Situating China’s Economic Relations in Burma: An Introduction

This decade Burma\(^1\) has once again been put on the map, this time for entirely different reasons. In 2010 a new democratically guided national constitution was adopted, and the following year a military-led civilian government was installed as part of the former military’s decades-long roadmap to establish a “flourishing and disciplined democracy.” The new government under President Thein Sein has embraced neoliberal economic policies, as guided by international finance institutions (IFIs) and development agencies that open the country to global finance institutions, markets and financial

\(^1\) The name Burma used in this paper is not an explicit political statement, but more following my own familiarity of the country since the time when “Burma” was more commonly used, as well as the colloquial name I use when speaking in Burmese.
capital. Burma is now marketed as the “final frontier” for global markets, brand names and consumerism (Myanmar Times 2012; McKinsey Global Institute 2013). To the international community, Burma has been projected as having been deprived of access to global markets and finance and is therefore, as the narrative goes, in desperate need of large financial capital inputs so the country can finally “develop.” Burma, as a nation, its people and national economy, has indeed been languishing under military authoritarianism with ill-conceived economic planning (IHLCA 2011), while the people have been starved for a more democratic political system, good governance and higher quality of life.

Yet, resource-rich Burma has been anything but ignored by investment. The country has been long-entrenched in global and regional economies; one only needs to recall 19th century colonial British monopoly on resource extraction (timber) and production (paddy) sectors (Furnivall 1960; Adas 2011). Further global economic integration dramatically changed course, however, after the colonial economy floundered, and then the country’s self-imposed isolationist path after the first military coup in the early 1960s (Steinberg 1982). Western-based governments’ sanctions following the bloody crackdown on the pro-democracy movement in 1988 proved another bulwark against integration into global markets and capital. The cumulative effect has been such that rules of law and governance conducive to forms of global market capitalism have not been able to penetrate Burma’s rather unique “road to capitalism” (Mya Maung 1998).

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2 Terms are tricky here. “Global” here means “beyond regional,” in this case mainly going beyond mainland China, Hong Kong, Singapore and Bangkok. “Global” then refers to including more internationally recognized financial centers such as Tokyo, New York, Geneva and London. While Asian financial centers, particularly Singapore, have been important nodes of finance capital for Burma since the 1990s, they have now also transitioned to increasingly serve finance capital from western-based corporations.
Regional investors have been quick to step in and fill the gap, however. Asian governments and companies have been responsible for large-scale infrastructure development, resource extraction and commodity production in Burma, especially targeting ethnic areas where resource wealth is mostly concentrated (Buchanan, Kramer and Woods 2013; Jones 2014; OECD 2014). More to the point, Burma has been intimately tied to regional commodity supply markets through their informal and black market cross-border trade, specifically for the illegal drugs market (Lintner 1999; Chin and Zhang, 2007; TNI 2014). And for the case of Burma, all roads indeed lead to China; China has been the most significant investor in Burma (along with Thailand) for decades, and even more so since the late 2000s (ERI 2008; Buchanan, Kramer and Woods 2013; Sun 2013). While the global (the bias here being “western-aligned”) community and its adjoined markets and finance capital have been kept at bay, Burma as a nation-state and its north as a sub-region have been geopolitically and economically pulled into China’s well-financed orbit since their political and economic reorientation in the 1980s (Seekins 1997; Aung Myoe Maung 2011).

China’s re-emerging development role in the “Global South” is beginning to receive scholarly attention (Rotberg 2008; Dittmer and Yu 2010), although field research is still limited, especially for Southeast Asia. While there is no shortage of literature on transformations in state-society-market relations manifested through economic liberalization packages in China (Oi 1992; Wank 1999; Tsai 2002; Hsing 2010; Yeh, O’Brien and Ye 2013), there is much more limited scholarship on understanding China and Chinese investment in “going out,” and what is available privileges China in Africa (Rotberg 2008; Strauss and Saavedra 2009) rather than for Southeast Asia (exceptions include Percival 2007; Tagliacozzo and Chang 2011; Kramer and Woods 2012). China’s re-emerging role in developing countries should be interpreted from an historical reference to

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3 Thailand has been a primary investor as well, but this is almost exclusively from the Yetagun/Yadana oil and gas pipeline, while China has heavily invested in nearly all resource sectors in the country.
China’s shifting post-Cold War international relations and the country’s domestic political economy, including national policies promoting Chinese companies to do business abroad under China’s own “capitalism with Chinese characteristics” (Dittmer and Yu 2010). Moreover, China’s overseas economic development policies and Chinese investment abroad should similarly be viewed from a historical perspective (Strauss 2009), particularly around the maintenance of elite state and business coalitions tied to China and Chinese diaspora business communities (Percival 2007).

The analytical focus of this paper will, however, look past the monolithic Burmese and Chinese “states,” and instead examine the ways in which social power relations that define “state-society” are continually reproduced through struggles for control over land, resources and populations (Jessop 2008). “State as structural effect,” in the words of Timothy Mitchell (1991), places less emphasis on state institutions, laws and policies, and more on how political-economic outcomes result from the structural influences of historical patterns of social forces, manifested through powerful people who continue to enjoy and benefit from their privileged socio-political positions and access. Instead of following a statist or institutional approach, the gravitational pull of this chapter is to the dynamic patron-client relations that tie different state and state-like actors at and among various geographical scales (what I am calling “socio-spatial economic relations”), each weighed down in its own place-based histories. This more grounded approach hopes to demonstrate the entrenchment of political economies—as lived social relations—not easily dislodged by political-economic or institutional reforms from the “center.” Chinese political-economic influences in other countries in the region, such as Laos and Cambodia (see Tan’s and Nyíri’s contributions, this volume), would necessarily be different due to complex and distinctive histories (in particular during the Cold War era) for each “place” rather than any monolithic region-wide experience.

4 On “socio-spatial” dialectical relations, see Soja (1980); Jessop, Brenner and Jones (2008).
A view tilted more toward on-the-ground social and economic “lived” relations will help to
more accurately navigate the confusion over the discourse of the current political-economic
dynamism that is said to be now more anchored toward western/Global North capitals. This will be
accomplished by relying on a multi-scalar geographical approach (Sheppard and McMaster 2004)
grounded by a place’s political histories and economies to demonstrate stark differences—and
subsequently the blurring of these differences—in historical patterns of social relations operating at
(1) the national level (the “center”) with Burmese “crony companies” compared to (2) the regional
level in the north populated by ethnic nationalities living within a day’s reach of the China border
(the “periphery”). Both scales operate under their own variant forms of capital accumulation
because of their specific place-based patron-client economies. A short case study presented here will
illustrate how these two scalar political economies, while somewhat distinct in their scalar regions,
are dialectically produced in a push-pull formation, and how they ultimately define each other.

The paper begins with a very brief political history of China-Burma border relations during
the Cold War period, and will show how the armed political conflict borne from those times
continues to be manifested in the regions’ political economies and is (counterintuitively) further
rejuvenated by the current reforms. Geographically, the emphasis is on northern Burma which
borders Yunnan Province, and how that ethnic “periphery” is set in relation to the urban “centers”
of Rangoon, Mandalay and the new capital, Naypyitaw. The next section juxtaposes “crony
companies” from Burma’s urban center with that of “ethnic strongmen” located in the ethnic

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5 As evidenced from the resurgence of western-based bilateral development aid packages (e.g., USAID, DFID, EC/EU),
assistance by IFIs (e.g., World Bank, Asian Development Bank) in restructuring the economy according to neoliberal
principles, providing (and forgiving) loans and large-scale infrastructure (e.g., JICA), and drafting laws, regulations and
policies to support these development interventions.
“periphery” who monopolize those regional resource-rich border economies operating in those locales. The last section pulls apart these distinct geographical political economies and business networks to show how they merge together at various nodes. Based on the arguments and evidence provided, the paper concludes that if political economies are viewed from the socio-spatial relations that construct them, then Burma’s current neoliberal reform period, hell-bent on inserting the country into western-aligned political economies, will not dislodge mainland China and ethnic Chinese political and economic influence in Burma. Scale, geography and political histories taken together offer analytical tools that challenge the current discourse that the West is threatening or replacing China in Burma.

**Historical Sedimentations of Sino-Burmese Cross-Border Relations**

Economic markets are embedded within historical patterns of social relations, cultures and histories (Polanyi 1944). In order to better understand the market reform period in Burma today, we must examine the relations that construct market-based practices and the material as well as discursive effects of these new dialectical state-society-market relations. This paper will thus give primacy to historical patterns of social relations that have emerged concomitantly out of particular geographical scales (taken together as “socio-spatial” relations), in order to challenge the contemporary discourse of Burma’s neoliberal reform supposedly pushing China out of Burma. This section will give a brief overview of the political history in northern Burma to demonstrate the weight of historical patterns of socio-spatial relations in the making and maintenance of markets.

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“China in Burma” has a long turbulent history as neighboring countries that have been thrown both together and apart during periods of resource trade, migrations and war—which can be defined by malformed Chinese state-building (Ma 2011). More temporally relevant have been the communist-nationalist struggles along their shared border, which has had far-reaching implications, even to this day. After independence from the British in 1948, Burma briefly experimented with democracy after which ethnic insurgencies and communists (initially mostly composed of the Bamar ethnic majority) began their own experiment in revolution against the post-colonial Burmese government. Armed revolutions across the country initiated a complex and dynamic interaction among ethnic identities, political ideologies, territories and illicit trade. From the 1950s until the mid-1980s, a civil war ensued which brought together in constantly renegotiating terms different ethnic armed insurgent groups, the underground armed Communist Party of Burma (CPB) who were fueled by the Chinese Communist Party’s (CCP) ideologies and funds, the retreating Chinese Nationalists (Kuomintang, or KMT), Thai state and police authorities along the Thai-Burma border, and the USA’s CIA (Smith 1999). All these different coalitions and factions hid out in the Burma-China borderlands largely beyond the reach of the Burma Army (or Tatmadaw in Burmese). Over time these different factions were either further united or torn apart over the burgeoning opium economy (McCoy 1973), which to this day in parts of Shan State still float the mainstay economy tied to ethnic-based insurgencies and people’s militias (Meehan 2011).

As a way to deal with the plethora of armed groups challenging the Burmese post-colonial state, the Tatmadaw contracted out carefully selected local “ethnic strongmen” in the northern uplands to help fight the CPB and ethnic rebel organizations. This counterinsurgency strategy became institutionalized by the state through the military-government’s Ka Kwe Ye (KKY) program that started in 1963 after the country’s first military coup under Ne Win. Less than a decade later this program morphed into the military-government’s Pyithusit (“People’s Militia”) program which still
exists to this day (Smith 1999). In some cases this included selecting ethnic Chinese strongmen who originated from Chinese families who settled in northern and eastern Shan State several generations ago, such as “Kokang Chinese,” as well as “illegal” immigrants fleeing China’s CCP or from China’s People’s Liberation Army (PLA) who did not return. In exchange for these arrangements with ethnic strongmen, Burmese authorities permitted these now quasi-paramilitary leaders to use their “territories of influence” for capital accumulation without state interference (in addition to having access to state infrastructure routes for trade), which at that time was predominately producing, taxing and trafficking opium (Lintner 1999). One of the most prominent strongman arising from these counterinsurgency programs was Lo Hsing Han (Pinyin spelling: Luo Xinghan), the infamous Kokang Chinese “kingpin of heroin” (McCoy 1973). The case study at the end of this paper will explore in more detail the role that Kokang Chinese play in contemporary political economy of North Shan State, and indeed the country, and how the military-government’s previous sovereign accommodations for select armed ethnic groups is now very much under scrutiny.

In the late 1970s after Chairman Mao’s passing, and subsequently as China edged toward more market-led development reform and sought greater inclusion into the global economic community, Beijing eventually cut its ties to the CPB (Lintner 1990). Without China’s funding or political and ideological support, the CPB soon fractured into many armed political opposition groups, many of whom rushed to sign ceasefire deals with the Burmese military regime from the late-1980s to the mid-1990s. These ceasefire groups stopped openly fighting against the Burmese military-state in exchange for retaining their armed troops and territory, as well as receiving lucrative

7 Other non-Chinese ethnic nationalities were also included in the list of people’s militias, such as Kachin and Shan.

8 The Beijing government’s support to the border-based CPB was keeping Beijing from achieving their new policy objective of opening bilateral trade ties with the Burmese national government.
concessions and (illicit) trade rights. The ceasefire agreements further strengthened semi-autonomous, non-state territories and the politico-business elites operating there as they then received greater state protection to operate their illicit activities (although constantly negotiated). These ethnic military-cum-business leaders then began to more aggressively extract and tax various valuable resources, mainly poppy but also other natural resources, within their territorial jurisdiction, oftentimes with the blessings of (and bribes to) Burmese and cross-border officials (Lintner 1999; Woods 2011a; Meehan 2011).

Crony Companies, Ethnic Strongmen and Shadow Economies

The CPB’s disintegration, combined with ceasefires with ethnic rebel groups, enabled the Burmese military-state for the first time to gain nominal control and authority over land, resources and populations in the ethnic nationality ceasefire zones (in this case valley towns and along main throughways). On the other hand, so-called paramilitary leaders cum businessmen (both ethnic Chinese and other ethnic nationalities) still retained arms, soldiers and territories of influence even after ceasefire agreements were signed with most insurgent groups. For the case of militia leaders directly involved in the illegal drugs trade, this has contributed to a malformed type of military-state building (Meehan 2011). The military-state, paramilitaries and ceasefire groups all cashed in on their positions of armed power and territorial authority to trade in drugs and grant resource concessions to their patron clients, who predominately were mainland Chinese investors connected to nodes of resource extraction networks and cross-border markets (that oftentimes stretched far beyond mainland China). Regional Burmese military commanders, ceasefire groups and militia leaders granted logging (Global Witness 2005; Woods 2011b) and mining concessions (KDNG 2007a) in

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9 Similar arrangements had been made starting two decades earlier with the KKY and Pyithuit leaders to fight against them.
northern Burma to mainland Chinese companies, which has carried particular securitization, political and territorial implications in ceasefire areas—a process I have termed elsewhere as “ceasefire capitalism” (Woods 2011a).

These resource extraction deals were largely orchestrated, however, at the local and regional levels with cross-border patron-client ties, rather than from their respective country’s capitals. In many cases national departments in both countries were unaware of the deals being signed. Nearly all of the mainland Chinese companies who were able to secure resource concessions in northern Burma during the ceasefire period were based in the bordering province of Yunnan, and many were from the bordering prefecture cities in Yunnan (e.g., Tengcong and Baoshan). The pattern of rent-seeking by strongmen arose from their positions of power and particular more localized cross-border patron-client relations, which was then further buttressed by their gentlemen agreements with the Burmese military (Woods 2011b; Woods, forthcoming).

Scaling up to national capitals and governments, however, showcases very different patron-client relations and political economies. Beijing dropped support for Burma’s communist party leading into the 1980s as part of their ideological switch toward market-led approaches to diplomacy. Just two days before the infamous bloody assault on pro-democracy protesters in Rangoon on 08 August 1988, the Beijing government, who themselves were busy diffusing their own mounting domestic upheaval, signed cross-border bilateral trading deals with the Burmese military-state (Song et al. 1993). While the treaty was a few years premature, given that the central Burmese government only controlled a small sliver of territory along the Yunnan border, the central governments cleverly anticipated what was quick to come. The breakdown of the CPB and concomitant ceasefires a few years thereafter soon allowed the two governments to engage in cross-border bilateral investment and trade as more territories came under the central Burmese military-state, further buttressed by post-war military-state building operations that resulted in enhanced
territorial control over rich resources and trade routes (Woods 2011a). The timing is noteworthy: this was happening when Burma got hit by western-led economic sanctions after the 1988 pro-democracy crackdown fiasco, which then served to further cut off Burma from enjoying access to global markets and capital (Aung Myoe Maung 2011). Since then China quickly became a welcomed financial and military lifeline to the Burmese military regime. Beijing, and to a lesser extent Kunming, governments and state-backed companies soon became woven into Burma’s own national development apparatus directed by the country’s top military leaders who curried favor with their new found political and economic ally (Guo 2007). Major Chinese-financed large-scale infrastructure development and resource extraction projects soon materialized (ERI 2008). For example, by the mid-2000s large-scale Chinese-financed mega hydropower schemes were being constructed, especially in ethnic (post-)war territories (e.g., Myitsone dam in Kachin State, dams on the Salween/Thanlwin, River) (KDNG 2007b), as well as Chinese-financed oil/gas projects (Shwe Gas Movement 2009), in addition to China providing loans and military equipment to Burma’s military-government.

These political events very much influenced how the “Burmese Way to Capitalism” took shape in the 1990s (Mya Maung 1998). Having been deprived of global markets and finance capital, and Chinese capital accumulation mainly targeting resource extraction to feed China’s undersupplied demand, the Burmese military-state began to court their very own nascent “indigenous capitalists” to achieve national economic development goals. Rangoon-based Burmese businessmen, many of whom are Sino-Burmese—which has not gone unnoticed by Burmese civil society (Aung Din 2011)--became the private arm of the military’s capital accumulation strategies (Smith 1999; Turnell 2009). Burmese “crony companies,” as they are colloquially known in Burma, with their savvy business strategies and networks, were bestowed by the military-state special economic privileges to extract, produce and secure wealth for themselves and top military-state officials who, through various webs
of familial and business relations, are oftentimes “shareholders.” And the spaces of accumulation that were made available to these crony companies were precisely the resource-rich areas in ethnic states opened up to this “military-private alliance” through the ceasefires (Woods 2011a).

“Cronyism” has been the economic current for the Burmese military-state since then, bleeding out from the economic centers into the resource-rich periphery. The relations that the cronies enjoy with top military leaders have provided them resource extraction (logging, mining) and production (agribusiness) concessions, construction and infrastructure development contracts, and very lucrative import/export licenses. In return, the cronies have provided leaders with further injections of finance capital into various sectors and projects in the absence of the government's access to global finance centers and markets. Cronies have themselves relied upon their own business networks to help supply their companies the necessary capital injections to carry out the development projects asked for by the military leaders. In many cases Burmese cronies have had to rely upon their ethnic Chinese business networks, from mainland China as well as ethnic Chinese diaspora in Southeast Asia (particularly Singapore). Other cronies have no doubt found this as an opportunity to effectively launder their large sums of capital accumulated through illicit means (Lintner and Black 2009). The rising phenomena of cronyism in Burma is best displayed by the banking sector, where four out of the five top private banks in the 2000s were run by Sino-Burmese, three of which have been directly tied to the illegal drugs trade in Shan State where they first made their riches (Lintner and Black 2009; Turnell 2009). Over the past two decades there has been a convergence of cronies, the military-state and Chinese finance capital that has largely operated Burma’s national political economy as a sort of parasitic capitalist relationship--and much of which is tied to the black market, specifically to trading heroin and methamphetamines. Also telling is the

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10 The fourth bank is suspected by many to have informal links to illicit activities at an early stage, but no such concrete proof has yet materialized.
number of high-level military officials who became top government officials (as is currently the case for all ministers), as is the large percentage of members of parliament (MPs) under the USDP (the military’s political party) in ethnic states who made their riches from natural resource extraction and illegal drugs trade.\textsuperscript{11} While this “military-private alliance” has begun to be challenged by the current reform period with the arrival of global finance institutions and more legal markets, closer examination illuminates a strengthening bond from the surge of finance capital now being directed into this monopolistic dark alliance.

The dominance of Chinese capital behind much of Burma’s formal and informal economies--either directly from China to the Burmese military-state, or informally via Burmese cronies--has long been noted by Burmese civil society who feel they do not benefit and instead only bear the costs. Since reforms have further opened civil society spaces, protests have erupted targeting Chinese-financed projects in part given its political potency, such as the Myitsone dam project in Kachin State (Kyaw Hsu Mon 2011) and the Letpadaung copper mine (Lawyers Network and Justice Trust 2013). The protests to many casual observers have symbolized the transition away from China and toward the “West” who offer the promise of more transparent and accountable good business practices for citizens to benefit. On the one hand, it is true that since the new Burmese reform government took office in 2011, Chinese investment in Burma fell from approximately USD 12 billion committed during the period 2008-2011 to USD 407 million in the 2012/13 fiscal year (Sun 2013). On the other hand, mainland China and ethnic Chinese diaspora still dominate foreign investment in the country. Actual cumulative FDI from China alone by March 2014 was USD 14.2

\textsuperscript{11} For example, every known USDP Kachin MP from Kachin State is a very wealthy businessman from jade and gold mining whose mining concessions were granted by the regional military commanders and sold onto mainland Chinese buyers. Moreover, a handful of USDP MPs representing Shan State were heads of militias (mostly ethnic Chinese) right up until they were “elected.”
billion, which accounts for nearly 40 percent of total FDI in Burma today (DICA 2014). And this does not take into account informal Chinese finance, which is very significant at the national and border regional levels, especially given the primacy of Burma’s black market economy (Kramer and Woods 2012; Buchanan, Kramer and Woods 2013). Hong Kong (which is not counted as mainland China by the Burmese government) is the country with the second highest FDI in Burma at USD 6.4 billion (18 percent of total FDI), followed by Singapore at USD 4.2 billion (12 percent of total FDI) (DICA 2014). Therefore Asia-based investors, and more specifically countries with a significant ethnic Chinese population, still dominate FDI in Burma (apart from the oil/gas sector, which presents a significant anomaly). Western-based companies are predominately holding back from investing until a more robust investment environment is created. Asia-based investors, who in general operate under different economic cultural practices compared to their western/international-based counterparts, appear to be less concerned about teaming up with cronies, triggering land grabs and forced relocation, and subsequent potential reputational risk. Therefore, while China may not be dominating the national political economy to such an extent as before according to FDI figures, there has yet to be any major disruption to Burmese cronies, ethnic strongmen and the military-state and their various links to China and ethnic Chinese business communities who continue to dominate the country’s national and regional political economies.

The former ruling military leaders and their advisors are suspected of wanting to open the country so as to avoid China’s political and economic dominance over their country (Min Zin 2014). Burma’s reform government have shown that they want to reorient their country’s political economy and their markets of opportunity toward the “West,” much to Beijing’s anxiety. To the international community, it appears to have been a huge success: the World Bank, IFC and the Asian Development Bank (ADB) are revamping the country’s financial system; the US and EU-led financial and trade sanctions with Burma have been dropped or suspended; neoliberal national laws to facilitate western-based investment have been quickly passed; Burma has at last been the chair of
ASEAN; and the Burmese government has hosted a litany of global economic and trade conferences, notable among them the World Economic Forum. The United States is even considering direct military engagement, and the EU has provided crowd-control training to Burma’s police department. But Burma’s very poor governance and endemic corruption, lack of robust institutions and modern infrastructure, and perhaps most significantly the entrenched cronyism and proliferation of non-state armed groups are all holding back the country from becoming the West’s newest darling of “liberal democracy.” The degree to which finance capital from mainland China, and Asia in general, will be replaced with Western-based investment, democratic ideals and international best practices is in the midst of being fought over in Asia’s “final frontier,” but so far this seems to be a losing battle on the ground.

**Merging of Markets and Scales**

The previous section demonstrated how 20th century political histories that are tied to China at both national and regional levels shape political economy trends at different scales, and are in turn influenced by social and economic relations among military-state officials, crony companies and ethnic strongmen. Burma cronies, ethnic strongmen and “China”—and their respective (and shared) patron-client business networks—merge together at different times and geographies that complicate any overly simplistic categorization of “center” and “periphery,” and indeed contemporary discourse as a whole on “China in Burma.”

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12 I fully recognize that cross-border trading between China and Burma has a tremendously long history. The time frame for my analysis is the mid-20th century until the present, and focusing more still on how the power relations over doing business has (or has not) transformed more recently from military-state building, ethnic politics and more liberal economic policies.
Much like the need to avoid depicting state institutions and development aid packages as unilaterally directing political-economic functions, being too focused on “the state” (see Evans et al. 1985) as a bounded, self-enclosed, geographical container of static space can mislead actual on-the-ground messy territorial and capital accumulation entanglements. A state’s sovereignty has a spatial extent that is not coterminous with its fixed territory, but is rather exercised in “scattered pockets connected by flows across space-spanning networks” (Agnew 2005, 441). Burma’s non-state territories and layered territorial complexes (e.g., so-called “brown” areas where government and non-government authorities overlap) highlight the fractured nature of national sovereignty, territory and citizenship, particularly in Burma’s ethnic upland areas (Grundy-Warr and Dean 2011). This is also the case at the national level where the ethnic “periphery” comes into the Bamar-dominated “center.”

Ethnic strongmen and crony companies, and the markets and patron-client relations they are embedded within, blur at China’s border where state and non-state authorities, territories and business networks collide and collude, as the case study that follows will further illuminate. The merging of markets and middlemen extends beyond the China-Burma border as the Bamar-dominated military-state center dissolves into the ethnic minority upland periphery. Largely as a result of forms of military-state building since the disintegration of the CPB and ceasefires with armed groups, ethnic strongmen are increasingly being absorbed into the political economies of Burma’s urban centers; meanwhile crony companies, who once themselves may have been ethnic strongmen, are increasingly penetrating China’s border economies as Burma’s military-state gains more authority and control over contested ethnic border territories (see Woods 2011a). For example, the second highest concentration of agribusiness concessions in the country is located in Kachin State, the majority of which (by acre) has been allocated by the central Burmese government to
favored crony companies based in Rangoon (Woods 2015a). Therefore ethnic strongmen and crony companies, and their corresponding business networks and territories of operation, should not be considered as rigid closed structures agents operate within, but rather as fluid and dynamic interactive relations between Burma and China’s multi-scalar political economies.

The following case study will empirically demonstrate the socio-political (and racial) construction of political economies in northern Burma with China, and how the Chinese-influenced border economies merge with Burma’s urban centers—perhaps even more so as the country opens to even greater sources of finance capital.

**Kokang Chinese Business Networks and Cross-Border (Il-)licit Economies**

Race and territory, as inscribed by the (post-) colonial state, simultaneously direct and reflect different political-economic conditions and social relations within which military-state and state-like actors engage in capital accumulation strategies. In North Shan State, for example, “Kokang Chinese” from the “Kokang Self-Administration Zone” in the north-eastern corner of North Shan State up against Yunnan province provide an illustrative example of how geographical scales, boundaries and economies become blurred.

“Kokang Chinese” became an officially recognized ethnic nationality after Kokang Chinese armed insurgents and militias were increasingly brought into the machinations of the Burmese military-state (Yang 1997). The political geography of patronage and power follows the historical lineage of strongman politics in Kokang region, which can be told through stories of armed insurrection, militias, illicit drugs and migration (Lintner 1999). Through their history of cross-border trade, armed rebellions and narco-trafficking, the Kokang Chinese in North Shan State have established patronages with Chinese and Burmese government officials, national military and

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13 Based on information from a wide-array of local informants, (inter-)national researchers and local media.
local militia personnel, and with businessmen on both sides of the border (Yang 1997; Chin and Zhang 2007; Lintner and Black 2009). Several waves of Kokang Chinese migration further south into North Shan State (to Lashio and beyond to Mandalay and Rangoon) have taken place since their original settlement (in what is now called the “Kokang Self-Administration Zone”) several hundred years ago by two competing clans from mainland China (Yang 1997). Most recent migration took place in the 1980s as the CPB, whose underground headquarters were located in Wa Semi-Autonomous Region just south of the Kokang region, came under more sustained attack by the Burma Army.\textsuperscript{14} As ceasefires were signed with CPB breakaway ethnic rebel groups, business deals, rather than fighting, were encouraged by the military-state to sustain Union “peace.” Meanwhile, ethnic Chinese (Kokang, ex-KMT and ex-PLA, and new Yunnanese migrants) from the border further migrated toward Lashio (the urban center for North Shan State) in search of better business opportunities.\textsuperscript{15}

As a result of this turbulent history, a few prominent Kokang Chinese leaders have emerged over the past half-century in the “Golden Triangle” who became some of Asia’s most significant heroin traffickers (see also Tan’s chapter)—which is a cumulative product of agro-ecology, the Opium Wars and the Burmese military’s counterinsurgency program against ethnic rebel groups. Most prominent among Kokang strongmen is Lo Hsing Han. “Keep your friends close, but your enemies closer” is an apt phrase to describe the historical relationship between the Burmese military-state and Lo Hsing Han during the turbulent narcotics fueled period on the Shan State-Yunnan border. Lo Hsing Han, who became very powerful in the Kokang region through his narco-business networks, eventually became a helpful state-like agent for the Burmese military. Today the

\textsuperscript{14} Interviews with several elders in Lashio, North Shan State, 2013.

\textsuperscript{15} These patterns of migration dramatically changed the demographic of Lashio, whose ethnic Chinese community is now estimated to be up to half the population of the city (Le Bail and Tournier 2010).
late Lo Hsing Han’s company, Asia World, which is now owned by his son, is the most prominent company in North Shan State with military-state allocated concessions for mega-dams, road building, toll fee collection, logging, mining and agriculture. In fact, Asia World is not just a highly prominent company in North Shan State, but the largest private conglomerate for the whole of Burma, with projects across the country in resource extraction and major state-backed construction projects, with even their own river port in Rangoon.

Kokang Chinese speak a Chinese dialect and maintain strong connections to mainland China through familial ties, and therefore look to Yunnan rather than Burma for capital, trade and business. Perhaps for these reasons, Kokang Chinese have not assimilated well with the rest of Shan State society in Shan State. Other notable hurdles to Burmese military-state building efforts has been a Kokang armed group (who incidentally were the first to sign a ceasefire with the military after the CPB broke up), a supposed active illegal drugs trade, and the inability of the Burmese central government to extend their territorial sovereignty into the area. This precarious ethnic-territorial sovereignty arrangement, alongside rising Bamar nationalist sentiments, helps explain the Burma Army’s assault on Kokang Region in 2009 (against the Kokang armed group) with the lead up to transitioning to the new “democratic” government, and again in early 2015, with the lead up to the next national elections.\(^{16}\) The unexpected attacks that resulted in bombs dropped on Chinese territory and Kokang Chinese civilians fleeing across the China border to seek refuge have understandably angered Beijing and caused another recent row over Sino-Burma “harmonious relations.” More poignant is how the renewed armed conflict in Kokang Region has demonstrated how any sort of “post-sovereign accommodation” along the shared border may have outlived its

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\(^{16}\) The timing of the attacks are notable, as are the rather favorable responses seen on social media from Burmese civil society applauding the Burma Army in “purging” rogue “Chinese” from their country and protecting the “purity” of the integrity of the Union.
initial usefulness in the transition to a stronger Burmese military-state apparatus extending the Bamar-centered nation-state to its sovereign extent.

Even though Kokang Region as a more-or-less non-state territory may be viewed by the military as a growing threat to the integrity of the Union, Kokang Chinese merchants play an ever-growing role in capital accumulation measures in Shan State. Some Kokang Chinese’s ability to secure finance capital from familial and business relations in China while based in a capital-deficient area of Shan State have put them in a prime position to act as local/regional “capital conduits” for business deals, both licit and illicit. For example, over the past decade there has been increased opportunities for ethnic Chinese strongmen involved in illicit economies to also facilitate cross-border Chinese agribusiness (mostly rubber) land grabs supported by China’s opium substitution program (Kramer and Woods 2012). In this way Kokang Chinese often become “fixers” in terms of being middlemen as well as fixing capital on behalf of mainland Chinese investors—whether it be for opium or rubber, for example. Migration of more capital-endowed ethnic Chinese into capital-deficient rural areas of North Shan State have also greatly impacted on moneylending practices to low-capital farm households. Ethnic Chinese have become the main informal moneylenders to finance farmers’ transition to high-input cash cropping, such as for industrial maize, which has caused unprecedented levels of household debt, differentiation and dispossession (Woods 2015b). In many reported cases moneylenders are now obtaining village land along roads as debt payment, laying the foundations for yet another agrarian transition with a nascent “landed class” with sweeping long-term impacts.

These complex pathways of “fixing investment” bring together Kokang Chinese businessmen and militias, mainland Chinese investors, and Burmese military-state officials. Again, boundaries are blurred, mixing regional markets and strongmen with (inter-)national economies and officials. Aik Htun, another well-known Kokang Chinese, illustrates this point well: from his long-
standing friendship with the man who made drugs synonymous with Kokang Region was once the country’s most prominent private banker and one of the leading property development conglomerates. These social and economic relations, coming out of the particular political histories and (drug) economies of these places, are not wiped clean away with new political and economic reforms in Burma’s urban centers. If anything, ethnic Chinese businessmen, some of whom have standing armies and are closely linked to the drugs trade, are increasingly coming into Burma’s urban centers and even into the national government.

The Making and Maintenance of Markets: Concluding Remarks

“China in Burma,” both discursively and materially, is a complicated dynamic affair. The diplomatic, political and economic relations between the two countries have been continually refitted as the two countries have gone through their own separate and shared events. In particular, Burma’s post-independence ethnic armed movements, underground communist insurgency, and the Burmese military’s counterinsurgency strategies against them along China’s shared border continue to provide historical weight to Burma’s regional and national-scale political economies. Since the mid-1960s ethnic strongmen have dominated the political and economic sphere in northern Burma, in this case mostly with the illegal drugs economy, which was, and still is, woven into cross-border business networks with Yunnan Province and beyond.

As Burma’s communist party lost favor with China and imploded from within, Burma’s armed communist struggle crumbled. Ethnic insurgent leaders were quick to sign ceasefire agreements with the military-state, which then left them to make business deals in lieu of revolution. Ceasefire zones became hotbeds of (il-)licit economic activities with the plethora of new (non-)

17 Aik Htun’s current property development outfit is one of the most successful winners of property redevelopment bids in downtown Rangoon during the current reform period, based on personal observation.
military-state actors free to engage in business, further bringing in the Chinese state and mainland Chinese investors. Meanwhile, in the early 1990s, the Burmese military-government began its first experiment with a more liberal market economy in response to an atrophying economy and a near toppling of the regime from pro-democracy protests and western-led sanctions following soon thereafter. The Chinese national government, since ending its formal relationship with the Burmese revolutionaries, stepped in to provide political and economic protection to the languishing Burmese military regime. At the same time the Burmese military leaders turned to their own nascent “indigenous capitalists” to bolster the capital-starved state. Through the 1990s and into the current neoliberal reform period, cronyism has steered the country’s national economy, while ethnic strongmen have dominated cross-border regional economies. China and ethnic Chinese investors (from mainland China and the diaspora community) have been an integral force in the making, the maintenance, and the increasing merging of these economies.

Ethnic Chinese, especially Kokang Chinese, have become a key node of social and economic relations connecting northern Burma’s ethnic periphery to the country’s urban centers. High-profile Kokang Chinese strongmen, for example, have diversified their portfolios beyond the drugs trade into licit economies, such as banking, mining, agribusiness and property development. Ethnic Chinese strongmen from the “periphery,” some as leaders of standing armies, others as members of parliament (and some as both), are not just acting as “fixers” for mainland Chinese capital in northern Burma, but are also doing business deals with top Burmese military-state officials and cronies.

The chapter demonstrates not just the importance of geographical scale and the weight of political histories in structuring social and economic relations, but also how these so-called centers and peripheries bleed into each other. As the Burmese military-state gains more power and authority over their national borders for the first time, crony companies are increasingly allocated business
deals in the ceasefire zones—at times in competition against, but also in part in cooperation with, local strongmen, who are predominately ethnic Chinese in the case of northern Burma. State institutional and political-economic reforms emanating from the capital does not automatically flip a switch; political economies operate within the milieu of relations between people, and between people and things. Upholding social power relations as a structuring agent of political economies calls for a de-centered state analysis that privileges “state-like” actors, whereby “state-society” relations and market engagements illuminate the “state of the economy.” The political histories and spatio-social relationships that have long wed the Chinese and Burmese economies together are too deep to be easily dislodged by neoliberal economic prescriptions advanced by global financial institutions.

References


