


## Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?

著者	Kudo Toshihiro
権利	Copyrights 日本貿易振興機構（ジェトロ）アジア 経済研究所 / Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) <a href="http://www.ide.go.jp">http://www.ide.go.jp</a>
journal or publication title	IDE Discussion Paper
volume	66
year	2006-07-01
URL	<a href="http://hdl.handle.net/2344/152">http://hdl.handle.net/2344/152</a>

 Discussion Papers are preliminary materials circulated to stimulate discussions and critical comments

**DISCUSSION PAPER No. 66**

**Myanmar's Economic Relations  
with China: Can China Support  
the Myanmar Economy?**

Toshihiro KUDO\*

July 2006

**Abstract**

Against the background of closer diplomatic, political and security ties between Myanmar and China since 1988, their economic relations have also grown stronger throughout the 1990s and up to 2005. China is now a major supplier of consumer and capital goods to Myanmar, in particular through border trade. China also provides a large amount of economic cooperation in the areas of infrastructure, energy and state-owned economic enterprises. Nevertheless, Myanmar's trade with China has failed to have a substantial impact on its broad-based economic and industrial development. China's economic cooperation apparently supports the present regime, but its effects on the whole economy will be limited with an unfavorable macroeconomic environment and distorted incentives structure. As a conclusion, strengthened economic ties with China will be instrumental in regime survival, but will not be a powerful force affecting the process of economic development in Myanmar.

**Keywords:** Myanmar (Burma), China, trade, border trade, economic cooperation,  
energy, oil and gas

**JEL classification:** F14, P28, Q41

---

\* Director, Economic and Technical Cooperation Studies Group, Inter-Disciplinary Studies Center,  
IDE (toshihiro\_kudo@ide.go.jp)

The Institute of Developing Economies (IDE) is a semigovernmental, nonpartisan, nonprofit research institute, founded in 1958. The Institute merged with the Japan External Trade Organization (JETRO) on July 1, 1998. The Institute conducts basic and comprehensive studies on economic and related affairs in all developing countries and regions, including Asia, Middle East, Africa, Latin America, Oceania, and East Europe.

---

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute of Developing Economies of any of the views expressed.

---

**INSTITUTE OF DEVELOPING ECONOMIES (IDE), JETRO**  
**3-2-2, WAKABA, MIHAMA-KU, CHIBA-SHI**  
**CHIBA 261-8545, JAPAN**

©2006 by the Institute of Developing Economies, JETRO

# Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?

[Contents]

1. Objectives

2. Historical and Political Background

3. Trade Relations

(1) Important but Unbalanced Trading Partner

(2) Export: Weak Impact on Economic Development

(3) Import: Major Supply Source

(4) Border Trade: Lifeline of the Myanmar Economy

4. Economic and Business Cooperation

(1) Infrastructure

(2) State-owned Economic Enterprises

(3) Energy Development

5. Conclusion: Can China Support the Myanmar Economy?

References

Tables and Figure

Map: New "Burma Road" Connecting Mandalay and Muse (Ruili)

Appendix: Photos of Border Trade Activities in the Jiegao Special Zone of Ruili City

## 1. Objectives

Myanmar and China call each other "Paukphaw," a Myanmar word for siblings. The word "Paukphaw" is never used for any other foreign country than China, reflecting their close and cordial relationship.<sup>1</sup> As for Myanmar, China has historically been the far most important neighbor, sharing the longest border of 1384 miles. After Myanmar regained its independence in 1948, it welcomed the birth of the People's Republic of China in the following year. The Sino-Myanmar relationship has been premised upon the five principles of peaceful co-existence, including mutual respect for each other's territorial integrity and sovereignty and mutual non-aggression (Tin Maung Maung

---

<sup>1</sup> According to DMLC [1993:266], "Paukphaw" means 1. sibling, 2. intimate, and is an affectionate term conferred upon the Chinese by the Myanmar people.

Than [2003:190-191]).

Nevertheless, independent Myanmar has been cautious about its relationship with China. In reality, Sino-Myanmar relations have undergone a series of ups and downs, and China has occasionally posed an actual threat to Myanmar's security, such as the incursion of defeated Chinese Nationalist (Koumintang or KMT) troops into the northern Shan State in 1949 and confrontations between Burmese and resident overseas Chinese, including militant Maoist students in 1967. Indeed, the Myanmar leadership, extremely sensitive about the country's sovereignty, independence and territorial integrity, had long observed strict neutrality during the Cold War, avoiding obtaining military and economic aid from the superpowers.

Dramatic changes have emerged in the wake of the birth of the present government. The State Law and Order Restoration Council (SLORC), later re-constituted as the State Peace and Development Council (SPDC), took power by military coup after the nationwide political unrest in 1988. The United States, the EU, Japan, and multilateral aid organizations all withheld ODA and some Western countries even imposed sanctions and weapon embargoes. Under mounting international pressures on the military regime, Yangon had no choice but to approach Beijing for their survival. As diplomatic, political and security ties grow closer, economic relations between the two countries have also strengthened.

The purpose of this paper is to examine the development and changes of Myanmar-China economic relations since 1988, and to evaluate China's growing influence on the Myanmar economy. Thus the author tries to answer the question whether or not the Myanmar economy can survive and/or grow with reinforced economic ties with China in spite of its isolation in the international community. In other words, can China support the Myanmar economy even though Western countries have imposed economic sanctions on Myanmar? This question is also relevant to evaluate the impact and effectiveness of sanctions.

The second section introduces a brief history on how the two countries have become the closest allies since 1988. The third section examines trade relations between Myanmar and China. The fourth section describes Chinese economic and business cooperation with Myanmar. Lastly, the author summarizes his arguments and eventually answers the above research question.

## 2. Historical and Political Background

China had long adopted a dual-track approach toward Myanmar by endorsing party-to-party relations between the China Communist Party (CCP) and the Burma Communist Party (BCP), in addition to state-to-state relations. The CCP's covert and overt support of the BCP, which resorted to armed struggle against the Myanmar government just after its independence, seriously hindered the two countries' state-to-state relationship.

When the military took power by coup in 1988, thousands of pro-democracy activists, including students, fled to the border area near Thailand, where numerous ethnic insurgencies were active.<sup>2</sup> However, none of the ethnic rebels there could offer a meaningful amount of armaments. On the other hand, unlike the ethnic insurgents, the BCP located along the Chinese border had vast quantities of arms and ammunition that were supplied by China. A possible alliance of pro-democracy activists, ethnic rebels and the BCP with armed might could pose a real threat to Myanmar's military government.

However, a mutiny caused the BCP to split into four ethnic groups in early 1989. The CCP had already withdrawn its active support of the BCP after 1985 (Tin Maung Maung Than [2003:194]). Just before the end of the Cold War, China departed from its dual-track diplomacy and renounced its policy stance favoring the BCP. Having lost Beijing's backing, the BCP collapsed in the year following SLORC's establishment.<sup>3</sup> On the other hand, Yangon luckily gained Beijing's backing in the midst of Western ostracism.

The mutiny provided a golden opportunity for the Myanmar military to neutralize the newly emerged armed groups, and they were willing to pay any cost for this. Khin Nyunt, then Secretary One of the SLORC, wasted no time in going to the Chinese border and successfully achieved a ceasefire with these groups. For the ceasefire, the Myanmar government offered the ex-BCP mutineers development assistance such as roads, bridges, power stations, schools and hospitals and businesses opportunities including mining and lumbering concessions and border trade.

Bertil Lintner, a veteran Southeast Asia correspondent, writes as follows:

Ironically, at a time when almost the entire population of Burma had turned against

---

<sup>2</sup> This part is based on Lintner [1998]. For detail see Lintner [1990] [1994].

<sup>3</sup> Lintner [1990:45] reports that a major reason why the mutiny did not happen earlier was that the ordinary soldiers and local commanders were uncertain China's reaction to such a move.

the regime, thousands of former insurgents thus rallied behind the ruling military. The threat from the border areas was thwarted, the regime was safe, but the consequences for the country, and the outside world, were disastrous (Lintner [1998:170]).

Than Shwe, then Vice Chairman of the SLORC, accompanied by Khin Nyunt, visited Beijing in October 1989 and laid the foundations for the current partnership between the two countries. The visit also marked a departure from Myanmar's past practice on arms imports, i.e., that it eschewed large arms purchases from the superpowers pursuant to a policy of strict neutrality (Jannuzi [1998:198-199]). The SLORC apparently launched an ambitious plan to enlarge and modernize the *tatmadaw*, the Myanmar armed forces, by late 1988 or early 1989 with heavy reliance on Chinese armaments (Selth [1996:19]). At the same time, the military leaders successfully extracted a promise of economic and technical cooperation from China.

Unless China's diplomacy toward Myanmar changed and the BCP broke up, the power ownership and structure may not have been the same as present. Arms transfers and economic ties have dramatically increased China's influence on and within Myanmar. Indeed, a few years of military and economic aid have turned the non-aligned state of Myanmar into China's closest ally. Now, the military government is effectively dependent on China for its survival and, some analysts say, it has become a Chinese client state (Ott [1998:71-72]).

### **3. Trade Relations**

#### **(1) Important but Unbalanced Trading Partner**

China occupies an important position in Myanmar's external trade. Table 1 and Table 2 show the major trading partners of Myanmar.<sup>4</sup> According to the tables, China has constantly occupied a high ranking since 1988, when Myanmar-China border trade, hitherto an activity deemed illegal, was legitimized and formalized. This trade constituted 32% of total exports and ranked 1<sup>st</sup> and 23% of total imports and ranked 2<sup>nd</sup> in 1988<sup>5</sup>, although the whole external trade of Myanmar was small at that time. Since

---

<sup>4</sup> Statistics Canada constructs the World Trade Database based on the United States Commodity Trade Statistics Database (UN Comtrade), and the database retrieval services are used for this paper.

<sup>5</sup> Import from Japan occupied more than thirty percent of Myanmar's total imports before 1988, mainly due to the supplies related to Japan's economic cooperation

then, Myanmar's trade with China has grown rapidly.

Myanmar's imports from China grew more rapidly than its exports to China throughout the 1990s and up to 2005. Figure 1 shows the trade performance between Myanmar and China. It also shows figures from another data source, i.e. China Customs, which are available through 2005.<sup>6</sup> The figure clearly shows the unbalanced performance of Myanmar's exports and imports with China. While Myanmar's exports to China increased by 1.3 times, from US \$133.7 million in 1988 to US \$169.4 million in 2003, its imports from China expanded by 7.1 times, from US \$136.2 million in 1988 to US \$967.2 million in 2003, resulting in a huge trade deficit of US \$797.7 million in 2003, which was 4.4 times larger than Myanmar's total trade deficit in the same year.

## **(2) Export: Weak Impact on Economic Development**

Myanmar's exports to China are mostly composed of wood, gem stones, and fruit and nuts (Table 3). However, it has become more and more dependent on wood exports, and eventually the share of wood exports occupied nearly 70% for the period between 2000 and 2003. This trend continued through 2005, according to the China Customs.<sup>7</sup> In contrast, the share of gem stones declined to a couple of percent by the early 2000s, probably because of the government's export restrictions. Wood is exported mostly in the form of logs or roughly squared ones without much human and technical input. Such a high dependency on wood has made Myanmar's exports to China rather stagnant, since it is constrained by the availability of natural resources.

More importantly, wood extraction and its export in the form of logs seems to have a weak impact on broad-based economic and industrial development, because it fails to induce the improved utilization of existing factors of production, expanded factor endowments and linkage effects. This sharply contrasts with other newly emerged export products in the 1990s in Myanmar such as beans and pulses for Indian markets

---

programs. Japan suspended most aid after the political unrest of 1988, except a few on-going projects. Without full-fledged ODA programs, its share remarkably declined to less than five percent and ranked 6<sup>th</sup> in 2003.

<sup>6</sup> The World Trade Atlas database retrieval services are utilized to obtain the figures of the China Customs. The two sets of figures from the UN Comtrade and the China Customs are reasonably consistent.

<sup>7</sup> Data from the China Customs is classified by the Harmonized Commodity Description and Coding System (HS), and HS 44 (Wood) accounted for 69% in 2004 and 71% in 2005 out of all China's import from Myanmar.



and garments for the United States and EU markets, both of which had a considerable impact on the national economy. Fujita and Okamoto [2006:14-16] discuss that the cultivation of beans and pulses rapidly grew by utilizing thus far untapped domestic resources, including arable land and labor in the dry season. The sudden emergence of export markets provided farmers and merchants with incentives to utilize idle resources more fully and effectively. Such an export-driven development path is termed “vent-for-surplus” by Myanmar economist Hla Myint (Hla Myint [1959]). Garment export may also be described as the same kind, where big export markets were presented by the United States and the EU, and untapped unemployed and underemployed labor was mobilized from both urban and rural areas for this extremely labor-intensive industry.

Contrasting these examples, wood extraction and log exports have not induced broad-based economic growth without the development of value-added wood-based industries in the downstream. Moreover, the Myanmar government does not seem to pay due attention to the sustainability of wood extraction and export. Some specialists warn that unless effective controls against excessive logging are implemented, Myanmar will lose one of its major exports in the foreseeable future.<sup>8</sup>

### **(3) Import: Major Supply Source**

Soon after the opening up of border trade in 1988, China suddenly appeared in trade statistics as a major supplier of commodities and goods to the Myanmar economy. Myanmar’s imports from China have increased since then, although imports have experienced ups and downs as shown in **Figure 1**.

Imports experienced rapid growth on two occasions: one in the first half of the 1990s and the other at the beginning of the twenty-first century. Accordingly, Myanmar has become more and more dependent on imports from China. The import share of Chinese goods in Myanmar’s total imports rose from about one-fifth in the latter half of the 1990s to about one-third in 2003.

The first rapid growth of Chinese imports was induced by the unleashing of pent-up demands of the Myanmar population after the open-door policy in 1988. Myanmar people had long been cut off from daily consumer goods and durables during the

---

<sup>8</sup> See, for example, Global Witness [2005].

socialist period. Once they got access, the demand for such goods shot up (Kudo [2005a:7-9]). While consumer goods occupied 6% and 12% of total imports in FY 1980<sup>9</sup> and FY 1985, respectively, the corresponding figures shot up to 35% and 42% in FY 1990 and FY 1995 (CSO [2003:210]). China provided the main supply sources, and their products poured into the emerging consumer goods markets in Myanmar.

Just after the opening up of border trade with China, textiles, mostly yarn and fabrics, flooded into Myanmar markets (Table 4). Textiles occupied nearly 40% of total Chinese imports for the period between 1988 and 1991. Then, tobacco increased its share up to 14% for the subsequent period between 1992 and 1995. Road vehicles, power generators, electrical machinery and apparatus, and manufactures of metal accounted for about 5% each in the first half of the 1990s.

Entering the second half of the 1990s, however, the inflow of Chinese imports stagnated. The government grew annoyed with the expanding trade deficits by the mid-1990s and resorted to stricter import controls, particularly on luxurious and non-essential goods. Accordingly, the influx of Chinese consumer goods and durables declined. Textiles and tobacco provide two examples. The former decreased its share from 38% for the period between 1988 and 1991 to 16% for the period between 1996 and 1999; the latter declined from 14% for the period between 1992 and 1995 to 6% for the period between 1996 and 1999.

In contrast, the import of capital and intermediate goods steadily increased throughout the 1990s. These goods were supplied to the emerging manufacturing sector for import-substitution in Myanmar. For example, machinery and transport equipment (SITC 7)<sup>10</sup> increased its share from 12% for the period between 1988 and 1991 to 40% for the period between 1996 and 1999. Imported textiles (SITC 65) had been used not only for domestic consumption but also as raw materials for the growing export-oriented garment industry since the mid-1990s.<sup>11</sup> A garment industry “boom” occurred in Yangon in the late 1990s and at the beginning of the twenty-first century. The rapid growth of the garment industry in Myanmar was partly supported by raw material supplies from China.

Myanmar’s imports from China showed rapid growth for the second time at the

---

<sup>9</sup> FY stands for Fiscal Year starting from April and ending in March.

<sup>10</sup> SITC stands for Standard International Trade Classification.

<sup>11</sup> See Kudo [2005b] that provides a detailed account on the growth and decline of Myanmar’s garment industry in the 1990s and up to 2005.

beginning of the twenty-first century. Imports grew at the average annual rate of 22.7% for the period between 2000 and 2003. Textiles, road vehicles, power generators, electric machinery and apparatus, and general industrial machinery increased their share in total imports from China.

Such an increase may reflect the huge inflow of Chinese economic cooperation and commercial loans. As will be discussed later in this paper, Chinese economic cooperation expanded in particular toward the end of the 1990s, when successive economic and technical cooperation programs were signed between two countries. Most of these are tied, whether legally or de facto, to Chinese companies, state-owned ones in particular, and induced imports from China.

#### **(4) Border Trade: Lifeline of the Myanmar Economy**

Trade between Myanmar and China is heavily dependent on their border trade. According to the district-wise export and import figures from the China Customs,<sup>12</sup> coastal areas such as Shanghai, Shenzhen, Huangpu, and Nanjing naturally occupy the major share of the whole Chinese external trade. In contrast, Kunming, capital of Yunnan Province, accounts for less than one percent of China's external trade.

Since Yunnan is a landlocked province, commodities exported to or imported from Myanmar through the Kunming Customs Office are most likely transported by land through border gates such as Muse, Lwejel and Laiza.<sup>13</sup> Thus we regard the commodities that are cleared and recorded at the Kunming Customs as "border trade" in this paper.<sup>14</sup> It means that the border trade between the two countries occupies less than one percent of China's external trade.

Even though the volume of border trade between the two countries is insignificant compared to China's total external trade, it represents the lion's share of China's trade with Myanmar. Border trade occupied 58% of China's exports to Myanmar and 82% of

---

<sup>12</sup> The district-wise figures are available since 1999.

<sup>13</sup> There are five trade posts on the Myanmar side along with the border of Yunnan Province, i.e., Muse (mile 105), Lwejel, Laiza, Kanpeiktee, and Chinshwehaw. Among them, Muse (mile 105) is the most lucrative in terms of the volume of trade, accounting for 87% of the total in 2002 (Mya Than [2005:44]).

<sup>14</sup> Mya Than [2005:40] provides five different definitions of cross-border trade, i.e., formal or official border trade, informal border trade, illegal border trade (smuggling), transit trade and barter trade. He also points out that all statistics on border trade are usually underestimated.

its imports from Myanmar in 2005 (Table 5). Moreover, Yunnan Province's share of Myanmar's total border trade was 73%, whereas that of Thailand was 14% in FY 2003 (Mya Than [2005:39]). Border trade is important for both Myanmar and Yunnan Province.

The main route of border trade on Myanmar soil is the 460-kilometer-long road connecting Muse on the Chinese border, opposite to Ruili in Yunnan Province,<sup>15</sup> and Mandalay, the second largest town in central Myanmar. This road constituted a part of the old "Burma Road" that opened in 1936 to supply Kuomintang (KMT) in Chunking. The road was paved and expanded for truck transportation in 1998 on a BOT basis by Asia World, one of the biggest private business conglomerates headed by the son of Lo Hsing-han, the former drug lord.<sup>16</sup> Before the completion of the new road, it took a couple of days, and sometimes even a week, during the rainy season, to travel from Mandalay to Muse. Now it takes only twelve to sixteen hours by car.

Border trade between the two countries has experienced ups and downs, reflecting not only market situations but also political, security and macroeconomic conditions in a broader sense. It also sometimes falls prey to illegitimate businesses, corruption, and power struggles. It is well known that the ouster of the former prime minister in October 2004 originated from the clash between intelligence and army units in Muse (Kyaw Yin Hlaing [2005:236]). Nevertheless, in spite of these ups and downs, border trade between the two countries has been legitimized, regularized and institutionalized.

The first border trade agreement was signed by Myanmar Export and Import Services (MEIS) and Yunnan Machinery Import Export Corporation to use bank transactions between the Myanmar Foreign Trade Bank and the Kunming Branch of China Bank in August 1988. MEIS established border trade offices in Lashio, Muse, Kyukok, Nantkam and Koonlon. According to the Ministry of Commerce's notification (No. 7/91), the so-called new border trade system has been carried out by MEIS since October 1991.<sup>17</sup> The Myanmar government and Chinese government signed the border trade agreement in August 1994. The Border Trade Office was established in Muse in August 1995 and

---

<sup>15</sup> See Map and Appendix for some photos of border trade activities in Ruili.

<sup>16</sup> A small part of the road in between was constructed and owned by another private company, Diamond Palace. The company is said to have been owned by the Military Intelligence headed by Khin Nyunt, then Secretary One of the SPDC. The Myanmar military saw the strategic importance of the road, and intended to avoid full ownership and operation by one private company.

<sup>17</sup> The new system in detail is not known to the author, though.

introduced “one-stop services” as a trial. The office was then extended to the full-fledged Border Trade Department of the Ministry of Commerce in August 1996. In July 1997, the “Export First Policy” was applied to border trade as well as seaborne trade, and imports were allowed only against export earnings thereafter. From November 1997, all border trade had to use US dollars to settle transactions, not local currencies such as Myanmar Kyat and Chinese Yuan. In January 1998, the Muse (105 mile) Office was expanded and started to function as a “one-stop services” border gate.

There were further policy changes toward the end of 2000. From November 2000, local currencies such as the Myanmar Kyat and Chinese Yuan, could again be used for payment of border trade. From January 2001, the Border Control Force (Na Sa Kha) started to supervise and implement border trade activities. This force was led by a military intelligence officer and composed of all related organizations, including immigration, customs, internal revenue department, police offices, drug control offices, the Myanmar Economic Bank and so forth. The ostensible purpose of the force was to promote border trade in a systematic manner. In reality, however, military intelligence monopolized the most lucrative route of border trade, which eventually led to a major clash within the military as mentioned before.

Both regularization and institutionalization of cross-border transactions and road development contributed to boosting border trade between the two countries at the beginning of the twenty-first century. China’s exports to Myanmar through border posts increased by 2.1 times, from US \$261.2 million in FY 2001 to US \$540.6 million in FY 2005, whereas China’s imports from Myanmar via border trade expanded by 2.4 times, from US \$93.7 million in FY 2001 to US \$223.5 million in FY 2005. The Myanmar government also promoted all border trade not only with China but also with Thailand, India and Bangladesh to compensate for the economic sanctions imposed by the West, and the Chinese border recorded a most meaningful success. Thus, Myanmar’s border trade with China has become the lifeline of its economy.

#### **4. Economic and Business Cooperation**

China and Chinese enterprises are heavily involved in Myanmar’s industrial, infrastructure and energy development through economic cooperation. China is not a member country of the Development Assistance Committee (DAC) of the OECD, and it does not disclose its economic cooperation programs. The Myanmar government does

not disclose their receipt of economic cooperation from abroad, either. We can only grope for the reality from news and reports sporadically appearing in the press. In addition to this, China's economic cooperation programs are often nothing more than commercial-based businesses. Even though Chinese enterprises offer suppliers' credits at no or low interest, in reality they add the cost to the plants and commodities they export to Myanmar (Ebashi [2006:11]). On the other hand, most Chinese economic cooperation programs are tied to Chinese enterprises and state-owned ones in particular. It is difficult to distinguish genuine economic cooperation projects from commercial ones without detailed information. This section includes both cases.

Gathering such scattered information, China's provision of economic cooperation to Myanmar seems to have expanded around 1997 when the United States imposed economic sanctions that banned new foreign investments. Table 6 shows the list of agreements on economic and technical cooperation signed between the two countries after 1996. Moreover, Senior General Than Shwe's state visit to Beijing in January 2003 seemingly marked another epoch, when China offered Myanmar a preferential loan amounting to US \$200 million and a RMB 50 million grant (equivalent to US \$6.25 million). Just after China's commitment, the so-called "Black Friday" of May 30, 2003 occurred and this event provoked the U.S. to impose stricter sanctions in July 2003, which included an import ban of all Myanmar-made products. Thus, China stepped into the vacuum that was created by the Western sanctions and compensated for Myanmar's needs for trade and economic cooperation.

China's economic cooperation and businesses were directed to three main fields, i.e., infrastructure development, support to State-owned Economic Enterprises (SEEs), and energy exploitation. This section will examine the major projects in each field.

### **(1) Infrastructure**

Among the many infrastructure projects financed and constructed by the Chinese government and Chinese enterprises, attention is immediately directed to those of electric power generation. Myanmar has suffered a severe shortage of electricity since the end of the 1990s and the government has initiated massive dam-building programs for hydro-power generation.<sup>18</sup> According to a foreign businessman in Yangon, Chinese

---

<sup>18</sup> For details, see Akimoto [2004].

companies constructed six hydro-power plants and one thermal power station for the period between 1996 and 2005, the installed capacity of which constitutes about one-third of the entire national capacity (Ebashi [2006:10]).

Among them, the Paunglaung Hydro-power Project clearly showed the financial, managerial and technical capabilities of Chinese companies in this field. It was completed by the Yunnan Machinery Import and Export Corporation (YMIEC) in March 2005. Its installed capacity of power generation (280 MW) surpasses that of Baluchaung (168 MW), which had long been the biggest power source constructed by Japanese companies with Japanese war reparations and economic cooperation after the World War Two. The Paunglaung Dam Project was the biggest undertaking of the YMIEC. Indeed, it was China's largest hydro-power plant exported to Southeast Asia and Yunnan's largest foreign trade project. The total cost of the project was estimated at US \$160 million, which was financed by the Export-Import Bank of China (China Exim Bank).

As of March 2006, there are eleven major on-going hydro-power projects, with a total generating capacity of 1734 MW. Contracts were signed for seven projects and all of them were with Chinese enterprises. The largest project is the Yeywa hydro-power plant with the capacity of 790 MW. Yeywa will cost US \$700 million. In August 2003, the China Exim Bank approved a US \$200 million loan at preferential interest rates for the project (Bosshard [2004]). The China Water Resources and Hydropower Construction Group (Sinohydro) and the China International Trust and Investment Corporation (CITIC) got contracts to provide generators and other equipment for the project. In addition to low-priced machinery and equipment and services, long-term and low-interest loans and export credits offered by public financial institutions made it possible for Chinese enterprises to become major players in this field.

Another significant Chinese economic cooperation in infrastructure development is the Ayeyawaddy Transportation Project, which provides a transport line from Yunnan to Thilawa Port in Yangon. This project seemingly started in October 1999, when a high level Chinese delegation accompanied by Khin Nyunt visited Bhamo, navigation head on the Ayeyarwaddy. This project includes three infrastructure developments, that is, constructing a container port near Bhamo, upgrading the road from the new container port to Muse/Lwejel on the Chinese border, and dredging the river to secure a vessel lane. The Myanmar Port Authority plans to transport two million containers per year in

the future.<sup>19</sup> It also plans to construct a container yard, office buildings, residences and other amenities in the hinterland.

Yunnan Province obviously seeks a direct access route through Myanmar to a sea port from which it can export products to South Asia, Middle East and Europe. Such an outlet would also reduce transport costs and time, and would avoid the Malacca Strait in the event of a conflict in the South China Sea (Malik [1998:114]). With the completion of the project, the Ayeyawaddy will link China's southwest frontier to the Bay of Bengal and Andaman Sea.

## **(2) State-owned Economic Enterprises**

Since the beginning of the twenty-first century, the Myanmar government has accelerated the construction of new state-owned factories (Kudo [2005a:12-14]). The number of such factories increased by only 19 for the five years between FY 1985 and FY 1990, by 92 for the next five years between FY 1990 and FY 1995, and by around 20 to 30 per year up to 2000. Thereafter there was impressive growth, with 53 public industrial enterprises being set up in FY 2001 and 231 in FY 2002. Most of the new factories are of the import-substitution industry that target domestic markets. Such a policy shift may reflect the government's drive toward self-sufficiency in both agricultural and industrial sectors.<sup>20</sup>

China's economic cooperation programs strongly supported the massive construction of state-owned factories such as textile mills, plywood plants, rice mills, pulp and paper mills, sugar mills, agriculture equipment factories, and other light manufacturing facilities. Table 7 shows examples of the factories of the Ministry of Industry (1) that were constructed with the provision of Chinese financial and technical support and their machinery and equipment. Without Chinese support, these factories would never have materialized.

However, Myanmar's SEEs have a long history of inefficiency, poor management and vulnerability to all the ills that plague public industry, including rent-seeking activities and corruption (Kudo [2005a:12]). The SEEs are highly controlled by the central government in both financial and managerial terms. With the lack of financial and

---

<sup>19</sup> Interview with the Myanmar Port Authority in Bhamo in September, 2002.

<sup>20</sup> The agricultural policy of Myanmar exhibited a strong inclination toward self-sufficiency. See Fujita and Okamoto [2006].



managerial autonomy, the newly built state-owned factories would not efficiently operate. Proliferating state-owned factories may become a burden on the government budget, and eventually bad loans of Chinese stakeholders.

### **(3) Energy Development**

As its economy rapidly grows, China's quest for energy sources abroad has expanded. Myanmar's oil and gas reserves have naturally drawn China's attention. However, China's presence in Myanmar's oil and gas fields has been observed only recently. The China National Offshore Oil Corporation (CNOOC) signed six contracts on production sharing with the Myanmar Oil and Gas Enterprise (MOGE) of the Ministry of Energy from October 2004 to January 2005.<sup>21</sup> The China Petroleum and Chemical Corporation (SINOPEC) and its subsidiary Dian Quiangui Petroleum Exploration also work the inland fields. Moreover, the China National Petroleum Corporation (CNPC) and its subsidiary Chinnery Assets also won contracts to upgrade the four old oilfields in central Myanmar.

These companies are now at various stages of exploration and they have already made the financial commitment of US \$163 million. The Chinese investment is rather small compared to the total amount of foreign investment in Myanmar's oil and gas sector of US \$2,635 million, the largest recipient of foreign investment accounting for 34% of total outstanding.<sup>22</sup> However, it is only recently that Chinese companies have vigorously started to invest in Myanmar. Out of twenty-six Chinese foreign investments, sixteen projects were made either in FY 2004 or 2005<sup>23</sup>, occupying nearly 70% in terms of investment value. Most of those were invested in the energy and mining sector.

Another big project is PetroChina's plan to build a gas pipeline from A-1 block in the Shwe field off the coast of Rahine State to Yunnan Province. The Shwe field comprises several blocks of gas of unconfirmed size. Of these, A-1 block is estimated to be the largest, containing 2.88 trillion to 3.56 trillion cubic feet of gas. PetroChina signed a memorandum of understanding with MOGE to buy gas from the block for thirty years starting from 2009.

---

<sup>21</sup> Information is from *New Light of Myanmar*, *Myanmar Times* and so forth.

<sup>22</sup> It is said that there is a large number of informal Chinese investments and businesses in Myanmar, most of which are under the names of Myanmar citizens. Such cases do not appear in the Myanmar Investment Commission (MIC) statistics.

<sup>23</sup> Figures are available up to November 2005.

Myanmar already exports natural gas to Thailand through the pipeline and it reached US \$1.5 billion in 2005, becoming the biggest foreign earner. Myanmar will have another big source of foreign earnings from gas exports to China in the near future. Moreover, oil and gas exports offer the Myanmar government a diplomatic advantage over its neighboring countries. Indeed, India also made great efforts to secure Myanmar's gas from the same A-1 block. India eventually reached an agreement with Myanmar to purchase the gas with more favorable conditions based on "take or pay", by which India gives Myanmar guaranteed earnings every year even if it is not able to access the gas. Myanmar has come out the winner in the Sino-India rivalry for energy.

##### **5. Conclusion: Can China Support the Myanmar Economy?**

Against the background of closer diplomatic, political and security ties between Myanmar and China since 1988, their economic relations have also grown stronger throughout the 1990s and up to the present. China is now a major supplier of consumer goods, durables, machinery and equipment, and intermediate products to Myanmar. China also offers markets for Myanmar's exports such as wood, agricultural produce, marine products, minerals, and recently oil and gas. Border trade provides a direct route connecting the center of Upper Myanmar to Yunnan Province in China. Both physical infrastructure developments such as roads and bridges and institutionalization of cross-border transactions, including "one-stop services," promote border trade. Without the massive influx of Chinese products, the Myanmar economy may have suffered severer shortages of commodities. Without the opening up of China's export markets, Myanmar may have suffered severer shortages of foreign currencies.

China also provides a large amount of economic cooperation and commercial-based financing in the areas of infrastructure, state-owned economic enterprises, and oil and gas exploitation. Without Chinese long-term loans with low interest rates, the Myanmar government could not have implemented its massive construction of state-owned factories such as textile and sugar mills. Although China's official foreign investment is rather small, it is not insignificant in that it has recently poured into oil and gas exploration. Chinese enterprises may soon be major players in this booming field in Myanmar. To be sure, Myanmar's economy is now heavily dependent on economic ties with China.

However, its lopsided trade with China has failed to have a substantial impact on

Myanmar's broad-based economic and industrial development. About seventy percent of Myanmar's export to China is wood in the form of logs or roughly squared ones. Wood extraction and its export is quite different from other major export items such as beans and pulses and garments in that the latter has induced the improved utilization of existing factors of production such as land and labor in the whole economy. In contrast, wood export is no more than an exploitation of a limited natural resource that happened to remain untapped during the past closed period.

China's economic cooperation and commercial loans apparently support the present regime, but their effects on the whole economy will also be quite limited under an unfavorable macroeconomic environment and distorted incentives structure. In particular, the newly built state-owned factories may become a burden on the Myanmar government budget and eventually bad loans of Chinese stakeholders.

After all, strengthened economic ties with China will be instrumental in regime survival in the midst of economic sanctions by Western nations. However, it will not be a powerful force promoting the process of broad-based economic development in Myanmar.

## REFERENCES

### English

Akimoto, Yuki [2004] “Hydro-powering the Regime,” the *Irrawaddy* Online Edition, available at <http://www.irrawaddy.org/aviewer.asp?a=3757&print=yes&c=e>.

Bosshard, Peter [2004] “China Exim Bank and China Development Bank Case Studies,” International Rivers Network, available at [http://www.irn.org/programs/china/Exim\\_Bank.pdf](http://www.irn.org/programs/china/Exim_Bank.pdf).

Central Statistical Organization (CSO) [2003] *Statistical Yearbook, 2003*, Yangon.

Department of the Myanmar Language Commission (DMLC) [1993] *Myanmar-English Eictionary*, Ministry of Education, Yangon.

Fujita, Koichi, and Okamoto, Ikuko [2006] “Agricultural Policies and Development of Myanmar’s Agricultural Sector: An Overviews.” IDE Discussion Paper Series No.63, Institute of Developing Economies, JETRO, available at <http://www.ide.go.jp/English/index4.html>.

Global Witness [2005] *A Choice for China: Ending the destruction of Burma’s northern forests*, available at <http://www.globalwitness.org/reports/show.php/en.00080.html>.

Hla Myint [1959] “The ‘Classical Theory’ of International Trade and the Underdeveloped Countries.” *Economic Journal*, 68, 317-37.

Jannuzi Frank S. [1998] “The New Burma Road (Paved by Polytechnologies?)” in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.

Kudo, Toshihiro [2005a] “Stunted and Distorted Industrialization in Myanmar.” IDE Discussion Paper Series No.38, Institute of Developing Economies, JETRO, available at <http://www.ide.go.jp/English/index4.html>.

Kudo, Toshihiro [2005b] “The Impact of United States Sanctions on the Myanmar Garment Industry.” IDE Discussion Paper Series No.42, Institute of Developing Economies, JETRO, available at <http://www.ide.go.jp/English/index4.html>.

Kyaw Yin Hlaing [2005] “Myanmar in 2004: Why Military Rule Continues” in *Southeast Asian Affairs 2005*, Singapore: Institute of Southeast Asian Studies.

Lintner, Bertil [1990] *The Rise and Fall of the Communist Party of Burma (CPB)*, Ithaca: Southeast Asian Program, Cornell University.

Lintner, Bertil [1994] *Burma in Revolt: Opium and Insurgency since 1948*, Boulder, San Francisco, Oxford and Bangkok: Westview Press and White Lotus.

Lintner, Bertil [1998] “Drugs and Economic Growth: Ethnicity and Exports” in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.

Malik, J. Mohan [1998] “Burma’s Role in Regional Security – Pawn or Pivot?” in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.

*Myanmar Times* (the weekly English magazine)

Mya Than [2005] “Myanmar’s Cross-Border Economic Relations and Cooperation with the People’s Republic of China and Thailand in the Greater Mekong Subregion,” *Journal of GMS Development Studies*, Vol. 2, No. 1, October 2005.

*New Light of Myanmar* (the state-run daily English newspaper)

Ott, Marvin C. [1998] “From Isolation to Relevance: Policy Considerations” in Rotberg, Robert I. ed., *Burma: Prospects for a Democratic Future*, The World Peace Foundation and Harvard Institute for International Development, Washington D.C.: Brookings Institution Press.

Selth, Andrew [1996] *Transforming the Tatmadaw: The Burmese Armed Forces since 1988*, Canberra Papers on Strategy and Defence No. 113, Strategic and Defence Studies Centre, Research School of Pacific and Asian Studies, the Australian National University, Canberra.

Tin Maung Maung Than [2003] “Myanmar and China: A Special Relationship?” in *Southeast Asian Affairs 2003*, Singapore: Institute of Southeast Asian Studies.

## Japanese

江橋正彦 [2006] 「キンニョン失脚後のミャンマー情勢」(『Voices from the World : SPF オンデマンドレポート集』2006年3月12日、笹川平和財団)。

Ebashi, Masahiko [2006] “A Note on Myanmar’s Situation after Khin Nyunt’s Ouster,” *SPF Voices from the World*, On-Demand Publication Series, Sasakawa Peace Foundation.

**Table 1: Myanmar's Major Export Partners**

	1985年	1988年	1990年	1993年	1995年	1997年	2000年	2003年
1	Singapore 17.1%	China 32.0%	Thailand 26.5%	China 17.7%	Thailand 16.9%	India 19.8%	USA 25.9%	Thailand 33.0%
2	Thailand 9.5%	Thailand 14.5%	China 20.9%	Thailand 16.6%	Singapore 16.0%	Singapore 14.8%	Thailand 13.3%	India 14.9%
3	Japan 8.8%	India 12.8%	Singapore 13.1%	India 13.0%	India 12.3%	USA 10.9%	India 9.4%	USA 10.9%
4	India 7.9%	Singapore 10.6%	Japan 8.3%	Singapore 11.9%	China 11.3%	Japan 8.7%	China 6.4%	China 6.2%
5	Malaysia 6.9%	Japan 7.7%	Hong Kong 6.0%	Japan 7.6%	Indonesia 8.0%	Thailand 7.3%	Japan 6.1%	Japan 5.1%
6	Hong Kong 6.3%	Hong Kong 3.8%	USA 4.8%	Hong Kong 6.6%	Japan 7.1%	China 6.5%	Singapore 5.6%	Germany 3.8%
7	Taiwan 4.0%	Malaysia 2.9%	Malaysia 3.5%	USA 5.4%	USA 6.6%	Malaysia 4.9%	Germany 4.4%	UK 3.7%
8	USA 3.6%	USA 2.8%	Germany 2.1%	Pakistan 2.9%	Hong Kong 4.9%	Hong Kong 4.5%	France 3.9%	Singapore 3.1%
9	UK 3.2%	UK 1.9%	Italy 1.8%	Malaysia 2.5%	Malaysia 3.1%	Germany 3.3%	UK 3.8%	Malaysia 2.9%
10	Bangladesh 3.0%	Germany 1.7%	UK 1.6%	Italy 1.9%	Pakistan 2.3%	France 3.3%	Malaysia 3.5%	France 2.7%

(Source) UN Comtrade.

**Table 2: Myanmar's Major Import Partners**

	1985年	1988年	1990年	1993年	1995年	1997年	2000年	2003年
1	Japan 37.2%	Japan 32.1%	Singapore 25.0%	Singapore 25.3%	Singapore 25.8%	Singapore 24.0%	Thailand 19.8%	China 33.3%
2	Germany 14.7%	China 23.4%	China 20.8%	China 24.5%	China 25.0%	China 19.4%	China 19.5%	Singapore 23.8%
3	Singapore 11.5%	Singapore 11.8%	Japan 11.4%	Thailand 11.5%	Thailand 14.2%	Thailand 13.8%	Singapore 17.1%	Thailand 16.1%
4	UK 5.3%	Germany 8.1%	Malaysia 5.8%	Malaysia 7.8%	Malaysia 9.3%	Malaysia 12.7%	Korea Rp 11.4%	Korea Rp 6.7%
5	Netherlands 3.4%	UK 3.8%	Thailand 4.7%	Japan 7.5%	Japan 6.3%	Japan 7.2%	Malaysia 9.1%	Malaysia 5.1%
6	Korea Rp 3.1%	Korea Rp 3.7%	Germany 4.5%	Korea Rp 3.1%	Korea Rp 3.5%	Indonesia 5.1%	Japan 7.7%	Japan 4.5%
7	Malaysia 2.5%	France 2.6%	Korea Rp 4.3%	Hong Kong 3.1%	Hong Kong 2.5%	Korea Rp 4.6%	Hong Kong 3.5%	India 3.2%
8	France 2.3%	Thailand 2.5%	Australia 3.7%	Indonesia 3.0%	Indonesia 2.4%	Hong Kong 2.4%	Indonesia 2.5%	Indonesia 1.7%
9	Thailand 2.2%	Fm Yugosl: 2.0%	UK 3.2%	Germany 2.8%	France 2.1%	Germany 1.8%	India 2.1%	Hong Kong 1.6%
10	USA 2.0%	USA 1.9%	France 2.6%	UK 2.5%	Germany 1.5%	India 1.7%	Germany 1.6%	Germany 0.5%

(Source) UN Comtrade.

**Table 3: Myanmar's Major Exports to China**

(%)

	1988-1991	1992-1995	1996-1999	2000-2003
24-Cork and wood	7.4%	40.8%	43.7%	67.7%
05-Vegetables and fruit	14.6%	5.5%	3.0%	8.1%
28-Metalliferous ores and metal scrap	3.8%	4.3%	6.2%	4.8%
22-Oil seeds and oleaginous fruit	9.0%	1.3%	1.0%	1.5%
66-Non-metallic mineral manufactures,n.e.s.	20.8%	30.8%	24.6%	3.6%
27-Crude fertilizers and crude materials (exc peto etc.)	0.2%	0.2%	8.0%	4.0%
29-Crude animal and vegetable materials,n.e.s	8.7%	3.6%	3.6%	2.1%
23-Crude rubber (including synthetic and reclaimed)	0.1%	0.1%	0.2%	1.2%
03-Fish,crustaceans,mollucs,preparations thereof)	9.7%	5.0%	1.9%	3.3%
63-Cork and wood manufactures (excl.furniture)	0.1%	0.5%	0.2%	0.5%
62-Rubber manufactures,n.e.s.	0.0%	0.0%	0.0%	0.2%
08-Feeding stuff for animals,not incl.unmil.cereals)	2.3%	0.4%	0.5%	0.3%
55-Essential oils & perfume mat.,toilet, polishing	0.5%	0.0%	0.1%	0.2%
26-Textile fibres (except wool tops) and their wastes	1.3%	0.7%	0.5%	0.4%
84-Articles of apparel and clothing accessories	0.1%	0.0%	0.0%	0.0%
07-Coffee,tea,cocoa,spices,manufactures thereof	5.2%	2.4%	0.1%	0.1%
04-Cereals and cereal preparations	3.3%	0.4%	0.4%	0.1%
61-Leather,leather manuf.,n.e.s.and dressed furskins	0.1%	0.5%	0.0%	0.0%
67-Iron and steel	0.0%	0.0%	0.0%	0.0%
85-Footwear	0.3%	0.0%	0.1%	0.1%
Others	12.4%	3.5%	5.8%	1.5%
Total	100.0%	100.0%	100.0%	100.0%

(Source) UN Comtrade.

(Note) Based on the SITC 2 digits.

**Table 4: Myanmar's Major Imports from China**

(%)

	1988-1991	1992-1995	1996-1999	2000-2003
65-Textile yarn,fabrics,made-up articles	37.7%	19.8%	16.2%	18.1%
78-Road vehicles (incl. air cushion vehicles)	3.7%	6.1%	4.0%	7.5%
71-Power generating machinery and equipment	3.6%	4.5%	5.7%	8.5%
72-Machinery specialized for particular industries	1.0%	2.6%	7.2%	6.3%
77-Electrical machinery,apparatus & appliances	5.1%	4.6%	5.1%	5.8%
67-Iron and steel	3.6%	4.5%	3.8%	4.5%
74-General industrial machinery & equipment	0.6%	0.9%	3.2%	5.6%
69-Manufactures of metal,n.e.s.	5.4%	4.1%	6.5%	5.1%
33-Petroleum,petroleum products and related materials	4.5%	4.3%	2.8%	5.2%
93-Special transactions & commod.,not classified	0.0%	0.8%	3.8%	2.0%
76-Telecommunications & sound recording apparatus	2.0%	1.4%	1.0%	2.7%
56-Fertilizers,manufactured	0.2%	0.6%	1.8%	1.4%
12-Tobacco and tobacco manufactures	4.7%	13.7%	5.6%	2.0%
51-Organic chemicals	0.4%	0.5%	0.4%	1.7%
89-Miscellaneous manufactured articles,n.e.s.	2.0%	1.3%	1.5%	1.7%
62-Rubber manufactures,n.e.s.	1.8%	1.1%	1.5%	1.6%
84-Articles of apparel and clothing accessories	0.5%	0.2%	0.5%	1.3%
66-Non-metallic mineral manufactures,n.e.s.	3.1%	2.0%	2.8%	1.6%
05-Vegetables and fruit	0.1%	0.1%	0.7%	1.8%
52-Inorganic chemicals	2.1%	1.1%	1.0%	1.6%
Others	18.0%	25.8%	25.0%	14.2%
Total	100.0%	100.0%	100.0%	100.0%

(Source) UN Comtrade.

(Note) Based on the SITC 2 digits.

**Table 5: China's Border Trade with Myanmar**

(USD Millions)

	2000	2001	2002	2003	2004	2005
Export via Border	293.5	261.2	358.3	446.3	500.6	540.6
(% as of Total Export)	59.1%	52.5%	49.4%	49.1%	53.3%	57.8%
Import via Border	66.9	93.7	105.4	134.5	164.5	223.5
(% as of Total Import)	53.6%	69.8%	77.0%	79.3%	79.5%	81.5%

(Source) China Customs.

(Note) "China's Border Trade" is defined as commodities cleared and recorded by the Kunming Customs Office.

**Table 6: Bilateral Agreements between Myanmar and China since 1996****SPDC Chairman Than Shwe's Visit to China (Jan. 1996)**

Agreement of Economic and Technical Cooperation between the GPRC and the GUM

Protocol on Cultural Cooperation between the Ministry of Culture of the PRC and the Ministry of Culture of the UM

Framework Agreement on Provisions of Interest Subsidized Credit by the GPRC and the GUM

**State Councilor Luo Gan's Visit to Myanmar (March 1997)**

Agreement between the GUM and the GPRC on Myanmar-China border Areas Management and Cooperation

Agreement on the GPRC Providing Five Million RMB Yuan Grant Given Gratis to the GUM

Agreement on Supply of Agricultural Machinery Equipment and Spare Parts and Technical Cooperation

**Vice Premier of State Councilor Wu Bangguo's Visit (October 1997)**

Framework Agreement between the GUM and the GPRC on a Preferential Loan with Interest Subsidized by the Chinese Government

**Vice Foreign Minister Tang Jiaxuan's Visit to Myanmar (Jan.-Feb. 1998)**

Agreement on Mutual Exemption on Visas between the GUM and the GPRC for Holders of Diplomatic and Official (Service) Passport

**SPDC Secretary 1 Khin Nyunt's Visit to China (June 1999)**

Agreement on Economic and Technical Cooperation between the GUM and the GPRC

**SPDC Vice Chairman Maung Aye's Visit to China (June 2000)**

Joint Statement of the PRC and the UM on the Framework of Future Bilateral Relations and Cooperation

**Vice President Hu Jintao's Visit to Myanmar (July 2000)**

Agreement on Economic and Technical Cooperation

Agreement on Tourism Cooperation

Agreement on Science and Technology Cooperation

**SPDC Secretary 3 Win Myint's Visit to China (Oct.-Nov. 2000)**

MoU between the Union Solidarity and Development Association (USDA) and the All China Youth Federation (ACYF)

**Minister for Home Affairs Jia Chunwang's Visit to Myanmar (Jan. 2001)**

MoU on Narcotic Drugs Control between Myanmar and the PRC

**Minister for Land Resources Tian Fengshan's Visit to Myanmar (July 2001)**

MoU on Cooperation in the Geological and Mineral Resources Sectors between the GUM and the GPRC

**Vice Foreign Minister Wang Yi's Visit to Myanmar (Aug. 2001)**

Agreement on Economic and Technical Cooperation between the GUM and the GPRC

**President Jiang Zemin's Visit to Myanmar (Dec. 2001)**

Agreement on Phytosanitary Cooperation

Agreement on Cooperation on Fisheries

Contract for Improving Petroleum Recovery on IOR-4, Pyay Field

Protocol on Cooperation in Border Area

Agreement on Economic and Technical Cooperation

Agreement on the Promotion and Protection of Investment

Agreement on Cooperation in the Animal Health and Quarantine



**Table 6: Bilateral Agreements between Myanmar and China since 1996 (Continued from the previous page)**

---

**SPDC Chairman Than Shwe's Visit to China (Jan. 2003)**

Agreement on Health Cooperation between China and Myanmar  
Agreement on Economic and Technical Cooperation between Myanmar and China  
Agreement on Cooperation in the Field of Sports

---

**Vice Premier Li Lanqing's Visit to Myanmar (Jan. 2003)**

Agreement on Partial Debt Relief for Myanmar  
MoU on Extending a Grant for the Supply of Culture, Education and Sporting Goods by the PRC to Myanmar  
MoU on the Programme of Aerospace and Maritime Course by the PRC to Myanmar

---

**Vice Premier Wu Yi's Visit to Myanmar (March 2004)**

MoU between the GUM and the GPRC on the Promotion of Trade, Investment and Economic Cooperation  
Agreement on Economic and Technical Cooperation between the GPRC and GUM (Providing a Grant of RMB 50 Million)  
Framework Agreement between the GPRC and the GUM on Provision of Concessional Loan (USD 200 Million)  
MoU on Cooperation for Promoting Trade and Investment between China Export and Credit Insurance Corporation and the Ministry of Finance and Revenue of the UM  
Government Concessional Loan Agreement for MPT Project Phase II between the Export-Import Bank of China and the Financial Institution Authorized by the GUM  
MoU between UMFCCI and China Council for Promotion of International Trade  
Loan Agreement on Hydraulic Steel Structure (Lot HSS-1) of Yeywa Hydro-Power Project  
Commercial Contract for the Supply of Hydraulic Steel Structure (Lot HSS-1) of Yeywa Hydro-Power Project  
The Strategic Cooperation Agreement on Myanmar National Telecommunications Network Construction Project  
Commercial Contract for the Supply of Hydraulic Steel Structure Works and Electrical and Mechanical Equipment for Kun Hydro-Power Project  
Commercial Contract on Myaungtaka-Hlinethaya-Yekyi 230 KV Transmission Lines and Substation Project  
MoU on the Supply and Installation of Complete Equipment for Float Glass Production Line with Melting Capacity of 150 TPD and for Tempered Glass, Laminated Glass and Mirror Glass Production Lines  
Contract for Construction of No.4 Urea Fertilizer Factory at Taikkyi Township  
MoU on Hydraulic Steel Structure (Lot HSS-2) and Electromechanical Equipment (Lot EM-1) of Yeywa Hydro-Power Project  
National Theatre Renovation Project  
Rice Milling Machine Installation Project  
Combined Harvester Production Project  
Three Small-Scale Hydro-Power Plants Project  
Project on Probation of Quality Sugarcane and Cotton Strains  
Geological and Minerals Exploration in Myanmar-China Border Region  
Lashio-Muse Railroad Project

---

**Prime Minister Khin Nyunt's Visit to China (July 2004)**

Agreement on Economic and Technical Cooperation between the GUM and the GPRC  
Exchange of Notes on Project of International Convention Centre between the GUM and the GPRC  
Exchange of Notes on Project of Master Plan for Hydro-Power Projects in Myanmar  
Exchange of Notes on Project of Master Plan for Thanlyin-Kyauktan Industrial Zone  
Exchange of Notes for the Provision and Shipment of Rails for the GUM  
MoU between the Ministry of Communications, Posts and Telegraphs of the UM and the Ministry of Information Industry of the PRC in the field of Information and Telecommunication  
MoU on Payment of Debt Rescheduling between the GUM and the GPRC  
Agreement on the Financing Plan for No.4 Urea Fertilizer Factory at Taikkyi between the Ministry of Finance and Revenue of the UM and the Export-Import Bank of China  
Supply Contract between the Ministry of Communications, Posts and Telegraphs of the UM and ZTE Corporation of the PRC for GSM System Expansion Project  
MoU between the Ministry of Industry (1) of the UM and China Metallurgical Construction (Group) Corporation for Extension of 200 TPD Pulp Mill Plant (Thabaung) and Proposed 500 TPD Pulp Mill Plant (Rakhine)  
Nickel Mineral Exploration and Feasibility Study Agreement between the Department of Geological Survey and Mineral Exploration of the Ministry of Mines of the UM and China Nonferrous Metal Mining and Construction Co. Ltd.  
Supply Contract for Myanmar National Telecommunication Network Construction Project between Myanmar Communications, Posts and Telegraphs of the UM and ZTE Corporation

---

**Prime Minister Soe Win's Visit to Chian (Feb. 2006)**

Agreement on Economic and Technical Cooperation  
Air Services Agreement  
Agreement on the Ministry of Railways of the PRC Donating Passenger Coaches to the Ministry of Rail Transportation of the UM.  
MoU on the Construction of Greater Mekong Information Super-Highway Myanmar Section  
A Sub-loan Agreement on Loans (USD 31.5 million) extended to the Ministry of Communications, Posts and Telegraphs of the UM by the Export-Import Bank of China  
A Loan Agreement for Urea Fertilizer Factory Project  
A Supply Contract (Phase-I) between the Ministry of Communications, Posts and Telegraphs and ZTE Corporation.  
Contract for the Supply of Mechanical and Electrical Equipment and Services for Paunglaung Hydro-Power Project Phase-II

---

(Source) *New Light of Myanmar*, *Myanmar Times* and other press. Compiled by JETRO Yangon Office.

(Note) GUM stands for the Government of Union of Myanmar.

GPRC stands for the Government of the People's Republic of China.

MoU stands for Memorandum of Understanding.

UMFCCI stands for the Union of Myanmar Federation of Chambers of Commerce and Industry.

**Table 7: New Factories of the Ministry of Industry (1) with Chinese Cooperation**

**Myanmar Textile Industries**

Factory	Location	Completion Date	Contractor
Garment Factory	Kyaukse	Jan. 2003	China World Best Group Co. Ltd.
Textile Factory	Pwintphyu	March 2005	Tianjin Machinery Import and Export Corporation
Textile Factory	Pakkoku	Oct. 2005	Tianjin Machinery Import and Export Corporation
Textile Factory	Salingyi	Nov. 2005	China National Construction and Agricultural Machinery Import and Export Corporation
Garment Factory	Taungtha	Jan. 2006	China World Best Group Co. Ltd.
200 Looms Extension Plant	Myintgyan	Dec. 2004	n.a.
400 Looms Extension Plant	Yamethin	Jan. 2005	n.a.

**Myanmar Paper and Chemical Industries**

Factory	Location	Completion Date	Contractor
Paper Factory (3)	Palate	Jan. 2001	Tianjin Machinery Import and Export Corporation
Bleached Bamboo Pulp Factory	Thabasung	May 2005	China Metallurgical Construction Group Corporation

**Myanmar Ceramics Industries**

Factory	Location	Completion Date	Contractor
Refractory Brick Factory	Kyaukse	Dec. 2005	China National Building Machinery and Equipment Corporation
Cement Factory	Kyaukse	Jan. 2003	China National Construction and Agricultural Machinery Import and Export Corporation
Kiln Production Line (300 TPD)	Kyaukse	Aug. 2005	n.a.

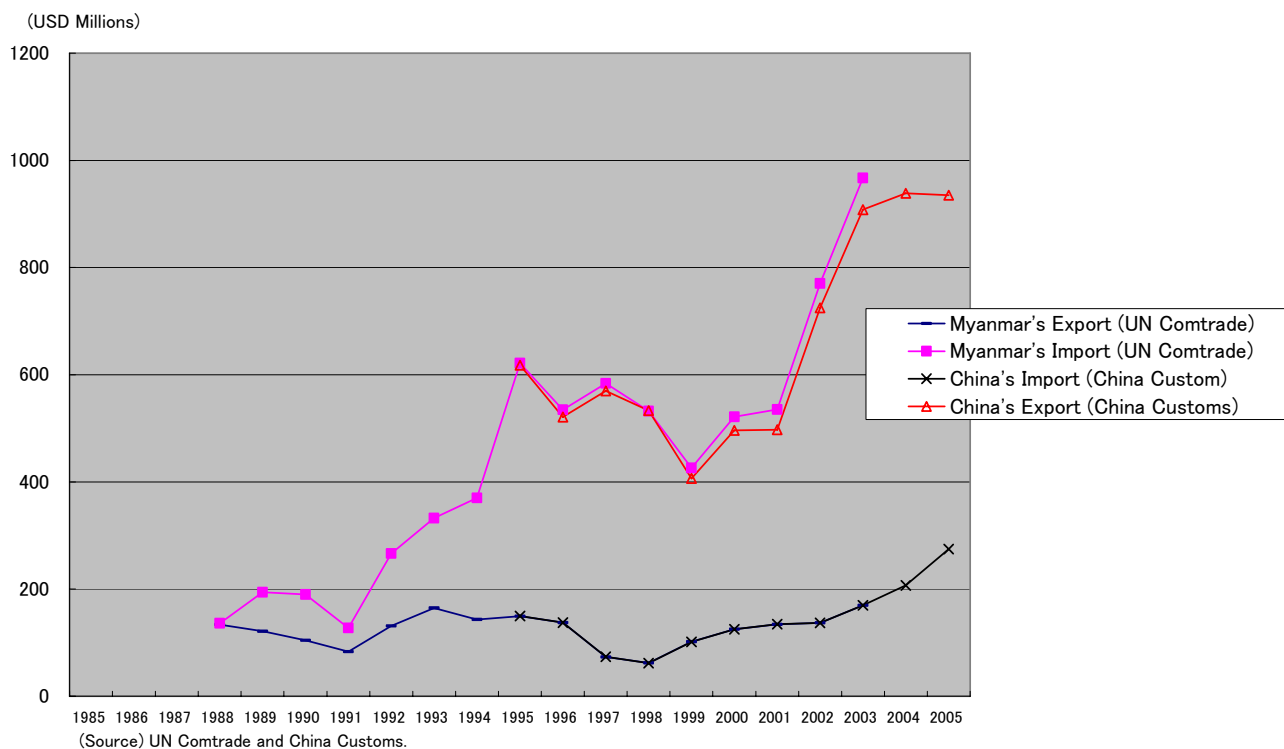
**Myanmar Foodstuff Industries**

Factory	Location	Completion Date	Contractor
Instant Noodle Factory	Sagaing	July 2001	Karehua Noodle Line Machinery Co. Ltd.

(Source) *New Light of Myanmar*, *Myanmar Times* and other press. Compiled by JETRO Yangon Office.

(Note) Factories completed after 2001 only. This list may not cover some factories that did not appear in the media.

**Figure 1: Trade between Myanmar and China**



Map: New “Burma Road” Connecting Mandalay and Muse (Ruili)



(Source) UN. Available from <http://www.un.org/Depts/Cartographic/map/profile/myanmar.pdf>.

## Appendix: Photos of Border Trade Activities in the Jiegao Special Zone of Ruili City

### 1. Border Gate for Trucks



Myanmar trucks are entering the Jiegao Special Zone of Ruili City in Yunnan Province, China, through the border gate. The opposite side of this gate is Muse City in Shan State, Myanmar. [Photo taken on March 8, 2006, by the author]

### 2. Transshipment of Cargoes



Myanmar workers are unloading goods from a Chinese truck (right) and loading them onto a Myanmar truck (left) at the truck yard in the Jiegao Special Zone. [Photo taken on March 8, 2006, by the author]

### 3. Exchange of Currencies



A Myanmar truck driver exchanges two currencies, Myanmar Kyat and Chinese Yuan, at the truck yard in the Jiegao Special Zone.

[Photo taken on March 8, 2006, by the author]

### 4. Border Gate for People



Local people come and go from one country to the other. The other side across the border gate is Muse City, Myanmar. There are casinos along the border in Muse. [Photo taken on March 8, 2006, by the author]

## 5. Joint Check Centre of Ruili Port



On the Chinese border side, the Joint Check Centre of Ruili Port provides “one-stop services” for truck transportation. [Photo taken on March 8, 2006, by the author]

## 6. Border Police Inspection Centre



Just before the Salween River (Nu Jiang), all vehicles from the border areas with Myanmar are stopped for police inspection for illegal goods and activities. No vehicles and passengers can travel to Kunming, capital of Yunnan Province, without crossing the river. [Photo taken on March 9, 2006, by the author]