

# China's Engagement in Myanmar: From Malacca Dilemma to Transition Dilemma

## KEY POINTS

- The changing socio-political landscape in Myanmar since the advent of a new system of government in March 2011 has brought significant challenges to China's political and economic relations with the country. From a previous position of international dominance, China now has to engage in a diversified national landscape where different sectors of society have impact on socio-political life and other foreign actors, including the USA and Japan, are seeking to gain political and economic influence.
- China has made important steps in recognising these changes. In contrast to reliance on "government-to-government" relations under military rule, Chinese interests have begun to interact with Myanmar politics and society more broadly. A "landbridge" strategy connecting China to the Bay of Bengal has also been superseded by the aspiring, but still uncertain, "One Belt, One Road" initiative of President Xi Jinping to connect China westwards by land and sea with Eurasia and Africa.<sup>1</sup>
- Many challenges remain. Government change, ethnic conflict and the 2015 Kokang crisis raise questions over political relations, border stability, communal tensions, and the security of Chinese nationals and property in Myanmar, while Chinese investments have been subject to criticism and protest. Mega-projects agreed with the previous military government are subject to particular objection, and resentment is widespread over unbridled trade in such natural resources as timber and jade that provides no local benefit and is harmful to local communities and the environment.
- Chinese interests prioritize stability in Myanmar. While keen to develop good relations in the country and support ethnic peace, Chinese officials are concerned about the sustainability of the present system of governance and what this will mean for China. A continuing preoccupation is the USA, which often dominates strategic thinking in China to the detriment of informed understanding of other countries and issues. These uncertainties have been heightened by the advent to government of the civilian-led National League for Democracy in March.
- Given their proximity and troubled histories, it is essential that good relations are developed between the two countries on the basis of equality and mutual respect. Initiatives to engage with public opinion, communities and interest groups in both countries should be encouraged. Based upon its own experiences, economic change, rather than political change, is China's primary focus. Chinese officials, however, need to understand that Myanmar's challenges are political at root. Criticisms should not be put down to a lack of knowledge or "anti-Chinese" sentiment. Good projects that will benefit the local population will be welcomed: bad projects that ignore their priorities and vision for development will not.

## Introduction

As neighbours on a strategic crossroads in Asia, the relationship between China and Myanmar is today one of the most important in international geo-politics and regional development. After Myanmar's independence, tensions with China were often deep as conflict and political turmoil swept both countries. In recent decades, ties have become closer due to social and political changes on both sides of the Yunnan frontier. Under previous military governments in Myanmar, this witnessed China becoming the largest foreign investor and dominant international influence in the country.

Since political transition began in 2011, many aspects of China's engagement in Myanmar have come under challenge. Fundamental difficulties remain that can destabilise Myanmar-China relations at any time. These include ethnic conflict, Chinese investments, communal tensions, political reform and international power struggles. With the advent of a National League for Democracy (NLD) government this year, a new "Great Game" is underway that could have consequences for both the country and region for many decades to come.

This briefing examines the changing political and economic landscape, outlining the key histories, developments and strategies in recent Myanmar-China relations. A particular concern is the continuing conflict in the ethnic borderlands in Myanmar, which are in the front-line of contention and where many of the country's most valuable natural resources are located. History has long warned that instability and political failure will continue until there is inclusive peace and reform in these territories.

In its race for economic growth and international influence, the Beijing government has major ambitions for Myanmar and the trans-Asian region in the 21<sup>st</sup> century. In the South China Sea, this has become a source of tension. On the Yunnan border, in contrast, Chinese interests have made some important policy adjustments to socio-political change in Myanmar during the past five years. The Beijing government has also unveiled an ambitious "One Belt, One Road" vision linking China to Eurasia and beyond. But there is still a long way to go before equitable and stable relations are established to the benefit of the peoples of both Myanmar and China. Progress will depend on political solutions and

economic relations that are in the interest of the peoples of Myanmar, developed by proper consultation and democratic acceptance, and not by initiatives or interventions that reflect economic self-advantage and superpower dominance.

## Background

Throughout history, China's relationship with Burma/Myanmar and its peoples has frequently been troubled. In the post-colonial era, Kuomintang (KMT) remnants invaded the Shan state from Yunnan province during 1949-50 and, with US assistance and nationalist backing from Taiwan, remained active around the Sino-Thai frontiers for many years. Subsequently, the Mao Zedong government provided full-scale support to the armed opposition Communist Party of Burma (CPB) following anti-Chinese violence in Yangon and, from 1968, the CPB was able to take control of large swathes of territory along the Yunnan border where a diversity of ethnic nationality groups contest Myanmar government authority (see "Malacca Dilemma" below).

Two events during 1988-89 reframed the political landscape: first, a new military government, the State Law and Order Restoration Council (SLORC: subsequently State Peace and Development Council [SPDC]), assumed power after suppressing pro-democracy protests against Gen. Ne Win's "Burmese Way to Socialism"; and second, the CPB collapsed amid a wave of ethnic mutinies that swept its "liberated zones" along the China border.

For leaders in both countries, these dramatic events provided the opportunity to re-set their political relationships, and during the military government of the SLORC-SPDC China developed a close strategic relationship with Myanmar's ruling generals. Political transition in Myanmar remained uncertain, and China was also undergoing significant change in the post-Mao Zedong era. But from the turn of the century, China's policy objective became trade, investment and large-scale infrastructure projects which, it was anticipated, would provide China with a new regional ally and help the development of China's adjoining Yunnan province, which is one of the least developed regions of the country.

In making these decisions, China's leaders assumed that, based upon post-colonial

precedent, the Myanmar national armed forces, known as the Tatmadaw, would remain in power and that there was therefore no need to consult closely with other segments of society, including democratic opposition parties, ethnic nationality groups and local communities. Chinese officials recognised that Myanmar's border regions are dominated by ethnic armed organisations among the local populations, but they were encouraged that, from 1989 onwards, most began to agree ceasefires with the SLORC-SPDC government in the northeast of the country. In the post-Ne Win era of China-Myanmar relations, China's priority was to promote security and stability, and Chinese private investment was encouraged in border regions because it was thought to further contribute to national stability and economic development.<sup>2</sup>

Since the SPDC stepped down in 2011, many of the key assumptions upon which China's policy towards Myanmar was based have changed. Following the adoption of a new constitution in 2008, the first general election in twenty years was held, leading to the inauguration of a new military-backed government in March 2011, headed by President Thein Sein, an ex-general and former SPDC Prime Minister. Against initial expectations, the arrival of a quasi-civilian government in the capital Nay Pyi Taw caused a significant change in the social and political atmosphere, raising the prospect of fundamental reforms in national politics and economics for the first time in many decades.

These incipient events did not mark the end in government transition. Following a second general election in November 2015, the opposition NLD assumed office last March. Led by Daw Aung San Suu Kyi, the NLD now has a significant mandate for accelerating democratic change, ethnic peace and economic reform. Long repressed, the NLD's arrival in government marks the most extraordinary turn-about in Myanmar's socio-political landscape in decades. Although the Tatmadaw still wields great military, political and economic power, the advent of a democratically elected government in Myanmar will have significant impact on the future political direction and foreign relations of the country.

In Beijing, as in other capitals around the world, officials are now watching closely to keep pace with events. After decades of conflict and state failure, a critical juncture in Myanmar politics and international relations has been reached.

## New Challenges

For China, as for all international actors, the new political landscape in Myanmar has presented increasing challenges during the past five years. Despite the Tatmadaw's continued dominance in many aspects of political and economic life, the day-to-day situation has become much more complex in the field. In post-SPDC Myanmar, China cannot safeguard its interests by dealing with the central government and military authorities alone.

New challenges are emerging on many fronts. From China's perspective, six main areas stand out: civil society, economics and investment, internal politics, ethnic peace, international relations and foreign policy. On all issues, the situation has become acute.

- The Thein Sein government's easing of restrictions on the media and people's rights to organise has led to increased news reporting and protests by communities across the country against Chinese investment projects, including the Myitsone dam in the Kachin state and the Letpadaung copper mine in the Sagaing region (see "The Transition Dilemma" and "New Crises and the Kokang Conflict" below). In contrast to the SLORC-SPDC years, China can be publicly criticised by different parties and interest groups in Myanmar today.
- Although China remains the largest source of Foreign Direct Investment, the scale of new investment has begun to shrink back. Shocked by the 2011 postponement of the Myitsone dam by President Thein Sein (see "The Transition Dilemma" below), Chinese companies have been reluctant to commit more funding in a political climate that could be averse to their interests. The reputation of Chinese businesses has also been tarnished by exploitative trade in timber, jade and other natural resources in the ethnic borderlands (see "New Crises and the Kokang Conflict" below).
- The advent of an NLD – or any Western-looking – government was not one that China's leaders expected when the SPDC stepped down in 2011. The opposition NLD won a landslide victory in last year's general election, routing the pro-military Union Solidarity Development Party (USDP) of President Thein Sein.

- New government policies after President Thein Sein took office heralded the most significant moves towards ethnic peace in many decades, but they have also raised the prospect of new volatility. This is most evident in the northeast of the country where armed conflict resumed in several districts along the China border. Not only has the security of Chinese investments come under threat but Tatmadaw attacks have also inflicted casualties and fatalities on the Yunnan side of the border, causing tensions to rise between the two countries. Renewed conflict in the Chinese-speaking Kokang region has been a particular source of crisis, raising the spectre of communal division (see “New Crises and the Kokang Conflict” below). The involvement of Western countries in peace talks with ethnic armed organisations along China’s border is also a great concern in Beijing, with security analysts worried that a Western presence could undermine Chinese influence in a corridor of strategic importance from China’s southwestern border to the Indian Ocean (see “Ethnic Peace” below).
- The Thein Sein government succeeded in a key policy objective in foreign relations of ending international isolation and Western economic sanctions while reducing Myanmar’s reliance on China as its main international military, political and economic ally.<sup>3</sup> During the past five years, high-level delegations from the West have become frequent visitors to Myanmar in order to re-engage with the former pariah country and encourage political and economic reforms. Western support to Myanmar is expected to further increase under an NLD government. This is a potentially defining change in international affairs that no foreign government or stakeholder party predicted when President Thein Sein assumed office.
- Change in Myanmar during the past five years has coincided with an acceleration in China’s emergence as a global superpower. While China has seen its influence in Myanmar come under challenge, the Beijing government has embarked on ambitious, and sometimes assertive, foreign policies abroad. Expansionism in the South China Sea has been especially criticised. In contrast, on the western borders, President Xi Jinping has unveiled a major “One Belt, One Road” political and economic vision, linking China towards Europe and Africa through central

and south Asia. Myanmar is an integral element in these plans, but consultations have hardly begun. To realise or gain acceptance of these goals, China has much work to do.

For the moment, it is still too early to assess the impact of the new NLD government in Nay Pyi Taw. With the Tatmadaw holding a block on constitutional amendments and control of three key ministries (defence, home and border affairs), the NLD has initially concentrated on setting up an NLD-led administration headed by U Htin Kyaw as President and Daw Aung San Suu Kyi in the newly-created position of State Counsellor. But this is likely to be a period of calm before future storms, and difficulties can be expected to emerge on many fronts.

In looking to future trends, Myanmar’s relations with China will remain an important barometer in determining the course of events. Two fields are likely to be especially significant: ethnic politics and the economy.

In ethnic politics, a key challenge remains the achievement of a Nationwide Ceasefire Agreement (NCA) that will include the government and all nationality forces in the country. While new ceasefires have brought much-needed relief to local communities in war-zones along the Thai border, armed conflict returned to former ceasefire areas along the China border in northeast Myanmar under Thein Sein’s presidency. In contrast, these territories had been promoted as models for peace and development during the SLORC-SPDC era. A “partial” NCA was penned by the Thein Sein government with eight opposition forces last October, but the majority of ethnic organisations declined to sign, including all the groups along the Yunnan border. As long as conflict continues, this will remain a highly sensitive issue between the two countries.

The first warning that there might be different Tatmadaw policies in the China borderlands than other parts of the country came in August 2009 when the government launched a military offensive against the ceasefire Myanmar National Defence Alliance Army (MNDAA) in the Kokang region, replacing its veteran leader Pheung Kyashin and attempting to transform the MNDAA into a Border Guard Force (BGF) under Tatmadaw control. Over 37,000 refugees fled into China.<sup>4</sup> Then in June 2011, just three months after Thein Sein assumed office, the Tatmadaw launched

another offensive, this time against the Kachin Independence Organisation (KIO) in the Kachin and northern Shan states, breaking a 17-year old ceasefire.<sup>5</sup>

If, however, Tatmadaw leaders expected quick or decisive victories in this recourse to military tactics, they were proven mistaken. Not only did Kachin resistance spread, but armed conflict also resumed with local Shan, Ta-ang (Palaung) and, eventually, Kokang forces when in February 2015 the MNDAA attempted to seize back control of the Kokang region.<sup>6</sup> As hostilities continued, the Tatmadaw's operations also began to concern the strongest of Myanmar's ethnic forces, the ceasefire United Wa State Army (UWSA), which issued several letters of warning and strengthened support to other nationality organisations. Both the MNDAA and UWSA had grown out of the 1989 CPB mutinies, and leaders in their territories had long developed good cross-border understandings with China (see "Malacca Dilemma" and "Ethnic Peace" below).

For local peoples and Sino-Myanmar relations, the social and humanitarian consequences of the return to fighting on the Yunnan frontier have been profound. After nearly two decades of relative peace, key districts along China's 2,185 km borderline have become unstable; untold numbers of lives have been lost; and an estimated 200,000 civilians (mostly ethnic minorities) have been displaced from their homes in northeast Myanmar, with over 80,000 refugees displaced or forced to seek shelter on the China border by the Kokang conflict alone.<sup>7</sup>

Equally concerning in many communities, the resumption of conflict in northeast Myanmar has coincided with the rise in an assertive Buddhist nationalism within the country. This is most obviously evident in anti-Muslim violence and discrimination that first began in the Rakhine state during 2012 and has since led to the barring of many Muslims from full citizenship and voting rights in last year's general election.

Although on a lesser scale, expressions of "anti-Chinese" sentiment have also become more obvious in several parts of the country during the past five years, with such China-backed projects as the Myitsone dam and Letpadaung copper mine rarely out of the news. Anti-Chinese opinion, however, has not only been expressed by nationalist activists or in protest against business activities. As fighting continued in the Kokang

region last year, the state media not only stated that the battle was in defence of Myanmar's "sovereignty"<sup>8</sup> but also turned attention to the Wa ceasefire territory to the south, alleging that administrative positions "are being taken by ethnic Chinese and local culture is being swallowed and overwhelmed by the Chinese one" (see also "Ethnic Peace" below).<sup>9</sup>

Mindful of earlier anti-Chinese episodes in history, such allegations bring into question the security and rights of the estimated 1.5 million Chinese residents in Myanmar. Like peoples of Indian heritage, Chinese inhabitants are only allowed the rights of full citizenship under Myanmar's 1982 citizenship law if they can prove family residence in the country before the first British annexation in 1824-25. As a result, many Chinese feel uncertain about their futures, a perception deepened by the intensity of Tatmadaw operations in the Kokang region. "They've been in charge of this country for several decades now, but they have never treated Kokang people as their own people," a refugee said in China.<sup>10</sup> Such views over the nationality rights of Chinese inhabitants also appeared to be shared by a spokesperson of the newly-created Ethnic Affairs Ministry under the NLD government, who said they might be citizens but are not "indigenous". "They have their original country, that is China," U Aye Min was quoted as saying. "They cannot consider our country to be their own."<sup>11</sup> As a recent analysis published by ISEAS in Singapore concluded: "The long-term situation of the Chinese in Myanmar is profoundly unclear".<sup>12</sup>

Against this contentious backdrop, perhaps no issue has come to symbolize the sensitivities in Sino-Myanmar relations more during the past five years than three major economic investments by Chinese stakeholders that were agreed under the former SPDC regime: the estimated US\$ 1 billion Letpadaung copper mine in the Sagaing region, the proposed US\$ 8.0 billion mega-dam project at Myitsone in the Kachin state,<sup>13</sup> and the US\$ 2.5 billion pipeline project to transport oil and gas across northern Myanmar from the Bay of Bengal to Yunnan province. All have been the subject of protest and security clampdown, and two of the projects are located in the Kachin, Rakhine and Shan states that are deeply troubled by ethnic conflict today. In local communities opinion is widespread that such significant investments should only go ahead when there is sustainable peace, proper consultation and tangible political

reform that includes all peoples (see “Corporate” below).

In summary, five years into the life of a new political era in Myanmar, China is faced by mounting challenges in both the domestic and international spheres. In terms of Myanmar’s domestic politics, the post-2011 shift away from military rule has opened up space for a wide range of actors to play significant roles in national life, exposing China’s strategic investments to risks that were not previously identified and pressuring China to engage with a much broader range of stakeholders. In terms of international politics, China still has a special status in Myanmar but, for all its regional dominance, it is now regarded as just one of many international actors seeking opportunity in the country.

Chinese officials are seeking to address these policy challenges which, in some cases, reflect differences of interest and opinion between policy makers and advisors in the capital, Beijing, and in Yunnan province on the Myanmar frontier. But whether in Beijing or Yunnan, they are faced with the same challenges: how to achieve good-neighbour policies that are inclusive, sustainable and fit-for-purpose in political and economic engagement during a time of significant, but uncertain, socio-political change in both countries. Whereas Myanmar was once identified by Chinese policy makers as a “solution” to China’s strategic dilemmas in the region, the country has now become a strategic dilemma in itself.

## The Malacca Dilemma

During the Cold War, Myanmar presented a policy dilemma for China’s communist leaders. With Myanmar a determinedly “non-aligned country” under the “Burmese Way to Socialism” of Gen. Ne Win, China supported peace talks in the country during the early days of Ne Win’s military government, and worked closely with the Burmese government to resolve border disputes between the two states. Relations, however, broke down during the Cultural Revolution when anti-Chinese riots erupted during 1967 in Yangon. In response, China moved from political to open military and economic support to the CPB which, from 1968, was able to establish new base areas in the Kachin and Shan states by recruiting soldiers among communities in the China-Myanmar border region.

This strategy was always an unstable arrangement. For while the CPB’s leadership was mainly ethnic Burman (Bamar), the foot soldiers making up its People’s Army mainly consisted of members of local nationality groups. In the following years, the CPB’s inability to break back into central Myanmar was as much due to the resistance of local ethnic forces as it was to Tatmadaw counter-insurgency operations. In consequence, the writing was on the wall for the CPB’s demise for some years before the 1989 mutinies that saw the emergence of four new ethnic forces along the China border: the MNDAA (Kokang region), the UWSA (Wa region) and the National Democratic Alliance Army (NDAA, Mongla region) in the Shan state; and the New Democratic Army-Kachin (NDA-K) in the Kachin state. In an important change in Myanmar history, all four agreed ceasefires with the new SLORC government the same year.

In many respects, the post-Mao Zedong generation of leaders in China had already anticipated the CPB’s failure.<sup>14</sup> All the breakaway groups were headed by leaders with long experience or connections with China, and Chinese policy towards Myanmar was ready to take a significant turn with the advent of the SLORC-SPDC government. Support for the CPB had been declining for several years before the party’s collapse; Beijing maintained a careful distinction between “government to government” and “party to party” relations; and bilateral cross-border trade was already being promoted. Thus, although CPB leaders were accepted into exile in China following the party’s collapse, Chinese leaders were prepared for a major re-think following the turbulent events in Myanmar during 1988-89. Political considerations came first, but the long-term potential for investment and economic development in its resource-rich neighbour was recognised; the agreement of ceasefires with a majority of ethnic forces along the China border was welcomed; and a new border trade agreement was signed as early as 1989.<sup>15</sup>

Since this time, China’s policy towards Myanmar has been driven by a combination of political, security and economic considerations. The relationship quickly became reciprocal. For two decades, China became Myanmar’s most important political and economic ally, while the SLORC-SPDC came to rely on China as its military and political lifeline in the face of Western political and economic sanctions.

By recent estimates, China accounted for 42 per cent of the US\$ 33.67 billion in foreign investment in Myanmar during 1988-2013 (much of it in the last five years of that period), while almost 60 per cent of the government's arms imports came from China.<sup>16</sup> In 1997, Myanmar became a member of ASEAN as the SLORC-SPDC generals sought to find their way back into the international community, but in the following years none of the ASEAN states could provide the same levels of support as China in the international front-line.

There was also a strong element of *realpolitik* in the Chinese government after Mao. Officials recognised that two decades of support to the opposition CPB had proven unsuccessful, so the prospect of two decades of support to a new government in Myanmar during a time of national transition appeared a pragmatic decision that could bring considerable advantages to China. There were few obvious downsides at the time. Given their own nervousness over ethnic-based politics in China, communist leaders were never likely to offer revolutionary backing to armed nationality forces across the Yunnan border and, at that stage, the future of the NLD and Myanmar's nascent democracy movement appeared too difficult to predict (see "Ethnic Peace" and "Political" below).

Chinese leaders never regretted their decision. Within a few years, Chinese officials privately said that, from Beijing's perspective, the SLORC-SPDC had introduced the most stable era of government in post-independence Myanmar. The years of KMT and CPB-supported insurgencies on its southwest frontier quickly became memories; the earlier narrative of a traditional "pauk-phaw" (fraternal, or Baopo) relationship between China and Myanmar replaced support for the CPB; and China had a new ally in the SLORC-SPDC that accepted two international bedrocks in Beijing, a decision agreed by the U Nu government in 1954: the "five principles of peaceful co-existence" (notably non-interference) and the "one-China" policy.

It was not, however, only in the capital Beijing that international policies were being driven in China during the post-Cold War era. Throughout the 1990s and 2000s Myanmar also developed as a central focus in the development strategy of Yunnan province along the mountainous border. This first became evident in July 2004 when the Yunnan government policy advisors, Li Chenyang,

Qu Jianwen and Wu Lei of Yunnan University in the provincial capital Kunming, gained national level attention following their submission of a paper to the State Council entitled, "A Proposal to Construct an Oil Pipeline from Sittwe to Kunming".<sup>17</sup> The paper won a national level award, and served as the starting point for lobbying in Beijing that enshrined Yunnan as a gateway into Myanmar in the Chinese State Council's development plans.

Central to Yunnan's strategic push was the notion that Myanmar might help China overcome what Chinese analysts called the "Malacca Dilemma". This referred to China opening a new trade route in the Bay of Bengal outside water lanes dominated by the U.S. navy in the South China Sea.<sup>18</sup> The argument was simple: given China's special political relationship with Myanmar and the seeming irrelevance of the United States in the country, Myanmar appeared to be a highly secure environment for China to secure energy needs for its western provinces. By transporting oil and gas overland through Myanmar, China could avoid having to pass through the waters of the Malacca Straits, which are dominated by the U.S. navy and other Asian neighbours allied to the USA.

In considering these decisions, the Yunnan strategy also fitted nicely within the context of an analytical climate on international affairs in China that focuses almost exclusively on gauging and analysing the actions of the United States. Many China watchers have pointed out that the United States is the core focus of Chinese policy analysis. For example, in his assessment of new directions in Chinese foreign policy published in 2015, Xu Jin of the Chinese Academy of Social Sciences in Beijing highlighted the ways through which official Chinese principles of international diplomacy drive China to allocate most research and strategic resources to understanding, building relations with and responding to the USA.<sup>19</sup> When it comes to strategic studies, the focus on "Great States" is even more dominant, with the USA identified as China's greatest security risk. As the academics Li Zhonglin and Yao Li wrote in 2008:

"Opposing and preventing American conspiracies in Myanmar and supporting the Myanmar people's efforts to defend their sovereignty and national independence are critical for both safeguarding the mutual interests and friendship between China and

Myanmar and defending peace and security of China's Southern border."<sup>20</sup>

Given this broader security environment, Yunnan's need for economic growth found an outlet for central government attention by demonstrating the strategic benefits that might be obtained through investing in massive infrastructure and energy projects in Myanmar. With an economy heavily dependent on tobacco production,<sup>21</sup> Yunnan's situation was serious. Throughout the 1990s and early 2000s, while China's development policies focused on the seaboard provinces, Yunnan's position vis-à-vis other provinces declined rapidly, slipping from the 16<sup>th</sup> largest contributor to China's GDP in 1990 to the 24<sup>th</sup> in 2005.<sup>22</sup>

Policy advisors struggling for an outlet for growth and a strategic niche for Yunnan province therefore saw space to build an argument for developing Yunnan as a "bridgehead" into Myanmar. This would offer China access to a second coast, potentially bringing billions of dollars of construction contracts for highways, railways, pipelines and major electric power grids through the province. Yunnan province would, in turn, benefit by hundreds of thousands of jobs, new tax revenues and a strategic position as a vital source for energy resources for the southern part of the country. Guangdong province, China's provincial growth engine, would come to rely on Yunnan for electricity, natural gas and oil. As one policy analyst wrote in 2004: "We emphasize that Yunnan may and should become China's strategic oil reserve."<sup>23</sup>

As China-Myanmar relations improved, the potential benefits of the landbridge strategy quickly became evident to officials and companies in China who previously gave the province little priority. As a landbridge to the Indian Ocean, Yunnan's development would allow China's industrial base to shift to the west from the eastern part of the country, where rapidly rising wages and production costs had already started to reduce the competitiveness of Chinese manufacturing. At the same time, building highways, railroads and a port on the Rakhine state coast in Myanmar to deliver oil and gas to China would reduce transportation distances by up to 1,800 nautical miles, providing China with a strategic new trade route.

Equally important, the landbridge strategy fitted in well with policy goals in Beijing to broaden the

scope of China's economy. Economic reforms and changes in international diplomacy were already underway through the "Going Out Strategy" ("Zou Chuqu"), first articulated in 1999, that were precipitated by China's lack of raw materials and natural resources to fuel its economic growth. In the 21<sup>st</sup> century China's new aim was to transform from a recipient country of foreign investment into a major overseas investor itself.

## The Changing Landscape

In Myanmar's case, four main infrastructural areas were usually put forward by government officials as the main objectives of Chinese investment during the SPDC era.<sup>24</sup> This followed China's own experience of economic development. Each of these initiatives is intended to support "ribbon development" along corridors where, it was argued, future investment and growth would follow: the oil and gas pipelines to Yunnan, extension of the Trans-Asia Railway, the reopening of the old Ledo Road to India, and hydro-electric power plants along Myanmar's nearby rivers. Once these are in place, it was believed that China and Myanmar's futures would be symbiotically joined, and long-term issues in political relations between the two countries will fall into place.

Today, in a significant acceleration in these ambitions, such projects have become an integral part of the vision behind the One Belt, One Road initiative, announced by President Xi Jinping in 2013, linking China west towards Eurasia and Africa.<sup>25</sup> Although designations are sometimes vague, two corridors are envisaged: a "Silk Road Economic Belt" along the old Silk Road through Asia and a new "21 Century Maritime Silk Road" across the sea which will be supported by such initiatives as the Asian Infrastructure Investment Bank (AIIB).<sup>26</sup>

Less often admitted, however, is that optimism over Myanmar's economic potential for China was also fuelled by the informal, and often illegal, trades that boomed along the Kachin and Shan state borders in everything from timber and rubber to jade and gold (see below) following the spread of ethnic ceasefires in the 1990s. It is not clear how far there was official recognition of the natural resource and money-making importance of these trades to economic advancement within China, but the dramatic growth of such border towns as Ruili swiftly indicated their lucrative



scale. The different paces of development between Yunnan and Myanmar during the SLORC-SPDC era were frequently astonishing.

To facilitate cross-border trade with Myanmar, two kinds of gateways were allowed by the Chinese authorities: national gateways controlled by the Myanmar government and provincial gateways controlled by ethnic ceasefire groups. Establishing pragmatic relations with either the SLORC-SPDC government or ceasefire groups did not prove difficult. Many of the territories and leading actors among the ceasefire groups were well-known to the Chinese authorities, with the UWSA leaders Pao Yo Chang and Li Zirui (a Chinese volunteer from Yunnan) both former central committee members of the CPB that had trained in China (see also “Ethnic Peace” below).<sup>27</sup> These flexible arrangements saw the expansion of such thriving towns as Laiza (KIO), Laukkai (MNDA), Panghsang (UWSA), Mongla (NDAA) and Muse (Myanmar government).

In defence of their business relationship with Chinese interests, leaders of the ceasefire groups argued that, since there had been no political settlement in Myanmar, taxes on border and natural resource trades were the most available means to raise revenues for the administration of their territories. But, as any visitor could see, the real profits in these often-booming businesses were mostly made in China, where such towns as Tengchong, Yingjian, Ruili and Menglian rapidly grew on the opposite side of the border.<sup>28</sup> Less reported, other unregulated or illegal trades, including drugs (see below), arms and wildlife, also flourished. Indeed Mongla became a modern casino town for Chinese customers, and businessmen even began to describe Myanmar as “China’s California” or even a province of China as this trade bonanza continued. Officially, national security and crime interdiction remained key priorities for the Chinese authorities but, in such a complex frontier-land, daily life was very often characterised by *laissez-faire*.

As the local economy grew, it thus quickly became clear that there were many political and economic reasons for Chinese interests to look positively on the landbridge strategy during the SPDC era. Historical arguments were also advanced, emphasizing the role that Yunnan province had played in providing supplies and logistical support in the struggle against Japan during World War II. Such analyses illustrated the strategic nature of the linkage between Yunnan

and Myanmar and the necessity for the Chinese government to build the needed infrastructure to leverage this relationship. Today, under One Belt, One Road, Chinese officials make trade and relationships claims about Myanmar and its Asian neighbours rather more broadly, linking regional stability and co-prosperity much further back into earlier periods in China’s history (see “International” below).

The advantages of economic relations, however, do not mean that different Chinese authorities were always indifferent to the socio-political challenges in Myanmar during the SLORC-SPDC era. As today, a particular concern was narcotics, and this led China into one unusual initiative. Myanmar is the world’s second largest producer of illicit opium, after Afghanistan, and the country is also a major producer of heroin and methamphetamines, a crisis that deepened during the SLORC-SPDC era.<sup>29</sup> Drug production and consumption, and related infectious diseases such as HIV/AIDS, are important health and security concerns for China. In particular, the majority of heroin on the Chinese market originates from Myanmar,<sup>30</sup> and, to the alarm of health officials, the first reported cases of HIV/AIDS among injecting drug users in China occurred in the border town of Ruili, situated on the main trade road to Myanmar.

In an attempt to address this crisis, the Yunnan government in 2006 approved an opium substitution programme for northeast Myanmar as well as neighbouring Laos that adjoins both countries in the Golden Triangle region. The Myanmar initiative, located in the Kachin and northern Shan states, focuses on encouraging Chinese companies to invest in large-scale mono plantations – mainly rubber – in return for access to credit, tax exemptions and import quotas. Chinese policy makers also hoped that the focus on economic relations might boost the borderland development of neighbouring Yunnan as well as reduce injecting drug use, HIV/AIDS, criminality related to the drug trade and other illegal activities.<sup>31</sup> But, as with other Chinese programmes in Myanmar, this emphasis on economic aspects and the role of Chinese business soon led to local criticisms. Over the years, the benefits of the programme have mainly gone to Chinese businessmen and local authorities rather than to the (ex) poppy farmers. As a result, (ex) poppy farmers have been losing access to land and left to work as daily wage labourers on agricultural concessions or move

further into isolated mountain areas to continue growing poppy.<sup>32</sup>

During the SLORC-SPDC era, however, the most important aspect in Chinese decision-making on Myanmar remained the “America card”. As China continued its re-emergence on the international stage, Chinese policy advisors painted a dark picture of China’s developmental prospects in the absence of a non-U.S. dominated outlet to the sea. As Li Chenyang, Qu Jianwen and Wu Lei noted in their 2004 paper:

“The greatest advantage of the Sino-Myanmar oil pipeline is that it will enable us to avoid the troubled waters of the Malacca Straits. As Sino-Singapore relations are not on solid footing, at a critical moment, Singapore will certainly stand with the United States...this demonstrates the imperativeness and the urgency of constructing the Sino-Myanmar pipeline.”<sup>33</sup>

Critically, while reliance on the Malacca Straits was identified as a strategic blockage posing serious threats to China’s development, risks stemming from within Myanmar itself were seen as nominal at worst and largely non-existent at best among pipeline proponents, a failure later to be repeated over the Myitsone dam and other Chinese investments in the country. Indeed Myanmar was rated a “serious investment risk” in 2005 by China’s Finance Ministry, scoring eight on a nine-point scale.<sup>34</sup> In contrast, in their assessment of risks associated with the pipeline project, Li, Qu and Wu identified only three difficulties: “(1) the pipeline might not completely isolate China from American disturbances, although it will be safer than alternatives; (2) construction of the pipeline might negatively impact relations with Singapore, Thailand, Malaysia and Indonesia; (3) that there might be challenges processing the oil in Yunnan once it arrives in Kunming.”<sup>35</sup>

In contrast, in speaking to domestic challenges within Myanmar, the same policy experts only emphasized the long history of friendly ties between China and Myanmar, and the deep level of reliance of the Myanmar military government on China. As they wrote:

“While the Myanmar military Junta faces both external and internal pressures...regardless of who is in power in Myanmar, the country will never become enemies with China, and

because of strong nationalist tendencies of the Burma people...they will never permit foreign militaries to enter their territory... unless they are invaded.”<sup>36</sup>

## Problems Overlooked

Despite the resonance of their ideas, the influence of academics in driving Chinese foreign policy should not be over-estimated. It is not unusual for papers by academics to be taken up by government and communist party officials. The analyses by Yunnan-based academics did reflect important regional and national perspectives, but there were also other opinions, especially in Beijing where the pipeline plan was initially rejected.<sup>37</sup> In the event, the closing of China-Myanmar relations came to gather a momentum of its own during the SPDC era. Although controversies remain, the oil and gas pipelines, a joint project between the state-owned China National Petroleum Corporation and Myanma Oil and Gas Enterprise, are today a largely completed reality. The infrastructure of the Sino-Myanmar landscape has been transformed.

What, then, became especially anomalous in the development of Chinese policies during the SLORC-SPDC era was a narrow focus on the likely risks in Myanmar itself. As Lee Jones and Yizheng Zou have argued, this lack of strategic planning and local understanding is reflection of a much larger failing during the rapid overseas expansion of State-Owned Enterprises (SOEs) in China’s rise to superpower status under the “Going Out Strategy” since the turn of the 21st century.<sup>38</sup> Decentralisation, internationalisation and the fragmentation of the Chinese party-state system have had the effect of increasing SOE autonomy, weakening regulatory oversight and instigating power struggles in the race for investments around the world.<sup>39</sup> By 2010, SOEs constituted over 80 per cent of foreign investment and half the more than 30,000 Chinese firms operating overseas.<sup>40</sup>

In Myanmar’s case, the lack of proper consultation and research have had lasting consequences as the pipeline project spearheaded the acceleration of Chinese business and investment into the country. Completely absent from the landbridge strategy was any mention of the complex, multi-layered conflicts facing the country, including the longest-

running civil war in the Asia-Pacific region, the diverse ethnic landscape, the challenges posed by domestic opposition parties, the rivalries over land and resources, and the potential for communal and religious tensions that have since escalated into Buddhist-Muslim violence close to the pipeline route.

While some Chinese experts with a closer understanding of Myanmar's ethnic complexities did speak out regarding potential difficulties, their voices never made it into mainstream media. Equally aberrant, the landbridge analysis did not consider the possibility of ethnic conflict or regime change in Myanmar, the West re-engaging with the government, and what such changes might mean for China's "Malacca Dilemma" strategy. This policy flaw first became evident during the Tatmadaw's attempt to take over the Kokang region from the MNDAA in August 2009. The damage to Chinese lives and property and the flight of refugees into China did raise concerns in Beijing, which was reflected by increased intelligence activities and meetings with ethnic armed group leaders. But the conflict in Kokang was still largely regarded as a local issue and the assumption continued in both government and Yunnan circles that the military authorities still exercised effective national control. As a Chinese analyst privately claimed during a Myanmar Conference at Hong Kong University shortly before the SPDC stepped down: "The strategic investments are very safe; we know that the Tatmadaw can eliminate any of the ethnic armies in a matter of days."<sup>41</sup>

In highlighting these oversights, it should be stressed that few policy analysts in other countries predicted significant reform following the SPDC's departure. For their part, Chinese officials believed that they were given firm guarantees over the security of their investments during the visit to Beijing by the SPDC chairman Snr-Gen. Than Shwe shortly before the 2010 general election.<sup>42</sup> In apparent acknowledgement of this promise, military or security-first tactics have since become Nay Pyi Taw's default position in the Kachin and northern Shan states where many key natural resources and economic projects are located. Hence, confident about the stability of political transition in Myanmar, China's official Foreign Direct Investment was set to rocket to over US\$ 12 billion during 2010-12 during the SPDC's exit, ensuring China's status as the largest investor in Myanmar.<sup>43</sup>

A major part of China's problem, however, rested in the fact that the Beijing government had very limited expertise to consider the claims made by State-Owned Enterprises and policy advocates regarding the costs and benefits of placing strategic resources in a country with such serious domestic challenges. This has exposed a major shortcoming, hindering China's path to emergence as a global superpower. Although this is changing, Beijing has long lacked sufficient political experts in area studies with a focus beyond the USA, Europe, Japan and Russia.<sup>44</sup>

As of 2011, there was little expertise in the Burmese language or field-research on Myanmar in the Institute for Southeast Asian Studies of the China Institutes of Contemporary International Relations, the Chinese Institute of International Studies or the Institute of Asia Pacific Studies of the Chinese Academy of Social Sciences. The main analytical expertise was based in Yunnan, and the central government relied largely on information and intelligence provided from Kunming-based agencies for their assessment of developments in Myanmar. This included a diversity of civilian, military, security, economic and academic voices, many with long experience of the border-world complexities.

The result was that, despite growing interest in Myanmar, different policy objectives between the central government in Beijing and the Yunnan provincial authorities remained little recognised. For the central government in Beijing, border stability and national security were officially the main concern during the SLORC-SPDC era, and administrators were opposed to anything that could threaten this. This included armed conflict but also criminal activities, such as the smuggling of illegal goods and the drugs trade in opium, heroin and methamphetamines that have long flourished across the Yunnan border.

The uncontrolled logging and mining activities, for instance, by Yunnan businessmen and various proxies have been perceived as unfavourable in Beijing.<sup>45</sup> There was also unease about the role of such individuals as Wei Hsueh-kang, an ethnic Chinese who emerged from former KMT networks in the Thai borderlands to join the UWSA and found the Hong Pang business group before being put on the US State Department "wanted list" for alleged drugs trafficking.<sup>46</sup> For such reasons, Beijing officials did not always condone cross-border business deals made by Yunnan-based companies.

If, however, Chinese leaders were concerned about cross-border trends and illegality or felt that local officials were painting an overly optimistic picture, they took no obvious action in seeking to change relations with Myanmar or the regulation of the frontier world. Even the 2009 influx of refugees during fighting in the Kokang region did not ring sufficient alarm bells, despite the threat to borderland security. Rather, as the SPDC prepared to step down, border politics were treated as a side-show, and Chinese officials instead focused on such mega projects as the Myitsone dam, the Letpadaung copper mine and the oil and gas pipelines to Yunnan in order to engage with the Myanmar government and support the promotion of China's interests into the next generation of Sino-Myanmar relations. By 2013, this emphasis on economic and infrastructure projects had become integrated into China's One Belt, One Road initiative.

China today is still trying to deal with consequences of this concentration on mega-business. In a significant policy failing, little thought was given to the potential challenges and incongruities in developing long-term political and economic relations with Myanmar. For landlocked Yunnan province, promoting "harmonious" regional cooperation has always been an important objective, and Yunnan officials did try to maintain a continuity in political and economic relations during the SLORC-SPDC era. But the outcome of China's resource and trade diplomacy was to promote investment policies that were essentially favourable to Yunnan province, often for short-term economic gains, as well as beneficial to Chinese companies working in the long-term with vested interests and influential cronies in Myanmar.

Among the people in Myanmar resentment was growing. As the years went by, the resource extraction activities of Chinese companies were threatening the livelihoods and land security of local communities; they were causing great damage to the environment; and they undermined China's official policy of promoting good relations with neighbouring countries.<sup>47</sup> Far from bringing benefit, such projects have the propensity to increase rather than mitigate the risk of conflicts in the future.

Against this backdrop, a new quasi-civilian government under President Thein Sein assumed office in March 2011. On the surface, China appeared to have gained a position

of unassailable international dominance in Myanmar within just twenty years. Events on the ground, however, were now to challenge many domestic and geo-political assumptions, not only in China but also throughout Asia and the Western world.

## The Transition Dilemma

Unfortunately for China's plans, even before the completion of the Sino-Myanmar pipelines during 2013-14, major changes in the socio-political landscape had begun to occur within the country, opening China's strategic investments to risks not envisioned, publically at least, by the Yunnan landbridge strategy. Analysts in many countries generally trace reform catalysts in Myanmar to such events as the 2007 "Saffron revolution" protests by Buddhist monks, the devastation caused by Cyclone Nargis in 2008, and to fears on the part of the Tatmadaw-SPDC leadership related to the dangers of succession. In contrast, Chinese analysis generally identifies the suspension of the Myitsone dam project by President Thein Sein, on 30 September 2011, as the turning point in Myanmar politics and relations (see also "GONGOs", "Corporate", "Political" and "International" below). Prof. Lu Guangsheng of Yunnan University described it as a "landmark event" in the changing perceptions of the Chinese public and government towards the country.<sup>48</sup>

A US\$ 8 billion mega-dam project located at the headwaters of the Ayeyarwady (Irrawaddy) river in the Kachin state, the proposed construction was always shrouded in controversy.<sup>49</sup> If completed, most of the electricity would go to China and the cascade of seven dams would displace more than 170 square miles of territory, including 47 Kachin villages and a revered heritage sight at the confluence of the Mali Kha and N'Mai Kha rivers. A joint venture between the China Power Investment Corporation (CPI), the Nay Pyi Taw government's Myanmar No. 1 Department of Electric Power and the Asia World Company (Myanmar), construction began on the project in 2009 despite the opposition of local Kachin groups. As early as 2007, Kachin leaders wrote to the SPDC chairman Snr-Gen. Than Shwe requesting a halt to the project. The then ceasefire KIO, which controls much of the surrounding territory, also issued a series of letters during 2009-11, with a final letter by the KIO Chairman Zawng Hra to China's President

Hu Jintao on the eve of Thein Sein's inauguration, requesting him to stop the Myitsone dam out of concern that it could lead to "civil war".<sup>50</sup>

Opposition, however, was not only expressed in the Kachin state. The Ayeyarwady river runs through the heartlands of central Myanmar, and there is countrywide attachment to the river's national identity and importance. Prominent writers such as Ko Tar argued that the project threatened to destroy "our treasure and the land of Kachin...and that's why the project should never continue",<sup>51</sup> while in August 2011 the NLD leader Aung San Suu Kyi called for its halt, describing the project as "dangerous and divisive".<sup>52</sup> Against this backdrop, Thein Sein dramatically gave way the following month, suspending the dam for the life of the first parliament (i.e. until 2016 at least), in a much-welcomed indication that, under his presidency, there might be a government in Myanmar that was prepared to listen to its citizens in considering the country's needs.

Despite these warning signs, Thein Sein's suspension of the dam was still met with public shock by Chinese companies and analysts that had pushed for China to invest so deeply in the country. As Zheng Hao, a well-known Chinese political analyst, claimed in an interview on Phoenix television, China was given little notice of the suspension, which Zheng described as the "demonization" of a Chinese project.<sup>53</sup> For his part, the CEO of the CPI company Lu Qizhou professed amazement, telling the China Daily that:

"I also learnt about this through the media and I was totally astonished. Before this, the Myanmar side never communicated with us in any way about the 'suspension'...In February this year, Myanmar's Prime Minister urged us to accelerate the construction when he inspected the project site, so the sudden proposal of suspension now is very bewildering. If suspension means construction halt, then it will lead to a series of legal issues."<sup>54</sup>

Other Chinese experts were quick to allege a smoking gun in the hands of the U.S. government or U.S. non-governmental organisations (NGOs). Zhang Boting, for example, of the China Hydropower Association pointed to Wikileaks reports of the U.S. embassy in Yangon providing grants to local organisations that were involved

in the campaign to stop the project, claiming that the suspension was the result of "tactics often used by developed countries to contain China [which] is to provoke and stoke tensions between China and neighbouring countries".<sup>55</sup> Even in 2016, some Chinese analysts still continued to talk of "bewilderment" and "lies" spread by NGOs and Western influence (see "GONGOs" and "Political" below).<sup>56</sup>

The difficulties for China, however, did not end here. As the search for scapegoats continued, the dam suspension and the rapid pace of Myanmar's opening to the rest of the world caused a ripple effect, hitting other major projects supported by China, India and Thailand. Construction of the oil and gas pipelines continued but, in the following years, five strategic and often controversial projects worth over US\$ 12 billion were delayed or, in some cases, suspended.<sup>57</sup> Many of these interruptions were due to new dynamics and uncertainties on the ground. Plans on the drawing boards do not necessarily attract investment and operational support. But as President Thein Sein attempted to usher in a new system of parliamentary reform, the genie of change appeared out of the bottle, allowing public debate on a host of social and economic issues that had long been repressed.

Doubtless, many of the more radical consequences of this period of glasnost were unintended by the Thein Sein government, but they were to have important impact on Chinese engagement in the country. Relaxations on political restrictions and the 2012 entry of the NLD into parliament caused a significant change in the national political atmosphere. As liberalisations continued and media freedom increased, the issues of land, natural resources and economic rights quickly rose to the top of the political agenda, and civil society and community-based protests intensified against more projects, notably the Letpadaung copper mine and Sino-Myanmar pipelines, that had been pushed through without local consultation under the SPDC government.

Meanwhile the outbreak of Buddhist-Muslim violence in the Rakhine state and breakdown of the KIO and other ethnic ceasefires in the Kachin and northern Shan states meant that the oil and gas pipelines, as well as planned hydro-electric dams, had to be constructed in conflict-zones or areas of unrest, endangering the security of Chinese citizens and employees in these areas.

For his part, President Thein Sein announced a new “nationwide ceasefire” initiative, which became one of the main platforms for reform change under his administration. But, from the outset, there was no certainty as to how this new peace process might develop in the field.

Within eighteen months of Thein Sein assuming office, it was very clear to observers around the world that political transition in Myanmar was producing some very unpredicted outcomes. The question now for China was how to respond.

## Rethinking Begins

As the dust settled after the Myitsone dam postponement, there were many reasons for Chinese actors to begin a broader re-assessment of China’s relationships with the country. For the first time, Myanmar realities were obviously being felt within China. The Myitsone shock, and perceived setbacks to China’s international position, not only poured cold water on the plans of Chinese investors and state banks to continue supporting projects under the landbridge strategy, but they also caused reflection in commercial and foreign policy circles at the highest levels in Beijing.

As one Chinese expert with the Ministry of Commerce later commented: “The lessons of the Myitsone dam demonstrate the need for theories of responsibility to replace theories of conspiracy on the part of Chinese investors.”<sup>58</sup> Similarly, in a report on the Myitsone dam by the China Academy of International Trade and Economic Cooperation, it was suggested that the concept of non-intervention in the domestic affairs of foreign states, long the bedrock in Chinese foreign diplomacy, should be redefined, and that “affairs related to the overseas investments of Chinese companies need to be removed from the definition of domestic affairs.”<sup>59</sup> In a rare recognition of political opposition, the analysis also noted that the Chinese companies involved in the Sino-Myanmar pipeline project, Myitsone dam and other major energy projects had ignored the interests of local communities and ethnic armed groups, generating animosity towards China and provoking conflict within the country.<sup>60</sup>

After what became known as the “Myitsone event”,<sup>61</sup> a wide range of Chinese reporters, academics, think tank advisors and government

officials began to pen articles reflecting on the lessons of Myanmar for China, on where Chinese investments went wrong, and proposing fixes for Myanmar and Chinese foreign diplomacy more broadly. Zhu Feng, for example, of Beijing University’s School for International Studies noted: “Chinese investors relied too heavily on political ties between China and Myanmar, lack adequate understanding of Myanmar’s new political situation, and have misjudged the political risk involved with projects.”<sup>62</sup> Liu Xinsheng, former Chinese Ambassador to Brunei and Researcher at the Chinese Institutes for International Studies, went even further in warning that “China’s traditional advantage in Myanmar is weakening by day, and if we do not positively play a role, we will gradually be sidelined.”<sup>63</sup>

Discussion of the Myanmar transition dilemma for China then reached the highest levels of debate during the “Working Conference on Diplomacy with Neighboring States”, chaired by the country’s new President Xi Jinping on 26 October 2013. Afterwards, Prof. Xu Jin of the Chinese Academy of Social Sciences provided this assessment from the discussions as to how China’s priorities in foreign diplomacy should change:

“Over the past 20 years, China has consistently seen the United States as its number one priority, almost as if appeasing the U.S. might somehow enhance its relations with neighboring states. Unfortunately, history shows that the United States cannot be appeased, the obstacle being that objectively speaking there is a structural contradiction between China and the U.S.. Regardless of what China tries to do, it cannot prevent the U.S. from trying to block China’s rise. Following the Working Conference on Neighboring State Diplomacy, it is clear that diplomacy vis-à-vis the neighboring state will replace the United States to become the priority for Chinese foreign policy.”<sup>64</sup>

As this analysis highlighted, the development of foreign policy is no longer simply a U.S.-related issue under the government of President Xi Jinping today. Rather, it has become part of a major re-think in international and “neighbouring state” diplomacy that is still underway. In precipitating these new reflections, the “Myitsone event” had played an important role.

## New Crises and the Kokang Conflict

In Myanmar's case, it will not be straightforward to achieve a reorientation in China's foreign policy. While awareness of past shortcomings in Chinese diplomacy and investment strategy might help avert future crises, China remains trapped in a transition dilemma over engagement with Myanmar and its peoples. As the NLD assumes the mantle of government in Nay Pyi Taw, the consequences of political relationships and economic agreements carried out almost exclusively with previous military governments and their business allies continue to loom large. Following the Myitsonsone postponement, China's activities have remained subject to close scrutiny, from the oil and gas pipelines that now cross between the Rakhine state and Yunnan province to hydro-electric projects that are still being promoted and, in some cases built, in Myanmar's borderlands.<sup>65</sup> New or projected dams on the Salween and Namtu rivers remain particular causes of concern.<sup>66</sup>

Among these investments, the Chinese-backed copper mine project at Letpadaung has become especially symbolic of the challenges that China now faces. Three rounds of serious violence, causing dozens of injuries and at least one fatality, have occurred during protests since 2012,<sup>67</sup> initially over compensation and land rights but which later took on national significance after the Myanmar security services used incendiary weapons against Buddhist monks demonstrating against the project.<sup>68</sup> This led to a suspension of operations for a parliamentary commission of enquiry.

As a result, opposition groups and community activists have come to see the project as the epitome of everything that was wrong with political and business relationships under former military governments. The US\$ 1 billion project is operated by the Wanbao Mining Copper Company, which bought the project from the Canadian company Ivanhoe, in partnership with the Tatmadaw-owned Union of Myanmar Economic Holdings (UMEH). Wanbao is a subsidiary of China North Industries Group Corporation (Norinco), a large state-owned business conglomerate, with subsidiaries operating in a wide range of sectors, including the defence industry. But while the profits go to the benefit of Chinese investors and the

Myanmar armed forces, the costs in land loss and environmental despoliation are borne by poor farmers and the local communities.

For its part, China's government appears caught in the middle and unable to politically resolve this crisis, seen by the Myanmar public as supporting exploitation and repressive military policies from the past. Whether fairly or not, the same narrative might be used to describe perceptions of many other Chinese investment projects in the country today. China's reputation and the questionable basis of many of its business interests were also further challenged in January 2015 when 155 Chinese nationals were arrested for illegal logging in the Kachin state in a rampant trade in which local government and military officials, ethnic armed organisations, Myanmar and Chinese businessmen are all complicit. "The saga has shone a light on the murky and clandestine trade in illicit timber occurring across the common border between Myanmar and China," the Environmental Investigation Agency wrote.<sup>69</sup> Initially given life sentences, the loggers were subsequently released under a presidential pardon following Chinese lobbying.<sup>70</sup> It was in neither Beijing nor Nay Pyi Taw's interests to have a stand-off on this issue.

Similar resentment also exists over the jade trade. In what Global Witness believes could be the "biggest natural resource heist in modern history", Chinese import data indicates 2014 production in the Kachin state could have reached as high as US\$ 31 billion, equating to 48 per cent of Myanmar's official GDP.<sup>71</sup> This is an astonishing figure for an impoverished backwater and conflict-zone, where there is huge internal displacement of peoples and lives are frequently lost in fighting – as well as to mining. Fuelling unrest, China is the main destination for this trade which largely profits Chinese businesses and a crony elite in Myanmar. As Global Witness commented: "Companies owned by the family of former dictator Than Shwe and other notorious figures are creaming off vast profits from the country's most valuable natural resource."<sup>72</sup>

Clearly, China has considerable difficulties in ethical behaviour and reputation management to contend with in this new era of reporting openness in Myanmar. It is a challenge that Chinese officials, analysts and companies have become deeply aware of. Worried about the potential for more project suspensions and losses, Chinese investment plummeted from

about US\$ 8 billion in 2010 to just US \$20 million in 2013.<sup>73</sup> Confidence also took another blow when, citing public opposition, Myanmar's Rail Ministry cancelled a US\$ 20 billion project with the China government to build a railway connecting the Yunnan capital Kunming with Kyaukpyu on the Rakhine state coast.<sup>74</sup> As Prof. Li Chenyang summarised in 2014, Myanmar's transition was now posing five key challenges for future Sino-Myanmar relations:

- (1)** Anti-Chinese sentiment is rising in Myanmar, and it seems will not disappear over the short term;
- (2)** Myanmar sees China as relatively less important;
- (3)** Sino-Myanmar cooperation in trade and commercial has come to a halt;
- (4)** China has less ability to control the direction of Sino-Myanmar relations;
- (5)** Trends in Sino-Myanmar bilateral relations are no longer clear.<sup>75</sup>

Just, however, as policy makers were seeking to turn around China's relationships in the country (see "New Approaches" below), another crisis emerged in early 2015 in the Kokang region, adjoining the Yunnan border, that neither the Beijing nor Nay Pyi Taw governments appear to have foreseen. Warnings had existed for several months, but no analysts predicted the ferocity of conflict or the high-risk fall-out for China-Myanmar relations.

The background was complex, dating back to 2009 when the Tatmadaw ousted the ceasefire MNDA, led by Pheung-Kya-shin. This was part of a SPDC strategy to impose a Tatmadaw-controlled Border Guard Force in what has since become a Kokang Self-Administered Zone (SAZ) under the terms of the 2008 constitution (see "New Challenges" above). Initially, the Kokang SAZ appeared to go quiet under Tatmadaw/BGF control.<sup>76</sup> But in February 2015, as ethnic conflict spread in the northern Shan state, a revived MNDA sought to seize back its former territory and a negotiating position in the nationwide peace talks that President Thein Sein had begun. The Tatmadaw, however, refused, responding with a large-scale military offensive, supported by air strikes, in an effort to drive out the MNDA from the Kokang SAZ, with hostilities expanding into Kachin, Shan and Ta-ang (Palaung) territories nearby.

As fighting and refugees spilled across the Yunnan frontier, Chinese authorities watched with concern. Not only is territorial integrity a

highest priority in national security but, as ethnic Chinese, the Kokang people enjoy goodwill across the Yunnan frontier and among overseas Chinese more broadly. This time, in comparison to the 2009 fighting, there was a more obvious reaction, as well as passion, among the Chinese public and government officials. Media outlets were permitted to report on the plight of the Kokang people, and a 12 February open-letter appeal for help by Pheung Kya-shin went viral on the internet in China, Hong Kong and Taiwan. Some patriotic activists even described Kokang as "China's Ukraine," arguing that China should recover the territory from Myanmar.<sup>77</sup> It swiftly became clear that China's national security credentials were being tested, and this perception deepened when, in the first use of emergency legislation under the 2008 constitution, Myanmar Commander-in-Chief Snr-Gen. Min Aung Hlaing claimed that the Tatmadaw was waging a "just war" in defence of national sovereignty, a populist call that was welcomed by many ethnic Burman (Bamar) citizens.<sup>78</sup> Anti-Chinese sentiment was clearly deepening (see "New Challenges" above and "Ethnic Peace" below).

Beijing's worst fears were then realised on 13 March when five Chinese citizens were killed in an airstrike by the Myanmar air force after shells landed on the Yunnan side of the border. According to Yun Sun of the Stimson Center, this marked "the worst day of Sino-Burmese relations since June 1967, when the Chinese embassy in Rangoon was attacked and Chinese nationals killed as a result of local opposition to the policies of the Cultural Revolution".<sup>79</sup>

Public opinion in China was outraged, and the loss of life in Yunnan precipitated a strong response from the Chinese government. China's Vice Chairman of the Central Military Commission, Gen. Fan Changlong, telephoned Snr-Gen. Min Aung Hlaing, warning that, if such an incident occurred again, China would "take resolute and decisive measures to protect the lives, property and security of China's people".<sup>80</sup> Under these pressures, the Thein Sein government apologized, but this was by no means the end of the matter, with shelling still occurring on and over the Yunnan border. In response, China established a strong People's Liberation Army presence along the common frontier, mobilizing troops and artillery from Sichuan to Yunnan province and practising warning drills during the following months.



Border instability, nevertheless, continued, and during 2015 a major humanitarian crisis unfolded along the Yunnan frontier, adding to the suffering and insecurity from the fighting further north in the Kachin state (see “New Challenges” above and “Ethnic Peace” below). In the following months, another 80,000 civilians and refugees were displaced in the northern Shan state or took sanctuary on the border with China, their numbers augmented by Chinese nationals and migrant workers from other parts of the country.<sup>81</sup>

In general, aid and shelter were allowed by the Chinese authorities to the Kokang refugees, but humanitarian access for international organisations was blocked.<sup>82</sup> A public We-Chat account logged daily financial contributions made by Chinese nationals and corporations, while organisations such as the Yundi Harm Reduction Network were flooded with donations of rice, foodstuffs, medical kits and other supplies.<sup>83</sup> As a sign of the times, the Chinese Red Cross also crossed the border to provide assistance to internally displaced persons in the Kokang region. But for China, the timing of the Kokang crisis could not have been worse. Just at a moment when officials were launching initiatives to try and improve China’s image and maintain control over Chinese investments in the country, Sino-Myanmar relations had reached a new low.

As the Beijing government recognised, the complexity of China’s engagement challenges with Myanmar was growing – not lessening – by the day. With the added impetus of President Xi Jinping’s One Belt, One Road goals, it was clearly urgent to try and improve China’s responses to the challenges and policy failings that it was now facing in the country.

## New Approaches

Boosted by the attention of leading government figures, Myanmar has today become a test case for China in terms of developing new approaches to foreign diplomacy. No single policy has been initiated in an often reactive environment. Rather, unlike the “government-to-government” relations that characterized the SLORC-SPDC era, a number of different tracks have emerged as different Chinese actors attempt to combine new objectives in foreign policies with more informed and sensitive “neighbour-to-neighbour” relations.

As focus deepens on Myanmar, questions are being raised in other countries as to how this new international face fits with expansionist policies in the South China Sea and the still sometimes tense relations with India and Japan (see “International” below). In mainland southeast Asia, at least, China’s policies appear to be economic and infrastructure-based. Cambodia and Laos, for example, have also been the subject of intense interest and engagement by Chinese officials during the past few years as China’s political and business influence spreads, with the greater Mekong sub-region a particular source of focus and competition for influence with Japan.<sup>84</sup>

In Myanmar’s case, a diversity of approaches is underway as Chinese diplomats, the Chinese Embassy, Chinese companies, government-organised NGOs (GONGOs) and a range of other Chinese government departments promote initiatives aimed at strengthening China’s relationship with both the Nay Pyi Taw government and other stakeholder organisations in the country. Some efforts have proven more successful than others. At root, however, President Xi Jinping’s principle for overseas diplomatic engagement of “striving for achievement” is a common theme in the descriptions that various Chinese organisations are providing for their activities.<sup>85</sup> Chinese stakeholders are advancing new initiatives under the themes of “international social responsibility”, “public diplomacy”, “creative involvement” and “benefiting the public”.<sup>86</sup> This marks a major shift from the rhetoric and narratives of the past.

In line with these principles, President Xi Jinping officially promoted his One Belt, One Road vision for China-Myanmar’s “comprehensive strategic partnership” to President Thein Sein at the “Dialogue on Strengthening Connectivity Partnership in China” in November 2014. Built around the goals of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, the Chinese aim is to promote “China-Myanmar connectivity” through relations between “ruling parties”, “special economic zones”, livelihood improvement for the people “on the basis of equality and mutual benefit”, “bilateral people-to-people and cultural exchanges”, and peace in Myanmar, with China “ready” to promote “prosperity and stability in the border region together”.<sup>87</sup>

Under such strategies, six areas appear to stand out in Chinese priorities in terms of Myanmar

relations: research, GONGOs, corporate, ethnic peace, political and international.

## (I) Research

A first key development has been a repositioning in the structures of Chinese analysis and engagement on Myanmar issues. This has been helped by the re-establishment of a centre of expertise in Beijing. In early 2011 the China-Myanmar Friendship Association (CMFA) was re-started. Originally established in 1952 as one of the ten associations that became the Chinese People's Association for Friendship with Foreign Countries, the CMFA was formalized in 1964.<sup>88</sup> It describes itself as "one of the important non-governmental organisations". In the China context, this is better understood as a GONGO: i.e. government-organised (see "GONGOs" below). In this latest incarnation, Geng Zhiyuan, the son of China's first Ambassador to Myanmar and former Minister of Defence, Geng Biao, was selected as Chairperson, backed by 61 advisors spanning most key government departments, think tanks and corporate stakeholders involved with Myanmar affairs.

During the past four years the CMFA has asserted itself as a key advisory body on Myanmar issues, having a direct line to senior national leadership. Importantly, it includes both official Yunnan policy advisors, such as those providing strategic thinking behind infrastructure programmes, as well as independent scholars that may be critical of these projects. It is also able and willing to engage non-state actors and, in such ways, functions as a check on different policy analyses and helps co-ordinate policy issues. At the same time, the CMFA has continued to promote cultural and social exchange between the peoples of the two countries.<sup>89</sup>

Meanwhile academic research and networking have been stepped up by a variety of government or government-related institutes. A principle centre of interest remains Yunnan University which in 2014 hosted an international symposium, "Myanmar in 2014: Re-integrating into the International Community", organised together with the University of Hong Kong and Yangon University. Another important centre is the China Institutes of Contemporary International Relations, which is affiliated with the Ministry of State Security.

In general, discussions are international, progressive and open on Myanmar issues in ways that were unusual a decade ago. But an anti-Western bias and sense of anti-Chinese conspiracy can still show itself in different commentaries (see "GONGOs, "Corporate" and "Political" below). As China's engagement with Myanmar and its neighbours diversifies, such nationalistic and government-centred thinking highlights an incongruity within China itself, which is becoming more evident as officials seek to step up Chinese political and economic influence around the world. Much is indeed possible in the modern-day superpower that China has become, and overt Marxism-Leninism or Mao Zedong Thought are ended. But as Prof. Frank Dikötter of the University of Hong Kong concluded in his latest volume on China's politics, one continuity remains from the Deng Xiaoping era: "do not query the monopoly of the one-state party."<sup>90</sup>

Certainly, the pace of business and social progress in China has frequently been astonishing, and without international parallel, during the past three decades. But as Dikötter cautioned, economic growth is being used to "consolidate the communist party and maintain its iron grip on power".<sup>91</sup> Indeed, in contrast to the rest of the world, construction and investment have continued to accelerate since 2008 in response to the global financial crisis.

In short, although beyond the scope of this briefing, any analysis of China's engagement in Myanmar and the broader Asian region needs to pay cognisance to internal Chinese politics and dynamics as well. The two issues are closely inter-linked.

## (II) GONGOs

A second important development in Myanmar has been the initiation of actions by Chinese GONGOs to demonstrate the international social responsibility of Chinese corporate actors. Partially a response to the Thein Sein government's announcement that it welcomes "responsible Chinese companies"<sup>92</sup> and partially an effort to correct the damage caused by partnership with the SLORC-SPDC regime, these activities appear part of a public relations campaign that is still developing. "Under Myanmar's previous military government, Chinese companies — the country's largest

foreign investors — could not reach out to local communities directly,” claimed a recent article in the China Daily. “Subsequently, since Myanmar’s civilian government took power in 2011, misunderstandings between Chinese businessmen and local communities have been on the rise.”<sup>93</sup>

To counter such apprehensions, the China International Poverty Alleviation Foundation (CIPAF), for example, held a workshop in Beijing in December 2013, focusing on the case of Myanmar and supporting six speakers from Myanmar think tanks to speak to a Chinese policy audience on social responsibility. The China Blue Sky Humanitarian Aid organisation has similarly launched public relations exercises, including the effort to rescue Burmese students who went missing while hiking near the Myanmar-China border. Blue Sky and the CIPAF have also been involved in conducting humanitarian needs assessments in northern Myanmar, stating their intention to provide humanitarian support to the estimated 200,000 Kachin and Kokang refugees and displaced persons in northeast Myanmar since fighting resumed in 2011.<sup>94</sup>

For its part, the CMFA has also worked to engage with different communities and opinion leaders in Myanmar, inviting civil society and opposition leaders from Myanmar to China on numerous occasions since 2012. This included an invitation by the CMFA to a Kachin civil society delegation to visit Baoshan, Yunnan, in June 2014. Here the delegation was received by the city government and met with a wide range of policy advisors, government officials and business stakeholders. Following the meeting, the two sides issued a joint statement identifying areas for future cooperation. In October 2015, a “business delegation” of the CMFA also visited the Rakhine state at the invitation of the Myanmar-China Friendship Association and the Rakhine National Development Party to gain a “better understanding of Myanmar’s foreign investment policy, local people’s requests, resource situation and environmental protection requirement.”<sup>95</sup>

However, while such activities have shown promise in building relationships and enhancing China’s reputation, there have been criticisms about a lack of implementation and follow-up with communities on the ground.<sup>96</sup> Despite the hosting of Chinese delegations by civil society groups in Myanmar, the perception remains widespread that Chinese GONGOs, like Chinese

companies, remain more interested in prioritizing relations with groups and individuals that are connected to the Myanmar government, and there has been no public promotion of such ethnic or civil society initiatives in the Chinese language media.

These are criticisms that should be listened to, a need that has been heightened by the stepping down of the USDP-Tatmadaw government under President Thein Sein. If these trends continue, China and Chinese development agencies may lose the opportunity for a fresh start with Myanmar public opinion in the new government era. It is recognised that it could take time for these efforts to take root. But it is also important for Chinese stakeholders to understand that, while their efforts may initially have a positive impact, they create considerable expectations for real follow-up, which if unmet, will further damage China’s reputation.

Equally unhelpfully, in recent months different actors in GONGO and other Chinese circles have begun to echo language articulated by the Centre for China and Globalisation (CCG), a think tank founded in 2008 and headquartered in Beijing, that focuses on the issues of “soft” and “hard” power. Both terms are frequently used in Chinese politics, with “soft power” referring to such areas as “media, religions and social organisations” and “hard power” to “infrastructure and development”.<sup>97</sup>

In such narratives, it is accepted that, while China is strong on the latter, it is weak on the former. However in some of the recent arguments advanced on Myanmar, allegations are being made that, because of China’s weakness in the soft power field, Western and Japanese interests – governmental, NGO and media – are promoting anti-Chinese views to gain their own advantage in the country (see also “Corporate”, “Political” and “International” below). CCG, for example, has gone back to the example of the Myitsone dam, claiming that it was suspended in 2011 on the basis of “lies believed by local people” through the “continuous publicity of media controlled by some countries such as Japan” or religious influence on “unsophisticated mountainous villagers” who “keep in close touch with churches in western countries such as the U.S.”<sup>98</sup> “The biggest lesson learned by China from Myanmar,” claimed the CCG researchers, “i(s) that the enterprises with outstanding hard power were surrounded by the soft power of competitors.”<sup>99</sup>

Certainly, the impact of views expressed in different media, civil society and faith-based circles around the world should not be discounted. But the notion that they are controlled by certain foreign governments or operate together in some kind of anti-Chinese conspiracy is misguided and shows the naivety of some of the perspectives that have been advocated to promote China's interests. Such views also assume that the citizens of Myanmar have no agency of their own and appear to confirm a concern, often expressed in the country, that China looks down upon the Myanmar peoples and does not take them seriously.

It is important to stress, then, that such conspiracy views are not necessarily widely held, and the increasing participation by Chinese organisations and citizens in different Myanmar forums and initiatives during the past five years has been welcomed. China indeed has much more to do to explain its international perspectives and, with One Belt, One Road looming, the need for meaningful dialogue and mutual understanding has never been greater. For their part, the CCG analysts also appear to acknowledge this need: "In the construction of the Belt and Road, China shall pursue not only the smooth road networks but also the smooth human networks, and realize not only the production output but also the favorable impression output."<sup>100</sup>

No amount of GONGO activity or "soft power" propaganda, however, will make the Myanmar people agree to projects and investments that have not been subject to transparent planning and participatory consultation, are not needed for local or national benefit, are environmentally unsound, and only profit powerful business interests in the two countries. Goodwill in Myanmar will soon evaporate and, as Myitson and Letpadaung have shown, opposition and suspicions will be aroused. Clearly, there is a clash in different visions of development, and the peoples of Myanmar will not want to follow China's example in every aspect of planning and implementation.

### (III) Corporate

As the "soft power" issue highlights, the same challenge in repositioning the image of Chinese interests faces the third element in China's

engagement: the activities by corporate actors and State-Owned Enterprises. In the past few years, Chinese companies have begun directly engaging civil society groups in Myanmar, the independent media and the general public, a practice unheard of in the country prior to 2011. Such initiatives have included a public "meet the press" activity at the Chinese Embassy in Yangon, featuring the China Power Investment (now renamed State Power Investment), China National Petroleum Corporation (CNPC), Wanbao Mining and the China Nonferrous Metals Company (CNMC). Here the companies issued a six-point statement to local reporters and NGO representatives, promoting an initiative by Chinese companies, including protecting the environment, engaging in social responsible practices and engaging in pro bono work.<sup>101</sup>

Chinese companies have also started individual efforts to reach out to the general public. The CPI has distributed leaflets that promote the benefits of its projects, conducting a series of corporate social responsibility (CSR) surveys. The CNPC has formed the Friends of the Sino-Myanmar Pipeline Association, meeting with local community groups and inviting civil society stakeholders to meetings in Beijing. And the CNMC Company has taken perhaps the boldest step by agreeing to become a member of the multi-stakeholder group of the Myanmar Extractives Industry Transparency Initiative (EITI) that is working to implement the EITI in the country.<sup>102</sup> At least five other companies have joined the EITI reconciliation.

However, although innovative, these new efforts to promote better understanding have not met with much fanfare at the society level in Myanmar where the EITI is also subject to criticism.<sup>103</sup> In particular, CPI's distribution of leaflets and CSR research has angered community leaders. As a Myanmar-based civil society representative privately noted following a presentation from CPI in 2014, these initiatives seemed to be little more than attempts to "spread propaganda". Civil society groups have also published critical reports about Chinese investments. In January, for example, the Myanmar-China Pipeline Watch Committee released a detailed critique of the oil and gas pipeline project between the Myanmar government and CNPC's subsidiary Southeast Asia Pipeline Company, alleging lack of transparency, corruption, dishonest land acquisition, environmental destruction and a host of other failings that have negatively impacted

on local communities.<sup>104</sup> As with the Myitsone dam, it remains a source of deep grievance that such outreach initiatives were begun only after public protests against projects that were agreed in conditions of deep secrecy between Chinese companies and the former military government.<sup>105</sup>

Dialogue efforts and “meet the press” gatherings have fared little better. A persistent complaint is that many Chinese companies appear to be operating under the assumption that the problem is not with the projects per se but because of a lack of public understanding about these projects, or due to lower levels of scientific knowledge on the part of Myanmar’s peoples. Zhang Boting, for example, of the Chinese Hydropower Association made this charge in his assessment of the Myitsone dam project, posted on CPI’s website, when he claimed that those speaking about environmental problems did not realise that “the fundamental way to solve all these ecological problems is to develop hydropower in a scientific way.”<sup>106</sup> As a CPI representative argued at a meeting with Kachin civil society groups in Beijing: “Our science is right; we just have not done a good job of helping people understand it.”<sup>107</sup>

Such arguments are hardly likely to win hearts and minds in Myanmar. There still appears to be little recognition that such projects as the Myitsone dam will never be acceptable on economic or environmental grounds to the majority of Myanmar’s peoples. This was illustrated by the 2015 controversy around the Three River Gorges Company’s commissioning of the Snowy Mountain Engineering Company to advance Environmental and Social Impact Assessment Studies of several mega-dams now planned on the Salween River. After attempts by activists to obstruct a community consultation, Snowy Mountain warned the Myanmar public through the press that “sub-optimal outcomes” might result if this process was obstructed.<sup>108</sup>

Equally sensitive, as the recent debacles over illegal logging and the jade trade have shown (see “New Crises and the Kokang Conflict” above), Chinese companies attempting to claim the moral high ground or issuing warnings does not go down well with the Myanmar public. Indeed a major scandal erupted last year when Chinese interests went into reported “overdrive” in the Kachin state to tear out as much jade as possible before the general election, anticipating that a

change of government in Nay Pyi Taw would put an end to such exploitation.<sup>109</sup>

The reality is that Chinese companies are working in a foreign country and, until now, many have never listened sufficiently, or at all, to the concerns of community stakeholders. Lecturing statements by Chinese officials show a lack of recognition that a significant segment of the population is concerned about Chinese business activities in the country and is generally opposed to large-scale developments at the present juncture in Myanmar’s history. Indeed, as Myanmar opens to independent analysis, increasing numbers of studies are confirming the poor planning and amount of harm caused by unethical Chinese business interests in the country. As Lee Jones and Yizheng Zou concluded in a recent study of the Myitsone dam project: “Here, a central SOE clearly defied and subverted central regulations, profoundly damaging Sino-Myanmar state-to-state relations.”<sup>110</sup>

As a result, approaching communities with the attitude that Myanmar’s peoples are uninformed, ignorant or reliant on Westerners will only serve to further damage the business reputations that Chinese companies are trying hard to improve. Instead, in the future Chinese companies will need to conduct careful listening projects and develop responses that can effectively meet concerns identified by the communities involved. If this does not happen, the prospect of further protest and anti-Chinese sentiment in Myanmar will deepen.

With the advent of the NLD to office, the situation is delicately poised. Many Chinese companies are nervous about what Myanmar’s first elected civilian government in over half a century might mean. Following the Myitsone and Letpadaung controversies, major investments drastically declined (see “New Crises and the Kokang Conflict” above), but three potentially significant new projects were agreed in the departing days of the Thein Sein government: a US\$ 3 billion oil refinery to be developed by Guangdong Zhenrong Energy near Dawei in southern Myanmar where Japan is also promoting its own influence;<sup>111</sup> a Chinese-backed business district in Muse, northern Shan state, near the border crossing with Yunnan; and the construction of a deepwater port in a Special Economic Zone (SEZ) at Kyaukpyu in the Rakhine state by a consortium of Chinese state-owned companies and the Myanmar government.<sup>112</sup> As the entry point for

the oil and gas pipelines, the Kyaukpyu project is especially important in the strategic planning of the Beijing government and, like the Gwadar port in Pakistan, it is intended to become a key element in China's One Belt, One Road initiative. Meanwhile, sensing a political vacuum, Chinese companies have escalated public relations exercises in the attempt to gain community support. The day after the NLD government took office, Wanbao Mining released a video explaining why the Letpadaung copper mine was suspended during the 2012 protests. As the company's deputy manager Luo Daqing was quoted in the Myanmar Times:

"If we do not take social risk into account, if we don't serve the local community well, and ensure stability, then without the support of local people, no matter how much money we have, or how good our technology is, the project will not succeed."<sup>113</sup>

Lobbying for the Myitsone dam and other Chinese investments has also resumed, using the argument that acceptance of such projects will serve as a benchmark for international credibility in proving the new government a reliable economic partner. Indeed, in early June Ambassador Hong Liang caused surprise by making a public relations visit with a CPI team to the Myitsone site. As the Global Times pointed out: "The project has only been suspended, not cancelled."<sup>114</sup>

Such initiatives, however, have witnessed a resumption of local protests in response. Anti-Myitsone demonstrators gathered outside the ambassador's hotel, calling for CPI to leave the country, while protests restarted in May at Letpadaung where Wanbao Mining is resuming the copper mine project.<sup>115</sup> Meanwhile protests have also begun against two of the new projects bequeathed to the NLD by the Thein Sein government: the Dawei oil refinery and Kyaukpyu SEZ.<sup>116</sup>

Such protests reflect a continuing community concern about the lack of consultation over Chinese-backed projects. Local activism is still growing. In March, for example, 61 civil society organisations, political parties and religious groups released a statement calling for a halt to all resource extraction in the Kachin state until conflicts are resolved "politically",<sup>117</sup> while thousands of local inhabitants, including officials from the ceasefire Karen National Union (KNU),

joined the "International Day of Action for Rivers and Against Dams" in the eastern borderlands where Chinese investors are involved in a number of projects along the Salween River in the Shan, Kayah (Karenni) and Karen states.<sup>118</sup>

Such concerns are coming at a time when critical questions are being asked about the real scale of Myanmar's energy needs, the impact of China's dam-building initiatives along the Mekong (Lancang) River that touches the Shan state border, and the political and environmental consequences for countries downstream in a year that has seen the lowest water levels in memory.<sup>119</sup> Indeed, in apparent recognition of the need for conservation, officials in Yunnan province this year halted planned construction of a further dam on the upper Salween (Nu) river in a valley that is a UNESCO World Heritage site.<sup>120</sup> Economic progress is certainly a priority in Myanmar, but peoples are very keen to determine their own needs and destiny.

The NLD government thus has many difficult economic decisions to make during the life of Myanmar's next parliament. Little will be easy for the party as it tries to deal with the complexities of an opaque economy where relationships are unclear and military-owned enterprises, wealthy tycoons and a number of Western sanctions all still continue. A total logging ban, for example, is already being promoted to halt the precipitate decline in the country's once abundant forests.<sup>121</sup> But whatever policies the NLD seeks to implement, the relationship with China is likely to be crucial. As recognition of China's importance, Aung San Suu Kyi herself chaired the parliamentary investigation commission into the Letpadaung project. In a controversial assessment, the report concluded that, despite many failings, the copper mine could continue under certain conditions, citing the relationship with China and the adverse impact that closing the mine might have on future investments.<sup>122</sup>

The dilemma Myanmar faces over China was summed up in a recent interview in the Myanmar Times with U Maung Maung Lay of the Union of Myanmar Federation of Chambers of Commerce. Although public relations have improved, he believed the problem remains that "some Chinese companies are neither ethical nor responsible".<sup>123</sup> Progress will not happen, he argued, until this is addressed. Maung Lay cautioned, however, that ignoring "our great neighbor" would not be possible, so there was only one answer: "We

can be complementary to each other. We can benefit and grow further with her assistance and investment. The world, even the US, cannot ignore China."<sup>124</sup>

## (IV) Ethnic Peace

The fourth element in China's new strategy in Myanmar is its involvement in a peace process initiated by President Thein Sein after he assumed office. As with the ceasefires of the SLORC-SPDC era, Thein Sein's results ultimately proved mixed. During previous peace talks in Myanmar, principally in 1963-64, 1980-81 and post-1989, China had taken a largely supportive role, and China also welcomed the initiatives by the Thein Sein government to deliver what it termed a "nationwide ceasefire agreement". But while the NCA initiative has had success in halting conflict in some parts of the country, several of the ceasefires from the SLORC-SPDC era in northeast Myanmar broke down or came under new strain (see "New Challenges" and "New Crises and the Kokang Conflict" above).

For China, the conflict landscape represented a complete reversal of the SLORC-SPDC era when ceasefire territories adjoined much of the Yunnan border. Following the June 2011 resumption of conflict with the KIO, hostilities frequently spilled over to the China side of the border. The situation further deteriorated from December 2012 when the Tatmadaw began airstrikes around the KIO "capital" at Laiza, with artillery landing on the Chinese side of the border. As displaced persons massed along the border, this prompted protests by ethnic Kachin (Jingpo) citizens in Yunnan province, causing questions to be asked about Beijing's policies and its ability to maintain national security and stability in its own territory.<sup>125</sup>

Meanwhile conflict also resumed in Kachin, Shan and Ta'ang areas of the northern Shan state close to the new oil and gas pipelines to Yunnan province that were now under construction. During 2014 armed conflict also revived in the Rakhine state where a new force, the Arakan Army (AA), escalated operations after training in the Kachin state. Finally, concerns rose to the highest levels in Beijing when heavy fighting broke out in the Chinese-speaking Kokang region in early 2015, sending a new wave of refugees to the Yunnan border (see "New Crises and the Kokang Conflict" above).

Against this backdrop, China's government felt that it had little choice but to respond to the unfolding emergencies on its southwest frontier. Not only does China have compelling security and economic reasons to want stability, but in the 21<sup>st</sup> century the Yunnan border is also being promoted as China's gateway to a new era in trade and co-operation in the neighbouring states of Asia.

The new face of Chinese diplomacy was Wang Yingfan, a former vice-foreign minister. Initially appointed in March 2013 as the Foreign Ministry's Special Envoy for Asian Affairs with a focus on Myanmar, Wang Yingfan quickly became involved in the ethnic peace talks. At first, his focus was on the KIO, and Chinese influence was paramount when the authorities invited the conflict parties to meetings in the Chinese border town of Ruili.<sup>126</sup> Here an accord was signed between the Myanmar government and KIO to reduce hostilities. Subsequently, Wang Yingfan began attending meetings between other ethnic armed groups and the Nay Pyi Taw government as an observer alongside Vijay Nambiar, the UN Secretary-General's Special Advisor on Myanmar.

Border stability, however, was not China's only worry. Different sources in Myanmar's peace talks affirm that a primary motive for China to become involved was a growing concern that Western governments and actors might seek to take on an influential role. This reason also appeared in Chinese media.<sup>127</sup> Such concerns deepened in May 2013 when the KIO wrote to representatives from the UN, UK and USA asking for their support in the peace process, including for international mechanisms and monitoring.<sup>128</sup> Since this time, Chinese officials have continued pressures on the KIO and other ethnic armed organisations not to involve Western countries in Myanmar's peace talks – a position that both the SLORC-SPDC and Thein Sein governments also preferred. China's policy on seeking to keep Western influence out of Asian security affairs then became explicit when in May 2014 President Xi Jinping announced Beijing's "New Asian Security Concept For New Progress in Security Cooperation" to an Asian audience in Shanghai.<sup>129</sup>

China's caution might appear understandable in terms of geo-politics and recent history. China, unlike the West, has long had relations – whether formal or informal – with central Myanmar governments, opposition forces and conflict actors along its troubled border. But in

public relations terms, the behaviour in Chinese interventions did not always go down well, not least when officials appeared to want to control meetings, keep out international NGOs, and “follow the role of China”. “We realized only Chinese involvement cannot solve the problem,” said one ethnic delegate in peace talks. “They are really scared of Western involvement in the conflict.”<sup>130</sup> As Stimson Center scholar Yun Sun confirmed: “China intervened in the Kachin negotiations in 2013 to protect its national interests. A crucial motivation was a concern about the ‘internationalization’ of the Kachin issue and the potential US role along the Chinese border.”<sup>131</sup>

Subsequently, China’s peace tactics have broadened. While Western presence in peace negotiations is still objected to, Chinese officials have said that they will accept the involvement of the UN and Asian countries; they have allowed limited assistance, including by the Chinese Red Cross, in non-government controlled parts of the Kachin and northern Shan states; and Wang Yingfan and, later, other officials have continued to attend peace talk meetings towards the achievement of a nationwide ceasefire agreement.

In general, however, China has never advocated for the rights of minority peoples in Myanmar. Yunnan province itself is a land of ethnic diversity, including 37 autonomous prefectures or counties representing 18 nationalities. As in other provinces of China, nationality powers are limited beyond cultural symbolism, and ethnic “separatism” is an issue that communist governments have always feared and suppressed. Any presence, for example, by Tibetan or Muslim activists is watched for. For this reason, government-to-government relations have remained the strongest element in China’s official relationship, and China has been reluctant to allow a significant build-up of refugees from Myanmar along the Yunnan border.

The eruption of fierce fighting in the Kokang region during 2015 was to change Chinese calculations. Officials were forced to accept that sitting on the fence, while promoting China’s interests, would not be enough to restore peace in northeast Myanmar. First, China’s national security and the lives and interests of Chinese people were now at threat.<sup>132</sup> And second, the Tatmadaw’s conduct of the war not only appeared intent on achieving military victory

over the KIO, the Kokang MNDAA and their non-ceasefire Ta-ang National Liberation Army (TNLA) and AA allies, but it also appeared possible that Tatmadaw strategists were preparing to widen attacks along the Yunnan border to include operations against the ceasefire Shan State Army-North (SSA-N),<sup>133</sup> NDAA and UWSA. All were suspected by the Tatmadaw of providing the Kokang MNDAA with military support.

There was also a personal element in China’s concern. Both the UWSA and NDAA are headed by former CPB supporters who have long maintained close relations with China. Indeed, with Chinese widely spoken in both their territories, the two groups are often regarded as Chinese proxies, although this is not an accurate designation on the ground. Although the UWSA has to take into account what China will think about decisions made by the organisation, the UWSA has also made efforts during the past two decades to establish links with the international community, especially with Thailand and the West. The 2005 indictment, however, by the US Department of Justice of eight UWSA leaders on heroin and methamphetamine trafficking charges and the designation of the UWSA as “drug kingpin” was a major setback to the UWSA’s reputation. Relations with Thailand also deteriorated in the early 2000s. As a result, the UWSA has come to rely on China as the only country willing to officially engage with the organisation and provide various kinds of support.<sup>134</sup>

The issue of support from China for armed groups in Myanmar remains controversial. Certainly, since independence in 1948 it has very often been Chinese actors, whether communist, KMT or business, who have been the dominant outside influence in many trans-Salween regions – not the Myanmar government. To many observers, the MNDAA’s 2015 revival therefore did not seem possible without external support, and there were accusations of collusion, supplies and “Chinese mercenaries” during the early stages of fighting.<sup>135</sup> Indeed the Tatmadaw Commander-in-Chief Snr-Gen. Min Aung Hlaing said in an interview with the Japanese Mainichi newspaper that, although he did not believe that China’s government was involved, he thought the MNDAA could be receiving local “ethnic” assistance from across the frontier.<sup>136</sup> Following, however, the March apology by the Thein Sein government for the deaths of five Chinese villagers, officials in both Beijing and Nay Pyi



Taw appeared keen to publicly lay such sensitive issues to rest (see “New Crises and the Kokang Conflict” above).<sup>137</sup>

The worsening nature of the crisis now prompted Chinese officials into an unusual course of actions. First, Beijing has continued to make it clear that it will not tolerate future threats to China’s security. Intelligence and military deployments remain strengthened in southwest Yunnan, symbolised by a major air-ground military exercise by the People’s Liberation Army along a 200km stretch of the Myanmar border.<sup>138</sup> And second, officials have stepped up their involvement in Myanmar’s ethnic peace talks.

By 2015, four main stumbling blocks had emerged in President Thein’s NCA process. First, while up to 22 nationality forces have been advocated by opposition leaders, the Tatmadaw has, until now, accepted only 16 groups as dialogue partners for the NCA.<sup>139</sup> This includes the UWSA and NDAA, but excludes the MNDAA, TNLA, AA and three nationality parties regarded as too small to include. Second, and related to this, the severity of military operations against ethnic forces in northeast Myanmar, all of which had ceasefires in the SLORC-SPDC era, caused nationality leaders to believe that the Tatmadaw was using the NCA as a strategy of “divide-and-rule”. Third, regardless of any NCA signing, political dialogue still has to occur and is unlikely to be viable if fighting continues in some territories. And finally, with a general election and potential change of government looming, many parties were reluctant to become tied to agreements with the Tatmadaw or President Thein Sein that might inhibit dialogue with an NLD government in the future.

With these challenges in mind, Chinese officials worked hard during 2015 for the inclusion of Yunnan border-based groups in the NCA process. Both the Thein Sein government and the MNDAA were lobbied to agree to a ceasefire, and officials also tried to bring the UWSA and NDAA into broader peace discussions. Indeed during draft NCA negotiations in March 2015 in Yangon, China’s Special Envoy Wang Yingfan was seen trying to convince Tatmadaw representatives, as well as the government’s chief negotiator Aung Min, to include the Kokang MNDAA.<sup>140</sup>

Subsequently, the country’s largest ethnic force, the UWSA, caused surprise by organising a peace conference at its Panghsang headquarters, the

first time the UWSA had arranged such a large-scale meeting among ethnic opposition groups. Historically, the UWSA has refrained from joint actions with ethnic forces from other parts of the country, and it has not been a member of the main opposition alliance, the United Nationalities Federal Council (UNFC). The Wa nationality also have a “self-administered division” (SAD) under the 2008 constitution, and the UWSA is anxious about any process that might jeopardize a territorial demarcation that it wants to elevate to full state designation in the future (there are also two Wa “autonomous” counties on the opposite side of the Yunnan border).<sup>141</sup> But with mounting military and political pressures around Wa territories during 2015, remaining on the conflict side-lines no longer seemed a feasible option to UWSA strategists in Panghsang.

While, however, UWSA leaders had obvious reasons to respond to the changing landscape, a key instigator of the Panghsang meeting was widely believed to be China. The UWSA has always been very careful not to upset China, and such a conference would not have been able to go ahead without the blessing of the Chinese authorities. Chinese officials were discreet in their presence, but even the guest list reflected China’s priorities. For while the Chin National Front and other India border-based groups were not invited (any potential relations with India remain very sensitive for Beijing), the UWSA, despite warnings from Nay Pyi Taw officials, openly invited the MNDAA and TNLA which the Tatmadaw refuses to negotiate with.

In the end, the Panghsang meeting produced a final statement that pleased the UWSA and other ethnic forces but not the Thein Sein government, which was anxious to sign a treaty on its own terms as soon as possible. Among key demands, the conference called for the inclusion of all ethnic armed groups in the NCA; an end to all fighting before signing the NCA; amendments to the 2008 constitution; and recognition of the UWSA’s call for the creation of a “Wa state”.<sup>142</sup> Caught by surprise, Nay Pyi Taw officials were very unhappy with this unexpected initiative on the Yunnan border. In the following days, a derogatory article appeared in the state-controlled media, claiming that the conference was “in total contrast” to the government’s peace process and that the region and local culture were being taken over by “ethnic Chinese”.<sup>143</sup> The coded language could not have been clearer.

Since this time, passions have cooled and Chinese officials have continued their regular presence at peace talk meetings. China's new Special Representative on Asian Affairs, Sun Guoxiang, joined the UN Special Envoy, Vijay Nambiar, and Japanese representative, Yuji Muri, in attending the Law Khee La conference at the KNU headquarters in June 2015, where the call for the inclusion of all nationality forces, including the MNDAA, TNLA and AA, was reiterated. In response, the MNDAA announced a unilateral ceasefire four days later, admitting in a statement that "the Chinese government's strong calls for restoring peace in the China-Myanmar border region" was one of the reasons for the decision.<sup>144</sup> Neither the Tatmadaw nor government responded, although President Thein Sein did later invite both UWSA and NDAA leaders to join the NCA signing.<sup>145</sup> In September, in a sign of improving ties, President Thein Sein also thanked President Xi Jinping at the 70<sup>th</sup> anniversary of the "victory of the anti-fascist war" in Beijing for "China's positive role in promoting the peace process in Myanmar" and welcomed China's "constructive efforts".<sup>146</sup>

This, however, was as far as the peace talks progressed before Thein Sein's government stepped down. In the countdown to the November election, just eight groups – principally the KNU and Shan State Army-South (SSA-S)<sup>147</sup> along with several small groups and factions – signed the NCA at a ceremony on 15 October in Nay Pyi Taw. "The road to future peace in Myanmar is now open," President Thein Sein proclaimed to the assembled guests.<sup>148</sup> The event was reported by the Chinese media and witnessed by Sun Guoxiang, as Special Envoy for Asian Affairs of China's Foreign Ministry, UN officials and foreign diplomats representing over 50 countries, including the USA, UK, European Union, India, Thailand and Japan.<sup>149</sup> Chinese officials also moved quickly to deny reported allegations in the media by a member of the government's Myanmar Peace Center that Sun Guoxiang had been persuading other ethnic groups not to sign. In his riposte, an embassy spokesman criticised "other countries who want to damage China's image by meddling in Sino-Burmese relations."<sup>150</sup> Despite Chinese denials, in the following months rumours continued that China had tried to persuade groups against the NCA. However, while China wanted the NCA to include the MNDAA and other nationality forces on the Yunnan border, there appears to be no clear evidence that China pushed groups

not to sign. Indeed, given the rifts caused by the Thein Sein government's exclusion of some groups, many nationality forces thought China's "inclusion" advocacy was the appropriate strategy.

The October NCA was to mark the high-point in Thein Sein's peace process. As analysts pointed out, it was not truly nationwide, a ceasefire or an agreement.<sup>151</sup> A general lull followed during the election which the NLD won by a landslide, helped by votes from different nationalities across the country.<sup>152</sup> Since this time, all sides – the NLD, Tatmadaw and ethnic parties – have been monitoring what the new administration will do. While appointing its own peace intermediary Dr Tin Myo Win, the NLD has said that it will continue the NCA process with the intention of making it inclusive; NLD leaders have reiterated that they support federalism; and Aung San Suu Kyi will head a reformed Union Peace Dialogue Joint Committee and announced a "Panglong for the 21<sup>st</sup> century" conference. This is a symbolic promise of dialogue that it is hoped can bring the peoples together, recalling the 1947 agreement on the principles for ethnic autonomy and equality that brought the new union into being.

For the moment, however, there has been little peace or reform delivery, and apprehensions continue as to whether the NLD will really be able to achieve a national breakthrough. Not only are there questions about the relationship between the NLD and Tatmadaw, but there are also many uncertainties as to how the NLD will manage relations with the ethnic parties. This was highlighted when an NLD MP, who made a "fact-finding" peace mission to UWSA territory without asking permission, was officially reprimanded on his return.<sup>153</sup> Such incidents led to fears that, while the NLD will concentrate on democratic reforms in central Myanmar, it will allow the Tatmadaw to continue to control power in the non-Burman borderlands. In effect, there would be no immediate change in the national status quo. But as of July, Dr Tin Myo Win still appeared to be preparing the ground for a new NCA push, around the "Panglong for the 21<sup>st</sup> century" concept, and the jury is, for the moment, out on whether the NLD can succeed in achieving national peace where previous governments have failed.

In the meantime, conflict has continued in several borderland areas. The NLD had wanted a 100-day starting period to deal with setting up its national

reform plans. But, within two months of taking office, the new administration was facing many challenges in ethnic politics. The Tatmadaw has remained adamant that there can be no dialogue with the MNDAA, TNLA and AA; Tatmadaw units increased attacks, including aerial strikes, against the KIO and SSA-N that did not sign the NCA last October; and controversy escalated over the NLD's position on the plight of the Muslim population in the Rakhine state, many of whom self-identify as "Rohingya", who, under previous governments, were disbarred from full citizenship rights.<sup>154</sup>

Chinese officials, for their part, have remained highly vigilant. The shock of the Myitson and Kokang crises still lingers, and the outgoing government of President Thein Sein caused surprise when, in a 11<sup>th</sup> hour move, approximately 60,000 people of Chinese ethnicity in the Tarmoenye area, northern Shan state, were granted Myanmar citizenship with a new "Mong Wong-Bamar" nationality identity (i.e. not Chinese) as a "reward" for participation in Tatmadaw-organised militia.<sup>155</sup> Such actions continue to fuel suspicions of anti-Chinese sentiment among government officials and the Tatmadaw playing ethnic "divide and rule" in the borderland front-line (see "New Challenges" above).

Equally unexpected, since the partial NCA of last October, one of the signatories, the SSA-S, has been allowed by the Tatmadaw to move over two thousand troops to the northern Shan state to begin what many ethnic leaders believe is a proxy war on the Tatmadaw's behalf, initially against the TNLA but also, potentially, against the KIO, MNDAA and other ethnic forces along the Yunnan border in the future. At first sight, it appears an unlikely move, and heavy fighting has since taken place as TNLA troops have resisted both SSA-S and Tatmadaw operations. But in private, there is admission that some groups in Myanmar would be pleased if the SSA-S could build a northern stronghold from where it could try and convince China that it, rather than the UWSA and other ethnic forces, can assure the security of Chinese interests in the Shan state.

There are also reported Tatmadaw concerns that, in response to continuing volatility, allies of the Kokang MNDAA, including the TNLA and UWSA, might create a "pro-Chinese" front to leverage their support in future ethnic politics in the border region.<sup>156</sup> Certainly, further fracturing among ethnic movements cannot

be ruled out in the future. But for the moment, the main emphasis among nationality leaders is being placed on conciliation efforts by the UNFC alliance to bring the opposing forces together, while the UWSA and other non-NCA groups have continued meetings to promote peace inclusion and political dialogue with the new government.<sup>157</sup> Meanwhile the UWSA has continued to call for China's mediation and, at the end of April, the Chinese media carried an eight-point UWSA statement by Xiao Mingliang, deputy chair of the UWSA administration. In an analysis that reflected China's interests, the UWSA looked forward to cooperation with the NLD government and called for a new peace conference with the UN and China as "witnesses", a continuance of non-aligned foreign policies, and economic policies to support China's "One Belt, One Road" infrastructure strategy.<sup>158</sup>

In the short-term, therefore, no dramatic changes in Chinese policy are expected on the Yunnan border. Unless unforeseen events intercede, Chinese stakeholders are likely to take a medium-to long-term view on ethnic affairs and the new NLD government. Recognition is already sinking in that Chinese officials have failed in a primary objective of keeping Western organisations distant from conflict resolution initiatives on its borders. But, at the same time, they can consider that, after some difficult moments, they have had some success in convincing Nay Pyi Taw representatives – and the international community – of China's good intentions in trying to achieve peace along the Yunnan border.

In particular, it can be argued that China has made effective use of its special relationships with the Myanmar government and ethnic forces to support national peace-building. With One Belt, One Road looming, this not only serves China's interests of maintaining stability in the border region and advances China's public diplomacy but, in the longer-term, it could also help to yield a positive peace dividend for its strategic investments in the country. At a meeting with Commander-in-Chief Snr-Gen. Min Aung Hlaing in April, China's Foreign Minister Wang Yi reiterated China's support for efforts "to achieve peace through negotiations in northern Myanmar as early as possible".<sup>159</sup> "China is ready to jointly safeguard peace and stability in their border areas," he pledged.<sup>160</sup>

This is an important promise. In the coming years, China will remain a significant influence in

the resolution of Myanmar's ethnic challenges. With a substantial Chinese population in the country and a chequered history in cross-border relations, China has to be careful in advocating its interests. But for the moment, worst-case scenarios have not occurred. Rather, in addressing the borderland crisis, the main challenge for officials now is how to work with the first democratically-elected government in over five decades. For both China and the NLD, this represents very uncharted waters.

## (V) Political

With the NLD's advent to office, the pre-eminent focus of Chinese interests has returned to the fifth element in China's transition strategies: that of engagement with political parties. After five decades of Tatmadaw-backed rule, diplomats and analysts have to adjust to the reality of not only a civilian government that promises radical reform but one that also enjoys much sympathy from the West. In China circles, there remains some sense of disbelief, and four questions constantly occur in Myanmar discussions: what are the real views and capabilities of Aung San Suu Kyi; what are the NLD's economic policies; how will Western governments and other international agencies behave; and can the NLD government really survive?

If, however, China has arrived late in recognising the popular momentum behind the NLD's rise, acceptance had been growing for a number of years about the need to engage with political parties more broadly. Since 2011, Chinese officials, businesses and journalists have met on multiple occasions with opposition parties in Myanmar, including representatives of the NLD and 88 Generation Students. Three consecutive ambassadors also met with Aung San Suu Kyi,<sup>161</sup> and there have been regular meetings with members of different ethnic nationality parties, who have on occasion been invited to China.<sup>162</sup>

Such meetings with opposition groups do not, in themselves, suggest a new or significant departure. Well into 2015, Chinese officials still appeared to anticipate that the Tatmadaw-USDP administration under President Thein Sein would continue in one form or another after the general election. As evidence of this, President Thein Sein was himself invited for six official visits to China while in office and, until the Kokang crisis, inter-governmental relations remained

very cordial. At the same time, individuals and companies close to the ruling elite in Myanmar have long been advantageously joined to China's economic strategies, and there has never been any indication that Chinese leaders wanted to scale back business activities or investment plans. Rather the reverse: China's government has always wanted to accelerate natural resource and investment projects, and it was only with the Myitsone shock and Letpadaung protests that officials realised that they needed to develop relations through some very different means than in the past.

High-profile recognition, however, of Aung San Suu Kyi was a step that Beijing still hesitated to make. A Nobel Peace Prize laureate, human rights advocate, democracy activist and determined opponent of the military governments that China had so closely engaged with, Chinese officials had long hoped that the spectre of an NLD government would quietly go away. In fact, Chinese officials started engaging opposition groups right after the Myitsone dam was postponed, first meeting with Aung San Suu Kyi as early as December 2011. But, sparked by the Kokang crisis, it was to take until mid-2015 for a variety of factors to come together to make the timing for a different kind of engagement very opportune.

Aung San Suu Kyi's visit to Beijing in June 2015 thus triggered an array of domestic and international speculation as to what her invitation might mean. Analyses varied from "desperation" at China's falling reputation and concerns over the border conflict to initiatives to building bridges with Aung San Suu Kyi, gaining understanding for China's economic plans, sending a message to Myanmar's Tatmadaw-backed government, and countering the West.<sup>163</sup> But amidst the headlines, what was undoubtedly most critical for Chinese leaders was building a relationship with the NLD which they now recognised might win the general election, providing that the polls were free and fair.

In the event, Aung San Suu Kyi's visit passed quietly. Both sides had too much to lose in the political reputation stakes. Aung San Suu Kyi was also under close scrutiny, and there was much interest in Myanmar and abroad as to whether she would challenge the Chinese authorities on human rights or its economic record. No major decisions were reached but, as an important sign of the times, China received Aung San Suu Kyi

with diplomatic priority, holding meetings with President Xi Jinping and Prime Minister Li Keqiang in a visit that was deemed to compare favourably with the earlier mission by Foreign Minister Wunna Maung Lwin to apologise for the deaths of five Chinese citizens.<sup>164</sup>

Despite the ground-breaking nature of her visit, Aung San Suu Kyi was not the only political leader to visit that year. China was still hedging its bets in preparation for the election. In late April, for example, the USDP chair and Union parliamentary speaker ex-Gen. Shwe Mann was also accorded a meeting with President Xi Jinping. Subsequently, within a week of Aung San Suu Kyi's visit, a delegation of ethnic nationality representatives was invited for discussions with Chinese authorities. All came from areas where Chinese companies have major investments, reflecting that officials realised that they now have to engage with "personalities from various fields" in Myanmar's democratic transition.<sup>165</sup> According to the Shan lawmaker Ye Htun, relationships can no longer be "limited to g-to-g [government to government] relations".<sup>166</sup>

The highest status, however, was still reserved for President Thein Sein whom President Xi Jinping welcomed at the 70<sup>th</sup> anniversary of the "victory of the anti-fascist war" in Beijing in September. Both sides used the opportunity to put recent differences behind them and lay down some markers for future cooperation. In a joint statement, the two leaders reminded of the traditional "pauk-phaw" friendship between their peoples, the Five Principles of Peaceful Co-existence, the need to support each other in building peace and stability, and the promotion of economic inter-connectivity through such programmes as the One Belt, One Road initiative and the Bangladesh-China-Myanmar-India Economic Corridor Cooperation Framework.<sup>167</sup>

In many respects, the Beijing visit marked the diplomatic peak in Thein Sein's presidency and, from this point, political dynamics were driven by the NLD's victory in the general election. In the final months of the Thein Sein administration, three major new investment projects with China were pushed through in Dawei, Kyaukpyu and Muse (see "Corporate" above). But as officials recognised, although the Tatmadaw still continues a reserved role in national politics under the 2008 constitution (see "New Challenges" above), the election victory was a significant mandate for the NLD to initiate

national change. The Chinese media also noted the special role of Aung San Suu Kyi who has been described in the *Global Times* as having an "almost divine status among the public".<sup>168</sup>

In the election aftermath, Chinese officials were therefore quick to welcome the NLD's victory. At the same time, they took care to step up analysis and lobbying to promote Chinese interests in the new political landscape. Economic investments, One Belt, One Road and international relations have remained obvious concerns, fuelled by a long-standing fear that an NLD government could mark an explicitly pro-Western – and hence anti-Chinese – government. China's ambassador also promised "to promote the peace process", offering "material and financial support".<sup>169</sup>

Chinese officials were thus delighted that Aung San Suu Kyi's first meeting with an international dignitary after the NLD took office was with China's Foreign Minister, Wang Yi. Prof. Song Qingrun of the China Institutes of Contemporary International Relations swiftly claimed that the meeting "implies that the pro-West Aung San Suu Kyi, the de-facto leader of the new administration, will not go against China."<sup>170</sup> Diplomatic niceties were exchanged, with Aung San Suu Kyi welcoming China's "substantial assistance" and Wang Yi reiterating the traditional "pauk-phaw" friendship between the two countries. Wang Yi also promised that China supported the "right choice of the Myanmar people", will "not interfere in internal affairs", will "respect social customs", and will "protect the local ecology and environment".<sup>171</sup>

Speculation, however, that the NLD might indicate encouragement to China's investment plans was not fulfilled. While welcoming China's "substantial assistance" and the importance of bilateral ties, Aung San Suu Kyi affirmed that Myanmar's foreign policy was to have friendly relations with all countries.<sup>172</sup> "The Chinese foreign minister came to congratulate our new government. There was a mention of their projects but we did not discuss anything at all," she told a media briefing afterwards.<sup>173</sup>

This lack of commitment from the NLD to Chinese interests was a great disappointment. In subsequent months, a major policy offensive has been underway by Chinese analysts and officials who, citing China's own experiences, argue that the future of the NLD government will ultimately depend on its economic success, not political.

Whereas in Western circles, Aung San Suu Kyi is spoken of as an Asian “Nelson Mandela”, in Chinese circles the question to ask is whether she can become Myanmar’s “Deng Xiaoping”. This hoped-for economic, rather than political, focus was alluded to by Prof. Song Qingrun after the Foreign Minister’s meeting: “The new government, as well as Suu Kyi, understands that taking sides in the geopolitical game is harmful for the country. They are more focused on boosting the economy and improving people’s well-being.”<sup>174</sup> Subsequently, a delegation of NLD lawmakers were invited by the Communist Party of China for a 10-day “study tour” in China. But as NLD executive member U Nyan Win explained: “It is a goodwill visit, with no other agenda in particular.”<sup>175</sup>

As a result, all the difficult decisions in Sino-Myanmar relations still lie ahead. After decades of struggle against military rule, many citizens in Myanmar instinctively look to the West for reform support and national peace-building. Suspicions of China continue to run deep. But, of all its neighbours, it may still be on its relationship with China that national stability and the NLD’s economic path will come to depend. As the NLD seeks to establish itself in government, Chinese diplomats and analysts believe that the NLD is faced with a “cascade of challenges ahead” for which it is going to need “external” support.<sup>176</sup> In such a situation, Prof. Song Qingrun argues that “cooperating with its large neighbor would be a diplomatic priority”.<sup>177</sup>

In this respect, China needs to be careful in advocating its interests. Despite broader “soft power” diplomacy during recent years (see “Research” and “GONGOs” above), impatience and a sense of superiority still sometimes break through. Comments both in private and in the media can reflect a lecturing tone to Myanmar’s peoples.

Prof. Lu Guangsheng, for example, has written of “public opinion” in China feeling “slapped” by Myanmar over Myitsone and other projects “despite massive Chinese support during the junta period from 1988 to 2010”.<sup>178</sup> In March, China’s national online news service headlined a comment by Myanmar’s ambassador in Beijing that “learning from China (is) important for Myanmar”.<sup>179</sup> More recently, the Centre for China and Globalisation lambasted criticisms of the Myitsone dam as “based on imagination and prejudice”, describing Myanmar as “poor and

weak”.<sup>180</sup> Similarly, the Global Times has reported Chinese diplomats and businesses in Myanmar feeling “underappreciated”, claiming benefits to the people are “seldom reported”.<sup>181</sup> And the accusation that other countries are seeking to subvert China’s influence in the country is still made. “Since Myanmar embarked on the road to democratisation in 2011, some in the West have drummed up the rhetoric that ‘China’s clout in Myanmar is waning,’” the China Daily complained on the eve of Foreign Minister Wang Yi’s visit.<sup>182</sup>

The difficulty with such patriotic defences of China in Myanmar is that any notion that projects or activities may be unsuitable, unpopular or inappropriately advanced is not admitted. Not only is this approach unlikely to win arguments or goodwill in the country, but it could also lead Sino-Myanmar relations into controversial areas. There are many issues of mutual importance that the governments and parties of the two countries need to work on together. In the bigger picture of socio-political transition, the Myitsone dam should not become the central topic. However, as of June this year, that is precisely the issue some Chinese actors have been wanting to move centre-stage, almost as a litmus test for future Sino-Myanmar relations. Particular pressure is being put on the NLD,<sup>183</sup> even though the popular view in Myanmar remains that any imposition of the dam will not only be resisted and environmentally unsound but could be a defining moment to set back forever the reputations of any parties that become involved. As the Irrawaddy magazine warned: “Myitsone Dam resumption would prove Suu Kyi’s downfall.”<sup>184</sup> Equally striking, in private more reflective Chinese voices do concede that, in its present form, the Myitsone project is unlikely to ever go ahead.

It is to be hoped, therefore, that wiser counsels prevail and that, in the coming months, China continues to play a supportive role as the NLD seeks to bring peace, reform and national reconciliation to the country. To be mutually beneficial, China’s investment interests will have to wait their while. Myanmar has many complex political and constitutional challenges to first resolve in the meantime.

## (VI) International

The last key element in China’s Myanmar strategy is the international dimension. As many analysts

have written, a new “Great Game” over Myanmar is underway.<sup>185</sup> Who is actually winning remains a subject of conjecture, with China, the USA and, to a lesser extent, Japan and European countries all considered to be concentrating on Myanmar as a matter of geo-political priority. For the moment, an international short-hand has developed that the USA, European countries and Japan have gained ground during Myanmar’s post-2011 transition, while China has lost its pre-eminent position. But, whatever the difficulties, China remains a dominant influence and all stakeholders know that there is still everything to play for in political transition. Reform in Myanmar is at a beginning, not at an end.

For international observers, gauging China’s intentions is not always easy. The new “Great Game” is coming at a time of not only significant change within Myanmar but also in China as President Xi Jinping embarks on an array of political, economic and military initiatives that are attracting great interest, but also often concern, over Beijing’s real objectives.

On China’s part, recognition is continuing to develop that Chinese interests must be positively represented on the international stage as its global presence grows. In recent years, for example, China has boosted its international profile by greatly increasing foreign aid. At the 2014 East Asia summit in Nay Pyi Taw, which was also attended by U.S. President Barack Obama, China’s Prime Minister Li Keqiang promised the spending of billions of dollars in east and southeast Asian regions to advance infrastructure and alleviate poverty.<sup>186</sup> President Xi Jinping also pledged at a UN summit in New York the initiation of a US\$ 2 billion start-up fund to assist developing countries around the world.<sup>187</sup> And China has also been an instigator in initiatives to boost international development. These include the new Asian Infrastructure Investment Bank that has 57 founding members and the Lancang-Mekong Cooperation that includes Myanmar and four ASEAN colleagues.

In many capitals around the world, however, China’s promises of international cooperation appear contradicted by restrictions on the media and foreign NGOs, cyber-attacks, tensions with Japan and India, and infrastructure-building and land claims in the South China Sea that are presently concerning Asian neighbours, the USA and other Western countries. For his part, President Xi Jinping has made it clear that China

wants to keep security concerns an internal Asian matter when announcing Beijing’s “New Asian Security Concept”.<sup>188</sup> And yet, Chinese officials are at the same time encouraging the international community to join Beijing’s One Belt, One Road venture, connecting China westwards towards Eurasia and Africa.

The One Belt, One Road could indeed become one of the great international projects of the 21<sup>st</sup> century and deliver what Prof. David Arase recently described as China’s “dream agenda” of becoming the “paramount nation” in Asia and Eurasia by 2049.<sup>189</sup> But as Arase highlighted at a recent Asian Development Bank conference, this trans-Asian vision will inevitably bring security dimensions to the region because China will seek to advance its agendas and secure its interests “wherever China’s trade and investment goes.”<sup>190</sup> In essence, it can still be difficult for other countries to distinguish China’s economic interests from security and geo-political ambitions. Last year, this caused one Indian analyst to complain that the new Chinese saying seems to be “My sea is my sea but your sea is our sea.”<sup>191</sup>

It is important to note, then, that China’s foreign policies have become more flexible and nuanced in Myanmar’s case during the past five years, as China has seen its previously dominant role come under competition from other international actors. The days when Myanmar was regarded as the hermit nation of Asia or potential satellite of China are fast receding. Most obviously, U.S. President Barack Obama has twice been welcomed to the country, and Secretary of State John Kerry was quick to pledge that U.S. support will continue during a visit he made after the NLD assumed office. Meanwhile India is watching developments closely and supporting such programmes as the Kaladan Multi-modal Transit Transport Project and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. For its part, the other “great player”, Japan, is initiating a raft of “connectivity” initiatives with Thailand in southern Myanmar, including the Dawei Development Project and the Asia Highway, as component elements in Southern and East-West “corridors” to integrate economies in southeast Asia.<sup>192</sup>

It is to be hoped, therefore, that China’s experiences since the SLORC-SPDC stood down in 2011 will prove salutary as it changes from seeing Myanmar through the prisms of a “Malacca

Dilemma” to “Transition Dilemma” to “One Belt, One Road”. Certainly, Prof. Li Chenyang is correct, to some extent, in pointing out that U.S. interest is driven by competition with China.<sup>193</sup> Although the U.S. government has hesitated to admit this publicly, many U.S. analysts are clear about why the U.S. has pushed for re-engagement with Myanmar so rapidly. As Doug Bandow of the Cato Institute has recently written: “the two nations are waging a bitter but so far nonviolent struggle.”<sup>194</sup>

For the moment, however, Chinese concerns about U.S. influence in Myanmar appear to be based more on paranoia and past rivalries than present realities. It is quite understandable that, as socio-political transition continues, Myanmar’s peoples will seek broader and more diverse international relationships, and this will be an important element in the country’s development. China does not have a monopoly on expertise or solutions, and accusations of conspiracies by different international actors to persuade people into anti-Chinese views suggest a lack of confidence or understanding of other countries and cultures (see “Corporate” and “Political” above). Since independence, all governments in Myanmar have tried to steer a non-aligned path between international interests and powerful neighbours; President Thein Sein spoke of a “multi-aligned foreign policy”;<sup>195</sup> and the NLD will want to continue in much the same way. President Htin Kyaw and Aung San Suu Kyi, as State Counsellor and Foreign Minister, chose to symbolise this by making their first foreign trip after the NLD took office to Laos, a neighbour and fellow ASEAN member.

What, then, remains critical for China is that it no longer observes Myanmar through perceptions of the United States, but begins looking closely at the country’s internal politics, its needs and the people’s troubles in their own right. Many Chinese analysts have already recognised that the days of a privileged position in the country are over and, by doing so, they are able to relate to Myanmar as to any other state in the region. “A normal relationship will replace the ‘special relationship’ between the two countries,” Prof. Lu Guangsheng has written. “Based on this understanding, the two sides should collaborate and rationally discuss the solutions.”<sup>196</sup> The need for such a balanced relationship has also been highlighted by Commander-in-Chief Snr-Gen. Min Aung Hlaing when he denied to a Japanese newspaper that Myanmar was “totally dependent

on China” but explained, as a neighbouring country, it had agreed to be a “strategic partner”.<sup>197</sup>

At the same time, China needs to give much greater concentration to explaining to the international community its own interests and perspectives on Myanmar and the sub-Asian region. Other countries often fail to understand the extraordinary struggles and sufferings that China has been through during the past century. Economic change, especially, during the past thirty years has been remarkable for the country’s 1.3 billion inhabitants, witnessing the greatest uplifting out of poverty in history as many parts of the country transformed from agricultural to industrial to globalised society in quick succession. Such style of development has often come at great cost to local communities and the environment.<sup>198</sup> Nevertheless, many Chinese – and not simply government officials – use such experiences of construction and rapid growth as their models for neighbouring countries as China seeks to promote its vision of economic-led change in the region. Indeed, parallels can be heard in Chinese circles today to earlier dynasties in China’s history when unity and progress in the Middle Kingdom are regarded as the foundation for prosperity and stability in neighbouring lands. Chinese officials thus hope that such initiatives as One Belt, One Road will come to be seen in this benignant light.<sup>199</sup>

There is still some way to go, however, before China’s strategic plans are accepted in such a way. Other countries have their own experiences and priorities, and they do not see Chinese investment and infrastructure projects as the pre-eminent solution to their political needs, especially if they could lock them into a symbiotic relationship that they do not feel assured about. In Myanmar’s case, the different nationality peoples may well choose a different development model that is less pro-business and guarantees more respect and empowerment to local communities, political equality and the poor.

Unless, therefore, China can successfully adjust its policies, continuing problems will lie ahead in Myanmar where a degree of anti-Chinese sentiment historically exists. In many communities, negative memories still exist of China’s support to the CPB and of business opportunism under former military governments. Equally important, as Myanmar’s neighbour, in



the 21<sup>st</sup> century China also needs to consider the impact of the aid and attention now coming to the country not only from the United States but also from Japan, the European Union, India, Thailand, South Korea, ASEAN, the World Bank, the IMF and other international actors.

This re-evaluation is not a question of simply learning techniques in “soft power” but is a reflection of major questions for China’s expanding relationship with both Myanmar and the international community. How can China engage with Myanmar’s government and peoples during a time of transition to promote inclusive peace and political reform in the country? How does the changing landscape impact on the prospects for peace and prosperity along China’s border? How can China engage with the new dynamics and international environment to maximise positive impacts? And, equally important, can China learn to see the world through the needs and perspectives of the peoples in a smaller, multi-ethnic state like Myanmar?

In the coming years, the answers will be important. For the Myanmar government will undoubtedly leverage its new relationships to enhance its domestic security, better achieve its national goals, and maximise resources available for development. Meanwhile different political, ethnic and civil society groups will remain insistent on being consulted on international interactions by China, or any other country, affecting developments in their lands. After decades of military rule, this process of adjustment will be just as sensitive for China as it will be for Myanmar, and it will require that China engage carefully and collaborate with a broad range of both international and domestic stakeholders.

Although progress is likely to be difficult, there are already a number of positive signs that this new approach can move forward: for example, the presence of China beside the UN at ethnic peace talks with the government; increased engagement by China with political parties and civil society groups; the development in 2014 of a joint understanding on cooperation between the U.S. and China in Myanmar involving a group of Chinese and American think tank advisors; and the involvement of a Chinese company on the Multi-stakeholder Group of the Myanmar EITI framework. The need now is to translate sympathetic engagement into outcomes that

bring results that benefit the local people. As the Myanmar EITI team leader Min Zarni Lin recently commented: “One of my colleagues joked that inviting Chinese companies is like playing with fire: if managed properly it creates a bright light for development, if not it can be risky.”<sup>200</sup>

In summary, it is too early to say that moving from the Malacca Dilemma to the Transition Dilemma has proven a major breakthrough for Chinese foreign diplomacy. In the coming years, this will depend on China’s ability to creatively identify means for engaging with a growing range of stakeholders within Myanmar, while coordinating with a much larger group of Western companies and aid actors that are also keen to insert themselves into Asia’s most rapidly growing market for business and development assistance. It will not be an easy task, but one that must be accomplished if China-Myanmar relations are to successfully evolve. Respect for the right of Myanmar’s peoples to develop their own domestic and foreign policies will be paramount. Any other actions by China, or other international actors seeking influence in the country, could destabilise the prospects for reform once again.

In May, after his visit to Myanmar, U.S. Secretary of State John Kerry joined President Barack Obama in Vietnam where the USA had just lifted its long-standing military embargo on its former opponent Vietnam, which remains a one-party state. Conversely, the USA continues to maintain some sanctions on Myanmar where democratic reforms are underway.<sup>201</sup> Within days, Chinese officials launched a diplomatic offensive to deepen defence ties with Malaysia, Myanmar and Thailand ahead of an international tribunal on the legality of Beijing’s territorial claims in the South China Sea.<sup>202</sup> It is to be hoped for all peoples that the new Great Game on Myanmar will be peaceful and not based upon superpower designs.

## Conclusion

With the advent of an NLD government in March this year, China’s engagement in Myanmar has reached a critical crossroads. What began as an advantageous relationship for Chinese interests with the military government of the SLORC-SPDC has transformed during the past five years from a landbridge strategy to address China’s Malacca Dilemma into the One Belt, One Road initiative of

President Xi Jinping. Events, however, have hardly taken the direction that China anticipated when the government of President Thein Sein first assumed office back in March 2011. Not only has China lost its pre-eminent international position among foreign actors, but Chinese investments have also come under frequent criticism during the revival of an increasingly vibrant media, political and civil society culture.

China remains Myanmar's largest foreign investor, but a catalogue of sensitive issues remains in a country where a degree of anti-Chinese sentiment still exists. Such issues as the Kokang crisis, ethnic conflict, the Myitsone dam and natural resource exploitation all have the potential to jeopardize relations between the two countries during a time when China wants to move rapidly ahead on ambitious infrastructure and development plans in both Myanmar and the region. To date, however, many communities complain of a lack of transparency, consultation or suitability over Chinese plans, and protests have become commonplace during the past five years, with a number of projects halted. In short, China's vision of infrastructure and mega-project development presently seems very different from the inclusive and community-based approach prioritised by Myanmar's peoples as they seek to rebuild from decades of conflict and military-based rule.

For their part, many Chinese actors – diplomats, academics, businesses and journalists – have made important adjustments to the new political landscape. As a result, China's presence in the country is today more nuanced and engaged, and it is vital that this new openness continues. As a close neighbour, China can have an important role to play as social, political and economic reform continues in Myanmar, and it has already shown that it could become a key figure in supporting conflict resolution and peace-building in the borderlands with Yunnan province. The Chinese authorities understand well the complex nature of the conflict and difficulties of engagement, and Chinese aid actors have shown compassion in seeking to help those displaced and suffering during the past few years.

Doubts, however, still continue over China's strategic intentions, not only in Myanmar but also the wider Asian region. While aid assistance and economic cooperation are undoubtedly appreciated, China needs to understand that

other countries and peoples may not share visions and goals based upon Chinese models or experiences.

During the past five years, progress has been made in developing greater understanding and engagement with different sectors of society in Myanmar, but there is still some way to go. Chinese business and diplomatic interests, especially, need to recognise that rejection of China's investment plans is not due to a lack of knowledge by Myanmar's peoples, anti-Chinese prejudice or instigation by the United States, Japan and other international actors. Rather, it is very often because of the real threat of harm to livelihoods, the environment and local communities. The lessons are clear: projects and practices that benefit the country and peoples are always welcome; those that are detrimental will always be sources of controversy and rejected.

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