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DPG POLICY BRIEF

China and Myanmar: A Deepening Relationship

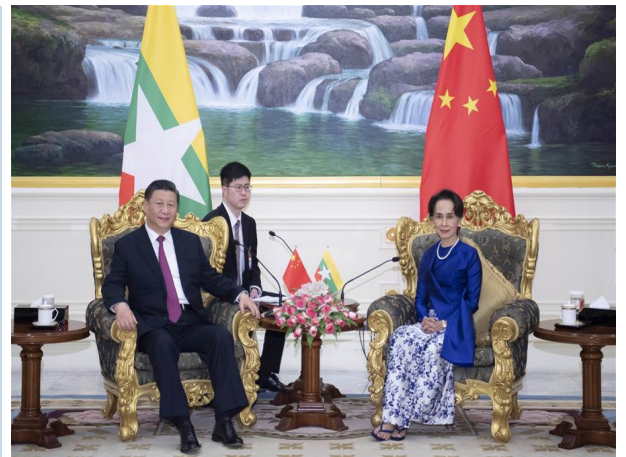
Authors

Sanjay Pulipaka

Mohit Musaddi

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Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

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Authors

Sanjay Pulipaka, Senior Fellow, Nehru Memorial Museum and Library, New Delhi
Mohit Musaddi, Research Associate, Delhi Policy Group

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Chinese President Xi Jinping meets Myanmar State Counsellor Aung San Suu Kyi in Nay Pyi Taw on January 17, 2020. Source: Xinhua

Chinese President Xi Jinping alongside leaders of Myanmar's political parties in Nay Pyi Taw, Myanmar on January 17, 2020. Source: Xinhua

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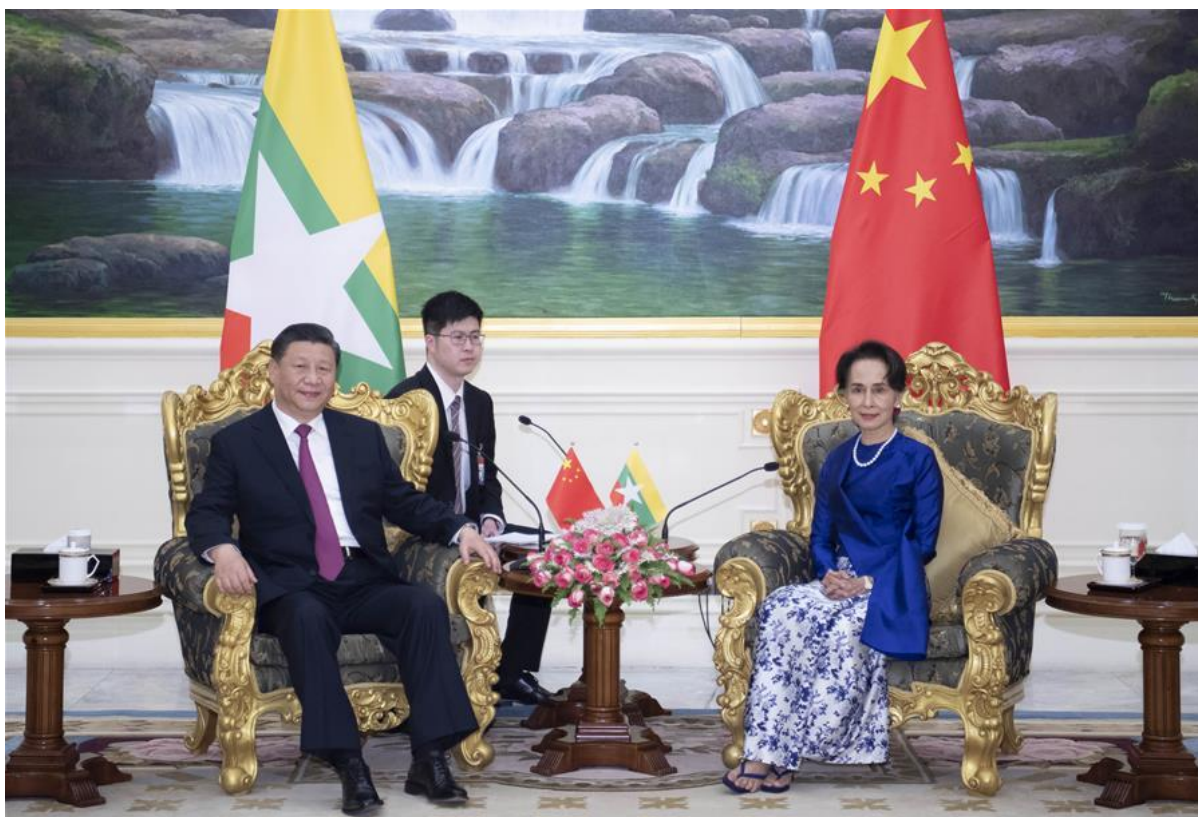
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China and Myanmar: A Deepening Relationship

by

Sanjay Pulipaka and Mohit Musaddi

China's desire to scale up its presence in the Bay of Bengal and also tap into the economy as well as natural resources of a strategically important neighbour was on full display during President Xi Jinping's state visit to Myanmar on January 17-18, 2020. President Xi's programme included meetings with Myanmar President Win Myint, State Counsellor Aung San Suu Kyi and Commander-in-Chief General Min Aung Hlaing. The visit concluded with the signing of as many as 33 Memorandums of Understanding (MoUs), Agreements and Protocols on bilateral exchanges. This was the first visit by a Chinese President in 19 years, the last being by Jiang Zemin in December 2001.¹



Chinese President Xi Jinping meets Myanmar State Counsellor Aung San Suu Kyi in Nay Pyi Taw on January 17, 2020. Source: Xinhua

¹Jane Cai and Laura Zhou, "China turns to Myanmar as the friendly giant in the neighbourhood", [South China Morning Post](#), January 17, 2020

In the run-up to the visit, an article by President Xi Jinping carried by Myanmar's state-run media emphasised three pillars of the China-Myanmar Economic Corridor (CMEC), namely the Kyauk Phyu Special Economic Zone, the China-Myanmar Border Economic Zone and the Yangon city Urban Development Project.² President Xi Jinping would have been pleased with the verbatim reproduction of these objectives in the Joint Statement between Myanmar and China issued on January 18, 2020.³

List of select MoUs and Agreements Pertaining to Connectivity Projects signed during President Xi Jinping's visit to Myanmar

1	Concession Agreement and Shareholders' Agreement of Kyauk Phyu Special Economic Zone and Deep-Sea port Project
2	Handing over of the Muse-Mandalay Feasibility Report
3	Handing over and Receipt of Detailed Feasibility Reports of Mandalay-Tigyaing-Muse Expressway and Kyauk Phyu-Nay Pyi Taw Highway
4	Letter of Intent regarding New Urban Development of Yangon City
5	Feasibility Study for Mandalay-Bagan Railway Line Project
6	MoU on Conducting Feasibility Study of the Myanmar-China Power Interconnection Project
7	MoU on Accelerating Negotiation on the Framework Agreement on the China-Myanmar Muse-Ruili Cross Border Economic Cooperation Zone
8	Implementation Agreement for the Kunlong Bridge Project
9	MoU of Feasibility Study for Watalone Tunnel Project
10	Exchange of Letters for the Feasibility Study on 3-year Development Plan of Border Areas
11	MoU on Local Cooperation under the Framework of Joint Building of China-Myanmar Economic Corridor (CMEC) between the Yunnan Province and Mandalay Region
12	MoU on Enhancing Infrastructure Development Cooperation

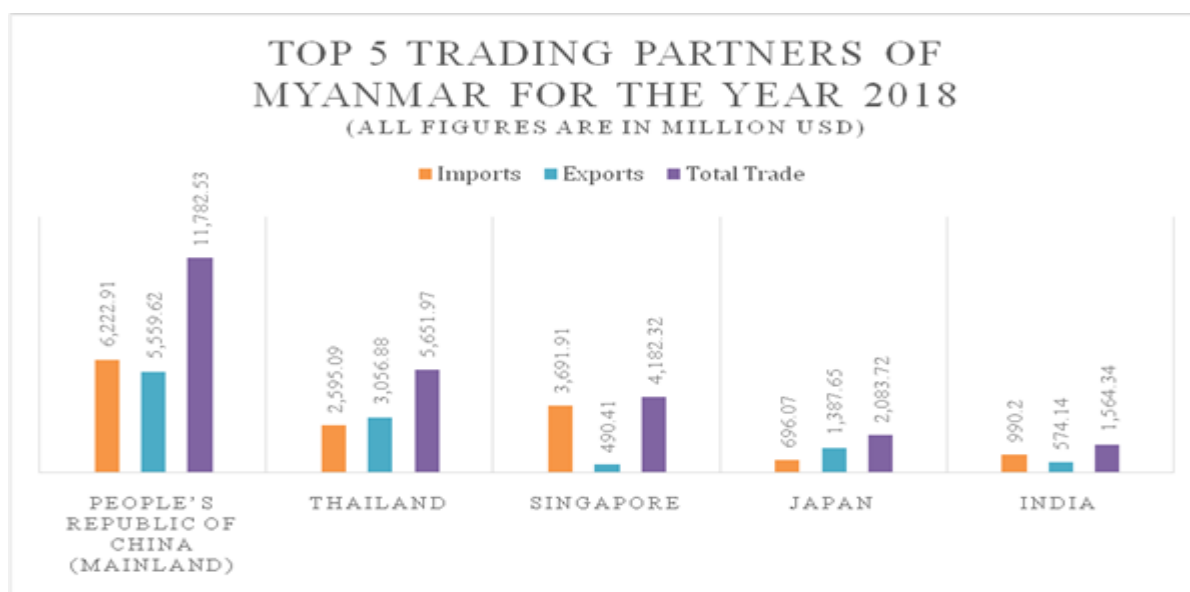
The MoUs and other agreements signed during the visit indicate both continuity and change in the Chinese approach to building connectivity projects in Myanmar. Beijing's long-standing desire to scale up projects such

²Xi Jinping, "Writing a New Chapter in Our Millenia-Old Pauk-Phaw Friendship", [Ministry of Foreign Affairs of People's Republic of China](#), January 16, 2020

³[Joint Statement](#) between Myanmar-China issued on the occasion of the State Visit of H.E. Mr. Xi Jinping, President of the People's Republic of China to the Republic of the Union of Myanmar

as Kyauk Phyu on the Bay of Bengal coast with a Special Economic Zone (SEZ) and a Deep-Sea Port was reaffirmed. However, according to government sources, it is understood that the original estimate of US \$7.2 billion has been revised downward to US \$1.3 billion owing to concerns over Myanmar's ability to service the debt.⁴ While the Kunming-Kyauk Phyu railway line did not figure in the Joint Statement or the list of MoUs signed, an MoU was concluded on a "Feasibility Study for the Mandalay-Bagan Railway Line Project". Interestingly, while Japan is working on upgrading the railway line from Yangon to Mandalay, China seems to be proposing to take it further from Mandalay to Bagan. The agreements also refer to a "New Urban Development of Yangon City", but it remains unclear as to what this project exactly entails. It should be noted that Japan is actively promoting the Thilawa SEZ which is very close to Yangon.

All this is broadly in consonance with Beijing's attempts over the past two or three years to develop connectivity networks to commercial hubs such as Mandalay and Yangon. The operationalisation of these networks has the potential of further strengthening China's trade with Myanmar. China is by far the largest trading partner of Myanmar, with its total trade more than double that of Thailand, the second-largest trading partner. Myanmar exports raw materials such as jade, natural gas, forest produce including timber, gold, and rare earth metals to China while importing a large number of manufactured items from Beijing.



Source: International Monetary Fund

⁴Laura Zhou, "Chinese President Xi Jinping wraps up Myanmar visit with string of infrastructure deals, including strategic Indian Ocean port", *South China Morning Post*, January 18, 2020

Moreover, there is a broader geopolitical context in which the China-Myanmar relationship is evolving. In spite of the very significant power asymmetry between Beijing and Nay Pyi Taw, both need each other at this juncture. For China, because of the ongoing trade friction with the West in general, and with the United States in particular, economic engagement with neighbouring economies has assumed greater significance. With the Regional Comprehensive Economic Partnership (RCEP) already in place, China is also pushing for enhanced bilateral economic relationships with immediate neighbours and this summit-level engagement with Myanmar is a pointer in that direction.

For Myanmar's political leadership, the promise of a U.S. pivot to Southeast Asia has not materialised, and there is, therefore, a need to strengthen ties with Beijing. China and Myanmar are both at the receiving end of sharp criticism from the West owing to recent socio-political developments in Hong Kong and the Rakhine State respectively.

It is commonly argued that the sectarian violence in the Rakhine State and the ensuing international uproar has forced Suu Kyi to court Beijing. China has not only refrained from criticising Myanmar on the sectarian violence but has also provided political support to Suu Kyi's government.

However, it should be noted that Suu Kyi is a very pragmatic leader and has regularly engaged with China since her release from prolonged house arrest in 2010. For instance, in 2015, she visited Beijing and interacted with the leadership, including President Xi Jinping, when she was the Myanmar opposition leader. Subsequently, in 2016, during protests against Chinese mining companies in Leptadaung, instead of calling for the cancellation of the project, Suu Kyi suggested renegotiation of the agreement, much to the consternation of environmental activists and local communities. Moreover, the working of her government in the last five years has not demonstrated any particular disinclination to engage with the Chinese on various issues. With Aung San Suu Kyi preparing for elections in 2020, the Chinese have no grievance against her and, therefore, may not be inclined towards a change in political power in Myanmar.

It should also be noted that China has a long history of deep engagement in Myanmar and the bilateral relationship has witnessed many ups and downs over past decades. In the late 1940s and early 50s, Kuomintang rebels used Myanmar as a base for their operations against the communists in China, which generated significant stress between both countries. Subsequently, Chinese attempts to export revolution to Myanmar prompted Beijing to support

the Communist Party of Burma in its fight against the Yangon government. It was only after the advent of Deng Xiaoping, which resulted in the withdrawal of support to communist insurgencies in neighbouring countries, that the foundation was laid for pragmatic relations between the two. Further, Myanmar has courted China to fend off criticism on international platforms, in particular after the 1998 student uprising, the failure to honour the 1990 election verdict and the prolonged detention of Aung San Suu Kyi. Finally, the stringent sanctions imposed by the West have also prompted Myanmar to move even closer to China.



Chinese President Xi Jinping alongside leaders of Myanmar's political parties in Nay Pyi Taw, Myanmar on January 17, 2020. Source: Xinhua

As for China, it has deployed a three-pronged strategy in its engagement with Myanmar. First, there has been general support for Nay Pyi Taw on international platforms protecting the regime from accusations pertaining to human rights violations. Second, Beijing has built close ties with various armed ethnic groups in Myanmar. Reports indicate that China has close relations with the United Wa State Army (UWSA) in Myanmar, an ethnic militant group.⁵ China has facilitated peace talks between the Kachin Independent Army (KIA) and the Myanmar government in 2013 and in 2017 acted as 'a peace broker

⁵Antoni Slodkowski and Yimou Lee "Through reclusive Wa, China's reach extends into Suu Kyi's Myanmar", [Reuters](#), December 29, 2016

between the Myanmar military and the Federal Political Negotiations and Consultative Committee' – an umbrella organisation of various armed groups.⁶

Interestingly, during his visit, Chinese President Xi Jinping interacted with the Joint Secretary of the Shan Nationalities League, Sai Kyaw Nyunt. This deep engagement in Myanmar's ethnic peace process gives China significant leverage.

Third, there is speculation about alleged Chinese business collaboration with the ruling elites in Myanmar, for which evidence in the public domain is sparse.

China's current leverage stems from the deployment of this three-pronged strategy over four successive decades.

Nonetheless, China is also encountering some hurdles in Myanmar. There are growing concerns about Chinese investments and project implementation methods using Chinese labour to undertake various connectivity projects. The Myitsone dam, which was being constructed by Chinese companies, was suspended in 2009. During Xi Jinping's recent visit, nearly 40 civil society organisations demanded that the project should be shelved entirely.⁷ State Counsellor Aung San Suu Kyi reportedly reiterated the need for the project to be 'politically, socially, economically and environmentally sound and sustainable'.⁸ There are concerns that not all Chinese investments in Myanmar are going to be commercially viable. There are also reports of consternation in Myanmar's political and military leadership over the enhanced Chinese involvement in Myanmar's peace process.⁹ However, at the moment these cumulative challenges do not appear to be threatening Chinese interests in Myanmar.

In terms of the regional outlook, strategically driven Chinese projects of accessing the Bay of Bengal through Kyauk Phyu in Myanmar and the Arabian Sea through Gwadar in Pakistan are steadily gaining momentum. The visits of Xi Jinping to other countries have often resulted in the announcement of connectivity projects running into billions of dollars, not all of which eventually materialise. Even so, there is a need to factor China's demonstrated capacity to

⁶Nan Lwin, "Xi Jinping Calls for 'Concrete Planning and Implementation' of Chinese Projects Ahead of Myanmar Visit", [The Irrawaddy](#), January 16, 2020

⁷Nan Lwin, "Myanmar CSOs Urge Xi Jinping to Terminate Myitsone Dam Project", [The Irrawaddy](#), January 16, 2020

⁸Nan Lwin, "Suu Kyi Repeats Call for 'Wider Perspective' on Myitsone Dam", [The Irrawaddy](#), March 14, 2019

⁹Joe Kumbun, "Under China's Direction, Myanmar's Peace Process Goes Nowhere", [The Irrawaddy](#), September 2019

operationalise mega infrastructure projects such as the oil and natural gas pipelines from Kyauk Phyu to Kunming. The tendency among India’s neighbours to accommodate China’s BRI projects owing to domestic political compulsions continues unabated, despite concerns about unsustainable debt burdens and loss of sovereignty.



Economic Footprints of India, China and Japan in Myanmar

India does not have a permanent seat at the U.N. Security Council or the scale of Chinese economic heft to use as leverage in bilateral engagements within the neighbourhood. Nonetheless, it needs to scale up its own economic

engagement and do so strategically. The operationalisation of the India-Nepal oil pipeline and road, rail and maritime connectivity projects pertaining to Bangladesh are a few positive examples in the recent past. However, unlike Nepal or Bangladesh, India's geographic connectivity with Myanmar is constrained by difficult terrain and relatively more subdued people-to-people interactions. While the Kaladan Multi-Modal Transit Transport Project and the India-Myanmar-Thailand Trilateral (IMTT) Highway have the capacity to benefit India in general and North-East India in particular, their implementation has been tardy. The project of building 69 bridges as part of the IMTT has not made any significant progress. Further, neither the Kaladan project nor IMTT have the capacity to radically alter the trade patterns and leave an imprint on Myanmar's economy. Much of the country's economic activity will continue to be centred around Mandalay and Yangon. New Delhi needs to come up with new projects and economic initiatives that will draw these two growth poles in Myanmar closer towards India.



Delhi Policy Group
Core 5A, 1st Floor,
India Habitat Centre, Lodhi Road
New Delhi - 110003
India

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