Burma in China’s Foreign Policy: the consequences of the ‘Burmese thaw’ for China-Myanmar relations

1. Introduction

Up to 2011 the Chinese position in Myanmar was a dominant one. Due to several factors, most important of which were the “Malacca dilemma”, the Western Development Strategy, and the Western sanctions imposed on Myanmar, China used to have unbalanced position in this country. Before 2011 Myanmar was, little by little, turning into be something that professor Bogdan Góralscyz described as a “Chinese protectorate” (Góralscyz 2011, p. 249). In 2011, however, everything changed. “The Burmese thaw” brought new players into Burma – the United States, UE and Japan. Consequently, Beijing’s position became questioned. What will be China’s reaction? Will Beijing accept new realities? Will Myanmar benefit from a win-win policy? Or will it become the background for a new geopolitical rivalry between China and the West? This paper intends to answer these questions.

Basing on the neorealist perspective in international relations and believing that the interests, not values, constitute the core of politics, this papers claims that no matter what the Western and Japanese influence will be, China will try to keep as good relations with the Burmese government as possible. The main thesis of this paper is that Burma is and will be important for China out of domestic and geopolitical realities. No matter who will govern Burma in the future, China will try to be on good terms with them – to preserve its important interests.

This paper gives an insight into Chinese-Burmese relations, focusing on important factors that have had an impact today. Firstly, it recaps the history of China and Burma. Secondly, it shows China’s two main reasons of engagement in Myanmar: the foreign one (the Malacca Dilemma) and the domestic one (the Western Development Strategy). Thirdly, it will summarize the consequences of Western sanctions on Myanmar. Fourthly, it shows the importance of Chinese influence on the present-day domestic situation in Burma. Fifthly, it presents the circumstances of the “Burmese thaw”. Finally, it provides an explanation on Burma’s importance in Chinese foreign policy and the implications of recent political changes in Myanmar for Chinese-Burmese relations.
2. The Burden of History - China’s Perception in Burma

Although the first political influence between Burma and China was made through the non-Han kingdom of Nanzhaofrom whichthe Burmese even took their nation’s name from the Nanzhao cavalry (Thant Myint-U 2006, 56), the image of China in Burma has been dominated by invasions and conquers from the north (13th, 17th, 18th and 20th centuries respectively) (Harvey 1967, 64-69) (Dai 2004, p. 145-189).

The burden of Burma-China history in Myanmar is that up until now “there’s a sense of the dangers of being next to an increasingly powerful and populous nation, whose internal wars and politics have time and again spilled over to wreak havoc on the much smaller country to the southwest” (Thant Myint-U 2011, p. 71-136). China’s picture in Burma has been of a juggernaut, rolling in and intent on supremacy; not only between ordinary people, but also between generals. It was this same generation of generals who had fought nearly all their lives against Chinese-backed communist insurgents and although they are thankful for China’s friendship, an alliance with China was for them a tactical move, not a permanent one sealing in a future for Burma as a raw material exporter to China. The trauma of British colonialism, which destroyed the III Burmese Empire in 19th century and like a Leviathan devoured all aspects of Burmese life (Furnivall 1939, p. 1-138), had a significant impact on the generals’ mentality. The military regime “is extremely paranoid about internal and external threats to security” (Preecharushh 2009, p. 49). According to David Steinberg, “Burma’s leaders have always been conscious and appreciative of external sensitivities to defense and security problems and have constantly taken great pains to avoid situations that would give the slightest excuse for foreign aggression or intervention in domestic affairs (Steinberg 2001, p. 292). Due to the huge Chinese investment in Myanmar’s infrastructure and energy sectors in recent years, the regime seems to have felt the need to balance China’s presence in the country. Therefore, opening-up to the West is intended to balance China’s embrace (Bünte and Portela 2012). Such Chinese engagement in Myanmar happened due to two reasons: geopolitical and domestic.

3. The Malacca Dilemma

China’s principal foreign policy priorities are essentially inward looking; to create the most favorable external conditions for domestic modernization, to foster a benign external environment (“harmonious world”) that would facilitate the country’s modernization. Energy plays a vital role here. Without energy China’s modernization and rise as the next superpower would grind to a halt and the ruling Communist Party would be severely undermined (Góralczyk 2010, p. 113-147). Energy is not an instrument of geopolitical ambitions, but the principal rationale
for an ever more assertive foreign policy, not as a means of external power projection, but a vital national need (Lo 2008, p. 4-144). China is heavily dependent on foreign oil and approximately 80% of these oil imports currently pass through the Straits of Malacca. Oil needs are growing by the day, and the imports of oil from Africa and the Middle East are currently all shipped via the Straits of Malacca, which worries Chinese strategists. The strait is a natural chokepoint, through which future enemies could cut off foreign energy supplies to China (Thant Myint-U 2011, p. 29-136). This applies not only to pirates but also in the event of a future conflict with the US or India; a few enemy warships could easily block essential oil supplies. The Chinese analysts consider oil price volatility and physical supply disruption, particularly a deliberate interruption by the US, to be the main threats to energy security (Steinberg and Fan 2012, 158). An alternative route needs to be found. Access to Myanmar’s ports and overland transportation routes through Myanmar is seen as a vital and strategic security asset for China (Steinberg and Fan 2012, p. 311). Burma is the key part of resolving the Malacca Dilemma (Thant Myint-U 2011, p. 31-32).

Myanmar has Southeast Asia’s largest and world tenth largest natural gas reserves and is rich in oil as well (official estimates: oil reserves: 3.2 billion barrels, gas reserves: 2.54 trillion cubic meters, proven reserves: 0.5 trillion cubic meters). Since 2001 Chinese enterprises were involved in oil and gas exploitation, but a breakthrough was made in 2007, when contracts were signed for Chinese exploitation that covers 10,000 square meters of the Arakan coast (Steinberg and Fan 2012, p. 166-167). China is to build an oil pipeline, gas pipeline, and a wharf for oil tankers (on the island of Kyaukpyu in the State of Arakan). These pipelines, estimated to be available for use in 2013, would reduce the present journey to Guangzhou (Canton) from the Middle East by over 1820 sea miles (Steinberg and Fan 2012, p.166-180).

It is a strategic hedge against the Straits of Malacca, one that may bring Chinese political influence, for the first time in history, right up to the Indian Ocean. Chinese engineers have begun to build a brand-new port on the island of Ramree in the State of Arakan. The oil and gas pipelines will travel along the same route, as well as the railway lines and expressways that will follow. Within a few years, China and Chinese influence may be much more present in the Bay of Bengal than at any time in history (Thant Myint-U 2011, p. 31-136).

4. The Western Development Strategy (XibuDakaifa)

For the Chinese government strategic thinkers, the need to narrow the gap between the rich and poor, the east coast and the interior, was a top priority. Looking at the map, they concluded that the main reason for the Southwest’s poverty was its distance from the sea and lack of easy access to international trade (China’s
Western Development Program, 2002). As Thant Myint U summarized: “What China is lacking is its California, another coast that would provide its remote interior provinces with an outlet to the sea”. There lie the origins of the ‘Two Oceans’ policy that was to make China a ‘bi-coastal’ nation. The first Ocean is the Pacific. The second would be the Indian Ocean. The “Western Development Strategy” was officially inaugurated in 1999 and related to this was the idea of realizing a connection through Myanmar to the Indian Ocean. Burma perhaps was not intended to be China’s California, but clearly has been seen as the bridge do the Bay of Bengal and the waters that lie beyond (Thant Myint-U 2011, p. 29-131).

Chinese projects in Myanmar will be a strong response to China’s Western Development Strategy – as the eastern coastal provinces have experienced dramatic increases in wealth, much of the interior has been left far behind. International gas and oil distribution networks currently vastly under serve Southeast China, but projects in Myanmar could change that. They will generate a boom in infrastructure, particularly in road construction, and therefore are important for Yunnan and other Chinese Southwestern provinces (Steinberg and Fan, 2012, p. 182).

Yunnan is particularly important as it is a very sensitive province, which contains China’s largest concentration of ethnic minorities. Out of the 55 million people who residein Yunnan around 40% are non-Han. Moreover, Yunnan is important for a number of reasons: as a source of hydroelectricity; it is China’s biggest producer of tobacco and flowers, as well as aluminum, lead, zinc and tin; and it is famous for its silver and tea.

Therefore Yunnan’s and Beijing’s Burma policy has been dictated first and foremost by what will help Yunnan’s economy move forward. There are two goals for this policy. The domestic goal is to make sure that local minority groups stay happy and feel as though they are benefiting from China’s economical progress. This would prevent the Communists Party’s worst nightmare: that China that goes in the direction of the Soviet Union, splintering along ethnic lines (Steinberg and Fan 2012, p. 351). The answer to this threat was to bring in capital and it worked. Yunnan’s economy has benefited considerably, quadrupling in size from approximately $24 billion at the beginning of the decade to $ 91 billion in 2009 (Thant Myint-U, 2011, 131). The external goal ist o make Yunnan China’s gateway to South and Southeast Asia – a new regional hub. It was within the framework of the zouchuqu (going out/go global) policy that China started to invest in Myanmar. The PRC sees Myanmar as an outlet market that may improve the trade volume of the Yunnan province (Szczudlik-Tatar 2012).

Myanmar, however, is not just another foreign country: it occupies a critical space on China’s southwestern flank, right next to its densest concentration of ethnic minorities. For Beijing leaders, securing markets near and far has been of critical importance. But of even greater importance has been ensuring internal stability, including and especially in ethnic minority areas. The most important task
regarding the issue of Yunnan’s development was to engage with the Burmese junta (Thant Myint-U 2011, p. 131-144).

The first steps were taken in the 1990s. In the beginning of the 1990s, after decades of shut-down, the border trade reopened. First was the influx of cheap goods. Then came the loggings with thousands of Burmese forests being cut down and transported to China. After that came the jade mines until finally, heroin. In 2010 and early 2011 the sale of Burmese heroin to China was worth more than USD 4 billion. In the early 1990s Beijing provided credit for military (tanks and planes) and other purchases estimated at well over a billion dollars in total. Official figures place bilateral trade at over 2 billion USD a year, but the real figure is doubtless to be far greater. Today the Burmese economy is tied more closely to China’s than at any other time in modern history (Thant Myint-U 2011, 133). The figures are clear; according to Myanmar, in 2011 the PRC became the country’s largest trading partner and investor (overtaking Thailand). In the 2010-2011 fiscal year trade volume was $5.3 billion. Myanmar data from November 2011 shows that the total Chinese investments in Myanmar were about $14 billion (accounting for almost 35% of the foreign investments in Myanmar), which was greater than the FDI inflows to Myanmar from Thailand ($9.5 billion), Hong Kong ($6.3 billion), South Korea ($2.9 billion), the UK ($2.6 billion) or Singapore ($1.8 billion) (Szczudlik-Tatar 2012).

The Chinese built roads linking Yunnan’s border towns with the Irrawaddy valley – for the first time in history since the famous “Burma road” during WW II. By early 2010 construction had begun on the oil and gas pipelines that would connect China’s southwest across Burma to the Bay of Bengal (Burmese gas fields make it the 10th largest in the world with reserves of 10 trillion cubic meters). The pipelines would run from Mandalay, past Ruili first to Yunnan and then onwards to the Guanxi Autonomous Region and the city of Chingqing. All three places were targeted in the Western Development Strategy. Moreover, massive hydroelectric dams are being built in Burma that will provide as much electricity as China’s famous Three Gorges Dam. The Salween River Dam hydropower station would provide 7.1 gig watts of electricity and is worth 9 billion USD. Another project is planned that would in general produce 20 gigawatts of electricity (Thant Myint-U 2011, p. 111-112). Chinese investments in water energy are an important factor in Chinese-Myanmar relations. The Chinese are well aware of Burma’s lack of energy. A common Chinese pun on Myanmar’s name plays with its Chinese transcription, Miandian, replacing it with a homophone that means “no power” (meidian). Chinese companies have been involved in the construction of 25 massive dams on the Irrawaddy, Salween, and Sittang Rivers, as well as their tributaries. The dams will produce an estimated capacity of 30,000 megawatts and cost a total of more than 30 billion USD to construct (Steinberg and Fan 2012, p. 189-190). The pipelines along the hydroelectric powers would ensure the energy needed for an even faster industrialization.
In general the Chinese interests in Myanmar are multiple, profound and modern. Firstly, there are strategic interests (access to the Bay of Bengal which shifts the strategic balance of China’s influence in Southeast Asia). Secondly, Myanmar is an answer for the Chinese thirst for energy (oil, gas, and hydropower), and finally the possibilities for trade (Steinberg and Fan 2012, p. 340).

5. Western sanctions on Myanmar

China’s policy has been about as different from the Western policy of economic sanctions and diplomatic condemnation as possible, and this difference is not too surprising: it is hard to see how promoting democracy would ever be very high priority for Beijing (Thant Myint-U 2011, p. 133). China started establishing strong links with Myanmar in 1988, and since then has achieved the strongest links with Myanmar than any other country (Charney 2009, p. 187). The sanctions only helped in that. The Western regard of Myanmar was based on a persistent pattern of human rights violations. The Chinese view the Western policy towards Burma as hypocritical and self-defeating. They consider the policy hypocritical because they see Western governments, propping up regimes elsewhere when it suits their interests that are just as, if not more so, tyrannical. Self-defeating because the Western sanctions and boycotts have only removed what leverage they would otherwise have (Thant Myint-U 2011, p. 134). Aung San Suu Kyi’s democratic movement has dominated the perception of the West. She became “a personalized avatar of democracy to much of the Western world” (Steinberg and Fan 2012, 158). She dominated the picture to such an extent that even when the junta achieved authentic (and rare) successes, like the cease-fire agreements with the ethnic minority guerillas, the West never acknowledged them: “for the outside world, there was really only one story in Burma in the 1990s, the story of Aung San Suu Kyi and her struggle against the ruling generals” (Thant Myint-U 2006, p. 332). The West looked at Burma through ideological lenses without having any major interests that would enable them to take a principle attitude (Thant Myint-U 2006, p. 332-348). Western politicians knew that by condemning the junta they risked little, as Burma was never a center of their political agenda, and could win the support (and voices) of their domestic human rights activists (Taylor 2009, 468). Washington’s policy towards Burma was “more moralistic than moral” and particularly George W. Bush was prone to hollow preaching” (Kaplan 2010, p. 294). The West pulled itself out of Burma and introduced counterproductive sanctions in the name of moral rightness. “The assumption was that Burma’s military government couldn’t survive further isolation when precisely the opposite is true: much more than any other part of Burmese society, the army will weather another forty years of isolation just fine” (Thant Myint-U 2011, p. 344-346). As Robert Taylor summarized, “the impact on the sanctions on the state-qua-state
was minimal and led to a further entrenchment of army power (…) Myanmar was never a major political issue after 1988 but when specific events occurred that highlighted human rights issues and the continuing role of the military in the management of the state, particular politicians made Myanmar a momentarily personal cause. Policy makers were forced to respond, knowing their political leaders’ actions would probably by counterproductive (Taylor 2009, p. 467-468).

The Chinese, on the contrary, did not care about NLD or whether or not Burma was moving towards democracy. The Chinese “old Burma hands” centered more on mapping and understanding what was actually happening in the country and less on working backwards from specific policy ambitions. The Chinese academics on Burma spoke Burmese well and are knowledgeable on the nitty-gritty of specific issues, from the Burmese army’s relations with individual militias to cross-border trade. They are close to the action (Thant Myint-U 2011, p. 156).

This Chinese psychological support was important for the Burmese generals; the more the British, Americans, and the UN berated the regime, the more Chinese diplomatic protection became essential to the regime’s foreign policy. Western sanctions had pushed the country’s ruling junta ever closer to Beijing and had created an unusually privileged environment for Chinese businesses. For example on 12 January 2007 China together with Russia(for first time since 1972) vetoed a US-backed resolution introducing sanctions on Burma. The Chinese ambassador to the UN, Wang Guangyua, explained this stance frankly by saying, “no country is perfect” (Weitz 2012, p. 39). The junta was grateful and the official Burmese TV news reported this at unprecedented speed, thanking China for supporting Myanmar and blocking the U.S. move (Steinberg and Fan 2012, 184). China offered more help, more arms sales (along with Russia), and big plans for closer relations. In general a mix of pragmatic considerations shaped China’s Burma policy. There were the internal challenges for which Burma, as a bridge to the sea, was at least part of the answer, as well as the desire to exploit the withdrawal of the West from Burma and in the process gain influence on India’s flank (Charney 2009, p. 188). Three days later after vetoing these sanctions, China became the prime customer for the A1 and A3 gas fields in Arakan (Steinberg and Fan 2012, p. 184).

6. China in Myanmar’s domestic situation

Although the domestic situation in Burma was not perfect, it was not so bad either. “Political limbo has not precluded business, especially cross-border business with China and over the following years jade mines, toll roads and relentless loggings have kept powerful men of every faction equally comfortable: a new political economy has emerged, with both sides – Burmese and ethnic minorities – tied to China’s increasing presence. Yunnan officials and businessmen turned the ethnic areas into ‘mini-Chinas’” (Thant Myint-U 2011, p. 97-136). China knows better
than anyone else that the situation in Burma is not quite stable as much of the north and east of the country lie in the hands of armed groups other than the Burmese army. So China has done everything to be on good terms with all the players in Burma’s domestic conflicts. China offered something long, if ever nonexistent, to these conflicts: capital. And it worked. Stability pays off for everybody.

Since then approximately 2 million Chinese have migrated to Burma and Chinese businessmen dominate much of the economy. The Chinese invested in the development of ports, roads, bridges, and factories. Chinese consumer goods flooded Burma’s markets and as opportunities for making money expanded the presence of the Chinese grew rapidly, particularly in Mandalay (Fink 2009, p. 248). For the Chinese the Burmese market was attractive. Small businesses had good access there (no visa restrictions, the access to capital through traditional Chinese clans, linguistic and regional associations and the corruption of Burmese society that allowed them informally to migrate and do well) with entrepreneurship and relative wealth giving the Chinese a position of prominence (Steinberg and Fan 2012, p. 341). The former capital of Mandalay is symptomatic. It is said to be currently 1/3 Chinese (Thant Myint-U 2011, p. 44). The Chinese influx parallels the Indian influx of even greater size a century ago, and as the Indians did, the Chinese see Burma as a land of opportunities. Burma has rung up a huge official trade deficit with China, importing nearly all consumer goods from China and exporting logs and jade, much of this in contraband, as well as heroin. China, contrary to the West which until now was limited to humanitarian help only, was unrestrained, investing in infrastructure projects, building roads and dams, cutting down teak forests, mining for jade and selling its own consumers goods. “The net result was that new jobs were being created for local people and a more unequal society was being established” (Thant Myint-U 2011, p. 102).

7. The “Burmese thaw” and its consequences for Chinese-Myanmar relations

The first sign of the generals’ non-love towards China occurred when they did not inform China about moving the capital to Naypyidaw in 2005 (Rogers 2009, p. 163-164). The ousting of general Khin Nyunt, a strong advocate of Chinese support, is said to be connected with the Chinese issue as well (Steinberg and Fan 2012, p. 341-342). The most important sign was the Kokang incident in August 2009 when the Burmese army invaded a small Chinese enclave just inside Burma under pretense of fighting illegal drug trafficking and weapons production.

The most important move, however, was the “Burmese thaw” that started in August 2011 with the reconciliation between the military backed government and opposition leader Aung San Suu Kyi. The first step on this path was to lessen its dependence on China. The junta already made a move in this direction by
cancelling the construction of the Chinese supported Myitsone dam, a “Burmese Three Gorges Dam” (Steinberg and Fan 2012, p. 1189-190). The dam was being built at the confluence of the Maykha and Malihka Rivers that form the Irrawaddy River – Burma’s essential lifeline. With a reservoir of the size of Singapore, it was to flood a sizeable Kachin population. On the 30th of September Myanmar’s President, Thein Sein, announced the suspension of this project citing public unrest, a motive previously unheard of in Myanmar. The reference to “the will of the people” was an unprecedented concession to popular opinion – unheard of in half a century of military rule (Steinberg and Fan 2012, p. 354).

Since then the junta has started a gradual process of liberalization. As the political ice melted, the West began a cautious re-assessment of the policy of isolation and sanctions. This came against the background of the Obama administration’s new China ‘containment’ policy (called “the pragmatic engagement”). This Washington policy shift has given the generals a great opportunity to use the “U.S. card” against China. Better relations with the West are essential for the generals to maintain (or rather regain) the traditional “neutralism” that had been the hallmark of Burma during Cold War (Steinberg and Fan 2012, p. 364).

Contrary to the popular Western belief that sees this case as proof of the unavoidable process of democratization around the world, political reforms in Burma are being initiated from “above.” They are elite-driven and stem from the president and progressive members of the military-dominated party, the Union Solidarity and Development Party (USDP) (Bünte and Portela 2012). They represent a “political thaw” similar to that of the USSR’s initial reforms under Khrushchev. The main reason for these reforms is the threat of China.

Beijing reacted to these changes in a dual approach. The Chinese would like to see Western sanctions lifted, believing that a more prosperous Burma connected to international markets will help ensure stability and that this will be good in the long run for China as well. But they also clearly see the huge advantage that sanctions (and related boycott campaigns) have given to their own business interests by removing economical rivals from the scene. But what is most important to China is stability in Burma. Burma is not like Sudan or Zimbabwe; it sits next to a newly invigorated Chinese hinterland and any backlash in Burma or violence along the border would have serious consequences for Beijing. Burma sits on top of the Bay of Bengal and will soon be Southwestern China’s access to the sea, as well as conduit for its twenty-first century energy needs (Thant Myint-U 2011, p. 220).

China, given the option of either Burma’s rapprochement to the West or maintaining the former situation, would prefer the status quo that allows more room for manipulation. But Beijing will not object to the growing Western influence if essential Chinese interests are maintained. The Chinese will concentrate on ensuring that a friendly government in Naypyidaw is maintained and their interests, solidified in infrastructure, are defended. They want a favorable regime that
would continue to govern in such way that would prevent the worst scenario for China: popular unrest and any future “color” revolution (the extensive assistance that China has provided to the Burmese military has provided the motivation for keeping internal stability) (Steinberg and Fan 2012, p. 355-377).

The Mitsone dam was a lesson to Beijing and in the future it will try to minimalize the risk of similar incidents by improving their public image in the Burmese society. This need to improve their public image is due to China’s previous actions that ignored the Burmese population; it simply bargained with the junta and got projects approved regardless of the opinion of the Burmese people. Now China will need to promote its soft power. In order to ease this mental association, the Chinese have recently changed the status of the project from bilateral government nature to a commercial enterprise, thus easing diplomatic tensions. It was only a tactical failure. But Burma is of strategic importance (which is said implíciteas since Thein Sein’s visit to Beijing in May 2012 resulted in Burma becoming China’s “strategic partner”) Whoever obtains the power in Burma, the bottom line of China’s Burma policy is that its core interests should be protected due to geopolitical realities(Steinberg and Fan 2012, 186-310). Therefore, from Chinese perspective, if the “Burmese thaw” is to bring stability and peace in Burma, even under the unpleasant condition of having to compete with Western capital, it is worth sacrificing a privileged position for greatest profit: Burma’s stability.

References


