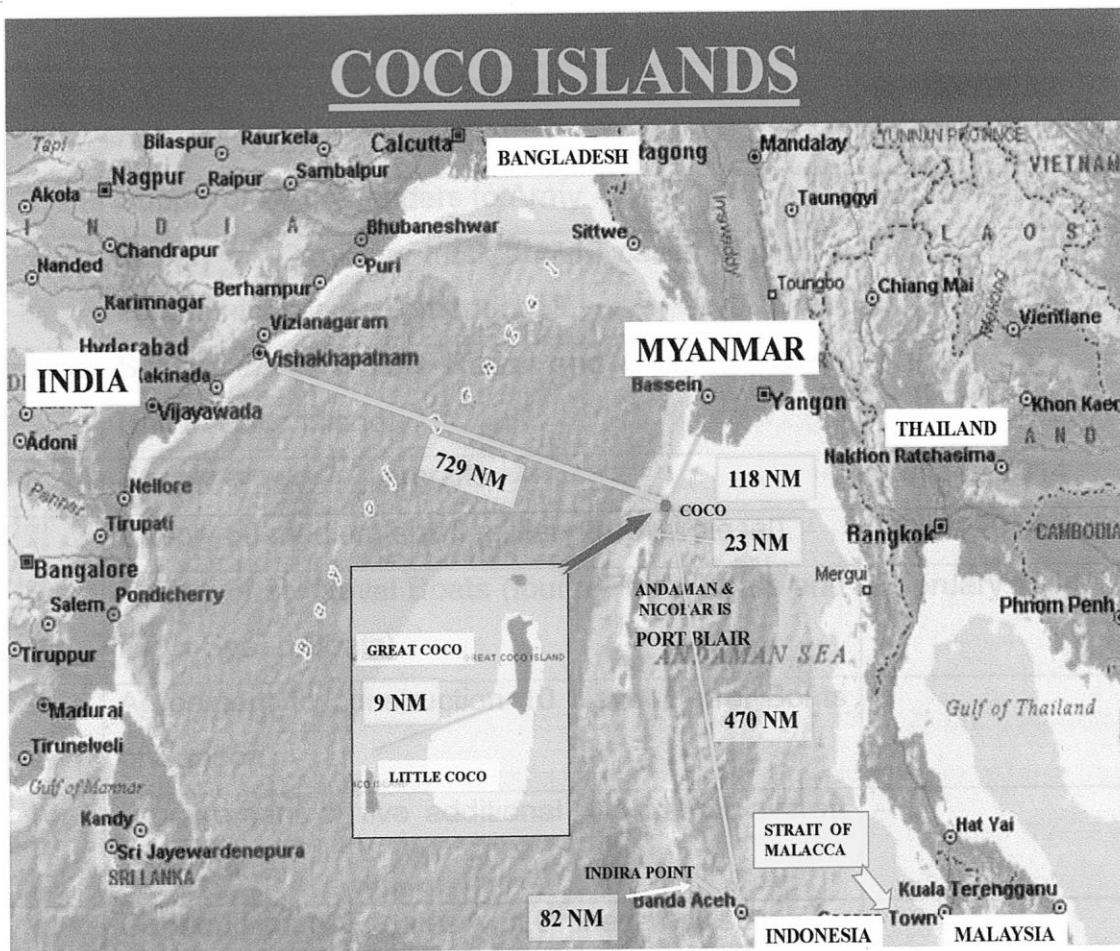
station has also been installed. Both are linked with Yangon by a highway financed by China.⁵⁹



The development by the Chinese of the small Myanmar's islands located in the wake of the Andaman and Nicobar Islands is the likeliest source of major disputes in the region. Three of the Northern islands (Preparis, Greater Coco and Little Coco) belonging to Myanmar are strategically located between the Myanmar's coastline and the Andaman Islands. The channel separating them (Coco Channel) provides a trouble free passage along a deep water pass. In 1994, an American spy satellite had detected a massive radar antenna installed on Greater Coco Island⁶⁰.

⁵⁹ Egretau, Renaud. (2003). *Wooing the Generals: India's New Burma Policy*. New Delhi: Authors Press. p 92.

⁶⁰ Ibid. pp.94.



Recent Developments in Defence Cooperation. China and Myanmar have robust cooperation, the details of which are given at tables on next pages.

| <u>No</u> | <u>Equipment</u> | <u>Remarks</u> |
|------------------|---|--|
| 1. | 500 x ICOM VHF Transceiver and 500 heavy vehicles | January-June 2013 |
| 2. | Agreement to enhance cooperation in assembling naval ships in Myanmar, fresh agreement for acquisition of weapons, fighter aircrafts and technical equipment for Myanmar Air Force after the expiry of the current agreement in Mar 2014, supply four helicopters for aerial surveillance and to continue bartering defence supply in exchange for gems, precious stones, rubber, timber etc. | During visit of Commander-in-Chief, to China in October 2013 |

| <u>Ser No</u> | <u>Equipment</u> | <u>Remarks</u> |
|---------------|---|---|
| 3. | Supply of 24 fire tenders to Army. | February 2014 |
| 4. | Supply of 12 military truck and 13 cases of mobile communication equipment H 13. | - |
| 5. | Setting up of a new Radar and Communication Unit in Coco Island. | - |
| 6. | Supply of two F-7 aircrafts. | January 2014 |
| 7. | Supply 50 medium sized military trucks (diesel). | March 2014 |
| 8. | Supply of six Naval Boats (four x Patrol Boats and two x Speed Boats) | February 2014 |
| 9. | Agreement to construction 10 Naval Patrol Boats at Yangon. | - |
| 10. | Procurement of five additional K-8 trainer aircraft from China. | - |
| 11. | Construction of Frigates with Chinese assistance. | - |
| 12. | US \$ 2 billion line of credit (LOC) to Myanmar. | During visit of Commander-in-Chief to China in October 2013 |
| 13. | Supply (unknown quantity of SAMs, Artillery guns and multi-barrel rocket launcher. | - |
| 14. | Supply of 66 x 3.5 Ton 6x6 Lanjiang Military Trucks to Myanmar in two lots. | April 2014. |
| 15. | Procurement to procure JF-17 fighters and set up an assembly plant in collaboration with China. | - |
| 16. | 20 x 120 mm Field Artillery guns. | - |
| 17. | Supply of high powered trans receiver Radio Set (HF). | August 2014 |
| 18. | Procurement of satellite based communication equipment from China. | - |

5.9 **Diplomatic Engagement.** Myanmar formed part of the Chinese strategy in mid 1980s⁶¹. For the new Myanmar's top leaders the partnership with China was clearly unavoidable as Beijing too was relegated to the ranks of an 'outlawed' state. China not only offered economically advantageous cooperation, it also proposed the complete modernisation of the Myanmar's army at low cost⁶². Chinese leaders also promised to sponsor the Myanmar's junta internationally, offering an exceptional diplomatic alliance. In international organisations like the UNHCR and ILO, Beijing strongly supported Yangon on sensitive issues. Likewise, China also had put pressure on Bangkok to improve border relations between Thailand and Myanmar. In return the Myanmar's diplomats supported the political idea of a unified China, against Taiwan.

Since 1988, Myanmar has militarily moved closer to China. In 1989, Myanmar purchased approximately US\$1.4 billion of arms from China. In October 1996, 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 also to provide additional places for them in Chinese Staff College. China also offered free loans on favourable terms to Myanmar for arms purchase, by offering and granting credit to the military regime. It provided economic aid and investments for the construction of basic infrastructure, such as bridges, dams, roads and ports as well as for industrial projects. It includes construction of roads along the Irrawaddy River trade route linking Yunnan Province to the Bay of Bengal.

Chinese intentions to seek close strategic alignment and economic cooperation with Myanmar could be seen by number of high level delegation visits undertaken in the past. These visits have further strengthened the relations between the two countries. Although Myanmar and China have close bilateral military ties, China has always encouraged Myanmar to have military

⁶¹ Singh, Udai. Bhanu. (1995). 'Recent trends in Relation Between Myanmar and China'. *Strategic Analysis*, April 1995.

⁶² Egreteau, Renaud. (2003). *Wooing the Generals: India's New Burma Policy*. New Delhi: Authors Press. p 99.

links with other friendly countries such as defence supply relations with Pakistan.

5.10 Engagement in Energy Sector. Myanmar's oil and gas reserves drew Chinese's attention with the development of its economy as the demand for energy increased. As per a survey China's demand for oil doubled over a decade, increasing from 3.3 million barrels per day (bpd) in 1995 to 6.6 million bpd in 2005, and is predicted to increase to 13.6 million bpd by the 2020⁶³. Thus, Chinese increased their presence in Myanmar's oil and gas fields. The China's National Offshore Oil Corporation (CNOOC) signed six contracts on production sharing basis with the Myanmar Oil and Gas Enterprise (MOGE), Ministry of Energy. The China Petroleum and Chemical Corporation (SINOPEC)⁶⁴ and its subsidiary Dian Qianguai Petroleum Exploration also operate on the inland fields. Moreover, the China National Petroleum Corporation (CNPC) has been awarded contracts to upgrade the four old oilfields in central Myanmar.

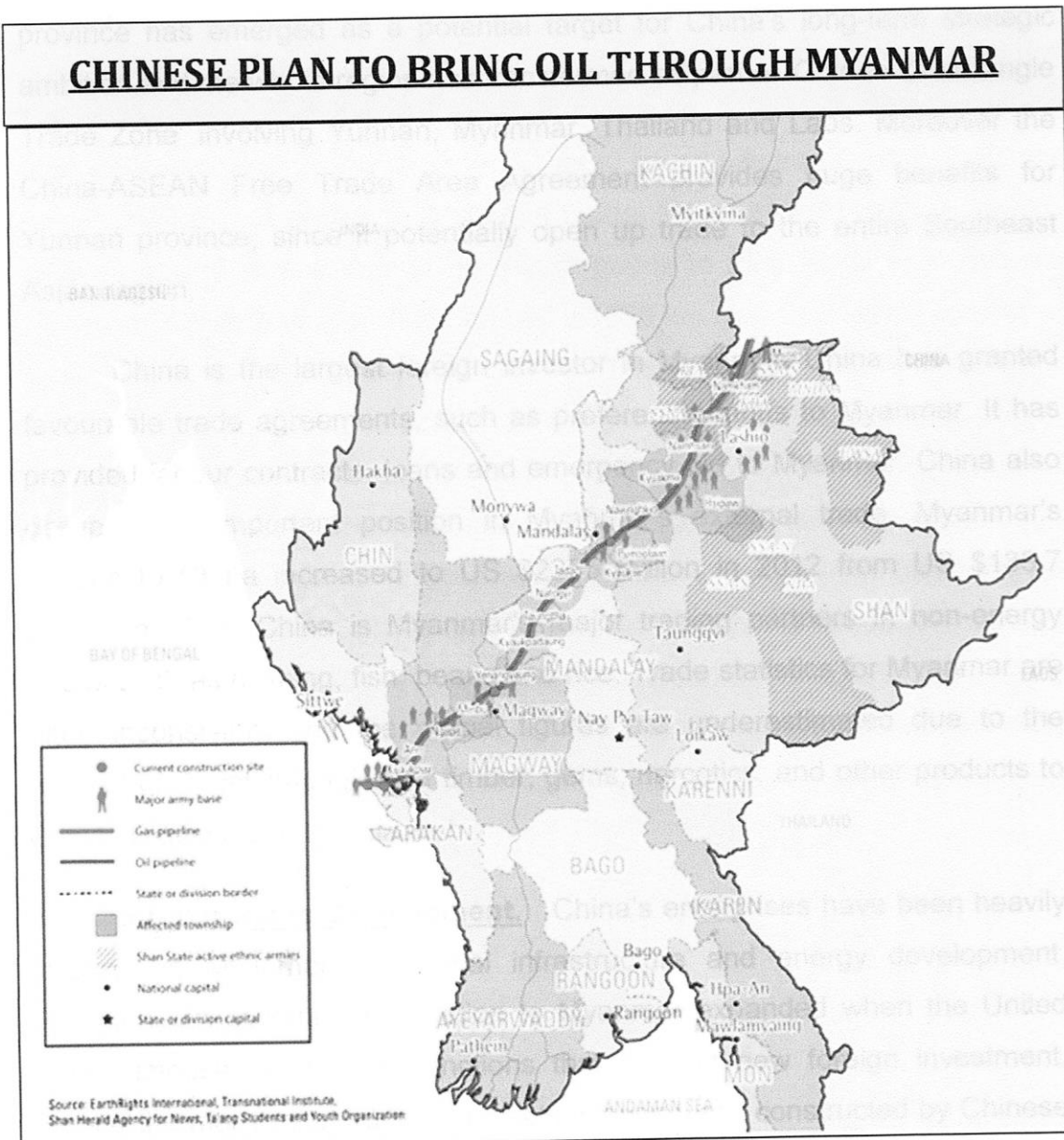
Myanmar has an estimated 2.54 trillion cubic meters of natural gas reserves and 3.7 billion barrels of oil⁶⁵, which ranks seventh in the reserves tally in Asia. It is therefore, no wonder that China has set its sights on Myanmar and would leave no stone unturned to secure its energy interest in so very close proximity. Another big project was building a gas pipeline from the A-1 block in the Shwe Field off the coast of Rahine State to Yunnan Province by Petro China. The A-1 block of Shwe Field is estimated to be the largest, containing 2.88 trillion to 3.56 trillion cubic feet of gas. Petro China signed a memorandum of understanding with the Myanmar Oil Corporation to

⁶³ Sinha, Tuli. (2009). 'China Myanmar Energy Engagements: Challenges and Opportunities for India'. Research Officer, *IPCS*, New Delhi. (Online) Available at: www.ipcs.org/pdf_file/issue/IB134-SEARP-Tuli.pdf. (Accessed 22 November 2014).

⁶⁴ Geng, Lexin. (2006). 'Sino-Myanmar Relations: Analysis and Prospects'. *The Culture Mandala*, Vol. 7 No. 2. (Online) Available at: <http://www.international-relations.com/CM7-2WB/Sino-Myanmar.htm>. (Accessed on 12 January 2015).

⁶⁵ Swanstrom, Niklas. (2012). 'Sino Myanmar relations: Security and Beyond' *ASIA PAPER*, June 2012, pp. 29. (Online) Available at: www.isdp.eu/images/.../isdp.../2012_swanson_sino-myanmar-relations.pdf. (Accessed on 12 January 2015).

buy gas from the block for 30 years starting from 2009. China is also considering building a Sino-Myanmar oil pipeline from the western coast of Myanmar to Kunming. If this is implemented, China could import oil from Middle East through this pipeline, thus avoiding the Malacca Straits.



5.11 **Economic Engagements.** Myanmar has long standing economic linkages with China dating back to 11th century during the Bagan dynasty⁶⁶. Since 1988, economic relations between China and Myanmar have

⁶⁶ Geng Op. cit.

accelerated manifolds. China is a major supplier of consumer goods, durables, machinery and equipment. China also offers markets for Myanmar's exports such as agricultural produce, wood, marine products, minerals and hydrocarbons. Presently, the trade is mainly conducted at the upper Myanmar Shan and Kachin States and the border of Yunnan province. China's Yunnan province has emerged as a potential target for China's long-term strategic ambition and the whole region has transformed as part of 'Golden Quadrangle Trade Zone' involving Yunnan, Myanmar, Thailand and Laos. Moreover the China-ASEAN Free Trade Area Agreement provides huge benefits for Yunnan province, since it potentially open up trade to the entire Southeast Asian region.

China is the largest foreign investor in Myanmar. China has granted favourable trade agreements, such as preferential tariffs to Myanmar. It has provided labour contracts, loans and emergency aid to Myanmar. China also occupies an important position in Myanmar's external trade. Myanmar's exports to China increased to US \$2255 million in 2012 from US \$133.7 million in 1988. China is Myanmar's major trading partners in non-energy goods such as clothing, fish, beans and rice. Trade statistics for Myanmar are often inconsistent and the official figures are underestimated due to the amount of illegal smuggling of timber, gems, narcotics, and other products to China, Thailand and Bangladesh.

Infrastructure Development. China's enterprises have been heavily involved in Myanmar's industrial infrastructure and energy development. Provision of economic cooperation to Myanmar expanded when the United States imposed economic sanctions that banned new foreign investment. Among the many infrastructure projects financed and constructed by Chinese government and Chinese enterprises, emphasis was given to electric power generation. 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 Project⁶⁷ demonstrates the financial, managerial and technical capability of Chinese companies in this field. The Paunglaung Dam Project 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.

China has assisted Myanmar in completing various other projects. China has also been involved in modernizing the road and communication links between Yunnan and Myanmar so as to expand its trade network. Roads from Yunnan provinces to the Myanmar border have already been completed. China aims to enable Yunnan to export goods to third world countries via Myanmar. China also has plans to build a 1350 km railway linking Kunming to Laos, Myanmar and finally Bangkok in Thailand. The rail network from Myitkina near the Chinese border to Yangon, and the Stillwell road linking Yunnan to Northern Myanmar have opened up Myanmar to Chinese economic expansion. The road and rail routes to the Indian Ocean through Myanmar serve as a viable alternative in case China is ever faced with a blockade in the South China Sea region. In addition to roads and railway lines, China has constructed or upgraded Myanmar's airfields at Putao, Paungbyin, Mandalay, Pegu and Yangon. It has also contracted for delivering 42 powered vessels for utilization along Myanmar's inland waterways.

⁶⁷ Kudu, Toshihiro. (2008). Myanmar's economic relations with China: who benefits and who pays? (Online) Available at: http://press.anu.edu.au//myanmar02/mobile_devices/ch06.html. Accessed on 12 December 2014).