

China at your Doorstep: Looking East from India's Northeast

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Summary

Myanmar and India have followed separate political paths since independence only to find it converging in recent times. Myanmar's other neighbour China has had a much larger footprint in the country. India has to calibrate its engagement with Myanmar to not just effectively implement its Look East policy but also manage the contiguous border regions of Northeast India given the ground realities. This Issue Brief explores China's footprint in Myanmar as well as China's engagement with Sino-Myanmar ethnic groups like the Kachin, Shan, Kokang and Wa. Reactions from Myanmar to China's investment strategies and the bottlenecks that some of these projects are experiencing are discussed. China's role in Myanmar's ethnic conflict border zones is also examined. Finally, this brief examines the strategic calibration India has to adopt to achieve the goals of its Look East Policy.

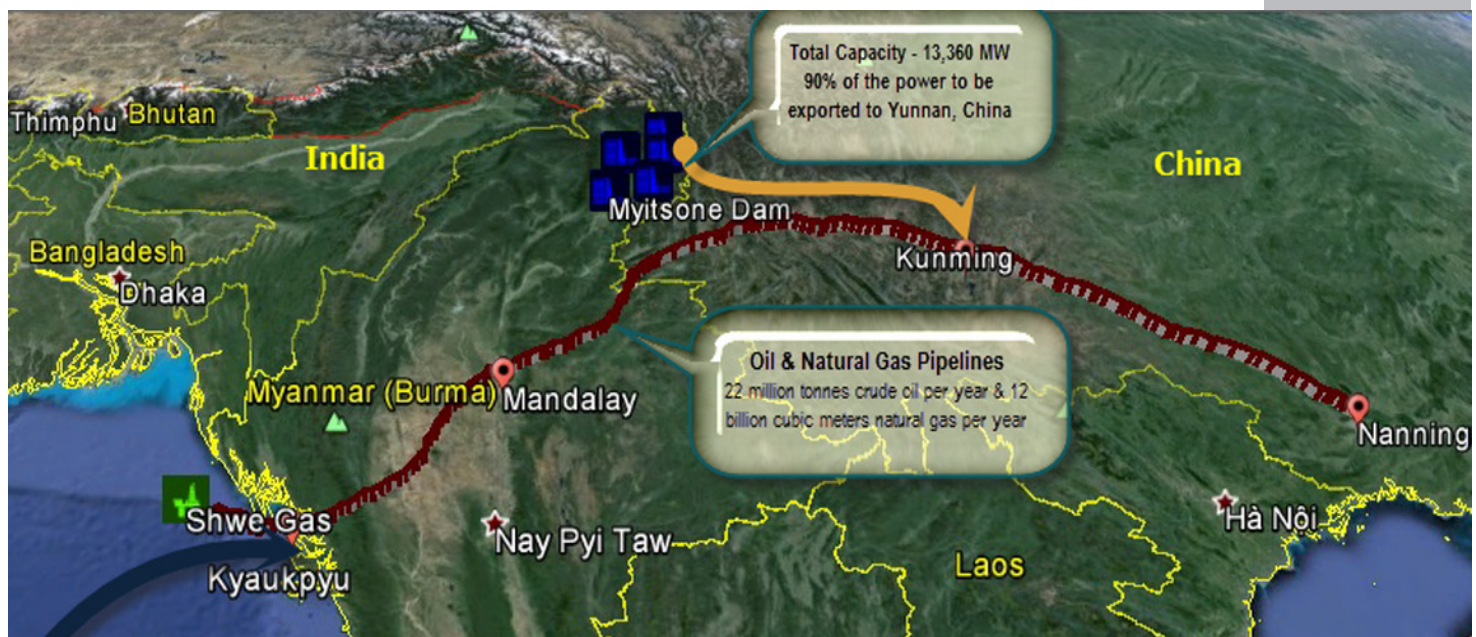


China's footprint

There are two broad assets that Myanmar has, which are of interest to the Chinese – access to the Indian Ocean and rich natural resources.¹ Myanmar and China share over 2000 km of mountainous border and a complex earlier history of conflict. Both countries refer to their relationship as “fraternal kinsfolk” or *Pauk Phaw* in Burmese. Since 1988, China has made huge investments in Myanmar with more than half of it in hydropower dam projects especially for export to the Chinese province of Yunnan across the border.²

In North Myanmar's Kachin State, there are two big Chinese investments: the Myitsone confluence hydroelectric power plant project and the 2800 km pipeline project owned by China National Petroleum Corporation (CNPC).³ Both these deals were struck with the earlier military government, which received China's political support and economic aid during International sanctions against Myanmar.⁴

Figure I - Chinese Projects Overview



Source: Namrata Goswami

¹ “Unrest in Kachin: China's Mixed Blessing”, *Asia Sentinel*, March 06, 2013 at <http://www.asiasentinel.com/politics/unrest-in-kachin-chinas-mixed-blessing/> (Accessed on February 17, 2014).

² “Status Quo Revisited: The Evolving Ties Between China and Myanmar”, Wharton, University of Pennsylvania, December 20, 2013 at <http://knowledge.wharton.upenn.edu/article/status-quo-revisited-evolving-ties-china-myanmar/> (Accessed on February 18, 2014).

³ Bernt Berger, “China's Troubled Myanmar Policy”, *The Diplomat*, August 23, 2013 at <http://thediplomat.com/2013/08/chinas-troubled-myanmar-policy/> (Accessed on February 19, 2014).

⁴ Aung Tung, “Myanmar's China Problem”, *World Policy*, October 30, 2013 at <http://www.worldpolicy.org/blog/2013/10/30/myanmars-china-prob> (Accessed on February 19, 2014).

Since a civilian government took over Myanmar in 2011, China's investment projects have come under criticism.⁵ Public opinion in Myanmar objected to the construction of the Myitsone dam because of which the project was suspended by the government along with other projects such as the Letpadaung Copper Mine in Sagaing Division.⁶ In the period of 2012-13 there was a sharp drop in the flow of Chinese money into Myanmar as per the data from China's Ministry of Commerce.⁷ Also China countered with harsh criticism of Myanmar's escalating conflicts in Kachin state related to border security issues.⁸ There were no visits from Chinese leaders during the civilian government's reform period.

With bearish Chinese investment in Myanmar other countries have picked up the pieces. Japan is renewing its investments in Special Economic Zones (SEZs) like Dawei, South Koreans are constructing airports, and Qatar and Norway are developing the telecom sector.⁹

The other big pipeline project has been dogged by protests and controversy since work began in 2011.¹⁰ According to a parliamentary hearing in January 2014 by Tun Aung Kyaw (Ponnagyun), Member of Myanmar's parliament, the gas pipeline does not comply with international standards. This is a dual oil and gas pipeline project that aims to transport gas along with oil imports from Africa and the Middle East, to southwest China. The pipelines are planned to travel through 21 townships in central Myanmar, from Arakan State, through Magwe Division, Mandalay Division and Shan State, before entering China.¹¹ The sister project called the 'Shwe' (meaning 'golden' in Burmese) Gas exploits offshore underwater natural gas deposits off the coast of western Myanmar's Arakan State. India's Oil and National Gas Corporation Videsh Ltd (OVL) holds a 17.5 per cent stake in this, while Gas Authority of India Limited (GAIL), India holds 8.5 per cent stake in the project. The profit from these projects stand at US\$29 billion over a period of 30 years. Latest

⁵ Sophie Song, "China's Says West Can't Afford to Help Myanmar, But Which Rival Should it Fear?", *International Business Times*, December 18, 2013 at <http://www.ibtimes.com/china-says-west-cant-afford-help-myanmar-which-rival-should-it-fear-1512578> (Accessed on February 20, 2014).

⁶ "Status Quo Revisited: The Evolving Ties between China and Myanmar", n.2.

⁷ "Status Quo Revisited: The Evolving Ties between China and Myanmar", n.2.

⁸ Ibid.

⁹ Tang Xiaoyang, "Chinese Investment is Key to Myanmar's Reforms", Carnegie Tsinghua Centre for Global Policy, January 25, 2014 at <http://carnegietsinghua.org/publications/?fa=54299&reloadFlag=1> (Accessed on February 26, 2014).

¹⁰ Aung Shin, "Contested Sino-Myanmar Oil Pipeline Nears Completion", *Myanmar Times*, November 17, 2013 at <http://www.mmmtimes.com/index.php/business/8784-contested-sino-myanmar-oil-pipeline-nears-completion.html> (Accessed on February 20, 2014).

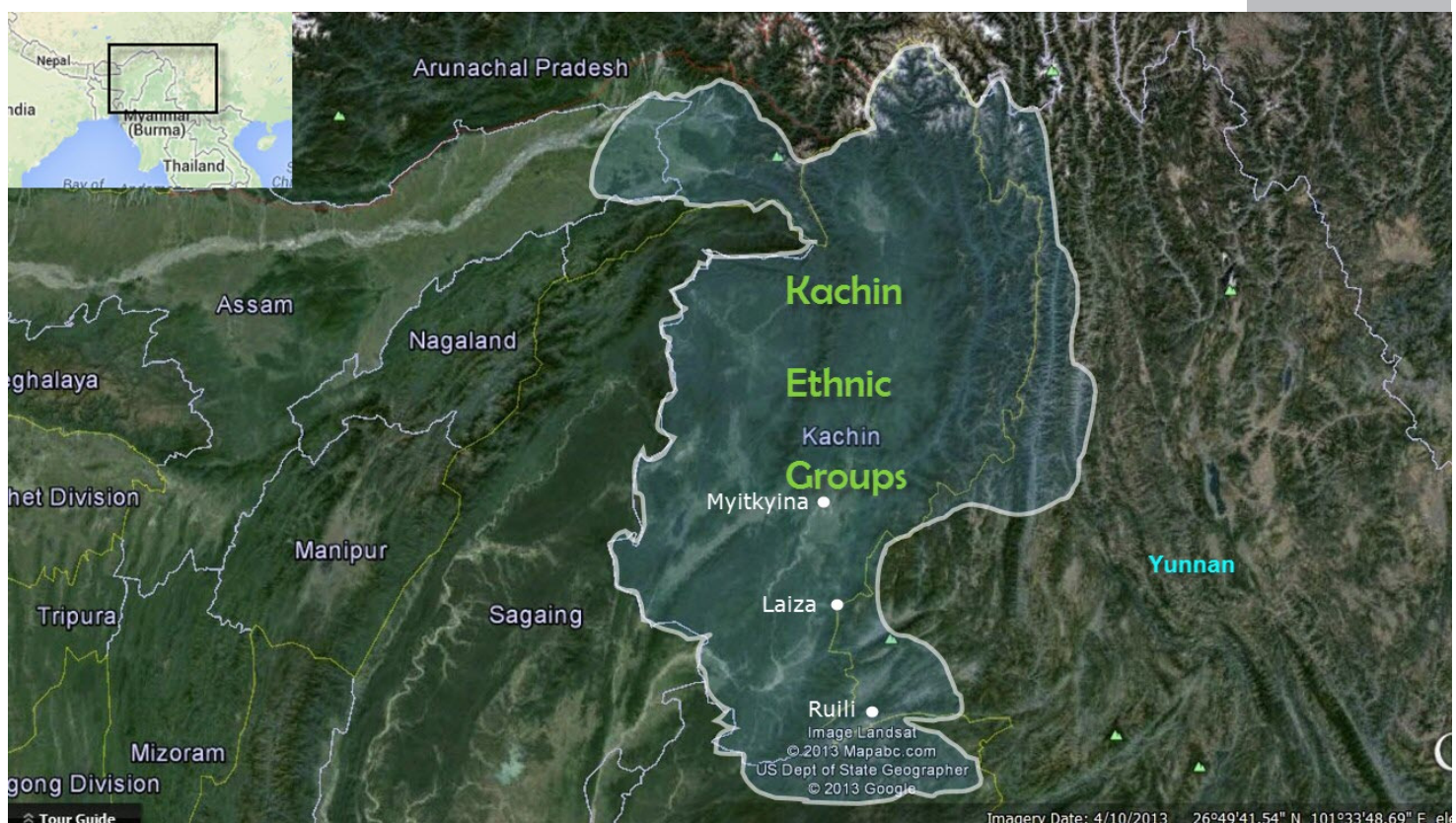
¹¹ "Myanmar Rights Group to Monitor Effects of Controversial China Petroleum Pipeline", *Radio Free Asia*, September 24, 2013 at <http://www.rfa.org/english/news/myanmar/pipeline-09242013163443.html> (Accessed on March 7, 2014).

reports say that the oil pipeline component may be delayed since the large CNPC oil refinery in Yunnan has been shelved.

In Myanmar, the post reform setup include President Thein Sein's civilian government; the Union Solidarity and Development Party (USDP) led by parliamentary head Shwe Mann; the Myanmar military under senior general Min Aung Hlaing, and the democratic opposition leader Aung San Suu Kyi and her party. China is dealing with these groups in isolation, which might give pointers to its overall Myanmar strategy. Chinese interests in Myanmar not only include some of the most abundant oil and gas fields in Asia, but also strategically China's so called 'second coast' by some Chinese diplomats.¹²

Kachin and the Chinese

Figure II: The Kachin Dominated Areas



Source: Namrata Goswami

In the eastern tip of Arunachal Pradesh live a small ethnic group called the *Singpho* who are related to the Kachin living in Myanmar's Kachin state and Yunnan province of China.

¹² Yun Sun, "China Adapts to New Myanmar Reality", *Asia Times*, December 23, 2013 at http://atimes.com/atimes/Southeast_Asia/SEA-04-231213.html (Accessed on February 20, 2014).

The Kachin take pride in their history of action as *Kachin rangers* during World War II on the side of Allied Powers especially the US military operating out of Assam, a fact which later lent them Washington's ear for assistance.¹³ The Chinese, however, have not taken this relationship very well. What might be a troubling scenario for Beijing are these ear whispers materializing into an actual US presence once more in Kachin state, smack along China's border.

Of more pressing concern to China are the Kachin armed groups such as the Kachin Independence Army (KIA), due to their proximity to the Chinese border and recent investments in Myanmar. The Kachin state possesses major infrastructure projects such as the now suspended Myitsone dam. The KIA has also seized control of the large areas designated for the Sino-Myanmar pipeline project in the adjacent Shan state where there are big Kachin populations.

The KIA is demanding autonomy for Kachin state within a federal Myanmar and there has been a ceasefire for 17 years with *Nay Pyi Taw*, which was, however, shattered in June 2011.¹⁴ In 2013 in an unprecedented departure from a policy of "non-interference in internal affairs," or the 'Beijing doctrine' in popular parlance, China intervened as third party by bringing the two sides (Myanmar government and the KIA) for talks during two successive rounds of negotiations in the Chinese town of Ruili in Yunnan province. The next round of peace talks between the KIA and Thein Sein was moved to Myitkyina, the capital city of Kachin State inside Myanmar. China refused to join further peace talks with the US and other international entities as observers and would not recognize the event if it were held without a Chinese presence.

Since the resumption of Myanmar's military operations in Kachin, there have been other pointers of China's involvement in the conflict.¹⁵ Several mortar shells fired have landed across the border on Chinese soil and have been met with tacit silence. There were media reports of Myanmar's air force using Chinese airspace to attack on KIA frontline posts.¹⁶

¹³ Yun Sun, "China and the Kachin Conflict", *The Diplomat*, July 16, 2011 at <http://thediplomat.com/2011/07/china-and-the-kachin-conflict/?allpages=yes> (Accessed on February 20, 2014).

¹⁴ "Myanmar Hold Peace Talks with Kachin Leaders in China", *Reuters*, February 4, 2013 at <http://www.reuters.com/article/2013/02/04/us-myanmar-kachin-idUSBRE91307U20130204> (Accessed on February 21, 2014).

¹⁵ Brendan O' Reilly, "China Steps Into Kachin Conflict", *Asia Times*, February 07, 2013 at <http://www.atimes.com/atimes/China/OB07Ad02.html> (Accessed on February 2

¹⁶ Francis Wade, "Burma 'using Chinese airspace' as fighting near Kachin HQ", *Asian Correspondent.com*, January 02, 2013 at <http://asiancorrespondent.com/94619/burma-using-chinese-airspace-as-fighting-nears-kachin-hq/> (Accessed on March 05, 2014).

China has allowed in Kachin refugees fleeing the war across the border.¹⁷ There have been allegations of human trafficking in refugee camps near the China-Myanmar border especially young Kachin women and girls displaced by the war. An unstable and insecure border has put tremendous local pressure on China to intervene in Myanmar and press for a ceasefire.

China faces a conundrum in Kachin where it does not want to rub the Kachins the wrong way by supporting the Myanmar military fighting the KIA. On the other hand, China wants to maintain good relations with Myanmar.¹⁸ This unenviable position is largely driven by China's big interests and investments in energy and resources in Myanmar and Kachin state in particular. An active role in the KIA/government negotiations gives China the leverage to influence the outcome in Beijing's favor. Moreover China wants to keep on good terms with the Kachins, who share ethnicity with minorities in China's Yunnan province. The Chinese, meanwhile, are campaigning for resumption of the halted Myitsone Dam Project, however some Kachin groups have rejected China's outlook for development projects in their state. The new ceasefire portends to be a win on all fronts for China including possible reopening of the suspended *Myitsone* Dam Project.¹⁹

China's economic ties with Kachin have benefited some of the state's inhabitants with informal engagement. Kachin state depends on China's Yunnan for its entire list of subsistence needs and is far more easily accessible across the Chinese border than from Myanmar's capital. Chinese currency is used in financial transactions as well as banks. The old World War II Burma Road in Kachin is a visible example of Chinese entrepreneurship with nearly one-third of the population in Ruili, a border city on the Chinese side, crossing the border for work. However some of these activities are illegal in Myanmar like large scale logging and jade trafficking.²⁰ China has also supported an opium crop substitution policy in Kachin and other border areas, which may be of serious concern to locals losing their land rights.

¹⁷ "Myanmar: Kachin Refugees feel Chinese Heat", *IRIN News*, August 31, 2012 at <http://www.irinnews.org/report/96214/myanmar-kachin-refugees-feel-chinese-heat> (Accessed on February 27, 2014).

¹⁸ Myanmar and China: The Kachin Dilemma", *The Economist*, February 02, 2013 at <http://www.economist.com/news/asia/21571189-over-border-kachin-conflict-causes-headaches-china-kachin-dilemma> (Accessed on February 20, 2014).

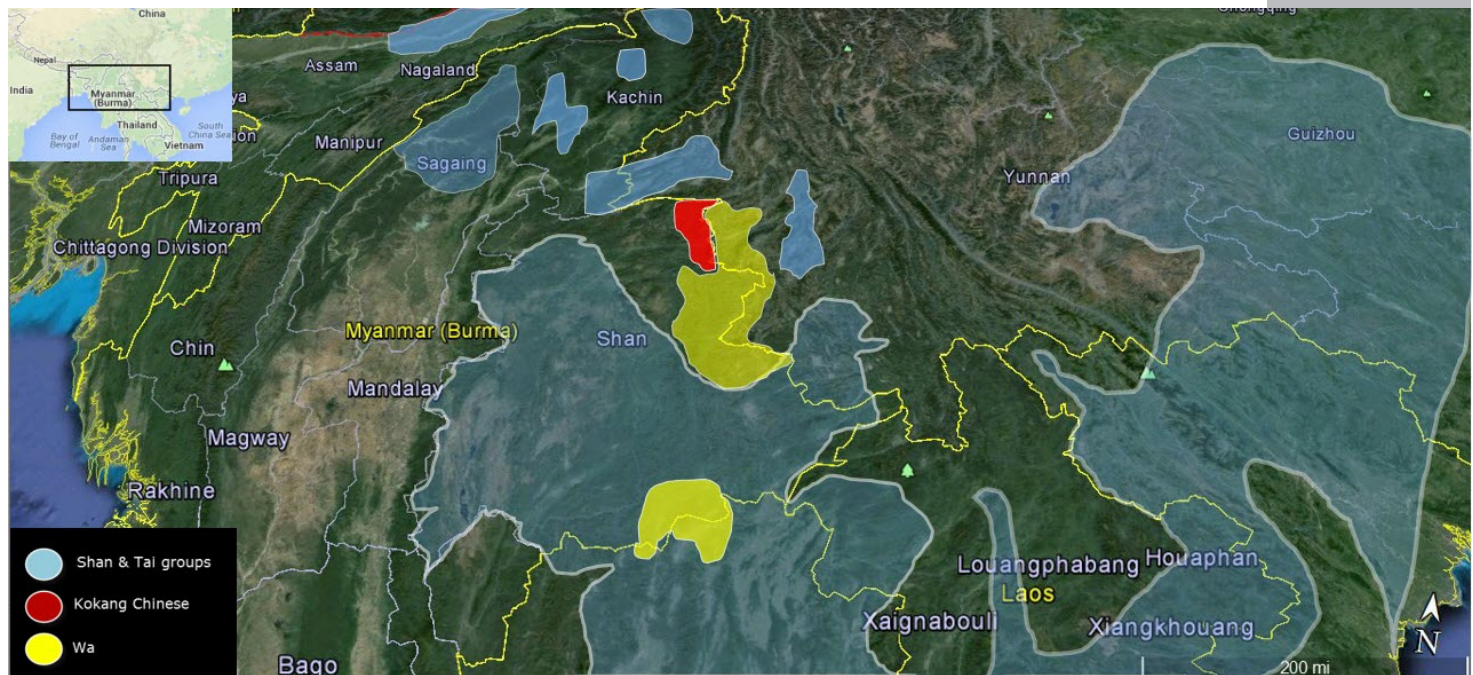
¹⁹ International Crisis Group, "A Tentative Peace in Myanmar's Kachin Conflict", June 12, 2013 at <http://www.crisisgroup.org/~media/Files/asia/south-east-asia/burma-myanmar/b140-a-tentative-peace-in-myanmars-kachin-conflict.pdf> (Accessed on February 24, 2014).

²⁰ "Kachin-Yunnan Timber Trade Hampering Peace Process in Myanmar", *Radio Free Asia*, January 17, 2014 at <http://www.rfa.org/english/news/myanmar/kachin-01172014180515.html> (Accessed on February 24, 2014).

China and Shan state

Myanmar's Shan state shares the remainder of the border with China, which has been engaged with three ethnic groups in addition to the Kachin of that state, namely the Kokang, Shan and Wa.

Figure III: Ethnic distribution in Shan State and contiguous areas



Source: Namrata Goswami

There is a background of controversial history back in the days of Chinese support to the Communist Party of Burma (CPB) who fought a long civil war with the Myanmar government. Earlier in 1949 after the victory of the Communist Party of China (CPC), members of the Kuomintang (Nationalist) army fled from China regrouping as fighting units in Shan state. Kuomintang generals trained and inducted Shan ethnic groups and formed them into fighting units. Later Shan ethnic armies like the drug lord Khun Sa's army and military training was conducted on the Nationalist model with Chinese as the common language. The Chinese also began production of opium in Shan state to exploit its market value and support the war.

Though the CPB has been disbanded, China's ties with the earlier members from the Wa and Kokang ethnic groups have carried over to the present day. The Wa's United Wa State Army (UWSA) and Kokang's Myanmar National Democratic Alliance Army (MNDAA) both occupy border areas between Shan state and China. While China has close ties with both these militias, it does not like their narcotics business. Kokangs are ethnic Han Chinese who became native Myanmar citizens after a border agreement. The Wa have been more of pawns in China's chess game against Khun Sa's Shan army, at whose behest the UWSA relocated bulk of its forces to the south of Shan state bordering

Thailand. China has provided the UWSA with advanced weaponry to battle their adversaries like the Shan State Army (South).²¹ Both the Wa and the Kokangs have refused to join the Border Guard Force (BGF) program of the Myanmar government. China's actions appear contradictory, while publicly supporting Myanmar government but privately supporting rebel forces in Shan state for covert reasons.

China in the Mekong Trans borders

China's rapid path to prosperity have seen expansion of economic ties between the locals in Yunnan and their ethnic counterparts i.e. the Dai of Yunnan are closely related to the Thai, the Lao and the Shan of Myanmar on the either sides of the Mekong river. What is interesting is the case of China's actions diluting the integrity of borders and sovereignty of neighboring countries, which enabled the capture and sentencing in China of the notorious Shan warlord, Nor Kham.²²

The Mekong River, known as the Lancang in China is vital to people in Myanmar and South East Asia. There have been serious concerns amongst the stakeholders of the lack of scientific collaboration and cooperative management of the Lancang-Mekong river system.

India's Calibration

While Myanmar's earlier military government enjoyed overall close ties with China there had been reservations by that leadership in 2002 to allow the Chinese shipping on the Irrawaddy for access to the Indian Ocean. India needs to support the current government in upholding its stand on Myanmar's territorial integrity. There have been media reports followed up by comments and analyses by experts of the existence of Chinese military bases in Myanmar.²³ Two cases have stood out namely the Great Coco Island SIGINT collection station in the Andaman Sea and a naval base on Hainggyi Island in the Irrawaddy River delta. These stories have gained further credence through the US's 'String of Pearls' theory of Chinese built ports in Pakistan, Sri Lanka, Bangladesh, Myanmar, Thailand, Cambodia and the South China Sea. While India's Chief of Naval Staff has ruled out the

²¹ Anthony Davis, "China 'Sends Armed Helicopters to Myanmar Separatists'", *IHS Jane's Defence Weekly*, April 25, 2013 at <http://www.janes.com/article/12159/china-sends-armed-helicopters-to-myan...> (Accessed on October 29, 2013).

²² Jane Perlez, "Beijing Flaunts Cross-Border Clout in Search for Drug Lord", *The New York Times*, April 4, 2013 at http://www.nytimes.com/2013/04/05/world/asia/chinas-manhunt-shows-sway-in-southeast-asia.html?ref=global-home&_r=0 (Accessed on February 25, 2014).

²³ Andrew Selth, "Chinese Military Bases in Burma: The Explosion of a Myth", *Griffith Asia Institute, Regional Outlook Paper*, no. 10, 2007 at http://www.griffith.edu.au/__data/assets/pdf_file/0018/18225/regional-outlook-andrew-selth.pdf (Accessed on February 26, 2014).

existence of Chinese bases in Myanmar, Chinese fishing boats have been apprehended near Andaman Islands with depth sounding equipment in 1994. India needs to cooperate with Myanmar to ensure the security of the Bay of Bengal. India can work with Myanmar to develop more mature plans of development especially in stalled projects of developing natural resources benefitting the Kachin and other ethnic groups in Myanmar. There are concerns of arms and drugs trafficking from Myanmar to Northeast India. There is potential for strategic military cooperation, which enables Myanmar government to provide stability in its ethnic group regions like Shan state which in turn secures India's own northeastern region.