

## **Chapter 7**

### **The Economic Relations of Myanmar-China**

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#### **Abstract**

After Myanmar's new government came to power in March 2011, Myanmar's reforms opened the door and provided more opportunities for Myanmar-China to cooperate in the economy, trade, and culture on the one hand and also created some uncertainties about the economic relations of Myanmar-China on the other hand. The changes in Myanmar's politics and the improvement of western countries' relations with Myanmar are a challenge to China, and this challenge exists objectively. However, the overall cooperation between China and Myanmar over the past decades will not disappear immediately, as China has obvious economic advantages in economic relations with Myanmar-China. China should envisage the deficiencies of its relations with Myanmar, and make efforts to solve the problems regarding the Myanmar-China economic cooperation and endeavor to improve China's image in Myanmar, to ensure that the economic relations of Myanmar-China can develop sustainably.

#### **1. Introduction**

After Myanmar's new government came to power in March 2011, Myanmar's political, economic, and social transformation, and reform and development have made great achievements. However, the development of the situation inside and outside Myanmar could be affected by these issues, such as the leadership's ability to adapt to the new political structure, the new challenges to economic development, the national reconciliation process that is threatened by the Kachin conflict, the continuous religious conflicts, as well as the domestic democratic reforms that expect to live up to the western powers' standard. Myanmar's reforms have opened the door and provide more opportunities for Myanmar-China cooperation in the economy, trade, and culture on the one hand, and created some uncertainties about the economic relations of Myanmar-China on the other hand. Although it is uncertain whether Myanmar will implement a "one-sided" policy towards the western countries because of their pressure, China's national interests will be directly affected by Myanmar's political stance,

economic development, social stability, and the smooth development of the economic relations of Myanmar-China because of China's significant interests in Myanmar. To analyze the new situation in the economic relations of Myanmar-China after Myanmar's new government came to power, this paper discusses China's interest and appeal in Myanmar and the prospects for development of the economic relations of Myanmar-China.

## **2. The Economic Relations of Myanmar-China Face a New Situation**

Since Myanmar's new government took office, the economic relations of Myanmar-China have maintained a friendly cooperation as a whole, especially on May 27, 2011, when a joint statement about a comprehensive strategic cooperative partnership was signed by China and Myanmar, which marked a new phase for bilateral relations. However, the suspension of the Myitsone dam was generally considered as the turning point in the economic relations of Myanmar-China by the Chinese and international media. Although this does not reflect the real situation for current bilateral relations, it is true that the economic relations of Myanmar-China are facing many challenges, and the governments of both sides need to make the required adjustments.

### **2.1 Myanmar's political transformation is not completely a threat to the economic relations of Myanmar-China**

After taking office, the new government has implemented unprecedented political reforms by reducing its control of politics and society, and made efforts to achieve political reconciliation. The amount and intensity of the reform measures are so impressive that even U.S. officers and scholars feel shocked and surprised. As for Myanmar's deepening political reform, many people worry that Myanmar's democratization is thoroughly westernized and that Myanmar will finally lean completely towards the Western countries. Western scholars are also asking the question if China is willing to choose between "a dictatorial Myanmar without democracy" or "a democratic and stable Myanmar". In view of the history of the economic relations of Myanmar-China, the Chinese Government always insisted on friendly cooperative relations with Myanmar. Western scholars do not consider that stability comes from democracy, since one of the most chaotic periods after Myanmar's independence was from 1948 to 1962, when parliamentary democracy was implemented in Myanmar.

The process of democratization in Myanmar inevitably has a certain impact on the

economic relations of Myanmar-China, and especially for some of the cooperation projects of Myanmar-China. In September 2011, President Thein Sein wrote to Parliament that the Myanmar people are worried that the Myitsone dam could damage the environment, cause an influx of a large number of immigrants, and create potential risks to the downstream section of the Ayeyawady River. The government suspended construction of the Myistone dam in response to the public's appeals.<sup>1</sup> Myanmar's private media and the western media took this opportunity to exaggerate up the emerging problems of the economic relations of Myanmar-China. Myanmar scholars said, "The reason that Myanmar's government suddenly suspended construction of the Myistone dam is because of the improvement of the democratization of Myanmar's society, as a result, the Myistone dam has not been understood and supported by Myanmar's people".<sup>2</sup> Political transformation in Myanmar is not directed against the economic relations of Myanmar-China. Future governments of Myanmar will adhere to the basic principle of the national interest rather than the differences of ideology and political systems when handling the economic relations of Myanmar-China.

Moreover, there is still an uncharted future for Myanmar's political reform. Although Myanmar's government and people have a greater expectation for democracy, the government officials and the public do not in practice understand the connotation, essence, meaning, and application of democracy. If the speed of Myanmar's political reform is too fast, it could not only affect the interests of senior officers of the former junta and the present army, but also could not resolve the important problems of economic development and national reconciliation. As a result, Myanmar's reforms could possibly fail and social instability would arise, which would be unfavorable for China. Of course, the opportunity for smooth political transformation, expanded opening up, rapid economic development, and social stability in Myanmar would be beneficial for the economic relations of Myanmar-China. Myanmar's economic development and political stability will provide a stable external environment for China's development. In other words, a democratic, open, growing, and stable Myanmar is more an advantage than a disadvantage for China.

As a result, there are more Myanmar-China interactions at high level after Myanmar's new government took office. Jia Qinglin, the Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), visited Myanmar in April 2011 as the first foreign leader visiting Myanmar after the new government came

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<sup>1</sup> "The Government is Elected by the People, and It has to Respect the People's will", *The New Light of Myanmar*, October 1, 2011.

<sup>2</sup> "The Ignorance of Democracy is the Biggest Lesson Taught by the Suspension of the Myistone Dam", SINOHYDRO Group, Dec 27, 2011, <http://jituan.sinohydro.com/838-2198-536828.aspx>.

to power. In May, Thein Sein's visit to China was his first state visit after he took office as president, which indicates the official establishment of a bilateral comprehensive and cooperative partnership.<sup>3</sup> In February 2012, Thura Shawe Mann, Myanmar's Speaker of the House of Representatives, visited China. In September 2012, Wu Bangguo, the Chairman of the Standing Committee of China's National People's Congress (NPC), visited Myanmar. In September 2012, Thein Sein, Myanmar's President, and Khin Aung Myint, Myanmar's Speaker of the House of Nationalities, paid invited visits to China successively, and in April 2013, Thein Sein paid a third visit to China.

## **2.2 The issue of Myanmar's armed ethnic organizations is an obstacle for the economic relations of Myanmar-China**

The issue of Myanmar's armed ethnic organizations belongs to the range of Myanmar's core national interests, and is similar to the issues in Xinjiang (Sinkiang) and Tibet for China. The issue of armed ethnic organizations has been always an important factor affecting the economic relations of Myanmar-China because of historical and practical reasons.

In 1989, the United Wa State Army (UWSA), the Myanmar National Democratic Alliance Army (MNDAA), the New Democratic Army-Kachin (NDA-K), and the Eastern Shan States Army (ESSA), which had separated from the Communist Party of Burma (CPB), signed peace agreements with the junta respectively, but they still remained independent from the junta and maintained their own army and territory (Bi Shihong, 2012:179-180). The social and economic exchanges and interactions of the armed ethnic organizations in northern Myanmar with the neighboring area in Yunnan cannot be forbidden completely because of the historical origin and the ethnic relationship of most of the armed ethnic organizations in northern Myanmar with China's relative minorities. The Chinese government announced officially in 1990 that "China will not offer these armed ethnic organizations reconciliation with the Myanmar's government and political admission, military support, and economic aid. China will regard these armed ethnic organizations as Myanmar's local responsibility and the relationship with them will be according to the actual circumstances and conditions (Yu, Wan 2011:67-68). Nevertheless, Myanmar's government always suspected that China wanted to contain Myanmar via these armed ethnic organizations.

In April 2009, the military junta proposed a recomposing schedule for the armed ethnic organizations that initially were regarded as an internal affair, and received no

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<sup>3</sup> "Hu Jintao Met with Thein Sein; China will Become a Comprehensive and Cooperative Partner for Myanmar", *China News Service*, May 27, 2011, <http://www.chinanews.com/gn/2011/05-27/3073353.shtml>.

timetable from the Chinese government. In August 2009, the Kokang conflict forced the flight of more than 3,000 refugees into China, and several Chinese citizens became casualties and caused great loss in Kokang to Chinese enterprises. In order to maintain security and stability in the border region of Myanmar-China, both sides repeatedly negotiated the issue of the recomposing schedule for the armed ethnic organizations. Understanding the position of Myanmar's government, China asked Myanmar's government to resolve this issue through peaceful negotiation. After several rounds of talks and reconciliations concerning the Kokang conflict, Myanmar's government has generally believed that China had made no attempt to contain Myanmar through the armed ethnic organizations.

An attack against the Kachin Independence Army (KIA) was launched by Myanmar's army in June, 2011, and the conflict has continued up to now, and has generated tens of thousands of refugees, but the Chinese government kept a relatively restrained attitude, actively supported the peace talks between Myanmar's government and the KIA, and prompted both sides to negotiate in Ruili, China. In August, 2011, Myanmar's government appealed to the armed ethnic organizations to hold a new round of peace talks. Their Sein intended to solve the problem of nationality in three steps: first, cease-fire; second, mutual development; third, political negotiation on divergence. This strategy has proved effective. So far, except for the KIA that has negotiated and fought against Myanmar's government, the UWSA, ESSA, and SSA, in northern Myanmar have signed peace agreements with Myanmar's government respectively, and the Kachin Defense Army (KDA), the NDA-K, and the Palaung State Liberation Army (PSLA), have accepted the junta's re-composition. Therefore, the situation in northern Myanmar is beneficial to Myanmar's government, but the new peace agreement signed by Myanmar's government and the armed ethnic organizations has not solved the core issues, such as the armed ethnic organizations' final status and arrangements for the armed ethnic organizations' leaders and soldiers. In the future, Myanmar's government and the armed ethnic organizations will negotiate on these issues, but it still remains unpredictable when a final agreement will be signed. It is noted that construction of the Lashio to Muse segment, a segment of the Myanmar-China oil and gas pipeline, has been forced to stop because of the on-going conflict between the KIA and Myanmar's army. If the problem of the armed ethnic organizations cannot be tackled effectively by Myanmar's government, it will bring a great hidden peril to bear on the economic relations of Myanmar-China, especially regarding the border trade and border security.

### **2.3 Myanmar's political reform has affected the economic cooperation of**

## **Myanmar-China**

In fiscal 2010/2011<sup>4</sup>, the volume of bilateral trade of Myanmar-China reached \$5.3 billion, and China replaced Thailand as Myanmar's largest trading partner. In fiscal 2011/2012, the volume of the bilateral trade amounted to \$5 billion, ranking it first in Myanmar's foreign trade. Imports from China were \$2.786 billion and exports to China were \$2.214 billion. China mainly exported to Myanmar raw materials and equipment driven by investment projects, reaching \$2 billion. Myanmar mainly exported to China minerals and agricultural products, reaching \$1.6 billion. The reasons why the Myanmar-China trade has grown so fast are the following: For the import trade, convenient transportation links exist between China and Myanmar, and many Chinese products are suitable for people of all ranks in Myanmar. For the export trade, China has broad opportunities for industrial development, and all Myanmar's industrial raw materials can find markets in China with convenient monetary settlement. In the bilateral trade of Myanmar-China, Myanmar has always been in a deficit position and an obvious trade imbalance has existed for a long time. Myanmar mainly exports to China primary processed goods such as timber, agricultural products, aquatic products, and jewellery, and imports from China mechanical and electronic products, food, and daily consumer goods. The structure of the bilateral trade in which Myanmar has a lower status is unreasonable, and this can partly explain why the trade deficit exists in the bilateral trade of Myanmar-China (Li Gouzhuang, 2012).

The border trade has occupied a very important place for the bilateral trade of Myanmar-China. At present, Myanmar has officially opened four border trade gates to China: Muse, Lweje, Chinshwehaw, and Kambalti (Bi Shihong, 2010: 22-23). In fiscal 2011/2012, the volume of the border trade of Myanmar-China reached \$2.98 billion, accounting for 89% of Myanmar's border trade. Myanmar's exports to China reached \$1.82 billion and imports from China \$1.16 billion. In fiscal 2012/2013, the volume of the border trade reached \$2.9 billion, accounting for 83% of Myanmar's border trade.<sup>5</sup> With its trade volume accounting for 70% of Myanmar's border trade, the Muse gate is not only the main port for Myanmar-China border trade, but also the largest gate for border trade in Myanmar. Since the Muse gate was opened in 2006, bilateral trade volume of Myanmar-China has grown year by year except for 2008 because of the world financial crisis. In fiscal 2010/2010, the Muse gate's border trade volume reached \$1.5 billion. In the first eight months of fiscal 2011/2012, the trade volume had already

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<sup>4</sup> Myanmar's fiscal year is from one year's April to the next year's March.

<sup>5</sup> "Myanmar's Border Trade Volume Reached \$3.4 billion in Fiscal 2012/2013", ASEAN-China Center, March 27, 2013, [http://www.asean-china-center.org/2013-03/27/c\\_132264640.htm](http://www.asean-china-center.org/2013-03/27/c_132264640.htm).

reached \$1.65 billion, increasing by 10% over the previous fiscal year. Myanmar's trade growth was mainly due to a decline in export trade taxes. The export of jade to China outnumbers other commercial goods, followed by green beans, raw rubber, sesame, corn, eel, mango, fish, peanuts, crab, castor beans, and cashew nuts, which implies that agricultural products are a high percentage of the border trade of Myanmar-China.

Up to fiscal 2009/2010, the total foreign investment in Myanmar reached \$16.05 billion. The five biggest investors are Thailand (\$7.422 billion), the UK (\$1.861 billion), China (\$1.85 billion), Singapore (\$1.592 billion), and Malaysia (\$0.898 billion). For the first time, China exceeded Singapore and became the third biggest investor in Myanmar. In fiscal 2010/2011, China substantially increased its investment in Myanmar, exceeding Thailand and becoming the biggest investor. In this fiscal year, China's investment in Myanmar is nearly \$8 billion, mainly including the Myitsone dam project, the Myanmar-China oil and gas pipeline project, and the Letpadaung Copper Mine project. 54% of China's total investment in Myanmar was focused on the energy area, with oil and natural gas accounting for 31%. In October 2011, the Shwegyin hydropower plant built by the China Gezhouba Water and Power Group Co., Ltd. joined the national grid. In December, Chinese loans aided the construction of Naypyidaw airport, which has been officially completed. However, in fiscal 2012/2013, influenced by the suspension of the Myitsone dam project and Letpadaung Copper Mine project, China's investment in Myanmar decreased sharply to \$407 million.<sup>6</sup>

Now, China is not only the biggest investor and the second biggest trade partner, but also the biggest engineering contractor, creditor, and donor. All this naturally reflects the close economic relationship between the two countries and the further cooperation in politics and security. However, in fact the negative effects of the economic cooperation of Myanmar-China have become an important reason to influence the sustainable development of Myanmar-China as well as an excuse for the western countries and NGOs to criticize China's policies towards Myanmar. How could this happen?

Firstly, for China, the Chinese government has always had no clear policy of how to develop its economic relations with Myanmar, and which sectors should have the top-priority, the resource-oriented, or market-oriented sectors. Implementation of China's investment in Myanmar is mostly concentrated on the resource development industry such as hydropower, minerals, and timber, with less consideration for development of local society and the people's needs. For Chinese enterprises, the quality and operational capacity of China-invested enterprises and their staff is not good

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<sup>6</sup> "Chinese Ambassador to Myanmar: Aung San Suu Kyi Helped China to Solve the Sensitive Disputes between China and Myanmar", *Takungpao*, October 11, 2013, <http://news.takungpao.com/world/roll/2013-10/1956789.html>.

enough, and these enterprises have no strong sense of responsibility towards society and the environment, so their patterns of behavior need to be adjusted and regulated. Some enterprises brought bad habits to Myanmar. In order to obtain approval for a project, many enterprises bribed local government officials. At present, some Chinese enterprises and their employees in Myanmar have the psychology of upstarts, pursuing the status of being above the law, paying no attention or respect for local customs and the Burmese, and having a poor sense of social responsibility. Therefore, closer economic relations between China and Myanmar have not created closer political relations; on the contrary, the popularity of Chinese enterprises and citizens in Myanmar has declined significantly.

Secondly, for Myanmar, Myanmar's government is dissatisfied with some problems arising in the economic cooperation between Myanmar-China, such as the over-exploitation of natural resources and environmental destruction. Due to the historical British colonial rule, the country developed an unfavorable position in the current international political and economic system, and with the blooming of nationalism over natural resources, Myanmar's government always suspects and worries that foreign investment aims to plunder Myanmar's natural resources, and forbids any organization or individual to sign a contract for resource development, thus, it is detrimental to the cooperative development of timber and minerals between some Chinese enterprises and the armed ethnic organizations in northern Myanmar.

Thirdly, in order to eliminate China's economic advantages of developing relations with countries in Southeast Asia, the U.S. and some western countries have blackened the prestige of China's investment abroad, tagged Chinese investment in Myanmar as a plunder of natural resources, claimed non-performance of social responsibility, caused environmental destruction, and created no benefit for the people. Besides, they spread the opinion that Chinese investment brings no benefit to the development of Myanmar's national industry. Affected by these opinions, some Burmese treat Chinese investment with an extremely idealistic attitude, blindly requiring that Chinese investment projects shall not damage the environment and most of the profit should be given to the local people, and these investment projects provided less consideration for Myanmar's social development improvement than the Chinese enterprises' profit. Now some INGOs and Myanmar's elite have already targeted the Myanmar-China oil and gas pipeline, by trying to have it aborted. Chinese enterprises' investment risks and costs have increased significantly.

#### **2.4 The change in the attitude of the people of Myanmar towards China has**



### **impaired the economic relations of Myanmar-China**

Although there have been several conflicts between China and Myanmar in history, friendly communications are still prevalent in most cases. Besides, as there were several Myanmar-China people-to-people exchanges during the Cold War, the common Burmese had no specific impression about China and got on well with overseas Chinese in Myanmar before September 1988. Since Myanmar began opening up in September, 1988, the Burmese people's impression about China, Chinese enterprises, and the Chinese people has changed a lot, and their attitude towards China and the Chinese people has become worse. Kyan San Wai pointed out that although the economic relations of Myanmar-China are described as friendly by the respective governments, in fact the negative comments by Burmese about China have been increasing, with an anti-China mood arising (Kyaw San Wai, 2011:1). Some elites in Myanmar have pointed out directly that the economic relations of Myanmar-China are at present very fragile, and certainly more fragile than before. The fundamental origin of this fragility was that as more and more Chinese enterprises and people came to Myanmar, they had increasing collisions and frictions with the Burmese due to the difference of economic interests, values, cultural ideas, lifestyle, and religion. Recently, these collisions and frictions have continued to worsen into conflicts. The economic relations of Myanmar-China were simpler in the past because there were fewer exchanges between the governments and people of the two countries, so it was easier to solve the relatively rational divergences between the two governments. Now problems lie in people-to-people exchanges and the government should think of the will of the people when solving these problems, therefore, the economic relations of Myanmar-China are more fragile (Kyaw San Wai, 2011:1). Kyaw San Wai indicated that China and Myanmar have emphasized the special Pauk-Phaw relationship. From Myanmar's point of view, the Pauk-Phaw relationship was very important for the survival of the Myanmar regime, by which Myanmar prevented China's interference with its internal affairs during the Cold War and relied on China to counter the western countries' hegemonic diplomacy after the Cold War (Maung Aung Myoem, 2011).

### **2.5 Aung San Suu Kyi: an important variable affecting the future economic relations of Myanmar-China**

Aung San Suu Kyi is Myanmar's democracy leader, whose influence on Myanmar's politics and the economic relations of Myanmar-China cannot be underestimated. So far, there is no evidence that she will adopt an unfriendly policy towards China. She has not made any speech attacking China; instead, her recent speeches show that she intends to

attach great importance to China.

Two days after her release in November 2010, Aung San Suu Kyi said, “China is a very important neighbor of our country, and should not be regarded as an enemy by us”. She knows that if she wants to participate in Myanmar’s politics, she needs China’s support to some degree. “For her, there is a geopolitical problem for her to solve sensibly, and she doesn’t want to be an enemy of China.”<sup>7</sup> As China’s ambassador in Myanmar from 1987-1990, Cheng Ruisheng had four meetings with Aung San Suu Kyi. He recalled that Aung San Suu Kyi has never said any negative words about the economic relations of Myanmar-China in the past or at present. During Hilary Clinton’s visit to Myanmar, Aung San Suu Kyi said that Myanmar would keep a friendly relationship with China, a close neighboring country.<sup>8</sup> In December 2011, Li Junhua, China’s ambassador in Myanmar, visited Aung San Suu Kyi, and this was China’s highest level contact with Myanmar’s opposition party in 20 years.<sup>9</sup> After this visit, Aung San Suu Kyi said, “We are happy to have contact with the embassy because we are always willing to establish a relationship with China’s embassy in Myanmar.” Her attitude towards the Myitsone dam is relatively rational. She has stated, “Speaking of the dam, I think the same environmental problem also arises when constructing a hydropower plant in China, so the start of the hydropower plant project is doomed to impact the environment. Speaking of China’s investment in Myanmar, I think we should invest more in bilateral friendship than the economy, which is helpful for both sides in the longer term. We are neighbors, so we can help each other in many aspects on the basis of both countries’ mutual friendship and respect.”<sup>10</sup> When she met with Hilary, Aung San Suu Kyi made it clear again, “China is an important neighbor of Myanmar, and it has a great influence on Myanmar. I hope Myanmar will keep a good relationship with China, and I also hope Myanmar will develop well and that the people will lead a happy life with the help of China, the U.S. and other countries.”<sup>11</sup>

In November, 2012, the people in the Sagaing region protested against the Letpadaung Copper Mine. In December, Thein Sein organized an investigation committee chaired by Aung San Suu Kyi. In March 2013, the committee submitted its

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<sup>7</sup> Ben Blanchard, “Analysis: Suu Kyi release poses thorny questions for China”, *Reuters*, Nov 19, 2010, <http://uk.reuters.com/article/2010/11/19/us-china-myanmar-suukyi-analysis-idUKTRE6AE18820101119>.

<sup>8</sup> “Aung San Suu Kyi never says any words bad about China-Myanmar relations”, *Nan Fan Du Shi Daily*, December 16, 2011, [http://nf.nfdaily.cn/nfdsb/content/2011-12/19/content\\_35206475.htm](http://nf.nfdaily.cn/nfdsb/content/2011-12/19/content_35206475.htm).

<sup>9</sup> Tan Liya, “Foreign media paid attention to China’s ambassador’s visit to Aung San Suu Kyi: China wants to participate in Myanmar’s transition”, *Global Times*, December 16, 2011, <http://world.huanqiu.com/roll/2011-12/2272035.html>

<sup>10</sup> Zhang Qianye, “A special interview with Aung San Suu Kyi”, <http://www.yzzk.com/cfm/inews.cfm?Path=4472820941&File=20111229/yz041420a.htm>.

<sup>11</sup> Li Zhiqinang, Ge Yuanfang, “Hilary denies her visit to Myanmar is competition with China”, *Global Times*, December 3, 2011, <http://world.huanqiu.com/roll/2011-12/2229885.html>.

final report that the development of the Letpadaung Copper Mine should continue with some necessary improvement measures. With the support of Aung San Suu Kyi and other related parties, this dispute has been resolved through consultation. The new contract ensured that Myanmar would gain more profit, which is expected to become the pattern followed by other foreign investment projects in Myanmar.

Therefore, even if Aung San Suu Kyi took office in the Myanmar government or even served as the country's top leader, we can speculate that she would rather handle Myanmar's relations with China for the national interest than adopt an anti-China policy according to the ideology or the will of the U.S. and Europe. In other words, Aung San Suu Kyi's return to Myanmar's politics will not lead to a substantive change in the economic relations of Myanmar-China. Of course, from the perspective of constructivism, a leader's emotional inclination and influences of the ruling style exist objectively.

### **3. China's Interest Appeals to Myanmar**

As Myanmar is located as China's neighbor, China would always tend to implement a foreign policy of creating an amicable, secure, and prosperous neighborhood, and China hopes Myanmar develops steadily and achieves political transformation smoothly. China does not want to see Myanmar go out of control because of political upheavals. Myanmar's political stability and smooth transition accord with China's interests. To be specific, China's interests in Myanmar are as follows:

#### **3.1 To maintain the stability and security of the Myanmar-China border region**

As for the tradition of security, border security is a sensitive factor in economic the relations of Myanmar-China. There are potential risks in the north of Myanmar. The Myanmar-China border is 2,185 km long, and the border between Yunnan province and Myanmar is 1,997 km long (Chen Qiaozhi, 2001:316). Armed ethnic organizations in northern Myanmar control most of Myanmar's border region, and the stressful situation in northern Myanmar has inevitably affected the stability of China's border region. The Kokang conflict in 2009 caused 37,000 refugees to pour into Yunnan province. Myanmar fired three shells into China's territory, causing one death and two injuries. In addition, among fourteen Chinese residents in Myanmar, one was killed and thirteen injured<sup>12</sup>. The conflict between Myanmar's army and the KIA began in June 2011 again,

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<sup>12</sup> "The situation in Kokang became stable; China appropriately handled the people from Myanmar", *Xinhuanet*,

which stressed the situation in the Myanmar-China border region. Some engineering projects by Chinese enterprises in Kachin State (such as the Dapein hydropower project), the safety of personnel, and the border trade of Myanmar-China were affected<sup>13</sup>. Some Burmese frequently fled into Yunnan province to take refuge<sup>14</sup>. The Myanmar-China oil and gas pipeline project, which goes through the border region, is easily affected by any fluctuation of the local situation.

Every time that the Chinese leaders meet with the Myanmar leaders, they almost always discuss about border security.<sup>15</sup> In June 2010, when visiting Myanmar, Wen Jiabao, the Chinese Premier, and Thein Sein, Myanmar's Premier met and expressed that both sides must try hard to maintain the border's peace and stability.<sup>16</sup> In May 2011, Hu Jintao, the Chinese President, met with Thein Sein, Myanmar's President. They talked about border security as well. During Thein Sein's visit, China and Myanmar announced the Joint Statement on the Establishment of a Comprehensive, Strategic, and Cooperative Partnership. This statement stressed that the two countries would strengthen cooperation in border management, timely communication management of border affairs, and make efforts to maintain the peace and stability of the border area.<sup>17</sup> On April 6, 2013, the Myanmar-China Joint Press Communique again stressed that both sides would keep on strengthening cooperation in border management, and make efforts to maintain peace and stability in the border area. On October 16, 2013, Xi Jinping, the Chinese President, met with Min Aung Hlaing, the Commander-in-Chief of Myanmar's Defense Forces in Beijing. President Xi asserted that China attaches great importance to maintaining peace and stability in the Myanmar-China border areas and supports the process of ethnic reconciliation in Myanmar, and China expects that peace and stability in northern Myanmar can be restored at an early date, and China is willing to continue playing a constructive role toward these goals.<sup>18</sup>

In non-traditional security, issues such as drug trafficking, smuggling, cross-border gambling, and the spread of AIDS has existed for a long time. In addition, some of the

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August 30, 2009, [http://news.xinhuanet.com/politics/2009-08/30/content\\_11967753.htm](http://news.xinhuanet.com/politics/2009-08/30/content_11967753.htm).

<sup>13</sup> "Chinese Dam Workers Allowed to Return", *Irrawaddy.org*, May 10, 2012, [http://www.irrawaddy.org/print\\_article.php?art\\_id=21485](http://www.irrawaddy.org/print_article.php?art_id=21485).

<sup>14</sup> KNG, "War snowballs; Kachin refugees influx to China border", *Kachinnews*, 24 June 2011, <http://www.kachinnews.com/news/1978-war-snowballs-kachin-refugees-influx-to-china-border.html>.

<sup>15</sup> "Jia Qinglin met with Thein Sein, President of the Union of Myanmar", *Xinhuanet*, April 4, 2011, [http://news.xinhuanet.com/world/2011-04/04/c\\_121267405.htm](http://news.xinhuanet.com/world/2011-04/04/c_121267405.htm).

<sup>16</sup> "Wen Jiabao holds talks with Thein Sein, Myanmar's Premier", *People's Daily Online*, June 4, 2010, <http://cpc.people.com.cn/GB/64093/64094/11779708.html>.

<sup>17</sup> "China and Myanmar announced the Joint Statement on the Establishment of a Comprehensive, Strategic, and Cooperative Partnership", Ministry of Foreign Affairs of PRC, May 2011, <http://www.fmprc.gov.cn/chn/pds/ziliao/1179/t826065.htm>.

<sup>18</sup> "Chinese President meets Myanmar's defense chief", *China Daily*, October 16, 2013, [http://usa.chinadaily.com.cn/china/2013-10/16/content\\_17038033.htm](http://usa.chinadaily.com.cn/china/2013-10/16/content_17038033.htm).

Myanmar-China border trade involves smuggling. The smuggled goods are transported from the border areas to other regions such as Mandalay and then sold inland; therefore, Myanmar's Customs have no access to taxes and supervision (Winston Set Aung, 2011:62). These issues may disturb bilateral relations in the long-term.

The stability of the cross-border ethnic relationship is another critical factor for the stability of southwest China, as Yunnan province in southwest China directly borders with Myanmar. There are many cross-border minorities of some clans, such as the Jingpo ethnic people in Yunnan province and the Kachin in Myanmar, the Dai ethnic people in Yunnan province, the Shan in Myanmar, the Wa ethnic people in Yunnan, and the Wa in Myanmar. In addition, Kokang in Myanmar's border region has Chinese people living there. As a result, people living in the border area share the same historical origin, frequent exchanges, and transnational marriage. Of course, with the long borderline, high mountains and thick forests, numerous shortcuts, it is difficult to supervise some practical problems such as human trafficking and people working illegally in the other country. The relationships within the cross-border areas directly affect border stability.

### **3.2 Maintaining the normal development of the Myanmar-China border region's economic cooperation, and promoting economic and social development of southwest China**

In recent years, the economic cooperation of Myanmar-China has grown rapidly. One of the characteristics of the Myanmar-China economic and trade relations is the higher volume of the Myanmar-China border trade. Yunnan-Myanmar trade (mainly border trade) is an important part of the Myanmar-China trade, and Myanmar ranks as the biggest foreign trade partner. In fiscal 2011/2012, the volume of Myanmar-China border trade was \$2,985 billion, increasing by 65.8% more than in fiscal 2010/2011.<sup>19</sup> Yunnan and Myanmar have opened many gates at the border places: Jiegao-Muse, Wangding-Kyu Hkok, Nabang-Laiza, Nansan-Laukkaing, and Daluo-Meng La. These gates on the 2,000 km borderline are very important for people living in the border region. Moreover, some of them are controlled by the Myanmar government, and others are controlled by the armed ethnic organizations in northern Myanmar, resulting in a complex situation. The healthy and rapid development of Yunnan-Myanmar trade has close ties with Yunnan's economic development. From the scale of the economic cooperation of Myanmar-China, the speed of development and the characteristics of

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<sup>19</sup> "Myanmar has a trade surplus of 600 million dollars in the border trade of Myanmar-China", Economic and Commercial Counselor's Office of the Embassy of the PRC in Myanmar, June 6, 2012, <http://mm.mofcom.gov.cn/aarticle/jmxw/201206/20120608164885.html>.

border trade, we can reach a preliminary conclusion that Myanmar's stable situation and economic development is the prerequisite necessary for the economic cooperation of Myanmar-China.

There are many economic and security problems in the border regions of Myanmar-China. One important reason is that the northeast of Myanmar neighbors "The Golden Triangle". Firstly, it is extremely challenging for Myanmar's government to control this region because of the many armed ethnic organizations, cross-border drug trafficking groups, complex terrain, high mountains, and thick forests. Secondly, it would take great pains for the governments of China and Myanmar to figure out which forces engage in illegal activities, and the two governments would pay a high price to fight crime effectively. Take the Naw Kham case as an example, in order to fight the Naw Kham group, a drug trafficking group in the Gold Triangle, police from China, Myanmar, Laos, and Thailand cooperated and spent half a year arresting Naw Kham gang members. In addition, some unsteady factors such as occasional conflicts between Myanmar's government and the KIA or SSA occur in the border region. Therefore, Myanmar's unification, stability, and smooth government decrees are very crucial to the Myanmar-China border regions' stability and development.

### **3.3 The long-term friendly relationship with Myanmar meets the needs of the national interest**

For a long time, Myanmar kept friendly exchanges with China on the basis of the "Five Principles of Peaceful Coexistence", coordinating and cooperating with China in international and regional diplomatic affairs. Myanmar firmly pursues the One-China policy and considers Taiwan, Tibet, and Xinjiang (Sinkiang) as inalienable parts of Chinese territory,<sup>20</sup> and actively fights against anti-China forces such as the Fa Lun Gong in Myanmar. Myanmar's friendship with China is good for the interconnection and regional economic cooperation between China and ASEAN.

The Myanmar issue is understood and defined by China on the basis of the "Five Principles of Peaceful Coexistence". Friendly neighbors are positioned by China for the economic relations of Myanmar-China, and Myanmar's political transition in its internal affairs is not interfered with by foreign countries. In 1954, the Prime Ministers of China and Myanmar jointly advocated the "Five Principles of Peaceful Coexistence", that is, mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and

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<sup>20</sup> "Jia Qinglin met with Thein Sein, President of the Union of Myanmar", *Xinhuanet*, April 4, 2011, [http://news.xinhuanet.com/world/2011-04/04/c\\_121267405.htm](http://news.xinhuanet.com/world/2011-04/04/c_121267405.htm).

peaceful coexistence. Based on these principles, China and Myanmar signed the “Treaty of Friendship and Mutual Non-Aggression between the PRC and the Union of Burma” and the “Border Treaty” in 1960. In May 2011, the two countries declared a comprehensive, strategic, and cooperative partnership. China reaffirmed that it respects Myanmar’s independence, sovereignty, and territorial integrity, and supports Myanmar’s route for development best suited to its national conditions.<sup>21</sup>

#### **4. The Development Trend of the Economic Relations of Myanmar-China**

The economic relations of Myanmar-China generally get on well in spite of the Myitsone dam incident. It is self-evident that China and Myanmar will cooperate and exchange more in the way of political, economic, military, and cultural interests in the future due to Myanmar’s deepening political reform and continuous opening-up of the domestic market.

##### **4.1 The Myitsone dam incident is not the deflection point of the economic relations of Myanmar-China**

On September 30, 2011, Thura Shwe Mann, Speaker of the Lok Sabha announced in the name of President Thein Sein, that Myanmar’s government will suspend the Myitsone dam project during Thein Sein’s presidency. Since Myanmar unilaterally announced the suspension of the Myitsone dam without communicating with the Chinese government and the China Power Investment Corporation (CPI) in advance, the bilateral relations were greatly affected by the Myitsone dam incident. Some foreign media thought this was the deflection point of the economic relations of Myanmar-China. Actually, this view was biased.

Firstly, at the start of this project, the experts from China and Myanmar had different opinions on site selection and installed capacity. Secondly, as for the process of project application, the CPI only contacted Myanmar’s government and did not inform the local people about this project, so the local people and the KIA unanimously disapproved of the project. Thirdly, the Environmental Impact Assessment (EIA) report has not been released. However, the overexposure of the Myitsone dam incident was closely related with the INGOs and the local NGOs. The Myanmar government suspended this project

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<sup>21</sup> “China and Myanmar announce The Joint Statement on the Establishment of Comprehensive, Strategic, and Cooperative Partnership”, Ministry of Foreign Affairs of the PRC, May 2011. <http://www.fmprc.gov.cn/chn/pds/ziliao/1179/t826065.htm>.

because of pressure from civil public opinion, which is the difference between Myanmar's new government and the former military junta. Some media mentioned that the reason why Myanmar suspended this project was because Myanmar wanted to please the U.S., qualify for the rotating presidency of ASEAN in 2014, and gain international recognition for the new regime. This view was rational to some degree, but we should see that from the national interest, Myanmar's government will not cater to the U.S. at the expense of sacrificing the economic relations of Myanmar-China completely. When declaring the suspension of the Myitsone dam project, President Thein Sein also expressed that Myanmar's government would negotiate with the Chinese government in order to avoid damaging bilateral relations and friendship. After that, Wunna Maung Lwin, Myanmar's foreign minister, as the special envoy of the President, made a special trip to Beijing to explain the decision of Myanmar's government. When attending the 8th China-ASEAN expo in Nanning, Tin Aung Myint Oo, Myanmar's Vice President, also made explanations to the Chinese leaders at this event. The New Light of Myanmar, Myanmar's official newspaper, issued editorials consecutively emphasizing the importance of the economic relations of Myanmar-China that should not be destroyed. From this perspective, the overall situation of bilateral ties will not change because of the Myitsone dam incident (Li Chenyang, 2012:65-66).

Some foreign media thought the Myitsone dam incident was the deflection point of the economic relations of Myanmar-China because the former military junta always followed China's advice. The economic relations of Myanmar-China have never been an attachment style relationship, thus the decision of Myanmar's government to suspend the Myitsone dam project does not mean that Myanmar would alienate China completely and no longer cooperate with China in the economic area. Of course, it is unreasonable and illegal that Myanmar's government suddenly declared the suspension of the Myitsone dam project unilaterally; China could also negotiate with Myanmar's government and claim compensation for this project. In April 2013, the joint communique issued by China and Myanmar also pointed out that the two countries will "Properly solve the problems by cooperation, and promote smooth implementation of the key cooperation projects"<sup>22</sup>.

#### **4.2 China will retain friendly relations with different political parties and groups within Myanmar**

"To stabilize the surrounding nations" has been one of the core strategies in China's

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<sup>22</sup> "The joint communique of the People's Republic of China and the Myanmar Federal Republic", Ministry of Foreign Affairs of the PRC, April 6, 2013, [http://www.fmprc.gov.cn/mfa\\_chn/gjhdq\\_603914.shtml](http://www.fmprc.gov.cn/mfa_chn/gjhdq_603914.shtml).



foreign policies, as friendly relations with Myanmar may not only ensure a secure energy supply, reduce Myanmar's suspicion toward China's uprising, but also generate significant influence on the peace and stability of the East Asian area. It is evident that Myanmar's political reforms are combined with different political powers and complicated situations and surroundings. Although the USDP is the primary party and represents the current administration, the NLD excelled markedly in the Congress by-elections and the experience of the 1990 general election implies that which party will rule the country remains uncertain. As for the junta, which holds the majority of power currently, their determination to promote reform is still debatable. Some other visible and invisible powers that cannot be ignored are Myanmar's armed ethnic organizations, that have been effectively controlling the local regimes, and playing crucial roles in Myanmar's and China's cooperation regarding drug trafficking and refugee issues. Meanwhile, the Myanmar people's awareness of democracy has increased with the advance of political reforms, so the Chinese government and enterprises should learn more about how to handle them. A lesson can be learned from the suspension of the Myitsone dam project, in which Chinese enterprises only pay attention to friendly and close relations with government officers, and by ignoring the questions and petitions of the local people, adversely affecting the local people. It is high time that Chinese enterprises reestablish positive relations with the people, otherwise the China will suffer similar dilemmas with other projects. Therefore, it is advisable that China maintains friendly relations with a variety of Myanmar's political powers, promotes public communication with different interest groups in all fields, as well as people from all walks, by keeping neutral in Myanmar's armed ethnic organizations, and be active in supporting Myanmar's opening up and national reconciliation.

#### **4.3 Diversified foreign policy cannot shake China's important position in Myanmar's diplomacy**

With the western countries' great adjustments of their policies towards Myanmar and the gradual lifting of sanctions against Myanmar, the stage that Myanmar mainly contacted only China has passed and the diversified pattern of Myanmar's foreign relations is irreversible. China was obviously dominant in the economic relations of Myanmar-China over the past 20 years, but now China becomes more passive because of Myanmar's gradually increasing initiatives. After Myanmar adjusted its diplomatic status, the economic relations of Myanmar-China will be affected by some specific issues in the short term, and the Myanmar-China trade will be affected first. China

should have global interests in mind and understand Myanmar's pursuit of normalization of domestic politics, ASEAN membership, and international relationships. From another perspective, the improvement of Myanmar's foreign relations is also beneficial to China, because the Myanmar issue is no longer an important factor largely influencing China's relations with the U.S. and other western countries.

Although Myanmar's strategy of a diversified foreign policy, balance of power, and equidistant diplomacy is not absolute, because China's position is special, to be exact, the strategy should be a China-oriented diversified strategy. Firstly, Myanmar is a country with a strong nationalist sentiment and traditional neutralism in diplomacy, thus, it is not easy for Myanmar's government to follow a "one-sided" policy. Secondly, Myanmar's diversified strategy will not affect its relations with China because of China's special status. With China's assistance, Myanmar will achieve its diversified interests via a diversified strategy. Thirdly, any country, including the U.S. and India, cannot take the place of China in Myanmar's diversified strategy. In other words, the policy adjustments by western countries led by the U.S. towards Myanmar will not harm the economic relations of Myanmar-China.

#### **4.4 The economic relations of Myanmar-China will not be broken even if twists and turns arise**

A country's surrounding environment is very important in geopolitics, of which the natural environment is an invariable factor. The geographical distance largely determines the importance of the geographic role. "The benefits a friendly country brings to you will be redoubled because this country is your neighbor; the damage an unfriendly country brings to you will be also redoubled (Ye Zicheng, 1998:16) because this country is your neighbor". A small country always fears the biggest one more than all its neighboring countries. The land border between China and Myanmar is more than 2000 km long, and transportation between the two countries is very convenient without high mountains and big rivers. China, a permanent member state of the UN, with comprehensive strength ranking among the world's leading countries is an important force for Myanmar, because the solution to the ethnic problems, especially the long-term existence of the armed ethnic organizations in northern Myanmar, needs China's assistance.

From the view of the world-system theory and geo-economics, "Every country develops in a specific regional system, that is, if separated from the regional system where it is located, no country can develop independently" (Wang Zhengyi, 1997:12-13). Myanmar's current economy is dependent on China to some degree,

especially the area north of Mandalay. This area has close economic ties with China, and forms a separate economic region dependent on China.

Therefore, it is necessary for Myanmar to improve its modernization stimulated by the strategy of riding on the boom of China. There is no need for Myanmar to adopt anti-China actions with the country's support at present or in the future. Although US-Myanmar relations have much improved, China is still an important factor affecting policy makers in Naypyidaw no matter what happens in Myanmar's politics.<sup>23</sup>

There is a relatively solid basis for the friendship of Myanmar-China. Firstly, Myanmar was the first country solving the boundary issue with China. Secondly, Myanmar was the first non-socialist country to recognize the People's Republic of China.<sup>24</sup> Moreover, during the Cold War, Myanmar kept friendly relations with China for most of the time even though confronting the intense pressure from the capitalist camp and the Chinese government's support for the CPB. Compared with the Cold War, the present challenge for the economic relations of Myanmar-China is not very serious. After Myanmar's independence, only the period from 1967 to 1970 could be called the anti-China period mainly because of China's far-left policies of supporting the CPB.

In short, with regard to the economic relations of Myanmar-China, the primary step is not to question who will be the leader of the junta, or which party will take office in Myanmar. Myanmar's future leaders will implement friendly policies towards China. Myanmar will not actively compete with China, nor completely follow the U.S., India, or Japan. As a member of ASEAN, Myanmar has been devoting itself to larger gains by seeking a balance among these great powers.

#### **4.5 China will expand its investment areas in Myanmar**

Chinese investment in Myanmar is not restricted to the natural resources area, as Chinese enterprises intend to invest more heavily in the areas prioritized by Myanmar's government.

It is estimated that by the end of 2012, the number of unemployed people was 9 to 10 million and the unemployment rate was 28.4%. Some Myanmar scholars suggests that it is advisable for enterprises to invest in industrial projects based on agriculture as the job opportunities offered to the local people are not enough and the potential is plentiful. Take the growing investment in textile and garment processing as an example, where Myanmar's government welcomes labor-intensive industry as it can produce more jobs

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<sup>23</sup> Simon Roughneen, "China Remains Key Despite Burma's Western Focus", *Irrawaddy.org*, 17 January, 2012, [http://www.irrawaddy.org/article.php?art\\_id=22860&page=2](http://www.irrawaddy.org/article.php?art_id=22860&page=2).

<sup>24</sup> "Aung San Suu Kyi never says any bad words about the relations of China-Myanmar", *Nan Fan Du Shi Daily*, December 16, 2011, [http://nf.nfdaily.cn/nfdsb/content/2011-12/19/content\\_35206475.htm](http://nf.nfdaily.cn/nfdsb/content/2011-12/19/content_35206475.htm).

for local people, therefore, those companies are likely to obtain approval more easily. Since many Chinese enterprises have expertise in textiles and garment processing, they would be more than happy to invest in labor-intensive industries and produce more jobs for the local people.

In recent years, China and Myanmar have initiated various levels of cooperation in agricultural machinery, hybrid rice, tropical crops, and fishing. In 2001, China established an assembly line to manufacture 10,000 hand tractors and assessorial diesel engines, as well as a series of agricultural machinery. In addition, both countries have carried out a variety of cooperation projects including exchanging crop varieties, breeding, planting, and training agricultural science technicians. When it comes to enterprises, some Chinese farm machinery manufacturers are already engaged in business activities, such as manufacturing farm machines, seeding, breeding, fishing, and rubber plantations. In the trade area, a certain number of Chinese companies have managed to export into Myanmar plenty of farm machinery, seeds, fertilizers, and pesticides, together with some hand tractors and machine parts, which have occupied an advantageous market share in Myanmar, likewise, Myanmar has exported rubber, timber, rice and fruits, etc. As far as it can be estimated, Chinese enterprises will expand their investment in Myanmar's agricultural industry and Myanmar will increase its volume of agricultural transactions with China.

Along with the Myanmar government's further opening to the public of its core industries, which have long been monopolized, some of them will be attractive to investors. For example, it is said that one of the central tasks for Myanmar's Energy Division is to explore new energy sources and upgrade the power grids.

In May, 2012, the Chairman of the Myanmar Investment Committee announced that the priority of Myanmar's foreign investment projects is to enhance the capacity of the power supply in various ways, including generating power by utilizing photovoltaic and coal, and negotiating with neighboring countries on electricity transmission networks, which is undoubtedly good news for China.

However, natural resource investment seems increasingly unpopular, as Myanmar has adjusted its foreign investment policy, under which circumstances, Chinese companies have been considering expanding investment into hotels, communications, and other third industry services. Myanmar will hold the ASEAN chair in 2014, which will provide a valuable opportunity for hotels and tourism with potentially a multitude of visitors domestically and internationally. It is commonly acknowledged that to invest in hotels is advisable and practical, as the profit is lucrative without damaging natural resources. Besides, another of Myanmar's opening areas, banking, has sparked attention

from some Chinese enterprises that cannot wait to initiate negotiations and conclude agreements, aiming to activate the financial business for foreign investment, foreign exchange, savings, lending services, and mortgages, to name just a few opportunities.

#### **4.6 The Myanmar-China oil and gas pipeline project will be completed as scheduled and benefit the people of both countries**

The section of natural gas pipeline in Myanmar is 793 km long and the section of oil pipeline is 771km, with a total investment of \$2.54 billion. Both pipelines begin from Kyauk Phue, a city in Myanmar's west coast, and finally enter China through Rakhine State, Magwe Division, Mandalay Division, Shan State and Ruili, and Yunnan province. Natural gas mainly comes from the gas field exploited offshore by Daewoo, a Korean company, and the crude oil comes mainly from the Middle East and Africa. The oil pipeline is designed to transport 22 million tons per year, and the natural gas pipeline 12 billion m<sup>3</sup>. After completion of construction, it will greatly reduce China's independence on the Strait of Malacca, benefit China's diversification of oil and gas transportation channels, and meet the growing demand for energy. According to the agreement, the Myanmar Oil & Gas Enterprise will enjoy a 49.1% equity share and a 7.37% return from these two projects. After the pipelines begin to operate, Myanmar will share crude of 2 million tons and natural gas of 2 billion m<sup>3</sup> in its territory each year. Myanmar's Ministry of Energy has planned to build a refinery plant with an annual output of 3.5 million tons to meet the energy needs of Myanmar. In addition, Myanmar's government will receive pipeline tolls of \$13.6 million, transit fees of \$1 per ton of oil, and taxes and investment income. Natural gas is one of the major resources for export earnings. After the gas pipeline is completed, it will open a new market for Myanmar's natural gas. This pipeline is expected to drive Myanmar's economic development.

Besides the government's rich profit, Myanmar's people will also benefit. According to the statistics, the China National Petroleum Corporation (CNPC) has put \$20 million into social services and public interests in areas along the pipelines, and donated \$10 million to the construction of high-tension transmission lines in Rakhine State. The CNPC will continue to put approximately \$2 million into social welfare every year. In April, 2011, The CNPC and Ministry of Energy signed a letter of intent for reconstruction of Myanmar's local hospitals, indicating that the aid work of the Myanmar-China oil and gas pipeline has started. Up to July 2013, the public welfare programs aided by the CNPC have been implemented smoothly, covering health, education, and the people's livelihood and so on. A hospital's construction aided by the CNPC has become one of the best hospitals in Mandalay's rural area. In April 2012, before the traditional

Songkran, the CNPC invested and built a water supply project on Mayday Island. More than 3,000 islanders are now able to use running water, finishing their dependence on rainwater for over 1000 years.

Besides direct revenue, the pipeline's construction has brought employment opportunities for tens of thousands of people, trained a large number of engineering and technical personnel, and promoted the development of catering, logistics, and tourism. It is predicted that the smooth operation of the Myanmar-China oil and gas pipelines will have important practical and historical significance for local economic and social development, economic restructuring, transformation of the development pattern, and social progress of ethnic minority areas in Myanmar.

#### **4.7 Myanmar-China cooperation in all aspects will be strengthened and deepened**

Firstly, China's policies towards Myanmar are beneficial for Myanmar's modernization process and the harmonious and stable international environment for China's peaceful development, so the Chinese government will continue to build a harmonious world in the future. As for relations with neighboring countries, China will unswervingly continue to implement the diplomatic policies of "Being a good neighbor and partner" and "Creating an amicable, secure, and prosperous neighborhood". For Myanmar, China's current and future policy towards Myanmar is mainly based on the economy, long-term strategy, and national security. The core of Chinese policy towards Myanmar is to implement comprehensive and win-win cooperation. Therefore, China will not break off friendly relationships with Myanmar no matter what ideology the sitting administration holds unless Myanmar becomes a tool for any country or organization to contain China.

Secondly, there is broad space for cooperation by Myanmar-China. The key factor determining the Union Solidarity and Development Party (USDP)'s future position in Myanmar's politics is the speed of economic construction and the effective improvement of the people's livelihood. As a result, it is impossible for Myanmar's government to give up economic cooperation with China. In the future, both countries will not only continuously focus on cooperation in agriculture, the development of human resources, natural resources, and infrastructure construction, but also strengthen cooperation in other areas such as trade, investment, and energy. With its unique geographical location, Myanmar is an important channel for China's energy and the imports and exports of southwest China, so cooperation by Myanmar-China in railways and roads and will grow fast. Furthermore, energy cooperation in oil, gas, and hydropower projects by Myanmar-China will increase rapidly in spite of the suspension

of the Myitsone dam project.

## **5. Conclusion**

Before the election in 2010, although China was Myanmar's most important partner and no country had more high-level exchanges and extensive cooperation than China with Myanmar, Myanmar was not China's "satellite country". Divergences and contradictions have existed for a long time between China and Myanmar. Myanmar has not been a "one-sided country" for China because Myanmar was willing not only to contact China, but was also always seeking methods to improve relations with western countries. Therefore, China's influence on Myanmar has been obviously overvalued by the international society in the past 20 years. After the 2010 election, Myanmar and China continue to maintain their overall friendly and cooperative status. Especially the declaration of a comprehensive, cooperative, and strategic partnership signed by China and Myanmar on May 27, 2011 marked a new phase for bilateral relations. After the suspension of the Myitsone dam project, it was widely accepted by the media, including China's media, that this event was the deflection point of the economic relations of Myanmar-China, which was not accurate and comprehensive.

Of course, the change in Myanmar's politics and the improvement of the western countries' relations with Myanmar is a challenge to China, and this challenge will exist objectively. However, the geopolitics and geo-economic factors of the economic relations of Myanmar-China still exist. The all-round cooperation between China and Myanmar over the past decades will not disappear immediately, as China has obvious economic advantages for the economic relations of Myanmar-China. In the future, China and Myanmar will continue to strengthen cooperation in the political, economic, and social fields, but the comprehensive, cooperative, and strategic partnership between China and Myanmar will not threaten international relations in this region. Although the adjustments of U.S. policies towards Myanmar and Myanmar's political changes will not lead to a subversive change of Myanmar-China relations, the situation that China was dominant in Myanmar's foreign relations has passed. At the same time, Myanmar's initiative in the economic relations of Myanmar-China has increased. In addition, Myanmar's government now hopes to rely on western countries' investment and aid to balance China's influence. Myanmar hesitates towards full cooperation with China because it lacks a long-term strategy during the transition period. The Myanmar people's idealism of foreign investment, lack of market economy awareness, little

knowledge about the cross-border economic cooperation zone and the overseas economic cooperation zone, and Myanmar's diversified pattern of foreign relations cannot have any negative impact on China. China should envisage the deficiencies of its relations with Myanmar, make efforts to solve the problems of economic cooperation of Myanmar-China, and endeavor to improve China's image in Myanmar, by which the economic relations of Myanmar-China can develop sustainably.

Affected by geopolitical and geo-economical factors, the issues such as "Where does Myanmar's political transition go now, which party will come to power, and who will be the president" are not key issues for the future of China-Myanmar relations. A worsening relationship with China is not beneficial to Myanmar's interests, and the solution to the armed ethnic organizations in northern Myanmar also needs China's support. Therefore, Myanmar's leaders at present or in the future will implement friendly policies towards China. Even if the National League for Democracy (NLD) led by Aung San Suu Kyi took office, Myanmar would neither lean to the western countries completely nor confront China. In other words, neutralism and a balance of power are still the basic principles of Myanmar's diplomacy. Within ASEAN, Myanmar wants to realize the maximum of its interests via the balance of power. In international politics, the statement of "There is no eternal friend or enemy but there are eternal interests" applies, and in fact, it is said that "There is an eternal neighboring country, and this neighboring country will never move". Therefore, in the construction of a comprehensive, strategic, and cooperative partnership by Myanmar-China, China's policy towards Myanmar aims mainly at regaining the Myanmar people's understanding and reconstructing China's positive image. China needs to consider all the various parties' interests, improve public diplomacy, enlarge political mutual trust, and broaden the foundation of win-win cooperation. Only in this way can the bilateral relations be continuously pushed forward and strengthened.



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