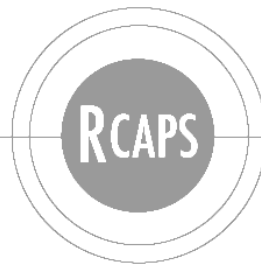


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Myanmar's Policy toward the Rising China since 1989  
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HNIN Yi  
Graduate School of Asia Pacific Studies  
Ritsumeikan Asia Pacific University

Corresponding Author: HNIN Yi  
E-mail: [yihn12@apu.ac.jp](mailto:yihn12@apu.ac.jp)

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**Myanmar's Policy toward the Rising China since 1989**

**By HNIN YI**

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**Graduate School of Asia Pacific Studies**

**Ritsumeikan Asia Pacific University**

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## Myanmar's Policy toward the Rising China since 1989

### 1. Introduction

The main concern in the international relations of Asia Pacific is the factor of China's ascendancy on the regional and the global stage. In particular, not only Northeast Asian states but also Southeast Asian states are much more attentive to expanding Chinese multidimensional capabilities such as economy, military, politics and diplomacy (Ott, 2006). Consequently, how regional states are responding to the growth of Chinese power is a popular question in the circle of international relations debate (Vuving, 2006). The common goals of ASEAN states are to protect their sovereignty and national interests and to protect against the great powers' influence in the region. Myanmar is seeking to employ the same strategy in relation to the rising China. Since 1988, the relations between Myanmar and China have cordially accelerated. Under the military rule, the traditional *Paukphaw* relations (that is: like an elder brother and younger brother) with China was deeply entrenched in the political and economic sphere. Both Myanmar and China mutually gained material and diplomatic profits through this relationship (Than, 2010). However, the suspension of the Myit Sone Dam project, the improvement of Myanmar-US relations, and the lifting of Western sanctions after rapidly changing domestic politics in 2011 have made China alert that it can no longer be a sole dominant power in the country (Sun, 2012).

The purpose of this paper is to examine the prospects and challenges of Myanmar's policy toward China since 1989 and to analyze how Myanmar has adopted her strategy in response to the rising China with domestic and political reforms. This paper is covered with five folds. The first section will review theoretical and past literature perspectives on Myanmar's China Policy. The second section will provide historical background of Myanmar-China Relations. Then, the third section is going to describe Myanmar's China policy by discussing political, military and economic relations between the

two countries. The fourth section will discuss the impacts of Myanmar's political reforms on Myanmar-China relations. The fifth section will draw the conclusions on how Myanmar has pursued her foreign policy strategies toward the rising China.

## **2. Literature Review**

The smaller states' strategies towards a rising power can be classified in terms of balancing, bandwagoning, hedging, and engaging, in the context of International relations theories: realism and liberalism (Chwee, 2000; Vuving, 2006). While balancing and bandwagoning are two options under realism, engagement is derived from liberalism and hedging from a mixture of the both (Vuving, 2006). Balancing in international relations is the intention that states cooperate or seek alliances in order to avoid the influence of a stronger power. In contrast, bandwagoning is characterized as the tendency of states, "to ally *with* rather than against the winning side" (Walt, 1985). According to Evelyn Goh (2006), hedging can be defined as "a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternative strategies such as balancing, bandwagoning and neutrality. Instead they cultivate the middle position that forestalls or avoids having to choose one side"(Goh, 2006). Engagement means that "a state uses inclusion and rewards to attempt to socialize a dissatisfied power into accepting the rules and institutions of the pre-existing international order" (Roy, 2005).

Under these smaller states' strategies, a few scholars pointed out Myanmar's strategy in the face of the rising China. Sun Yun (2012) said that the best strategy for Myanmar always stands on seeking a balanced diplomacy among strong powers to increase its profits and leverage due to its given territorial reality. It can be called the most delicate balancing which needs wisdom and accurate calculation. Myanmar surely does not want to be China's satellite

state. On the other hand, Naypyitaw does not want to alienate Beijing. Myanmar will actually have to redress the balance of its relationship with the US, China and other powers and bring its foreign policy to its traditional non-aligned, balanced path (Sun, 2012). In this sense, it can be assumed that Myanmar will have practiced the soft balancing strategy in response to the rising China. In that case, soft balancing can be defined as “a balancing strategy involving non-military tool such as international institutions, economic statecraft and other diplomatic arrangements in order to delay, complicate, or increase the cost of using extraordinary power by a preponderant state” (Yoshimatsu, 2012).

McDougall figured out that Myanmar’s focus on furthering cooperation policy with China originated from the ruling junta’s isolation might have led to a bandwagoning strategy despite strong economic ties between Beijing and Naypyitaw (McDougall, 2012). This can be assumed that Myanmar’s strategy in responses to China can sometimes be bandwagoning with a limitation. Poon Kim Shee (2002) stressed that Myanmar is “neither strategic pawn nor economic pivot.” Bilateral ties of Myanmar and China are reciprocal and mutually beneficial despite being uneven and asymmetrical (Shee, 2002). This pointed that Myanmar focused on the engagement policy toward China.

Mg Aung Myoe (2011) argued that the relations between Myanmar and China can be characterized as Pauk-Phaw (kinfolk) friendship. Within the context of this Pauk-Phaw relationship, Myanmar has skillfully played the China card and still enjoys considerable space in her conduct of foreign relations, despite being in asymmetric relations with Beijing. Myanmar has constantly tried to change her relations with China to get her best advantage. Myanmar’s China policy has always been standing in the middle position between bandwagoning and balancing (Myoe, 2011). According to the past literature, it can be concluded that Myanmar has adopted a hedging strategy in response to the rise of China.

Moreover, the past literature collectively implied that Myanmar is pursuing a hedging strategy in the face of the rising China ranging from soft balancing to limited bandwagoning.

### **3. Historical Background of Sino-Myanmar Relations**

The historical and political background of China and Myanmar plays an important role in their bilateral relations. Since 1948, Burma<sup>1</sup> has established her own path in order to protect her national interest and development. Yet, Myanmar always takes into account the China factor in formulating her foreign policy. Myanmar policy toward China is regarded as a combination of domestic needs and responses to external threat (Shee 2002). Since Myanmar experienced English colonialism and Japanese occupation, the Myanmar government regarded any westernization as a threat to her own national security. Moreover, wedging between the two great powers, India and China, the government considered China to pose a greater threat (Pels, 2009). Myanmar was the first non-Communist Asian country that officially recognized the establishment of the People's Republic of China in 1949. The bilateral relationship has been based on the five principles of peaceful co-existence, agreed upon by Myanmar, China and India in 1954:

- Mutual respect for each other's territorial integrity and sovereignty;
- To abide by the mutual non-aggression;
- Non-interference in each other's internal affairs;
- Respect for mutual equality and to work for mutual benefit; and
- Peaceful co-existence

In addition to that, China-Burma relations rely on three kinds of relations: people to people relations, party to party relations and state to state relations. Through state to

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<sup>1</sup> Burma is the former name of Myanmar. In 1989, the SLORC renamed the country as Myanmar and the capital as Yangon.

state relations, their ties based on personal diplomacy exercised by the heads of both countries. This started with Premier Zhou Enlai's visit to Myanmar in June 1954 and premier U Nu's return visit to China in November of the same year. U Nu's visit to China was the milestone of Burma–China relations (Myoe, 2011) Both countries established the friendly and cordial relationship known as *paukphaw* relationship based on the strength of personal rapport between the top leaders (Than, 2010).

However, in 1962 Burmese foreign policy was added with isolationism under the revolutionary government of U Ne Win. In the late 1960s, the Chinese Cultural Revolutions led to undermine bilateral relations between Burma and China. In 1967, Chinese embassy in Burma started exhorting the local Chinese to wear badges and participate in Cultural Revolution-style activities such as the Mao Zedong Thought study. With the prohibition of these activities by the Ne Win government, there were riots between Burmese people and resident overseas Chinese, especially militant Maoists. Burmese mobs in Yangon attacked the Chinese and Sino-Burma. Moreover, Chinese support for the Burmese Communist Party (BCP) further cooled bilateral relations. Eventually, both countries suspended their diplomatic ties, and the bilateral relations reached the lowest level in the late 1967 (Seekins, 1997).

As the consequences of the 1967 Chinese-Burmese riot, China initiated the “dual track” or “two pronged” approach (party-to-party as well as state-to-state) towards bilateral relations (Than, 2003). In 1971, the Ne Win government reestablished diplomatic relations with China by accepting a Chinese ambassador to Burma. Then, General Ne Win paid a visit to China in order to formalize normalization of state-to-state relations through skillful personal diplomacy despite the continued Chinese support for the BCP (Seekins, 1997). Burma sought to accommodate with the Chinese dual track policy while maintaining friendly state-to-state relations. In March 1974, the Ne Win regime established the Burma



Socialist Program Party (BSPP) with the formation of one party Socialist Republic of Union of Burma. The BSPP government sought to enhance the bilateral relations through personal diplomacy with the visits by Burmese presidents, prime ministers and official delegations (Than, 2003).

Bilateral relations between China and Myanmar steadily improved with China resuming official development assistance during the second half of the 1980s. After the 1988 democracy movement, the State Law and Order Restoration Council (SLORC) was formed and the SLORC government came to power in Myanmar. The SLORC government enhanced closer bilateral relations between Myanmar and China. In 1989, the largest insurgent group, the Burma Communist Party (BCP) split into four separate armed groups, the United Wa State Army (UWSA), the Myanmar National Democratic Alliance Army (MNDAA), the Shan State Army-East (SSA-E) and the New Democratic Army - Kachin (NDA-K) (Lintner, 2000). The disintegration of the BCP removed the most thorny obstacle of Sino-Myanmar relations (Than, 2003). Moreover, the domestic political violence of the 1988 uprising and the cancellation of the election results in 1990 isolated Myanmar from the international community. The western countries including the United States and European Union imposed sanctions on Myanmar (Ganesan, 2011). As a consequence of isolation from the international community, Myanmar needed to get China's back up for its regime survival. At the same time, China demanded Myanmar's natural resources including energy and market for China-made products. China sought to fulfill the vacuum of Myanmar by providing some assistances ( i.e advanced modern military weapons system) as well as taking its economic role in Myanmar. Consequently, bilateral relations between Beijing and Yangon have significantly improved since then.

#### **4. Myanmar Policy toward the Rising China before 2011**

Bilateral relations between Myanmar and China have significantly improved through the state-to-state relations since 1989. The Chinese government and the SLORC government undertook the defense of national sovereignty and independence as the foundation of their foreign policy. A great deal of personal diplomacy at the top levels has been pursued by both countries. In 1989, the SLORC's First Secretary or Secretary One Khin Nyunt made a visit to Beijing accompanied by 24 other officials, and the incumbent SLORC chairman paid an official visit to China with an entourage of 53 officials at the invitations of President Yang Shangkun on August 1991. In the same way, Chinese Premier Li Peng visited reciprocally Yangon in December 1994 with a 79-persons entourage at the invitation of Senior General Than Shwe, the successor of General Saw Maung as the SLORC chairman in 1992. In September 1994, Lieutenant General Khin Nyunt paid another visit to Beijing, and in 1996 Senior General Than Shwe made his first official visit to China accompanied by some of the more visible military officers at the invitation of Chinese President Jiang Zemin (Seekins, 1997).

This visit resulted in a joint communiqué which was intended to strengthen and enhance Myanmar-China cooperation and the traditional Paukphaw friendship. Following a year of Senior General Than Shwe's visit, State Councillor and Secretary-General of the State Council Luo Gan paid a visit to Yangon and negotiated the three agreements for bilateral cooperation. In 1997, the SLORC renamed itself the State Peace and Development Council (SPDC). After that, Vice Premier Wu Bangguo came to Yangon for signing a Framework Agreement on Preferential Loan with interest subsidized by the Chinese government. In 1999, the Secretary one of SPDC, Lieutenant General Khin Nyunt again paid an official visit to sign the Agreement on Economic and Technical Cooperation. At the same

time he met with Premier Zhu Rongji, Chairman of Chinese People's Political Consultative Conference, State Councillor Luo Gan, and Defense Minister Chi Hotian (Myoe, 2011).

At the same time, the SLORC government heavily relied on the Chinese military support in order to replenish and modernize the Tatmadaw, the Myanmar armed forces by late 1988 or early 1989 (Kudo, 2006) (Storey, 2011). In 1994 and 1996, the SLORC regime made two substantial arms deals with China for counter-insurgency operations and conventional land and sea war fighting by receiving military weapons such as heavy artillery, multiple rocket launchers, patrol boats, guided missile attack craft, fighter air craft, air-to-air missiles, electronic warfare and signals intelligence (SIGINT) equipment, and night vision equipment (Haacke, 2006). In this way, China has provided Myanmar Tatmadaw a major source of weapons, military training and infrastructural supports (Seekin, 1997).

The SLORC's military ties with Beijing has mainly based on three means: first purchasing approximately US \$ 1.4 billion worth of relatively advanced weaponry from Beijing; gaining Chinese assistance in the construction of military facilities; and applying Chinese pressure on ethnic minority insurgents to enter peace talks with the SLORC. Moreover, high ranking military officers of Beijing and Yangon have paid several mutual visits in order to strengthen personal ties between the Tatmadaw and PLA. In 1994, the visit of General Li Jiulong, the commander of the Chendu Military Region, was designed to promote their military cooperation. In addition, the two governments established a military cooperation agreement including provisions for intelligence exchanges in 1996. It also continued training for military personnel in both countries (Storey, 2011). Andrew Selth expressed that the military aid from China reinforced the Myanmar Tamadaw to transform itself from 'a small weak counterinsurgency force' into 'a powerful defense force capable of major conventional operations' (Selth, 2002).

In 1997, Myanmar joined the Association of Southeast Asian Nations (ASEAN) to head off its over-dependence on China. During the first decade of the twenty-first century, Myanmar's domestic political crises and Western economic sanction and China's veto of the US- and UK-led resolutions made Yangon more dependent on Beijing. However, the SPDC government initiated to diversify the state's foreign relations, with India and Russia. (Storey, 2011). In this way, China became the friendliest partner of Myanmar in terms of political, military and economic relations.

Myanmar–China relations are asymmetrical and uneven despite being reciprocal and mutually beneficial. From the beginning of 2000, Myanmar–China relations gradually became more friendly and cooperative on political, security and economic levels. Firstly, from political aspects, General Maung Aye, Vice Chairman of State Peace and Development Council (SPDC) visited China, on Jun 5 2000 for celebrating the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between Myanmar and China and signing the Framework of Future Bilateral relations and Cooperation (The New Light of Myanmar, 2000). Vice President Hu Jintao's reciprocal visit to Yangon from 16 to 18 July 2000 provided for the signing of three agreements for future bilateral cooperation of both countries (Myoe, 2011). These mutual visits highlighted that China greatly supported Myanmar's regime survival and politically reaffirmed the legitimacy of the SPDC regime.

On the other hand, the Myanmar military government took into account the potential danger of over-reliance on China. By the late 1990s, Myanmar employed a hedging strategy through diversifying its diplomacy and consolidating its ties with not only India, Russia and Japan, but also ASEAN countries. Moreover, in 2001 the purchase of 12 MIG-29 fighters from Russia and the dispatch 300 military personnel to Moscow for training to fly the MIGs and obtaining rocket technology highlighted that Myanmar was seeking an alternative partner to balance China and India (Shee, 2002).

Jiang Zemin's state visit marked the highest level for the development of China-Myanmar relations in 2001. Moreover, this visit highlighted the significance of pushing forward with the overall development of bilateral good-neighborly friendship and cooperation in the new century. During his visit to Yangon, he stressed that China and Myanmar were close and good neighbors in accordance with "a profound Pauk-Phaw friendship fostered in the long-term and in close contacts between the two peoples" (Myoe, 2010). Moreover, Jiang gave the promise that China would contribute to implementing the joint statement on bilateral cooperation with Myanmar in order to be good neighbors and partners forever and keep on their friendly relationship from generation to generation. Consequently, Senior General Than Shwe, the Chairman of SPDC, also replied to Jiang that "Myanmar attaches importance to the comprehensive development of friendly cooperation with China." He was also grateful to Chinese leader for Beijing's "generous support and assistance over the years" (People Daily Online, 2013).

In January 2003, Senior General Than Shwe also reciprocated Jiang's visit by making his second visit to Beijing. On Than Shwe's arrival in China, Jiang Zemin again expressed that "China always maintain the policy of good-neighborly friendly relations to cooperate with Myanmar. These mutual visits have highlighted to their deeply, friendly and cordial relations and strengthened their economic ties (The New Light of Myanmar, 2003).

Most interestingly, India, Russia, Singapore and Thailand have also sought to dilute Chinese economic leverage in Myanmar. Moreover, the Junta played a balancing game through the promotion of its relations with India. Mutually, India is willing to break the potential containment by China-Pakistan-Myanmar in its northeastern border. Chinese military leverage in Myanmar can no longer decisively stand because of the poor quality and reliability of Chinese weapons despite China's status as the biggest military provider to Myanmar. In order to attain more advanced and reliable weapons, Myanmar has turned to

Singapore, Pakistan, Portugal, Israel, South Africa, North and South Korea, and Russia (Li & Zheng, 2009).

In 2000, Myanmar–India relations were restored as Indian criticism of Myanmar’s domestic political situation and the SPDC’s human rights record stopped. The key motivations of India were to ward off China’s political influence in Myanmar, access Myanmar’s energy resources, and secure Yangon’s cooperation in the fight against insurgents in the northeastern India. Between 2000-2006, India and Myanmar paid mutual high-level visits including SPDC chairman General Than Shwe’s visit to New Delhi in 2004 and Indian President Abdul Karim’s trip to Yangon in 2006 (Storey, 2011).

In 2003, the crack-down on demonstrators in Depayin by the government and the Union Solidarity and Development Party (USDP) killed a few dozen of Aung San Suu Kyi’s supporters. Daw Aung San Suu Kyi and the rest of several others were also arrested. This Depayin incident outbreak made Myanmar’s domestic political situation worse. ASEAN sought to pressure the Myanmar government to solve the political deadlock and make political reforms by undertaking the unusual diplomatic initiative (Myoe, 2010). This incident was greatly condemned by the international community and led to the hearing of the Myanmar case at United Nations Security Council (UNSCR). As a result, the United States and Western countries imposed tighter sanctions on Myanmar (Storey, 2011). China tried to pressure Myanmar government to bring about political reforms because Beijing was requested by foreign governments and international organizations to serve as a major stakeholder.

In this situation, Myanmar leaders initiated a reform plan to head off international criticism and to prevent further intervention in the internal affairs of the country. After being appointed as a prime minister in August 2003, General Khin Nyunt put forward a

seven-point roadmap for political transition in Myanmar. Moreover, the National Convention, suspended since 1996, was reconvened. From the late 2003, Beijing launched a more assertive policy towards Myanmar with encouragement to Yangon to begin political transition. At the same time, the Chinese government continued to defend Myanmar in the international and regional forums and provided more development assistance. Khin Nyunt's visit to China in 2004 paved the way for more friendly development of bilateral relations between China and Myanmar with signing twenty-one agreements, contracts, and memorandum (Myoe, 2010).

Surprisingly, Prime Minister Khin Nyunt was purged and imprisoned on 18 October 2004 because of corruption charges. In fact, a number of reasons, including irreconcilable factional tensions, and rivalries between the intelligence corps and the infantry, Khin Nyunt's increasing departure from the norms of collective leadership and collective responsibility, and his failure to share credit for more progressive government policies led to the dismantling of Khin Nyunt's military intelligence establishment (Myoe, 2011). Consequently, the implementation of Myanmar's democratic plan was delayed. Moreover, the removal of Khin Nyunt was assumed that Myanmar-China relations would be reluctant as he was regarded as an architect of Sino-Myanmar alignment. However, the Depayin incident and the purge of Khin Nyunt moved forward to tighter embrace between the two countries, instead of weakening their relations. Besides, Chinese economic role in Myanmar broadened owing to the US and western imposition of very tough new sanctions. ASEAN members forced Myanmar to relinquish its chairmanship of ASEAN in 2005 (Storey, 2011). In 2007, the Saffron Revolution occurred through protesting the unannounced decision of the SPDC government to increase the price of diesel and petrol. However, this movement was surrendered under the cruel suppression of the junta. The outbreak of this revolution pushed Myanmar and China into friendlier and closer cooperation. This is because China-Russia

double veto shielded Myanmar from the draft resolution undertaken by the US and UK at the UN Security Council (Haake, 2012).

On Jun 2009, Vice General Maung Aye's Visit to Beijing focused on deepening bilateral relations and seeking Chinese understanding of the government's policy towards ceasefire between ethnic-based groups along the China-Myanmar border. Moreover, after meeting with Premier Wen Jiabao, Maung Aye signed several agreements and MOUs including an agreement on economic cooperation, an agreement on Development, Operation and Transfer of Hydropower Projects on Ayerwaddy River and a Memorandum of Understanding on the Development, Operation and Management of Myanmar-China Crude Oil Pipeline Project. In the same year, Chinese Vice-President Xi Jinping paid a reciprocal visit to Yangon. During his visit, the two leaders stressed their close and friendly relations by signing sixteen documents comprising five agreements on trade, economic matters, transport infrastructure, technical cooperation and purchase of machinery; seven financial agreements; three agreements on hydroelectric power; and one agrees on the energy sector and oil and natural gas (People's Daily Online, 2009). Moreover, Xi Jinping disclosed a fourfold proposal, which focused on maintaining high-level contact, deepening reciprocal cooperation, safeguarding the peace and prosperity of the border area, and strengthening coordination on international and regional affairs (Myoe, 2011)

In 2010, Chinese Premier Wen Jiabao made a state visit to Myanmar in order to commemorate the 60<sup>th</sup> anniversary of China-Myanmar relations. During his visit, Wen also witnessed the signing of fifteen MOUs and agreements for cooperation in economic development and technology sectors, rail transportation, trade, hydropower, energy and mining (Ministry of Foreign Affairs of the People Republic of China, 2010). The year 2010 provided several reciprocal top level state visits for promoting their multi-sectoral cooperation. In sum, the Myanmar government undertook the enhancement of the close and



friendly relations with China through their reciprocal state visits for the sake of its regime survival and China's backing to shield Myanmar from international criticism. At the same time, the government sought to maintain its sovereignty and independence and to minimize over-dependence on China by diversifying its external relations with Russia, India, and ASEAN countries.

#### **4.1. Economic gains from China**

Closer economic ties with China play an important role in Myanmar's foreign policy goals. Economic cooperation between Myanmar and China has also improved dramatically during the post-1988 period. Bilateral trade has been beneficial for both countries and escalated rapidly since the 1990s (Gansen, 2011). Chinese president Jiang Zemin's visit in 2001 to Myanmar opened a new phase of bilateral economic relations. China and Chinese enterprises have been involved in Myanmar's industrial, infrastructure and energy development through economic cooperation. By late 2002, Chinese companies had officially launched more than 800 projects with a total value of US\$ 2.1 billion. In 2003, China also offered a US\$ 200 million preferential loan to finance construction of one of Myanmar's largest planned hydropower projects at Yeywar near Mandalay after Senior General Than Shwe's visit to Beijing (Haacke, 2010).

China's economic and development cooperation were focused on three main fields including infrastructure development, providing to State-Owned Economic Enterprises (SEEs), and energy exploitation. Chinese companies built six hydropower plants and one thermal power station for the period between 1996 and 2005. The Ayeyawaddy River Transportation Project, which links Yunnan to Thilawa Port, Yangon, is the most significant economic cooperation with China in infrastructure development. Myanmar achieved Chinese supports in constructing state owned factories, such as textile mills, plywood plants, rice mills,

pulp and paper mills, agriculture equipment factories and other light manufacturing factories through the economic cooperation programs. In order to fulfill China's quest for energy, Myanmar plays a strategically important role for China (Kudo, 2006).

In 2001, China National Petroleum Cooperation (CNPC) started to invest in the onshore Pyay oil field to boost production. In 2004, China Petroleum and Chemical Company and Myanmar Oil and Gas Enterprise (MOGE) of the Ministry of Energy signed a production sharing agreement to exploit an on-shore field near Kyauk Phyu. Moreover, between 2004 and 2005, the China National Offshore Oil Corporation (CNOOC) signed contracts for production sharing with MOGE. In 2007, CNPC signed with MOGE contracts on production sharing for three crude oil and natural gas exploration projects off the Rakhine coast. In addition, Petro China attained the sole purchasing rights for an estimated six trillion cubic feet of natural gas in the Shwe offshore field. Myanmar energy sources are vital for China not only as a convenient alternative to oil and gas supplies from the Middle East, but also for mitigating the country's so-called Malacca dilemma. China imports 58 percent of oil from the Middle East through the Malacca Strait. Thus it is the important shipping route for carrying oil from the Middle East to China. However, over-reliance on the strait poses two threats to China's energy security. The first threat is the piracy and maritime terrorism and the second one is the attempts of the powerful states to control navigation in the Strait of Malacca. This is because the PRC is constructing the overland oil and gas pipelines from the port of Kyaukphyu in Rakhine State to Kuming in Yuunan Province to bypass the Malacca Strait (Storey, 2011).

However, China is not the biggest foreign beneficiary, because Myanmar also exports natural gas to Thailand through the pipeline and its estimated worth US\$ 1.5 billion in 2005. In the same way, India also sought to secure Myanmar's gas from the same A-1 block, near Sittwe Port, Rakhine State. At last, India signed an agreement to purchase the

gas from Myanmar with more favorable conditions. Myanmar has achieved a diplomatic advantage over neighboring countries through the oil and gas export offers (Kudo, 2006). Since 2006, China has become Myanmar's second largest trading partner after Thailand, and in 2008 the total value of trade with China rose to US \$ 2.63 billion, a 26.3% growth from 2007 (Gansen, 2011). Between 2008 and 2011, Chinese investment in Myanmar jumped from US\$ 1 billion to US\$ 13 billion. The key projects (the Myit Son dam project, the CNPC pipeline projects and Noricon's Mongywa copper mine project) were together worth more than US\$ 8 billion (Sun, 2012).

## **5. The Impacts of Political Reforms on Myanmar-China Relations**

Myanmar reached a key turning point in 2011 with many amazing political changes. Myanmar's political reforms have contributed to positive changes internally and externally. Internally, the new government of President U Thein Sein carried out various dramatic reform procedures, including historical meeting with Daw Aung San Su Kyi, granting of amnesty for political prisoners, relaxation of press and internet censorships, and implementation of new labor laws that allowed unions and strikes (Sun, 2012). The landslide victory of the National League for Democracy in the by-election of 2012 was the most significant event in Myanmar's political reform process. Moreover, the new government achieved a ceasefire agreement with the Karen National Union that ended the world's longest running civil conflicts (Kyaw Yin, 2012).

Externally, the consequences of reforms have been effective that ASEAN members have accepted Myanmar's bid for ASEAN chair for 2014. Moreover, the relationship between Myanmar and the United States warmed as the Secretary of State Hillary Clinton paid a visit to Myanmar in December 2011 to encourage further progress. It is the first visit by a US Secretary of State in more than fifty years. The United States restored

relations at ambassadorial level and lifted restrictions on the work of the IMF and the World Bank in Myanmar. The EU lifted most of the sanctions imposed on the country. Furthermore, the EU allowed most top Myanmar government officials to travel within EU countries. The Australian government similarly lifted travel restrictions and encouraged other cooperative steps (Talyor, 2012). Japan waived in debt of Myanmar and started the resumption of both economic aid and private investment during Japanese Finance Minister, Tro Aso's visit (The New Light of Myanmar, 2013).

Myanmar's political reforms have also affected Myanmar-China relations in political, economic and strategic terms. Myanmar leaders felt sensitive about China's overwhelming economic and political dominance in Myanmar. Thus, seeking to mitigate Myanmar's over-dependence on China was one of the factors that caused Myanmar to adopt political reforms. In political terms, China did not expect the rapid political reforms in Myanmar although there are close political and economic ties between Myanmar and China (Sun, 2012). Beijing decreased the level and frequency of senior official state visits. Between March 2009 and April 2011, four members of the Chinese Politburo Standing Committee paid visits to Myanmar. However, there has been no visit paid by Chinese senior leaders since then till September 2012 (Varma, 2011). The only one high level visit was paid by Wu Bangguo, the Chairman of China's National People's Congress. Wu stressed three points of bilateral relations: "to enhance bilateral strategic mutual trust," "to push forward the agreed major cooperation projects," and "to deepen cultural and people to people exchanges" (Sun, 2012). However, the visit did not produce any major announcement about the bilateral relations. Thus, Myanmar's political reforms made bilateral relations between Myanmar and China cool at the political level.

In economic terms, the suspension of the Myit Sone Dam project decided by President U Thein Sein made China not only shocked China but also alerted not to neglect

Myanmar's policy shift. The Thein Sein government sought to meet the public will and the Western demand for democratic reform at the cost of partially sacrificing through the scarification of Chinese economic interests. With repercussions from the Myitsone suspension, the broad resentment against Chinese projects including CNPC oil and gas pipeline project and NORICO copper mine project directly changed Chinese investment behaviors. Moreover, Chinese companies faced with competition from American, European, Japanese and Korean companies that are seeking into entering the last underdeveloped market in Southeast Asia. "Myanmar analysts observed that China lost the Yangon–Naypyidaw high speed railway contract to Japanese companies precisely because Naypyidaw lost its confidence in the Chinese technology after the Wenzhou high-speed train collision in July 2011" (Sun, 2012).

China's strategic interest in Myanmar comprised of Naypyidaw's support for China at the ASEAN plus three meetings and the Greater Mekong Sub-regional economic cooperation as well as for its national "bridgehead" strategy that would turn Myanmar into China's outlet into the Indian Ocean with a potential for naval cooperation. Although China attained most leverage in Myanmar due to the latter's international isolation in the past, currently Myanmar is grabbing the viable alternatives to balance China. China can no longer take Myanmar for granted as its unconditional ally in order to enhance the Chinese regional strategic agenda (Sun, 2012).

The engagement of the United States in Myanmar and their dramatic improvement of ties undermined not only China's strategic interests in Myanmar but also China's regional influence (Reuters, 2012). In early 2009, Southeast Asian analysts in China reminded that the normalization of US-Myanmar relations could lead to threaten China's security, damage the existing China-Myanmar cooperation and indirectly hurt the security of the Chinese border and energy transportation route (People's Daily Online, 2009). Chinese

officials and scholars perceive the game as a zero-sum one and believe China's downgraded role in Myanmar today is a result of US manipulation to alienate China and Myanmar and is a crucial component of the US pivot to Asia (Sun, 2012). At the same time, potential military cooperation between the United States and Myanmar alerted China than anything else. In addition to that, both the invitation of Myanmar to observe the U.S-led Cobra Gold joint military exercise and the potential intelligence sharing between the CIA and Myanmar are seen to be serious challenges to China's national security (Bernstein, 2012).

In the changing context of Myanmar's international relations, Myanmar has not stood on the Chinese side to support China's strength at ASEAN as Myanmar is now free from its past over-reliance on China. Instead, Naypyidaw can now pursue its role devoted to its ASEAN identity. "According to President Thein Sein's advisor, Myanmar determines its position on the South China Sea in accordance with its own national interest and solidarity of ASEAN as the regional organization, implying that Myanmar has no intention to back up China's position." China had only Cambodian support in seeking to block the attempt by the Philippines and Vietnam to reference Manila's recent naval standoff with China over disputed Scarborough Shoal (Sun, 2012).

## **6. Conclusion**

Myanmar has pursued a hedging strategy in the face of rising China since 1989. Temporarily, Myanmar has bandwagoned with China for the sake of regime survival. However, Myanmar has always been cautious about the potential threat of its giant neighbor, the rising China. Myanmar sought to maintain its sovereignty and national security by playing its given geo-strategic location and the energy card. Moreover, Myanmar tried to diversify its external relations with India, Russia and ASEAN countries for the sake of attaining alternatives to mitigate its over-dependence on China.

Following domestic political reforms since 2011, Myanmar's policy toward China favored soft balancing underpinned by the rapid improvement of external relations with the United States, the EU countries, and Japan. However, Myanmar will not alienate China because Myanmar will seek to meet its economic interests and political interest by recalibrating its relations with China, the United States and the other powers in the region. Consequently, Myanmar will hedge with not only with China but also with any other power in order to enhance its economic and political gains.

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