

CHAPTER III
SINO –MYANMAR COOPERATION AND EXCHANGES
(1988- PRESENT)

Cooperation and exchanges that have been increasing since 1988 would be the best evidences of China and Myanmar good –neighborly friendship.

A. China

Political and Security

After the State Law and Restoration Council (SLORC) sized power since September 1988 and when the 1990 elections, where National League for Democracy (NLD) of Aung San Suu Kyi won around 80% of the seas were abolished, Myanmar was seriously condemned by international community. However, China has been among the few countries that have avoided from criticizing the military junta for the bloody coup or for the back step from democratic values. China’s position on supporting Myanmar at that time can be best explained from the incident occurred in China a year later. After the 1989 Tiananmen Square massacre, China’s reputation has suffered internationally over its treatment of political prisoners and dissidents and continues to remain tarnished more than a decade up to present.

The issues of violence and prison conditions both in China and Myanmar have frustrated Western human rights activists contributing to a lack of democracy, as measured by Western standard. China has even argued this accusation that the concept of human right for Western is different from the concept for Eastern people. China’s belief is that everyone has their own right to live and develop equally. As a result, in China’s point of view, the issue of human right in Myanmar was not the human right violation undertaken by SLORC, but the protection of Myanmar’s national security. Considering China’s position on this, it can be implied that China is conducting strategically a foreign policy to protect as priority China’s national interest to recover its reputation of Tiananmen massacre.

China's intention to seek close strategic alignment and political cooperation with Myanmar could be seen to form the visit to Yangon of a high-level delegation with about 100 members led by Li Peng from 26 to 28 December 1994. Both Li Peng and his counterpart, General Than Shee, agreed to affirm and further strengthen the close relations between the two countries. The communiqué issued at the end of the visit stated that both leaders were encouraged by the comprehensive "strengthening of relations".

Military Cooperation and Assistance

From the perspective of security, since the 1988 post-military coup period, China and Myanmar have enhanced their military cooperation and exchanges. Myanmar's location at China's southwest holds strategic importance for the People's Liberation Army Navy (PLAN) in terms its reach to the Indian Ocean via Myanmar-controlled islands, which are about 30 km north of Indian-controlled islands. By the year 2050, China is expected to achieve world-class blue water naval status, and Myanmar would be a key for China's multi-directional access to both the Pacific and the Indian Oceans. By not passing through the Strait of Malacca to reach the Bay of Bengal, the PLAN would be able to shorten the distance by 3000 km. In 2003, China assisted Myanmar in building an 85-metre jetty to naval facilities on Great Coco Island, which lies 18 kilometers from India's Nicobar Island. China also established a modern reconnaissance and electronic intelligence system on the island. These, along with electronic surveillance facilities at the Alexandra Channel in the Andaman Sea, monitor India's military movements, including missile testing in the Indian Ocean. Thus, China's strategic gains in cultivating relations with Myanmar have long-term security implications for international community, especially for the long-term strategic interests of India and ASEAN as their close neighboring powers.

Since 1988, Myanmar has moved closer militarily to China. In 1989, the first military delegation arrived in Beijing to negotiate the purchase of arms. It resulted in approximately US\$1.4 billion in purchases. Beside the supply of arms, inclusive of jet fighters, armored vehicles, and naval vessels, China also agreed to

train Myanmar's air force and army personnel. The motivation for the purchase was to upgrade Myanmar's military capability to suppress minority separatist insurgencies. In 1994, Myanmar brought about US\$400 million worth of arms. In October 1996, Army Chief, General Maung Aye's visit to China resulted in future military and intelligence cooperation between the two countries. China agreed to train 300 Myanmar air force and naval officers and to provide additional places for them in Chinese Staff colleges. China also offered favorable terms for Myanmar's arms purchases offering free loans and granting credit to the military regime, as well as economic aid and investments for the construction of Myanmar's basic infrastructure, such as dams, bridges, roads and ports as well as for industrial projects. Among those is the construction of strategic roads along the Irrawaddy River trade route linking Yunnan province to the Bay of Bengal.

Economic Cooperation

Myanmar has long historical trade links with China dating as far back as the 11th century during the Pagan dynasty. Contemporary Myanmar-China trade at the people-to-people level mainly concentrates at the upper Myanmar Shan and Kachin states and the border of Yunnan province. The year 1988 marked a significant change in China -Myanmar trade policy. The first sign in promoting greater economic ties could be seen from the announcement of the State Law and Order Council (SLORC, which was changed to State Development and Peace Council or SDPC in 1997) to legalize border trade on 5 August 1988. This marked a new chapter in Myanmar's open trade policy which resulted in opening up wide spaces of economic opportunity for China in Myanmar much more than ever.

China's Yunnan province which has a population of about 43 million was historically a southwest Silk Road trade route, linking Myanmar with Southwest Asia. It has now emerged as a potential target of China's long-term strategic ambition, transforming the whole region as part of a golden 'Quadrangle' regional trade zone involving Yunnan, Myanmar, Thailand and Laos. This zone could become China's landridge to the Indian Ocean for its maritime trade. Yunnan, in particular, could

emerge as an integrated part of the symbiotic relationship established by the SLORC to seek economic and military aid from its giant neighbor.

The growing importance of Yunnan in China-Myanmar economic ties could be seen in November 1989, a year after the military coup, when the SLORC signed a multiple trade and economic agreement with the Yunnan authorities, including geological surveys, coal and tin mining and a television station. A month later, in December 1989, the two countries signed an economic and technical cooperation agreement in which China agreed to offer an interest free loan of Rmb 50 million (US\$15million) for the Rangoon-Thanhyin rail and road bridge construction project. The increasingly closer economic ties between the two countries could be seen from the sharp jump in the trade volume between them. In 1988, for example, the total trade between China and Myanmar reached US\$9.51 million. In 1989, it jumped to US\$76.03 million, which was eight times that of the previous year. In 1995, the total value of trade grew to US\$767.40 million. In 1998, China-Myanmar trade declined to US\$576.49 million, but in the year 2000, the total trade increased to US\$621.26 million.

Provision of economic cooperation to Myanmar expanded around 1997 when the United States imposed economic sanctions that banned new foreign investment. Moreover, Senior General Than Shwe's state visit to Beijing in January 2003 marked another era, when China offered Myanmar a preferential loan of US \$200 million and a US \$6.25 million grant. In July 2003, the United States imposed stricter sanctions, which included a ban on all Myanmar-made products. Thus, China caught another good opportunity to step up into the vacuum that was created by Western sanctions and compensated for Myanmar's need for trade and economic cooperation. This allowed especially, China's enterprises to heavily involve in Myanmar's industrial infrastructure.

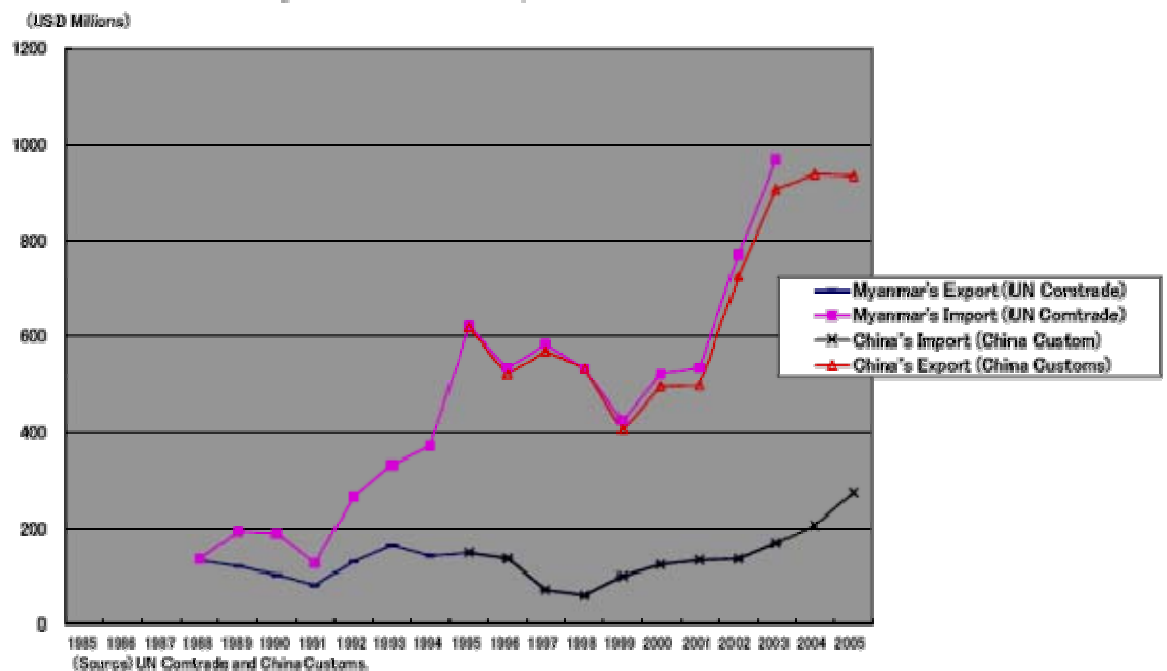


Fig1. Sino –Myanmar Trade Relations (1985-2005)

Energy Resources Investment

With the development of its economy, the demand for energy sources has greatly expanded in China. Understandably, Myanmar's oil and gas reserves have drawn China's attention. However, China's presence in Myanmar's oil and gas fields has only recently been observed. The China's National Offshore Oil Corporation (CNOOC) signed six contracts on production sharing with the Myanmar Oil and Gas Enterprise (MOGE) of the Ministry of Energy, from October 2004 to January 2005. The China Petroleum and Chemical Corporation (SINOPEC) and its subsidiary Dian Qiangui Petroleum Exploration also operate on the inland fields. Moreover, the China National Petroleum Corporation (CNPC) and its subsidiary Chinnery Assets have been granted contracts to upgrade the four old oilfields in central Myanmar.

These companies have invested US\$163 million, rather small compared to the US\$2,635 million total foreign investment in Myanmar's oil and gas sector. However, it is only in recent years that Chinese companies have vigorously invested in Myanmar. Out of 26 Chinese foreign investments, 16 projects were made either in

2004 or 2005, occupying nearly 70% in terms of investment value. Most of those were invested in the energy and mining sector.

Another big project is PetroChina's plan to build a gas pipeline from the A-1 block in the Shwe field off the coast of Rahine State to Yunnan Province. Of these, A-1 block is estimated to be the largest, containing 2.88 trillion to 3.56 trillion cubic feet of gas. PetroChina signed a memorandum of understanding with the Myanmar Oil Corporation (MOGE) to buy gas from the block for 30 years starting from 2009. According to these facts, China is now waiting for another opportunity to build a Sino-Myanmar oil pipeline from the western coast of Myanmar to Kunming. If this opportunity is granted by Myanmar's government side, China would benefit a lot by importing oil from Middle East through this pipeline, instead of the Strait of Malacca.

B. Myanmar

Political and Security Cooperation

Since the 1988 massacre and the abortive elections in 1990, Myanmar's military has been strongly condemned by international community for the illegitimacy of the coup to take controls over the country as well as the human right abuses on its people. All multilateral and bilateral aid was cut off, while very strict sanctions were imposed. These political condemnation and economic sanctions left Myanmar in difficulties domestically and internationally. However, China, its powerful neighbor came into play when its Burmese friend was in need.

Domestically, the military government does presently appear to be as strong as at any time in the country's history. The modernization of the armed forces since 1989 from the huge assistances of China has delivered the regime unprecedented military success against ethnic insurgencies. Over the decade, the regime government has brokered ceasefire agreements with 17 of its former enemies, including the most powerful narcotics armies, such as the United Wa State Army. This achievement guarantees the stability of the regime's survival.

At international level, Myanmar regime has suffered from lot of criticisms and diplomatic relations difficulties. Major international actors, the US and the EU have strictly imposed economics sanctions and canceled diplomatic relation on Myanmar with the hope for positive moves toward democratic reform. Nevertheless, the regime is presently strong in its resistance to those external pressures thanks to China's supports at many international forums. At global level, China as one of UN permanent members is a main obstructer for bringing the issue of Myanmar into UN dialogue. At ASEAN Level, many leaders from ASEAN countries even came out to call for China to help on its uncured Burma disease. In regards with the US and EU relations, a series of their sanctions have not undermine the survival of the military regime, thanks to wide range of economic links with China.

Economic Cooperation

Myanmar regime has become China's major trade partner in import and export. The volume of border trade between the two countries occupies, which is insignificant compared to China's total external trade, but it has been so important for Myanmar and has become Myanmar 's economic lifeline in compensating for the economic sanctions.

Legitimate trade between China and Myanmar started increasing dramatically in 1989. On the year 1988-1989, trade increased eightfold from US \$9.5million to US \$76 million. In 1995, the total value of trade grew to US \$767 million, and after a slight decline in 1998, total trade recovered in 2000 to US \$621 million. In 2004, Myanmar and China started free trade activities under the Early Harvest Plan, which is an advanced program of the ASEAN-China Free Trade Area. The plan covers 596 items, including meat and dairy products as well as fruits and vegetables. Myanmar will remove the tariff on these items by 2009.

In 2005, Myanmar's trade with China reached US \$1.21 billion, equivalent to 20% percent of Myanmar's foreign trade volume. Both countries hope to reach a target of US \$1.5 billion in bilateral trade in the future. Trade deals signed in July

2005 worth US \$300 million should help the two countries achieve this goal. Myanmar has also opened six trade points along the countries' shared border to further facilitate transactions. The success of these recent commitments was reflected in the first four months of 2006 when trade between China and Myanmar reached US \$466 million.

Not only has China granted Myanmar favorable trade agreements, such as preferential tariffs, but it is also the largest foreign investor in Myanmar. It has provided loans, labor contracts, and emergency aid. For example, in 1998, when Myanmar was faced with a debt crisis, China provided it with a US \$150 million loan. In 2004, China loaned Myanmar US \$200 million. In June 2006, China publicly announced its intent to provide Myanmar with special low-interest loan of another US \$200 million. By October 2002, Chinese companies had contracted a further 293 projects for a total value of over US \$2.1 billion. In September 2005, China signed a US \$46 million contract to provide Myanmar with equipment and power cables for the construction of Myanmar's biggest hydropower plant.