



# Peace, Conflict, and Development on the Sino-Burmese Border

by Xiaolin Guo

*On August 27-30, 2009, fighting broke out between the Kokang ceasefire group (MNDAA) and the Myanmar/Burma government army, sending 30,000 refugees across the border into Yunnan province in southwest China. To some observers, the timing of the conflict—less than a fortnight after a visit to Myanmar/Burma by U.S. Senator Jim Webb—seemed to indicate a calculated maneuver on the part of the ruling generals in Nay Pyi Taw to test international reactions as well as responses from its neighbors with regards to its exercise of power in the country's borderlands. The actuality is that the event itself was part of a political process that the military government embarked upon already twenty years ago. What is special about this summer's conflict itself, though, is where it occurred and the ethnicity of the population involved, which has implications for peace on the border and ultimately for bilateral relations between China and Myanmar/Burma.*

## Ins and outs of the Conflict

Kokang is one of the many ethnic enclaves dotted across the northern and eastern Myanmar/Burma borderlands, and has a predominantly Chinese-speaking population of 150,000. It is officially designated the Shan State No. 1 Special Administrative District, established in 1989, following the disintegration of the Communist Party of Burma (CPB) whose forces had fought the central government since the country's independence. Peng Jiasheng, a local rebel leader whose mutiny effectively triggered the collapse of the CPB, was the first to enter into negotiations with the military government, thus kicking off the ceasefire process. In accordance with the ceasefire agreement of 1989, Peng assumed the Chairmanship of the Kokang Special Administrative District. In reality, he continued, as in the old days, to be the overlord, supervising all local military, economic, and social affairs. In March 2009 (five months before the latest conflict), Kokang celebrated the twentieth anniversary of the original ceasefire agreement.

The ceasefire agreements reached with all but one of the ethnic armed forces in the country have put an end to the chronic insurgent activities waged against the central government of Myanmar/Burma. Yet, political integration of the borderlands has largely remained elusive in the presence of private armies and in the absence of an effective centralized bureaucracy. In the early months of 2009, the military government moved to integrate the ethnic armed forces as part of its effort to achieve the goal of “one country, one army” ahead of the country's general elections scheduled to take place in 2010. Standing in the way of the move were deep misgivings on the part of both the cease-

fire groups and the military government. Peng Jiasheng reportedly rejected a government proposal to re-organize his private army—reducing its size by two thirds—and to incorporate it into a border guard force under the command of the Myanmar/Burma government army. Early in August, according to the *Phoenix Weekly*, the government army entered Kokang to investigate alleged drug production, in the course of which it clashed with the local militia. In the weeks that followed, the situation took a dramatic turn as one faction within the MNDAA struck a deal with the military government, practically staging a coup and assisting government military action to neutralize the defiant local actor, Peng Jiasheng.

The fighting in Kokang had wider repercussions, in terms of the reaction from the other ceasefire groups, the business communities on both sides of the border, and not least, from the Chinese government. The population affected by the conflict was predominantly Chinese-speaking, with the businesses lost and properties damaged in the course of fighting mostly Chinese-owned. The measured response from Beijing to the situation in the wake of events in Kokang reflected the sensitive nature of bilateral relations, reiterating the line of non-interference in what the Chinese government normally regards as “internal affairs.” At the local level, however, appreciation of state-to-state diplomacy proved too much to ask for, as business communities were counting their losses. When things finally calmed down and refugees returned home, observers were left to ponder the extent to which there can again be business as usual in terms of cross-border trade and bilateral relations.



## Complexity of Cross-Border Relations

The ethnic armed forces that have signed ceasefire agreements with the incumbent government are primarily based along the border with China. Availing themselves of the autonomy granted them as part of ceasefire agreements and the cross-border ties, local ethnic community leaders in the borderlands wasted no time and went into business, trading with, and drawing investment from Yunnan. Cross-border economic activities have led to a boom in the local economy, and goods traded over the border that reach the major cities of Myanmar/Burma have helped mitigate the hardships due to shortages of consumption goods caused by the economic sanctions imposed by Western governments. The past two decades have seen life in the borderlands transformed. A moderate degree of stability, no doubt, has made it feasible for the ruling State Peace and Development Council (SPDC) to introduce and implement what it calls a Seven-Step Roadmap to Democracy (notably, completing the draft of the new Constitution, holding a national referendum on the draft Constitution, and preparing for the general elections). Political stability in the borderlands and the ensuing economic boom are unlikely to have developed without a degree of cooperation from the Chinese side.

Today, business in places like Lashio and Mandalay is flourishing, and cross-border trade (not just with China, but also with other countries that share land borders with Myanmar/Burma) plays a large part. Business operations under government-to-government contract are not normally differentiated from those of private contractors. Maximizing gains without giving much thought to anything else on the part of the business communities (foreign and domestic with foreign connections alike) operating in Myanmar/Burma is gradually provoking a growing awareness—especially among university students and graduates in cities like Yangon and Mandalay—of the environmental consequences of the foreign exploitation of Myanmar/Burma's natural resources, in particular through logging and mining. Local sentiment against Chinese business operations in Myanmar/Burma has in the past five years seen Beijing respond by tightening control of the cross-border movement of goods and people. Yet, the impact of such administrative measures is limited when encountering unrelenting market forces.

The liberal economic climate in which cross-border business thrives is apt to produce ripples of a political nature, complicating not just relations between the two countries, but also central-local relations within each country. Yunnan, as a province with a large number of ethnic minorities, enjoys considerable autonomy in local economic planning, especially in those counties located directly on the border with foreign countries. By comparison in Myanmar/Burma, local autonomy in economic planning is

largely circumscribed. The law stipulates that the rights to exploit strategic resources rest entirely with the central government, which means that trade in natural resources without permission from the central government is technically illegal. The ethnic leaders of the designated local autonomous areas, however, see it differently, and their dealings with Yunnan-based businesses are particularly susceptible to conflict due to the ambiguous interpretation of property rights. Disputes arising from the exploitation of strategic resources of national interest in the borderlands (that are under the jurisdiction of autonomous governments) may well strain bilateral relations at a higher level.

Similarly, constraints on border trade and other activities imposed by Beijing often run into conflict with local interests in Yunnan whose government regards protecting local business interests as its duty. Yunnan's frustration over the central government's low-key response to the Kokang event in the summer of 2009 serves as a reminder of the discord between provincial and national interests. Yunnan, however, is not the only actor that finds itself periodically at odds with Beijing. Chinese cooperation in eradicating drug production and trafficking, and Beijing's bans on Chinese illegal logging, mining, and gambling tourism in Myanmar/Burma, have been viewed by the ethnic minority leaders on the other side of the border as eroding their economic base. At the same time, the cultural and economic ties that exist between the ceasefire groups and Yunnan remain perturbing to the military government, whose control of the borderlands has been under constant challenge by local actors.

## Remaining Concerns

The economic development of Yunnan in the past two decades has largely benefited from the location of the province (bordering a number of foreign countries), a fact that has drawn the attention of the central government in Beijing. The recent construction of oil/gas pipelines through Yunnan has come to highlight the geo-strategic importance of the province. Geographical closeness has, in a sense, been central in shaping economic cooperation between Myanmar/Burma and China, a cooperation thus driven more by the rationale of proximity rather than filling a void left by the absence of other foreign competitors in the presence of Western sanctions as such. Similarly, a shift of power in Myanmar/Burma may not necessarily have a decisive bearing on the nature of bilateral relations. The recent U.S. adjustment of its policy toward Myanmar/Burma is constituent of a move by Washington to deepen its ties with Southeast Asia, and as such it changes the dynamics of international politics. To what extent this development will impact on domestic politics in Myanmar/Burma in terms of political transition and relations with neighboring countries remains to be seen. The way that the



military government deals with the ethnic minorities in its borderlands in the run-up to and aftermath of the general elections will have impact on cross-border economic development, and consequently bilateral relations.

Myanmar/Burma is important to China because the country is a key player in Yunnan's ambition to link coastal China with the Indian Ocean. Equally, continued economic development in Myanmar/Burma and, to some extent, political stability in its borderlands will be difficult to sustain without sufficient goodwill from China. The two-decade-long ceasefire has brought some degree of economic prosperity to those local communities situated along the Chinese border, and investment from and through Yunnan has played an essential part in this. The businessmen who largely rely on local connections for their undertakings know well that there is no permanent friendship but only interests. In the aftermath of the Kokang conflict, the Yunnan-based business community is likely to adjust its investments and operations in Myanmar/Burma for the sake of protecting capital and profits. According to an unconfirmed report from Kokang, one prefecture bordering on Myanmar/Burma sought compensation of 280 million CNY on behalf of the local business community, and the Myanmar/Burma government responded that only Chinese companies operating legally on its territories would be considered. This may be a time for reflection. The unrelenting pursuit of economic interests by Chinese businesses in Myanmar/Burma, and elsewhere, has in recent years attracted much media coverage internationally, putting the Chinese government in an increasingly awkward position in defending its win-win foreign policy.

In view of the unilateral action taken by Nay Pyi Taw that inadvertently served to upset the order in the local communities on the Chinese border in the summer of 2009, Beijing may be compelled to conclude that when it comes to peace on its doorstep, the issues involved are not entirely "internal" after all. The Myanmar/Burma government army may have emerged triumphant in the battle of Kokang, as rebel leader Peng Jiasheng and his loyalists were forced to go into hiding. There is, however, still a long way for the SPDC—and its successor after the general elections—to go from here. The continued efforts in nation building and economic reforms will have implications for peace in the borderlands and, ultimately, the viability of the Union of Myanmar as a nation state. A strong political will—present since Independence Day—to make the historical Frontier Areas part of the Union of Myanmar/Burma has yet to be translated into workable solutions to win the hearts and minds of the ethnically diverse peoples there. What local autonomy ought to entail needs to be explored by the government in agreements with the ethnic leaders; otherwise peace is unlikely to be lasting.

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