REGIONAL POLITICAL ECONOMY OF CHINA ASCENDANT
Pivotal Issues and Critical Perspectives

Editor
Emile Kok-Kheng Yeoh

Institute of China Studies
Contributors

Dr Cheong Kee Cheok 张淇绰, Adjunct Professor and former Dean, Faculty of Economics and Administration, University of Malaya, Malaysia; former Senior Economist, World Bank, Washington, D.C.; former Consultant, World Bank and UNDP; former Vice-President, Malaysian Economics Association. Email: keecheok1@yahoo.com

Dr Yang Mu 杨沐, Senior Research Fellow and Coordinator, China Cooperation Program, East Asian Institute, National University of Singapore. Email: eaiym@nus.edu.sg

Lim Tin Seng 林鼎森, Research Officer, East Asian Institute, National University of Singapore. Email: eailts@nus.edu.sg

K.S. Balakrishnan, Senior Lecturer and Head, Department of International and Strategic Studies, Faculty of Arts and Social Sciences, University of Malaya, Malaysia. Email: ksbalakrishnan@um.edu.my

Dr Pak K. Lee 李百樑, Lecturer in Chinese Politics and International Relations, Department of Politics and International Relations, University of Kent, United Kingdom. Email: p.k.lee@kent.ac.uk

Dr Gerald Chan 陈智宏, Professor in Political Studies, Department of Political Studies, University of Auckland, New Zealand. Email: gerald.chan@auckland.ac.nz

Lai-Ha Chan 陈麗霞, Postdoctoral Research Fellow, UTS China Research Centre, University of Technology, Sydney, Australia. Email: lai-ha.chan@uts.edu.au

Dr Chen Shaofeng 陈绍锋, Visiting Research Fellow, East Asian Institute, National University of Singapore. Email: eaicsf@nus.edu.sg, chenshaofeng@gmail.com
Dr Im-Soo Yoo 유임수 / 劉壬洙, Emeritus Professor of Economics, Ewha Womans University, Seoul, Republic of Korea; President, Asia-Europe Perspective Forum; former President, Korean Association for Contemporary European Studies, Korean-German Association of Social Science and Korean-German Association of Economics and Management. Email: isyoo@ewha.ac.kr, isyoo42@gmail.com

Dr Chen-Chen Yong 楊珍珍, Deputy Dean, Institute of Postgraduate Studies; Lecturer, Faculty of Management; Member, Centre for Borderless Markets and Economies, Multimedia University, Malaysia. Email: ccyong@mmu.edu.my

Dr Siew-Yong Yew 尤秀香, Senior Lecturer, Department of Economics, Faculty of Economics and Administration, University of Malaya, Malaysia. Email: yewsy@um.edu.my

Dr Hui-Boon Tan 陈慧雯, Professor, Faculty of Business Economics and Finance, Nottingham University Business School, Malaysia. Email: hui-boon.tan@nottingham.edu.my

Dr Mohamed Aslam, Senior Lecturer, Department of Economics, Faculty of Economics and Administration, University of Malaya, Malaysia. Email: maslam@um.edu.my

Lye Liang Fook 黎良福, Research Fellow, East Asian Institute, National University of Singapore. Email: eaillf@nus.edu.sg

Dr Emile Kok-Kheng Yeoh 楊國慶, Director and Associate Professor, Institute of China Studies, University of Malaya, Malaysia. Email: emileyeo@correo.nu, emileyeo@gmail.com
China Engages Myanmar as a Chinese Client State?*

Pak K. Lee, Gerald Chan and Lai-Ha Chan

Introduction: The Role of Energy in Sino-Myanmar Relations

Conventional wisdom has it that the pursuit of energy resources is the primary driving force for China’s foreign policy in the early 21st century.1 Within the Asian region, China’s resource hunt prompts it to cultivate relations with Myanmar. It began to step into the vacuum and become Myanmar’s major source of investment and aid as well as its staunchest ally as soon as the West imposed sanctions on Myanmar. Most external assistance came to a halt after the junta, the State Law and Order Restoration Council (SLORC), assumed power as a result of a military coup in September 1988. The coup aimed to bring a country-wide protest against the Burma Socialist Programme Party to an end. The junta annulled the results of the May 1990 legislative elections, which brought a sweeping victory to the National League for Democracy (NLD), a party led by Aung San Suu Kyi. Aung San Suu Kyi is a pro-democracy activist, the 1991 Nobel Peace Prize laureate and the daughter of Aung San, the late Burmese nationalist leader who is considered as the father of modern-day Burma. She was placed under house arrest by the junta in July 1989 before the general election which in effect prevented her from assuming office as Prime Minister of Myanmar.2 In the wake of the regime’s alleged attack on her and her entourage in May 2003 (known as the Depayin Incident) and the subsequent house arrest of her, the US imposed new economic sanctions in August 2003, including a ban on imports of Myanmar products and a ban on provision of financial services by US persons.3 As a result of the violent crackdown on anti-government protestors in Yangon in September 2007, the US tightened its sanction.4

There have been high-level mutual visits by leaders of the two countries. Among the dignitaries were Jiang Zemin, Li Peng, Qian Qichen, Wu Bangguo
China Engages Myanmar as a Chinese Client State?

and Hu Jintao (from China) and Than Shwe, Maung Aye, Soe Win, Saw Maung and Khin Nyunt (from Myanmar). Bilateral contacts have included the sales of Chinese armaments and machinery to the military junta, joint efforts to combat cross-border trafficking of narcotics, border trade of consumer goods, and Myanmar’s exports of timber (largely through illicit smuggling) and precious stones to Yunnan, China’s south-western province. China has consequently shielded the Myanmar regime from Western and United Nations opprobrium and sanctions (Than, 2003). China (and Russia and South Africa) defeated a draft resolution tabled at the United Nations Security Council (UNSC) in January 2007 by both the United Kingdom and the United States calling on the Myanmar government to cease military attacks against the ethnic minorities in the country and to take steps to become a genuine democracy.

More recently, prodded by Yunnan, China’s central government considers to build an oil pipeline and a gas pipeline from the Myanmar south-western port of Sittwe (also known as Akyab) to the city of Kunming in the province delivering oil and natural gas from Myanmar to China. With depleted oil resource, Myanmar is not likely to be a supplier of crude oil to China; the oil pipeline is rather for carrying oil from the Middle East and Africa, bypassing the bottlenecked sea lane of the Malacca Strait, which currently delivers 80 per cent of China’s oil imports. It is said that the plan will help China to reduce its reliance on the Malacca Strait for oil transportation by at least one-third (Zhang, 2007). According to Chinese analysts, an over-reliance on the Strait would present two threats to China’s energy security: the threats of piracy and maritime terrorism in the region and the attempts of the powerful states, notably the US, to exert dominance over the Strait through such programmes as the Cargo Security Initiative (2001), the Proliferation Security Initiative (2003) and the Regional Maritime Security Initiative (2004).7

With the aim of shifting its energy use to natural gas which causes much less pollution than the burning of coal, China began joint gas explorations with Myanmar in 2001. Four years later Myanmar allowed China to explore in the areas off its western coast in the Bay of Bengal (Zhang, 2008). As soon as India suffered a setback in reaching an agreement with Bangladesh about delivering gas from Myanmar to India via Bangladeshi territory, Myanmar swiftly decided in December 2005 to sell its gas to China through the overland pipeline to Kunming. Myanmar’s leaders were not willing to change the direction of gas sale even when New Delhi was allegedly prepared to construct a much more costly overland pipeline to bypass Bangladesh (Kolås, 2007). More recently, in January 2008, Myanmar’s Ministry of Energy inked a contract with China National Petroleum Corporation (CNPC)
to explore natural gas in three deep-sea gas blocks off western Myanmar.\textsuperscript{8} In the following May and June, Daewoo International of South Korea signed an agreement with CNPC to jointly explore a block in the Shwe field, off Sittwe in western Myanmar, estimated to hold 4.5 trillion cubic feet (TCF) of natural gas, and to sell gas from the field to China.\textsuperscript{9} As a result, China is often portrayed by security analysts and journalists to be supportive of the reclusive regime out of a strategic consideration of securing its own energy security.\textsuperscript{10}

While there are some elements of truth in these arguments, they overestimate the role of Myanmar oil and gas in China’s grand foreign policy and fail to address a couple of puzzles regarding the importance of oil and gas to China. As commonly argued, China has become an ally of the military regime since 1988, but China did not perceive the danger of oil insecurity at that time. Until 1993 China was self-sufficient in oil, thereby paying little attention to its energy security.\textsuperscript{11} Yunnan province has been more active than the central government in forging diplomacy with the military regime (Bray, 1995: 44-48). Growing economic engagement with Myanmar is believed to be conducive to the economic development of China’s landlocked south-western region, helping to narrow the income gap between it and the more prosperous coastal provinces (Liu, 2001). This has been echoed by Lin Xixing of Jinan University, Guangzhou, who argues that the central government is less than determined to implement the pipeline plan (Lin, 2006, 2007). Despite China’s penchant for overland oil and gas pipelines, there are controversies over the viability of the pipelines simply because Myanmar produces little oil and the gas pipeline is costly to construct.\textsuperscript{12} The Rakhine state in western Myanmar, where Sittwe is located, is also plagued by Islamic radicalism, as the military regime has used Theravada Buddhism to suppress Rohingya Muslims in the country (Egreteau, 2003: 113-14; Rabasa, 2003: 22-23). Tension between Bangladesh and Myanmar has flared up over contested territorial borders between the two countries, particularly when Daewoo International attempted to extend offshore exploration into Block AD-7 in the Bay of Bengal, about 93 km southwest of St Martin’s island of Bangladesh.\textsuperscript{13} To bypass the choke point of the Malacca Strait, China has the option of using the Gwadar port in Pakistan, which China helped to construct, although the route has to pass through the politically volatile Kashmir area. Myanmar’s material value to China is therefore open to dispute.

Furthermore, if this energy-security argument were to hold true, then one would expect China to engage equally wholeheartedly with Iran in the Middle East and Libya and Sudan in Africa which are also regarded as energy-rich pariah states by the West. But the correlation remains unclear. First and foremost, China did not develop cordial ties with Libya, whose oil reserves
are six to eight times those of Sudan, when the Gaddafi regime was ostracized by the West until 2003 (see Table 4.1). Were oil to be so important to China, why would not China engage with the countries which have the most promising energy assets, even if this would inevitably tarnish its international image? Furthermore, when the West takes steps to impose United Nations sanctions on the other three pariah states, China is less cooperative in the cases of Myanmar and Sudan than in the case of Iran. Bowing to intense pressure from the US, China began in 1997 to dissociate itself from Iran’s nuclear programme. Nonetheless, even after 1997 China frequently came to Iran’s defence by claiming that as a signatory state of the Nuclear Non-Proliferation Treaty (NPT), Iran has the right to develop nuclear energy programmes for civilian use. China was loath to cooperate with the US in 2004 in referring the nuclear issue to the UNSC. To secure China’s support in the Security Council, Iran allegedly offered Chinese corporations precedence in more than 100 economic projects, which included China Petroleum and

Table 4.1 Proven Reserves of Oil and Gas in China and Four Pariah States, 2007

<table>
<thead>
<tr>
<th></th>
<th>Oil Proven reserves (billion barrels)</th>
<th>R/P ratio (years)</th>
<th>Natural Gas Proven reserves (trillion cubic feet)</th>
<th>R/P ratio (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15.5 – 16.0</td>
<td>11.3</td>
<td>66.54 – 80.00</td>
<td>27.2</td>
</tr>
<tr>
<td>Iran</td>
<td>136.27 – 138.4</td>
<td>86.2</td>
<td>974.00 – 981.75</td>
<td>More than 100</td>
</tr>
<tr>
<td>Libya</td>
<td>41.464 – 41.5</td>
<td>61.5</td>
<td>52.65 – 52.80</td>
<td>98.4</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0.05</td>
<td>N.A.</td>
<td>10.00 – 21.19</td>
<td>40.8</td>
</tr>
<tr>
<td>Sudan</td>
<td>5.0 – 6.6</td>
<td>39.7</td>
<td>3.00</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Notes: N.A. = Not available. *BP Statistical Review of World Energy June 2008* does not give any data about Myanmar proven oil reserves and Sudanese proven natural gas reserves. R/P ratio, defined as the length of time, in years, that the remaining reserves would last at the prevailing annual rate of production, measures the life span of the energy resources for individual countries.

Chemical Corporation (Sinopec)’s investment in the Yadavaran oilfield, close to the Iran-Iraq border. But Beijing still voted in the Security Council in 2006-2008 in favour of imposing punitive sanctions against Tehran and reportedly shared intelligence about Iran’s nuclear programme with the International Atomic Energy Agency. Although Chinese oil officials emphasized that the negotiations with their Iranian counterparts over Sinopec’s development of the Yadavaran oilfield were stymied by disagreements over commercial terms rather than politics, one cannot rule out the possibility that the lack of any progress on the investment for three years until late 2007 was partly due to Iran’s displeasure at China’s increasingly pro-Western attitude with regard to its nuclear programme. This defies the presumed logic that China attaches primary importance to the quest for external oil and gas in dealing with the rest of the world because among these three pariah states Iran holds the largest reserves of oil and gas and has the longest span of life. This chapter therefore suggests that securing energy supply, though a key national goal, cannot fully explain China’s foreign policy towards oil-rich, unsavoury states and it is not the exclusive factor for Sino-Myanmar engagement. Factors other than energy supply should be considered to account for China’s pragmatic approach to Myanmar.

While Myanmar has been ostracized by the West since 1988, it has not been isolated by regional powers, we therefore propose to examine in the following sections Sino-Myanmar relations in the context of regional powers’ continuous partnership with the military regime.

Myanmar Plays the China Card

Despite the fact that Myanmar is often labelled as a “de facto Chinese client state”, the mutual relations are less than one-sided. This patron-client claim overstates the influence of China and inaccurately plays down the nationalist aspirations of Myanmar leaders as well as the role played by Myanmar’s neighbouring countries, particularly the member states of the Association of Southeast Asian Nations (ASEAN), in China’s calculus.

Bolstered by xenophobic nationalism, Myanmar makes every effort to maintain cordial relations with all major powers in the region to ward off over-independence on any one country. Although it was the first non-socialist country that recognized the People’s Republic of China in December 1949, the decision was largely made out of fear of a possible invasion by the Chinese Communists. Burma’s colonial history left a legacy of border disputes between the two countries. Burma’s U Nu was wary that China would invade his country under the pretext of pursuing the remnant forces
of Guomindang that fled across the border between the two countries.\textsuperscript{19} Mutual hostility heightened during China’s Cultural Revolution period when the Burmese government was concerned that the Chinese revolutionary zeal would be exported to its country via the local Chinese community and when anti-Chinese riots broke out in Burma in 1967. Afterwards, Burma was closer to the Soviet Union than to China (Charney, 2009: 125-126). Even today, the Myanmar regime is resentful of China’s support for the Burma Communist Party (BCP; also known as the White Flags) which lasted until the mid-1980s (Kolås, 2007; Liu, 2007). An illegal party in the country, the BCP is often associated with the insurgent armed forces in the politically sensitive ethnic minority areas along the Sino-Myanmar border.

As a consequence of these historical factors, China is not the only, nor is the biggest, supporter of the abusive regime, although China’s close relationship with Myanmar has been put under the spotlight in the international community for many years. Contrary to what is widely believed, Myanmar’s largest trading partner is Thailand, not China, due to the gas sale to Thailand.\textsuperscript{20} Although Thailand and Myanmar had experienced strained relations in the past, as early as December 1988, shortly after the coup by SLORC, Thailand began to adopt a policy of “constructive engagement” with Myanmar with a visit to Rangoon (renamed Yangon in 1989) by the Thai commander of armed forces, General Chaovalit Yongchaityut. Thailand invited Ohn Gyaw, then-Myanmar foreign minister, to attend ASEAN ministerial meetings in Bangkok in 1994.\textsuperscript{21} Commercial interests between the two countries have since developed rapidly and they include the offshore Yadana and Yetagun gas fields in the Gulf of Martaban, south of Yangon, forestry and hydroelectric power projects (Bray, 1995: 40-42). More recently, as a result of its agreement with Myanmar Oil and Gas Enterprise (MOGE) in June 2008, Thailand’s PTT Exploration and Production (PTT-EP) is to explore offshore gas from the Gulf of Martaban.\textsuperscript{22} Thailand has refused to cooperate with the West in imposing sanctions on the regime. In December 2003 Thakin Shinawatra invited representatives from 11 countries to Bangkok (known as the “Bangkok process”) to discuss Myanmar’s seven-point roadmap to democracy proposed by General Khin Nyunt (Holliday, 2005: 404, 408). Other ASEAN member states, with the possible exception of the Philippines which has strong ties with the US, are all supportive of strengthening political and economic ties with Myanmar.

ASEAN’s policy of constructive engagement is characterized by the regional endeavour not to “embarrass and isolate” the military regime and by the commitment to resolving Southeast Asian issues by nations within the region (i.e. regional autonomy) (Acharya, 2001: 110). A rationale for
this proactive engagement is their common concern over increased Chinese influence over Myanmar. There are also beliefs that economic propensity contributes to national security and the security of a state is a derivative of regional, common security (ibid.: 113; Bray, 1995: 40; James, 2004: 539-543). Another motivating factor is the regional efforts to create an intraregional cooperative partnership to counter American hegemony.23 Myanmar’s ruling regime also goes to great lengths to persuade its neighbouring countries not to intervene into its internal affairs so as to lower confrontations with the ethnic minorities along the country’s borders and to avoid undue reliance on China (Haacke, 2006: 20, 27-29).

In light of the competition and rivalry between China and India, the junta tends to play China off against India in the negotiations over the gas route (Zhang, 2008). Both India and Burma were parts of British India before they won independence in August 1947 and January 1948 respectively. Between 1962 and 1991, however, India had not had good relations with the military junta, partly because of its moralistic rejection of the legitimacy of the anti-democracy coup d’etat, established by Jawaharlal Nehru and Indira Gandhi. However, as a result of the rise of P V Narasimha Rao to power following the death of Rajiv Gandhi in May 1991, the Indian government began to implement pro-market economic reforms domestically and to adopt externally a “Look East Policy” to cement ties with the economically vibrant Southeast Asia and to counterbalance China.24 The starting point of the policy of reaching out to Southeast Asia was naturally Myanmar. India also felt compelled to seek Burmese support to rein in anti-Indian insurrections in Indian northeast.25 This presaged a U-turn on dealing with its neighbour to the east.26 U Aye, Director General of Myanmar’s Ministry of Foreign Affairs, visited New Delhi in October 1992. Indian foreign secretary, J.N. Dixit, paid a reciprocal visit to Yangon four months later. Both countries agreed in principle not to interfere into each other’s internal affairs.27 Since then, bilateral trade has increased remarkably from US$87.4 million in 1990-91 to US$323.4 million in 2001-02 with India becoming a major market for Myanmar exports (Egreteau, 2003: 132-133; Lall, 2006).

The visit by Jaswant Singh, then Indian Minister for External Affairs, to Myanmar in February 2001 kicked off a series of protracted negotiations on purchasing natural gas from Myanmar. Two Indian oil and gas companies – ONGC Videsh Ltd and GAIL – are involved in the exploration of the Shwe gas field, of which, as mentioned before, Daewoo International holds the majority stake. Ideally India wished to deliver Myanmar gas to Kolkata (Calcutta) via a pipeline going through Bangladesh. But due to New Delhi’s reluctance to meet the conditions imposed by Dhaka in 2005, an alternative
pipeline which would bypass Bangladesh and yet be 40 per cent longer and at a cost of three times of the original route was under consideration (Lall, 2006). It was, however, revealed in December 2005 that the Myanmar government favoured selling natural gas from Blocks A1 and A3 to China rather than India. Despite this setback, bilateral cooperation between India and Myanmar continued. In August 2007 India sealed a US$150 million contract for gas exploration in the Gulf of Martaban. During the military crackdown in September 2007, Indian Oil Minister Murli Deora was in Yangon to observe the signing of an additional oil and gas exploration contract between his country’s ONGC Videsh Ltd and Myanmar’s military leaders. In April 2008 when Maung Aye, vice chairman of the SLORC, visited India, the two countries signed an agreement in which India would invest US$130 million to expand the Sittwe port facilities and build a 62-km road from Kaletwa to the border between the two countries. Indian Vice President Hamid Ansari reiterated his country’s opposition to imposing international sanctions on Myanmar. In the wake of Cyclone Nargis that killed 138,000 Burmese nationwide in May 2008, India was one of the first countries to provide emergency aid to Myanmar. During a visit of Jairam Ramesh, Indian Minister of State for Commerce and Power, to Myanmar in June 2008, the two countries signed several agreements, including a credit line of US$64 million to build three 230 kilovolt electricity transmission lines and another US$60 million for a power project at Thatay Chaung in Myanmar.

Another important country in this power game is Japan. Its relations with Burma can date back to the 1940s when the “Thirty Comrades”, including Aung San and Ne Win, received military training from the Japanese. Up to 1988 Japan was the principal provider of development aid to Burma. Between 1954, when Japan’s official development assistance (ODA) programme started, and 1988 Japan offered it more than US$2 billion in grants and loans. Under the strong influence of major Japanese trading firms and the external pressure from Washington to isolate the military regime, Tokyo exercised “quiet diplomacy” in dealing with Yangon. In February 1989 it formally recognized the military regime and resumed disbursements of funds agreed upon before the coup. In March 1990 the Japanese government annulled Burmese debt worth US$22.8 million by converting it into an untied grant. Four years later, it offered two new humanitarian aid grants to Myanmar (Bray, 1995: 52-53; Haacke, 2006: 73; Seekins, 2007: 97-98, 132). Three months after the release of Aung San Suu Kyi from house arrest in July 1995, Japan approved a grant of 1.6 billion yen for the renovation and expansion of the Institute of Nursing in Yangon. This was followed by a low-key visit
to Tokyo by Maung Aye between late October and early November 1995 (Seekins, 2007: 133). Japan offered Myanmar in February 1998 a loan of 2.5 billion yen (US$19.8 million) for the renovation of Mingaladon airport in Yangon. The nature of the loan – whether it was a new loan or humanitarian aid – has remained ambiguous.30 Yoriko Kawaguchi, Japan’s Foreign Minister, made a visit to Myanmar in August 2002 after the junta lifted restrictions on Aung San Suu Kyi who was put again under house arrest between September 2000 and May 2002. The visit had enormous symbolic significance, as it was the first visit by a serving Japanese foreign minister in 19 years and the first by any incumbent G8 foreign minister to Myanmar since 1989. In meeting both government leaders and Aung San Suu Kyi, Kawaguchi indicated Japan’s support for Myanmar’s democratization and nation-building.31 The Japanese government did not impose any official economic sanctions on the regime, so direct investment from Japan continued after 1988 and amounted to US$212.57 million in the period 1988-2003.32 Mitsui Trading Company entered into an agreement in April 1996 to construct a gas pipeline from the Yadana gas field.33 Nippon Oil Exploration (Myanmar) Ltd holds a 19.3 per cent stake in the Yetagun gas field.34

Mutual ties have, however, become strained since the Depayin Incident of May 2003. New grants were suspended. Technical assistance has largely been restricted to the grant aid for afforestation and improvement in maternal and child health care services under the Initiative for the Mekong Region Development.35 Nevertheless, the Japanese government has steadfastly maintained that “quiet diplomacy” works better than sanctions. Yoshinori Yakabe of the Ministry of Foreign Affairs was quoted as saying that Japan’s most important goal is to work together with ASEAN countries rather than support sanctions.36 Bilateral relations have been frostier than ever after Kenji Nagai, a Japanese video-journalist, was shot dead by a Myanmar soldier in the junta’s crackdown on anti-government protests in September 2007. A Japanese grant for a business education centre at Yangon University worth 552 million yen (US$4.7 million) was consequently cancelled.37 But Japan did not end its aid to the military-ruled country, as it pledged in January 2008 to extend humanitarian aid worth US$1.79 million.38 To assist Myanmar in overcoming the grave humanitarian crisis after the southern Irrawaddy Delta (also known as Ayeyarwady Delta) was devastated by Cyclone Nargis, the Japanese government sent through the United Nations a US$10 million emergency relief package for the victims. Japan also offered through Japan International Cooperation Agency disaster relief supplies worth US$950,000. Japan argued that the relief aid was given after taking into account “the friendly relationship between the two countries and the scale of the disaster”.39
In 2007 Myanmar began to adopt a proactive diplomacy by reaching out to the states which have strained relations with the US and/or the European Union; they include Iran, North Korea, Venezuela and Russia. It resumed diplomatic relations with North Korea, which was broken off in 1983, and was suspected of seeking Pyongyang’s aid in its nascent nuclear programme. The junta was also in talks with Russia for setting up a nuclear research reactor, about which China has had serious reservations.40

This chapter has so far challenged the widespread claim that Myanmar is a client state of China. Rather there are signs that, intentionally or not, Myanmar has skilfully played the China card to improve or maintain good relations with its ASEAN brotherly states, especially Thailand, together with India and Japan. Largely due to their mounting concern about China’s overwhelming dominance over Myanmar, ASEAN, India and Japan have all acknowledged the need to be involved with Myanmar and hence accepted the principle of non-intervention in their dealings with Myanmar, laying aside both India and Japan’s initial principled support for human rights and democratization in the reclusive country. As a result, Myanmar’s natural gas sector does not come under Chinese domination.41 More recently the military junta began to forge relations with fellow outlaw states to counterbalance its growing engagement with China.

China Engages Myanmar in the ASEAN Way

In response to the active involvement with Myanmar in the names of “constructive engagement” by ASEAN, “Look East Policy” by India and “quiet diplomacy” by Japan, China has fortified its determination to cling to its longstanding Five Principles of Peaceful Co-existence. In particular, to develop close ties with Myanmar, it has adopted the principles of mutual respect for territorial integrity and sovereignty and mutual non-interference in each other’s internal affairs. But this line of argument has to face the challenge presented by an equally widespread assertion about China-Myanmar relations: that in exchange for China’s political support on the world stage, the military junta allows the Chinese navy to set up military facilities in its country’s military bases. Since 1992 there has been considerable and continuing speculation about the existence of China’s naval bases on the Great Coco Island and Hainggyi Island in Myanmar.42 This allegedly forms part of China’s emerging assertive maritime diplomacy, also known as a “string of pearls” strategy, which covers ports in Pakistan, Bangladesh, Myanmar, Thailand and Cambodia (Pehrson, 2006). There is, however, no consistent and verifiable evidence for the claims that Chinese naval technicians are permanently
stationed in the bases or are in direct control of the operation of the military facilities there. Even Admiral Arun Prakash, India’s Chief of Naval Staff, admitted in August 2005 that there were no Chinese military or intelligence facilities on the Great Coco Island. The speculation is further discredited by the fact that the US, which possesses the most advanced intelligence collection capability, has not voiced any concern about the reported presence of Chinese bases in the Indian Ocean.

We therefore contend that China’s policy towards Myanmar in general and its stance on its internal problems in particular are not entirely shaped by the considerations of bilateral relations and mutual exchanges of energy, military and political interests. Short of regime change in Myanmar which might result in a spillover of political instability into China’s south-western border, China is willing to cooperate with the West in urging the junta to undertake domestic, albeit limited, reforms. It is in China’s interests to see a “civilianization” of the regime, propping up the legitimacy of the ruling generals, and conciliation between Myanmar and the US. China brokered talks between Eric John, US Deputy Assistant Secretary of State for East Asian and Pacific Affairs, and two Myanmar ministers in Beijing in June 2007. China also backed the effort of the UN special envoy Ibrahim Gambari to promote reconciliation between Aung San Suu Kyi and the generals, and the resumption of the National Convention which is primarily tasked with drawing up a new Constitution (Storey, 2007).

Furthermore, there is a non-material or social element in Sino-Myanmar relations: the “ASEAN Way”, a general approach adopted by ASEAN countries that encompasses, among other things, non-confrontational, consensual, incremental, and non-interventionist ways to resolve regional conflicts. China’s policy is largely contingent on how ASEAN treats its reclusive member state. In the first place, this is because China believes that regional institutions have the primary right to speak on the issues that directly concern them. China’s state-centric approach to global governance is to be built on individual states at the basic level, regional intergovernmental organizations at the middle level and the United Nations at the global level. This would serve to restrain the US from exercising power unilaterally and meddling in the domestic affairs of other states, indirectly enhancing China’s security and freedom of action on various fronts. As we argue elsewhere, the Chinese government was annoyed by the fact that without UNSC’s authorization, the US-led NATO in March 1999 used armed forces against the former Yugoslavia, a sovereign state, not a member of the regional organization, and posed no direct threat to it. China has since then demanded that forcible humanitarian intervention be authorized by the UNSC and
China Engages Myanmar as a Chinese Client State?

receive prior consent of the host state.\textsuperscript{46} China’s appreciation of an increased role of regional organizations in regional and global governance is evident in its Position Paper on the United Nations Reforms released in June 2005. China maintains that the reforms should safeguard the principles of sovereign equality and non-interference in internal affairs. Even if a massive humanitarian crisis takes place, it says, the opinions of the country in question and the regional organizations concerned should be respected, and that it is eventually the responsibility of the Security Council to make the decision to ease and defuse the crisis within the framework of the UN.\textsuperscript{47}

Second, given the prevalence of the “China threat” arguments in the region, China finds that it is in its interests to work in tandem with ASEAN to allay the latter’s concern over its increasingly close ties with Myanmar.\textsuperscript{48} It has gone to great lengths to maintain good relations with ASEAN at large and not to marginalize the organization.\textsuperscript{49} Otherwise, China is fearful that it would likely push the regional countries to form an anti-China coalition with Japan as well as the US.\textsuperscript{50} That explains why Beijing is loath to play a proactive role in resolving Myanmar’s domestic crises despite the calls by human-rights activists on China to use its leverage over the military junta to push it to embrace a more liberal standard of governance. Instead, it is supportive of the involvement of ASEAN in the domestic affairs of Myanmar. In the aforementioned “double veto” by China and Russia in January 2007, China’s rationale was that the Myanmar issue was an internal affair of a sovereign state and that Myanmar’s immediate neighbours, ASEAN member states, did not believe that the grave challenges Myanmar was facing posed a threat to them. What has escaped the notice of many pundits, however, was Indonesia’s abstention from the voting. The Southeast Asian state, a non-permanent UNSC member in 2007-2008, agreed with China that the host of issues such as democratic transition, human rights, HIV/AIDS and narcotics and human trafficking “did not make Myanmar a threat to international peace and security”. The Human Rights Council would be a more appropriate venue than the Security Council for tackling the issues. Indonesia emphasized that both the United Nations and ASEAN could work together to address them.\textsuperscript{51}

In contrast, in September 2005 Václav Havel and Bishop Desmond Tutu called for the UNSC to take action against the Myanmar regime. They argue that the problems of the country were not restricted to human rights abuses. The outflow of refugees, drug production and trafficking and the spread of HIV/AIDS have led the country to “become a problem for the region and international community”.\textsuperscript{52} While China does not publicly endorse this view, Chinese diplomats have been allegedly critical of the Myanmar government
for its inability to prevent illicit drugs from entering China. The HIV/AIDS epidemic has spread in Asia along four major routes, all originating in Myanmar, the second-largest producer of opium. Three of them run from eastern Myanmar to Yunnan, Xinjiang and Guangxi in western China. Myanmar’s health-care system is notoriously flawed. It was ranked 190th out of 191 nations by the World Health Organization in 2000 and spent meagrely US$137,000 in 2005 to control HIV/AIDS. With approximately 240,000 people living with HIV, Myanmar’s HIV/AIDS prevalence rate among adults (aged 15-49) is 0.7 per cent, seven times of China’s. China has engaged its neighbouring countries in the Greater Mekong Subregion (GMS) – Vietnam, Laos, Myanmar, Thailand and Cambodia – about containing the spread of contagious disease.

After the violent Cyclone Nargis devastatingly hit Myanmar in May 2008, 24 countries and the United Nations swiftly offered aid and assistance to the Myanmar government. However, in fear of foreign intervention into its domestic politics and even aggression, the military regime refused to accept aid from Western nations. China was one of a few Asian countries which successfully dispatched relief supplies to the country. US Secretary of State Condoleezza Rice made an appeal for China to press the military regime to accept more external disaster assistance. While China was more successful than Western countries and non-governmental aid agencies in dispatching relief supplies to Myanmar and had pledged aid worth US$15 million, it resisted putting pressure on Myanmar to open up its borders for emergency relief from other donors. When France argued in the UNSC for invoking the notion of “responsibility to protect” to deliver aid forcibly to the victims of the disaster without the consent of the military regime, China disagreed. But one has to note that in addition to China, Russia, Vietnam and Indonesia, the latter two being Myanmar’s fellow members in ASEAN, rejected the involvement of the UNSC. Eventually it was ASEAN that took the lead to coordinate a “coalition of mercy” to undertake humanitarian relief. An ASEAN-UN International Pledging Conference was held in Yangon on 25th May 2008 which received international aid amounting to US$50 million.

Mounting evidence indicates that a quest for national and regional autonomy and international legitimacy occupies a more central place in China’s grand strategy than a hunt for energy resources in countries with moderate oil wealth. The former, which has a direct bearing on its regime security, requires an international order built less on US hegemony than on heightened cooperation between sovereign states and regional intergovernmental organizations. China increasingly relies on the support
of nation-states and regional organizations that share the cardinal principles of inviolability of national sovereignty and non-interference in the internal affairs of other states to constrain the sole superpower, the US. This is more salient in Southeast Asia due to several reasons. First, ASEAN is an important political ally of China not only because the Southeast Asian states are on its periphery but also because they share a commitment to repudiating the post-Cold War normative assertion that only liberal democracies are rightful and legitimate members of the “civilized” international society and to resisting an increased temptation of liberal democracies to intervene into the internal affairs of other states. China acts in accordance with the norms and rules of a regional order fashioned by both ASEAN and itself: a pluralist order based on a common commitment to the fundamental institution of state sovereignty enshrined in both the United Nations Charter and the ASEAN Treaty of Amity and Cooperation. According to the English School of International Relations, this pluralist conception of international society does not prevent cooperation between states even if they hold varying political values and ideologies. Second, American political influence and authority in Southeast Asia was on the wane under the George W. Bush administration, particularly in its second term. Since the US started the wars in Afghanistan and Iraq in the wake of 9/11, it has shown reduced interest in Southeast Asian affairs. During her four-year tenure as US Secretary of State between January 2005 and January 2009, Condoleezza Rice skipped two ASEAN Regional Forum (ARF) meetings. George W. Bush was absent from a summit meeting with ASEAN in September 2007, which marked the 40th anniversary of the founding of the organization. In a way, as a gradual shift in power balance in favour of China in East and Southeast Asia seems to be taking shape, China is at pains to carve out a normative buffer zone on its border with Southeast Asia to counter American hegemony. A battle for influence and leadership between China and the US is, however, on the horizon. With only a few weeks into his administration, Barack Obama made a conscious attempt to re-invigorate ties with Southeast Asia by dispatching Hillary Clinton to visit Asia, including Indonesia, in February 2009. Clinton admitted in Indonesia that economic sanctions on Myanmar had been futile in effecting political change inside Myanmar, suggesting a possible review of American policy towards the country. Unlike the stance of the previous Bush Administration, Clinton said that she would attend an annual ARF meeting in July 2009 and that the US would also consider signing the Treaty of Amity and Cooperation. Third, critics of the West charge that the sheer moral hypocrisy of Western powers is evident in Southeast Asia. In spite of economic sanctions against Myanmar by both the US and the European Union, Chevron/Unocal (US) and Total
(France), two international oil majors, have not ceased their operation in the Yadana and Yetagun gas pipeline projects.\textsuperscript{66}

**Conclusion: Norms, Energy and Beyond**

This chapter has demonstrated two points. First, although ASEAN, China, India, and Japan form partnership with Myanmar for different reasons, interactions among the regional stakeholders with regard to Myanmar have reinforced the regional norm of non-intervention into other states’ internal affairs. Both India and Japan, the two democratic countries in the region, have been socialized, though in varying degrees, into the norm when they engage Myanmar as well as ASEAN.\textsuperscript{67} The regional normative environment or structure in which all stakeholders find themselves defines or constitutes their Asian identities, national interests, and more importantly, what counts as rightful action. At the same time, regional actors create and reproduce the dominant norms when they interact with each other. This lends support to the constructivist argument that both agent and structure are mutually constitutive.\textsuperscript{68} This ideational approach prompts us to look beyond such material forces and concerns as the quest for energy resources as well as military prowess to explain China’s international behaviour. Both rational-choice logic of consequences and constructivist logic of appropriateness are at work in China’s relations with Myanmar and ASEAN. But pundits grossly overstate the former at the expense of the latter. To redress this imbalance, this chapter asserts that China adopts a “business as usual” approach to Myanmar largely because this approach is regarded as appropriate and legitimate by Myanmar and ASEAN and practised by India and Japan as well, and because China wants to strengthen the moral legitimacy of an international society based on the state-centric principles of national sovereignty and non-intervention.

As a corollary, we argue that regional politics at play have debunked the common, simplistic belief that Myanmar is a client state of China and that China’s thirst for Myanmar’s energy resources is a major determinant of China’s policy towards the regime. A close examination of the oil and gas assets in Myanmar reveals that it is less likely to be able to become a significant player in international oil politics. Whereas Myanmar may offer limited material benefits to China, it and ASEAN at large are of significant normative value to the latter. Ostensibly China adopts a realpolitik approach to Myanmar; however, the approach also reflects China’s recognition of the presence and prominence of a regional normative structure and its firm support for it.
Notes


1. See, for example, Zweig and Bi (2005).
5. According to Mi Gongsheng, the director of Yunnan Provincial Development and Reform Commission, the pipelines would be built at a total cost of US$2.54 billion in the first half of 2009. China National Petroleum Corporation (CNPC) will hold a 50.9 per cent stake of the project while Myanmar Oil and Gas Enterprise (MOGE) will own the remaining 49.1 per cent. (Wan Zhihong, “Yunnan To Build New Gas Pipeline”, China Daily, 19th November 2008 <http://www.chinadaily.com.cn/regional/2008-11/19/content_7219714.htm>, accessed 20th November 2008)
9. Daewoo International began in 2000 to explore natural gas in the Bay of Bengal in partnership with Myanmar Oil and Gas Enterprise (MOGE). Four years
later Daewoo International announced the discovery of a gas field in Shwe. Daewoo International holds a 51 per cent stake in the Shwe field. Minor partners include India’s Oil and Natural Gas Corporation (17 per cent), MOGE (15 per cent), GAIL of India (8.5 per cent) and Korea Gas Corporation (8.5 per cent). (Kolås, 2007; Charles Lee, “Myanmar Gas Sales, Transport to CNPC Set”, *Platts Oilgram News*, 24th June 2008, via Nexus; Song Yen Ling, “Daewoo Signs Myanmar Pact with CNPC”, *International Oil Daily*, 24th June 2008, via Nexus)


12. The cost of constructing the 2,380km-gas pipeline would be up to US$1.04 billion and China has to offer Myanmar credit of US$83 million to help it develop the gas reserves. (Raman, 2007. See also Lee, 2005: 270, 286.)


China Engages Myanmar as a Chinese Client State?


21. Myanmar became an observer to ASEAN and began to participate in the ASEAN Regional Forum two years later. (Than (1998), especially pp. 403, 412)


24. Lall (2006). The closer links between China and Myanmar since 1988 and the increasing Chinese influence on the military junta were perceived by India as potential threats to its national security. The alleged installation of electronic surveillance facilities along the Myanmar coasts and on the Great Coco Island was denounced in 1998 by George Fernandes, then India’s Defence Minister, as a military threat to his country. In order to avoid the Myanmar junta becoming a Chinese military pawn against Indian interests, India chose to reconcile with Myanmar rather than confronting head-on with the junta. See Renaud Egreteau, “India Courts a Junta”, Asia Times Online, 20th September 2003 <http://www.atimes.com/atimes/South_Asia/EI20Df08.html>, accessed 17th October 2008.

25. There were as many as 20,000 anti-Indian insurgents operating within Myanmar. (Egreteau, 2003, chapter 6, especially pp. 130-32, 150-58; Taylor, 2008, especially p. 262)


27. The non-intervention policy was confirmed in 1996 by Pranab Mukherjee, Indian Minister of Foreign Affairs. (Egreteau, 2003: 133)


30. The grant of 3.5 billion yen (US$28 million) for the repair of the Baluchaung hydro-electric station, which generated 30 per cent of the electricity needed by Myanmar, in April 2001 aroused a similar controversy. Seekins (2007: 138, 143-44).


33. The investment was later called off or postponed. (Seekins, 2007: 119, 122)


China Engages Myanmar as a Chinese Client State?

41. China’s Xinhua News Agency quotes official sources of Myanmar as saying that a total of 13 foreign oil companies, from Australia, Britain, Canada, China, India, Russia, South Korea, in addition to three ASEAN member states, are operating in Myanmar. (Xinhua News Agency, “Companies from China, Myanmar, S. Korea Sign Gas Pact in Myanmar”, Xinhuanet.com, 24th December 2008 <http://news.xinhuanet.com/english/2008-12/24/content_10555064.htm>, accessed 3rd January 2009)


45. A classic work on the “ASEAN Way” is Acharya (2001), especially chapter 2.

46. Both conditions were fulfilled in the resolution of the independence crisis of East Timor in September 1999. (Chan, Lee and Chan, 2008, especially pp. 9-10)


48. Despite the misgivings about accepting the autocratic Myanmar into ASEAN on the part of the latter’s dialogue partners in the West, ASEAN was determined to welcome Myanmar in 1997 because, among others, it wanted to draw Myanmar away from China’s orbit. (Selth, 2003: 6)
49. China acceded to ASEAN’s Treaty of Amity and Cooperation (TAC) in October 2003. The guiding principles of the TAC are mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of nations; non-interference in the internal affairs of one another; peaceful settlement of differences or disputes; and renunciation of the threat or use of force. See “The Treaty of Amity and Cooperation in Southeast Asia”, ASEAN Secretariat, 24th February 1976 <http://www.aseansec.org/1217.htm>, accessed 18th June 2008; and “ASEAN-China Dialogue Relations”, ASEAN Secretariat <http://www.aseansec.org/5874.htm>, accessed 18th June 2008.


56. While Myanmar’s total population is only 3.6 per cent of China’s, the size of the people living with HIV in Myanmar is 34.3 per cent of that of China. The data are drawn from UNAIDS’s country profile <http://www.unaids.org/en/CountryResponses/Countries/China.asp> and <http://www.unaids.org/en/CountryResponses/Countries/myanmar.asp>, accessed 20th February 2009.

58. For a study of the threat perception on the part of the military junta, see Selth (2008).


62. Clark (2005), especially chapter 9. During the 2008 US presidential election campaign, key advisors to both Barack Obama and John McCain were supportive of the idea of establishing a league or concert of liberal democracies to promote international security, democracy and human rights protection, and economic integration. (Daalder and Lindsay, 2007; Kupchan, 2008)

63. A pluralist international society is marked first by the claim that sovereign states are its primary members and they mutually recognize each other’s rights to national sovereignty. Second, members of the pluralist international society have common interests in maintaining the order of the modern states system and the survival of the units within it (Dunne, 2008). We have argued elsewhere that the recent Chinese notion of a “harmonious world” (hexie shijie) bears a resemblance to the English School. See Chan, Lee and Chan (2008: 14).


65. Clinton is the first US Secretary of State since Dean Rusk in 1961 to make Asia as the first destination of her overseas trips. She raised the issue of Myanmar with senior leaders of both Indonesia and China. Jay Solomon, “Clinton Says U.S. Will Expand Southeast Asia Ties”, Wall Street Journal Online, 19th February 2009 <http://online.wsj.com/article/SB123496355184310945.html>, accessed 22nd


67. It is, however, open to dispute whether observance of the non-interference norm is conducive to resolving the political impasse of the country. Ian Holliday is sceptical about it. See Holliday (2005).

68. Risse (2007), especially p. 128; Hurd (2008), especially pp. 303-304. Glen Hook et al. have noted a revival of shared Asianist norms in Japan and the ASEAN member states. (Hook, Gilson, Hughes and Dobson, 2005: 223)

References


Clark, Ian (2005), Legitimacy in International Society, Oxford: Oxford University Press.


China Engages Myanmar as a Chinese Client State?


