

China in Myanmar: Complex Engagements, Complicated Relations

What are the implications of Chinese engagements in Myanmar for state security and conflict dynamics at a time when prospects for peace and democratization in the country are at their lowest in more than a decade? The military coup in February 2021 and the brutal crackdown by security forces on protesters and civilians have brought renewed attention to China's complex and extensive engagements. Myanmar's powerful neighbour is commercially, politically and militarily engaged in the country. This affects internal power dynamics, armed conflicts and the stalled peace process. China may be the one country with sufficient clout to put an end to the chaos caused by the coup. However, more political and economic pressure is needed to achieve such results.

Brief Points

- China is the foreign government with the most influence over political developments and stability in Myanmar.
- Several ethnic armed organizations fighting the Myanmar military depend on China for weapons, access to Chinese territory and diplomatic support.
- The Myanmar military has tried to balance Chinese influence by seeking closer ties with Russia and India, but remains dependent on China.
- In recent years, Chinese security assistance to Myanmar has expanded into new domains, such as information and communication technology (ICT) investments and 'Smart City' projects, and the Chinese government has nurtured robust commercial ties with the newly deposed civilian government.
- The Chinese government is unhappy with the instability that the military coup has caused, yet is likely to cooperate with whoever holds power in Myanmar.

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China–Myanmar Relations

Reducing dependency on China was a central motivation for the Myanmar military when, in 2011, it initiated political reforms and opened up for a quasi-democratic system. Over the years, China had supported a range of armed groups inside Myanmar, thus causing distrust of Beijing among the generals. When international sanctions in the 1990s and early 2000s drove Myanmar into isolation, China expanded its business relations, and new economic policies in Myanmar gave Beijing considerable strategic and economic leverage. The military regime therefore wanted to ease China's sway over the country. This strategy has failed, and today Chinese influence permeates Myanmar's economy. The return to direct military rule and widespread, intense conflict is likely to further strengthen China's power, although its business opportunities will suffer.

Myanmar is a cornerstone of China's Belt and Road Initiative (BRI) and of President Xi Jinping's desire to increase China's influence in South and Southeast Asia. BRI projects in Myanmar focus primarily on infrastructure to improve market access and secure trade routes. With China's heavy investments, however, a range of security concerns follow that pull China deeper into Myanmar politics.

Chinese leaders consider Myanmar a part of their regional 'backyard', and their purported, long-established non-interference policy in other countries' domestic affairs has been set aside repeatedly throughout Myanmar's recent history. In the 1950s, China's civil war continued on Burmese territory. During the Chinese cultural revolution in the 1960s, China provided volunteers, weapons and funding to the Communist Party of Burma (CPB). The CPB thus became a substantial internal threat to the Myanmar state. The CPB took control of substantial areas along the Chinese border, and when the CPB disintegrated after a mutiny in 1989, China maintained close relations with several ethnic armed organizations (EAOs) that formed from the dissolved party.

After the military regime's crackdown on the democracy movement in 1988 and disregard of the election results in 1990, Myanmar became increasingly isolated following sanctions from non-Asian countries. China took advantage of Myanmar's political isolation and Chinese

companies moved in following the regime's opening of the economic sector for foreign investments. It became Myanmar's main trading partner and provider of arms and military equipment.

China invested massively in the building of two pipelines through Myanmar with the capacity to transport 22 million tons of crude oil and 12 billion cubic meters of gas annually all the way from the coastal town of Kyaukpyu in Myanmar's Rakhine State at the shores of the Bay of Bengal, to China's Yunnan province and beyond. As part of this mega-project, a deep-sea port in Kyaukpyu is also being built. The port will not only be commercially important but will also have geopolitical and strategic value.

China–Myanmar relations shifted under the administration of the former military general Thein Sein (2011–2016), which sought to attract other foreign investors. Chinese companies were bypassed in the lucrative bid for telecom licences in 2013–2014 and did not get a share of the important internet and telecom boom that, in record time, transformed Myanmar society. Moreover, Thein Sein suspended the Myitsone hydropower dam – a prestigious, large-scale Chinese infrastructural project in Kachin State that had generated fierce opposition from local people. China won back its momentum after the National League for Democracy (NLD) took control of the civilian part of the government in 2016, when China made the China–Myanmar Economic Corridor project (CMEC) a top priority.

The NLD Government

Along with most political stakeholders in Myanmar, the NLD was wary of the prospects of increased Chinese dominance and mindful of the potential debt traps that may follow in the wake of large investments. The NLD therefore tried to balance Beijing's increased influence through attracting economic investments from other regional partners, such as Japan and South Korea. This strategy of diversification was crucial for the country's economic survival, especially following the military's ethnic cleansing campaign against Rohingya Muslims, which led to a dramatic downturn in non-Asian international investments. Nonetheless, China remained the main investor in the Myanmar economy and the prospect of CMEC became a much-needed potential lifeline for a pressed government with

limited revenues and a massive military operating outside of civilian financial control.

The private sector in particular welcomed Chinese investments and lobbied the government for additional large-scale Chinese projects. Many of these companies are owned by military cronies. Several of Myanmar's regional governments also embraced Chinese investments. These investments largely went into industrial agricultural projects in Kachin and Northern Shan State, close to China, while those in the urban areas of Yangon and Mandalay were of a more complex nature. Mandalay, the economic capital of upper Myanmar, has been the pioneer of the ASEAN Smart Cities Network in Myanmar. The Smart City programme has created multiple investment opportunities for Chinese ICT companies, like surveillance and face recognition technology and CCTV cameras from Huawei. However, since the security forces started to brutally crack down on opposition to the coup, this type of collaboration has become increasingly controversial.

While Chinese leaders were initially suspicious of Aung San Suu Kyi, perceiving her to be under Western political influence, they soon developed close relations with the Lady and her administration. China's top priority during the NLD administration was the construction of a highway and a railway to connect Ruili and Kunming in Yunnan to a string of Myanmar towns and cities (Muse, Lashio, Mandalay, Kyaukpyu). The road and the railway will follow the same route as the oil and gas pipelines and connect to the deep sea-port in Kyaukpyu, and are considered the most significant next step of the CMEC. A memorandum of understanding between the China Railway Eryuen Engineering Group and Myanmar Railways was signed in 2018. The Chinese foreign minister Wang Yi visited Myanmar just weeks before the coup in an attempt to advance the implementation of the Muse-Kyaukpyu railway project. Currently, China must be deeply concerned that the coup has put these projects and investments at risk.

The Military

The Myanmar military considers China as both an external threat and a destabilizing factor in relation to the country's internal armed conflicts. There is deep mistrust of China within the military, from the top brass to junior cadets. Junta leader Min Aung Hlaing is known for

his antipathy towards China since his earlier postings as commander in Eastern Shan State, where he led combats against an EAO supported by China. Nonetheless, the military has become heavily dependent on China for weapons and supplies, and this dependency has been a grave concern for the generals.

In an attempt to break this dependency, the Myanmar military has over the past two decades searched for new partners and weapon systems. During the Thein Sein administration, the military tried to build better relationships with Western countries, but the ethnic cleansing of the Rohingya in 2017 put an end to all military cooperation with the West. Since 2017, the generals have instead looked to Russia, and to some extent India, and arms trade with Russia has increased significantly. Arms imports from China continue, however, to be of great importance.

Since the coup, Russia is the only country that has offered arms deals and engaged with the military junta at a high diplomatic level. While China, along with India, Pakistan, Bangladesh, Thailand, Vietnam and Laos, all sent their embassies' defence attachés to attend the junta's Armed Forces Day celebration on 27 March, Russia was represented by its Deputy Defence Minister who went on an official visit to Myanmar and held meetings with junta leader Min Aung Hlaing. In June, Min Aung Hlaing travelled on an official visit to Moscow on invitation from the Russian Defence Minister Sergei Shoigu, who himself had visited the commander-in-chief only two weeks prior to the coup, discussing military and military-technical cooperation between Russia and Myanmar. These visits all illustrate the Russian interest in a long-term arms trade with Myanmar.

While Russia has no other strategic interests in Myanmar than arms trade, China is highly concerned about the increased military tension along its oil and gas pipeline. The pipelines are difficult to protect as large parts of them are unsecured and above ground, and the threat of increased fighting between the Myanmar military and EAOs is of great concern to China. Deadly attacks carried out by unknown militias on security guards protecting the twin pipelines in Mandalay have already occurred. The Myanmar military might think that close ties with Russia may protect them in the United Nations Security Council if China should decide

Myanmar's Arms Imports and Suppliers, 2009–2019

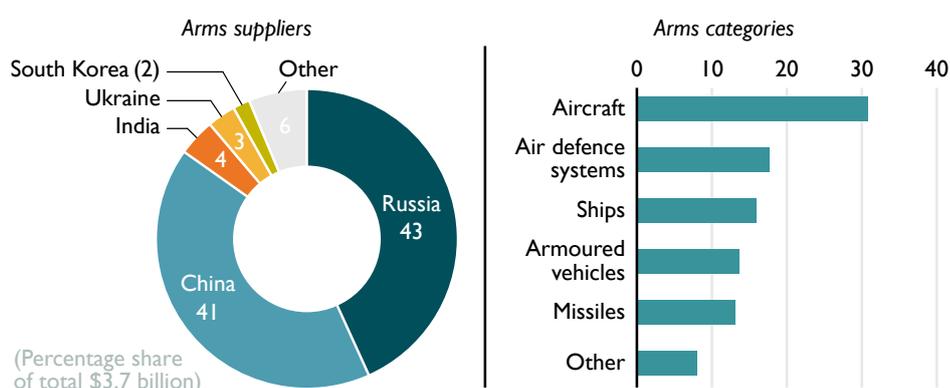


Figure 1: Myanmar's arms imports and suppliers, 2009–2019. Estimate source: SIPRI

to join other members in putting pressure on Myanmar. However, there are indications that Russia coordinates its Myanmar policy with China and it has not deviated from Beijing's policy when it comes to recognising the junta.

For several months, Chinese government officials would only refer to Min Aung Hlaing by his military title. However, in a 5 June statement, the Chinese Embassy in Myanmar eventually referred to the senior general as the leader of Myanmar. While this shift represents an inevitable recognition of the military as being in charge of Myanmar, the statement should not be seen as a full endorsement of the junta. China is likely to cooperate with whoever holds power in Myanmar, regardless of their legitimacy. However, with the instability caused by the coup it seems more important to China to strengthen its ties with strategic ethnic armed organizations along the Chinese border, rather than with the junta in Naypyidaw.

Ethnic Armed Organizations

The link between EAOs in northern Myanmar and China has a long history. As mentioned above, China supported a number of EAOs emerging from the collapse of the CPB in 1989, most notably the powerful United Wa State Army (UWSA).

The UWSA is the EAO in Myanmar with the most troops (20,000–25,000) and the most advanced and modern weaponry. The UWSA is known to have close ties with China, and to also supply other EAOs with Chinese weapons. Both the UWSA and the smaller former CPB group, the National Democratic Alliance Army

(Mongla), have had longstanding bilateral ceasefire agreements with the Myanmar state. However, the UWSA also has some leverage over the Myanmar National Democratic Alliance Army (Kokang), another former CPB group whose ceasefire agreement with the Myanmar military broke down in 2009. The Kokang group has since had multiple violent clashes with the Myanmar military.

The Kokang group is part of the Northern Alliance, a group of EAOs that over the last ten years have remained outside of Myanmar's ceasefire system. Hence, they were not accepted as official participants in the official peace process during Aung San Suu Kyi's time in power (2016–2021). The other members of the Northern Alliance are the Kachin Independence Army (KIA), the Ta'ang National Liberation Army and the Arakan Army. The EAOs of the Northern Alliance rely significantly on China and the UWSA for weapons but are apprehensive when it comes to Chinese influence. Within the leadership of the KIA, which has engaged in heavy fighting with the military since the coup, there is disagreement about how to relate to Chinese influence.

However, since both the NLD administration and the Myanmar military excluded non-ceasefire groups from the formal peace process, the push from China for Myanmar to engage in talks with the Northern Alliance groups has been significant and the scepticism towards China's involvement in the peace process is more widespread among EAOs along the Thai–Myanmar border than in the north. Similarly, China suspects the EAOs bordering Thailand to be under US influence.

Despite their reliance on China, EAOs in the north are concerned about conflicting interests between China's priorities and their own. While each EAO has its own clear political goals about self-determination within a federal structure, China is primarily interested in securing stability along its border and its transportation corridor. Stability in this context means an absence of fighting and sabotage of Chinese installations, while a certain level of tension between EAOs and the military may be tolerable. Influence over northern EAOs can be used to flex muscles whenever needed. This notion of stability has little room for ceasefire monitoring mechanisms, donor support programmes, or other involvements from international actors along the China–Myanmar border and in strategic CMEC areas.

Protracted Crisis or Negotiated Outcome?

The discussions above illustrate the complexity of the situation China is facing in Myanmar. What are the implications of these complex and sometimes contradictory engagements in a time of acute crisis?

The democratic opposition against the coup in Myanmar has been highly critical of China. This is partly a consequence of Beijing's unwillingness to pressure the military, either bilaterally or through the United Nation's Security Council. Another reason is that many protestors believe that China supports the coup. Latent anti-Chinese sentiments in Myanmar have come to the surface in several instances during the protests. Since March, several Chinese-owned factories and businesses have been set on fire by unknown perpetrators – probably by anti-coup protestors, but possibly by Myanmar security forces attempting to frame protestors as a security threat. Another concern for China is the protest movement's association with the

Milk Tea Alliance – an anti-authoritarian youth movement in East and Southeast Asia originating in a common critique of Chinese claims over Taiwan and Hong Kong.

Despite anti-Chinese sentiments among democracy protestors, a negotiated return to civilian government is probably China's preferred option. Because of its multi-sectoral interests in Myanmar, a swift return to at least partly civilian rule would ease the immediate threat to Chinese businesses and investments, the oil and gas pipelines in particular, and ensure progress on the transportation corridor. The civilian government of the NLD had a much broader engagement with Chinese stakeholders than does the military.

Nonetheless, China seems to stick with its initial strategy of waiting until the power struggle in Myanmar is settled before it engages fully with whoever ends up on the top. This would be in line with the official Chinese non-interference strategy, but it is a risky path to pursue, as the military is unlikely to be able to ensure the kind of economic and social stability that China wants to see in Myanmar. The military is again becoming internationally isolated and is therefore likely to become more accommodating towards Chinese investments than in the past decade. The junta has made several attempts to convince China and Chinese investors that investments are welcome. Chinese companies, not least in Yunnan, are preparing to resume business, but Beijing remains hesitant. Even if the coup-makers should be successful in the longer-term, with the military securing power over the state apparatus and state functions, its legitimacy among the population is so low that various forms of severe open conflict seem inevitable.

The most likely scenario is a protracted conflict on several fronts: between the military on the

one side, and loosely coordinated protest groups, spontaneous militia groups organized as People's Defence Forces, civil disobedient movements, the National Unity Government and several EAOs on the other. And, in the absence of a functioning state, various criminal networks and smaller armed militias with economic interests are likely to flourish.

This scenario is already emerging and must be of real concern to China and Chinese enterprises. It should therefore be in China's interest to join other members of the United Nations Security Council, including the USA, to put pressure on Myanmar's military leaders to observe a total ceasefire, release political prisoners and let the country's elected national assembly convene and re-establish a government for the purpose of restoring basic public services.

Unfortunately, the current competition between China and the USA seems to hinder a constructive engagement in solving the escalating crisis in Myanmar. Instead, both countries have placed their trust in ASEAN as a more neutral mediator to solve the crisis, but without providing the necessary leverage the organization would need to be able to pressure the coup makers in Myanmar to negotiate. Several key countries, including China and the USA, have initiated track-two diplomacy, but Naypyidaw has largely ignored these attempts to end the crisis. Indeed, it seems clear that General Min Aung Hlaing has no intention to engage in any meaningful dialogue. Instead, the military appears satisfied with the informal recognition which the ASEAN process unavoidably represents. The result is a weak process and a missed opportunity to secure stability in Myanmar, reinstall a civilian government and enforce a much-needed military reform. ■

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THE PROJECT

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