

---

## 3. China–Burma relations

David Arnott

### I. Historical preface

From 1949, Chinese Communist Party (CCP) support for the Communist Party of Burma (CPB) prompted Burma to be the first non-Communist country to recognise the People's Republic of China (PRC) – on 17 December 1949.<sup>80</sup> Until the Cultural Revolution, the relationship remained nervously friendly, with Burma attempting to maintain a neutralist foreign policy, and overtly hostile from 1967 when anti-Chinese riots occurred in Burma, a hostility which continued throughout the peak period of the Cultural Revolution. During this time China, pursuing a foreign policy inspired by Maoist ideology rather than national interest, upgraded its military and logistical support for the CPB which had been one of the major irritants between China and Burma. Relations eased in the 1970s, particularly after the reduction in support for the CPB that followed the accession to power of Deng Xiaoping. Relations between Burma and China warmed considerably from 1988, with an agreement to legalize (already substantial) border trade signed by the Vice-Governor of Yunnan on 5 August, subsequent arms deals and the collapse of the CPB in 1989.

The massacres conducted by the Burmese Armed Forces (the *Tatmadaw*) in 1988 led to the suspension of international aid and development assistance to Burma, with the result that in early 1989, foreign currency reserves were reported to be down to US\$ 9 million. At this point the new incarnation of military rule, the State Law and Order Restoration Council (SLORC) decided to modify the previous policies of isolation and oblique neutrality<sup>81</sup> and "turn to foreign sources to obtain the means of enforcing law and order and to compensate its major constituency, the *Tatmadaw*"<sup>82</sup> The decisions in question were:

1. *To seek substantial arms imports from China in order to secure military rule by strengthening the Tatmadaw and further militarising the state.* This also involved a large-scale recruitment drive, significant adjustment of the command structure of the armed forces and the reorganization and extension of military control in districts, townships and villages. The target was a force of 500,000 to allow a permanent military presence in most parts of the country.
2. *To pay for this undertaking by opening the country to international investment.* The neighbours came for fish and teak; oil companies paid for exploration rights and SLORC sold off part of Burma's Tokyo embassy. The quick money from these sales saved the virtually bankrupt regime from its immediate financial problems, but there was no major investment except, a few years

---

<sup>80</sup> Liang, Chi-shad, "Burma's relations with the People's Republic of China: from Delicate Friendship to Genuine Cooperation", included in Peter Carey (ed.) *Burma: The Challenge of Change in a Divided Society*, Macmillan Press, London, St Martin's Press Inc., NY, 1997. I would go somewhat further than Liang in identifying fear of the northern neighbour as an important factor in the relationship.

<sup>81</sup> See the discussion of neutrality in the section on strategic relations.

<sup>82</sup> Seekins D, "Playing With Fire: Regime Survival and Burma-China Relations", *Asian Survey*, June 1997.

later, in hotel building and the offshore oil and gas sector. Here, discoveries by European and US companies of large offshore deposits of gas, which Thailand contracted to buy, promise substantial long-term revenues. However, the proposed pipeline to bring the gas to Thailand crossed Karen and Mon territory, where insurgencies still continued, thus increasing the pressure on SLORC to end the civil war by one means or another. The lack of enthusiasm on the part of investors was due in part to (1) the low level of physical infrastructure (transport was slow and hazardous, there were, and still are, frequent “brown-outs” and power cuts even in the main cities); (2) the continuation of the civil war; and (3) , most important, SLORC's refusal or inability to liberalize more than the fringes of the economy, which remained *dirigiste*, with the principal sectors remaining firmly in military hands.<sup>83</sup>

These linked projects to strengthen military rule and attract investment proved incompatible. Not surprisingly, it was the former which prevailed. The fish and teak were on the way to exhaustion: "Visit Myanmar 96 Year"<sup>84</sup> fell flat: no substantial investment was in sight and the gas revenues were not due to come on stream until 2001. The economy was once more in crisis.<sup>85</sup> The bulk of the army was hardly paid, and to a large extent, lived off the land, further alienating the civilian population.

## II. Strategic relations

### *Introduction*

Many if not most contemporary analysts of the military relations between China and Burma have tended to focus on the strategic implications for the Indian Ocean and the region as a whole,<sup>86</sup> discussing whether or not China has built military facilities in Burma and if so, whether the People's Liberation Army (PLA) and/or the Chinese Navy (PLAN) have the use of them. They also ask to what degree Burma is a *de facto* ally, client state or satellite of China. These are important questions, and they are touched on briefly below. This paper, however, concentrates on the *domestic* strategic impact of the arms deals, namely the ways in which they helped the SLORC expand the military and consolidate and extend its power within the country, and the consequences of this expansion. Another important question which is not pursued here is China's own intentions. Is China a threat to the region, a potential hegemon busy establishing an economic power base on which to build an invincible military force?<sup>87</sup> Or is she a large yet insecure country with painful memories of various colonial predators, fearfully aware of the immense technological superiority of the United States military, but

<sup>83</sup> Arnott D, *Once the Ricebowl of Asia: the military destruction of Burma's economy*, <http://www.ibiblio.org/obl/docs/ricebowl98.htm> first published in French as “La destruction de l'économie par les militaires” in *Relations Internationales & Stratégiques*, Automne 1997 (Arnott, *Ricebowl*).

<sup>84</sup> An attempt to attract 500,000 tourists in the 1996/97 tourist season.

<sup>85</sup> See the World Bank report, *Myanmar: An Economic and Social Assessment*, August 1999, and Thomas Crampton's article on the (leaked) report in *International Herald Tribune (IHT)*, 15 November 1999.

<sup>86</sup> Seekins *op.cit.*; Ashton A, “Burma receives advances from its silent suitors in Singapore”, *Jane's Intelligence Review (JIR)*, 1 March 1998; Ashton W, “Burma's Armed Forces – preparing for the 21<sup>st</sup> century”, *JIR* 1 November 1998; Lintner B, *Burma in Revolt: Opium and Insurgency Since 1948*, Westview Press, Boulder, San Francisco, Oxford; White Lotus, Bangkok, 1994; Selth A, *Transforming the Tatmadaw*, Australian National University, 1996; Malik Mohan, “Burma's Role in Regional Security” in Robert I Rotberg (ed.), *Burma: Prospects for a Democratic Future*, Washington DC, World Peace Foundation and Harvard Institute for International Development, Cambridge MA, 1998; Trager, *op.cit.*; Pettman R, *China in Burma's Foreign Policy*, Contemporary China Papers No. 7, Australian National University, Canberra 1973; Liang, 1990, *op.cit.*

<sup>87</sup> Munro RH and Bernstein R, *The coming conflict with China*, Alfred A. Knopf, New York, 1997.

intent on international and regional cooperation?<sup>88</sup> Then there is the question of China's economy, and whether the Middle Kingdom will ever be anything more than a middle power.<sup>89</sup>

### ***External strategic factors***

From independence until 1989, Burma attempted to maintain a public stance of neutrality (while in fact drifting into an "oblique neutrality" – leaning towards China) in order to avoid being drawn into the cold war or the tensions between China and India.<sup>90</sup> The regime's need for external support for its survival<sup>91</sup> led the State Law and Order Restoration Council or SLORC into an arms deal with China in November 1989<sup>92</sup> which over the next five years delivered up to US\$ 2 billion worth of arms and ammunition, and the services of Chinese trainers.<sup>93</sup> There were also persistent reports of Chinese-built military (including Signals Intelligence) installations in strategic locations on the Indian Ocean, at the entry to the Malacca Straits and just north of the Andaman Islands (where the Indian Navy exercises).<sup>94</sup> Both China and Burma have denied these reports.

Within Burma, the closer association with China implied by SLORC's massive arms acquisitions and the increased Chinese presence and investment in Northern Burma was and still is opposed by many Burmese civilians, as well as groups within the armed forces who have spent much of their career fighting Chinese-backed troops.

These arms deals and reports – added to increased Burma-China trade and Chinese road and bridge-building in Burma – have led a number of analysts (particularly those who see China as an expansionist threat to the region and, ultimately, the world) to describe Burma's relationship with China as that of a de-facto ally, a satellite or a client state, and therefore a threat to the regional strategic balance.<sup>95</sup>

Be that as it may, the *fears* of such a threat have led to ASEAN and India seeking to counter China's influence by engaging Burma and drawing her into regional organizations and trade groupings. Burma's 1997 accession to ASEAN<sup>96</sup> was one such consequence, as was the high level of investment and military assistance from Singapore. After the United States, India is now Burma's largest export market; the invitation to Burma to join BIMSTEC (Bangladesh–India–Myanmar–Sri Lanka–Thailand Economic Cooperation) is in part intended to prevent Burma falling further into the Chinese sphere of influence and thus threatening Burma's (geographical) bridge function between ASEAN and India.<sup>97</sup>

<sup>88</sup> Both sides of military aspects of the China debate are well presented in Roy, D, "The People's Republic of China", in *Asia-Pacific in the New World Order*. Apparent Chinese endorsement of multilateralism is dealt with in Johnston AI, "International structures and foreign policy", in *China and the World*, op. cit., p. 164.

<sup>89</sup> Segal G, "China changes shape: regionalism and foreign policy", *Adelphi Paper*, No.298, London: International Institute for Strategic Studies.

<sup>90</sup> See Liang, in Carey *op.cit.*

<sup>91</sup> Seekins, *op.cit.*

<sup>92</sup> Selth, *op. cit.*; Lintner *op.cit.*; Smith, Martin, *Burma: Insurgency and the Politics of Ethnicity*, Zed Books, London and NY, White Lotus, Bangkok, The University Press, Dhaka 1999 (1<sup>st</sup> published 1991).

<sup>93</sup> "Slorc troops taught to fly Chinese fighter planes", Shan Human Rights Foundation, Supplement, March 1997; Lintner *op.cit.*; Selth, *op.cit.*

<sup>94</sup> Lintner *op. cit.*; Malik *op. cit.*. For a more sceptical examination of the allegations, see Ashton W, "Chinese Bases in Burma – Fact or Fiction?" *JIR*, 1 February 1995.

<sup>95</sup> See Lintner and Malik *op. cit.*

<sup>96</sup> It is interesting to note that China supported Burma's accession to ASEAN. One interpretation is that China wants friends in ASEAN, and along with Laos and Cambodia, Burma is a friend. Another view is that China, disturbed and damaged by Burma's economic instability, hoped that membership of ASEAN would help Burma's economy and thus help China's. These views are by no means in contradiction.

<sup>97</sup> Though it is also interesting to note China's desire to have Burma as a bridge to South Asia. This will presumably benefit the trade and development prospects of Yunnan and neighbouring provinces, but could also have strategic implications. The various meetings, such as the one which launched the Kunming Initiative intended to open transport corridors between China and South Asia, and which have been attended by India and

Set against these fears, the abrupt decline of China–Burma trade between 1988/89 and 1997/98<sup>98</sup> and the diversification of Burma’s arms supplies<sup>99</sup> and development of a domestic arms industry<sup>100</sup> may be seen as a reduction of Burma’s dependence on her northern neighbour.

### ***Domestic strategic impact of the Chinese arms deals***

For Burma, the most significant results of the arms deals with China were the reorganization and expansion of the Burmese armed forces (the *Tatmadaw*) enabled by the Chinese arms and training, and the increased military control the SLORC was able to extend into the country.

Following the popular uprisings of 1988, the military high command judged that it did not have the capacity to guarantee control of the cities and at the same time continue its containment of the ethnic insurgencies. *Tatmadaw* modernization and expansion preserved the regime by enhancing the army’s capacity to control the cities and, in the civil war, to move from a strategy of seasonal combat to one of year-round occupation.<sup>101</sup>

In 1988 the *Tatmadaw* numbered 186,000. In early October of that year, arms supplies began to arrive from Singapore, and subsequently from Pakistan.<sup>102</sup> Following a visit to China by Burmese defence officials in 1989, an arms deal of \$1.4 billion was signed in mid-1990, and one for \$400 million in 1994. The arms thus purchased allowed a major expansion of the armed forces, whose strength is currently estimated to be 400,000, with the stated goal of being a well-equipped force of 500,000.

SLORC's intention to establish military control throughout the country, and thus be able to dispense with the need to rule by consent, is indicated in these extracts from Andrew Selth's 1996 book, “Transforming the *Tatmadaw*”:

[T]he rapid expansion and modernisation of the armed forces after 1988 seems to have been based primarily on the fear that it might lose its monopoly of political power. The *Tatmadaw*'s recruitment campaign and arms procurement programme seem aimed above all else at preventing, or if necessary, quelling, renewed civil unrest in the population centres. Efforts to defeat ethnic insurgent groups in the countryside have also been part of the regime's continuing determination to impose its own peculiar vision of the modern Burmese state upon the entire country. Yet, by relying on armed force to guarantee the country’s unity and stability, the regime has mortgaged Burma’s vast and diverse political economic and social resources to continued dependence on military strength.<sup>103</sup>

Under the rubric of "non-disintegration of the Union", the SLORC has made renewed efforts to exert military control over the country, and turn it into a highly centralised, ethnically Burman-dominated<sup>104</sup> state, commanded by the armed forces or its servants. On this basis, any future distribution of power or allocation

---

Bangladesh as well as China and Burma may suggest that India’s economic interests will prevail over her military reservations.

<sup>98</sup> See Table 3.1, below.

<sup>99</sup> See following note and Ashton W, “Burma receives advances from its silent suitors in Singapore”, *JIR*, 1 March 1998.

<sup>100</sup> See preceding note and Ashton W, “Burma’s Armed Forces – preparing for the 21<sup>st</sup> century”, *JIR* 1 November 1998.

<sup>101</sup> See Arnott D, *The Hunting of the SLORC, 1993*: [http://www.ibiblio.org/obl/docs/hunting\\_of\\_the\\_slorc.htm](http://www.ibiblio.org/obl/docs/hunting_of_the_slorc.htm). The occupation of territory in the border regions by the *Tatmadaw* is also the cause and context of most of the human rights violations in Burma. See the reports of the Karen Human Rights Group, [www.khrg.org](http://www.khrg.org) and the reports of the UN Special Rapporteur on Myanmar, <http://www.unhchr.ch/html/menu2/7/a/mmnya.htm>. Other relevant documents can be found on the Online Burma Library, [www.burmalibrary.org](http://www.burmalibrary.org).

<sup>102</sup> But these early arms shipments were, as military specialist and Burma expert Andrew Selth says, “only stop-gap measures. The military regime in Rangoon was already thinking well beyond short-term infusions of small arms and ammunition.” Selth, *op.cit.*

<sup>103</sup> Selth *op.cit.*, p. 154.

<sup>104</sup> "Burman" refers to the Burman ethnic group, which makes up half to two thirds of the population, while "Burmese" indicates citizens of the country.

of civic responsibilities to minority ethnic groups seems bound to be an essentially token gesture. Real power will continue to reside in Rangoon and be exercised through regional military commanders and pliant civilian administrators. To ensure that this system works effectively, and to guard against any upsurge of irredentism, the SLORC envisages a permanent military presence in almost every part of the country. ... the implementation of such a policy, however, demands much greater manpower and resources.<sup>105</sup>

Until 1991 the *Tatmadaw's* main military strategy against the ethnic insurgents was to conduct seasonal campaigns against their various armies, then return to barracks during the rainy season. The Chinese-supplied materiel and training have allowed the enlarged and re-organized Tatmadaw, using all-weather roads (built by Thai loggers and forced labour) to stay in the field throughout the year and hold onto captured territory. This has favoured a strategy of occupation in which the main victims have been the non-Burman civilian populations. The social and economic life of millions of people was radically dislocated by this strategy, resulting in a rate of suffering and death far greater than during the earlier period of combat. In its major offensives of 1994/95 and early 1997, the *Tatmadaw* succeeded in capturing most of the fixed bases of the Karen National Liberation Army (KNLA), which retreated from a strategy of holding territory to one of guerrilla warfare, which could continue for generations.<sup>106</sup> In the main cities, the greater number of troops available permits large forces to be deployed rapidly, and since 1988 Rangoon, at least, has been adjusted architecturally to favour the army, with footbridges over roads to accommodate snipers, and allow easy partition and containment of crowds. A more recent test of the army's capacity to control the cities was the "9/9/99" non-events, in which a major uprising was expected, with no significant action on the day except empty streets.

The cost of supplying the inflated military enabled by the Chinese arms deals was too great for the stagnant or shrinking Burmese economy. In the past the army had lived off the land to a greater or lesser degree, but this substantial sector of the illegal economy was formalized in July 1998 with the announcement that Rangoon welcomed the initiatives of the army to be self-supporting and that the supply of rations from the centre would no longer be necessary. "Living off the land" – the "self-reliance policy of the army" as the International Labour Organisation (ILO) rather coyly phrased it<sup>107</sup> – means, in practical terms, living off the backs of the village people, who are recruited as forced labourers, often on their own, confiscated land, to grow rice for the soldiers, cash crops for the officers, to build and maintain the army camps and provide money and building materials, often to two or more battalions at any one time.<sup>108</sup> Among many kinds of human rights violations, forced labour exacted by the military has been especially well-documented by human rights organizations and the International Labour Organisation (ILO), and led in June 2000 to the ILO measures which can authorize sanctions, further weakening the economy. Another result of the inability of Rangoon to supply such a large army is that the regional commands have become more and more autonomous. The formation of the State Peace and Development Council (SPDC) in 1997, incorporating the serving regional commanders as SPDC members, was an attempt by the high command to maintain authority over the regions. A second attempt was made in November 2001 with the insertion of a new level of command between the top three generals and the regional commanders.

<sup>105</sup> Selth, *op. cit.* pp132-133

<sup>106</sup> See Arnott, 1993, *The Hunting of the SLORC*. [http://www.ibiblio.org/obl/docs/hunting\\_of\\_the\\_slorc.htm](http://www.ibiblio.org/obl/docs/hunting_of_the_slorc.htm)

<sup>107</sup> Report of the ILO High-Level Team, ILO Governing Body, November 2001: <http://www.ilo.org/public/english/standards/relm/gb/docs/gb282/pdf/gb-4.pdf> pg 14.

<sup>108</sup> See the reports of the Karen Human Rights Group at [www.khrg.org](http://www.khrg.org).

### III. Drugs in the China–Burma relationship <sup>109</sup>

The development of a drug economy in Shan State is one dimension of the dysfunctional relationship between Burma and China. The principal features of this interaction are the Kuomintang (KMT)/CIA role in building up opiates as a large-scale cash crop to fund the “Secret War” against the PRC in the early 1950s; the Chinese support of the CPB from which emerged the drug lords of the 1990s and beyond; the prominent role of Chinese and Burmo-Chinese such as Khun Sa in the drug business; trafficking routes through China and Chinese (largely Hong Kong and Taiwanese) investment and trafficking infrastructure. In addition, Chinese-grown ephedra is the major precursor for Burmese methamphetamine. Another Chinese contribution to the maintenance of Burma’s drug economy has been the arms supplies which, as argued above, enabled the economically incompetent Burmese military to stay in power without any substantial social or economic development or political settlement in the non-Burman areas, thus completing the conditions for the growth of the drug economy in Shan State. The Burmese military, for its part, has direct alliances with the main heroin- and methamphetamine-producing groups in Shan State, who were originally trained and armed by the Chinese. The drug economy is the most successful enterprise in Burma, and its laundered profits keep the system afloat.

Historically, large-scale production of opium and heroin in Burma is related to Chinese interventions: (1) From January 1950 KMT forces established bases inside Burma following their defeat by the Chinese communists. Subsequently the CIA attempted to use these forces to resist the advance of Chinese communism. The KMT and CIA developed opium and heroin production as a means of funding the military operations.<sup>110</sup> (2) The military and other support given by China to the Communist Party of Burma, especially during and immediately after the Cultural Revolution, allowed the CPB to build up large forces and control large territories. With the reduction of Chinese assistance which followed the accession of Deng Xiaoping in 1978, the opiate business was one of the few ways the CPB could acquire the funds to continue to hold onto substantial territory and maintain the armed struggle against Rangoon.<sup>111</sup> In 1989 a mutiny took place within the CPB. The Burman leaders were sent packing into China, and the army broke up into its ethnic components which, through the mediation of Lo Hsing Han, a Kokang Chinese warlord (now probably the richest man in Burma), agreed cease-fire terms with Gen. Khin Nyunt, Secretary-1 of the SLORC. The terms amounted to freedom for the groups to produce and traffic opiates in exchange for a cease-fire with Rangoon and an agreement not to form alliances with the other insurgencies opposed to Rangoon. The groups which carry out the bulk of the present-day opiate business are led by former CPB cadres who acquired their original arms and training from China.

Most of the opium and heroin production is located in the Kokang region in the northeast of Burma, which has sometimes maintained a tributary relationship with a Chinese ruler, sometimes with a Burmese one. Most people living in Kokang are ethnic Chinese and speak Chinese. The Shan, Kachin, Wa, Lahu, Lisu and other groups live on both sides of the border, and cross it freely.

Most of the drug warlords in Burma were either born in China, are ethnic Chinese, or of Chinese/Burmese parentage.

<sup>109</sup> A number of books inform this section. In order of publication, these are: McCoy Alfred, *The Politics of Heroin: CIA Complicity in the Global Drug Trade*, NY, 1991; Martin Smith, *Burma: Insurgency and the Politics of Ethnicity*, *op. cit.*; Lintner B, *Burma in Revolt*, *op.cit.*; Renard R, *The Burmese Connection: Illegal Drugs and the Making of the Golden Triangle*, UNRISD and UNU, London 1996; Beyrer C, *War in the Blood: Sex, Politics and AIDS in Southeast Asia*, Bangkok and NY, 1998; Fabre G, *Les Prospérités du Crime* UNESCO, Paris, 1999.

<sup>110</sup> See McCoy, *op. cit.* and Lintner, *op. cit.*

<sup>111</sup> See Lintner B, *The Rise and Fall of the Communist Party of Burma (CPB)*, NY 1990, p40; *Burma in Revolt op.cit.*; Smith, *op.cit* pp. 314-315.

The principal drug traders are Yunnanese, and financing is largely from Hong Kong or Taiwanese Chinese.

Most of the precursor substances for producing heroin (acetic anhydride) and methamphetamines or “ice” (ephedrine) are imported from China.<sup>112</sup>

China is currently the major transit country for Burmese heroin, which is exported into Yunnan Province, from where it is trucked to Kunming, and onwards deeper into China and via Hong Kong and ports on the South China coast, to Taiwan, the United States and other overseas markets. An increasing amount is consumed in China, although there are no official figures. Fabre points out that China, as was the case for Thailand, is an example of how a transit country can also become a large-scale consumer.<sup>113</sup> He also points out that though most of the heroin profits are made in the markets of Europe and, particularly, the United States, most Asian opiates are actually consumed in Asia.<sup>114</sup>

### China and opiates

From the 1840s, French and British traders employed gunboat salemanship to force China to allow their opium into the country. By 1880,

China imported 6,500 tons of opium, but from this point on, local production began to be substituted for imports, which spread addiction to the farmers, who might consume a quarter of their crop. In 1908 in Sichuan, one of the main growing areas, 60% of fields were devoted to poppy cultivation. A third of townspeople and a quarter of the farming population were addicted. At the beginning of the 20<sup>th</sup> Century, China produced 22,000 tons of opium, and until 1949, poppy cultivation employed 10 million farmers.<sup>115</sup>

From its proclamation in 1949 into the 1950s, the People’s Republic of China carried out a drastic, lethal and largely successful eradication of use and cultivation of opium. This achievement is now threatened by the explosive increase of heroin trafficked from the Golden Triangle, principally from Burma. The spread of addiction from the late 1980s has been extremely rapid, and though the official figure is 600,000 registered addicts, there could be several million users in the PRC. The figures are not all available, but in 1995, Chinese Public Health officials estimated 2.5 million heroin addicts<sup>116</sup> From January to June 2001, Chinese police handled nearly 160,000 drug-related cases, 33 per cent more than in the same period [of the previous year]<sup>117</sup>

In 1990 the Chinese authorities began to introduce stronger legislation and penalties, including frequently executed death sentences, substantially beefed up their narcotics police, collaborated with the (United States) Drug Enforcement Administration (DEA) and the UN Office for Drug Control and Crime Prevention (ODCCP), and carried out wide-scale drug education projects. Several regional drug conferences were held, most recently in Beijing in August 2001, at which commitment to coordinate efforts against drug trafficking was expressed by all<sup>118</sup>. However, in spite of ritual opium-burnings and occasional well-publicized strikes by Burmese soldiers on laboratories, Chinese officials express frustration at the lack of concrete efforts by Rangoon. In the words of Lei Jianbo, deputy head of the

<sup>112</sup> China, one of the biggest ephedrine producers in the world, with an annual production of 400 tons, has recently moved to limit and control production on account of its illegal use in manufacturing ice. *China Daily*, 29 July 1999.

<sup>113</sup> Fabre, *op. cit.* p. 39.

<sup>114</sup> Fabre, *op. cit.* p 39; *Wall Street Journal*, “Asia’s Drug Wars”, 11 Jan 1995.

<sup>115</sup> Most of the data for the following paragraphs come from Fabre, *op. cit.*

<sup>116</sup> Fabre, *op. cit.* p38; *Wall Street Journal*, “Asia’s Drug Wars”, 11 Jan 1995.

<sup>117</sup> “In China, ‘Golden Triangle’ nations unite against drug trafficking” Deutsche Presse-Agentur, 28 August 2001

<sup>118</sup> “China leads Asian front against drugs from “Golden Triangle”, *Blumberg News*, 28 August, 2001

Yunnan branch of China's Narcotics Control Committee, "Though the central Burmese government has prohibited the narcotics trade publicly, some local governments still connive with drug traffickers. This is a fact as everyone knows"<sup>119</sup>

Heroin addiction is only part of the problem introduced into China by drugs from Burma. Needles shared by intravenous drug users (IDUs) are a major vector for the spread of the HIV virus, (see section on HIV/AIDS below) and drug trafficking inevitably brings other crimes in its wake.

### ***Drug-linked crime in China***

China is currently experiencing a crime wave that is closely linked to drug trafficking. Fabre states that:

From the outset, the explosion in heroin trafficking and consumption in Yunnan was accompanied by crime. In the Province as a whole, it is estimated that 40% of crimes are drug-related, but in Kunming this rises to 70%, with a growing number of disputes between groups of consumer-traffickers.<sup>120</sup>

A well-researched *Asiaweek* article describes some of the problems:

From across the country's southwestern and southern borders a flood of narcotics and weapons is fueling an unprecedented crime wave. Riding on the back of get-rich-quick economic reform, crime is not just back: it's armed, organized and already disturbingly well-entrenched at virtually all levels of society. Chinese mobsters have never had it so good since the Roaring Twenties when godfather Du Yuesheng and his Green Gang ruled the Shanghai waterfront and parlayed as equals with Nationalist generals and colonial police.<sup>121</sup>

Since the mid-1990s Yunnan has become more organized in its crime prevention activities, with much high-tech assistance from the United States, but the crime wave, led, it would seem, by drug trafficking, has spread throughout the whole of China. It was reported on 10 February 1999 that police in China investigated 1.35 million crime cases in the first nine months of 1998, up 22% over the previous year.<sup>122</sup> In a very high proportion of cases, drug offences constitute a leading element, particularly in the coastal Province of Guangdong, which with Hong Kong, is a major channel of trafficking routes for drug exports.<sup>123</sup>

### ***The drug economy and the SPDC***

Several analysts have observed that in Southeast Asia, the sector that has proven most resilient to the Asian Financial Crisis has been the drug economy. This is certainly the case in Burma where, according to the International Monetary Fund (IMF), World Bank, UNCTAD (UN Conference on Trade and Development) and Government of Burma (GOB) figures, Burma's imports are more than twice its exports. The balance is made up, according to the Foreign Economic Trends Report: Burma (FET) 1997,<sup>124</sup> and other analysts, mainly by drug money laundered in Rangoon, Singapore and China.<sup>125</sup> This report gave the value of the opiate exports as US\$ 1243 million.

<sup>119</sup> "China slams Burma over drug trade", *Bangkok Post*, 28 August 2001.

<sup>120</sup> Fabre, *op.cit.* p. 60.

<sup>121</sup> Law and Disorder; A Growing Torrent of Guns and Narcotics Overwhelms China", *Asiaweek*, 25 August 1995.

<sup>122</sup> *Deseret News*, Salt Lake City.

<sup>123</sup> "Dozens executed in China's latest crime crackdown", AFO, 25 June 1999.

<sup>124</sup> *FET 97*, published by the US State Dept. The 1997 *FET* one of the best economic analyses done on Burma. One of its strengths is that it goes thoroughly into, and compensates for, the various exchange rates that are used for various reporting purposes by the GOB.

<sup>125</sup> According to this source, allegedly by drug warlords like Lo Hsing-Han (now CEO of *Asia World*, one of the richest men in Burma).

Specific responsibility of the regime for the drug economy is widely reported. The Chinese official quoted above (footnote 47) blames complicity between local Burmese officers and the producers for the low level of action against drug trafficking, and Desmond Ball writes that:

A major factor in the growth of opium cultivation and heroin production since 1988 has been the cease-fire agreements and accommodation arrangements which the SLORC reached with most of the ethnic insurgent organisations in northeast Burma. These have mostly been arranged by Lieutenant General Khin Nyunt, who is officially called Secretary (1) of the SDPC, and is Director of the Directorate of Defence Services Intelligence (DDSI) and the No. 3 officer in the junta.<sup>126</sup>

#### IV. China-Burma border: the HIV/AIDS nexus

Export to China of HIV/AIDS, along with heroin addiction, could, in addition to the humanitarian implications, severely retard China's economic development.

The major vectors of the spread of the HIV virus in Burma and China are needles shared by intravenous drug users (IDUs) and unprotected sex, vectors especially effective in combination with each other, as occurs to a high degree on the China/Burma border. The increasing migration and road transport moving within, from and across this border acts to carry the virus, particularly along drug trafficking and labour migration routes, into central Asia and beyond; to South China and Hong Kong, as well as back into Burma. The border towns of Ruili (China) and Muse (Burma) joined by a bridge on the Burma Road, are major centres of heroin trafficking and use, as well as of prostitution. Ruili and adjacent areas have been designated as a Special Development Zone in order to benefit from the border trade, and road, rail and water transport into Burma and China is being upgraded. This allows increasing numbers of vehicles to move ever more easily and faster, carrying heroin and the HIV virus with them. Ironically, one of the factors that slows down this process is the slow rate of transport infrastructure development in Burma. The Asian Development Bank (ADB), for instance, is not allowed to fund projects in Burma, due to Burma's continuing international isolation.

An expert report<sup>127</sup> issued in October 1997 gives a technical description of the situation, pointing out that the subtype C of the HIV-1 virus, which is found along the Burma border, is found in HIV-infected addicts along the heroin trafficking routes to Central Asia and to Guangxi:

The Burma-China border zone, which on the China side comprises the Province of Yunnan, and on the Burma side, the Kachin and Shan States, is currently the highest prevalence zone for HIV infection in the People's Republic of China. The Chinese Ministry of Health recently reported that 80.4% (1426/1774) of all HIV infections in China were detected in Yunnan, and 60.0% of all confirmed AIDS cases. The HIV infection rate in the Chinese border district of Ruili, across from Shan State, was 62% among injecting drug users in 1994. The majority of these drug users were ethnic Kachin (Jingpo in Chinese) and Wa. Chinese authorities have been increasingly open about the Burmese source of their heroin problem, although they have not explicitly linked heroin availability to the SLORC regime, which they support.

Almost 2,500 miles from Ruili, in the northwestern Chinese region of Xinjiang, another explosive outbreak of heroin use and HIV infection has recently been linked to the dual epidemic in Burma. HIV testing among Xinjiang's growing heroin use community in 1995 found no HIV infections among several hundred addicts. In 1996, some 25 percent of drug users were infected with HIV, according to Zheng Xiwen, a professor at the

<sup>126</sup> Ball D, *Burma and Drugs: the Regime's Complicity in the Global Drug Trade*, Australian National University, Strategic & Defence Studies Centre, Working Paper No. 336, July 1999. See also See Desmond Ball, *Burma's Military Secrets: Signals Intelligence (SIGINT) from the Second World War to Civil War and Cyber Warfare*, Bangkok: White Lotus, 1998, pp.75-77.

<sup>127</sup> Southeast Asia Information Network (SAIN), *Out of Control 2: the HIV/AIDS Epidemic in Burma*. See also Beyrer, Chris, *op.cit.* and Chelala Cesar and Beyrer Chris, "Drug use and HIV/AIDS in Burma; statistical data included", in *The Lancet*, 25 September 1999.

Chinese Academy of Preventive Medicine who leads China's AIDS-monitoring program. He also reported that the infections in Xinjiang were subtype C of HIV-1, the same as that found along the Burma border and different from strains found in Xinjiang's Central Asian neighbors. Burmese heroin has also begun to appear in several other ethnic minority areas in China with links to the Burma border trade; a potentially disastrous situation for China.

(...)

The third major epidemic zone for HIV infection in China is Guangxi Province, bordering Yunnan to the West and north of Vietnam and Laos. Cross-border heroin trade in Guangxi, as well as heroin from Burma via Yunnan, have led to a rapidly expanding epidemic of HIV in the Province. A study among drug users in treatment centers in Biase, on the border with Yunnan, found that 68% of addicts were HIV infected, and all had the subtype C virus reported in Yunnan and Xinjiang. Authorities in Baise City estimate that 100/kg/day of heroin crosses into the prefecture from Burma en route to the Chinese coast.

This analysis was updated, refined and developed by Chris Beyrer, Myat Htoo Razak, Khomdon Lisam, Jie Chen, Wei Lui and Xiao-Fang Yu in their important paper "Overland heroin trafficking routes and HIV-1 spread in south and south-east Asia" published in *AIDS*, January 2000.<sup>128</sup> Further figures about the development of the pandemic in Asia may be found in the MAP report of 4 October 2001 on the UNAIDS website.<sup>129</sup>

The 2000 UNAIDS/WHO Epidemiological Fact Sheet on HIV/AIDS in China gives a figure of 500,000 for people in China living with HIV/AIDS, although researchers believe that the low level of reporting would indicate a real figure several times higher. The 1997 China Ministry of Health and UNAIDS report *China Responds to AIDS* states that "the number could rise as high as 10 million before 2010 if no effective countermeasures are taken". This statement was made before the impact on China of the Asian Financial Crisis and the possible reduction in funds available for such countermeasures. But clearly the authorities in Beijing and Yunnan are extremely worried by the rapid spread of the pandemic in China.<sup>130</sup>

China, energetically pursuing the path of modernization and economic development, is certainly aware of the African experience of HIV/AIDS:<sup>131</sup> AIDS hits those in their peak productive years; poverty drives young people into prostitution, thereby increasing the spread of the virus; health care depletes family savings, and orphans have to be taken care of by governments, etc.<sup>132</sup> The massive drain of a growing HIV/AIDS epidemic on the PRC's resources could set back China's economic development by years.

China's cooperation with UNAIDS and other international organizations contrasts markedly with the denials of the Burmese military. In October 1999, Agence France Presse quoted General Khin Nyunt addressing a gathering of health ministers from the region, asserting that reports of an AIDS epidemic in his country were totally "false and groundless".<sup>133</sup>

The General claimed that in the past decade only 25,000 people had tested positive for HIV in Myanmar, and that Myanmar did not have a major problem with AIDS because its "cultural values and

<sup>128</sup> *AIDS*, Vol. 14, Number 1, 7 January 2000.

<sup>129</sup> MAP Report 2001, The Status and Trends of HIV/AIDS/STI epidemics in Asia and the Pacific Provisional report, Melbourne, Australia, 4 October 2001. <http://www.unaids.org/hivaidinfo/statistics/MAP/>

<sup>130</sup> See, for instance, *New Scientist*, 29 March 1997, "China Fears AIDS time bomb" and *China Daily*, 21 October 1999, "China – AIDS prevention urgent" which quotes Chinese health officials and doctors speaking at a symposium in Beijing on public communication and AIDS prevention and control.

<sup>131</sup> See *Africa News*, 22 October 1999: "AIDS gulps 60% of domestic income".

<sup>132</sup> This phenomenon has also been discussed in an article in the Hong Kong *New Straits Times* of 23 September 1999: "How AIDS hits economies".

<sup>133</sup> In a 12 October 1999 article entitled "Myanmar general claims AIDS is being used in propaganda war", Agence France Presse.

traditions prohibited sexual promiscuity". He was convinced AIDS would not reach pandemic scale, and denied the UNAIDS estimate that in Burma 440,000 people were living with HIV/AIDS. (by 2000, the estimate had risen to 530,000)<sup>134</sup> In fact, an estimate of 440,000 HIV positive is by no means incompatible with a figure of 25,000 testing positive, especially in a country where people believe, rightly or wrongly, that they will be imprisoned or worse if they are known to be HIV positive and where doctors are discouraged from reporting large number of infections.

## V. Chinese immigration: cultural and economic impact

In areas of low population, free movement is the historical norm. Precisely demarcated borders are a feature of that modern phenomenon, the nation state, and are frequently defined by the strategic or commercial interests of the former colonial powers, which took little note of the ethnicity or economic requirements of the people on the ground. In areas like mountainous northeast Burma/southwest China, people moved where their needs took them. Family or cultural links to the local populations or the demands of local warlords or village heads were more important than any concept of nationality. Thus, Chinese-speaking people have been moving in and through and out of Burma for thousands of years. The Wa, Lahu, Shan and Kachin live on both sides of the China/Burma border (whose demarcation was fixed in 1960 in a deal which allowed the Chinese a corridor up to Tibet).<sup>135</sup> However, since the opening up of the southwestern provinces of China, the building of large numbers of bridges, roads and railways in China and Burma, and the legalisation of border trade in 1988,<sup>136</sup> there has been a significant increase in the numbers of Chinese entering Burma, many of whom settle. The best description and analysis of urban settlement is still Mya Maung's "*Asian Survey* article of 1994":<sup>137</sup>

Since 1989, Mandalay's silhouette has been overshadowed by new, modern high-rise buildings, hotels, restaurants, shops, and homes owned and operated by ethnic Chinese and Yunannese merchants. Most of them are in the central sections of the city, stretching east to west, as well as in the sites of two famous markets, *Zay Cho* (the sweet bazaar) and *Tayoke-tarn Zay* (the China Town bazaar)...

By 1993, the new satellite towns built by the SLORC on the outskirts of Mandalay, such as Pellhpyu Goan, Kanthah-yah, Myaye Nandah, Myaye Kan-thah and Mya-mahlah, have become the centers of Burmese culture where the relatively poor ethnic Burmese of Mandalay have been congregated. In contrast, the central quarters of Mandalay have been transformed into a thriving business center of alien culture with modern homes, hotels, shops, and high-rise buildings teeming with rich Chinese businessmen (*lawpans*), ethnic Chinese drug warlords (Kokangs) and other Asian merchants. Only a handful of native-owned business establishments such as printing houses, shoe shops and cheroot factories are left, dwarfed by the towering houses and offices of foreign enterprises.

134 Myanmar: Epidemiological Fact Sheet on HIV/AIDS and sexually transmitted diseases, UNAIDS/WHO June 1998.

<sup>135</sup> Of the ethnic Han Chinese who have lived for several hundred years in Kokang, Jackie Yang writes that "the majority of Kokang's population are descendents of Yunnan Chinese, some of whom still have relatives living on both sides of the borders". Yang Li (Jackie Yang), *The House of Yang: Guardians of an Unknown Frontier*, Book Press, Sydney, 1997. ChaoTzang Yawngghwe, author of *The Shan of Burma* and numerous scholarly papers on Burma, writes that "people across the border are related by kinship or ethnically or linguistically affiliated. They have spoken and written language in common. For locals the border is porous. And local people on both sides of the border speak Chinese" (private communication, 1999).

<sup>136</sup> Aug. 5: Zhu Kui, Vice Governor of China's Yunnan Province, signed an agreement for border trade between the Myanmar Export Import Corporation and the Yunnan Provincial Import Export Corporation. Trade will begin in October at Muse in Burma and Shweli in China. (WPD 8/6).

<sup>137</sup> *Asian Survey*, vol. XXXIV, no. 5, May 1994.

This article also describes the resulting escalation in real estate prices as aggressive and wealthy Chinese investors, ethnic Chinese Kokang and Wa drug warlords, and military “robber barons” have made wholesale acquisition of real estates and homes. By offering exorbitant prices to the Burmese landowners they sharply accelerated the relocation process.<sup>138</sup>

More recent reports confirm the process, several recording the Burmese fear that their country will become a “Burmese colony”, noting Burmese resentment against Chinese economic power in Burma. Such reports anticipate that at some time there could be a repetition of the violent anti-Chinese riots that occurred in 1967, against a background of Burmese xenophobia, severe rice shortages and Red Guard agitation in Rangoon,<sup>139</sup> which led to renewed Chinese support for the CPB and a decade-long cooling in China-Burma relations.

An *Asiaweek* article of May 1999, for instance, describing Mandalay, quotes a local Burmese: “Chinatown used to be just around 80th Street. Now the whole town is Chinatown”.

The article also reports on extensive rural immigration:

After two years of flooding in southern China, many farmers there have moved across the ill-controlled border into northern Myanmar. Estimates run from hundreds of thousands to well over a million during the period. The virtually unreported influx is, as one Thailand-based foreign expert puts it, “changing the whole demographic balance in north Burma”. It has also made locals increasingly unhappy with both the migrants and the ruling junta in Yangon. “The military leaders have opened the door because without Chinese support, they couldn’t have lasted”, says one dissident Burmese intellectual. “For that, the Burmese people can never forgive them.”

There is no consensus on the question of rural immigration. Some people think the figure of up to a million is an exaggeration; others say it is an underestimation. On the other hand, there is broad agreement about the possibility that anti-Chinese riots could break out, especially in times of economic hardship, when Chinese arrivals appear to be accelerating, or when, as in 1967, the regime has need for a scapegoat to deflect criticism away from itself. One impact of Chinese trade and immigration is Burmese unemployment. Imports of cheap Chinese consumer goods have more or less destroyed Burmese light industry, with the unemployment and knock-on effects this has in Burma.<sup>140</sup>

Bertil Lintner has underlined the danger – demographic, economic and strategic – that China represents for Burma and the region. In an article in the *Far Eastern Economic Review* of 24 June 1999, he broadens the description of Chinese migration into a wider historical and geographical context. It occurred in three waves: at the fall of the Ming dynasty in 1644, the warlord-dominated chaos of the late 19<sup>th</sup> century, and at the end of the 20<sup>th</sup> century; not only to Burma, but to the rest of the region and other countries including the United States and Australia. His thesis, that the “large-scale immigration of its people is reinforcing China’s emergence as a big power”<sup>141</sup> is one which reflects the “expansionist China” view.

<sup>138</sup> For a moving story of someone forced to sell his house in Mandalay to a Chinese businessman, see Nyi Pu Lay’s “The Python” in *Inked Over, Ripped Out: Burmese Storytellers and the Censors*, by Anna Allot, PEN American Center, NY 1993. Nyi Pu Lay was imprisoned on account of this story. Anna Allot writes in her commentary that “The python of the title refers to the Chinese and Sino-Burmese businessmen, drug traffickers, and gem dealers who are disliked by many Burmese, since they are perceived as moving into Mandalay and squeezing out the Burmese: laundering their illegal profits by investing in property...”

<sup>139</sup> For a concise summary and analysis of these events, see Martin Smith, *op. cit.* 1999, pp. 24-27.

<sup>140</sup> “China’s Shadow” by Dermot Tatlow, *Asiaweek*, 22 May 1999.

<sup>141</sup> Bertil Lintner, “The Third Wave: A new generation of Chinese migrants fans across the globe”, *Far Eastern Economic Review (FEER)*, 24 June 1999.

## **VI. Opening up southwest China**

China is involved in a deadly race to modernize her economy. This involves closing the inefficient state-owned enterprises and replacing them with modern businesses able to attract investment and compete in the global marketplace, especially now that China has joined the World Trade Organisation (WTO).

This exercise has had some success on the eastern and southern coastal belts, but has not done very well in the inner provinces such as Yunnan and Sichuan where there is less new investment, and a larger proportion of those thrown out of work have not been re-employed. The divide between the rich and poor parts of China is a political as well as an economic problem compounded by the drift of populations to the industrialized east. If the widening of this divide is not slowed down, China could be facing major instability and the collapse of her hopes of modernising – the needed investment will not be attracted unless stability is guaranteed.

It is in this context that the modernization of Yunnan, Sichuan and neighbouring provinces is so important for the integrity of the whole country. And this depends on opening up South-western trading routes to regional and world markets via the Indian Ocean and South Asia – in other words, through Burma.

A rather serious impediment to this undertaking is that Burma, on account of her political and human rights misbehaviour, is not allowed to receive funding from the world financial institutions such as the World Bank, the IMF or the Asian Development Bank, which normally fund such things as transport infrastructure. With some of the money that should be paying for roads in China, Chinese engineers have built and are building roads and bridges in Burma (the Chinese are said to be superb bridge-builders), but Burma is a mountaineous country and low-capital construction cannot produce world class roads at the speed China needs in her race against time.

This author would argue that the best way for China to open up her South-west border and contribute to the conditions needed to bring an end to the drug economy in Northwest Burma that is bringing such devastation to China through drugs, crime and HIV/AIDS would be to encourage the generals in Rangoon, especially the hard-liners, to move quickly into transition phase with the National League for Democracy and, especially, to work with the NLD and the non-Burman ethnic groups to find political solutions to the problems that are making Burma such a dangerous obstacle to regional development. A political solution in Shan State is the only way to begin to put an end to the opium economy which is such a disaster, not only for the people of Burma and China, but also for India, Thailand, the rest of the region and the world at large.

As far as regional development is concerned, such a process would not only benefit China and Burma, but also the neighbours – all the other Mekong countries blocked in their regional development projects by the obstacle of Burma.

## **VII. Gains and losses for various parties where Burma is (a) democratizing or (b) under Chinese “suzereinty”**

The tables below were designed as an exercise to think about different stakes for various actors. Some, but not all boxes have been developed in the main text.

The table or a development of it could be a framework for further analysis.

**Table 3.1: Gains and losses where the Burmese military is supported by China**

<i>Beneficiary/loser</i>	<i>Economic, Social and Cultural Gains</i>	<i>Economic, Social and Cultural Losses</i>
<b>China</b>	<p>Burma as a market for exports, border trade (particularly vital for Yunnan and SW provinces).</p> <p>Access to timber and minerals (in 10 years China will have to import many metals she now exports)</p> <p>Road and bridge contracts for Chinese firms.</p> <p>Potential access to S and SE Asian and world markets</p>	<p>Poor Burmese infrastructure impedes access to distant markets and most minerals, with negative impact on China's economic development.</p> <p>Lack of political process and HR violations block international assistance to upgrade same. Increased vehicular traffic increases import of drugs and HIV/AIDS and contributes to the crime wave in SW China</p> <p>Burmese economic instability has damaged development in Yunnan, particularly the border towns Ruili and Wanting.</p>
<b>Burmese Military and Government</b>	<p>The armed forces have increased their power and, particularly the senior officers, have become a privileged elite</p> <p>Facilitation of illegal exports</p>	<p>The army, especially the lower ranks, suffer the same losses as the rest of the people.</p> <p>The army is hated by the people, – not a comfortable or stable situation</p> <p>Cheap Chinese goods have destroyed Burmese light industry and produced unemployment</p> <p>Falling investment and technical assistance,</p>
<b>Burmese people</b>		<p>Cheap Chinese goods have destroyed Burmese light industry and produced unemployment. This, combined with the strong Chinese presence in N. Burma, has led to urban displacement (e.g. in Mandalay)</p> <p>Chinese-supported regime survival is at the cost of health and education</p>
<b>ASEAN, India, Bangladesh</b>	<p>Yunnan's growing transport infrastructure into Burma may enhance development of Mekong subregion and speed the incorporation of South Asia into the regional economy</p>	<p>Chinese-supported regime survival prolongs an economically and politically backward system and slows down the development of the region</p>
	<b><i>Political Gains</i></b>	<b><i>Political Losses</i></b>
<b>China</b>	<p>Burma's support for China's position on 'one China' etc and voice (with Laos and Cambodia) in ASEAN and other regional and international forums.</p> <p>Blocking potentially hostile rule.</p> <p>Can play Burma Card to gain International advantages in exchange for persuading Burma to do the "right thing"</p>	<p>Fear by neighbours of Chinese regional hegemony, with strategic implications (6).</p> <p>Taint of Burma's pariah status</p>
<b>Burmese Military and Government</b>	<p>Chinese arms &amp; consumer goods provided sticks and carrots to control the civilian population and save the regime in its hour of need</p> <p>Potential Chinese support in UN meetings</p> <p>Involvement with China allows Burma to play the China card with India and ASEAN (it got Burma. ASEAN entry)</p>	<p>Increase in Chinese business and settlers has produced anti-Chinese feeling and action. SLORC/SPDC seen as betraying the country to a traditional invader</p>
<b>Burmese people</b>		<p>Chinese support freezes an economically and politically inept regime and slows the restoration of democracy and the rule of law</p>
<b>ASEAN, India, Bangladesh</b>		<p>If Burma acts as a voice for China in ASEAN, this might weaken ASEAN and enhance Chinese hegemony</p>

	<i>Strategic Gains</i>	<i>Strategic Losses</i>
<b>China</b>	Possible SIGINT facilities and Potential access to Indian ocean for PLAN (only relevant in long-term) would allow PLAN to operate in 2 oceans. India?	An unstable Burma could be a flashpoint between nuclear States China and India. Implications for military modernization of economic losses (see above)
<b>Burmese Military and Government</b>	Chinese arms supply has allowed expansion of army and shift to strategy of occupation of border regions, and surrender of ethnic armies	Regional fear of Chinese expansion via Burma
<b>Burmese people</b>		For the armies of the ethnic groups, Chinese arms are a major factor in their defeat
<b>ASEAN, India, Bangladesh</b>		Most of ASEAN and India, fear a Chinese presence in the Indian Ocean and the Malacca Straits

**Table 3.2: Gains and losses by various actors if there were a political process in Burma**

<i>Beneficiary/loser</i>	<i>Economic, Social and Cultural Gains</i>	<i>Economic, Social and Cultural Losses</i>
<b>China</b>	A political process in Burma would reduce obstacles to international assistance. The resulting development of transport and other infrastructure and increased economic stability and prosperity would facilitate China's trade with Burma and S and SE Asia. Genuine border development would enhance ethnic stability, weaken the drug economy and reduce flows of drugs and HIV/AIDS into China. With international assistance, China will not be called on so often to foot the bill.	Factors listed in the previous column would reduce drug profits for traffickers and their protectors, some of whom are Chinese, and thereby cause a small reduction of income into Yunnan. Access to timber and other raw materials might be more difficult and more expensive.
<b>Burmese Military and Government</b>	Burmese soldiers, particularly those below the most senior ranks, could begin to recover their traditionally close relationship with the Burmese people. The tax reforms made possible by a more popular government would allow the army to be properly paid, thus increasing the morale, and treatment, particularly of the lower ranks, and remove the need for the army to live off the land.	The upper echelons would gradually lose their exclusive privileges. There would be less opportunity for corruption.
<b>Burmese people</b>	The recovery of the economy helped by resumption of international assistance would improve the economic, social and cultural situation of the Burmese people as a whole. Genuine border development and the lesser distrust the ethnic groups have for the NLD would help towards a political settlement of the civil war, the reduction of troop deployment in the border areas and consequent improvement in the human rights situation.	The necessary tax reforms and devaluation of the currency would have to be done sensitively and with international assistance in order to cushion short-term problems for the people.
<b>ASEAN, India, Bangladesh</b>	The development of the Greater Mekong Subregion will certainly be accelerated when the ADB and other funders are able to carry out infrastructure and other projects inside Burma. With improved transport infrastructure, trade between South Asia and China and the Mekong countries will increase.	
<b>International actors</b>	The growth of the GMS and acceleration of transport projects will open up markets for exploitation by Western-based transnationals.	

	<i>Political Gains</i>	<i>Political Losses</i>
<b>China</b>	<p>Fear by the neighbours of Chinese regional hegemony would be reduced, with strategic implications.</p> <p>Taint of Burma's pariah status would no longer apply.</p>	<p>A transition to genuine civilian rule would gradually produce a government less compliant with China's wishes.</p> <p>China's fear that political change will precipitate instability in Burma will be tested.</p>
<b>Burmese Military and Government</b>	<p>Less polarization of rich and poor, urban and rural, Burman and non-Burman, military and civilian, would enhance stability in the country and therefore for the government.</p> <p>Reduced dependence on China would reduce the army's unpopularity.</p> <p>Internationally, Burma would begin to lose her pariah status.</p>	<p>Power-sharing in a transition process will involve the progressive loss of political control by the military.</p>
<b>Burmese people</b>	<p>The Burmese people would clearly gain more political power over a period of time. The hardest task for the NLD will no doubt be to persuade the people to be patient during what may be a rather long process.</p> <p>The division of people and armed forces would be reduced.</p> <p>The ending of the civil war would be facilitated.</p>	
<b>ASEAN, India, Bangladesh</b>	<p>The gradual withdrawal from domination by China that will accompany a political process in Burma will strengthen ASEAN, while Burma will remain a friend of China and be able to express her wishes within ASEAN.</p>	
<b>International actors</b>	<p>With the development of more economic interdependence in the region, tying China more firmly into global markets, there will be less likelihood in the short term that China will seek to expand militarily.</p>	
	<i>Strategic Gains</i>	<i>Strategic Losses</i>
<b>China</b>	<p>The reduction of regional tensions caused by Burma's perceived alliance with China would most likely contribute to an enhanced security regime in the region, encourage a culture of multilateralism and facilitate the development of the region as a significant pole in international affairs.</p>	<p>It is likely that China would gradually lose whatever exclusive military facilities might have been available under SPDC rule.</p> <p>This bilateral loss would be balanced by multilateral gains (see previous column)</p>
<b>Burmese Military and Government</b>	<p>Internally, a power-sharing government would have a greater chance to bring about a political settlement of the civil war, thus enhancing national security.</p> <p>Burma would be able to distance herself from China, thus helping to reduce fears in the region, and contributing to greater regional confidence and security.</p> <p>Eventually, arms embargoes would be lifted, allowing the army to import the US and other arms, spares and ammunition it needs.</p>	<p>Internally, the Burmese military will be taking a certain risk in sharing power with civilians. However, since the most probable process is a gradual transition, the necessary safeguards for internal security can be built into the power-sharing arrangements.</p>
<b>Burmese people</b>	<p>The ending of the civil war would be facilitated.</p>	
<b>ASEAN, India, Bangladesh</b>	<p>Burma's reduced dependence on China for military supplies which will accompany the lifting of Western arms embargoes and the resumption of international assistance will ease the concerns that ASEAN and India have expressed regarding China's strategic influence in Burma</p>	
<b>International actors</b>		<p>However, in a time scale of 20 to 30 years, the Chinese economic growth that will</p>

		<p>accompany increased trade, will allow the PRC to modernize her armed forces, in particular, the Navy, thus allowing her, if she so wished, to become a military superpower, and dominate the region.</p>
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### VIII. Possible future focus

Interesting questions for follow-up are:

#### *What comprehensive regime?*

A question which has returned many times in the preparation of this paper is what international or regional regime (economic, strategic, political, legal) would be most appropriate for Burma and China.

China's foreign policy is largely bilateral, especially at the regional level – if China can deal with countries in isolation, it has more relative power, whereas a multilateral approach would tend to place it as one among many. However, there are some early indications that in the wake of 11 September and the more overt militarization of United States foreign policy, that China is beginning to recognize advantages in regional groupings. It is certainly too early to see how this shift, if it is such, might impact on China's Burma policy, but it is something to watch.

Desmond Ball writes:

It is imperative that China not be portrayed as a threat to the region. Rather, it is essential that China be engaged in multilateral dialogues, confidence-building arrangements, preventive diplomacy, and other forms of security cooperation in the region. This is not an easy exercise.<sup>142</sup>

Such an exercise might be a little easier if China is indeed seeking a more regional identity.

### IX. Conclusions

This paper has argued that China's support for the military regime in Burma has had negative consequences for both Burma and China. The negative impact on Burma of its relationship with China is that it preserves an incompetent and repressive order and locks the country into economic and political stagnation. The negative impact on China is that Burma has become a block to regional development and an exporter of HIV/AIDS and drugs.

China's comprehensive national interests would be best served by an economically stable and prosperous Burma. China could help the development of such an entity by encouraging a political process in Burma that would lead to an opening up of the country to international assistance and a more competent and publicly acceptable administration.

The official Chinese view is that the best way of keeping Burma stable is to reinforce the military. Chinese officials point out that Burma has not broken up like Somalia or Yugoslavia, and is reasonably stable because there has been strong central government. With any country, the official Chinese policy is to support the regime in power, though of course, there are degrees of support. The Burmese military has also been a diplomatic ally to the Chinese, and may be relied on to support the

---

<sup>142</sup> Strategic and Defence Studies Centre, Australian National University, *Working Paper No. 333*, p. 4.

China line on most issues. The Sino-Burmese theatre of mutual congratulation is much venerated. The Chinese may well be hesitant to encourage a process that could bring so many unknown factors into play. It's all a question of balance. If the Chinese arrive at a point where they consider that the present arrangement in Burma does China more harm than good, they might act.

### ***Track 1***

The Secretary-General, his Envoy, Ambassador Razali, and interested governments, (particularly those which are members of the informal contact group) should encourage China to use its influence to urge the Burmese generals to go the next stages of the current process, which at the time of writing is described as "secret talks". Emphasis should be given to the early involvement in the process of the non-Burman groups, including "ceasefire" and "non-ceasefire" groups. Such actions should probably not be public. At some stage, if it seems appropriate, China could be invited into the Burma contact group (which should be made formal).

### ***Track 2***

Track 2 initiatives are frequently carried out by academics, specialized NGOs or think-tanks. It would be helpful for non-Chinese Burma specialists to establish scholarly links to their Chinese counterparts. It would be useful to be able to read their publications, and since not many of these have been translated from Chinese, and very few Burma scholars read Chinese a good start in a Track 2 process would be to start translating their books and papers. Conferences and seminars could follow.

### ***Party-to party track***

One possibility to explore is that the Chinese Communist Party (CCP), might be persuaded to engage in party-to-party relations with the NLD. There are precedents, even with Burma, of the CPC establishing relations with foreign parties which are not fraternal i.e. Communist.

China-Burma relations: future prospects. As a possible model for Burma's future policy direction, Li Yibo points to Vietnam, which has succeeded in getting beyond its historical animosity towards the US. He says that the example proves that 20 years of poor relations between Burma and the US will not necessarily prevent closer ties being forged.