

CHAPTER I

INTRODUCTION

1. Rationale

While it is generally understood that regional cooperation in Southeast Asia, especially within the upper Mekong subregion, has just recently been initiated in the latter half of the twentieth century, some scholars argue that regional trading has been occurring in Southeast Asia for hundreds of years. The local merchants from the upper Mekong region have a historical tendency to trade among one another. For example, the Yunanese traders work with traders in Chiang Mai and Chiang Rai Thailand via the Shan Shan states in Myanmar. These types of cooperations have thus been the historical norm for local people living in the Mekong subregion.¹

With the dramatic changes throughout the world in the twentieth century like colonialism and World War II, the relationship and communication among the upper Mekong subregion countries changed as well. Democratic and communist ruling systems served to separate countries within the subregion, with the different countries being very much aware of one another. Thailand and Laos provide a good example of these changing relationships. Prior to these twentieth-century changes, Thailand and Laos saw one another as “brothers” (*baan phi, muang nong*). With the ideological conflict as a result of the Lao communist and Thai democratic systems, the two formerly close countries became much more distant from one another, especially when Thailand became acutely anxious of the potential for a communist infiltration from Laos.²

Another example of these types of changing relations occurred between Thailand and China as well. With the Cultural Revolution and subsequent nationwide changes in policies throughout China, Thailand feared the expansion of this

¹ Jiranan Prasertkul, *Yunnan trade in the Nineteenth Century: Southwest China's- Cross boundaries Function System*, (Bangkok: Institute of Asian Studies, Chulalongkorn University, 1987).

² M.L. Bhansoon Ladavalaya and Siripong Ladavalaya na Ayuthaya, *Impact of Economic Quadrangle Programe on Thailand*, (The Thailand Research Fund , Chiang Mai University, 1997), p.3.

communist ideology throughout the Mekong region. As a result, Thailand severed relations with China and turned to Western countries.³

These separations continued until the collapse of the socialist system throughout the world in 1989, bringing an end to the Cold War. After this collapse, the global stage was set to shift from the former ideological separation to that of a more economic and trade focus. This new focus is often referred to as the “new world order.” As a result of this “new world order,” there was a global shift from cooperations based on ideology to those based on economic groupings. Countries in this “new world order” now found themselves connected regionally and globally via newly emerging organizations like the European Union (EU) in Europe, the North American Free Trade Agreement (NAFTA) in North America, and the Association of Southeast Asian Nations (ASEAN) in Asia.⁴

In examining the Mekong sub-regional grouping, the Economic Quadrangle Cooperation (EQC) has emerged as a significant organization. The EQC was initially established by the Thai Government under the administration of Prime Minister Chatchai Choonhawan in 1988 with the driving policy being that of “turn[ing] the battlefields into a marketplace.” This policy proposed to turn a region which had previously been engaged in a long term ideological and sometimes physical battles into an area which encourages market links by taking advantage of border areas in Myanma, Laos, China, and Thailand.

During the initial phase of cooperation, Myanmar was a member of EQC as it was strategically located between other member countries and it shared over 2,400 kilometers of border with Thailand, China, and Laos. Due to its strategic location, it has been proposed that Myanmar serve as an important land-link country and connection between Thailand and China. Thus, during the initial EQC meeting in 1993, it was proposed that Myanmar be responsible for developing two domestic transportation routes. One route is to connect Mae Sai (Thailand), Tachilek (Myanmar), Keng Tung (Myanmar), and Da Luo (China). The second route is to

³ Ibid., p.4.

⁴ Ibid., p.2.

improve transportation along the Mekong river, with Myanmar developing ports at Vanpong and Van Chiang to increase ease of transport for ships throughout the region.⁵

This key role played by Myanmar reflects importance in providing transport links within the sub-region, connecting Thailand and China. It can be suggested that both Thailand and China look forward to pursue communications and increase trade with one another, passing through Myanmar in the process.

According to Medhi, it appears that Thailand can expect to see an expansion in trade and investment into the enormous Chinese market while at the same acquiring the necessary production sources and input from China as well as Myanmar. Therefore, transportation links passing through Myanmar could serve as a vital first step in implementing Thai economic policy.⁶

At the same time, with regard to China, passing through Myanmar is considered a strategic southern gateway to the southwestern provinces of China (for example Yunnan, Guangxi, Sichuan) as these provinces are landlocked with limited and difficult access to the sea. Under previous condition, Chinese trade from this southwestern region would need to travel more than 3,000 kilometers just to access ports at Shanghai. To be able to overcome this obstacle, Chinese trade stands to benefit from increased volumes of its trade exports. With regard to Yunnan specifically, the distance from the Gulf of Mataban in Myanmar to the port at Laem Chabang in Thailand will save 1,000 kilometers off of the distance required to transport Chinese goods to its eastern coast.⁷

Based on current expectations, the construction of these transportations links is the highest priority for EQC members to work toward implementing. During the

⁵ Pornpimol Trichote, "Myanmar and Economic Quadrangle Cooperation," *Economic Quadrangle Cooperation: Reality and Effects*, Institute of Asian Studies, Chulalongkorn University, 1997.

⁶ Medhi Krongkaew, "The Greater Mekong Subregion: Real Promise or False Hope?." Paper presented at the ASEAN-ISIS SEARED Conference on "Building the Groundwork for a Strong Southeast Asian Economy." (Bangkok, 27-29 March 1997), p.3.

⁷ Northern Region Newscenter, *Manager Today*, 30 August 1993; p.3.

initial 1993 EQC meeting, policies regarding infrastructure and transportation plans ranked as the first priority. The proposed transportation routes in Myanmar have been the topic of many discussion with the route from Mae Sai (Thailand) to Tachilek (Myanmar) and passing Keng Tung to the border towns of Myanmar Mongla through to Da Luo (China) considered the most significant road to construct.

It was not until eleven years after this initial meeting that this transportation route was fully constructed by the Myanmar government on 1 July 2004.⁸ It is considered by many that the completion of this project represents the first time the sub-region has been linked via a formal roadway system. This road is seen to be concrete evidence of cooperation within the sub-region. Thailand sees this road as not only another mechanism to support its current trade with China, but also as an alternative to make China-Thai transportation in support of their free trade agreement much more feasible.

After one year of use, it has been reported from Thai Ministry of Commerce that transportation along the road is not safe. Trucks using this transportation route from Thailand to China via Myanmar often fall victim to thieves and bandits. Others are required to pay additional, illegal fees for passage.⁹ These types of incidents have led to serious concern and apprehensiveness on the part of Thai traders.

As a result, this particular problem of appropriate and safe use of this first sub-regional transportation link has become one of interest for the purposes of this project. While the road has the capacity for use and usefulness in promoting trade in the region, in the one year since its completion it remains to be use more than rarely. While this problem remains an important obstacle to cooperation, there has been little discussion or and research into its causes, effects, and possible solutions.¹⁰ Thus, this particular issue remains important to better examine the utilization of the road and associated problems regarding transport along the road. Moreover, it will also be

⁸ "Open 400 kilometers Chinese-Thai road (via Myanmar): the future of regional trade," *Manager Today*, 2 July 2004.

⁹ Documentation from Thai Ministry of Commerce official visit to Tachilek regarding "consultation to agree on how to use the road." 17-21 March 2005. (Unpublished manuscript.)

¹⁰ The researcher found only three studies related to the Tachilek – Keng Tung – Mongla road.

important to explain and analyze which conditions promote the use and refrain from the use of the roadway.

2. Thesis Question

What is the current situation of Tachilek – Keng Tung – Mongla road utilization and what are the main problems associated with using this road?

3. Objective

- To study the conditions of Tachilek – Keng Tung – Mongla road .
- To study the utilization of Tachilek – Keng Tung – Mongla road and to analyse the factors that affect the usability and unusability of the road.

4. Hypothesis

The researcher proposes that the Tachilek – Keng Tung – Mongla road is the main in Economic Quadrangle Cooperation.

5. Scope of study

Geographic Scope

This study is geographically limited to the 249 kilometer long Tachilek – Keng Tung – Mongla road. This roadway passes the Thai border at Mae Sai and enters into China at Da Luo.

Content Scope

The content of this study falls into two parts as outlined below:

Part I: Study the road's general condition and capacity while also examining international trade among Thailand, Myanmar, and China as related to the Tachilek – Keng Tung – Mongla road.

Part II: Study the factors that affect the usability and unusability of the road.

Time Scope:

The documentary research of the road's utilization began in July 2004 until the present day. But, on the other hand the data collection aspect of the project took place between March and July 2005.

6. Methodology

This study will primarily use the qualitative approach.

Part I: In studying the road's general condition and capacity while also examine international trade among Thailand, Myanmar, and China as related to the Tachilek – Keng Tung – Mongla road. The following is an outline of the methodology to be used:

1. *Documentary research:* Analyse the various documents and research available from sources including (but not limited to) Thai Ministry of Commerce, Thai Transportation Institute, the Chiang Rai Chamber of Commerce, the traders themselves, and the like.

2. *In-depth interview:* A structured interview will be used. Interviewees will come from organizations related to the issue including officials and policy-makers from the Thai Ministry of Commerce, the Transportation Institute, the Chiang Rai Chamber of Commerce, and Mae Sai customs officers, villagers.

In addition, the perspective of passengers and traders will be included. This study will also apply the “Purposive Sampling” methodology as a key approach, with these types of interviews focusing on the major traders who use the road.

3. *Field survey:* To survey Tachilek – Keng Tung – Mongla road and observe the Mae Sai – Tachilek border area.

Part II: To study the factors that affect the usability and un-usability of the road.

1. *Documentary research:* Examine both government reports and analytical journals.

2. *In-depth interview:* To interview individuals with the various organizations (particularly those who fall under the scope outlined in Part I).

7. Significance and usefulness of research

1. To better understand the factors which affect the utility along the Tachilek – Keng Tung – Mongla transportation route.
2. To provide information beneficial for EQC and/or Thai organizations to better enable them to adjust their strategies, policies and approaches to Myanmar.

8. Framework and Literature Review

8.1. Regional Triangles in Southeast Asia

The region defined as Southeast Asia is comprised of ten countries stretching from the borders of India and Bangladesh to the borders of Southern China. Myanmar, Thailand, Laos, Cambodia and Vietnam are commonly described as the states of mainland Southeast Asia; Brunei; Malaysia, Singapore, and Indonesia straddle the islands to the South¹¹ Southeast Asia is a heterogeneous entity. Historians and anthropologists have discerned underlying similarities among this diversity to be found in a common animistic underlay to Buddhist, Islamic and Christian religions, traditional occupations based largely on the rice farming and fishing, rice-based diets, housing (using stilts), and social relations. But these similarities pale in contrast to the region's diversities.¹²

However, as with countries from other parts of the globe, the countries of Southeast Asia have undergone radical and remarkable changes in the decades since the end of the Pacific War in 1945. As their governments and people confront an uncertain future in the twenty-first century, the nature of impending political change is very much an issue driven as it will be by underlying economic and social changes. Very much certain is the likely nature of that change. Democracy in a western sense becomes the new political reference point in place of the general authoritarianism justified in the name of social order and economic development.¹³ However, though this has been the trend throughout the world, Southeast Asia's current political

¹¹ Michael R.J. Vatikiotis, "Prologue," *Political change in Southeast Asia: Trimming the Banyan Tree*, (London: Routledge, 1996), pp. 11-2.

¹² John Funston, *Government and Politics in Southeast Asia: Conclusion*, (London: Zed books, 2001), p. 411.

¹³ Vatikiotis, "Editor's Preface," *Political change in Southeast Asia: Trimming the Banyan Tree*, Editor's Preface.

systems, in many respects, are relatively diverse and cannot be defined as wholly democratic in their orientation and practice.

In the economic arena, sustained economic growth is breeding self-confidence and a desire to become less dependent on the West for capital and technology. Thus, while the volume of exports to major western markets remains important, the volume of intraregional trade is also increasing.¹⁴

In the face of globalization and regionalization, the formation of trade blocs in America, Europe, Asia and Australia have made trade protectionism and economic co-operation in Southeast Asia more and more important.

Regionalism is a rather new concept for Southeast Asian countries; a sub-regional economic zone (SREZ) comes into being when (at least) two geographically proximate, economically disparate regions, separated by their common national boundary(ies), become economically linked by intense cross-border investments and other economic activities.¹⁵

Along with economic co-operation, the concept of economic geometry is taking place in Asia as well. This concept refers to the exploitation of complementarities among participating, geographically contiguous countries to help them gain a greater competitive edge in export promotion. Such arrangements can be found in the following groupings:

- The Southern Growth Triangle or Sijori which includes Singapore, Johor of Malaysia, Batam of Riau Island (Indonesia);
- The Northern Growth Triangle comprising Southern China, Hongkong, and the Taipei Triangle;
- A growth area of four nations including Brunei, Indonesia, Malaysia and the Philippines; and,
- The Economic Quadrangle Cooperation (EQC) in mainland Southeast Asia which consists of Yunnan (southern China), Laos, Thailand, and Myanmar.

¹⁴ Ibid., Vatikiotis, p. 17.

¹⁵ Toh Mun Heng and Linda Low, *Regional Cooperation and Growth Triangles ASEAN*, (Singapore: Times Academic Press, 1993), p.11.

8.2. Economic Quadrangle Cooperation (EQC)

The aim in forming the EQC was to formalize and develop existing cross-border trade, tourism and transport links among member countries. The idea was mooted by Thailand in 1992 to replace the notorious Golden Triangle. These countries share borders and many important natural resources and, hence, the quadrangle concept is logical and workable because it is a natural trading market. The geographical proximity of the four countries to one another and the existence of old trade routes make this arrangement an easy success story. Moreover, recent political and economic development in the region has given an impetus for such economic cooperation in trade, investment, tourism, transportation, communications, energy, and water resources.¹⁶ In a way, the factors affecting the development of border trade in this part of the region are political, social and economic in nature. Historical, geographical, ethnological and cultural proximities among these nations have played a very important role in strengthening the trade ties among them. The geographical proximities, ethnic and cultural affinities, and historical intercourse among these countries are unavoidable. The history of relations among the four neighbors, including trade and wars, go back to the early history of all the participating countries.¹⁷ The history of these nations suggests that they were very close, and the EQC area served as battlefield as well as a marketplace among the neighboring states depending on whether they were at war or peace. There were never marked borderlines until colonial powers came into the area to occupy and exploit. However, lines on a map and administrative centralization are not necessarily restricting to human activities, particularly for those whose conceptual world has not been adapted to the prescriptive values of modern nation-states.¹⁸ The geographical proximity and communication factor play a very significant role in the development of economic relations between these neighboring countries.¹⁹ Indeed, the participating countries of this region are trading on a mutually beneficial and complementary basis. Moreover, Yunnan and Laos need Myanmar and Thailand to gain access to the Indian Ocean or the South China Sea for its economic benefits and also probably, for

¹⁶ Mya Than, *The Growth Quadrangle of Mainland Southeast Asia*, (Singapore: ISEAS, 1996), p.205.

¹⁷ *Ibid.*, p. 207.

¹⁸ *Ibid.*, p. 213.

¹⁹ *Ibid.*, p. 215.

security reasons. Thus, all four neighboring countries have agreed to cooperate in the EQC.

8.2.1. Initial purposes of cooperation

8.2.1.1. Thai policy

Thailand's participation in the EQC has been further encouraged by Thai foreign policy in the post-Cold War period. The Thai government, under the administration of Prime Minister Chatichai Choonhawan, started to view Indochina as a potential economic zone instead of a security threat. With the popular slogan, "turn the battlefields into a market place," this new Indochina policy started in 1989. The vision of "suwannaphum," or a golden peninsula, founded upon the expectation that the vast resources and potential of the neighbouring states of Indochina and Myanmar could bolster Thailand's economic power, began to be promoted once more.²⁰

Moreover, the emphasis of the Thai Seventh Development Plan (1992-1996) for border towns shifted back decentralisation, and toward a regional cluster – network model of regional development. The border towns were identified as new economic bases linking regional cities to stimulate decentralisation in peripheral areas.²¹ Thus, Thailand cooperation in the EQC with Chiang Rai and Chiang Mai in the north serving as major towns is considered a part of the economic corridor development plan creating a new long term economic base for Thailand.²²

8.2.1.2. Chinese "policy"

China's economic strategy toward the Mekong Subregion was formulated formally in 1984 when China allowed the 27 border districts of Yunnan province to serve as trading points with its neighbours; this was before the EQC was established. This economic strategy was the result of Chinese economic reform: and an open door policy started in 1978 under the leadership of Deng Xiaoping. This was the beginning of China's policy of building economic ties with mainland Southeast Asia.²³

²⁰ Masviriyakul, p.308.

²¹ Chuthatip Maneepong. "Comparative Developments in Thailand: Two cases studies." Paper presented to the 41st Annual ACSP Conference. Chicago, 21 – 24 October 1999; p. 3.

²² Masviriyakul, Sino-Thai Strategic Economic Development in the Greater Mekong Subregion, pp. 309-10.

²³ Ibid., p. 305.

At a meeting of southwestern Chinese province officials and academicians in Chengtu in the mid- 1990s, participants noted that it was impossible for those provinces to compete internationally with the eastern provinces, where foreign investment was extensive and shipping costs low.²⁴ 85% of China's external trade is transported by sea.

Generally, Chinese trade from this southwestern region would need to travel more than 3,000 kilometers just to access ports at Shanghai. In being able to overcome this obstacle, Chinese trade stands to benefit from increased volumes of its trade exports. With regard to Yunnan specifically, the distance from the Gulf of Mataban in Myanmar to the port at Laem Chabang in Thailand will save 1,000 kilometers off of the distance required to transport Chinese goods to its eastern coast. Transportation in this route, China can export cheap consumer goods to mainland Southeast Asia, Australia, and other developing countries farther afield, and it would reduce transport time for some of China's trade rather than going to the eastern coast.²⁵ Then the huge markets beyond Yunnan's borders are a genuine motivating force for opening its border region ports to foreign-direct trade.²⁶

This is the reason why China has played a key role in motivating the Quadrangle's activities in areas such as infrastructure, and especially transportation.

8.2.1.3. Laos policy

The incorporation of Laos into the Economic Quadrangle has been facilitated by a series of policy initiatives that have encouraged a more open and market-oriented economy. The crucial policy has referred to as the "New Economic Vision policy in 1986". Laos shifted from a centrally planned to a market-oriented economy and saw the opportunity for development through these cooperative projects.

²⁴ David I Steinberg, "Foreign Affairs," in *Burma: The state of Myanmar*(Georgetown University press, 2001), p. 226-227.

²⁵ Malik, Mohan J., "Myanmar's Role in Regional Security: Pawn or Pivot?"(Contemporary Southeast Asia, Volume 19,1997), P: 57.

²⁶ Merrick Lex Berman, "Opening the Lanchang (Mekong) River in Yunnan: Problems and Prospects for Xishuangbanna," (Master of Arts, University of Massachusetts Amherst, 1998), p. 21.

However, Laos still lacks the budget to invest in building industrial factories and developing infrastructure. Thus cooperating in EQC, which has plans to construct road links, provides incentives and opportunities for Laos to develop its country.

Therefore, within the initial plan of cooperation, the key road transport project linking Thailand and Yunnan Province via Laos has been planned.²⁷ Thailand and China will help Laos develop Route R3. Assuming all goes according to plan, the strategic economic road linking Thailand and China via Laos will be implemented by 2007 at the latest.²⁸ This road has been expected to play a crucial transportation route connected China and Thailand.

However, in Laos' perspective, it is still doubtful if Laos will get any benefits out of this road construction except from the internal infrastructure development since it is not the major player in exporting and importing. The major consumers and traders are the Thai and Chinese.

8.2.1.4. Myanmar policy

Since independence in 1948, sole preoccupation of the Myanmar armed forces, the *Tatmandaw*, has been the maintenance of the country's territorial integrity against its periphery with multiple insurgencies and separatist movements. The isolationist policies pursued by the previous Ne Win regime helped to perpetuate Myanmar's status as a buffer state between India and China. The situation of isolationist policy changed in 1990 when the military's State Law and Order Restriction Council (SLORC) presided over an election in which the opposition National League of Democracy (NLD) won by a landslide; the NLD was not, however, allowed to take control. SLORC faced increasing international isolation and pressure following the suppression in 1988 of the democratic movement, and the SLORC position became even more critical. There were major concerns about maintaining political power, further domestic unrest, continuing ethnic insurgencies, and a xenophobic fear to

²⁷ Siriluk Masviriyakul, Sino-Thai Strategic Economic Development in the Greater Mekong Subregion (1992-2003)(Contemporary Southeast Asia 26, 2004), p.311.

²⁸ Siriluk Masviriyakul, Sino-Thai Strategic Economic Development in the Greater Mekong Subregion (1992-2003)(Contemporary Southeast Asia 26, 2004), p.316.

Operation Desert Storm.²⁹ The SLORC urgently needed foreign exchange, capital equipment, and technical expertise to prevent the collapse of its ailing economy, and it needed assistance in defeating ethnic insurgencies.³⁰

At this point Myanmar's economic problems and international isolation led it to turn to improve its relationship with its neighbours. In 1988 Myanmar formalized border trade and implemented an 'open-door policy' in trading with neighbouring countries.³¹ Moreover in 1992, Economic Quadrangle Cooperation was established with the aim to formalize and develop existing cross-border trade, tourism and transport in this area. This cooperation has helped Myanmar to access and develop the Shan area. Myanmar agreed to cooperate in the Economic Quadrangle eventually.

Since the purpose of this research project is to examine Myanmar's involvement in the Economic Quadrangle Cooperation, Myanmar will be the main focus for this study.

Myanmar and its neighbours (Thailand and China)

According to official statistics, Myanmar's trade with Thailand during the 1960s and 1970s accounted for about one per cent or less of Myanmar's total trade with the world. It is important to note that during these periods, smuggling between Thailand and Myanmar was growing rapidly. Since the formalization of border trade with Thailand in 1989, the share of Thailand's trade with Myanmar rose to about 10 – 15%. Like trade with China, Myanmar-Thai trade relations also depend on political relations between the two, with particular attention paid to the security situation at the border points.³² As Thai-Myanmar border trade increases, two overland routes began to be used more frequently. These routes are the Keng Tung – Tachilek – Mae Sai – Chiang Mai route and the route through the Thai border town of Mae Sod in Tak province, Thailand. The sea route connects Kawthoung in Myanmar and Ranong in

²⁹ In 1992, Lo Hing Ya (the Muslim groups from Aragan state in Myanmar) migrated to Bangladesh due to the pressure from Myanmar government. This issue caused the Muslim group angry to Myanmar government. Thus, it was the rumor that the Muslim will use Operation Desert Storm to Myanmar.

³⁰ Mohan J. Malik, "Myanmar's Role in Regional Security: Pawn or Pivot?," *Contemporary Southeast Asia*, (Vol. 19, 1997), p. 54.

³¹ Than, *The Growth Quadrangle of Mainland Southeast Asia*, p. 221.

³² *Ibid.*, p. 221.

southern Thailand. The route is used primarily by fishing boats. Other roads are seldom used today because of political and security-related situations.³³

On other hand, according to an official Burmese report in the late 1980s, Sino-Myanmar border trade alone was estimated to be US\$300 million.³⁴ However, Takamura and Mori (1984) estimate the Sino-Myanmar border trade (smuggling into Burma) to have been US\$150 million in 1983, which could have easily increased to US\$300 million by 1988. Thus, two-way trade could have been more than US\$600 million. According to the *Far Eastern Economic Review* (25 August 1988), a Chinese news report in 1986 put the total value of (informal) cross-border trade at US\$70 million, but estimates in Washington put the illegal Sino-Myanmar trade at as high as US\$1.5 billion a year. According to unofficial sources in 1996, most of this trade was from businessmen involved in two-way trade between Myanmar and Yunnan at it was estimated that the volume was around US\$800 million, which is about three-quarter of the size of the official total trade.³⁵ These activities are traded along seven Myanmar border trade outposts along the Sino-Myanmar border—five in northern Shan state (Muse, Lashio, Kyukok, Namkham and Kwanlong) and two in Kachin state (Myitkyina and Bhamo). The busiest outposts among them are Muse, Lashio and Kyukok. In Yunnan, the largest outposts are in Ruili and Wanding. Along the Thai-Myanmar border there are six border trade outposts—Keng Tung and Tachilek in southern Shan state, and Kawthoung in Tenessarim division.³⁶

Apart from the trade at the Sino-Myanmar and Thai-Myanmar border, there exists tourism, which is slowly increasing. About 100,000 tourists from China and Thailand came across the border in 1993. This number is much bigger than the formal tourists (about 20,000) who visit Myanmar via Yangon. More tourists from Thailand are expected to cross Myanmar to visit Yunnan over land. According to Myanmar sources, from December 1992 to December 1993, there were 4,759 tourists from Thailand to Keng Tung alone and they spent US\$84,760 during their four-day visit. The Myanmar customs office charges an entry fee of two Baht and exit fees of five Baht. The monthly income from these entry and exit fees averages about 500, 000

³³ *Ibid.*, p. 223.

³⁴ *The Working People's Daily*. 2 December 1988.

³⁵ Than, *The Growth Quadrangle of Mainland Southeast Asia*, p.226.

³⁶ *Ibid.*, pp.223-4.

Baht (200,000 Baht for entry fees and 300,000 Baht for exit fees) in Tachilek alone. This means that at least 1,000 people are moving into and out of the border every day. There are no statistics on Myanmar tourists to Yunnan, but hotels and shops with Myanmar names in Yunnan towns near the border indicate that many Myanmar businessmen are visiting Yunnan. This is also likely due to visa regulations from both sides of the border, which were relaxed recently. Myanmar businessmen are also crossing the Thai border every day, mostly at Mae Sai and Ranong, although there are no statistics available.³⁷

Nonetheless, the volume of cross-border trade between Myanmar and its neighbors is estimated to be half of Myanmar's total trade with the world, or about US\$500-900 million annually. There is no reliable data for cross-border trade between Laos and Yunnan.³⁸

It is clear that future prospects for trade, investment and tourism in this sub-region are very bright. Findings show that border trade is growing and all countries involved in the subregion are developing the infrastructure by renovating older roads. International agencies are also interested in developing the infrastructure in this region. The Asian Development Bank (ADB) initiated an ambitious plan for the formation of a Golden Quadrangle of transport and trade links comprising Thailand, Myanmar, Laos, and Yunnan.

However, in improving border towns in Laos and Myanmar, this Golden Quadrangle arrangement poses a danger of border areas developing closer links to Kunming of China and Chiang Rai of Thailand than distant Vientiane or Yangon. Moreover, flow of goods at the border seems, against the claim of mutual benefits, to favour China and Thailand by siphoning out precious raw materials for a flood of consumer goods. Another negative impact of this border trade has been the environmental degradation. Many trees are felled in the area, and China is planning a US\$30 million project to blast away the Mekong river rapids near the Yunnan-Laos-Myanmar border which will likely have adverse affect for the Mekong states of

³⁷ Ibid., pp.230-1.

³⁸ Ibid., pp. 232-3.

Myanmar, Thailand, Laos, Vietnam and Cambodia. For the time being, it appears that the positive impacts outweigh the negative ones.³⁹

8.2.2. EQC's projects in Myanmar

In so far as addressing objectives of Economic Cooperation, it has been assumed that the most important prerequisite for successful development is the infrastructure for trade, especially, air, land and sea transportation, and telecommunication facilities. Therefore, since the first EQC meeting in 1993, Myanmar had been expected to take responsibility in developing two transportation routes in its country. The first route is the roadway connecting Mae Sai, Thailand to Tachilek, Myanmar to Keng Tung, Myanmar and on to Da Luo, China. The second route is the maritime transportation along the Mekong River. Myanmar is also expected to develop its ports at Vanpong and Van Chiang to make ship transport more convenient.⁴⁰

The road project in Myanmar is significant because the old road needed to facilitate the flow of goods among participating countries. But the present condition of the road was too narrow for trucks. All the participating countries are trying to improve roads in the region; Yunnan is renovating roads leading to Keng Tung in Myanmar; the road connecting Tachilek and Keng Tung is being renovated with the help of a Thai construction company.

In September 1993 in Manila, the four countries from the Golden Quadrangle agreed at a meeting with the Asian Development Bank (ADB) to conduct feasibility studies on developing a circular road linking Chiang Mai in northern Thailand, Jinghong in Yunnan, the cities of Tachilek and Keng Tung in eastern Myanmar, and the Laotian cities of Luang Namtha in the north and Botan and Huey Sai in the east. The first section of this highway will to a greater degree connect Chiang Rai in Thailand with the Shan-Myanmar cities of Tachilek and Keng Tung. Actually, this project is to repair the existing road has been in place for more than a century. The process of repairing and improving this road was a huge burden and duty for

³⁹ Than, *The Growth Quadrangle*, p.235.

⁴⁰ Pompimol Trichote, "Myanmar and Economic Quadrangle Cooperation." *Economic Quadrangle Cooperation: Reality and Effects*.

Myanmar. The total Myanmar budget for its Ministry of Transport⁴¹ in 1996 – 1997 was just 3581.674 million Kyats,⁴² (US\$3.17 million). This was for the entire country. According to this amount of money, Myanmar absolutely could not proceed with the project on its own; it needed help from member countries. This and other road transport projects have thus been strongly supported by the Chinese and Thai governments. China actually helped Myanmar construct the road in the Myanmar section from Daluo to Keng Tung.⁴³ Thailand plans to lend Myanmar 300 million Baht (US\$12 million) at a three percent interest rate for 10 years, with a 5-year grace period to facilitate the project. However, it was reported that Myanmar did not use the loan for this road. Sook Aue Anan, a private Thai company, won the concession to improve the road, but Myanmar eventually employed soldiers to do the actual construction due to the fighting between the Myanmar government and minority groups in the area.⁴⁴

Supalak Ganjanakhundee, a reporter for *The Nation*, said that “Thailand did not give a loan to Myanmar, thus the private company could not continue their work. So the construction needed to be stopped.”

However Myanmar wanted this road construction to continue. It turned the project over to a local, private Myanmar company, The Hong Pang Company, to continue the road construction, since Myanmar does not have the budget to build the road. Hong Pang and Special Region 4 became unofficially significant players in the Economic Quadrangle economic cooperation. These two groups are important for Myanmar politically and economically.

8.2.3 Myanmar and Economic Quadrangle in Shan State

The Golden Triangle envisages a major area in the border areas of Myanmar, China, Laos, and Thailand and the creation of road and rail links that would change the traditional patterns of commerce and control in the region has long been associated with lawlessness and incomplete control by Myanmar.

⁴¹ Myanmar Ministry of Transport website

⁴² 1 US\$ = 1,130 Kyatts on the black market. Most materials for the project were purchased using black market rates.

⁴³ Masviriyakul, *Sino-Thai Strategic Economic Development in the Greater Mekong Subregion*, p.311

⁴⁴ *Ibid.*, p.308.

From the colonial period to the present day, competing forces have fought among themselves in Myanmar, making deals and turning on one another as they struggle to establish a lasting foothold in this rugged region. Since 1948, Shan State fell under the control of the Myanmar government which was trying to unify Shan state into the country. However, in order to implement this incorporation, the new government had to face a variety of armed opposition groups. Moreover under the principle of bringing the country to the “Burmese Way of Socialism,” many ethnic minority groups took up arms in opposition to this and pressed the Myanmar government with their demands for more autonomy and equal rights in the Union of Myanmar.⁴⁵ Even today, the unity of the state is still unstable, thus in order to put forward this operation, the Myanmar government will still have to deal with the ethnic armed groups in this area.

In Myanmar’s perception, the security of the state, regime, and the military is of primary importance. A threat to any one institute is seen as a threat to all. When speaking of security, it means unity of the military and its primary role in domestic politics; domestic order and stability; national unity; and the territorial integrity of the state.⁴⁶

Thus, the insurgent ethnic groups are considered as posing security threat to Myanmar. The military believes that the ethnic armed groups in Shan State are considered as a security threat to Myanmar.

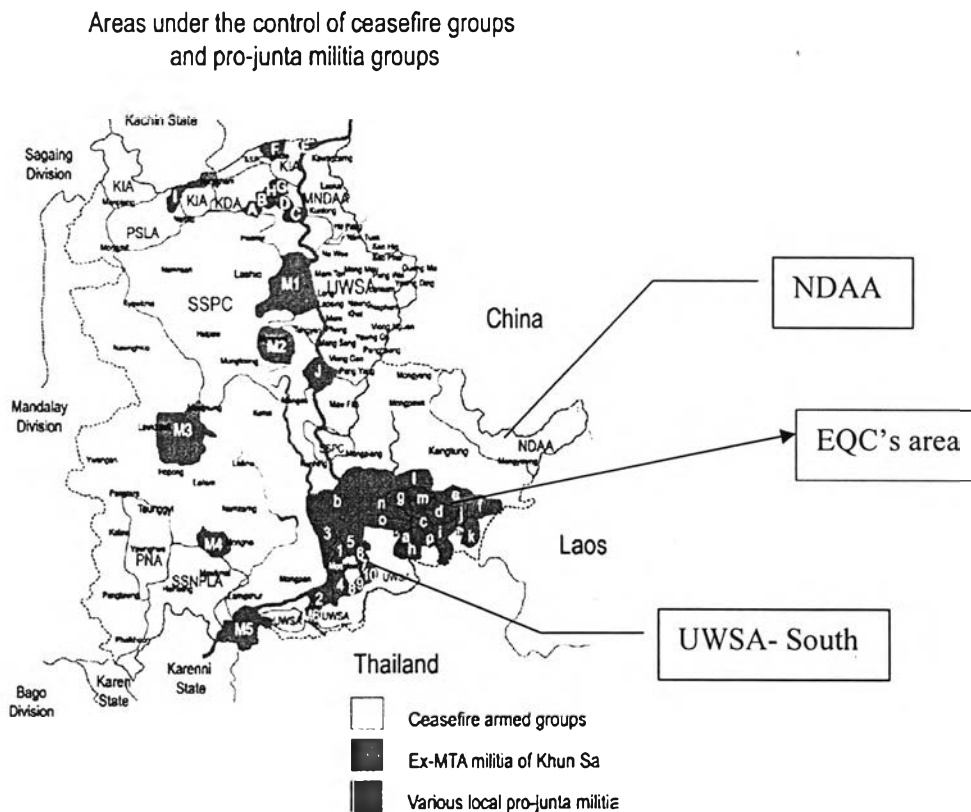
Thus, due to the military’s policy towards the Shan State, the area of Myanmar which falls under the EQC has many ceasefire-groups and is politically and socially unstable. These groups are in competition with the military regime for the direct benefits from these ambitious plans. Since the ethnic armed groups contribute to the road construction, they have the right to share the benefit. The conflict between the two groups may heighten even further if the benefit sharing is not agreed on. The

⁴⁵ Tom Kramer, “Ethnic conflict and dilemmas for international engagement,” in *Trouble in the triangle: Opium and conflict in Burma*, eds. Martin Jelsma and Tom Kramer (Chiang Mai: Silkworm, 2005), pp. 34-5.

⁴⁶ David I Steinberg, “Conclusion,” in *Burma: The state of Myanmar* (Georgetown University press, 2001), p. 192.

future of this cooperation thus depends on how well the Myanmar government can negotiate a deal with ethnic armed groups.

Map 1: Areas under the control of ceasefire groups in EQC



Source: <http://www.shanland.org>

In EQC's area, there are 2 major ceasefire groups which are the United Wa State Army- South (UWSA-south) in the left part of golden triangle point, and The National Democratic Alliance Army, Eastern Shan State (NDAA) in the northern part of golden triangle point.⁴⁷

These two groups have their own armies and areas of control. Moreover UWSA is considered to be the strongest ceasefire group with its own army. Thus,

⁴⁷ The ceasefire groups mean the groups that signed ceasefire agreement with SLORC. In this case, UWSA, and NDAA which were the former Communist Party of Burma signed ceasefire agreement with the central government on 17 April 1989. In exchange for promises not to attack government forces and to sever ties with other rebel groups, the CPB mutineers were granted unofficial permission to engage in any kind of business to sustain themselves and has its own armies and area.

opening this area and strengthening its economic wealth is not a good decision for Myanmar.

Therefore, it was not surprising that Myanmar was reluctant to cooperate in Economic Quadrangle Cooperation in the initial phase, as it realized that to open this area meant Myanmar needs to address security concerns of its country and partner countries. It needs to be ready for foreigners to visit. While, in fact, Myanmar is unable to fully control the area, and the area is not yet ready for any significant movements to occur. Moreover, the more open it is, the easier for those insurgencies to expand their power, both economically and militarily with the outside world. Thus, this might be one reason why Myanmar has been reluctant to cooperate fully with the project from the beginning. The military has no intention of granting minority groups any significant degree of power at the national level.⁴⁸

However, the EQC in Shan State still has many benefits for Myanmar. As the government attempts to expand the road network, which is essential to move these areas out of subsistence livelihoods and into regional markets, it increases its grip by providing easy access. As Myanmar tried to establish its power in Shan States since 1989 (before Rangoon sign cease-fire agreement with the rebellions), there is a need to create an infrastructure that will enhance the need for the government to succeed in controlling minority groups in the area for security purposes. This should be the reason why Myanmar allows the minority groups to construct this road (even though it will increase the minorities' power).

Moreover, it is the reason why Myanmar should cooperate in Economic Quadrangle Cooperation. David Steinberg was referring to the Myanmar strategy when he said that "the military views economic progress, reform, or liberalization as secondary to the maintenance of political control, or indeed as a means to such control."⁴⁹ Involvement in the EQC is also a mechanism for the government to maintain political control in the area as well.

⁴⁸ David I Steinberg. "Burma/ Myanmar and the dilemmas of U.S. Foreign Policy," in *Contemporary Southeast Asia* (Vol. 21, 1999), p. 294.

⁴⁹ *Ibid.*, p. 293.

However, since China is also considered as a powerful partner in QEC, and as it is realized that these groups are assumed to be China's satellite power. Thus, the more open this area is considered as the more Myanmar allows China's power to influence over its area. Thus, China on one hand is considered as a security threat to Myanmar's sovereignty

China has a reputation for using threats and bluff to force other states to accede to its will. With the weight of cash and population on the Chinese side, it is likely that first capital transfer and then population transfers will keep Myanmar highly dependent on its northern neighbour. By choice or by necessity, Sino-Myanmar trade relations are going to follow a pattern of Chinese domination.⁵⁰

This has shaken Myanmar's fear of China's extension. The fear of Chinese expansion has been an obvious concern in the 1950s that Chinese map had included northern Burma in Chinese territory. It is said that Ne Win's pronatalist policy on families was based on fear of Chinese population expansion into an underpopulated Burma.⁵¹ It now appears that the Burmese are slowing down the close association because the military may fear Chinese economic domination, southern migration, and the potential of interenal Burmese backlash first against the Chinese and then against the military who brought about a condition of virtual Chinese hegemony.⁵²

The fear of the Chinese threat has become another crucial motivation for Quadrangle cooperation. Myanmar on the one hand needs to rely on trade with China. On the other hand it fears the expansion of power of its ally. Moreover, the opening of the Shan State may serve to strengthen these insurgencies and increase their economic power and connections with the outside world. This project seeks to examine the challenges that Myanmar will need to deal with as part of its involvement in the EQC or not, especially if this cooperation will affect its internal and external security.

⁵⁰ Malik, Mohan J., "Myanmar's Role in Regional Security: Pawn or Pivot?" (Contemporary Southeast Asia, Volume 19, 1997), P: 68-69.

⁵¹ David I Steinberg, "Foreign Affairs," in Burma: The state of Myanmar, p. 192.

⁵² Ibid., p. 234.

Thus, to examine the relationship between the EQC and Myanmar, its perspectives towards it need to be understood. In this study the researcher will examine Myanmar's position by considering the actual situations and the factors that affect its attitude. Its use of the Tachilek – Keng Tung – Mongla road has been chosen as a case study as it is concrete evidence of cooperation.