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# China-Myanmar Relations: New Challenges Unfolding

# Objectives

Understanding	the challenging factors of Sino-Myanmar bilateral relations; especially the recent ones as they are unfolding through the controversial Chinese projects in Myanmar
Explaining	the role of the emerging domestic socio-ethno-political scenario in Myanmar in deciding the trajectory of Sino-Myanmar bilateral relations.
Offering	a Myanmar-centric perspective to understand the Sino-Myanmar bilateral relations
Situating	Myanmar in Chinese Global dream projects

*Pauk Phaw* between  
China and Myanmar

- From 1988, in the wake of Myanmar's isolation from rest of the world, China and Myanmar came closer to each other
- Myanmar became heavily dependant on Chinese money and China became its friend and mentor; defence and security partnership too enhanced to a large extent
- Myanmar never shied away from saying that irrespective of the forms of government, Myanmar and China will continue to be each other's *Pauk Phaw*.

Flows of FDI into  
Myanmar (values  
USD Million)

Region/Economy	2001	2005	2010	2012
World	19	6,066	19,999	1,419
East Asia	10	1	16,744	526
China	3	1	8,269	407
Southeast Asia	3	6,034	2,449	584
India	-	31	-	12

Source: UNCTAD

## Myanmar's Top Five Export Partners, 2010

Market	Trade (USD Million)	% Share in Total Export Trade
Thailand	3,177	41.67
Hong Kong	1,612	21.14
India	958	12.56
China	476	6.25
Singapore	276	3.62

Source: World Integrated Trade Solution

## Myanmar's Import Partners, 2010

Source Country	Trade (USD Million)	% Share in Total Export Trade
China	1,128	27.10
Singapore	1,123	26.96
Thailand	473	11.37
Korea	253	6.06
Japan	219	5.25

Source: World Integrated Trade Solution

# *Pauk Phaw* Continued on the Political-Diplomatic Fronts as Well

- 2003- Depayin Incident
- 2004- Chinese Foreign Ministry- international community needs to maintain a conducive external environment to help Myanmar reach its target of democratic transition
- 2005- Chinese support to Myanmar to assume ASEAN's leadership
- 2006- China stopped US from getting a resolution passed against Myanmar in the UN

**Principle of Non-Interference**

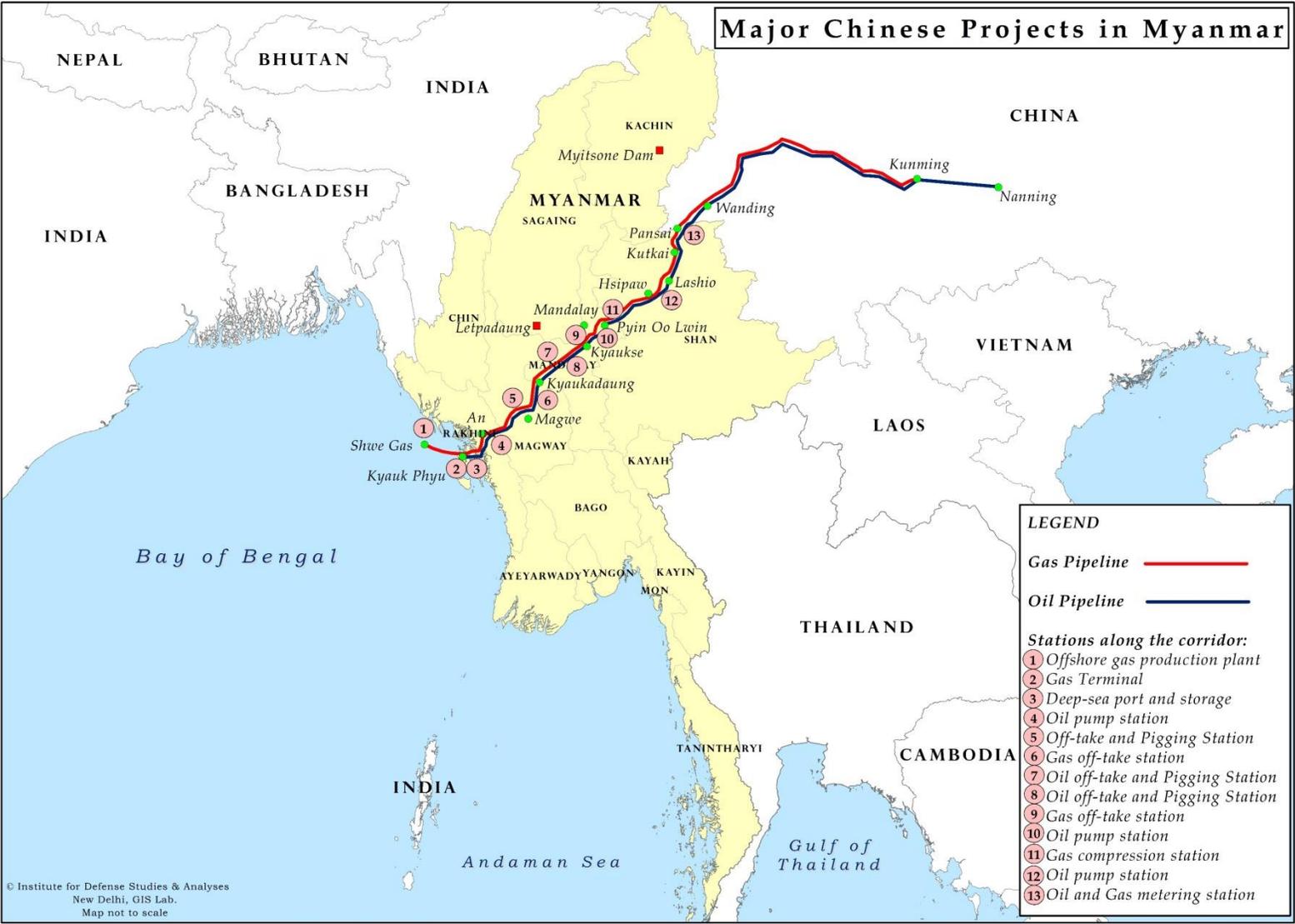
## Using Ethno-Nationalism to Satisfy Own Purpose: China and Cross-Border Ethnic Insurgency in Myanmar

On the issue of ethnic unrest, China maintains a *conflicting* approach towards Myanmar - the purpose has been to enjoy domination over the Sino-Myanmar border area. China allegedly maintains cordial relations with the Wa and the Kachin rebels and provide them with financial support as well as arms and equipment. At the same time, China wants to keep the ethnic tensions at a lower level in order to maintain security and stability across the border and hence, pledges to support the Myanmar government in reducing ethnic turmoil.

# The Politics of Economy: Controversial Chinese Projects in Myanmar

- Myitsone Dam
- Letpadaung Copper Mine
- Kyauk Phyu Port and Oil and Gas Pipelines between Kyaukphyu and Kunming.

## Major Chinese Projects in Myanmar



# Letpadaung Copper Mine

- Myanmar Wanbao Mining Copper Ltd. (MWMCL) and its local partner, a military conglomerate, Myanmar Economic Holdings Ltd. (UMEHL) came together for a joint venture
- Agreement signed in 2010
- Original Agreement had given 51% of the profit to Wanbao and 45% to their partner, UMEHL
- 3000 hectares of land taken away from the villagers
- A Buddhist Monastery destroyed
- Protests Launched
- In 2014, investigation committee under Daw Aung San Suu Kyi formed
- Committee recommended continuation of the project, however, more profit to the Myanmar government and more compensation to the farmers were recommended
- In March 2017, another protest launched as compensation still not paid

# Myitsone Dam

- China Power International (CPI) and Myanmar Ministry of Electric Power No. 1 signed the agreement to build up the Myitsone and other smaller dams under the Ayeyawaddy Confluence Basin project in December 2009 during the visit of then Vice President Xi Jinping to Myanmar.
- Myitsone is a Build-Operate-Transfer (BOT) kind of project, 90% of the produced electricity was supposed to transmit to China and after fifty years, CPI was supposed to transfer the dam to the Myanmar government at no cost.
- Suspended in 2011 in the wake of protests by local Kachin people and KIO on the grounds of environmental damage, ethno-nationalism and political tensions in the area

# Kyauk Phyu SEZ and other SEZs in Myanmar



# Contd..

- An agreement signed between China National Petroleum Corporation (CNPC) and Myanmar Oil and Gas Enterprises (MOGE) in 2009-10 for Myanmar China Oil and Gas Pipelines from Kyaukphyu to Kunming.
- The \$1.5 billion Myanmar-China pipelines construction was initiated in 2010 and mostly completed by 2015.
- The SEZ includes a deep water port terminals, industrial clusters including steel mills and petro-chemical plants and highways and other infrastructure to complement the industrial belt.
- In his recently concluded visit, President U Htin Kyaw concluded an agreement with President Xi Jinping on early operationalisation of the oil and gas pipelines. The oil pipeline is expected to benefit both China and Myanmar. For instance, it will have the capacity of importing almost 6% of China's total oil imports . In return, Myanmar will get USD 13.81 million as road usage fees and a transit fee of \$1 per ton of crude oil imported through the pipeline for the next 30 years.
- Kyaukphyu a part of China's One Belt One Road (OBOR) project and both Myanmar and China have shown interests in timely development of the same.

## Myanmar's Agenda

- Win-win situation
- Preserves national sovereignty and national interests
- Getting economic benefits from Chinese projects and investments
- Playing China Card with regional actors and extra-regional powers including India, ASEAN, Japan and US

# Concluding Remarks- A Multi-dimensional Relationship

## Optimism

- For China, Myanmar is a gateway to the Bay of Bengal and Indian Ocean; Myanmar's geography makes it important in China's One Belt One Road project
- For Myanmar, Chinese investments are important to sustain and enhance the development agenda of the country; Myanmar also sees it as an advantage as regional actors like India and Japan pay attention to their relations with Myanmar as they fear about China's strategic circle encompassing Myanmar (like Cambodia, to some extent, recently Philippines and Lao PDR)

## Pessimism

- Illegal border trade- illegal logging, teak and timber trading
- Arms and weapons smuggling
- Cross-border ethnic insurgency
- Chinese proxy businesses
- Flows of refugees

Thank You