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## **China and India's Competitive Relations with Myanmar**

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# **China and India's Competitive Relations with Myanmar**

**Zhao Hong** \*

**Abstract:** China has since the late 1980s been heavily involved in Myanmar strategically and economically. The Indian government was particularly worried about the China-Myanmar's growing strategic links, and is as well making overt efforts to court the military junta and establish a stronger presence there. How strategically important is Myanmar to these two big countries? Will India surpass China's influence in Myanmar?

**Key words:** China-India, Myanmar, rivalry, energy

## **China and India's geopolitical interests in Myanmar**

On January 12, 2007, China wielded its veto at the United Nations Security Council over a draft resolution tabled by the U.S. and UK on the ground that the issues faced by Myanmar were internal matters. The resolution called on the government of Myanmar to release all political prisoners, including democratic leader Aung San Suu Kyi, and engage in political dialogue leading to genuine democratic transition. Another of Myanmar's neighbor, India, was also urged by the Bush Administration to be more active in pressing for democracy in Myanmar after the Junta's crackdown on the pro-democratic movement led by monks in September 2007, but New Delhi calls "democracy and human rights internal Myanmar issues".

China's and India's stances on the Myanmar issue are based on their pragmatic strategic thinking in this country. Myanmar is the second largest country (after Indonesia) among the ten states of ASEAN to which it was admitted in July 1997. For both China and India, Myanmar's geostrategic location at the tri-junction of East Asia, Southeast Asia and South Asia is of critical significance. In the case of China and Myanmar, the two countries share a common border of 2,200 km with easy access to each other's

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territory. Myanmar is not only a potential supply route bypassing the Malacca Strait, but also a strategic staging point for controlling access to Malacca Strait's western approaches. While "controlling Malacca Strait is a key strategic objective of China to the point of risking armed conflict with the regional states and the U.S."<sup>1</sup> Access to Myanmar's ports and overland transportation routes through Myanmar is seen as a vital and strategic security asset for China.

Obviously, China's security interest in Myanmar is to gain promising land access to the Indian Ocean and the Andaman Sea, especially at a time when China's long-standing ally, Pakistan, is struggling to contain Islamic extremism and domestic political unrest. Myanmar's location at China's southwest holds strategic importance for the People's Liberation Army Navy (PLAN) in terms of its reach to the Indian Ocean via Myanmar-controlled islands. The PLAN would be able to shorten the distance by 3000 km by not passing through the Strait of Malacca to reach the Bay of Bengal. In terms of energy security, this has also become increasingly important with China's growing dependence on imported oil, 80 percent of which is shipped to China via the Malacca Strait.

In the mid-1990s, China launched its grand plan to develop the western region. The provincial leadership of Yunnan, the southwest border province, emphasized "accelerating economic cooperation in two sub-regional development schemes to make it part of the national strategy",<sup>2</sup> hoping to promote its local economic and social development through these schemes. The two sub-regional development schemes are the Greater Mekong Sub-region (GMS) development scheme and the Bangladesh-China-India-Myanmar (BCIM) regional economic cooperation, which have been driving much of the economic development in the province and across the border.

Notably, Myanmar is a member in both of these cooperation mechanisms. Myanmar is critical to Yunnan and other China's landlocked provinces for its geo-strategic position. In terms of transportation, Myanmar is the only passage for Yunnan to reach South Asia and an important access to Indian Ocean. In terms of resources, Myanmar is rich in oil, gas, lumber and gemstones. In terms of border security, counter-narcotic trafficking,

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<sup>1</sup> Yossef Bodansky (1995), "Beijing's surge for the Strait of Malacca", available at: [http://www.freeman.org/m\\_online/bodansky/beijing.htm](http://www.freeman.org/m_online/bodansky/beijing.htm)

<sup>2</sup> Kong Lingnan and Li Jiating, *China's Development of the Western Region: the Action Plan of Yunnan*, Yunnan People's Press, 2001, p.22.

money laundering and smuggling of arms are important issues for both countries.<sup>3</sup> Myanmar is therefore part and parcel of China's strategic design to develop its western region.

In the case of India and Myanmar, these two countries share a 1,640 km long unfenced border. Myanmar has a long coastline of 2,276 km that shares certain part of the Bay of Bengal, in particular the surrounding areas of the Coco Islands and the Andaman Sea, which is very important to India's strategic consideration. Historically, India and Myanmar were part of the British Empire, Burma being the largest province in British India. In 1937 Burma became an independent unit within the empire, and there were 300,000 to 400,000 Indians who had migrated there. Many of the tribes in India's northeastern region are ethnically linked to tribes on the Myanmar side of the border. Currently, at least five major militant groups from India's northeast, where numerous tribal and ethnic groups are fighting for greater autonomy and fuelling violent insurgencies, have training camps in the dense jungles of Sagaing in northern Myanmar.

India-Myanmar relations were close during the first years after independence, and both Nehru and U Nu were leaders in the creation of the Non-Aligned Movement. Both countries signed a Treaty of Friendship, which was to remain in force "for ever thereafter" if neither side gave notice of its desire to terminate it six months before its expiry after five years.<sup>4</sup> However, after the 1962 coup, relations came to a standstill. In true Nehruvian idealist tradition, India ignored its eastern neighbor due to the undemocratic regime that had taken over the assets of Indians living in Myanmar.<sup>5</sup> This policy continued under the governments led by Indira Gandhi and Rajiv Gandhi despite a move toward realist policies vis-à-vis other neighboring states such as Pakistan, Bangladesh and Sri Lanka.

India's interest in Myanmar began to recover from the early 1990s when Narasimha Rao assumed power, as could be seen in its shift from a low-key policy which emphasized human rights and democracy to one which emphasized a pragmatic strategic

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<sup>3</sup> Reportedly, over 90 per cent of the heroin seized in China comes from northern Myanmar.

<sup>4</sup> Thin Thin Aung and Soe Myint, "India-Burma Relations", available at <http://www.idea.int/asia-pacific/burma/upload/chap4/pdf>

<sup>5</sup> Ne Win's nationalization of shops and stores in the early 1960s hit traders of Indian origin badly and no compensation was offered. Around 12,000 Indian concerns were affected. When they left the country Indians were not allowed to take anything with them. (see Marie Lall, "Indo-Myanmar Relations in the Era of Pipeline Diplomacy", *Contemporary Southeast Asia*, Vol.28, No.3, 2006.)

policy toward Rangoon. “The main reason for India’s shift was the growing concern and uneasiness over Myanmar’s abandonment of its traditional ‘strategic neutrality’ policy and strategic tilt toward China,”<sup>6</sup> and to remove Myanmar from China’s orbit or sphere of influence.

In India’s strategic thinking, greater cooperation with Myanmar on cross-border counter-insurgency efforts, along with building possible pipeline from Myanmar’s gas fields to its northeastern provinces, which are among the most power-starved provinces in the country, is the most effective way to defuse the secessionist movements in these areas. But more importantly, Myanmar’s location is central to strengthening India’s Look-East policy, energy security and counterbalancing China’s influence in Southeast Asia. In the long-term scenario, India hopes Myanmar will become an independent market as well as the transit country and the link between South and Southeast Asia.

Myanmar is of special importance to China, and the shift in New Delhi’s stance has thus generated a sense of rivalry between the two for the affectations of Myanmar from the tangibles of trade and investment to the intangibles of cooperation and support for their respective regional influence. China and India are all anxious to tap Myanmar’s huge oil and natural gas reserves. China and India are also seeking access, through Myanmar, to the Indian Ocean to help open up their poor landlocked provinces in their southwest and northeast, respectively.

Given Myanmar’s geopolitical significance to both China and India, and the potential for rivalry between the two rising powers for Myanmar’s favors, it is useful and essential to examine these complex relationships along the three dimensions of security, energy and economics.

### **China-India’s strategic rivalry in Myanmar**

For both strategic and economic reasons, Myanmar’s military junta has since the early 1990s pursued an “open-door” economic policy, embarking upon an ambitious program of building roads, bridges, dams, hydroelectric schemes, and import-substituting state-

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<sup>6</sup> Shee Poon Kim, “The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions”, *Ritsumeikan Annual Review of International Studies*, 2002, Vol.1.

owned industries. But western states and Japan (Myanmar's close friend and the most important donor country since the 1960s) withheld ODA (Official Development Aid) and imposed sanctions and weapon embargoes on this country for its cracking down of the pro-democratic movement in the late 1980s. Only Thailand and China came to Myanmar's aid during this period.

Severe constraints on human and financial resources, especially technical expertise had led Myanmar to rely on Chinese expertise and ODE-linked imports of machinery and equipment. A delegation led by then SLORC's (State Law and Order Restoration Council) number two leader and chief of army Lt. General Than Shwe to China in October 1989 was a watershed for Myanmar-China co-operation under the junta. China was involved in establishing state-owned enterprises in fields such as sugar plants, textile factories, plywood plants, rice mills and other industrial factories. China also provided coastal liners, irrigation pumps, construction materials, and satellite ground station.

Since 1988, China has provided Myanmar with considerable amount of aid and preferential loans and cancelled numerous debts. Statistics showed that by 2005, China's total aid to Myanmar reached about US\$100 million.<sup>7</sup> From 1991 to 2005, the Bank of China and China Import-Export Bank provided Myanmar with seller's credits worth over US\$1 billion. In 2006, China provided another US\$85 million of loans to Myanmar for purchasing two new oil-drillers. By the end of 2002, Chinese construction companies had invested over 800 projects worth US\$2 billion in Myanmar. By the end of 2005, this amount increased to US\$2 billion with a fulfilled turnover of US\$2.2 billion.<sup>8</sup> All these laid a good foundation for China's further involvement in Myanmar.

From the perspective of security, China and Myanmar have enhanced their military cooperation and exchanges since 1988. The most significant move in this aspect was the 1990 deal involving weapons and military equipment worth an estimated US\$1.2 billion; another agreement to supply weapons and equipment worth US\$400 million was in 1994.<sup>9</sup> China not only provided conventional arms and equipment, but also new classes of weapons hitherto absent in Myanmar's inventory, such as multiple rocket launchers,

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<sup>7</sup> Nyi Nyi Lwin, "Economic and Military Cooperation between China and Burma", September 2006, available at <http://www.narinjara.com/Reports/BReport.ASP>

<sup>8</sup> <http://www.fimprc.gov.cn/chn/wjb/zzjg/yzs/gjlb/1271/default.htm>

<sup>9</sup> Tin Maung Maung Than, "Myanmar and China: A Special Relationship?" *Southeast Asian Affairs* 2003.

surface-to-air missiles, modern missile boats, supersonic fighters, advanced jet trainers, air-to-air missiles, four-engine transports, electronic warfare and signals intelligence equipment. These deals in the 1990s had considerably expanded the capability of Myanmar's armed forces.

In 2003, China assisted Myanmar in building an 85-metre jetty to naval facilities on Great Coco Islands, which lies 18 km from India's Nicobar Island. China also established modern reconnaissance and electronic intelligence system on the island. Moreover, China has built a deep-sea port in Kyaukpyu in Rakhine state. Kyaukpyu is located on the route connecting southwestern China's Kunming city with Myanmar's Sittwe. China has also set up listening posts in Sittwe and Zedekyi Kyun Island (located off the coast of Myanmar's southernmost tip), enabling China to monitor traffic in the Strait of Malacca.<sup>10</sup>

India has felt threatened by China since the 1962 war. Even the current rapprochement has done little to calm its military fears. India is nervous about being strategically encircled by China and its allies. For years, China has cultivated economic and military ties with Pakistan and other South Asian countries. Economically, from 1999-2006, China's trade with SAARC (South Asian Association for Regional Cooperation) rose from US\$ 4.2 billion to US\$ 34.7 billion; while bilateral trade between China and Pakistan has been increasing by 46% on a year-on-year basis, rising from US\$ 0.97 billion to US\$ 5.3 billion in 2006. Strategically, China has built a naval port at the Arabian Sea Coast in Gwadar, Pakistan. This would lead not only to Gwadar emerging as a transit terminal for oil imports but also as a pretext for China's naval presence in the Indian Ocean, thereby enabling China to "monitor US naval activity in the Persian Gulf, Indian activity in the Arabian Sea, and future US-Indian maritime cooperation in the Indian Ocean."<sup>11</sup> Similarly, Bangladesh has offered China naval access to its prized Chittagong port, which New Delhi has long sought but to no avail. India would like to gain access to Chittagong port to help ship its planned natural gas imports from Myanmar

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<sup>10</sup> Shee Poon Kim, "The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions", *Ritsumeikan Annual Review of International Studies*, 2002, Vol.1.

<sup>11</sup> Harsh V. Pant, "India in the Asia-Pacific: Rising Ambitions with an Eye on China", *Asia-Pacific Review*, Vol.14, No.1, 2007.



to its northeast region.<sup>12</sup> In April 2005, China also signed a comprehensive agreement with Sri Lanka which provides access to Colombo's ports, and thereby the Indian Ocean. New Delhi believes that "China's involvement in Myanmar could mean that India would find itself surrounded on three sides by Beijing and its area of influence leaving no 'buffer states'".<sup>13</sup> India feels that it badly needs to improve its strategic relations with Myanmar so as to "break down" China's encircling strategy.

India-Myanmar relations nose-dived in the late 1980s after New Delhi threw its support behind the student demonstration. In 1993, India shifted its attitude and moved from voicing its opposition to the military junta's crackdown on pro-democracy activists and the arrest of Aung San Suu Kyi to a more pragmatic, non-interventionist policy. In January 2007, External Affairs Minister Mukherjee said that New Delhi had to deal with other governments "as they exist...We are not interested in exporting our own ideology."<sup>14</sup>

This change in policy by India has been largely prompted by its desire to counter Indian insurgent groups operating from Myanmar. Over the past three years, New Delhi-Yangon counter-terrorism initiatives have gained in momentum, and transfers of military equipments have increased significantly.<sup>15</sup> It is likely that joint military initiatives in the border region will be initiated and more direct military aid like the proposed light attack helicopter sales from India to Myanmar will continue. It is predicted that India will continue these operations as part of its efforts to deepen bilateral ties with the military junta in Myanmar.

However, it is important to understand that India's interest goes well beyond this. India is aware that it needs Myanmar's cooperation in reaching the region's energy resources, gaining access to the vast markets of Southeast Asia, and balancing China's growing influence there.

The Indian government was particularly worried about China-Myanmar's strategic links and the prospects of the Chinese Navy gaining a foothold in the Bay of Bengal.

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<sup>12</sup> Tarique Niazi, "Asia Between China and India", *Japan Focus*, May 31, 2006.

<sup>13</sup> Marie Lall, "Indo-Myanmar Relations in the Era of Pipeline Diplomacy", *Contemporary Southeast Asia*, Vol.28, No.3 (2006).

<sup>14</sup> Siddharth Varadarajan, "India Not Interested in Exporting Ideology", *Times of India* (Delhi), May 20, 2007.

<sup>15</sup> Gideon Lundholm, "Pipeline Politics: India and Myanmar", *PINR Power and Interest News Report*, 10 September 2007.

India has recently confirmed a major project to link its isolated northeastern provinces to the Bay of Bengal via the Kaladan River<sup>16</sup> and is investing in a new port in Sittwe. India is hoping that the project will give the landlocked provinces of Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland and Arunachal Pradesh access to international trading routes through the Bay of Bengal.<sup>17</sup> By completing this project, India might as well “limit Chinese access to the listening posts in the Myanmar-owned part of the Cocos Islands in the Andaman Sea.”<sup>18</sup>

Economically, India chose to engage Myanmar through sub-regional organizations such as the Bangladesh-India-Myanmar-Sri Lanka-Thailand economic cooperation (BIMSTEC) and the Mekong-Ganga Cooperation (MGC) which was founded end 2000. These projects underline cooperation in tourism, culture, education and language training, emphasize links between Indian traditional culture and Southeast Asian culture, thus underscoring New Delhi’s intention to elbow out China’s influence from this area. Involvement in infrastructure projects in ASEAN also aided India in countering the influence of China in this area. In September 2004, Vajpayee declared in New Delhi that India would cooperate with ASEAN to build a railway from New Delhi to Hanoi, cutting through Myanmar, Thailand, Laos, and Cambodia. Some analysts considered this as India’s response to China’s proposal to build a “Pan-Asian Railway”. Obviously, India’s intention is to open up a new trade corridor in the Mekong sub-region, thereby enhancing its clout in the Mekong sub-regional economic cooperation and competition.

### **China-India’s energy competition in Myanmar**

As two big developing countries, energy issue has become more serious for China and India. China’s demand for oil doubled over the past decade, increasing from 3.3 million barrels per day (bpd) in 1995 to 6.6 million bpd in 2005, and is predicted to increase to 13.6 million bpd by the year 2020. Recent estimates of China’s natural gas demand in

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<sup>16</sup> The transport project involves roads in Myanmar and India’s north-eastern state of Mizoram, waterways and an upgrade to the port infrastructure at Sittwe. Work on the highway project has already begun. It will link Moreh in India to Mae Sot in Thailand through Pagan in Myanmar, and eventually connect India to Vietnam and Laos and Singapore to the south.

<sup>17</sup> These so-called “Seven Sisters” currently have difficulty accessing the ocean because of India’s uneasy relations with Bangladesh.

<sup>18</sup> Ravi Velloor, “India gains bigger foothold in Myanmar”, *The Straits Times*, October 27 2007.

2020 range from 125 to 250 billion cubic meters (cm) and domestic natural gas supply run from 80 to 150 billion cm.<sup>19</sup> These projections indicate that China could import as much as 130 billion cm of natural gas in 2020, accounting for almost 70 per cent of its total natural gas consumption.

For India, power shortages were 25 percent during 2006, and oil demand is set to increase from 2.8 million barrels per day (bpd) to 5.6 million bpd from 2002-2030.<sup>20</sup> India's gas requirements for electricity production have been estimated at between 61 billion cm and 199 billion cm by the year 2030.<sup>21</sup> India is becoming increasingly clear that large amounts of gas will need to be imported from abroad. Thus both India and China are making a global search for energy as part of their energy strategy.

Myanmar is rich in oil and has Southeast Asia's largest natural gas reserves. According to official estimates, Myanmar has oil reserves of around 600 million barrels, and total gas reserves of 88 trillion cubic feet (tcf) – only slightly less than Indonesia.<sup>22</sup> New massive finds in three fields in the Gulf of Bengal – Mya, Shwe, and Shwe Phyu (jointly known as the Shwe project which is estimated to hold 5.7-10 tcf of gas) – have sparked an intense bidding war between Bangkok, Beijing and New Delhi, all of which are seeking sole rights to the gas. Natural gas from the Shwe field has become a contentious issue in China-India relations, and an obstacle to Sino-Indian energy cooperation.

The current Blocks A1 and A3 off the Rakhine coast (the site is called Shwe—the Burmese word for gold) are being explored by a consortium led by Daewoo (60 per cent), together with Korea Gas Corporation (10 per cent), and two Indian companies ONGC Videsh (a subsidiary of Oil and Natural Gas Corporation, 20 per cent) and GALL (Gas authority of India Ltd., 10 per cent). Further explorations of blocks adjacent to A1, specifically Block A3, have also begun. Chinese companies, although not involved in the early stages of gas exploration at Shwe, have bought exploration rights to seven blocks

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<sup>19</sup> Erica Downs, Energy Security Series: China, The Brookings Foreign Policy Studies, December 2006. Available at: <http://www.brookings.edu/fp/research/energy/2006china.htm>

<sup>20</sup> Anil K. Malhotra, "India Faces an Unprecedented Energy Crisis," Alexander's Gas and Oil Connections, July 6 2005, available at <http://www.gasandoil.com/goc/news/nts52796.htm>

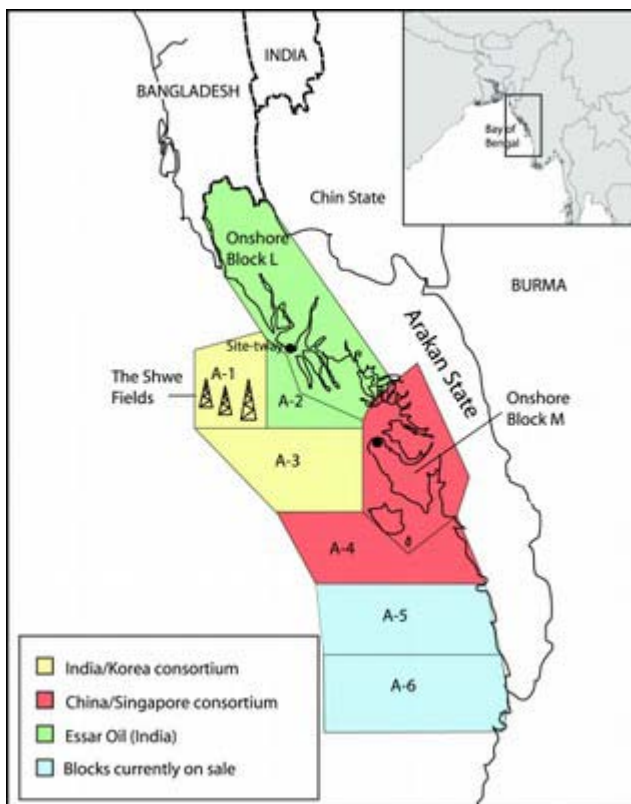
<sup>21</sup> Marie Lall, "Indo-Myanmar Relations in the Era of Pipeline Diplomacy", *Contemporary Southeast Asia*, Vol.28, No.3 (2006).

<sup>22</sup> *Strait Times*, 2 February 2006.

covering an area of over 9.56 million hectares.<sup>23</sup>

On 13 January 2005 after a two-day tri-nation meeting of energy ministers from Myanmar, India, and Bangladesh in Yangon, a memorandum of understanding was signed with all parties pledging to cooperate in a project to pipe Block A1's natural gas output to India across Bangladesh. But further negotiations stalled in the following months as the two South Asian countries could not agree on the terms and conditions of the project.

### Gas rivalry in Myanmar



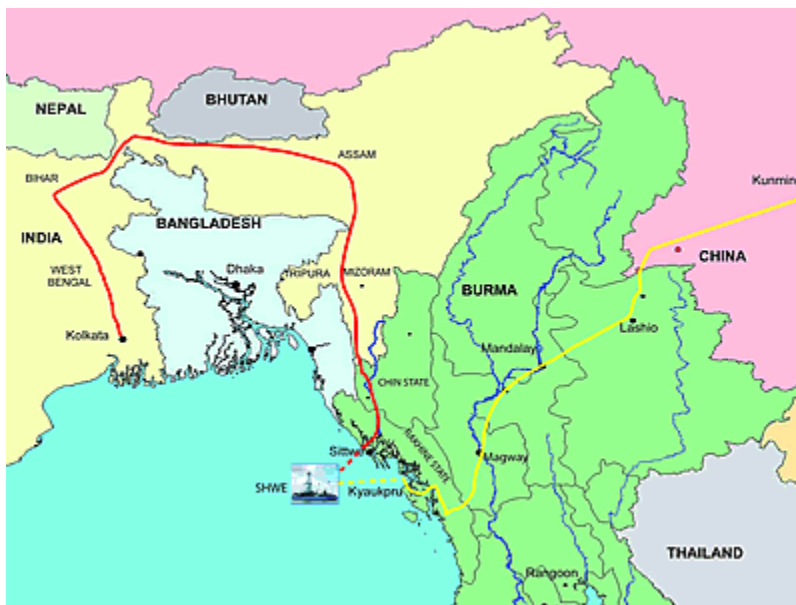
It was PetroChina which eventually signed a gas export Memorandum of Understanding with Myanmar in early 2006 and completed the survey for a 2,389-km pipeline from Kyakphu in Myanmar to China's Yunnan province. "India was caught unaware when news broke that Myanmar had agreed to sell 6.5 tcf of gas from Block A1

<sup>23</sup> <http://www.shwe.org/about-shwe/geopolitics-of-gas>

to PetroChina over 30 years.”<sup>24</sup> The end-user agreement with PetroChina came really as a surprise to the Indian stakeholders, who had for several years negotiated for a Myanmar-Bangladesh-India gas pipeline.

In April 2007, the Chinese National Development and Reform Commission approved an oil pipeline linking Myanmar’s deep-water port at Sittwe with Kunming. This pipeline would allow an alternative route for China’s crude imports from the Middle East, reducing shipping time and its dependence on traffic through the Straits of Malacca.<sup>25</sup> In the meantime, China will build a gas pipeline, which stretches 2,380 km, linking Myanmar with Kunming at US\$ 1.04 billion. Myanmar, in return, will receive a loan of US\$ 83 million from the Chinese government to tap its oil resources.

#### Possible pipeline routes



The recent developments in the gas field projects of Myanmar have served to highlight the intense energy diplomacy that is going on in this region. The government of Myanmar withdrew India’s status as preferential buyer on the A1 and A3 blocks of its offshore natural gas fields, and instead declared its intent to sell the gas to PetroChina.

<sup>24</sup> Tin Maung Maung Than, “Myanmar: Challenges Galore Opposition Failed to Score”, *Southeast Asian Affairs*, 2006.

<sup>25</sup> Morten B. Pedersen, “Myanmar: The Future Takes Form-But Little Change in Sight”, *Southeast Asian Affairs* 2007.

This indicated that “India has lost an important diplomatic initiative in the attempt to counter Chinese influence in Myanmar, illustrating the depth of the relationship currently enjoyed by China and Myanmar.”<sup>26</sup>

However, India’s current setback in the field of energy rivalry is unlikely to lead to a decrease in its attempts to compete with China in other fields, and to win greater cooperation from Myanmar over counter-insurgency efforts. On the other hand, Myanmar has been diversifying its foreign relations and expanding its diplomatic space, allowing itself to be courted by India, Russia and other big countries, so as to reduce its reliance on China. India will undoubtedly make more overt efforts to establish a stronger presence in Myanmar.

### **Will India surpass China’s influence in Myanmar?**

Myanmar has been described as a “de facto Chinese client state”, or “a virtual Chinese satellite”, and “a critical nexus in the Chinese-Indian regional rivalry”.<sup>27</sup> However, Myanmar authorities have consistently denied any Chinese military presence in Myanmar or establishing a strategic alliance in China’s favor.<sup>28</sup> “A long tradition of nationalism, self-reliance and even xenophobia suggests that Rangoon had no intention of becoming a Chinese pawn, and as soon as conditions permitted, it would move to reduce its dependence on Beijing.”<sup>29</sup>

In reality, Myanmar’s military leaders are apparently fully aware of the potential dangers of being too close to China. From the early 1990s, Myanmar has decided to adopt a ‘counter hedging’ strategy and moved to diversify its diplomacy in an attempt to reduce its dependence on China, allowing itself to be courted by India and other big countries, as is evidenced by the changing structures of its foreign trade and investments.

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<sup>26</sup> Gideon Lundholm, “Pipeline Politics: India and Myanmar”, *PINR Power and Interest News Report*, 10 September 2007.

<sup>27</sup> Tin Maung Maung Than, “Myanmar and China: A Special Relationship?” *Southeast Asian Affairs* 2003.

<sup>28</sup> Tin Maung Maung Than, “Myanmar and China: A Special Relationship?” *Southeast Asian Affairs* 2003.

<sup>29</sup> Ian Storey, “Burma’s Relations with China: Neither Puppet nor Pawn”, *ChinaBrief*, Volume VII, Issue 3, February 7, 2007.

**Table 1 Myanmar's top five trade partners**

Country	2005-2006	2000-2001	1990-1991
<b>Export</b>			
Thailand	1 (38.1)	1 (14.4)	4 (13.1)
India	2 (13.8)	2 (13.4)	2 (17.7)
China	3 (10.3)	4 (9.0)	3 (13.4)
Singapore	4 (7.4)	5 (5.8)	1 (28.6)
Hong Kong	5 (7.2)	7	5 (8.4)
USA	Negligible	3 (12.5)	Negligible
<b>Import</b>			
Singapore	1 (28.1)	1 (24.2)	5 (9.6)
China	2 (23.6)	4 (12.3)	1 (21.8)
Thailand	3 (12.0)	2 (13.1)	4 (10.0)
Malaysia	4 (7.0)	7	6
Japan	5 (5.3)	5 (8.7)	2 (16.3)
Korea	6	3 (12.4)	7
USA	7	10	3 (12.3)

Note: Figures in parentheses are shares as a percentage of total exports and imports.

Source: *Southeast Asian Affairs* 2007, p.249

Table 1 shows that China has been behind Thailand and India in terms of Myanmar's export destination since 1990-1991. Similarly, in terms of Myanmar's imports, China had moved down one notch to become Myanmar's second largest import supplier in 2005-2006, after Singapore. Although, "statistics on bilateral trade are not reliable due to continued smuggling and under-reporting, and official figures 'may represent as little as 20 per cent of its real value'",<sup>30</sup> it can be seen that China is declining as one of Myanmar's dominant trade partners; India, on the other hand, has risen to be the fourth largest trade partner of Myanmar by the year 2006.<sup>31</sup>

Table 2 shows that Myanmar's foreign investments come mainly from Asian countries. Thailand is the biggest foreign investor in Myanmar, accounting for 53 per cent

<sup>30</sup> David I. Steinberg, *Burma: The State of Myanmar*, Washington D.C.: Georgetown University Press, 2001, p.226.

<sup>31</sup> The Economic and Commercial Section of the Consulate General of the People's Republic of China in Mandalay. <http://mandalay.mofcom.gov.cn/aarticle/jmxw/200705/20070504730402.html>

of its total foreign investment. China ranks behind the U.S. and Japan; the positioning may not be a good reflection of China's investments in Myanmar as many ventures are local or indirect ventures that do not go through the rigorous procedures stipulated by the national-level Myanmar Investment Commission.<sup>32</sup> Although India has yet to become a major investor of Myanmar, its investment value had increased to US\$ 35.08 million by the year 2006, accounting for 0.3 per cent of the total foreign investment in Myanmar.

**Table 2 Foreign investment in Myanmar**  
(Stock as at September 2006)

	Value (US\$ million)	Percentage (%)
<b>Asian countries</b>	<b>11012</b>	<b>79.5</b>
ASEAN	9861	71.2
Japan	215	1.5
China	194	1.4
Korea	192	1.4
India	35	0.3
Others	515	3.7
<b>European Countries</b>	<b>2388</b>	<b>17.3</b>
EU	2379	17.2
Others	9	0.1
<b>American Countries</b>	<b>334</b>	<b>2.4</b>
USA	244	1.8
Others	90	0.6
<b>Australia</b>	<b>82</b>	<b>0.6</b>
<b>Russia</b>	<b>33</b>	<b>0.2</b>
Total	13849	100

Source: Embassy of the People's Republic of China in Myanmar

Apart from trade and investment, India and Myanmar have discussed projects on copper exploration, and a hydroelectric project on the Chindwin River. New Delhi is setting up an IT park in Mandalay and two e-learning centers in Yangon and Mandalay, and is conducting an e-government project to train Myanmar government officials. India is also building more roads in Myanmar and a highway from Moreh in Manipur to Mae Sot in Thailand through Bagan in Myanmar. All these will not only lead to further bilateral cooperation and trade, but also increase India's influence in Myanmar and other Southeast Asian countries.

<sup>32</sup> Tin Maung Maung Than, "Myanmar and China: A Special Relationship?" *Southeast Asian Affairs* 2003.



Nevertheless, China still enjoys a privileged position in Myanmar's foreign relations, particularly at the time when Myanmar is not opened to the world. China's investments in Myanmar are more diversified, covering not only natural gas and oil sectors, but also light industries, infrastructures and technology sectors. The two countries have also established closer economic ties through the establishment of border trade zones.<sup>33</sup> In 2006, the value of China-Myanmar border trade reached US\$ 721 million, while India-Myanmar border trade was only US\$ 17 million.

The close bilateral relations between China and Myanmar have led to an expanding movement of people between the two countries. Sudha Ramachandran, an independent researcher based in Bangalore, India, estimated in 2005 that more than one million Chinese had moved to Myanmar over the past decade, and "this influx is believed to have changed the demographic make-up of northern Myanmar."<sup>34</sup> An estimation of the Chinese Embassy in Yangon revealed that there were more than two million Chinese in Myanmar in 2005, including half a million ethnic Chinese. In cities of northern Myanmar, such as Mandalay, the influence of new Chinese migrants in almost all economic sectors is on the rise. These new Chinese immigrants have also become an important influence in Myanmar society.

While China has either resolved or shelved its border disputes, India is in active conflict with its neighboring states on almost all of its borders. It is the ongoing violence in India's northeast and India's poor relations with Bangladesh that have prevented New Delhi from establishing a gas pipeline from Myanmar. Resolving territorial disputes and improving relations with traditional adversaries will become increasingly important for India if it is to fully exploit its proximity to a region on its eastern borders. In this regard, China has more political and economic advantages in further seeking influence and cooperation in Myanmar, and it would be unrealistic to expect Beijing to displace the regime that is serving as a guarantor for China's access to the Indian Ocean.

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<sup>33</sup> There were altogether 13 border trading posts: 5 on the China border, 4 on the Thai border, 2 on the India border and 2 on the Bangladesh border. (*Southeastern Asian Affairs* 2007)

<sup>34</sup> Sudha Ramachandran, "Yangon still under Beijing's thumb", *Asia Times online*, Feb.11, 2005.

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