

BULLETIN

No. 22 (355) • February 29, 2012 • © PISM

Editors: Marcin Zaborowski (Editor-in-Chief), Katarzyna Staniewska (Executive Editor),
Jarosław Ćwiek-Karpowicz, Beata Górka-Winter, Artur Gradziuk, Beata Wojna

China's Policy towards Myanmar

Justyna Szczudlik-Tatar

China's involvement in Myanmar has economic and political goals. Myanmar is seen as an outlet market, a source of raw materials, a state that gives access to the Indian Ocean and enables China to bypass the Malacca Strait. The PRC's engagement in Myanmar also creates a counterbalance to the U.S. in Asia. Despite recent events in Myanmar—the suspension of a Chinese hydropower project and improving relations with the U.S.—which are interpreted as signals that the country aims to be less dependent on China, the PRC remains a major partner for Myanmar. China's support for the Myanmar regime transition and integration with Asia, which preserves stability in the region, should be used by the EU to encourage Myanmar toward further modernization.

After the 8-8-88 uprising in Rangoon (on 8 August 1988, students protested against the government, calling for regime change but met with a crackdown) resulted in a high death toll and sanctions imposed on Myanmar, the country was isolated internationally. Since then, China has become Myanmar's closest partner. Both countries opened its borders for trade and the PRC offered economic and military assistance and supported Myanmar in the United Nations. Nevertheless, China's policy towards Myanmar is based on a manoeuvring approach—maintaining good relations with the junta while having secret contacts with the opposition and offering temporal support for Myanmar's ethnic groups.

China's Engagement in Myanmar. The basic dimension of China's engagement in Myanmar is economic cooperation. It fits with the Western Development Policy (*Xibu Dakaifa*) launched in the late '90s to improve the development of China's western provinces. The PRC sees Myanmar as an outlet market that may improve the trade volume of Yunnan province (Myanmar is Yunnan's largest trading partner). Recently, China became more interested in Myanmar's raw materials and energy production. In 2009, both countries signed an agreement to construct two oil and gas pipelines to Kunming (the Yunnan capital) and hydropower projects. China invested also in the construction of infrastructure as a realization of its "go global" strategy. According to Myanmar, in 2011 the PRC became the country's largest trading partner and investor (overtaking Thailand). In fiscal year 2010–2011, trade volume was \$5.3 billion. Myanmar data from November 2011 shows that total Chinese investments in Myanmar were about \$14 billion (accounting for about 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).

Despite the intimate relations with the PRC, Myanmar felt overwhelmed by China. The inflow of Chinese products and workers engaged in infrastructure projects, the export of raw materials and China's involvement in energy production are seen as threats to Myanmar's economic sovereignty. So, Myanmar has tried to rebalance its foreign economic relations by cooperating with India, ASEAN (Myanmar has been a member since 1997) and the U.S. (in 2011, though, U.S. exports to Myanmar totalled \$48.8 million with no imports).

China's political goals in Myanmar are connected to the PRC's aim to be a formidable player in Asia. China's engagement could be seen as a counterbalance to India's interests in Asia Pacific, convergent with India's "look-east" foreign policy, as well as the pursuit to constrain U.S. influence in the region. Additionally, amicable relations with Myanmar gives China access to the Bengal Bay and Indian Ocean, undermining India's position in the region. Access to Myanmar's coast enables China

to bypass the Malacca Strait, through which the PRC transports raw materials from the Middle East and Africa. Bypassing the Strait not only shortens transport but also helps to avoid pirate and terrorist attacks or other risks connected with a temporary closure of this trade route.

Other security issues were also among the factors behind China's efforts to cooperate with the ruling junta. Myanmar's ethnic problems near China's territory (Yunnan province) and drug smuggling pose a security conundrum for the PRC. As an isolated country with armed minorities seeking independence, Myanmar is a threat to China's stability. The PRC is concerned about the "demonstration effect" on Chinese minorities and the influx of Myanmar refugees.

China's Attitude Towards the Recent Events in Myanmar. China assesses as positive the Myanmar regime's democratization efforts, which began with the parliamentary elections in November 2010. The Chinese MFA announced that the "elections are a critical step for Myanmar to implement the seven-step road map in its transition to an elected government, and thus is welcomed and affirmed". From the Chinese point of view, a stable situation in Myanmar preserves the stability of China's borders and prevents any ethnic-issues-related threats.

But the recent events in Myanmar—a decision to suspend the construction of the Myitsone Dam, the biggest Chinese hydropower investment in the country, and the improvement in U.S.–Myanmar relations—raise China's concerns about being contained and encircled by the U.S. The Myitsone decision was a surprise for the PRC. After the announcement of the decision (one day before the PRC's 62nd anniversary), the MFA admitted that China had noted the information and was now verifying it. The decision was also a surprise for the China Power Investment Corporation (the main investor in the project) whose president said that he learned about it from media. He highlighted that Myanmar had not mentioned any suspension plans but had urged it to accelerate the construction process. He noted the sudden postponement was incomprehensible to him and that it could bring about a series of legal problems. Then, China urged consultation with Myanmar, and in October, a Myanmar special envoy visited Beijing to try to reduce tensions.

Despite Myanmar's explanation that this decision was made under pressure from people concerned about the project's consequences on the environment, China interpreted it through a wider perspective. The *People's Daily*, a mouthpiece of the CPC, maintains that Western countries influenced Myanmar society and its authorities to suspend the project in order to deteriorate relations with the PRC and to harm Chinese interests in Myanmar. Western countries, mainly the U.S., were described as possessing hegemonic thinking and using "popular will" to suppress Chinese investments abroad. A similar approach was presented after U.S. Secretary of State Hillary Rodham Clinton's visit to Myanmar in the fall of 2011. Officially, the MFA announced that "China is willing to see Myanmar strengthening contacts and improving relations with western countries on the basis of mutual respect so as to promote its stability and development". But media underscored the belief that the U.S.'s improving relations with Myanmar and its increased presence in Asia Pacific is intended to contain the PRC.

Conclusions and Recommendations. Despite the recent developments in Myanmar, it seems that in the short and medium terms the PRC will remain a major partner to Myanmar. In the process of Myanmar's democratization, the Chinese factor should not be neglected. The Chinese ambassador to Myanmar's meeting with Aung San Suu Kyi in December 2011 showed that the PRC was willing to cooperate with the Myanmar opposition. Before Qaddafi's death, the PRC also contacted the Libyan opposition. This month, the Syrian opposition visited China, meeting with a deputy foreign minister. This behaviour could be perceived as a modification of China's non-interference principle. The PRC appears to be engaged in regime-transition states at least for two reasons: to preserve its economic interests, e.g., the supply of goods and raw materials, and to improve its image as a responsible state.

China's support for the Myanmar regime's transition, the PRC's negative attitude towards the U.S. role in that country, and Myanmar's signals about limiting Chinese involvement could be incentives for the European Union to increase its engagement in Myanmar. The EU is perceived in Asia as a civilian power, a provider of ODA, and an entity that has recently reduced some portion of the sanctions against Myanmar and could play an essential role in supporting democratization without facing resistance from the Chinese side. On the other hand, the increasing engagement of other countries in Myanmar could be seen by China as a potential challenge to its access to that market and its natural resources. To be an effective supporter of the democratization process in Myanmar, the EU should act coherently, using a policy based on the lifting of sanctions, provision of ODA, as well as the sharing of experiences with the democratization and economic liberalization of its member states from Central Europe. Furthermore, the EU should be more involved and visible in Asia, effectively using ASEM (Asia-Europe Meeting) or ARF (ASEAN Regional Forum) as tools in its policy towards the region and as consultation forums with Myanmar and other Asian countries.