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## From Kunming to Mandalay: The New “Burma Road”

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*Developments along the Sino-Myanmar border since 1988*



**Hélène Le Bail  
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Centre Asie Ifri

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## Introduction

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The famous "Burma road" between China's Southwestern province of Yunnan and Northeast Myanmar<sup>1</sup> is a relic of the Second World War in Asia. This winding mountain road was constructed in 1937-38 by Chinese nationalist troops on one side and British troops on the other in order to supply China in its war with Japan. At the end of the Chinese civil war, the defeated Kuomintang troops also used this road to flee the newly established People's Republic of China. They found refuge in an independent Burma and played a role in the increased production of opium in the so-called Golden Triangle.

The Sino-Myanmar frontier remained closed for many years during Mao and Ne Win eras. After its official reopening in 1988 it became the major commercial axis between the two countries.

The present paper draws from existing literature on the subject and from fieldwork conducted in Autumn 2009. It aims to describe the vitality and complexity of bilateral border trade. Three aspects have been emphasized. Firstly, the booming of cross-border commercial exchanges must be understood within a larger strategic framework. The connection between the two countries is motivated by economic and security interests: energy security, access to raw materials, cooperation for regional development and (for China) opening up of inner provinces.

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<sup>1</sup> Myanmar or Burma? A note on names. In 1989, one year after coming to power, the new military regime adopted reforms that changed the international English designation of the country and its people and altered the transliteration of toponyms into English. *Burma* and *Burmese* were replaced by *Myanmar*, which can function both as a substantive and an adjective, while *Rangoon* was changed to *Yangon*, *Moulmein* to *Mawlamyine*, etc. The junta stated its desire to "nationalize" names inherited from the colonial period. The regime also asserted that as *Burma* stems from the name of the ethnic majority group, the Bamar, its replacement by *Myanmar* symbolized planned efforts toward ethnic inclusiveness.

The United States and the United Kingdom rejected the reforms on the basis that they do not recognize the legality of the current government. The choice between *Burma* and *Myanmar* has thus become politicized, opponents of the SLORC/SPDC opting for the former. Interestingly, the country is called *Burma/Myanmar* by the European Union. In French, it is still called *Birmanie* as the Académie Française ruled that French appellation overrules the local one (Japan is called *Japon* and not *Nihon*, for example).

In the English version of this paper, we use *Burma* and *Burmese* for the pre-1948 period, and *Myanmar* for the post-independence period as this is the designation used in the dominant local language since the country regained its sovereignty.

Secondly, an analysis of the political and demographic situations in the border areas is important to understand trafficking activities, but also to understand thriving exchanges and the mobility of people. The second part of this paper will describe the frontier area in detail.

Finally, this paper will underline the key role of the Sino-Myanmar population (even if they are not the only actors of the trans-border trade). Today's renewal of Chinese identity and community life in Myanmar is both a factor and an effect of thriving bilateral relations.

# Myanmar-China: A Relationship Driven by Benefits and Necessity

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## *China as the main patron of the military regime*

Since 1988 and the renewal of the ruling military elite in Yangon, the relationship between the People's Republic of China (PRC) and the Union of Myanmar has developed tremendously, to such an extent that China has become the main patron of the Myanmar regime. The latter benefits from economic and military cooperation and is shielded from international pressure by its northern neighbor's diplomatic clout. China has found in Myanmar a partner that borders the Bay of Bengal, an outlet for its landlocked Southwestern provinces and, more recently, a provider of much-needed primary resources and energy. Yet, the Sino-Myanmar relationship is not entirely untroubled. The degree of Myanmar's reliance on China and the ensuing leverage of Beijing are often overestimated. The ability of Myanmar's Generals to multiply partners, play them against each other and, as a last resort, give in to isolationist tendencies is frequently overlooked.

## **The roots of amity**

The late 1980s and early 1990s saw a fortunate convergence of Sino-Myanmar interests. Both domestic and international events helped establish the foundations of a mutually beneficial partnership. After the repression of the 1988 mass demonstrations, the SLORC<sup>2</sup> was heavily criticized and deprived of the Japanese, West German and American development aid that had helped keep the puny Myanmar economy afloat. When in 1990 it refused to hand over power to the National League for Democracy (NLD), the party of Aung San Suu Kyi that had won over 60% of the votes cast during the May legislative election, the SLORC was further ostracized for delaying Myanmar's transition to civilian rule indefinitely. But China, which had itself experienced the ire of the international community following the crackdown on the

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<sup>2</sup> The State Law and Order Reconciliation Council staged a coup in September 1988 and put a violent end to the pro-democratic demonstrations that had stalled the country's institutions for several months. In 1997, this cabinet of high-ranking military officers changed its name to State Peace and Development Council, SPDC.

Tiananmen Square movement in May 1989, had already stepped in to support the Myanmar Generals. Furthermore, the demise of the Communist Party of Burma (CPB) in early 1989 allowed for the SLORC to regain control over parts of the Sino-Myanmar border that had been beyond the reach of the central government during most of the 41 year CPB insurgency, backed by Maoist China from 1967 up to the early 1980s. The stage was thus set for increased cooperation between the two authoritarian regimes.

In 1985, as diplomatic relations between China and Myanmar were recovering from the 1967 pogrom against overseas Chinese in Yangon and the ensuing support given by Beijing to the CPB, a programmatic article published in the *Beijing Review* laid out what would become a core argument for China's increased engagement with Myanmar. It asserted notably that an opening toward Myanmar would greatly benefit China's landlocked Southwestern provinces<sup>3</sup>. The Deng Xiaoping government, which had launched deep economic reforms in the early 1980s, was already worried about disparity in development between coastal regions and the rest of the country, and was eager to ensure that Sichuan and Yunnan Provinces, the latter plentiful in ethnic minorities and sharing a 2 170 km border with Myanmar, would have Southern outlets for trade. Myanmar's strategic position, on the Bay of Bengal between India and Southeast Asia, was also acknowledged by Chinese military planners who were interested in eventually gaining access to the Indian Ocean and establishing a cordial alliance with a neighbor that, like China, shared a border with India. Moreover, China's fast and enduring economic growth, its becoming a net importer of oil in 1993 and the ban on wood-cutting that followed massive landslides due to deforestation in 1998 were all factors that turned resource-rich Myanmar into an even more attractive partner. Last but not least, China has also offered continuous support to the contested Myanmar regime since 1988 as a means "to strengthen the moral legitimacy of an international society based on the state-centric principles of national sovereignty and non-intervention"<sup>4</sup>.

## The achievements of a multifaceted partnership

### *High-level diplomatic and military cooperation*

A partnership between the new Myanmar government and the PRC was quickly secured through the exchange of high-level diplomatic delegations. Only one year after the SLORC's rise to power, in October 1989, then second-ranking General Than Shwe brokered a

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<sup>3</sup> Pan Qi, "Opening the Southwest: An Expert Opinion", *Beijing Review*, Volume 28, n°35, September 2<sup>nd</sup> 1985, p.22-23. Pan Qi was then Vice-Minister of Communications, in charge of transportation. Quoted from Renaud Egretreau, *La Rivalité sino-indienne en Birmanie et ses limites*, PhD thesis, Paris Institute of Political Science (Sciences-Po), 2006, p.143-144.

<sup>4</sup> Pak K. Lee, Gerald Chan and Lai-Ha Chan, "China's "Realpolitik" Engagement with Myanmar", *China Security*, Volume 5, n°1, Winter 2009, p.117



\$1 billion arms deal in Beijing. He would visit again, in his capacity as leader of the SLORC/SPDC, in 1996 and 2003. In September 1994, the visit of third-ranking General Khin Nyunt prepared the ground for the signing of a \$400 million arms contract<sup>5</sup>. He was received by Prime Minister Li Peng, who reciprocated by visiting Yangon in December 1994. In 2000, to mark the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between the two countries, second-ranking General Maung Aye's visit was followed by then-Vice-President Hu Jintao coming to Yangon. Accompanied by years of exchanges between dozens of technical and regional delegations, this flurry of diplomatic activity culminated in the visit of Jiang Zemin to Myanmar in 2001, marking the first visit by a Chinese President since 1985.

Military cooperation was particularly important for the Myanmar armed forces, the *Tatmadaw*. Chinese weapons (small arms and artillery, armoured personal carriers, tanks, fighter planes) and technical advice contributed to the expansion of military capacity from 200,000 troops in 1988<sup>6</sup> to an estimated 350,000 in the late 1990s to the launching of fierce offensives against insurgents<sup>7</sup> and, *in fine*, to the conclusion of ceasefire agreements with 17 armed groups. Beijing was pleased by both the dominance of the central government over centrifugal political forces and by what it deemed enhanced stability in Myanmar.

#### *Regional corridors and China's "Go West" Policy*

The Sino-Myanmar partnership also led to an improvement in transport infrastructures, with the aim of opening up Yunnan and other landlocked Southwestern Chinese provinces. Two road corridors that run South from Kunming, the capital of Yunnan, benefited from substantial Chinese investments, the main one being the former Burma Road<sup>8</sup> (Kunming-Baoshan-Mangshi-Ruili-Muse-Lashio-Mandalay), the second an axis that links Yunnan with Thailand through Northeastern Myanmar (Kunming-Simao-Jinghong-Dalu-Mongla-Kengtung-Tachileik-Chiang Rai)<sup>9</sup>. Work on the Bhamo-Mandalay-Ayeyarwady River axis was also undertaken and Chinese barges donated to the Myanmar Inland Water Transportation Department. Still, it is the Burma Road that, by far, absorbs most of the traffic between Yunnan and upper Myanmar<sup>10</sup>. In lower Myanmar,

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<sup>5</sup> William Ashton, "Myanmar Signs Another Pact for \$400 Millions With China", *Jane's Defence Weekly*, November 30<sup>th</sup> 1994.

<sup>6</sup> Maung Aung Myo, *Building the Tatmadaw. Myanmar Armed Forces since 1948*, Institute of Southeast Asian Studies, Singapore, 2009, p.33.

<sup>7</sup> David Arnott, "China-Burma Relations", in *Challenges to Democratization in Burma. Perspectives on Multilateral and Bilateral Responses*, International Institute for Democracy and Electoral Assistance, 2001, p.71-72.

<sup>8</sup> Built by Kuomintang and British troops in the late 1930s, the Burma Road enabled Allied forces to circumvent the blockade of China and to provide aid to Chinese nationalist forces that were resisting the Japanese in central China. Aid was transported by rail from Yangon harbour to Mandalay and then by truck to Kunming.

<sup>9</sup> Renaud Egretreau, *op. cit.*, p.342.

<sup>10</sup> *Idem*, p.185, 349.

Chinese companies and engineers participated in the renovation and/or construction of civil port facilities, notably the shipping terminal and shipyard of Thilawa, South of Yangon. A few military harbours also benefited from Chinese assistance but the degree of naval cooperation between the *Tatmadaw* and the People's Liberation Army (PLA) has been largely overstated<sup>11</sup>.

#### *Exploitation of Myanmar's natural resources*

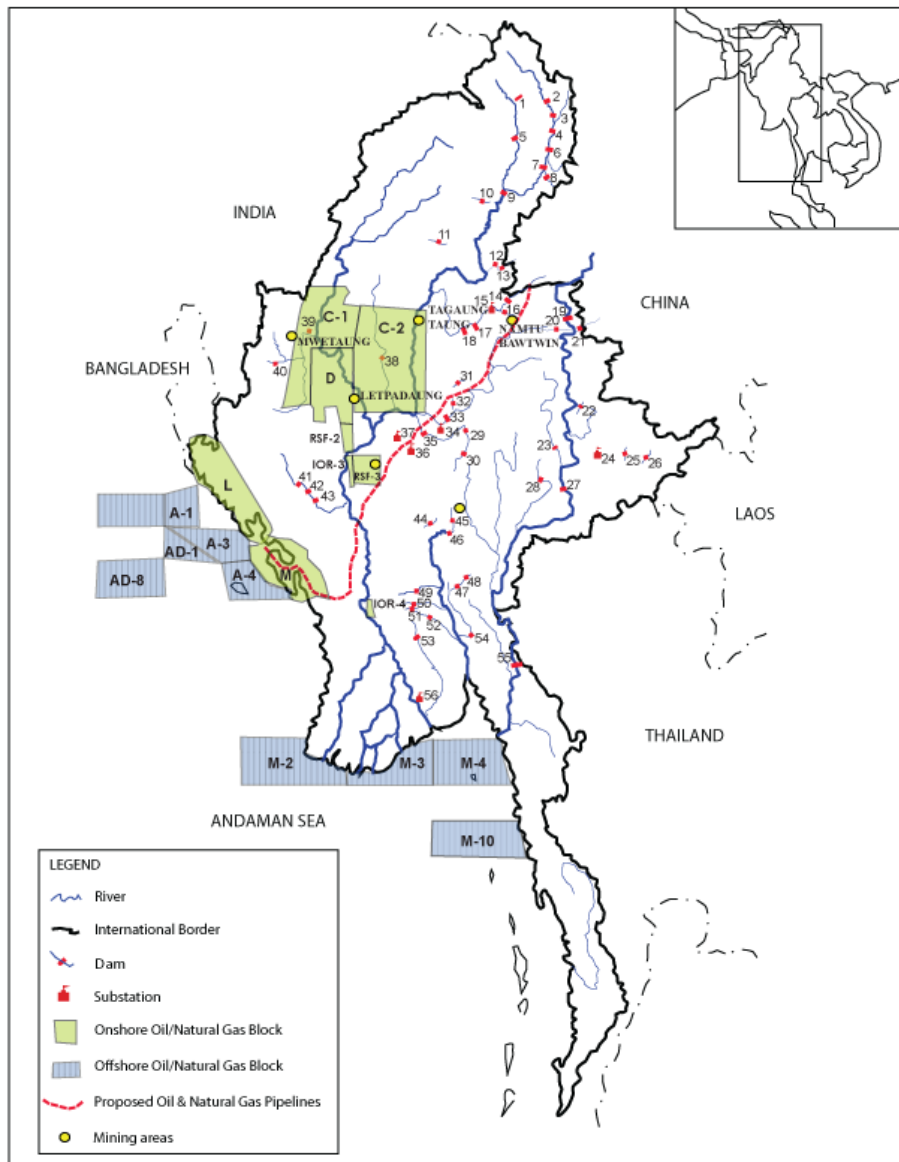
China's interest in Myanmar's natural resources has been longstanding – it was already mentioned in the 1985 article by Pan Qi, yet it has increased over the years with the swift growth of the Chinese economy especially since China became dependant on fossil fuels in 1993. Though late comers in the oil and gas sector, Chinese companies have signed substantial contracts with Myanmar Oil and Gas Enterprise (MOGE) since 2004. Notably, PetroChina, a branch of the China National Petroleum Corporation (CNPC) was granted full buying rights for 30 years over the natural gas that is to be extracted by a Korean-Indian consortium led by Daewoo from the A-1 and A-3 Shwe field blocks in the Bay of Bengal. CNPC is preparing to lay two parallel gas and oil pipelines from the port of Kyaukphyu in Southwestern Rakhine State, where a large-scale crude oil unloading port will be built, to Yunnan. Completion of the pipelines is expected in 2013, when local natural gas and Middle Eastern or African oil should start flowing through Myanmar to Yunnan. This would ultimately improve China's energy security and reduce the risks stemming from the potential closing of the narrow Strait of Malacca due to an act of terrorism or intervention by foreign powers<sup>12</sup>.

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<sup>11</sup> Andrew Selth, "Chinese Military Bases in Burma: The Explosion of a Myth", *Regional Outlook Paper n°10*, Griffith Asia Institute, 2007, p.3.

<sup>12</sup> "Myanmar's Neighbours Advance Pipeline Project", *Wall Street Journal Online*, November 2, 2009; Jyoti Malhotra, "Myanmar Pipelines Confirm China's Place in the Bay of Bengal", *Business Standard*, June 29, 2009.

**Map 1. Myanmar's natural resources**



Source : EarthRights International (2008), China in Burma: The Increasing Investment of Chinese Multinational Corporations in Burma's Hydropower, Oil & Gas, and Mining Sectors, september, [online]: <http://www.earthrights.org/publication/china-burma-increasing-investment-chinese-multinational-corporations-burmas-hydropower-o>.

### **Myanmar suspicions and limited Chinese influence**

Nevertheless, Sino-Myanmar relationships are plagued with several points of contention. Like any small neighbor of the Middle Kingdom, Myanmar is eager not to become overly dependent on China. International isolation following the 1988 crackdown compelled the SLORC to enter into an immediate military and economic cooperation with Beijing, but the Generals were ill-at-ease with such a situation and

strived to diversify partnerships. Thailand quickly became a major buyer of Myanmar raw materials, including natural gas. The Thai government also developed a diplomacy of so-called "constructive engagement" with the junta, in opposition to Western sanctions and isolation policy, which contributed to Myanmar becoming a member of the Association of Southeast Asian Nations (ASEAN) in 1997<sup>13</sup>. From the mid 1990s, India stopped supporting the democratic opposition and developed trade and cooperation with the Myanmar regime, including in the field of military naval cooperation, where it is much more successful than China<sup>14</sup>. The *Tatmadaw* has also moved away from its perceived overreliance on Chinese military equipment and advisers in the early 1990s through the purchase of Singaporean, Eastern European and Russian weaponry<sup>15</sup> and the more recent re-establishment of relations with North Korea, whose exact substance – nuclear, ballistic or purely conventional – remains to be determined<sup>16</sup>.

As the main, yet not uncontested partner of the junta, China's influence over Myanmar is limited. Since the October 2004 arrest of General Khin Nyunt, the former number three of the regime who was considered to be a pro-Chinese reformist, Beijing feels that its capacity to affect Myanmar's economic and political policy-making has been severely reduced as the Generals have resorted to a more isolationist stance best exemplified by the move of the capital from Yangon to Naypyidaw in November 2005<sup>17</sup>. Under mounting international pressure and concerned that Myanmar might turn into a reclusive pariah state, China has become more involved in multilateral efforts aimed at promoting political change, for example supporting the 11 October 2008 Security Council Statement that deplored the use of violence against peaceful protests led by Buddhist monks<sup>18</sup> or teaming up with ASEAN to convince the military regime to accept foreign aid after cyclone Nargis hit the Ayeyarwaddy Delta in May 2008<sup>19</sup>.

But Beijing has been constant in its rejection of international sanctions against the regime, favoring instead a negotiated domestic solution. Most notably, in January 2007, Beijing used its veto power in the Security Council along with Russia to defeat a draft resolution sponsored by the US and the UK which condemned human rights violations in Myanmar, asserting that "the present domestic situation in Myanmar did not pose a threat to international or regional peace and

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<sup>13</sup> Kavi Chongkittavorn, "Thai-Burma Relations", in *Challenges to Democratization in Burma. Perspectives on Multilateral and Bilateral responses*, International Institute for Democracy and Electoral Assistance, 2001, pp.121-129.

<sup>14</sup> Renaud Egreteau, "India and China Vying for Influence in Burma – A New Assessment", *India Review*, Volume 7, n°1, March 2008, p.45-46.

<sup>15</sup> Maung Aung Myo, *op. cit.*, p.105-134; Lixin Geng, *op. cit.*

<sup>16</sup> Andrew Selth, "Burma and North Korea: Smoke or Fire?", *Policy Analysis*, Australian Strategic Policy Institute, August 2009, p.9.

<sup>17</sup> "China's Myanmar Dilemma", *Asia Report* n°177, International Crisis Group, September 2009, p.3.

<sup>18</sup> UN Security Council Presidential Statement, S/PRST/2007/37, 11 October 2007.

<sup>19</sup> International Crisis Group, *op. cit.*, p.8.

security<sup>20</sup>". China is supportive of the political process laid down by the SPDC in the 2003 seven-step roadmap toward "disciplined democracy", which after the drafting of a new constitution and its adoption by referendum in May 2008 will lead, for the first time in twenty years, to legislative elections in 2010 and the emergence of a new political regime. Eager to preserve the essentially economic foothold it has established since 1988, the PRC looks favorably on a process that it believes could assuage tensions between the *Tatmadaw* and pro-democracy or ethnic-based opposition groups, and bring about increased stability in Myanmar<sup>21</sup>.

## ***Sino-Myanmar economic relations***

### **Blooming of the bilateral trade since 1988**

Before 1988, trade relations between China and Myanmar were small in both volume and value. Between 1974 and 1988, according to Myanmar official statistics, legal trade values fluctuated between \$US 7 and 35 million. Nowadays, China is Myanmar's leading commercial trade partner as bilateral trade with China accounts for roughly 10% of the country's total foreign trade<sup>22</sup>.

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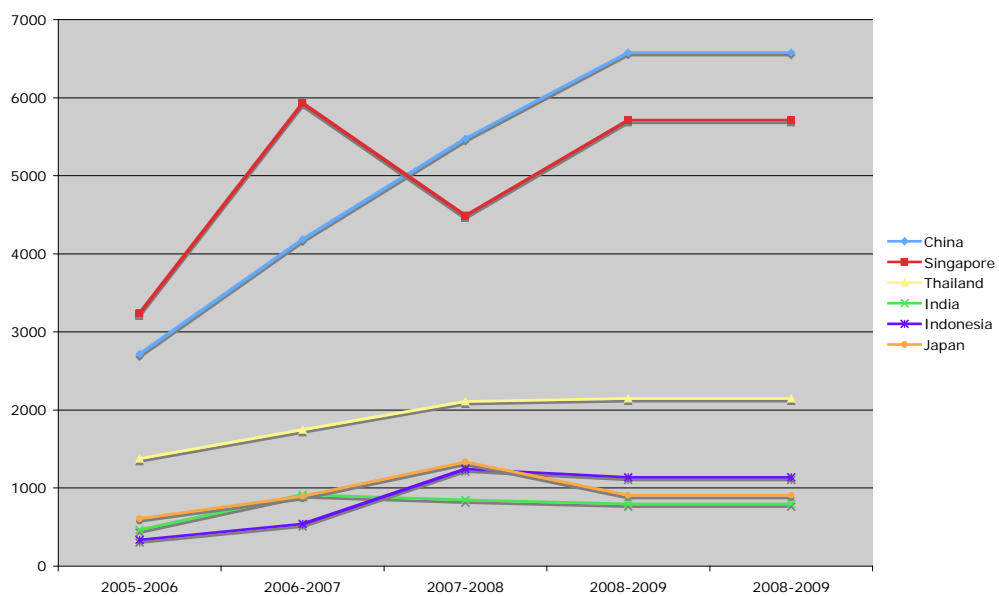
<sup>20</sup>"Security Council fails to adopt draft resolution on Myanmar, owing to negative votes by China, Russian Federation" UN Security Council, Department of Public Information, January 12 2007.

<sup>21</sup> Ian Holliday, "Beijing and the Myanmar Problem", *The Pacific Review*, Volume 22, n°4, September 2009, p. 491, 495.

<sup>22</sup> Central Statistical Organization of the Myanmar Government, <http://www.csostatat.gov.mm>.

**Table and Figure 1. Myanmar Import by major countries (kyat millions)**

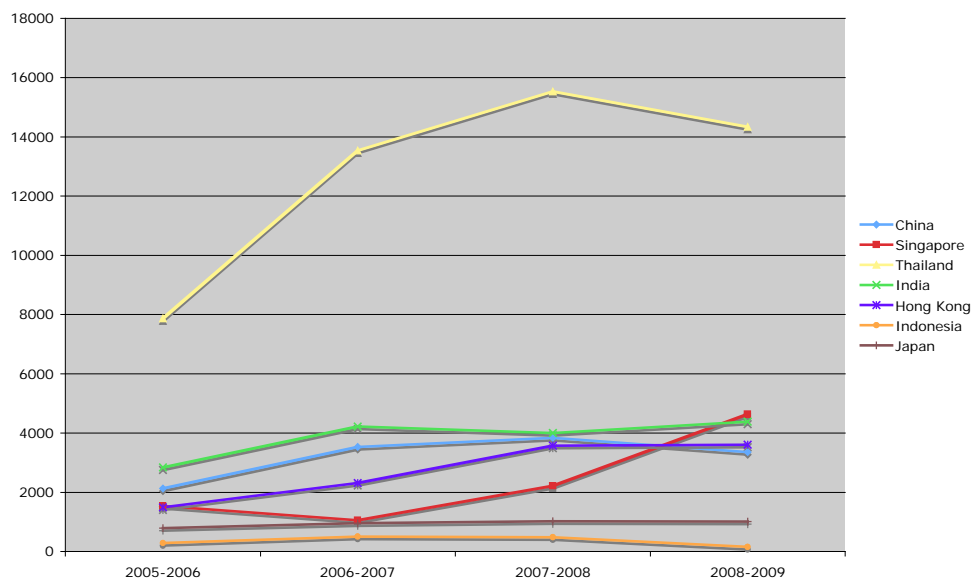
Fiscal year	China	Singapore	Thailand	India	Indonesia	Japan
2005-2006	2716,01	3240.18	1376,24	465,18	336,09	610,65
2006-2007	4185,75	5928.03	1749,40	916,51	539,77	896,30
2007-2008	5472,54	4489.83	2110,66	849,69	1244,87	1335,04
2008-2009	6578,14	5712.72	2150,73	796,81	1139,46	908,40



Source: From the Central Statistical Organization, Ministry of National Planning and Economic Development: <http://www.csostat.gov.mm/S05MA0201.asp>.

**Table and Figure 2. Myanmar Export by major country (kyat millions)**

Fiscal year	China	Singapore	Thailand	India	Hong Kong	Indonesia	Japan
2005-2006	2125,19	1532.69	7868,64	2841,60	1488,10	280,47	790,43
2006-2007	3530,37	1047.87	13533,75	4217,21	2316,59	506,35	952,43
2007-2008	3832,52	2210.10	15530,01	4006,56	3573,00	476,97	1021,28
2008-2009	3352,27	4638.38	14340,64	4387,83	3610,99	155,08	1005,77



Source: From the Central Statistical Organization, Ministry of National Planning and Economic Development: <http://www.csostat.gov.mm/S05MA0201.asp>

**Table 3. Chinese imports and exports from/to Myanmar (US\$ millions).  
Myanmar statistics.**

Fiscal year April-March	Imports	Exports	Total
2005-2006	329	417	746
2006-2007	547	648	1195
2007-2008	594	848	1442
2008-2009	519	1019	1538

Source: idem figures 1 and 2.

**Table 4. Chinese imports and exports from/to Myanmar (US\$ millions).  
Chinese statistics.**

Year	Imports	Exports	Total
1990	104	223	327
2000	124	496	621
2006	252	1207	1460
2007	371	1690	2061

Source: *China Statistical Yearbook*, (various years) and MOFCOM website <http://zhs.mofcom.gov.cn/aarticle/Nocategory/200802/20080205374215.html>

Chinese and Myanmar statistics show some differences. Myanmar trade data is undervalued regarding the imports from China due to methods of calculation but also due to corruption in customs offices and among border security authorities<sup>23</sup>. Chinese statistics are considered more reliable, but still official figures of bilateral trade hardly reflect the reality. Even before the State Law and Restoration Council came to power in 1988, Chinese and Thai consumer goods were available on the Myanmar market through illegal trade<sup>24</sup>.

Nonetheless, both sources of statistics underline the rapid increase of bilateral trade. During the 1990s-2000s, imports from China to Myanmar increased much faster than exports to China. China mainly exports machines and machinery equipment, construction materials, electronic products and consumer goods. Myanmar exports almost exclusively raw materials, agricultural, fishery and forestry products. Timber exports have long been at the top of the list of exported goods. Officially it is no longer the main export but, as mentioned before, large amounts of timber are still illegally exported to China.

Today, Myanmar is the main trading partner of Yunnan Province among Southeast Asian countries. Only the Chinese exports

<sup>23</sup> Maung Aung Myoe, *op. cit.*, p.7.

<sup>24</sup> *Idem*, p. 4.



to Vietnam are increasing in amounts comparable to Sino-Myanmar trade<sup>25</sup>. The second part of this paper will describe in detail the overland relations between Myanmar and the Yunnan Province.

### **Chinese investments in key sectors in Myanmar**

Like in other border countries, China has been gradually increasing its Foreign Direct Investments (FDI) in Myanmar. The whole Asian region is the main destination for Chinese FDI: in 2007, Asia received US\$ 16,59 billion out of a total of US\$ 26,51 billion. These statistics are difficult to analyze since more than \$13 billion goes to Hong Kong and then on to other destinations. If we take away Hong Kong, the main Asian recipients of Chinese FDI in 2007 were Pakistan (US\$ 910 million) and then, far behind, Kazakhstan, Mongolia and Laos.

Official statistics do not cover all Chinese investments, as many non-official FDI (usually realized under the name of Myanmar nationals) are not included in the figures. Still, statistics underline that investment is mainly concentrated in a few strategic sectors, such as energy and mining.

China's interest in Myanmar natural resources has been longstanding yet it has increased over the years with the swift growth of its economy. The environmental advocacy organization Earth Rights International has made a tentative list of the main Chinese investments in Burma<sup>26</sup>.

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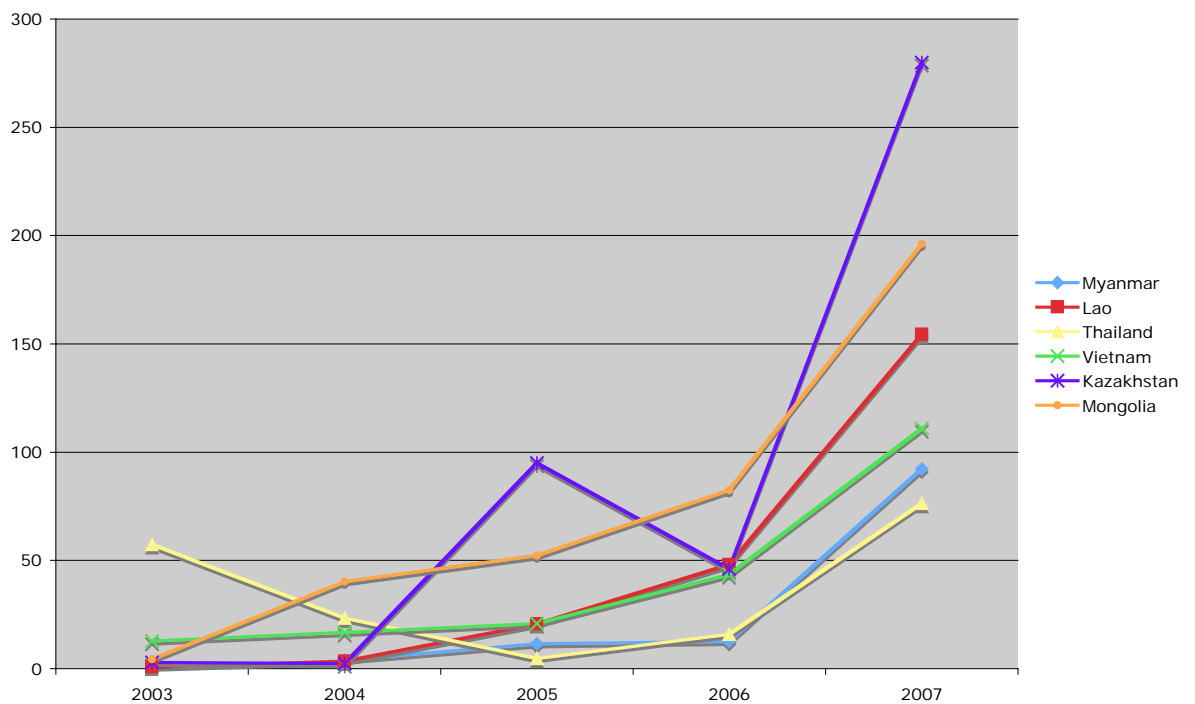
<sup>25</sup> *Idem*, p.12.

<sup>26</sup> EarthRights International : *China in Burma: The Increasing Investment of Chinese Multinational Corporations in Burma's Hydropower, Oil & Gas, and Mining Sectors*, September 2008 [online]: <http://www.earthrights.org/publication/china-burma-increasing-investment-chinese-multinational-corporations-burmas-hydropower-o>.

**Table 5. China's outward FDI by country in 2007 (millions of US\$)**

	2003	2004	2005	2006	2007
<b>Total</b>	2854.65	5497.99	12261.17	17633.97	26506.09
<b>Asia</b>	1505.03	3013.99	4484.17	7663.25	16593.15
<b>Myanmar</b>		4.09	11.54	12.64	92.31
<b>Lao</b>	0.8	3.56	20.58	48.04	154.35
<b>Thailand</b>	57.31	23.43	4.77	15.84	76.41
<b>Vietnam</b>	12.75	16.85	20.77	43.52	110.88
<b>Kazakhstan</b>	2,94	2.31	94.93	46.00	279.92
<b>Mongolia</b>	4.43	40.16	52.34	82.39	196.27
<b>Pakistan</b>	9.63	1.42	4.34	-62.07	910.63

Source: 2007 Statistical Bulletin of China's Outward of Foreign Direct Investment, Department of Outward Investment and Economic Cooperation, MOFCOM: <http://tradeinservices.mofcom.gov.cn/en/c/2009-04-10/70585.shtml>.



Source: idem table 1.

### *Hydropower*

In 2007, at least 45 Chinese companies have been involved in 63 hydropower projects in Myanmar; the electricity generated being aimed mainly at domestic use but some being exported to Thailand and China<sup>27</sup>. The largest project is the Tasang Dam, a 7100 MW project on the Salween River in which the China Gezhouba Group Co. will work in partnership with Myanmar and Thai companies.

### *Fossil Fuels*

At least 16 Chinese multinational companies are involved in 21 projects. Among them are the three major companies: Sinopec, China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC). Furthermore, as mentioned before, China is involved in natural gas exploitation projects and in the construction of pipelines for the transportation of oil and gas.

### *Mining*

Investments by Chinese mining companies represented 87% of those approved by the Myanmar Foreign Investment Commission in 2008<sup>28</sup>. As underlined by Earth Rights International, China's investment in the mining sector is more difficult to estimate since it is often located in remote areas in Kachin or Shan States. The advocacy group has only found evidence of 10 Chinese multinationals in 6 major mining projects<sup>29</sup>.

## **Development assistance**

China's development assistance to Myanmar is not very high but it is significant for the Myanmar government as economic sanctions have been imposed by Western countries. Furthermore, with no official data from either side, it is difficult to distinguish real development assistance from other commercial agreements.

Only official statements or agreements signed when Myanmar and Chinese officials meet can be included in making a list of China's involvement in Myanmar economic development. It appears that China has provided financial and technical aid for industrial and infrastructure development. The construction of the Yangon-Thanyin Bridge (built between 1986 and 1993) is considered a milestone in the bilateral economic and technical cooperation. China has also been involved in projects to install satellite stations and in the renovation or construction of various kinds of factories. For instance, since 1988, China helped Myanmar in the building of eight out of nine new sugar mills.

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<sup>27</sup> Maung Aung Myoe, *op. cit.*, p.5.

<sup>28</sup> Myanmar Ministry of National Planning and Economic Development, Central Statistical Organization, Selected Monthly Economic Indicators (July 2009): <http://www.csostatat.gov.mm/Sdetails.asp?ID=005&Desc=Foreign%20Investment>.

<sup>29</sup> Earth Rights international, *op. cit.*, p. 8.

But the key area for development assistance seems to be electricity generation. In 2006, Chinese State-owned enterprises (SOE) were involved in 7 out of 11 new hydro-electric plant projects<sup>30</sup>.

China's development assistance predominantly consists of loans. In Myanmar, as in other recipient countries, most of the help came through interest-free or low-interest loans. China also provided debt relief and a few grants.

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<sup>30</sup> Maung Aung Myoe, *op. cit.*, p. 23.

## The Politics and Trade of a Complex Border Area

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The border between the Union of Myanmar and the People's Republic of China is in fact a frontier between the most ethnically diverse regions of these two countries, on one side the Yunnan Province, on the other the Shan and Kachin States. The central government's control over these areas is quite recent and sometimes contested, especially in Myanmar, with substantial consequences on local administrative organization and governance.

There is a long history of trade between Southwestern China and Myanmar, which has experienced a new momentum since the official reopening of the border in 1988. Yet, a number of different types of traffic are still eschewing the control of both governments.

### *Ethnic diversity and governance*

During the 19th century, three wars led to the progressive colonization of Myanmar by the United Kingdom. The upper part of the country, as well as the coveted trade route to the interior of China, was brought under British control only following the last conflict in 1885. Yet, this development also brought about worries among the British administrators concerning a Chinese territorial expansion in Kachin and Shan princedoms that had been linked to the court of Mandalay through a tributary system.

They strived to initiate a formal delimitation of the until-then loosely defined frontier and an agreement in 1897 led to the creation of the "Burma China Boundary Demarcation Joint Commission". Several points of contention prevented the commission from finishing its work before the start of World War II and the British bequeathed an uncompleted border with its enormous neighbor to independent Myanmar.

Again, the nationalists now in power in Yangon feared a southward expansion of China and engaged in new negotiations starting in 1950 after Myanmar became the first country to recognize the Communist government in Beijing. Those negotiations finally resulted in the 1960

Border Treaty that, in the words of then Prime Minister U Nu, "for the first time in history brings into existence a completely delimited and demarcated boundary between [Myanmar and China]"<sup>31</sup>.

### Border continuity

The border cuts through a mountainous area inhabited by a diversity of ethnic groups. On the Chinese side, two of the frontier prefectures are ethnic autonomous prefectures: Dehuo Dai and Jingpo Autonomous Prefecture and Xishuangbanna Dai Autonomous Prefecture. In between these two Prefectures is Lincang Prefecture, which has Dai and Wa autonomous counties, and Pu'er Prefecture, which is also composed of different ethnic autonomous counties. In Yunnan, according to ethno-linguistic categories established by the Chinese government, the main minorities living along the border are the Hani, the Dai, the Lisu, the Lahu, the Wa and the Jingpo<sup>32</sup>. Lisu, Lahu and Wa people are also found on the Myanmar side of the frontier under the same official appellation<sup>33</sup>, while the Hani, Dai and Jingpo roughly correspond to, respectively, the Akha, the Shan and the Kachin in Myanmar. Han Chinese can also be encountered on the Myanmar side, some of whom have recently arrived while others have been living there for several generations, like the Kokang that stem from a Han clan who settled in Myanmar in the 17<sup>th</sup> century and are considered one of the 135 Myanmar national races. Shared language and identity substantially facilitate cross-border exchanges, be they of a political or of an economic nature.

This mountainous area has always been ethnically integrated, with population movements and migrations taking place. Today, intermarried couples (of different ethnic groups or different nationalities) are of great numbers, which facilitates the settlement of Chinese people in Myanmar, and of Myanmar people in China. National belonging is sometimes even blurred for people with family links on both sides of the frontier and the acquisition or buying of Chinese nationality may be easy for Myanmar people from the border area<sup>34</sup>.

### Unstable frontier areas

Up until the mid 1990s, Kachin and Shan States were battlegrounds of the civil war that had plagued Myanmar since its independence in

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<sup>31</sup> Dorothy Woodman, *The Making of Modern Burma*, The Cresset Press, London, 1962, p. 455-539.

<sup>32</sup> *Highlights of Minority Nationalities in Yunnan*, The Foreign Affairs Office of Yunnan Provincial People's Government, 1997.

<sup>33</sup> Officially, there are 135 races (*sic*) in the Union of Myanmar, with eight major races (Bamar, Shan, Kayin, Rakhine, Kachin, Mon, Chin, Kayah) divided in subgroups. As in China, those divisions along ethnic and/or linguistic lines are often contested by affected people and academics. Yet, this topic is beyond the scope of this article.

<sup>34</sup> Interviews, Ruili and Kunming, September 2009.

1948, with two factors at play. One factor was ideological, embodied by the Communist Party of Burma (CPB). It had gone underground as early as 1948, but it was not before deadly anti-Chinese pogroms took place in Yangon in 1967 that the PRC started to provide it with substantial support<sup>35</sup>. Troops were recruited along the border and the Kokang, Wa, Kachin and Shan soldiers were put under the guidance of Bamar officers who had been trained and indoctrinated in Beijing. An offensive was organized and launched from Yunnan that led to most of the Sino-Myanmar border area being occupied and controlled by CPB forces. Yet, from the late 1970s relations between Beijing and Yangon started to improve and, as Deng Xiaoping deemed Myanmar instrumental in the development of landlocked Southwestern provinces, Chinese support to the CPB was progressively reduced. In 1989, this weakening process resulted in mutinies by ethnic middle-rank officers and foot soldiers against the Bamar leadership and led to the end of the CPB, whose control of the Myanmar side of the border was taken over by several ethnic-based armed groups<sup>36</sup>.

The second factor in the civil unrest was founded on ethnicity and actually benefited from the demise of the Communist ideology. During the colonial era, the so-called "Frontier Areas" inhabited by ethnic minorities retained some of their traditional structures of government and were quite autonomous, while "Ministerial Burma", the central plain and the Ayeyarwaddy delta where the Bamar were a majority, was under direct British rule. On the verge of independence, the nationalists led by General Aung San had to negotiate both with the British and with ethnic leaders to ensure that the "Frontier Areas" would become part of the Union. A degree of decentralization and autonomy was conceded to ethnic States (versus Bamar Divisions) in the 1948 Constitution, but the minorities' sense of grievances kept growing during the 1950s. In the early 1960s, some Kachin and Shan movements adopted the armed struggle strategy that had been followed by other groups, like the Kayin, for over a decade already. The 1962 military coup led by General Ne Win put an abrupt end to the possibility that the ethnic crisis be resolved through dialogue and compromise.

It was not before the rise to power of a new generation of military officers in 1988 that serious negotiations were launched between the central government and the myriad of armed groups that controlled the fringes of Myanmar territory<sup>37</sup>. General Khin Nyunt, chief of military intelligence and number three of the junta, was instrumental

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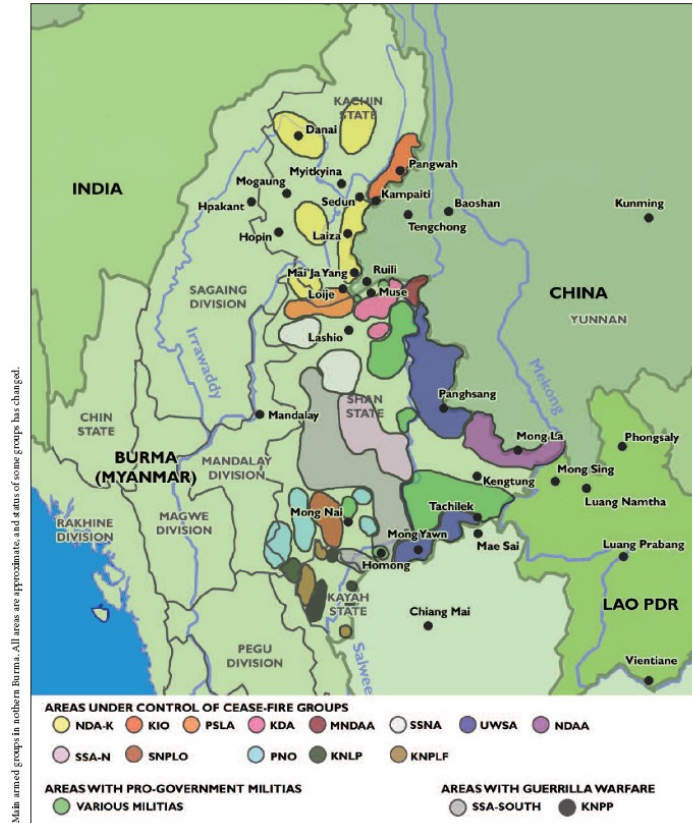
<sup>35</sup> These pogroms were caused by Myanmar resentment to Cultural Revolution agitation, a resentment stirred up by General Ne Win's administration to distract people's attention away from a food crisis.

<sup>36</sup> Bertil Lintner, *The Rise and Fall of the Communist Party of Burma (CPB)*, Cornell Southeast Asia Program, 1990.

<sup>37</sup> On the civil war, see Martin Smith, *Burma: Insurgency and the Politics of Ethnicity*, Zed Books, London, 1999 (second edition); Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948*, Silkworm Books, Chiang Mai, 1999.

in reaching cease-fire agreements with 17 militias, which were lured into the negotiation by promises of economic concessions and limited self-government over the territories they then occupied.

**Map 2. Armed groups on the Sino-Myanmar border**



**Source:** Tom Kramer, *Neither War Nor Peace: The Future of the Cease-Fire Agreements in Burma*, Transnational Institute, July 2009, [online]: <http://www.tni.org/report/neither-war-nor-peace>.

The current, peculiar, administrative organization of the Myanmar side of the border is a legacy of the civil war and the post-1988 peace negotiations. Myanmar is currently ruled by a military junta, the State Peace and Development Council (SPDC), and it is the authority of military commanders that prevails at the regional level, especially in Kachin and Shan States. Kachin State is ruled by the Northern Command headed by Brigadier-General Soe Win, with headquarters in Myitkyina. Yet, part of the border between Kachin State and Yunnan Province is controlled by two cease-fire groups. The New Democratic Army - Kachin (NDA-K), a former brigade of the CPB, administers the Kachin State Special Region 1 since it reached an agreement with the Myanmar government in June 1989. A portion of the Kachin State Special Region 2 is located to its South along the border. This area, as well as a few others in Kachin State, is under the control of the Kachin Independence Organization (KIO), whose cease-fire agreement with the government dates back to February 1994.



The part of Shan State that borders China is under the supervision of two different military commands, the Northeast Command headed by Major-General Aung Than Htut with headquarters in Lashio, and the Triangle Region Command led by Major-General Kyaw Phyo, with headquarters in Kengtung. In effect, the border is almost entirely occupied by Special Regions. In the west, the Kachin Defense Army, formerly the 4<sup>th</sup> brigade of the KIO, rules the Shan State Special Region 5 since it seceded and signed a separate cease-fire agreement in January 1991. To the east is Shan State Special Region 1, administered since March 1989 by the Myanmar National Democracy Alliance Army (MNDAA), a Kokang group that was the first to reach an agreement with the junta. Southeast of the MNDAA territory is the Shan State Special Region 2 of the United Wa State Party (UWSP) that entered into an agreement with the SPDC in May 1989. Further east lies the Shan State Special Region 4 administered by the National Democratic Alliance Army (NDAA – Shan and Akha armed national groups) that signed its peace in June 1989. The last three groups, like the NDA-K in Kachin State, are former ethnic-based brigades of the CPB.

None of the contents of the cease-fire agreements have been disclosed, and only the KIO has a written accord while other groups have mere verbal understandings with the government. These agreements are only military truces and the junta ultimately aims to settle the situation through its "roadmap to a disciplined democracy", which resulted in the 2008 Constitution and the promise of legislative elections in 2010. The agreements have a strong focus on military matters and "demarcate the territory under control of the groups, the location of checkpoints, the number and location of soldiers, and the location of military headquarters and liaison posts<sup>38</sup>". Groups that administer Special Regions along the Sino-Myanmar border can not only represent local people, recruit soldiers, raise taxes and conduct diverse business activities in their territory, they can also access Yunnan unhindered and collect customs on cross-border trade. For example, the border city of Laiza in Kachin State also hosts the headquarters of the KIO since the 1994 peace accord. Through this post, it takes only 5 hours by car from Myitkyina or Bhamo to reach the commercial city of Yingjiang, a largely Jingpo inhabited area in the Chinese Dai and Jingpo Autonomous Prefecture of Dehong. SUVs with Myanmar car plates are numerous in this city where Kachin traders come to sell jade or precious stones and buy construction materials, kitchen utensils and clothes to be sold in markets in Kachin State. Some Kachin and Jingpo ethno-nationalists advocating in favor of a "Greater Kachin Land" on their way back from meeting with the KIO leadership can also be met in this frontier city<sup>39</sup>. Laiza is thus a gate between the main commercial cities of Kachin State and

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<sup>38</sup> Tom Kramer, *Neither War Nor Peace: The Future of the Cease-Fire Agreements in Burma*, Transnational Institute, July 2009, p.13.

<sup>39</sup> Field research and interviews, Yingjiang, October 2009.

Yingjiang, with customs agents of the KIO collecting taxes on those flows. In addition, cease-fire groups along the Sino-Myanmar border also provide their population with basic social services as the aid received through the Border Area Development Program, started by the Junta in the early 1990s and then upgraded into the Ministry for the Development of Border Areas and National Races, was scarce and often politically motivated. In the KIO Special Region, Kachin language and history are taught in school while Chinese is the main medium of education both in Kokang- and Wa-held areas<sup>40</sup>.

### **The uncertain outcome of the 2010 elections**

The coming into force of a new Constitution following legislative elections in 2010 creates uncertainties about the future of these Special Regions. A degree of constitutional decentralization is to be introduced through the creation of Parliaments and Cabinets at the Region (currently called Division) and State level, where members of the armed forces will occupy at least 25% of the seats. Most Special Regions will come to an end as the new Constitution creates six new "self-administered areas", including the Kokang Self-Administered Zone and the Wa Self-Administered Division in Northern Shan State along the border. As a result, the KIO, NDA-K, KDA and representatives of Kachin civil society formed the Kachin State Progressive Party (KSPP) in September 2008 to contest the 2010 elections with the aim of being the main political force at the State level, and also to win seats in the National Parliament. The main point of contention between the SPDC and cease-fire groups has been over disarmament of the latter's armies. In April 2009, the government announced a plan to transform cease-fire groups into a Border Guard Force (BDF), with each battalion of the Force including some soldiers and a commanding officer from the *Tatmadaw*<sup>41</sup>. In addition to the issue of authority over their soldiers, ethnic leaders reject the eventuality that their troops' prerogatives would be limited to guarding the border and no longer to ensuring security over the entire area currently under their control. In early November 2009, two small cease-fire groups, including the NDA-K, agreed to enter into the government's scheme<sup>42</sup>.

So far, the two main groups along the border, the KIO with about 4,000 men and the UWSP with more than 20,000 soldiers, have rejected the BDF plan. Their troops have even been put into a state of alert after fighting between *Tatmadaw* and Kokang forces in August 2009 led to the removal of the MNDA Chairman and its replacement

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<sup>40</sup> Interviews, Chiang Mai, November 2008; Lashio, October 2009.

<sup>41</sup> Tom Kramer, *op. cit.*, p. 35.

<sup>42</sup> "First ethnic groups agree to join Myanmar guards", *Associated Press*, November 11 2009.

by a new leadership more cooperative with the junta<sup>43</sup>. It is yet unclear whether the junta will risk taking such an aggressive posture against the KIO and the heavily armed UWSP if they continue to reject the BDF plan, as the region could be seriously destabilized with the interruption of border trade and flows of refugees (more than 30,000 people crossed into China during the small-scale conflict in the Kokang area). The Yunnan Provincial Government as well as Beijing will certainly attempt to broker an agreement between the parties in order to avoid such a grim scenario along a border that is already difficult to police<sup>44</sup>.

## ***Border trade and trafficking***

### **The growing, lopsided importance of the border trade**

Trade across what is now the Sino-Myanmar border has a long history. The Southern Silk Road going to India passed through the area, with Bhamo being a famous trade post where Chinese goods would be exchanged for Myanmar and Indian products. The British were partly interested in the conquest of Upper Myanmar because they thought control over the area would open a backdoor to the Chinese market. Although the region was plagued with ethnic insurgencies following the independence of Myanmar, illegal border trade was pursued by armed groups that were interested in obtaining weapons, ammunitions and also consumer goods that were scarce or non-existent on the Myanmar market. Bilateral discussions over the legalization of border trade started at the ministerial level in the mid-1980s and in the summer of 1988 a Chinese delegation led by the Vice-Governor of Yunnan visited Yangon where political agitation was then happening. The first Sino-Myanmar border trade agreement was signed between the Yunnan Provincial Import Export Corporation and the Myanmar Export Import Corporation, leading to the opening of a border post between Ruili, in Yunnan, and Muse in December 1988<sup>45</sup>. In 1994, a governmental border trade agreement was signed that paved the way for increased transactions. Since then, border trade with China, especially through the renovated Burma Road and the Ruili-Muse border post, has become the "lifeline of the Myanmar

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<sup>43</sup> Interviews, Yingjiang, October 2009; "A Rebel Stronghold in Myanmar on Alert", *International Herald Tribune*, November 5 2009.

<sup>44</sup> "The Kokang Clashes- What Next?", *Euro-Burma Office Analysis Paper n°1*, September 2009; Tom Kramer, "Burma's Cease-fires at Risk. Consequences of the Kokang Crisis for Peace and Democracy", *Peace and Security Briefing n°1*, Transnational Institute, September 2009.

<sup>45</sup> Maung Aung Myoe, *op.cit.*, p.9; Renaud Egreteau, *op. cit.*, p.183

economy<sup>46</sup>". There are five trade posts on the Myanmar side of the border with Yunnan Province, i.e. Muse (Mile 105), Lwejei, Chinshwehaw, Laiza and Kambaiti<sup>47</sup>.

Two months after the August 2009 conflict in the Kokang Special Region, sources within the Ministry of Border Area and National Races Development said that a new border trade post would be opened a few kilometres from the Kokang capital of Laukkai. China-Myanmar border trade increased by more than 2 times in terms of value between 2001 and 2005, from US\$ 354 million to US\$ 763 million. "Regularization and institutionalization of cross-border transactions and road development contributed to boosting border trade between the two countries"<sup>48</sup>, and the continuation of this commerce, though insignificant for China as it represents less than 1% of its overall external trade, is essential both for Myanmar and for Yunnan Province.

### Ruili/Muse: The main border trade zone

The border trade zone of Muse (Mile 105) is by far the most lucrative in terms of trade volume, accounting for 87% of the total of China-Myanmar cross-border trade in 2002. Since 1998, it functions as a "one-stop services" border gate. Muse's sister city, Ruili accounted for 70% of Yunnan Province's border trade with neighboring countries in 2008, meaning that Myanmar is the first trading partner of this landlocked Chinese Southwestern Province that also shares a border with Laos and Vietnam<sup>49</sup>.

**Table 6. Sino-Myanmar Border Trade value and proportion (Million US\$ and %)**

Chinese statistics 2004		Myanmar statistics 2004-2005	
Yunnan's share of bilateral trade	% of total bilateral trade	Border Trade Value	% of total bilateral trade
551,32	48,13	422,83	54.17

Source: Directorate of Trade of Myanmar and China statistical Yearbook, Yunnan Yearbook. From Maung Aung Myoe, *op. cit.*, p. 11.

On both sides of the border, the cities have experienced a commercial boom. On the Chinese side, Yingjiang or Daluo have

<sup>46</sup> Toshihiro Kudo, "Myanmar's Economic Relations with China : Can China Support the Myanmar Economy?", *Discussion Paper n°66*, Institute of Developing Economies, July 2006, p.10.

<sup>47</sup> Laiza and Kambaiti, both located in Kachin State and controlled respectively by the KIO and the NDA-K, are surprisingly not listed on the website of the Myanmar Ministry of Commerce, Department of Border Trade. Also, border trade is known to take place "illegally" in the towns of Pangshang (Wa Special Region) and Mongla (NDAA Special Region), and surely in other places along the border.

<sup>48</sup> Toshihiro Kudo, *op. cit.*, p.12.

<sup>49</sup> "Myanmar to add another trade zone in Northern Shan State", *Xinhua*, October 15 2009; Toshihiro Kudo, *op. cit.*, p.10.

taken advantage of the growing activities, but the most flourishing city is Ruili and, next to Ruili, the border trade port of Jiegao. The trading activities are more or less divided between the two cities: Ruili mainly sells clothes, bags and accessories, while Jiegao specializes in electronic and home appliances. Ruili is also home to the largest jade market in the Dehuo prefecture. In 1991, the Jiegao Border Trade Economic Zone was created. The city has been completely rebuilt along a central avenue stretching out from the Chinese check point in the south part of Ruili to the Myanmar border. This avenue, the China-Burma Street, is lined with stores and shops selling electronic and home devices. In front and on both sides of the avenue are three border posts: two for individuals and one for trucks. Chinese trucks transporting manufactured goods come from all along the southeastern coastal areas of Guangdong and Fujian. The highway G320 now links Kunming to Luxi in 8 hours and will soon be extended until Ruili. The trucks pass the checkpoint at the entrance of Jiegao and, next to the border port, a large area with warehouses is reserved for goods to be reloaded onto Myanmar trucks before crossing the border. For Myanmar buyers, Ruili is the place to bargain for clothes and accessories. For Chinese buyers, it is a place to buy Myanmar jade, imported in blocks and carved in China, and other precious stones. Like for other cities near the Myanmar border, it is also a place to invest and launder money.

The population of Ruili and its surrounding area has been renewed by the growing trading activities. The city attracts both businessmen and unskilled workers. While local people often complain about the monopolization of cross-border trade by Guangdong and Fujian businessmen and assert that Ruili natives do not benefit from the economic growth, in reality, the businessmen are often locals. For instance, the businessman widely regarded as the wealthiest man in the city, and builder of a luxurious hotel, belongs to the Jingpo minority<sup>50</sup>. In the trade of jade, one can find many businessmen coming from Myanmar, some of Indian origin. On the other hand, many unskilled migrants also enter the city: they come both from other Chinese provinces and from Myanmar. Because of China's movement of rural migrants, the need for foreign low cost migrant workers for 3D (difficult, dangerous and dirty) jobs is low. Still, some Myanmar people try their luck in the area since the salaries are much higher than in Myanmar: one can earn from 300 RMB per month to 700 RMB (30 to 70 euros) a month as a stone cutter<sup>51</sup>. In Myanmar, they would earn about 30 000 kyat a month (20 euros). In Ruili and other Chinese border cities, Myanmar people can enjoy a much higher standard of living than in their own country. They often enjoy the way of life and try to settle down.

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<sup>50</sup> Interview, Ruili, September 2009.

<sup>51</sup> Interview, Ruili, September 2009.

On the other side of the frontier, Muse has also been transformed by the thriving of trade. Like Ruili, Muse has evolved into a lively city since the end of the 1990s. New buildings, shops and cars have appeared. It is a remote area of Myanmar, but signs of modernity are tangible, due to the proximity with China<sup>52</sup>. In 1998, administrative offices, warehouses and checkpoints, which were scattered in different border cities (Kyugok, Pansai, Namkham and Muse), were gathered together in one village (zone), which in 2006 became the Muse 105<sup>th</sup> Mile Border Trade Zone<sup>53</sup>. Trade with China has created lots of job opportunities in the area. While the sister border trade zone of Jiegao is filled with electronic and home appliances shops, in Muse 105<sup>th</sup> one can find a wide range of fruits and vegetable wholesale markets. Chinese buyers also go there to buy corn, rice and seafood to export to China.

Local people, Chinese and Myanmar, can easily cross the border and move around the border area. Chinese of Dehuo Prefecture can get a one-year pass that allows them to cross the border as often as they want and stay in Myanmar for up to seven days. Myanmar people from border areas can also easily get a pass from Chinese customs that allows them to stay for up to three months in Dehuo Prefecture. Thus, it appears easy for Myanmar people to live and work in Dehuo prefecture, although mobility is much more controlled if they want to travel beyond the border prefecture.

## Illegal exchanges

### *Timber trafficking*

The scope of Sino-Myanmar border trade is not fully reflected in official statistics as a number of goods are being trafficked across the 2,170km frontier. A dire example is that of the illegal timber trade. According to Myanmar customs data, beans and pulses have replaced timber as the main exported item to China since 2004. However, Chinese customs data reveal that timber accounted for 69% and 71% of all of China's imports from Myanmar in 2004 and 2005 respectively, with nearly 90% of this timber being imported via Yunnan Province<sup>54</sup>. Small-scale, often family-owned Yunnanese logging companies have been operating in Myanmar areas close to the border since the early 1980s with the complicity of local CPB commanders. Due to environmental degradation and a series of deadly landslides, a logging ban was imposed in Yunnan Province in 1996, followed by a nationwide Chinese ban in 1998. Consequently, big companies started to operate in Myanmar, especially in Kachin State, in agreement with local *Tatmadaw* units and cease-fire groups. The illegal cross-border timber trade increased by almost 60% between 2001 and 2004, leading to the destruction of forest along the China-Myanmar border

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<sup>52</sup> *Golden Phoenix*, December 3 2008, p.1 (Myanmar newspaper in Chinese).

<sup>53</sup> *The New Light of Myanmar*, April 1 2009, p.10.

<sup>54</sup> Maung Aung Myoe, *op. cit.*, p.12-13.

and forcing the logging companies to move deeper into Northern Myanmar<sup>55</sup>. Following the launch of a report by the environmentalist advocacy group Global Witness in 2005, the Myanmar and Chinese authorities cracked down on the illegal timber trade and imposed stricter rules on logging and timber export activities. Chinese customs data show a two-thirds decrease in Myanmar timber products being imported overland between 2005 and 2008, while timber exports have increased over the same period according to Myanmar Ministry of Forestry data<sup>56</sup>. Thus, control exerted by both countries over this trade has become more stringent, but illegal logging and export of timber is still notably carried out by small-scale companies through the bribery and corruption of local authorities or the bypassing of official checkpoints. Sustained flows of timber trucks arriving from Myanmar were observed in the Chinese town of Dian Tan (Baoshan Prefecture), adjacent to Pangwah, where the headquarters of the NDA-K are located. Trucks loaded with teak logs were seen crossing from Laiza, where the KIO has its headquarters, to the adjacent town of Nabang (Dehong Prefecture), through a purposely built road that bypasses the official Chinese border crossing<sup>57</sup>. Indeed, loggers have built an extensive network of roads and bridges to penetrate further, as much as 200 km, into the deep forest of Northern Kachin State as easily accessible zones have already been deforested.

#### *Drug trafficking*

Drug trafficking along the border is another enduring phenomenon with far-reaching socioeconomic consequences for both China and Myanmar. Poppy is a traditional crop of Southeast Asian hill tribes, which used opium as a stimulant and medicine. The British encouraged and regulated its production in colonial Myanmar and exported opium to China's market. The production and export of opium rose continuously during the Myanmar civil war, in some ways fueling the conflict as many ethnic-based armed movements used this trade as a way to fund their struggle against the government, while some militias, most prominently Khun Sa's Mong Tai Army, used ethnicity as a pretext to carry out criminal drug-related activities. When the Chinese government's support to the CPB started to decline in the late 1970s, local CPB commanders increasingly resorted to the opium trade to finance their activities. After the demise of the CPB and the conclusion of cease-fire agreements with the SLORC, opium production increased substantially with the connivance of government and local officials in the newly created Special Regions. Production was also on the rise in areas where conflict was ongoing. Myanmar became the world's largest exporter of opium and heroin before Afghanistan and by far the main producing component of the Golden

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<sup>55</sup> "A Choice for China. Ending the destruction of Burma's northern frontier forests", *Global Witness*, October 2005, p.13.

<sup>56</sup> "A Disharmonious Trade. China and the Continued Destruction of Burma's Northern Frontier Forests", *Global Witness*, October 2009, p.15

<sup>57</sup> *Idem.*, p.19-20

Triangle, consisting of Shan State, Northern Laos and Northern Thailand<sup>58</sup>. Then, between 1998 and 2006, recorded opium production decreased by 65% in Myanmar and the country's share of the world opium market collapsed from 63% to 6%<sup>59</sup>. Several factors explain such a dramatic reduction. At the national level, the SPDC became sensitive to international pressure and, following the surrender of drug kingpin Khun Sa in 1996, it adopted in 1999 a 15-year Plan for Elimination of Narcotic Drugs. The NDAA, Kokang and Wa authorities, under pressure from both Myanmar and China to curb opium production, have issued opium bans for the Special Regions under their control. Global market trends also played an important role as Southeast Asian cocaine was replaced by Colombian heroin in the United States in the mid 1990s while the European market became saturated with heroin from Afghanistan once the Taliban's ban was lifted. Myanmar heroin was literally pushed off the international market and the great majority is now exported to Southeast Asia, China, India, Australia and Japan<sup>60</sup>.

China has been instrumental in the growth of drug production in Myanmar and has been seriously affected by such trends. After 1988, the development of trade and migration flows on new transport infrastructure close to opium producing areas has led to the opening of an alternative heroin trafficking road under the control of Chinese criminal groups which, instead of going through Thailand, crosses Yunnan Province. Aimed at delivering Myanmar heroin to the American market, this road has resulted in rapidly increasing addiction rates in the regions it crosses, first in Yunnan and then in the South of China, via Guanxi and Guangdong, and in the North, through Sichuan, Gansu and Shaanxi Provinces<sup>61</sup>. The Chinese authorities have quickly realized the seriousness of the situation, all the more so as the spread of heroin consumption also contributed to increased rates of HIV infection through the sharing of needles by intravenous drug users<sup>62</sup>. That is why China has tried to use its influence to ensure the success of poppy eradication policies in Shan State, especially next to the two main road axes that link it to Yunnan: in the Kokang Special Region next to the Burma Road, and in the NDAA Special Region close to the Kengtung-Daluo-Jinghong road. Officials of those areas might have concluded opium ban agreements not only with the SPDC but also with Kunming and Beijing<sup>63</sup>. Yet, it seems that traffickers, in the Wa

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<sup>58</sup> Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948*, Silkworm Books, Chiang Mai, 1999.

<sup>59</sup> *Opium Cultivation in Southeast Asia*, United Nations Office on Drugs and Crime, October 2007, p.72.

<sup>60</sup> Martin Jelsma, *Trouble in the Triangle. Opium and Conflict in Burma*, Silkworm Books, Chiang Mai, 2005.

<sup>61</sup> Guilhem Fabre, "Le Trou noir de la blanche chinoise", *Outre-Terre*, n°15, February 2006, p.198.

<sup>62</sup> Chris Beyrer, "Burma and Cambodia: Human Rights, Social Disruption, and the Spread of HIV/AIDS", *Health and Human Rights*, vol. 2, n°4, 1998, p.88-89.

<sup>63</sup> Guilhem Fabre, *op. cit.*, p.201.



Special Region particularly, have moved from the production of opium and heroin to that of amphetamine-type stimulants (ATS), especially Yaa Baa ("crazy medicine"), which is extremely popular in Thailand, and whose precursor ephedrine is mainly made in China and imported illegally through the Sino-Myanmar border<sup>64</sup>. As for former poppy farmers, they have been seriously impoverished. Kokang authorities have asserted that 20,000 to 30,000 peasants left the Shan State Special Region 1 for China and SPDC-controlled areas after the implementation of the opium ban in 2003. Alternative cash crops such as tea, rubber or sugarcane have been initiated in Kokang and Wa regions in cooperation with Chinese companies that usually provide seedlings, fertilizer and expertise. Chinese companies benefit from soft loans through a national alternative development program for investment in agriculture in these regions. Indeed, China wants to promote stability and prevent the resumption of armed conflict caused by economic disparity on its border. Yet, farmers are completely dependent on Chinese buyers because of restrictions on market access in Myanmar imposed by the military government. It seems that Chinese assistance has mainly benefited private Chinese investors seeking profit rather than development<sup>65</sup>.

### Casinos

Casinos are also an important component of the burgeoning illegal economy along the Sino-Myanmar border since its opening in 1988. At the peak of the "gambling tourism" before 2005, several hundred casinos were operating in towns on the Myanmar side of the border. These casinos, where transactions are in Yuan, cater mainly to Chinese citizens who come from various provinces of the PRC to try their luck, while both investors and employees are usually Chinese as well. Following several kidnapping cases and the loss of considerable amounts of public money by civil servants on gambling trips, Chinese police swept into the frontier town of Mongla in early 2005 and closed casinos there. In 2006, police operations to close gambling dens in Ruili, on the Chinese side of the border, resulted in some casinos moving to Maijayang and Laiza in Kachin State<sup>66</sup>. Those were closed in January 2009 after cases of kidnapping unnerved the Chinese authorities<sup>67</sup>. Still, around one hundred small-scale casinos are estimated to continue their activities on the Myanmar side of the border<sup>68</sup>.

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<sup>64</sup> Joël Meissonnier, Pierre-Arnaud Chouvy, *Yaa Baa: Production, Traffic and Consumption of Metamphetamine in Mainland Southeast Asia*, Singapore University Press, Singapore, 2004.

<sup>65</sup> Tom Kramer, "From Golden Triangle to Rubber Belt? The Future of Opium Bans in the Kokang and Wa Regions", Transnational Institute, *Drug Policy Briefing n°29*, July 2009.

<sup>66</sup> "Chinese flocks to casinos accross Myanmar border", *AFP*, October 4 2007

<sup>67</sup> "Myanmar closes all border casinos", *China Daily*, February 12 2009.

<sup>68</sup> Interview, Kunming, September 2009.

### *Human trafficking*

Also, some cases of cross-border human trafficking have been reported. It seems these are mainly related to forced marriage and prostitution, with girls and young women from Northern Shan State, Yangon Division, Mandalay Division, Kachin State, Bago Division and Ayeyarwaddy Division being trafficked to border towns in Yunnan Province and as far as Eastern China, where they are forced to marry Chinese men or work in the sex industry. In early November 2009, a Memorandum of Understanding was signed between Myanmar and China on strengthening bilateral cooperation towards combating human trafficking, within the framework of the Coordinated Mekong Ministerial Initiative against Human Trafficking (COMMIT)<sup>69</sup>. Up until now, two border liaison offices of the Myanmar Police Force have been established in Muse and Lwejei, where they discuss human trafficking-related issues with their Chinese colleagues in Ruili and Zhanfeng respectively. The Myanmar Department of Social Welfare recently opened a shelter for repatriated victims in Muse, from which they are transferred to a vocational training school in Mandalay and undergo a two-week "re-education program", a prerequisite to their being sent back home. The November 2009 MOU could improve cooperation between the two countries in favor of victims of trafficking. Yet, a recent wave of repatriation from China might have been underpinned by local political motives, such as the expulsion of illegal migrants, as it also affected people who sometimes had settled in China and did not wish to be repatriated<sup>70</sup>.

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<sup>69</sup>"Historic agreement between China and Myanmar strengthens bilateral cooperation on human trafficking", United Nations Interagency Project on Human Trafficking, November 11 2009.

<sup>70</sup> Interview, Yangon, November 2009.

## Ethnic Chinese and the Renewal of the Burma Trading Route

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Trade between Southwestern China and Myanmar has a long history that has experienced a new momentum since the official reopening of the border in 1988. For centuries Chinese Muslim traders dominated trade activities as their caravans traveled around the Golden Triangle. Today once again trade activities are largely, but not exclusively, in the hands of the descendants of these merchants and of other waves of Chinese migrants to Myanmar, i.e. ethnic Chinese who have settled in Myanmar for generations.

### ***The overseas and overland Chinese in Myanmar***

The movement of people between the southwestern area of Yunnan and the northern part of Myanmar has always been important. As described in the second part, ethnic groups live on both sides of the border. But in terms of what are considered as Chinese communities, historical sources only confirmed settlements from the end of the 17<sup>th</sup> century<sup>71</sup>. Furthermore, like in other Southeast Asian countries, the main waves of Chinese migrants took place between the late 19<sup>th</sup> century and 1949. In fact, the second part of the 19<sup>th</sup> century witnessed the transformation of Chinese overseas movements from the migration of merchants to the migration of workers (known as coolies) who were displaced in greater numbers and under harsh conditions.

The majority of overseas Chinese have settled in Southeast Asia and in each country these communities have their particularities. In the case of Myanmar, the Chinese minority is characterized by two distinct routes of immigration: by sea and by land. One should speak of *overseas* and *overland* Chinese. The overseas route concerned principally Chinese people living in the coastal plain of Myanmar. They predominantly came from southeast provinces of China (Fujian and Guangdong). The overland Chinese settled to a large extent in the northern areas of Myanmar (as well as in other border hill areas of Laos and Thailand).

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<sup>71</sup> Except for communities of Mongols (then the ruling dynasty in China) during the 13th century : see Guy Lubeigt « The Chinese in Burma: Traditional Migration or Conquest Strategy? », Paris, Irasesec-Les Indes Savantes, to be published.

## Chinese overseas merchants and trading posts

The waves of overseas Chinese merchants (*huashang*/ 华 商 ) intensified after 1684 when the Qing dynasty finally lifted the ban on trading with foreign countries. Even if migration already existed in spite of the ban, Xiamen and other Chinese coastal cities were subsequently transformed into important customs offices. Throughout the 19<sup>th</sup> century, conflicts and economic difficulties further pushed people to leave Fujian and Guangdong for trading posts in Southeast Asia. Between 1875 and 1949 the shipping lines Xiamen-Hong Kong-Penang-Singapore-Yangon were popular. For instance, in 1913, 105,000 Chinese people left from Xiamen on these lines.

Indeed, in Yangon today most of the ethnic Chinese are of Fujian or Guangdong origin. As we will see below, these communities may be involved in overseas Chinese networks in Southeast Asia, but they are not as involved in the Sino-Myanmar bilateral trade as the Chinese living along the former "Burma road", from Muse to Mandalay.

## Primacy of Chinese Muslims in the Golden Triangle and Kuomintang refugees

Although overseas Chinese from Fujian or Guangdong also have their own communities in northern cities of Myanmar, most ethnic Chinese in Upper Myanmar are descendants of overland migrants from Yunnan province. The settlement of Chinese people has to be drawn back to 1265, when a Muslim from present-day Uzbekistan was nominated Governor of Yunnan. Sayyid Ajall, who impressed the Mongol dynasty of Genghis Khan by his loyalty, was given the charge of this area, strategic in terms of trade routes to India and Southeast Asia. At that time the caravan trade across the routes of the Golden Triangle essentially became a monopoly of the Chinese Muslims (the Hui).

Commercial primacy of Muslims in Southwest China and in the Golden Triangle to the fringes of lowland Burma, Thailand and Assam spanned the Yuan, Ming and Qing dynasties, i.e. from the end of the 13<sup>th</sup> until the 19<sup>th</sup> centuries. The goods transported by the Hui caravans were mainly opium and tea exported from Yunnan and cotton imported to Yunnan.

In 1885, with the seizure of Upper Burma by the British, the two caravan centers of Kengtung (Shan state) and Bhamo fell under British control. Under the British policy of encouragement of trade, the central point of exchange moved west towards the Burmese lowlands. This induced the settlement of many Yunnanese traders in Burma.

Furthermore a few years earlier Hui people fled from Yunnan after the collapse of Du Wenxiu, the leader of the Yunnan rebellion who established a quasi-independent Muslim Kingdom in Dali between 1857 and 1873. When the Hui Muslims were defeated by the Qing dynasty, many escaped repression and settled in Burma. Some Yunnanese had already settled in Burma before but then larger Hui groups emerged in places like Panglong in the Wa state, Tangyan

near Lashio or even in urban centers like Rangoon, Mandalay, Bhamo, the gem center of Mogok or in Kengtung in the Shan state<sup>72</sup>. Indeed from the 16<sup>th</sup> century until the 19<sup>th</sup> century most of the overland Chinese in Myanmar were Hui, Muslims from Yunnan. The descendants of these Chinese Muslims who came from Yunnan province are currently designated as Chin Haw or Haw in the Tai speaking world<sup>73</sup>. In Myanmar they are called Panthay.

Furthermore, the re-establishment of Qing authority after the Yunnan rebellion and the Taiping rebellion precipitated the flight of rebels from Yunnan and Guangxi to the neighboring frontier regions. Burma was less concerned by refugees fleeing the repression of the Taiping Rebellion, however some of them settled in small cities and villages alongside the Chinese border.

In 1949, several thousand former Kuomintang troops fled the Communist People's Liberation Army through the famous Burma Road and took refuge in Myanmar territory for a number of years. Some established bases near the border while others penetrated further into Burma and became involved in Golden Triangle drug production activities. Former nationalist generals even controlled an independent enclave in the Golden Triangle for a period of time.

### **Chinese population on the Burma Road: from Muse to Mandalay**

It is extremely difficult to give estimates of Sino-Myanmar population. This ethnic group is more or less estimated around 3% of the total population of Myanmar, but like in any migrant receiving country mixed marriages or even personal identity make it difficult to determine who is Chinese or not. Estimating a minority population is also a politically sensitive question: according to the context, ethnic Chinese or other ethnic groups may be under- or overestimated.

Along the road from the China border city of Muse to Mandalay, the Chinese population has long been very important but has become increasingly visible since the 1980s. In Lashio, a city midway between the border and Mandalay, half of the 200,000 residents are of Chinese origins, and almost exclusively from Yunnan. They are particularly concentrated in the market area where shop signs in Chinese script compete with Myanmar signs. The market offers clothes and manufactured goods from China and Thailand as well as local products: Shan fabrics, Kokang tea, and Chinese traditional medicine made from Myanmar goods. A few years ago, it seems that mainland Chinese buyers came to Lashio in greater numbers. Today, the city is clearly not a place for bilateral exchanges, but rather a transit city for people and goods on the road to/from China.

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<sup>72</sup> Andrew Forbes and David Henley, *The Haw: Traders of the Golden Triangle*, Teak House, 1997, p.97.

<sup>73</sup> *Idem*, p. 22.

At the end of the road, Mandalay is the redistribution capital. In its lively markets many goods from China are sold retail or wholesale. The best-known market, Zegyo market, has blossomed with the legalization of border trade. The old building was replaced in the 1990s by a new functional building (often described as a Chinese style market building, i.e. a multi-storey shopping center). In Mandalay, which is considered the very heart of Myanmar culture, conservative opinions often criticize the flow of Chinese products. A rampant discourse also decries a Chinese or Yunnanese colonization of Mandalay. Indeed, the Chinatown in the city center (which is not a new phenomenon) has been growing since the 1990s and many ethnic Bamar express their discontent with the growing presence and wealth of the so-called Chinese in Mandalay. Unreliable statistics suggest that 30% to 40% of the population of Mandalay would be of Chinese origins. These statistics may be right if we only consider the city center and if we include a Sino-Myanmar population that has been living in Myanmar for generations and has intermarried with local ethnic groups. According to the Chinese associations, the Sino-Myanmar population in Mandalay is stable and only counts 5,000 families, i.e. around 50,000 to 60,000 people, while the total population of the city is about 1 million<sup>74</sup>.

This perception that Yunnanese are colonizing Mandalay might be related to the surge in investors from Kachin and Shan States buying property and opening businesses in the former royal capital after the conclusion of cease-fire agreements between the Junta and various insurgent groups. Those investors might be of Chinese origin, like the Kokang, or just master Chinese better than Myanmar language, like the Wa, who belong to the Mon-Khmer ethnolinguistic group. Yet, due to their complexion, their inability to speak proper Myanmar and the proximity of their homelands to Yunnan, they are often categorized as "Chinese" by a local population whose understanding of ethnic categories is sometimes confused. Economic concessions included in the cease-fire agreements led to the enrichment of former insurgents who did not have to hide in mountain strongholds anymore. Also, some of the huge profits created by the rapid increase in opium production and trafficking in Shan and Kachin States during the 1990s were invested in Mandalay.

To some extent, the arrival of some ethnic Chinese in Mandalay and their settlement in the city center may have been favored in the 1980s by reconstruction after devastating fires and the appeal for investment that locals could not always provide. It was also facilitated by the vacuum left by the massive forced relocation of some Mandalay residents to new satellite cities after 1988. The idea behind this relocation was to avoid concentrating political dissidents in the city center<sup>75</sup>.

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<sup>74</sup> Interview, Mandalay, October 2009.

<sup>75</sup> Mya Maung, "On the Road to Mandalay: A Case Study of the Sinonization of Upper Burma", *Asian survey*, vol. 34, no.5, May 1994, p. 453. Guy Lubeigt, *op.cit.*, p. 8.

## **Renewal of the Chinese identity: the "Chineseness" as an asset in bilateral business**

Like in any host country of Chinese migration, there is not one but many Chinese communities. Firstly, the Chinese population is subdivided into different origin groups (*tongxianghui*), even if today these groups often cooperate or gather in organizations like the Overseas Chinese Chamber of Commerce (*Huashang shanghui*). Secondly, among the Myanmar population of Chinese origins, some are or want to be completely assimilated into the host society and consider themselves as Myanmar above all. They do not speak Chinese nor try to teach Chinese to their children.

The Chinese communities of Myanmar experienced a wave of Chinese patriotism after the creation of the Republic of China in 1911. This patriotism was the result of active policy by the Chinese nationalists to make overseas Chinese participate in the modernization of China. Like in other Asian countries, access to independence and the construction of the Myanmar nation led to suspicion towards Chinese patriotism. It was only with the blossoming of Sino-Myanmar relations that Chinese identity has been renewed, but without the patriotic ideology. Sino-Myanmar people today mainly consider themselves as Myanmar of Chinese origins<sup>76</sup>. The revival of their "Chineseness" should be more considered in terms of business opportunity or, for the younger generations, as an attraction to China's modernity. In fact, since the end of the 1980s, Chinese schools have reopened, and the younger generation often masters Chinese language, listens to Chinese pop music and watches Chinese movies and TV series.

### **Revival of the Chinese education and Sino-Myanmar students in China**

The first Chinese school in Myanmar was established in 1904 by Fujianese in Yangon. After the creation of the Republic of China, education in Chinese language and with Chinese curriculum spread widely. According to official numbers, there were 65 Chinese schools at the eve of Myanmar independence but in 1967, after anti-Chinese riots took place in Yangon, all Chinese schools were nationalized and Chinese language classes were forbidden<sup>77</sup>.

After 1988, Chinese language classes were reopened. In many cities and even villages, classes were organized by the Chinese community before and after Myanmar public school. While the Sino-Myanmar between 40 and 50 years old often cannot write in Chinese and only speak a Chinese dialect, young people under 30 usually master Chinese language.

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<sup>76</sup> Yin Yin Myint, "Les Chinois de Birmanie", *Etudes birmanes*, 1998, p. 266.

<sup>77</sup> *Idem*, p. 265.

In Mandalay, according to the director of one of the main Chinese language schools in the city, there are many different places where children can learn Chinese language intensively. The Confucius Class is the main school with about 1000 students and 30 to 40 teachers (one of whom is from Yunnan University). In Mandalay, this Confucius Class is the first one created in cooperation with Yunnan University<sup>78</sup>. Some schools even offer a complete curriculum in Chinese language. Two are linked to mainland China and one to Taiwan. The Taiwanese school is the only one to offer high school courses.

Many young Sino-Myanmar now pursue their studies in China or Taiwan. Taiwan was the first to develop a comprehensive policy towards overseas Chinese students. Since the aftermath of the Chinese civil war Taiwan has sent school books to Chinese schools in Myanmar. When the schools reopened in 1988 most of the books were still coming from Taiwan. Furthermore, until 1995 Taiwan would give a Taiwanese passport to any overseas Chinese who did not have Myanmar nationality. Since the 1990s the students that graduated from a Chinese school in Myanmar could freely apply to Taiwan's national universities. Their applications would be considered according to their marks, just as any Taiwanese applicant. Due to the relations between overseas Chinese in Myanmar and the Kuomintang in Taiwan, relations with the PRC were very limited until the renewal of trade relations. Since the beginning of the 2000s China has also renewed its policy regarding overseas Chinese schools and overseas students. In terms of support to the overseas Chinese language schools, the new networks of Confucius Institutes and Confucius Classes is well known. China also offers overseas Chinese teachers the opportunity to undergo training courses in China (training courses for overseas Chinese exchange teachers/海外僑校師資培訓班). It is also easier for Myanmar students to go to Chinese universities as they are often granted scholarships for everyday expenses and are exempted from school fees<sup>79</sup>.

## Chinese media

Before the ban on Chinese language newspapers in 1966, there were six different Chinese written media sources in Myanmar. All of them were forbidden under General Ne Win's dictatorship. In 2007, the publication of the *Golden Phoenix* was launched with the cooperation of the Xinhua agency's bureau in Yangon. The aim of this publication is very symptomatic of the evolution of the Chinese community. According to a Myanmar-based Chinese journalist, the newspaper targets young Sino-Myanmar (or other Myanmar youth learning Chinese) who want to better understand China's economy and commerce.

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<sup>78</sup> 甸首家孔子堂在曼德勒福学校正式揭牌 <http://www.usqiaobao.com> 2009-05-14

<sup>79</sup> 華人回中國和台灣就學(2009-10-03 17:57:13). The blog of Chinese in Myanmar, [http://blog.sina.com.cn/s/blog\\_6224e4790100f4t5.html](http://blog.sina.com.cn/s/blog_6224e4790100f4t5.html).



## ***A description of small scale overland commercial exchanges***

Today, trading activities and in particular the import of Chinese goods is dominated by Myanmar people, often of Chinese origins but not exclusively. Since the areas along the roads linking Myanmar cities to Yunnan are inhabited by many ethnic Chinese, their involvement in the bilateral trade is not surprising.

### **How young Myanmar people buy and import Chinese goods**

According to the director of one of the main Chinese language schools in Mandalay, about 40 to 50 students from the Mandalay Chinese communities go to study in China every year. They mainly attend computer or management courses<sup>80</sup>. The official discourse from their community in Myanmar is that these young students come back home afterward to contribute to Myanmar's development.

As mentioned before, even in Myanmar more and more young people attend Chinese language classes and master Mandarin. These young people are the perfect actors of Sino-Myanmar relations. Most of them belong to the overseas Chinese community but others do not. Take for instance the case of T., a young man of mixed Shan and Palaung blood. He grew up in a small city close to Lashio, where the population of Chinese origins was large. When he was a child his father decided to send T. and his siblings to Chinese classes before and after school. The four brothers and one sister can easily express themselves in Chinese. T., the eldest brother is living in Ruili and is married to a Chinese woman. The second brother is living in Guangzhou and the youngest is living in Mandalay, where he sells Chinese clothes.

T.'s family is very representative of the small businesses that developed overland between China and Myanmar. T. arrived in Ruili ten years ago. After he graduated from high school he could not find a job in Myanmar and decided to join a friend in Ruili, the closest Chinese city from his hometown. During the first two years he worked for Myanmar and Chinese bosses, and then quickly opened his own business with his second brother. Today T. has a showroom in a small modern commercial center in Ruili. He specializes in clothes for young men. His second brother has moved to Guangzhou where he does the selection and buys the goods that he sends by truck to Ruili. The transportation by truck from the Guangzhou area to Ruili takes seven days, then to Mandalay it is about two more days. In fact, many Myanmar buyers do not go to Ruili anymore but rather go directly to Guangdong province by plane and send the goods by truck overland. Small buyers do not use overseas transportation since they can rarely fill up a container.

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<sup>80</sup> Interview, Mandalay, October 2009.

From Ruili, the products are loaded in small quantities onto vans to pass the border without undergoing customs procedures. For more important quantities (especially for his clients in Yangon), T. delegates customs procedures to a Myanmar agency. He asserts that customs duties are very expensive.

T.'s last brother and younger sister are living in Mandalay where they take care of two shops: one retail shop on the ground floor of the apartment that the older brother bought and one wholesale shop inside the Zegyo market<sup>81</sup>.

N. is another interesting example of the Sino-Myanmar youth business community. She also runs a shop in the Zegyo market. After high school, she studied in Taiwan and then started her business when she came back to Mandalay. She is in charge of the whole process of importing and selling. She used to buy her products in Ruili but she now goes to Kunming. She requested an invitation letter from an agency of the Kunming wholesale market that allows her to obtain an entry permit at the border. At the Ruili border post she has to leave her Myanmar identity card and gets a short term residential permit that probably only allows her to stay in the borderland Dehuo Prefecture. N. explains that she speaks the Yunnan dialect and can easily look like a local. At the prefecture border crossing between Ruili and Kunming she can say that she has forgotten her identity card and policemen always think that she is Chinese. When she returns from Kunming, the goods are passed across the border by boat a few kilometers from the official border entrance. This is very common and easy. On the Myanmar side she books a car from Muse to Mandalay, the price of which is about 200 kyats per piece of cloth (transportation fees are calculated according to the quantity of transported goods)<sup>82</sup>.

### **The case of jade and gem traders**

It has been mentioned that all cities on the Chinese side of the border have developed trading activities dealing with jade and other precious gems. The main activity can be found in Ruili where the jade market has hundreds of stalls selling bracelets and pendants (sometimes carved in Chinese coastal areas and sent back to Ruili to be sold). Luxurious shops can also be found close to the market. Some are well known brands whose shops can be found in all big Chinese cities.

Chinese interest in Burmese jade dates back to the 17<sup>th</sup> century when the Qing dynasty expanded its control over Yunnan province. Mandalay is the center of jade trade activities. Under General Ne Win's rule and the closure of the Sino-Myanmar border, the main route of jade smuggling was to Chiang Mai in Thailand and to Hong Kong<sup>83</sup>. With the opening of the border, illegal and legal trading

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<sup>81</sup> Interviews, Ruili and Mandalay, September-October 2009.

<sup>82</sup> Interview, Mandalay, October 2009.

<sup>83</sup> Mya Maung, *op. cit.*, p. 452.

is now mainly done across the border with Yunnan. A big jade market can be found in Mandalay not far from the famous Mahamuni Pagoda. In front of the market one can find stalls of jadeite blocks. Once inside the market, lanes are divided into workshops and negotiation areas. Blocks are cut into slices and polished in different workshops: some specialists are highly valued for their capacity to decide in which way to cut a block of jade and find the very appreciated veins of the stone. Most of the negotiations take place in the morning, in private rooms, in the lanes or in the different teashops.

Many of the buyers are Chinese. They may buy whole blocks and have them cut in workshops, which is a kind of bet on what will be found inside the block. They may buy the jadeite already cut in slices. Carving is usually done in China, for instance in the cities of Ruili or Tengchong. Some of these Chinese purchasers first worked a long time in border cities in Yunnan before they decided to buy the stones directly in Mandalay. These Chinese buyers have to go back and forth since they can hardly settle down in Myanmar due to their lack of Myanmar language skills and the difficulty in obtaining a long-term stay permit.

Among the craftsmen and sellers, one can find all kinds of Myanmar people, but mastering Chinese language is evidently an asset. Among the established sellers are some people of Chinese origins who are descendants of Chinese families established in well-known areas of jade and gems exploitation like Hpakant and Mogok<sup>84</sup>.

## ***A new kind of Chinese presence***

The renewal of economic relations between Myanmar and China revived the entry of Chinese people into Myanmar territory. One can distinguish several profiles such as temporary workers in the resource exploitation and construction sectors, technicians and qualified workers, and businessmen.

### **Temporary workers**

This Chinese population is difficult to estimate since some of its activities are illegal. Like in other developing countries, many Chinese enterprises that invest in Myanmar arrive with their work force. In the sectors of natural resources exploitation or construction, Chinese men may be coming from all over China. They are often attracted by good salaries. Beyond the qualification aspect, Chinese bosses often consider Chinese workers to be strong and hard workers.

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<sup>84</sup> Fieldwork, Mandalay, October 2009.

Chinese logging companies operating in Myanmar can employ up to 4000 people. This is a seasonal business as no logging can take place during the four months that span the rainy season. Chinese loggers working illegally in Myanmar territory are skilled workers lured by attractive salaries from areas where they used to do the same type of job before the implementation of the nation-wide ban on logging in 1998. They come into Myanmar with truck drivers and road construction workers, and make up substantial groups of several dozen people. They work in remote areas where Myanmar authorities can hardly control their activities. They also often work under agreements with local governments (especially in Kachin State). Overall, tens of thousands of people make a living cutting, transporting, processing and selling Myanmar logs and local authorities both in China and Myanmar have been somewhat reluctant to thoroughly implement restrictive measures taken at the central level, especially as alternative sources of income are not available<sup>85</sup>.

In the mining sector or in the construction of dams, Chinese companies investing in remote areas are hardly controlled and most probably hire many Chinese workers in spite of residency regulations. In the agricultural sector, the Chinese presence may be even more informal, it is often people with family links in Myanmar who easily cross the border and produce agricultural goods for exportation to China. Besides, as mentioned before, Yunnan Province is also involved in poppy substitution programs. Chinese people investing in those programs can settle in Myanmar for a longer time.

### **Qualified workers, technicians and businessmen**

While the managers of Chinese companies usually travel by air, the qualified workers or technicians travel by land. These technicians are sought after for their knowledge of using or repairing the machines that often came from China. Some of these technicians may travel all the way from southeastern coastal provinces through Yunnan to Burma. They cross the border at Jiegao/Muse most of the time. Once in Burma they are taken charge of by Chinese speaking guides who will accompany them to their place of work.

The residency permit for foreigners is maximum three months. The extension is not easy to obtain and the one-year working permit is exceptional. Thus many of these qualified workers overstay their entry permit and stay illegally in Myanmar. According to some very informal estimations, there may be 500 to 1000 qualified Chinese workers/technicians working in Mandalay<sup>86</sup>. They usually live close to their factories in the industrial areas.

Concerning the presence of Chinese entrepreneurs in Myanmar, one may hear various stories. On the one hand, it is often

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<sup>85</sup> Interview, Kunming, September 2009.

<sup>86</sup> Interview, Mandalay, October 2009.

believed that many Chinese (from mainland China) opened small businesses during the last two decades under the name of Myanmar nationals. On the other hand, some commentators, like a Myanmar-based Chinese journalist, uphold that only a small number of Chinese nationals would launch a business with Myanmar nationals because of the high level of legal and political uncertainties<sup>87</sup>. A member of the Overseas Chinese Chamber of Commerce (*Huashang shanghui* 华商会), which is based in Yangon with a branch in Mandalay, also suggests that there are not so many Chinese involved in business in Myanmar. He explains that they do receive demands from mainland Chinese who want to launch their business and ask the Chamber of Commerce to help them with translation and procedures, but it is not a large number of people. The import of Chinese goods does not take place in big amounts in the case of Myanmar usually. In Yangon the import business is not even dominated by Sino-Myanmar but by Indo-Myanmar, according to him. In the north of Myanmar, bilateral import-export activities are dominated by Sino-Myanmar people, not by mainland Chinese<sup>88</sup>. The important persons of the branch of the Overseas Chinese Chamber of Commerce in Mandalay are Sino-Myanmar who succeeded in bilateral trade with China. For instance Sein Myint, who is considered the richest ethnic Chinese in Mandalay, is the main importer of wheat and the main producer of wheat flour in Myanmar. He is also the president of the Yunnan association (*tongxiang hui*). Khaing San, the owner of the import-export consortium Shwe Naga International, spends lot of time in China for business. Maung Maung imports medical goods from China and owns two hospitals in Mandalay.

Everyone agrees on the fact that in the case of Sino-Myanmar cooperation, it often involves Chinese descendants who can easily communicate in Chinese. Similar to the other groups of Chinese workers in Myanmar, residency regulation is very strict and hardly allows settling down in the country. This strict regulation, even if it can be circumvented, is an obstacle to the settlement of mainland Chinese in Myanmar. Thus even if one can find many mainland enterprises opening branches in Yangon and Mandalay, few mainland Chinese are based there and they usually have to go back and forth<sup>89</sup>.

When speaking about Chinese in Myanmar, the difficulty is often to agree on what is meant exactly. Is "Chinese" used to designate people of Chinese nationality? Does it include anyone of Chinese origins, i.e. Sino-Myanmar? Does it also include other minorities considered to be related to Chinese? Mixed marriages and mobility across the mountainous area has further blurred the status of Northern Myanmar residents while the discourses on Sino-Myanmar and Chinese immigrants often lack clarity.

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<sup>87</sup> Interview, Mandalay, October 2009.

<sup>88</sup> Interview, Yangon, October 2009.

<sup>89</sup> Interview, Mandalay, 2009.

## Conclusion

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Since the legalization of Sino-Myanmar border trade in 1988, flows of goods and persons have developed tremendously along the long frontier shared by these two countries. Reliable figures on bilateral trade, and to an even greater extent on migration, are scarce and contested. What is sure is that these exchanges are having deep consequences on both Yunnan and Myanmar.

Some Chinese industries and workers, for example in mining, logging or jade trading, are dependent on access to primary resources across the border. A number of transnational issues affecting Yunnan province, such as drug trafficking and the spread of HIV/AIDS, have their roots in the Myanmar socio-political situation. With the planned completion of CNPC oil and gas pipelines in 2013, the strategic importance of the border will be further raised for China. Thus, China is expecting the upcoming legislative elections to bring about increased stability and development in Myanmar and the border areas while it tries to use its limited leverage to make that happen.

China's relationship with Myanmar is often seen as unbalanced, with the former having the upper hand and being the only one benefiting from the relationship. As stated above, Chinese influence and presence in Myanmar is not only limited, it is also creating economic opportunities for Myanmar citizens, be they of Chinese descent or not. In fact, it is not on the border but at the central level that the problems created by Myanmar relations with China must be addressed. First, deep economic reforms are needed for Myanmar to move away from its overreliance on the unsustainable exploitation of natural resources to an improvement of agricultural, industrial and trade policies. Second, benefits stemming from ongoing projects between the Myanmar government and Chinese companies should be better shared with a Myanmar population that direly needs better health and education services.

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