

# Far Eastern Economic REVIEW

INDIA



Rao, Post-Election

HONG KONG



Builder Gordon Wu

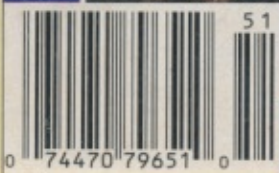
## BURMA

# China's New Gateway

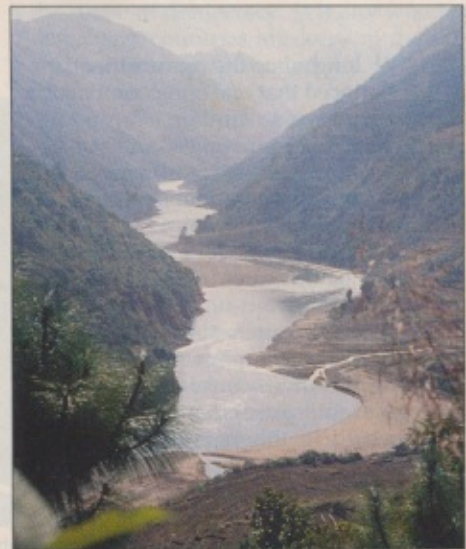
### Route for Trade, Arms and Immigrants



Australia ..... A\$5.75 Cambodia ..... US\$4.50 France ..... FF 28 India ..... G. 10 Indonesia ..... Rp 5,000\* Korea ..... W 3,000 Malaysia ..... RM 7.50 Myanmar/Burma ..... K 13 New Zealand ..... NZ\$7.75\* Philippines ..... P 95 Sri Lanka ..... Rs 110 Taiwan ..... NT\$120 Thailand ..... Baht 100 Vietnam ..... V 54.50  
Bahrain ..... B 1.50 Canada ..... C\$6 China ..... Y 750\* Hong Kong ..... HK\$35 Japan ..... ¥ 750\* Kuwait ..... K 130  
Bangladesh ..... Taka 95 Brunei ..... B\$6.50 \* includes tax







China's access routes to the 'Great Golden Peninsula.' Right: the Mekong River in Yunnan province.

## BURMA

# Enter the Dragon

Chinese merchants are pushing south as trade with Burma flourishes. But the nations of Southeast Asia are watching uneasily as Beijing's military influence with its southern neighbour also expands.

By Bertil Lintner in Ruili, China

For the weary traveller, the town of Ruili rises like a mirage from the rugged mountains on the border between Burma and China's Yunnan province. After hours of driving through barren, windswept hills, the town's flashing red and green neon lights, street-stall karaoke machines, massage parlours and discos — some blaring heavy-metal rock music — seem almost surreal.



But the economic boom that pays for such indulgences is real enough. While the Beijing government is trying to rein in growth elsewhere in China, whirlwind

capitalism prevails here on the frontier.

In the last 10 years, cross-border trade between Yunnan and Burma has swollen from about US\$15 million annually to around US\$800 million. Ruili's markets are full of goods, the pavements packed with people, many from the Burmese side of the border, judging from their *longyis*, or sarongs. The doorways of dimly lit shacks afford glimpses of scantily clad prostitutes.

A few years ago, China granted Ruili open-city economic status along with nearby Wanding, where the legendary Burma Road crosses the frontier. Now, the authorities have gone a step further: An area south of Ruili straddling the Shweli river has become a privileged "special economic development zone." A new

concrete bridge spans the river, while on the side nearest Burma, high-rise buildings and shopping complexes are under construction. A giant monument was recently erected near the bridge, showing three figures — their determined faces pointing south. "Southeast Asia, here we come!" jokes a resident.

But is Southeast Asia ready for China? With the economic boom on the Sino-Burmese frontier have come expanded Chinese military ties with Burma and, increasingly, Laos. China denies it intends to project its influence into Southeast Asia, but its southward push makes many regional governments uneasy. They fear China wants to use Burma to try to expand its military and political reach.

China is seen "not simply [as] a threat



to Southeast Asia but a threat to the region," says a defence analyst in Bangkok. "And that is perceived as a China that is seeking to extend its influence beyond its borders. The fear, perhaps, of these neighbouring states is in concerns that these Chinese policies may eventually give birth to a Chinese Monroe Doctrine in Asia."

B.A. Hamzah of the Malaysian Institute of Maritime Affairs concurs: "There is a fear that the Chinese are coming in [to Southeast Asia] from the other side, via the Indian Ocean. This will give them access to the Straits of Malacca. If China has access through that area, it will give Beijing a better basis for power projection."

Just 10 years ago, Ruili was a supply centre for an earlier Chinese attempt to extend its influence: an insurgency by the now disbanded Communist Party of Burma. That insurrection failed miserably. But, as a Mandalay merchant in the streets of Ruili sees it: "What the Chinese did not achieve by supporting the CPB has been accomplished in a subtle, peaceful way." Recent visitors to Burma report that Chinese traders roam freely as far south as Mandalay, which is growing rapidly on account of illegal immigration from China.

The invasion may not be entirely peaceful, however. As one Singapore-based regional analyst warns: "Many people are complaining in Burma that those buying land and buildings in the prime areas in the upper part of the country are Chinese from the border areas. If the economy is growing without equity among the races, there is a possibility that a social time bomb could explode at any time, especially in Mandalay."

In China at least, the expansion of commercial ties has met with widespread enthusiasm. The Chinese press regularly uses a new coinage, "the Great Golden Peninsula," to refer to a vast region stretching from Yunnan to Singapore in the south and India and Vietnam in the west and east. Commonly cited in such analyses are three main "routes" along which Chinese commerce could penetrate the region: one through Burma, the others through Vietnam and Laos.

For the moment, however, the main avenue for trade is Yunnan. A sprawling, landlocked province of 38 million people, it has for years sought foreign markets for its goods, as well as an outlet to the sea. Despite its relative remoteness from Beijing and the coast, Yunnan boasts a well-developed industrial base — a product in part of a Cold War policy of basing industry as far as possible from the reach of the United States Pacific Fleet. For the last decade, the economy has grown at close to 10% a year, and it has a large pool of cheap labour; 120 million people live within 36 hours' travel of Kunming, the provincial capital.

Most major investment in the border

boom comes from Yunnanese and Fujianese businessmen, who form the predominant Chinese community in Burma's urban centres. This seems to reflect the changing economic balance of Burma's trade ties, which is shifting in Yunnan's favour. For many years, Burma depended on Thailand for consumer goods. Now it's Chinese goods that are lapping at Thailand's borders, Thai businessmen complain.

Trade is one way for China to expand southwards; arming the Burmese military is another. Ruili's new bridge is referred to locally as "the gun bridge": This is where most surface deliveries of Chinese munitions to Burma take place.



In October, more than 500 trucks crossed the bridge. Some, meant as transports for the Burmese army, were empty; others carried small arms as well as multiple-rocket launchers. "The deliveries took place at night," a Ruili resident says. "The whole area was sealed off as the trucks went across."

It may seem natural that China wants

#### On Other Pages

- 24 **Unlocking Yunnan**
- 26 **River of Dreams**
- 26 **Cutting Edge**
- 27 **A Piece of the Action**

to provide its new markets with a military umbrella, but Burma's neighbours don't necessarily see it that way. They have watched with unease the massive Chinese shipments to Burma's army and air force. But it's China's role in upgrading the Burmese navy that has caused the most alarm. Indonesian military sources, for example, say they consider that granting China military access to Burmese bases would present a threat to the Straits of Malacca, a major waterway for Southeast Asia's sea-borne trade.

In late 1992, Western spy satellites detected a new, 150-foot antenna used for signals intelligence at a naval base on Coco Island, a Burmese possession in the Indian Ocean. Suspicion that this equipment is likely to be operated at least in part by Chinese technicians has led to fears that Burma will allow Beijing's intelligence agencies to monitor this sensitive maritime region.

More recently, intelligence reports indicate that China is pressing Burma to allow it access not just to Coco Island but also to two other strategically located listening posts: Ramree island, south of Sittwe off the coast of Arakan state; and an island off Tenasserim state. The latter is especially sensitive: A long, rugged island, it's located off Burma's southernmost point, Kawthaung or Victoria Point, close to the northern entrance of the Straits of Malacca.

China's traditional rival in the region, India, made several diplomatic representations to Rangoon on the issue this year and last. In August, Indian coastguards intercepted what appears to have been a Chinese survey vessel that strayed into Indian waters near the Andaman islands. The ship, Yan See Han 014, was equipped with modern electronic monitoring gear.

Three mysterious fishing vessels, all carrying Chinese crew, were also detained at the same time at Port Blair on the Andamans, but were later released. That incident attracted media attention in India, but the seizure of the Yan See Han 014 hasn't been reported.

It's also clear that China's interest in staking a presence in Burma, and thereby the Indian Ocean, is a long-standing one. "China has traditionally had great concerns about securing its frontiers," the defence analyst in Bangkok points out. "To my mind, the collapse of the Soviet Union has allowed the Chinese to rapidly advance this agenda and created power vacuums among many of China's neighbours which Beijing is taking advantage of. The Chinese have keyed the development of their outlying regions both in terms of economic development and security concerns to establishing symbiotic relations with adjacent territories."



Beijing signalled its plans as long as a decade ago in a little-remarked article in the official *Beijing Review*. Published on September 2, 1985, the article, "Opening to the Southwest: An Expert Opinion," was written by former Vice-Minister of Communications Pan Qi. It outlined the possibilities for finding an outlet for Chinese trade, through Burma to the Indian Ocean.

Pan mentioned the railheads of Myitkyina and Lashio in northern and north-eastern Burma as possible conduits for the export of Chinese goods. He refrained from mentioning, however, that all the relevant border areas, at that time, weren't under the control of the Burmese central government, which was fighting communist and ethnic insurgencies.

But the Chinese were right again. After Rangoon crushed the 1988 uprising in central Burma, it offered ceasefire deals to rebels in peripheral areas in order to

deprive fugitive urban dissidents of a place to continue their activities. In exchange for not sharing their weapons with students and other pro-democracy activists, the rebels are now left alone by the government.

Hardly surprisingly, the drug trade has flourished as a result — northern Burma forms the heart of the Golden Triangle. Other economic activity has also taken off, principally trade in gems.

As the burgeoning narcotics trade indicates, Yunnan's proximity to Southeast Asia is balanced by its remoteness from Beijing's control. The province has the historical distinction of being the last stronghold of anti-communist forces well

into the 1950s. As a Western intelligence source in Bangkok comments: "I don't think the writ of the Chinese Communist Party runs very strong in the streets of Kunming."

This may mean Beijing should worry as much about Yunnan's proximity to Southeast Asia as the region does about growing Chinese influence. For the time being, it seems Yunnan is suffering more from exposure to its neighbours. Rapid development along the Burma-Yunnan border has caused considerable social dislocation on both sides of the frontier. Prostitution and drug addiction are two of the most obvious problems. Heroin is easily available in Ruili and other border

towns, and young addicts can be seen injecting the drug in Ruili's narrow back streets. ■

## Unlocking Yunnan



The Thais built sturdy brick walls around the northern city of Chiang Mai more than 150 years ago to keep marauding Burmese armies out. Today, the walls' restored gates beckon Burmese, Laotians and Chinese as local businessmen look north for trade and investment.

As recently as the mid-1980s, investors saw Chiang Mai and other towns in northern Thailand as remote outposts, too close to the untamed frontiers of Burma and Laos to warrant much interest. Now, Thai and foreign businesses want to build roads, bridges and railways across those frontiers to open up a landlocked area of 93 million people.

If the Thai Government invests in new roads to Burma and Yunnan, Thailand "could gain an advantage over Singapore and Hong Kong" in opening markets there, says Narong Suthisamphat, executive vice-president of Bangkok-based United Foods. At a recent promotional meeting in northern Thailand, the enthusiasm of local entrepreneurs extended to inviting participants from as far north as Mongolia.

But Thai dreams of acting as a land bridge to China are tempered by concerns about the strategic and economic impact of drawing their giant neighbour closer. Yunnan's population of 38 million and its developing industrial base make it potentially the strongest eco-



Burma-Yunnan trade life-line: mules on the Burma Road.

nomie component of the region.

"China is bound to want access to this area, but there are political and military as well as economic implications," says Pravit Arkarachinores, the head of a newly formed council of businessmen for northern Thailand.

Some of these developments have found an official agenda in the so-called Northern Growth Quadrangle, encompassing parts of Thailand, Burma, Laos and southern China. Backed by the Asian Development Bank, the concept aims to generate trade and economic growth in one of the last marginal areas of Southeast Asia. Infrastructure projects, some funded by the bank, will link the two driving forces of the effort: China's economic vibrancy and Thailand's commercial sophistication.

For businessmen in northern Thailand, the concept offers the promise of new markets for goods and services, as well as the opportunity to act as a service centre for the region. And outwardly, the Thai Government supports development in the area, on the grounds that economic links enhance stability. "Security problems exist where there is a lack

of economic cooperation," Deputy Prime Minister Suphachai Phantichaphak told a recent conference in Chiang Mai.

But there are also indications that Bangkok, which has long practised a policy of setting up strategic buffer zones,

is in no hurry to make itself too accessible to China. Intelligence sources point out that two new bridges linking Thailand with its neighbours — one leading across the Mekong to Vientiane in Laos and another, still being built, connecting Mae Sot with Myawady in Burma — are sited well away from the Chinese border. There are no plans so far to bridge the Mekong at Chiang Khong, which is less than 200 kilometres from the Chinese border with Laos.

Cultural bridges between northern Thailand and China's Yunnan province already exist. Yunnanese traders have visited Chiang Mai for centuries, and there is still a vibrant Yunnanese Muslim community in the city. And for almost three decades after their 1949 defeat by the Chinese communists, remnants of the Kuomintang's 93rd Regiment were accommodated in northern Thailand, where they served as informal border troops until most moved to Taiwan or settled in mountain villages in the 1980s.

Now Thailand is using cultural diplomacy to expand its official contacts with Yunnan. ■ Michael Vatikiotis



## BURMA

# River of Dreams

## Chinese emigrants pour down the Mekong

By Bertil Lintner in Ruili, China, and Chiang Saen, Thailand



The Mekong River gathers strength in the Chinese province of Yunnan, then flows south, nourishing Burma, Laos, Thailand, Cambodia and Vietnam before spilling into the South China Sea. Regional-development enthusiasts like to portray it as a "river of peace and cooperation." Recently, however, the life-giving waterway has gained a more sinister reputation: It has become the leading conduit out of China for illegal migrants to the West.

The new wave of illegal immigration isn't just hitting the West, however. Thousands of Chinese are content to stay in Burma, capitalising on the border region's economic boom to set up businesses. Ethnic Chinese have come to dominate commercial life in the northern Burmese city of Mandalay.

The Chinese who settle in Mandalay are mostly Yunnanese. The majority of those heading for the West, on the other hand, come from the Chinese coastal province of Fujian. Snakeheads, the merchants of migration, currently charge about Rmb 220,000 (US\$26,000) for passage overseas, says a well-connected source in Ruili, on Yunnan's border with Burma.

Until recently, most of the Chinese migrants travelled southwards from Yunnan on foot through Burma's Shan state to Tachilek on the Thai border; now, because of fighting in the area between Burmese government forces and troops loyal to Golden Triangle warlord Khun Sa, most migrants reach Thailand by taking a boat down the Mekong.

On the receiving side, at Chiang Saen and Chiang Khong, just south of the Thai-Lao-Burmese border junction, other agents help the migrants down to Bangkok, where they await further transport.

"Now most migrants

leave Thailand by air, using mostly cheap East European airlines," says a source in northern Thailand close to the immigration rackets. Indeed, intelligence sources in northern Thailand have tracked some of the Chinese migrants to Romania and even Italy. In Europe, they are commonly broken up into smaller groups and smuggled into Puerto Rico or the United States Virgin Islands. There, they can board domestic flights to the U.S. mainland.

For Chinese headed no farther than Burma, an immigration racket also exists. "When a person dies in Mandalay, his death is not reported to the authorities," explains a source in Yunnan who's close

to the migration trade. "Instead, that person's relatives send the identity card to a broker in Ruili or any other border town in Yunnan."

In Yunnan, the identification papers are sold to anyone able to pay Kyat 50,000, or US\$500 at the blackmarket rate. The Chinese buyer's photo is substituted on the card, and he can then move to Mandalay as a Burmese citizen.

Ethnic Chinese pervade commercial life in Mandalay — including the trade in precious stones, jade and narcotics. Their partners are often ethnic Chinese from the Kokang district of northeastern Burma, who are bona fide Burmese citizens but who speak the same Chinese dialect as the Yunnanese immigrants.

The new wave of Chinese immigration has reignited traditional anti-Chinese sentiment among many Burmese, as reflected in regular cartoons and short stories on the subject in local Mandalay publications. But local authorities seem confident the situation won't get out of hand.

"Yes, there are many Chinese in Mandalay today," says a recent visitor to the city. "But it's still manageable. It's not like the Han influx to, for instance, Lhasa in Tibet."

But it may become that way, if illegal immigration continues apace. ■



Timber trucks on the Burma Road.

## Cutting Edge

Every day, a seemingly endless stream of heavily laden timber trucks groans its way up the sharp switchbacks of the Burma Road. This legendary highway has become the main route for timber leaving northern Burma for Yunnan in China.

But it's not only the volume of timber being exported to China that's remarkable. The logs are scored with various abbreviations such as KDA, UWSA and SSA; these are the marks of former rebel groups in northern Burma

that have agreed on ceasefires with the government in Rangoon. Spared the threat of attack, the groups now have a free hand to sell timber to China.

"The rebels have become timber companies," jokes a resident in Wanding, where the Burma Road crosses the international frontier. "They've still got their guns, but their struggle for independence, autonomy or whatever is over."

Most of the timber heading for China comes from the high mountain passes of Kambaiti, Panwa and Hpi-maw along the Chinese border in Kachin state. This area is controlled by a remnant of the now defunct Communist

Party of Burma, and the deforestation there is said to be the worst in the country's northern areas. "This used to be the most densely forested part of the north. But in three-to-four years' time, there won't be a tree left there," says a local resident.

Following the most recent ceasefire agreement — with the Kachin Independence Army in February — locals expect massive deforestation in other parts of Kachin. This may, however, cause more concern in Rangoon as the area under Kachin control includes crucial watersheds feeding the headwaters of the Irrawaddy river, which waters the central Burmese plains.

"If those areas are deforested, the effects would be felt all over the country. There would be a endless circle of drought and floods," says a forestry expert in Bangkok. ■ Bertil Lintner



# A Piece of the Action

## Burma-China drug trade thrives with official complicity

By Bertil Lintner in Ruili and Kunming, Yunnan



"Kill them! Kill them!" thousands of people shouted in unison from the stands of the central sports stadium in Kunming, where they gathered to witness the trial of a group of drug traffickers and other criminals.

Hands tied behind their backs, the prisoners carried signboards identifying them and their crimes. Their names were scored out with red ink, indicating that they had already become "non-persons." After the trial, the 17 convicts were paraded through the streets of Kunming, capital of southern China's Yunnan province. Then they were executed, one by one, each with a single bullet in the nape of the neck.

Public shows of official force aren't rare in Yunnan, which is facing a worsening drug problem. But the mass trial, held in October, was exceptional because the defendants included police officials, a man with links to Burmese communist leaders, and two people from Fujian province who may have had ties to organized crime.

As such, the trial for the first time indicated a willingness by Chinese authorities to grapple with official complicity in the drug trade. Yunnan borders the Burmese and Laotian areas of the Golden Triangle, the world's most infamous opium-growing area.

The most notorious of the convicts was Yang Muxian, an ethnic-Chinese from Kokang, a district in northeastern Burma whose population is predominantly Yunnanese. Yang had been arrested on May 9 and charged with smuggling hundreds of kilograms of heroin into Yunnan.

But he was no ordinary smuggler. His elder brothers, Yang Muleng and Yang Muang, command a unit of the Communist Party of Burma's former insurgent army. The force has been recognised by Rangoon as a local militia since the communist insurgents agreed to a ceasefire four years ago.

Two high-ranking Yunnan police officers as well as a man and woman from China's coastal province of Fujian were also among those executed, say witnesses to the trial and other local sources. The group of convicts was diverse, but no more diverse than the mix of players in the drugs drama of the Golden Triangle.

It works like this. The Kokang militia

turns locally grown raw opium into heroin in a string of refineries. But the rustic Yunnanese on the Burmese frontier don't have the means to distribute the heroin to addicts in East Asia, Australia, Europe and North America. This is done by international ethnic-Chinese gangs, the so-called Triads or secret societies, which have always been strong among the Fujianese. Their syndicates are present in Chinatowns throughout the world.

Foreign anti-narcotics agents stress that it would be impossible for this traffic to operate without the cooperation of local government officials on both sides of the frontier. They note that the militia status that Rangoon afforded the Kokang force



Opium market in northeast Burma: the big players are using Yunnan as a conduit to world markets.

five years ago gives it virtual immunity from prosecution on the Burmese side.

The militia has used that freedom to pump up heroin output. Opium production in the Burmese sector of the Golden Triangle increased to an estimated 2,500 tonnes in 1993-94 from 1,200 tonnes in 1988. Another record harvest is expected for this year's growing season.

While some of the most blatantly obvious heroin laboratories have been shut, the Kokang militia has set up a new refining complex in Mong Hom-Mong Ya, a secluded valley west of the Salween River. The heroin that Chinese authorities seized from Yang came from these refineries, sources in Kokang say.

The two police officers executed in Kunming came from Zhenkang, a Chinese town across the border from Kokang that's on the main smuggling route from the Golden Triangle into Yunnan. Under-

lining the magnitude of official complicity, 150-200 local border officials — police, customs and security personnel — were also detained in the wake of Yang's arrest, say sources in both Kokang and Kunming.

China officially counts 250,000 drug addicts, with Yunnan having the highest rate of addiction. The U.S. State Department's narcotics bureau estimates the real figure is two to three times bigger. But local authorities appear unable — or perhaps unwilling — to confront the drug problem. "The army is mostly doing business these days, and the local police are just too corrupt," says a well-connected local source.

In a sign that Beijing may not trust local authorities, it has assigned the People's Armed Police to deal with the drug problem in Yunnan. Set up in the early 1980s, the PAP has been described as the new strike force of China's powerful internal-security apparatus.

In the force's most spectacular action,

thousands of heavily armed PAP men, supported by armour, moved in late 1992 against drug traffickers who had taken over the Yunnanese town of Pingyuan, near the Vietnamese border. When the town was recaptured after two months of heavy fighting, the police found that drug barons were living in luxury villas with dancing girls and karaoke bars. The haul after the operation: 854 people arrested, 981 kilograms of drugs

seized and 353 assorted weapons confiscated.

The PAP often doesn't even inform local officials before conducting its anti-drug sweeps. But while its tactics may be effective, analysts point out that riding roughshod over local authorities — many of whom belong to ethnic minorities — is liable to cause resentment. Nonetheless, with corruption rampant and organised crime increasingly powerful in the provinces, Beijing may have no choice but to use the centrally controlled force.

A Western Sinologist, though, warns against counting on the PAP to cure the plague of provincial crime. He points out that Public Security Minister Tao Siju — who's also the PAP's political commissar — made headlines in 1992 when he said some Hong Kong-based Triads are "patriotic" and "good people" who are welcome to do business in China. ■