



Southeast Asian Studies at the
University of Freiburg (Germany)

Occasional Paper Series

www.southeastasianstudies.uni-freiburg.de

Occasional Paper N° 38 (January 2018)

Bilateral Issues in Myanmar's Policy towards China

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Abstract

The bilateral relationship between Myanmar and China is an old and multifaceted one. The realities of deeply embedded historical interactions and the geographical considerations of a shared border in excess of 2,200 kilometers is testimony to the importance of the bilateral relationship. China is not only a large and powerful neighboring country for Myanmar but also one with which it has dense interactions. Such interactions include security and strategic issues, ethnic insurgency and refugees, drugs and human smuggling, and economic issues. China is a major investor and donor to Myanmar and during the period from 1993 to 2010, when the latter was subjected to wide-ranging international sanctions, the bilateral relationship was especially close. Chinese assistance came without conditionalities and was an important source of economic and infrastructural support that enhanced the Myanmar military government's domestic and international political legitimacy. While Myanmar now has many important international linkages and relationships, the relationship with China continues to be extremely important. Elites on both sides have acknowledged each other's importance in the relationship and have thus enhanced it. The 2017 political violence against the Rakhine Muslim community that brought with it tremendous negative publicity and the ongoing ethnic peace process are two areas in which China retains an advantage for enhanced interactions. China's interest in Myanmar's access to the Indian Ocean and its vast natural resources are also important considerations. In Myanmar, the perceptions of China and its interests are mixed.

Keywords:

Myanmar, China, bilateral relations

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1. Introduction

Myanmar's bilateral relations with China constitute perhaps the country's most important foreign policy considerations in Asia. Few other countries except India and Thailand have such importance to the country's policy output. This importance is based on geographical and historical factors as well as a number of internally derived considerations. James Rosenau famously identified the importance of linkage politics in the foreign policy output of countries (Rosenau 1969). His hypothesis was that foreign policy output is determined and in part driven by internal considerations that impinge on a country's domestic politics. This process then leads to some measure of convergence between a national system and the international one through a process of accommodation. More recently, neoclassical realists have drawn similar attention to the interaction between the internal demands and dynamics of a state and the opportunities and constraints available in the larger external environment in order to arrive at an understanding of how policy decisions are made (Rose: 1998; Lobell et al: 2009). The former serves as the context that identifies the best policy options taking into account domestic considerations and elite preferences. This more recent approach, which owes its intellectual origins to realism, draws on a state's internal imperatives and choices rather than merely focusing on state-centric attempts to enhance power in relational terms at the systemic level as previously posited by neorealists. This assertion is certainly true in the case of Myanmar and its relationship with China. While some factors hindering the relationship are inherently domestic in nature, a number of others are generated based on China's involvement in Myanmar's domestic political economy and security.

The Southeast Asian region has traditionally privileged bilateralism over multilateralism in international relations. As a policy mechanism, bilateralism predates multilateralism, especially between geographically proximate states. Historically it has provided policymakers with a platform as well as a venue to deal with important matters between immediately adjacent states. Consequently, the "accumulated interactions and knowledge derived from bilateralism subsequently serve to undergird the practice and establish it as a preferred medium" (Ganesan 2015b, Ch 1).

Other than being a convenient mechanism, there are many factors that privilege bilateralism as a policy mechanism. The process allows for a better understanding of problems that are unique to two countries and involve them the most. Moreover, as noted by Etel Solingen, levels of compliance are likely to be higher with such mechanisms and the transactional costs conversely lower than those obtained in multilateral settings (Solinigen 2010). Such arrangements are also likely to be more flexible and to include idiosyncratic preferences of elites that are often important within the Asian context. Additionally, as argued by T.J. Pempel, there is a strong normative belief in East Asia that bilateral agreements are the preferred forum to coordinate policies or resolve conflicts (Krauss & Pempel 2004). China has also expressed on numerous occasions an explicit preference for bilateral fora over multilateral ones.

China's bilateral relationship with Myanmar has not always been even or cordial. It is clear that the bilateral relationship is an asymmetrical one in China's favor. Yet it would be a mistake to think that China wields unbridled disproportionate influence in the relationship (Ganesan 2011). The reason for this observation is that Myanmar's elite have traditionally been aware of the disparity between the two countries and have constantly sought to protect domestic interests and preferences.

Additionally, Myanmar has sought to temper the relationship by simultaneously engaging its other two proximate neighbors India and Thailand on similar issues (Ganesan 2010b). Consequently, Myanmar is able to deflect some of the pressures that would otherwise obtain from China's relative size and strength. That said, it should also be noted that China had disproportionate influence on Myanmar when the latter was subjected to international isolation and sanctions in the 1990s for its poor treatment of the political opposition and its human rights record. The robust sanctions regime of the international community left Myanmar with little option save to lean more towards China for trade and development in general.

This article examines the factors in Myanmar that impinge on the country's bilateral relations with China. As mentioned earlier, some of these factors are intrinsic to Myanmar, while others derive from the nature of China's engagement of Myanmar. Consequently, some distinction may be made between intrinsic and responsive factors, although the two issues are often interactive as well and not easily separable. For this reason, they are best treated in terms of functional and typological categories collectively. Beyond this simple distinction there are also historical and geographical factors undergirding the relationship that provide the basic policy terrain for Myanmar. And finally, elite perceptions and predispositions also have an impact on the bilateral relationship.

In line with this logic, this article is divided into five main sections. Following this introduction, the second section examines the contours of history and geography that have influenced the bilateral relationship. The third segment looks at the idiosyncratic variable of elite perceptions that is brought to bear on the relationship. Then the fourth section examines the different sets of factors from Myanmar's side of the equation that impinge on the bilateral relationship. The concluding fifth section then wraps up the article with some thoughts on how the relationship may evolve in light of the massive election victory of Aung San Suu Kyi's National League for Democracy (NLD) in the November 2015 national election that in turn is allowing the NLD to dominate the parliament and government going forward.

2. Historical and Geographical Factors

Myanmar has a long and colorful historical relationship with China. Traditionally, the northern reaches of the country were subjected to large-scale migrations of Sino-Thai peoples who inhabited the northern Shan and Kachin states. Chinese emperors have also historically threatened Burmese kingdoms and sought to subjugate them within a web of neighboring vassal states in securing political compliance and tribute. Consequently, some measure of Myanmar's threat perceptions have traditionally originated from China. These perceptions were held at bay when the country was colonized by the British, beginning in 1826 when they captured Arakan and Tenasserim after the conclusion of the First Anglo-Burmese War. The strong control exerted by the British over the country from the late nineteenth century and the colonizer's equally strong control in parts of China deflected this threat.

Nonetheless, the Chinese threat reared its head again after Myanmar gained its political independence from the United Kingdom in 1948. Arising from the civil war in China between the Chinese Communist Party (CCP) and the nationalist Kuomintang, a large detachment of the nationalist army was trapped in Myanmar's northern Shan states. This army was nourished and supported by the Central Intelligence Agency (CIA) of the United States as part of its Cold War

strategy of containing communism. And conversely, the CCP was committed to the defeat of this army. As a result of this development, Myanmar's political elite was unable to control political developments in the Shan states in the face of major external power involvement in the country's territory (Ganesan 2013). It was as a result of this development that Prime Minister U Nu advocated a foreign policy of passive neutrality obtained through isolationism in the hope of deterring great powers from involvement in Myanmar. This threat dissipated by the early 1960s but continued to inform the immediate post-independence elite's threat perceptions regarding China.

A second development led to the continuation of this threat perception beyond the 1960s. This was China's support for the Burmese Communist Party (BCP), many of whose members were in the main ethnic Chinese. The long and porous border with China meant that the BCP could operate with impunity across the border and Burmese troops were often at a disadvantage when fighting the Burmese Communist Party (BCP). Additionally, from 1949 the country had to contend with multiple insurgent movements, many of them located in Upper Burma. As a result of this complicated security scenario and the weak position of the army, the BCP operated quite freely in the border areas (Haacke 2006: 8). The collapse of the BCP in 1989 also meant that its fighters, especially the Wa and the Kokang, formed their own insurgent armies. Bereft of ideology, they returned to their ethnic roots, not unlike the other insurgent armies. The proliferation of these armies, many of them with political and economic linkages to China, inevitably engendered threat perceptions regarding China, although the relationship stabilized after the collapse of the Burma Socialist Programme Party (BSPP) government and then became positive in the 1990s when Myanmar was subjected to international sanctions and isolation. China's unconditional support and extension of aid to Myanmar was a welcome relief to the military junta in power and helped to buttress the regime's domestic political legitimacy.

Geographically, China's location to the north of Myanmar and its long common border of approximately 2,200 kilometers means that the two countries have always had a dense web of interactions. The flow of people and goods across the border has also been significant. Economic activity between the two countries is extremely strong and in turn influences elite and mass perceptions of China (see below). Historically embedded interactions and strategic imperatives therefore require that Myanmar treat its bilateral relations with China as part of its core interests.

3. Idiosyncratic Factors

Since the post-independence period Myanmar's elites have always had a disproportionate influence on the country's bilateral relationship with China. Part of the reason for this development is the fact that the country's early isolationist foreign policy bore the hallmark of the U Nu government. Following a coup against that government, the military strongman Ne Win took charge of the country's socialist-styled foreign policy. While generally continuing with the isolationist and neutral foreign policy of his predecessor, Ne Win did not allow for major changes to the policy regardless of the broader international changes associated with the Cold War. The development that forced Myanmar to actively court China was the collapse of the BSPP government in 1988 and the violent suppression of the student-led democracy movement. That event and the military elites' subsequent annulment of the 1990 national election, in which Aung San Suu Kyi's political party, the NLD, achieved an overwhelming victory, turned the tide of the country's bilateral relationship with China towards a much more favorable one. Suu Kyi's subsequent and regularly extended

house arrest led to the international sanctions regime that caused the two countries to gravitate towards each other.

China was in a similar situation of international condemnation for its violent suppression of the Tien An Men democracy movement. Notwithstanding Deng Xiaoping's liberalization of the Chinese economy that began in 1978, China remained communist ideologically with its attendant impact on the structuration of power. Myanmar, on the other hand, dropped its socialist garb and was in effect run by a military junta led first by Saw Maung and then Than Shwe. In fact, both countries had essentially closed systems with similar structural characteristics. Given these parallels in their international situations, it came as no surprise that the two countries converged in light of their historical and geographical linkages. Starting in the 1990s, Myanmar's military rulers began to look towards China for developmental assistance as well as investment in infrastructure and the country's procurement of military hardware. During this period the relationship blossomed to the point where it would regularly be referred to by the local idiom of *pauk-pauw* (kinsfolk).

In fact, the relationship evolved to such a point that countries competing for influence in Myanmar like India, Japan and the United States became alarmed. However, Than Shwe, despite nurturing strong relations with China, ensured balance in the country's foreign policy by also deeply engaging India and Thailand. General Khin Nyunt, the former head of Military Intelligence up to October 2004, when he was unceremoniously removed from power and imprisoned, was known to have particularly cordial relations with China. Moreover, during the time of his detention, Than Shwe undertook an official visit to India, seemingly underscoring his attempts at diversifying the country's reliance away from China alone.

Than Shwe's decision to turn political power over to Thein Sein, who became the first elected President of Myanmar in 2010, was a major turning point in the bilateral relationship. Thein Sein's liberalization of the country's political system, the freeing of political prisoners and engagement of Suu Kyi eventually led the West to disband its sanctions regime. Since then the bilateral relationship with China has been much less exclusive as there are now many more competitors vying for political and economic influence in Myanmar. Leading contenders to China's influence now include the United States, the European Union, India, Japan and the ASEAN countries.

The NLD's spectacular victory in the November 2015 election means that it has had an overwhelming parliamentary majority since 2016. The NLD won 390 of the 491 seats available in both houses of parliament, accounting for 79.4 percent of all seats (Moe 2015). The NLD also dominates the regional and state assemblies, with 472 out of 629 seats. Whether this representation translates into political power or not remains to be seen since the military controls a number of key ministries including Home Affairs, Defense and Border Areas. That said, Suu Kyi herself is positively inclined towards the West since she regards the Western-imposed sanctions regime as one of the major reasons for the military's change of heart to liberalize the country politically. She is also known to have misgivings about the way some of the large economic deals with China were negotiated and is therefore likely to maintain more distance from the country compared to the previous military junta and the Thein Sein Government. China is acutely aware of the changed situation and put out friendly feelers towards Suu Kyi including extending an invitation for her to

visit the country as early as June 2015.¹ In April 2017, President Htin Kyaw paid a week-long visit to Beijing to strengthen bilateral relations and sort out difficult bilateral issues. In addition, Suu Kyi attended the Belt and Road Initiative (BRI) meeting in Beijing from 14 to 15 May when the country played host to a meeting meant to enhance its regional position in infrastructural development and strategic standing.

More recently and in light of the widespread criticism of the international community for the military's clearance operations against the Arakan Rohingya Salvation Army (ARSA) following the group's coordinated attacks on border posts and an attempted attack on an army base in August 2017, China has regained the upper hand in the bilateral relationship. The army's actions, which led in turn to the flight of 620,000 Muslims from Rakhine state to Bangladesh, have been roundly condemned by international agencies and many countries, some of which have introduced sanctions against members of the military elite associated with the violence. Reports of sexual violence and extra judicial killings and torture perpetuated by the military and ethnic Rakhine Buddhist vigilantes have placed Myanmar and Suu Kyi in a very bad international light.

Notwithstanding Western criticisms, China has leveraged the situation and in September the Chinese Foreign Minister Wang Yi told the UN Secretary General Antonio Guterres that China "supports efforts by the Myanmar government to protect its national security and opposes recent violent attacks in Rakhine state."² Additionally, earlier in September Myanmar's Senior General Min Aung Hlaing received the Chinese envoy Sun Guoxiang, who expressed the Chinese government's confidence in the military's ability to resolve the Rakhine issue. And shortly afterwards on 8 September, China opened an interim liaison office in Naypyitaw to further enhance bilateral ties. Subsequently, in November, both Myanmar President Htin Kyaw and Senior General Min Aung Hlaing visited China, as did Suu Kyi for a second time in early December to attend the Dialogue with World Political Parties. During her second visit China urged Myanmar to boost the bilateral economic ties between the two countries. Finally, in January 2018, following on the earlier momentum, China dispatched the country's Deputy Foreign Minister Kong Xuanyu and Deputy Chief of the Joint Staff of the Central Military Commission Major General Shao Yuan Ming for meetings with Suu Kyi.³ China has also pledged \$3 million for the peace process in Myanmar.

The trajectory of developments in the last quarter of 2017 suggests that Myanmar's elite is moving closer to China to deflect international criticisms and sanctions – a situation not unlike that prior to 2011 when the country was subjected to wide-ranging international sanctions. In this regard, it may be surmised that when Myanmar has poor relations with the external world in general there appears to be an incentive for the evolution of a mutually beneficial bilateral relationship with China. While Suu Kyi was previously not given to such sentiments, the current situation does seem to indicate a change of heart. Whether this situation continues in the longer term, however, remains to be seen.

¹ *Financial Times*, 10 June 2015. "Suu Kyi's China trip a symbol of Myanmar's power shifts."

² *The Irrawaddy*, 25 November 2017. "Timeline: China-Myanmar Relations."

³ *Eleven Newsmedia*, 18 January 2018. "Suu Kyi meets with Chinese delegation."

4. Myanmar: Domestic Factors Affecting Relations with China

Strategic and Security Considerations

As mentioned at the outset, Myanmar's appreciation of China's importance as a large neighbor with disproportionate power and influence in Asia and its immediate regional environment has always been a source of domestic political concern. Previous Chinese forays into the country and its support of the BCP have served to bring this reality home during the modern period. The fact that its major ethnic armed groups representing the Wa, Kokang, Kachin and Shan have ethnic Chinese roots as well as strong political and economic linkages with China makes the situation even more important. Consequently, from a political and strategic point of view, China's cooperation is crucial for Myanmar to achieve internal political cohesion and security.

China has brought this situation to bear on a number of occasions by reminding Myanmar that its own border security and safety is inextricably tied to how Myanmar deals with conflicts close to its border. The simple reason for this development is the fact that violence in the border areas invariably leads to a flood of refugees across the border into Yunnan province in China. This development is natural since it is the safest exit point out of the country.

From the Chinese point of view, Myanmar also has important strategic value because of its long coastline along the Indian Ocean (Ganesan 2007).⁴ Access to that coast affords China a check on India, one of its traditional Asian rivals, and provides a second corridor away from the South China Sea, which is constantly contested by other regional countries like Japan, the ASEAN states and the United States. Access to the coast will also provide China with a trans-Asian land route for trade by bypassing the chokepoint of the Strait of Malacca and cutting travel time and cost by several days. For all these reasons, China is currently trying to persuade the Myanmar government to gazette the area around the port city of Kyaukphyu that it is developing as a Special Economic Zone (SEZ).⁵ The port itself has been developed to facilitate the flow of oil and gas from Made Island off Rakhine state directly to Kunming in China since May 2017 and is also part of China's broader Belt and Road Initiative.

Ethnic Insurgency, Migration and Refugees

One of the greatest sources of potential conflict as well as cooperation between Myanmar and China is the issue of ethnic insurgency. While the Wa and the Kokang are ethnically Chinese, two other ethnic groups with close linkages to China are the Shan and the Kachin. And both the Kachin and northern Shan states have long and porous borders with China that regularly see the inflow of peoples on both sides, some legally and others illegally. It is fairly common knowledge that there are large numbers of Chinese citizens who have crossed the border into northern Myanmar. The traditional Chinese cross-border migrant is likely to be male, seeking a better economic future. After a certain number of years and with relative success, he typically tends to take a local Myanmar wife and start a family. This allows for some measure of legalization and guaranteed right to remain after a while. The high levels of corruption in officialdom as well as the poor security at the border also allow for large, relatively easy movements of people. From time to time, authorities in the larger urban centers like Mandalay crack down on what is perceived to be

⁴ *Eleven Newsmedia*, 23 April 2017. "Myanmar's policy shifts towards major powers."

⁵ *Irrawaddy News*, 25 April 2017. "Chinese Officials Push for Kyaukphyu SEZ to Move Forward."

overwhelming Chinese cultural influence like newspapers and billboards. In the past, the town's city council has mandated that such activities be stopped. Ethnic Shan have also expressed anxieties about how the Wa are rapidly expanding into the lower reaches of the Shan states and displacing the locals.

Ethnic insurgency in Myanmar has always involved neighboring countries and traditionally China and Thailand were the most involved in these activities. In the case of Thailand, the previous Thai governments' policy of supporting the Karen National Union (KNU) and the Shan State Army-South (SSA-S) as part of a broader buffer policy against Myanmar strained bilateral relations between the two countries (Chachavalpongpun 2005: 58-59). In the case of China, the situation is much more complicated and spans a broader spectrum of groups. The first two of these are the Wa and the Kokang – ethnic Chinese who formed the sword arms of the Burmese Communist Party (BCP). The two groups are represented by the United Wa State Army (UWSA) and the Myanmar National Democratic Alliance Army (MNDAA) respectively. Both groups have bilateral ceasefires negotiated after the collapse of the BCP in 1989. This strategy was part of the Myanmar government's approach of containing ethnic conflict after the collapse of the BSPP government. The Wa have indicated in no uncertain terms that their peace agreement is working and that they intend to control and administer their own territories. They also have the largest standing ethnic army with approximately 30,000 troops and therefore would pose a considerable challenge in the event of an outbreak of conflict (Ganesan 2015: 277). The MNDAA was defeated by government troops in 2009 and their leader Peng Jia Sheng fled to China. In March 2015, he returned with troops and staged a brazen attack against government forces in Laukkaing in the Kokang region. The government was caught unawares and suffered a large number of casualties but has mounted a strong and sustained counterattack on the group and has refused to include it in any ceasefire attempts thus far.

Of the other groups, the Shan State Army-North (SSA-N) and the Kachin Independence Organization/Army (KIO/KIA), have strong economic and military linkages with China. While the nature of these linkages may be informal rather than state directed in the case of China, the linkages are deep and old. Since these groups have been in operation for more than sixty years, they have evolved their own political economy and much of their economic needs are met through trade in raw materials and gems from Myanmar's side in exchange for necessities from the Chinese side. Many of their weapons are also Chinese in origin. Every time there is conflict between the Myanmar army and any of these groups, it leads to an immediate flood of refugees across the border into China and creates a security problem for the authorities in Yunnan province. Fully 50 percent of all overland trade from Myanmar is conducted across the border with Yunnan province and security issues also tend to spill over. So, for example, as a result of fighting between the military and the Kachin Independence Army (KIA) since the collapse of their bilateral ceasefire agreement in June 2011, there are now approximately 5,000 refugees in Yunnan province. The KIA headquarters of Laiza is also close to the Chinese border and during conflict stray shells have in the past landed on the Chinese side. This was certainly the case when the military engaged the MNDAA after March 2015, leading to a refugee flow of 70,000 persons.

China has always maintained that it neither supports nor harbors ethnic insurgents from Myanmar and has in the past even pressured smaller groups like the MNDAA to sign ceasefire agreements. It has also sent government officials to observe negotiations between the Myanmar government's

Union Peace Making Work Committee (UPWC) and the KIA (Ganesan 2014: 131-132). Similarly, it was the Chinese government that pressured the leaders of the Special Region (4) to close down the cross-border casino that was operated by the National Democratic Alliance Army (NDAA), another Kokang group there. This happened after Chinese state officials, who were gambling, ended up having their official cars seized in lieu of gambling debts. Chinese troops then came across the border to recover the vehicles and subsequently forced the local leaders, with the help of the Myanmar government, to shut down the casino in Mongla. Yet China's interest in keeping the border area free from conflict and its historical linkages to some of these ethnic armies is a source of irritation and concern for Myanmar. This attitude prevents it from conducting military operations in the border areas where many of these groups are ensconced and also appears to support the relative independence of groups like the UWSA. Additionally, and to prevent untoward developments following the conflict with the MNDAA, China has significantly increased its troop deployment along the common border and has also deployed a squadron of fighter aircraft to send a clear signal to Myanmar that it will not tolerate cross-border mishaps (Ganesan 2015a: 285). This development prevents the Myanmar government from obtaining the basic requirements of territorial consolidation and state sovereignty within its internationally recognized borders.

In fact, even after the government's recent conclusion of the Nationwide Ceasefire Agreement (NCA) with eight of the sixteen insurgent groups that it had been negotiating with in October 2015, representatives from the Myanmar Peace Center and ranking members of the government always referred to the "northern factions" as being recalcitrant and quietly supported by China.⁶ This faction – a euphemism for the Wa, Kokang, Shan and Kachin ethnic groups that are located close to the border with China – has since become institutionalized. In December 2016, four of the northern groups – the Arakan Army (AA), the Kachin Independence Army (KIA), the Myanmar National Democratic Alliance Army (MNDAA) and the Ta'ang National Liberation Army (TNLA), announced the formation of the Northern Alliance after mounting a joint offensive in November against police and the military in Muse in northern Shan state. Subsequently, fighting flared in more areas as government troops sought to engage the insurgent groups and involved many more areas including Mong Ko, Panghsang, Namhkam and Kutkai. It remains to be seen how this problem will be solved in the longer term by both countries.

While the AA and TNLA had supported the MNDAA in the March 2015 attack in Laukhaing, the KIA had previously been coy about an open alliance with the other three groups. However, the military's sustained offensives against the KIA in Kachin state, which led to the loss of one of its most important strategic outposts – Gideon Post, with a commanding view of Laiza – appears to have led to a change of heart. What this means is that it is now much less likely that the military will woo the KIA into the peace process and the NCA is unlikely to include the KIA any time soon. And while previously the Wa remained aloof, claiming that their original bilateral ceasefire was holding out well and that there was no need for another new agreement, there appears to have been a change of mind recently. The Wa have sought to play a leadership role among the non-signatories and provide leadership to the Northern Alliance that now includes the Wa National Organization (WNO), KIO, TNLA and MNDAA. In April 2017, following a meeting in Panghsang, the Wa and the remaining groups announced the establishment of a new negotiating team called the Union

⁶ This opinion was voiced by senior public officials at a meeting in Mandalay in December 2014.

Political Negotiation Committee (UPNC) and have made it clear that they will not sign the NCA, instead offering their own version of a peace plan.⁷ And in a recent escalation of tensions with the UWSA, Myanmar police searched a UWSA liaison office in Lashio in northern Shan state and seized thousands of detonators and ammunition.⁸ This is part of an unfolding situation that remains fluid even as China has indicated to all the groups that it favors them signing up to the NCA.

China has also regularly offered the services of senior diplomat Sun Guoxiang, Chinese Special Envoy for Asian Affairs, to broker peace talks with the non-signatories and, in a sign that it will not allow itself to be used by the armed groups, shut down a Kokang-owned bank account used to raise funds through the state-owned agricultural bank.⁹ Ironically, however, both the Myanmar government and the insurgent groups are hoping that China will take their side in brokering the situation. On the other hand, insights from peace negotiators reveal that the peace process is much less structured now and that the NLD government, the military and the ethnic armed groups are talking past each other.¹⁰ Consequently, a favorable outcome does not appear to be on the horizon. Notwithstanding these negative developments and new complications to the peace process, the second Panglong Conference, an NLD-government initiative, was held on 24 May 2017 after being postponed from the original date at the end of February¹¹ and it was the Chinese government that brought pressure to bear on the Northern Alliance and that arranged for its last minute participation in the conference.

Notwithstanding such participation, the Wa announced that they will continue to demand an autonomous state, something that neither the military nor the current government is likely to agree to. The formation of the Northern Alliance, while strengthening the groups with close linkages to China, has conversely weakened the United Nationalities Federal Council (UNFC) that previously grouped the non-signatories to the NCA, as the KIO, TNLA, MNDAA and the WNO officially resigned from the UNFC in July 2017.¹² Consequently, there are now three major groups representing the ethnic armed groups – the eight groups that are signatories to the NCA, the five groups left in the UNFC and the five groups that comprise the Northern Alliance.

How this latest splintering will affect the peace process remains to be seen. What is clear is that the formation of the Northern Alliance has significantly increased China's leverage in the ethnic peace process in Myanmar. At the time of writing, the Third Panglong Conference, which was scheduled to be held in late January 2018, has been postponed with even the groups that signed the ceasefire, like the KNU, arguing that little progress has been made at the ground level since 2015 and that the military's objective is disarming the groups rather than broader security sector reforms.

Human and Drug Trafficking

Ethnic insurgency is only one of the bilateral problems between Myanmar and China. Another major issue is drugs and human trafficking, especially from Myanmar to China. Since Myanmar is

⁷ *Myanmar Times*, 21 April 2017. "New Wa-led committee pledges to overcome deadlock in peace process."

⁸ *Irrawaddy News*, 12 April 2017. "Police Search UWSA Liaison Office, Seize Detonators."

⁹ *Eleven Newsmedia*, 10 April 2017. "Myanmar's political strategy beyond Aung San Suu Kyi and China's OBOR."

¹⁰ Interview with a ceasefire negotiator, Yangon, 14 January 2017, and information gleaned from another inside source, Singapore, 8 April 2017.

¹¹ *Eleven Newsmedia*, 25 April 2017. "Second round of 21st Century Panglong Conference scheduled for May 24."
Myanmar Times, 25 April 2017. "Peace commission to discuss with DPN possible signing of NCA."

¹² *Irrawaddy News*, 3 July 2017. "Four Ethnic Armed Groups Leave UNFC."

a major producer of opium as well as synthetic drugs like methamphetamines, one of the exit points for these drugs is via China. It does often seem, however, to be destined for the Chinese market via Guangdong rather than for re-export. Authorities in Yunnan province regularly conduct raids and uncover large hauls of natural and synthetic drugs coming from Myanmar. In 2013 alone, 6.2 tonnes of drugs were seized at the border and in 2014 more than half of all the synthetics drugs seized originated from Myanmar.¹³ In the most recent press statement in January 2018 Chinese authorities announced the seizure of 160 kilograms of drugs in joint operations with the Myanmar police force in December 2017.¹⁴ The Myanmar police were also credited with helping authorities from Chongqing Municipality and Jiling Province to arrest drug traffickers who had fled from China to Myanmar. Since thirteen of its sailors were killed by a drug gang in October 2011 on the Mekong River in northern Thailand, China has taken its drug eradication efforts much more seriously and conducts regular armed patrols along the Mekong River (Xu 2013).

The trade in people is also commonplace, especially in China. Whereas large numbers of Myanmar nationals often cross the border in search of better employment opportunities from the less developed border towns, large numbers of Myanmar women are regularly trafficked into China, often for sale as wives. For example, in November 2014 Chinese officials arrested a local gang accused of selling eleven Myanmar women as wives in rural areas for between 50,000 and 90,000 yuan each and in 2013 Yunnan police discovered 100 trafficked persons and another 6,000 who had illegally crossed the border (Xu 2013). In fact, at a meeting in Taunggyi in April 2015, the Chief Minister of the Shan states openly noted that human trafficking was the single biggest administrative issue in the area.¹⁵ Similarly, during a meeting in Lashio on 4 September 2017, the District Commissioner of the city also noted how the long and porous border with China has created many law enforcement problems and issues. In an announcement made by the Central Body for the Suppression of Trafficking in Persons under Myanmar's Ministry of Home Affairs, there were a total of 131 instances of trafficking in 2016 involving 307 persons, of whom 213 were women, ninety-four were men and forty-one were children under the age of 16. It was also disclosed that China topped the list with eight cases, while nine were trafficked to Thailand and six to Malaysia.¹⁶ And in the first 11 months of 2017 it was reported that there were 200 human trafficking cases, most of them involving forced marriages with Chinese men. The largest number of cases came from Yangon region (fifty-seven) followed by the Shan states (fifty-two) and Kachin state (twenty-nine). The Anti-Human Trafficking Police Force also confirmed the arrest of 400 men and 200 women in relation to such cases and that an additional sixty men, 220 women and fifty children had been rescued from being trafficked.¹⁷ There has also been a large number of seizures of illegal jade, timber and drugs from the Theinni-Yaypu checkpoint that was only opened in January 2016, with a total of 264 seizures in the first 18 months of operation for goods with a total value of 5 billion Kyats¹⁸

¹³ *Economist*, 28 November 2014. "Silk Road smuggling: China struggles with contraband from its neighbours."

¹⁴ *Xinhua*, 8 January 2018. "160 kg drugs seized in Myanmar-China joint operation".

¹⁵ Interview with Shan States Chief Minister in Taunggyi, 27 April 2015.

¹⁶ *Irrawaddy News*, 25 April 2017. "Chinese Officials Push for Kyaukphyu SEZ to Move Forward."

¹⁷ *Eleven Newsmedia*, 9 December 2017. "Over 200 human trafficking cases exposed."

¹⁸ *Eleven Newsmedia*, 28 June 2017. "Jade, timber and drugs seized at Yaypu checkpoint."

Natural Resource Extraction, and Infrastructure and Economic Issues

Myanmar and China have a strong bilateral economic relationship and China has traditionally been a large investor in Myanmar. This was especially so when Myanmar was subjected to an international sanctions regime. A recent statement from the Ministry of Commerce in June 2017 noted that bilateral trade between the two countries is valued at \$10 billion annually and accounts for some 30 percent of all foreign trade for Myanmar.¹⁹ It was also revealed in parliament recently that China owns a disproportionate 44 percent of Myanmar's external debt.²⁰ Consequently, it is unsurprising that economic issues also figure prominently in the list of bilateral grievances against China. Some of the biggest complaints derive from aggressive extraction of natural resources in Myanmar by Chinese companies. Linked to this issue is the seemingly opaque manner in which economic negotiations are conducted with Chinese companies. The most noteworthy complaints have been against the Chinese extraction of copper in Letpadaung and the extraction of jade in Hpakant in Kachin state.

The Letpadaung case involved a joint venture open cast mining arrangement for copper in Salingyi township in the Sagaing region in 2011. The project, which was a joint venture between the government's Union of Myanmar Economic Holdings Limited (UMEHL) and Wanbao, a Chinese company, attracted a tremendous amount of negative publicity over a number of issues. The large mine displaced a good number of local artisanal miners. Then there were major complaints that the owners of the land appropriated for the mine, which was fenced off, were not adequately compensated. Additionally, there were also complaints about environmental damage and effects on the health of residents in the area and, finally, the villagers claimed that an important religious site had been destroyed as well.

The groundswell of unhappiness led in turn to two demonstrations at the site, one in November 2012 and another two years after that. During the first demonstration police were accused of using an incendiary device against the protestors leading to burn injuries among the protestors, many of whom were monks.²¹ In the second instance, one protestor was shot dead and another suffered a gunshot wound to the leg.²² These developments placed the project in the national spotlight and put pressure on President Thein Sein who then approved the setting up of a parliamentary investigation committee. While this committee made a number of recommendations to resolve the grievances of the protestors, subsequent criticisms have been levelled against the failure of the government to implement the committee's recommendations. The situation remains unresolved and the mine area has been fenced off. Protests have continued unabated since then and large numbers of police were deployed in May 2016 to protect the mine and most recently, ten protestors were injured during an attempt to block the road to the mine in March 2017.²³

Two other major forms of natural resource extraction in which Chinese involvement has attracted much criticism and negative publicity are jade mining and timber extraction, especially from Kachin state in northern Myanmar. Jade is a precious stone that is highly prized by the Chinese for bringing good luck and warding off evil and Myanmar has by far the largest and most precious

¹⁹ *Eleven Newsmedia*, 14 June 2017. "Myanmar-China trade reaches 10 billion every year."

²⁰ *Eleven Newsmedia*, 29 June 2017. "China owns 44% of external debt: MP."

²¹ *Reuters*, 27 December 2015. "Special Report: Myanmar's deep mine of old troubles."

²² *The Irrawaddy*, 29 December 2014. "Suu Kyi Blames Govt. Inaction for Lepadaung Killing."

²³ *Frontier Myanmar*, 29 March 2017. "Investigation calls after 10 injured in Letpadaung protest."

deposits of jade in the world. While the government controls some of the areas that are rich in such deposits, large swathes of these areas are also controlled by the KIO/KIA. Consequently, even domestically there is contestation over land ownership and mining rights to the jade. Government-extracted jade is normally sold at auctions twice a year in the capital Naypyitaw but there is also a lot of illegal mining. Chinese companies are regularly accused of large-scale mining involving the use of very heavy machinery with little regard for environmental and human safety. The situation is exaggerated by the fact that there are many small individual miners who try to obtain the precious stone from the large piles of earth that lie in mounds excavated by the Chinese companies. The plight of the poor and the very aggressive practices of the mining companies came into the spotlight in November 2015 when one of the mounds of loose soil collapsed on a large number of small individual miners in Hpakant, killing at least 116.²⁴ Shortly after the first mishap, a second one occurred in late December in the same area and early reports indicated that up to fifty persons may have been buried.²⁵

There have been widespread charges that Chinese jade miners brought in large quantities of very heavy equipment to hasten the pace of the mining before the NLD-led government assumed power in 2016. Apparently there is some fear within the business community in Myanmar that the NLD-led government will enforce laws in a transparent and consistent manner. There have also been charges that the previous government and the military have been complicit in such mining activities.²⁶ The new NLD government has introduced an Extractive Industries Transparent Initiative to include the mining industry and to weigh the benefits of mining against the social costs associated with it. Additionally, the Ministry of Natural Resources and Environment announced that jade mining concessions that expired in 2016 will not be renewed (Ganesan 2017: 211). That decision alone led to the lapse of 321 such mining blocks. These initiatives suggest that the new government is serious about dealing with the excesses of the mining industry in Kachin state and finding long-term solutions to the problems at hand.

Charges against Chinese companies for illegal timber extraction are also commonplace and in the past much of the timber has come from rebel-controlled areas, although the previous military government also used to award timber concessions as a form of payment in the absence of funds for infrastructure projects. The most common hardwoods that are illegally felled are teak and rosewood, which command premium prices in China. Given the armed protection and corruption involving state officials that comes with illegal extraction, enforcement is often difficult unless the military becomes involved. While the illegal extraction of timber has been ongoing in Myanmar for a long time, with most of it being transported overland to China, a sensational case in 2015 placed the spotlight on the illegal trade. The case brought into focus the involvement of the Kachin Independence Army (KIA) in timber smuggling from the state, which regularly accounts for a large portion of the illegal trade with China.²⁷

In January 2015, following aerial surveillance by the government, a large haul of timber was seized in the state. The seizure also included a large amount of heavy machinery that was used in the

²⁴ *Reuters*, 23 November 2015. "Hopes fade for 100 miners missing after landslide near Myanmar jade mine."

²⁵ *Bangkok Post*, 26 December 2015 "Landslide hits Myanmar jade mines."

²⁶ *Asian Wall Street Journal*, 23 November 2015. "Myanmar Mine Disaster Highlights Challenge to Suu Kyi."

²⁷ *The Nation*, 25 June 2015. "Timber smuggling thrives in Kachin state."

illegal felling, including a backhoe, two cranes and 436 logging trucks along with more civilian vehicles. This seizure gave some indication of the scale of one of the larger operations in Kachin state. And every time there is a large seizure in the state, fighting invariably breaks out between the KIA and the military. What made this particular case even more interesting, though, was the large number of Chinese nationals who were arrested in the operation. In all 138 Chinese citizens were arrested, which clearly indicated the involvement of Chinese companies and workers in the illegal trade.²⁸ The case later caused a certain amount of tension in Myanmar's bilateral relations with China as well, since a local court sentenced most of the Chinese nationals to lengthy prison terms. However, President Thein Sein subsequently intervened in the case following Chinese diplomatic pressure and the detainees were released and sent back to China. In July 2015, as part of a larger Presidential pardon that also included local political prisoners, a total of 153 Chinese workers arrested for illegal logging were released and returned to China, much to the chagrin of civil society activists.²⁹ It is likely that the Myanmar government undertook the measure in order to avoid damaging bilateral relations with China. More recently, the NLD-led government announced that it had seized 50,000 tons of illegal timber, and 8,310 locals and eleven foreigners have been detained since it took power.³⁰

Other extractive industries in which Chinese companies maintain strong representation include oil and gas. Most of these companies are involved in offshore oil and gas exploration and extraction. However, the Myanmar government has awarded concessions to many international companies for such work and therefore the Chinese presence is not as obvious and is less subject to criticism. On the other hand, China was traditionally the awardee of large infrastructure projects and especially so when the Myanmar government was subjected to international sanctions and isolation before 2010. During that time, the fact that China undertook bilateral relations and projects without any conditionalities whatsoever was a source of great comfort and legitimacy for the military junta that was then in power. Importantly, the military junta also sought internal legitimacy on the basis of domestic infrastructural development and the previous regime's officially sanctioned newspaper, *The New Light of Myanmar*, regularly reported on the junta elite supervising and commissioning such large projects. Large bridges and new roads in particular were given prominence and many of these projects were undertaken by Chinese companies and often through government-to-government agreements. Such projects did not receive negative local publicity at that time, since they tended to benefit residents in areas close to the projects in terms of employment and convenience.

On the other hand, there were a number of other types of projects that attracted the ire of civil society activists. These included China's interest in a trans-Asian road and rail network originating from the port city of Kyaukpyu in Rakhine state that was awarded to China for development. Chinese companies were engaged in the clearing of areas for laying roads and pipelines. Such clearing attracted much resentment from local villagers whose land was often confiscated without appropriate compensation and this became a major source of grievance against Chinese companies. In April 2017, the Myanmar and Chinese governments officially signed an agreement for the Southeast Asia Crude Oil Pipeline (SEAOP) to transport oil along a 771 kilometer pipeline from

²⁸ *The Nation*, 10 April 2015. "Tons of illegal timber seized."

²⁹ *Myanmar Times*, 31 July 2015 "Presidential pardon frees loggers and handful of political prisoners."

³⁰ *Eleven Newsmedia*, 25 April 2017. "Second round of 21st Century Panglong Conference scheduled for May 24."

Made Island in Rakhine state to Yunnan province in China. The pipeline is designed to carry twenty-two million tonnes of crude oil annually and Myanmar will receive a road rights fee of \$13.81 million and a transit fee of \$1 per tonne of crude over a 30-year concession.³¹ Other Chinese-led projects that have attracted negative publicity are the hydroelectric power dams that have been constructed on the Salween and Irrawaddy Rivers. There are plans to construct a total of six such dams along the Salween River in Shan, Karenni and Karen states that are expected to collectively yield 10,000 megawatts of electricity aimed for export, primarily to China (Zarni Mann 17 January 2018).³² The most controversial of such projects was the Myitsone Dam in Kachin state that was partially built by the China Power Investment Corporation.³³ The dam would have displaced many local villagers and submerged important historical sites. Additionally, the plan was to divert 90 percent of the energy derived from the dam to China.³⁴ Opposition to the dam was widespread and included calls from the NLD to suspend the project.

President Thein Sein eventually relented in 2011 when he was still new in office and, in light of the tremendous amount of negative publicity generated by Chinese business activities in Myanmar at the time and in order to signal changes to the new government's approach in dealing with economic issues, brought the project to a halt, much to the chagrin of China. Importantly, this was also the time when Western sanctions against Myanmar were gradually being lifted and the timing of the halt was subject to domestic as well as and international considerations.

Xenophobic Factors

There is an extremely strong xenophobic undercurrent in Myanmar's psyche. This is especially true of the country's military, which has traditionally regarded itself as the protector of the country's freedom and national interests (Callahan 2004: 172-206). At the general level, this xenophobia has expressed itself in the form of ethnic riots against the Indian and Chinese communities in the 1960s. Liberal British migration policies after the subjugation of the country meant that many Indians came to Myanmar and often staffed the colonial administrative structure and were also involved in the local economy. As a result of their relative success in relation to the locals, they always attracted a disproportionate amount of envy and hatred that eventually culminated in political violence. Whereas the situation with ethnic Chinese is not as severe, there is a latent undercurrent of hostilities as well. Outward displays of Chinese language, culture and printed materials have in the past been frowned upon and disrupted by official authorities. This is most common in the northern and second largest city of Mandalay where there is a large and visible Chinese population.

Ethnic Chinese residents in Myanmar also attract negative publicity on account of many of the factors that have already been mentioned. Some of the largest ethnic insurgent groups are Chinese in origin and some of these groups have in the past been accused of using Chinese mercenaries in the fight against the Myanmar military. They are equally notorious for drug and human smuggling as well as the indiscriminate extraction of local resources. When all of these factors are combined it provides a potent brew for anger and the venting of frustrations. Additionally, many Chinese

³¹ *Myanmar Times*, 11 April 2017. "Myanmar and China sign crude oil pipeline agreement."

³² *Irrawaddy News*, 17 January 2018. "Locals Upset Over IFC Meeting Regarding Salween Hydropower Project."

³³ *Wall Street Journal*, 1 October 2011. "Myanmar Halts China Dam."

³⁴ *The Washington Post*, 7 November 2011. "Chinese-funded hydropower project sparks anger in Myanmar."

business owners have been successful and sometimes their ostentatious displays of wealth trigger anger and animosity. There is therefore a seething latent hostility towards the ethnic Chinese community.

5. Conclusion

There are a large number of domestic factors that influence both elite and mass perceptions of China and ethnic Chinese in Myanmar. Many of these factors often bring pressure to bear on the Myanmar government in its conduct of bilateral relations with China. Whereas China exercised disproportionate influence over previous military-led governments following the collapse of the BSPP government in 1988, this is no longer the case. In fact, since 2010, with Myanmar led by a nominally civilian government undertaking widespread political and economic reforms, the country has derived much greater internal and external political legitimacy. While this legitimacy has benefitted the country and its government internationally, it has also served to displace the kind of overwhelming influence that China used to have in the past. China must now compete on a much more level playing field and against some stronger international players. Such actors include the United States, the European Union, the ASEAN countries as well as larger Asian countries like India and Japan. The latitude that currently characterizes Myanmar's foreign relations underscores the country's political development and emergence from international isolation and sanctions under previous military governments.

Significantly, this new latitude in policy output is likely to further weaken China's involvement in Myanmar. The Chinese government has been quick to recognize the popularity of Suu Kyi and in June 2015 it invited her to China for an official visit. This early gesture indicated that China is well aware of her popularity and political capital within the country. With the NLD's overwhelming victory in the November 2015 election, Suu Kyi plays a much larger role in government in her capacity as State Counsellor and Minister for Foreign Affairs. While she has been vocal in her criticisms of large Chinese projects like the Letpadaung Copper Mine and the Myitsone Dam in the past, she has also indicated that she will be conciliatory in her approach in domestic politics. Presumably this approach will also filter into her foreign policy output after her visit to China in May 2017.

Importantly, after the political violence attributed to the Myanmar military's clearance operations since August 2017 that have led to the displacement of some 620,000 Muslims from Rakhine state to Bangladesh, China's influence and support for Myanmar appears to have grown again. This renewed vigor in the bilateral relationship is a function of China's support for Myanmar internationally and its offer of assistance to help manage the situation with Bangladesh. To consolidate the relationship further, it has dispatched senior diplomats to Myanmar and has also invited senior Myanmar political and military elites to China. This development exemplifies James Rosenau's observation of the importance of linkage politics in the foreign policy output of countries mentioned at the outset (Rosenau 1969). Similarly, it affirms the neoclassical realist dictum that the foreign policy output of states involves a complex interaction between domestic demands and priorities of the state on the one hand and the international system on the other. The leverage offered to Myanmar by China in the international context and the additional assistance in the Rakhine situation also bears minimal transactional costs for Myanmar, as noted by Etel Solingen (Solingen 2010). The normative East Asian belief that bilateral problems can best be resolved by bilateral

agreements also appears to hold true since Myanmar has entered into a repatriation arrangement directly with Bangladesh rather than international agencies for the refugees who have fled across the border. And Myanmar has generally ignored Western criticisms; its political and military elite have even branded such accusations as fake news.

Myanmar's bilateral relationship with China involves historical and geographical linkages that cannot simply be wished away. Additionally, Myanmar will require Chinese assistance in dealing with important state security objectives like ending ethnic insurgency and human and drug trafficking. China also has strong economic investments and linkages in Myanmar that need to be considered from a practical point of view. While the present situation in Rakhine state has cast Myanmar, the country's military and Aung San Suu Kyi in a negative light, it has also provided China with a window of opportunity to strengthen the bilateral relationship. Nonetheless, it is expected that the NLD-led government will be much more conscious of environmental and human security issues and some of these may well work against Chinese interests and companies in the longer term.

Acknowledgement

Funding for this research was partly supported by a Peace Research Grant from the Hiroshima City University.

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Glossary:

AA	Arakan Army
ARSA	Arakan Rohingya Salvation Army
ASSK	Aung San Suu Kyi
BCP	Burmese Communist Party
BRI	Belt and Road Initiative
BSPP	Burma Socialist Program Party
CCP	Chinese Communist Party
CIA	Central Intelligence Agency
KIA	Kachin Independence Army
KNU	Karen National Union
MNDAA	Myanmar National Democratic Alliance Army
NDAA	National Democratic Alliance Army
NLD	National League of Democracy
SEAOP	Southeast Asia Crude Oil Pipeline
SEZ	Special Economic Zone
TNLA	Ta'ang National Liberation Army
UMEHL	Union of Myanmar Economic Holdings Limited
UNFC	United Nationalities Federal Council
UPNC	Union Political Negotiation Committee
UPWC	Union Peace Making Work Committee
UWSA	United Wa State Army
WNO	Wa National Organization



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