

Keeping a Comfortable Distance: Myanmar's Reforms, the American "Pivot to Asia" and Implications for Southeast Asia

Jonathan T. Chow

Since the middle of 2011, the nominally civilian government of President Thein Sein in Myanmar/Burma¹ has surprised observers by embarking on a series of domestic political reforms. Thus far, Thein Sein has released Nobel Peace Prize winner and opposition leader Aung San Suu Kyi from house arrest, allowed her and her party – the National League of Democracy (NLD) – to stand for parliamentary by-elections in April 2012, ordered a halt to military operations against ethnic minorities in the world's longest-running civil war, negotiated a ceasefire with the minority Karen National Union, suspended the construction of a controversial Chinese-built hydroelectric dam on the Ayeyarwady River, enacted legislation allowing peaceful demonstrations and the organization of labor unions, and released hundreds of political prisoners, including many prominent leaders from the 1988 student demonstrations and the "Saffron Revolution" of 2007.

But beyond the breathtaking domestic developments, Myanmar's reforms also point to an evolution in the regional configuration of power. The decision by the United States in January 2012 to reestablish diplomatic relations with Myanmar at the ambassadorial level coincides with the Obama administration's new strategy of "pivoting" toward the Asia-Pacific and concentrating its diplomatic, economic and military energy on the region. This more assertive stance has been evident in the United States' championing of the Trans-Pacific Partnership, a multilateral free trade

agreement that will include American allies and defense partners such as Australia, New Zealand, Singapore, and Japan, and which has been interpreted in some circles as an effort to offset China's economic influence. It has also been evident in the United States' agreement with Australia to station a rotating contingent of 2,500 marines in Darwin, its deepening rapprochement with Vietnam and, most recently, discussions between Washington and Manila over significantly increasing the number of American troops stationed in the Philippines.

It is against this backdrop that this issue brief considers Myanmar's political reforms and the role that the country may play in the unfolding regional strategic drama. I discuss Myanmar's close but complicated relationship with China and show how it appears to be pursuing a policy of greater equidistance between China and the United States. This will be challenging given the great extent to which Myanmar and China's fates are intertwined. I also discuss how Myanmar's reforms will potentially enhance its reputation in ASEAN, especially as it prepares to assume ASEAN's rotating chair in 2014. At the same time, as the United States begins to raise its profile in the Asia-Pacific, it and China must work assiduously to avoid confrontation. While Myanmar and other Southeast Asian states may welcome an increased American military and diplomatic presence in the region, none of them want this to come at the expense of good relations with China. Thus, while Washington should certainly pursue better relations with Southeast Asian states, it would also be prudent for it to keep a certain diplomatic distance so as to maintain flexibility over whether it would intervene in the event of conflict between China and the Southeast Asian states.

Wary Partners: Myanmar and China

The relationship between Myanmar and the People's Republic of China is a long and complicated one. Under Mao Zedong, China provided material support to the Communist Party of Burma (CPB), which fought against the government of Ne Win during the Cold War. Mao's successor, Deng Xiaoping, ended China's support for the CPB, established trade relations with what was then Burma, and began a close economic and military relationship that grew stronger after the 1988 coup that deposed Ne Win and established a military junta known as the State Law and Order Restoration Council (SLORC; later renamed the State Peace and Development

Council or SPDC in 1997).

China has since grown to become Myanmar's closest military ally, largest foreign investor and most important trading partner. According to the semi-official *Myanmar Times*, investment from mainland China and Hong Kong constituted \$14.07 billion of the nearly \$20 billion in new investment approved between April 1, 2010 and March 31, 2011. Trade with China and Hong Kong totaled \$5.28 billion, making them Myanmar's largest trade partner, followed by Thailand with \$3.61 billion.² China has also been instrumental in building power and transportation infrastructure. All of this has helped to soften the impact of the various economic sanctions imposed on Myanmar.

Economically, Myanmar is a major strategic asset for China. It harbors abundant natural resources, including offshore natural gas reserves, copper, lead, tin, tungsten, timber, jade, gemstones and hydroelectric power resources. It is also a vital link between China and Southeast Asian markets and a means to stimulate economic development in the Chinese interior, which significantly lags behind the wealthy coastal regions. In particular, border towns in China's Yunnan Province have become conduits for the booming cross-border trade (both licit and illicit). Likewise, large Chinese populations live in frontier towns on the Burmese side of the border, playing a significant role in driving Myanmar's economy.³

Myanmar also offers China a crucial strategic corridor for transporting oil from the Middle East, as well as natural gas from Myanmar's offshore fields. Realizing China's strategic vulnerability to any potential naval blockade of the narrow Strait of Malacca, which is the primary route between the Indian Ocean and Chinese ports, China and Myanmar are jointly building a dual pipeline to carry crude oil and natural gas as well as a high-speed railway from the deep-water port of Kyaukpyu on the Bay of Bengal to Yunnan Province. Once completed, the pipelines will have an annual capacity of 22 million tons of crude oil and 12 billion cubic meters of natural gas, or roughly 4.8% of China's estimated crude consumption and 11.3% of its natural gas consumption in 2010.⁴ The railroad, which is planned to be built over five years and estimated to cost \$20 billion – all of which will be paid for by China under a 50-year build-use-transfer arrangement – will also afford Chinese goods easy access to the Indian Ocean.⁵ Further south at Dawei, on the narrow strip of

territory between the Indian Ocean and the Thai border, Thailand's largest construction firm – the Italian-Thai Development Company – is building another deep-water port that will be linked via pipelines and railways to Thailand and other destinations in mainland Asia.

China is also Myanmar's largest arms supplier and maintains a close relationship with the Burmese military. Between 1990 and 2005, China sold Myanmar roughly \$2.5 billion in major conventional weapons platforms (excluding infantry equipment, repair services, trucks, components, small arms and light weapons). These have included tanks, Cold War-vintage fighter and ground-attack aircraft, naval vessels, anti-ship missiles, and armored personnel carriers.⁶ While there have been persistent reports of China building or operating naval bases or signals intelligence posts on Burmese territory in places like Great Coco Island in the eastern Indian Ocean or Haingyi Island in the Ayeyarwady River Delta, such reports have not been backed with hard evidence.⁷

Despite the close “fraternal” relations between China and Myanmar, there are significant complications. One such complication is the large numbers of ethnic Chinese living in Shan and Kachin States, both of which share borders with Yunnan Province. In both states, a number of ethnic minority groups – including the ethnically Han Chinese Kokang – have mounted armed resistance against the SLORC/SPDC, generating concerns that the fighting could spill over into Chinese territory. Indeed, this occurred in August 2009 when fighting between the Burmese military and the Kokang, Wa, and Mongla ethnic militias in northern Shan State led to the mass exodus of some 37,000 mostly ethnic Chinese refugees into Yunnan Province, straining relations between China and Myanmar. According to some analyses, the most powerful of the ethnic militias, the United Wa State Army, has received weapons through Chinese arms trafficking networks and training from the Chinese People's Liberation Army. It has been suggested that China maintains an interest in strengthening the ethnic militias so as to deter the Burmese military from attacking them and compromising the security of the border.⁸

In Kachin State, China and Myanmar have locked horns over the Myitsone Dam, a joint hydroelectric project which was to be built on the Ayeyarwady River by the Chinese state-owned China Power Investment Corporation. Concerns that the dam

would flood local communities, lead to mass relocation, and wreak havoc on the environment and local wildlife prompted widespread calls for its suspension and cancellation. The Kachin Independence Army, a rebel organization comprising members of the ethnic minority Kachin group, also threatened that it would launch attacks if construction of the dam continued. Local anger was also exacerbated by the revelation that 90% of the electricity generated by the dam would be sold to China rather than used to shore up Myanmar's woefully inadequate power grid.

In a surprise move, Thein Sein announced in September 2011 that he would suspend construction on the Myitsone Dam, citing the need to “uphold the aspiration and wishes of the people.”⁹ The China Power Investment Corporation, which had sunk nearly \$14 billion into the project, called the move “bewildering” and suggested that it might take legal action against the Burmese government in Naypyitaw. At a deeper level, though, the unilateral suspension of the Myitsone Dam can be seen as a signal from the Thein Sein regime that it will not automatically prioritize Chinese interests over its own. Combined with Myanmar's new rapprochement with the United States, there seems to be a clear effort by the Burmese government to maintain a certain degree of maneuverability vis-à-vis China, though it is undoubtedly wary of provoking a backlash from Beijing. How successful Myanmar will be in establishing a comfortable distance from China will depend heavily on the strength of its relations with other countries, including the ASEAN members and the United States.

The ASEAN Angle: Opportunities for Renewed Engagement and Regional Solidarity

As Myanmar emerges from its long isolation, it is finding a warm welcome from its fellow ASEAN members. At the same time, its apparent movement toward equidistance between China and the United States holds significance for the Association as a whole as its members attempt to navigate a strategic environment shaped by both states' increasing regional assertiveness.

The admission of Myanmar, along with Cambodia, the Lao People's Democratic Republic and Vietnam in the mid- to late 1990s was intended in part to achieve the Association's goal of representing the entire Southeast Asian region, in part to facilitate economic integration through the ASEAN Free Trade Area, and in part to

counterbalance China's regional influence by improving coordination among Southeast Asian countries. Nevertheless, the decision to admit Myanmar was only reached after a great deal of argument. In the early 1990s, American pressure on ASEAN to take a tougher stance toward Myanmar for its human rights abuses split the Association into two camps. On one side, Thailand and the Philippines, both democracies enjoying close relations with the United States, opposed admitting Myanmar given the regime's human rights record and its potential to damage ASEAN's relations with Western countries. On the other side, Malaysia and Indonesia resented Western pressure on ASEAN and the consequent spotlight it shone on their own human rights records. Thailand and the Philippines relented only when the member states cut a deal to make Philippine diplomat Rodolfo Severino, Jr. the new ASEAN Secretary-General.¹⁰

Following Myanmar's accession, the Association sought to coax it into adopting domestic reforms through quiet diplomacy, which proved ineffective and increasingly difficult to sustain, particularly as the SLORC/SPDC engaged in high-profile repression against the NLD and Aung San Suu Kyi. It was significant and indicative of growing impatience with Myanmar that in 2006, ASEAN pressured it to relinquish its turn as the Association's rotating chair, concerned that it would harm their collective legitimacy abroad. Moreover, the crackdown on Buddhist monks during the 2007 "Saffron Revolution" prompted an uncharacteristically strong condemnation from ASEAN. Nevertheless, neither ASEAN nor its member states adopted sanctions against Myanmar, both because doing so would constitute a breach of ASEAN's principle of non-interference in states' internal affairs and because they feared that it would drive Myanmar further into isolation.

The present reforms in Myanmar are undoubtedly welcome news for the ASEAN states. The release of Aung San Suu Kyi, in particular, is likely to take some of the heat off the Association for its continued engagement with Naypyitaw. ASEAN's decision to allow Myanmar to assume its rotating chair in 2014 was a prudent move that will boost the country's prestige and give it a strong incentive to hold the course on reform. As chair, Myanmar will be responsible for setting ASEAN's broad agenda for the year and hosting high-profile international meetings such as the ASEAN Summit, the ASEAN + 3 Meeting and the ASEAN Regional Forum. Moreover, ASEAN has designated the year 2015 as the date for the formal establishment of the

ASEAN Community, a new and more integrated institutional structure for managing regional affairs. Its most significant component, the ASEAN Economic Community, is intended to remove most intra-regional barriers to trade in goods and services, as well as to liberalize the movement of capital and labor. Thus, in 2014, all eyes will be on Myanmar to ensure a smooth and confidence-inspiring transition to the ASEAN Community, thereby giving it extra incentive to deepen its reforms and avoid drawing negative attention to itself and the Association.

Myanmar's efforts to balance its relationship with China are also likely to be quietly welcomed in ASEAN diplomatic circles. While the ASEAN states have collectively articulated their desire to remain neutral and insulated from regional conflicts, the reality is that as small and comparatively weak states, they cannot help but feel apprehensive about China's sheer size and close geographic proximity. The various territorial spats between China and several of the ASEAN member states over the South China Sea certainly do not help matters either. As a result, member states are increasingly turning to the United States as a counterweight. A Myanmar that is more flexible in its alignment could make it easier for ASEAN to lean more closely toward Washington. From Washington's perspective, such a stance would be timely given its new strategy of "pivoting" toward the Asia-Pacific.

The Bigger Picture: A Delicate Diplomatic Dance

Throughout Obama's November 2011 tour of Asian countries, he emphasized a stronger American military, economic and diplomatic involvement in the Asia-Pacific, what Secretary of State Hillary Clinton has referred to as a "pivot to Asia". Myanmar's reforms, combined with its complicated relationship with China, its potential for improved relations with ASEAN, and Washington's renewed interest in the Asia-Pacific, all bear upon this larger regional strategic shift.

Beijing has stated that it has no objection to Myanmar seeking better relations with the United States provided that its own interests are respected, but therein lies the rub. As Myanmar develops closer relations with the United States and other countries, it may feel more confident in defending its own interests when they do not coincide with China's, though Myanmar's dense enmeshment with China means that it can ill afford to blatantly challenge its interests. Just as importantly, if Myanmar continues

to pursue democratic reforms, China may find that the Burmese public resents their country's heavy dependence on China and wants to reduce it; the public outcry over the Myitsone Dam could merely be the tip of the iceberg. This could present China with a dangerous temptation. Should it pressure Naypyitaw to protect Chinese interests from popular opposition? Should it tell Naypyitaw to use force in doing so? Such a situation could quickly snuff out what President Obama has called the “flickers of progress” in Myanmar's democracy. If China is seen to violate Naypyitaw's autonomy, it will confirm regional suspicions that China is willing to interfere with other countries' domestic politics to secure its own interests and push its neighbors closer to Washington.

Conversely, if China respects Myanmar's sovereign interests even when they diverge from its own, it will help to build confidence in Beijing's intentions and, over time, improve its ability to engage its Southeast Asian neighbors in long-term cooperative efforts. So far, China has played it smart, keeping a low profile and cautiously welcoming Burmese democratic reforms. Myanmar will still depend heavily on China for economic aid and infrastructure for the foreseeable future, which will limit the extent to which a populist movement can completely throw off Chinese influence. Nevertheless, China will have to get used to competition in the Burmese economy as investors from countries like Japan, India, and the ASEAN states eye opportunities to grab market share.

For its part, the United States needs to proceed very carefully as it beefs up its security relations in Southeast Asia and avoid conveying the impression — even inadvertently — that it will automatically come to the aid of any state involved in a dispute with China. For instance, during a press conference with Philippine Foreign Minister Albert del Rosario in November 2011, Secretary Clinton referred to the South China Sea as the “West Philippine Sea”, which seemed to imply support for the Philippines' maritime claims vis-à-vis China. Regardless of the actual validity of the Philippines' claim, Clinton's remark raised hackles in China and certainly did not help to burnish the image of the United States as an honest broker. Such sensitive disputes should be handled in closed-door negotiations rather than in the capricious court of public opinion.

While a strong and stable American military presence would reassure China's

neighbors, improve maritime security and make any would-be aggressor think twice about escalating tensions, it would also be prudent for Washington to maintain a certain distance from Myanmar, Vietnam and the other ASEAN states with which it does not have formal security commitments. This will allow Washington to maximize its flexibility to respond to (or ignore) potential conflict situations and minimize the possibility of direct confrontation with China. Such a position is also likely to accord with the ASEAN states' desire to avoid being caught in the middle of any potential conflict between the two geopolitical giants. None of the ASEAN states wish to see a confrontation with China in their backyard and their relations with Beijing and Washington should not be interpreted as existing in a zero-sum game. On the other hand, provocations from either side could easily make that a reality. In this complicated dance, all partners will need to step carefully to avoid treading on one another's toes.

* The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.

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1. While the country has officially been called “The Union of Myanmar” since 1989, the United States and several other countries have continued to refer to it as “Burma” because the military junta nullified the 1990 elections that were won by the NLD, though as of this writing it is not yet clear whether this policy will change once Washington and Naypyitaw formally establish diplomatic relations. As a compromise, I refer to the noun form as “Myanmar” but the adjectival form as “Burmese”.
 2. Thomas Kean, "Foreign Investment Floods into Myanmar," *Myanmar Times*, June 27 - July 3, 2011, <http://www.mmtimes.com/2011/business/581/biz58103.html>.
 3. For an insightful description of the cross-border trade between China and Myanmar, see: Xiaolin Guo, "Boom on the Way from Ruili to Mandalay," in *Myanmar/Burma: Inside Challenges, Outside Interests*, ed. Lex Rieffel (Washington D.C.: Brookings Institution Press and Konrad Adenauer Foundation, 2010).
 4. Based on figures from the United States Energy Information Administration and China Daily. United States Energy Information Administration, "Country Analysis Briefs: China," <http://www.eia.gov/cabs/china/Full.html>. Zhou Yan, "Natural Gas Consumption to Increase," *China Daily*, January 21, 2011, http://www.chinadaily.com.cn/bizchina/2011-01/21/content_11893444.htm.
 5. C. Raja Mohan, "Burma Rail," *Indian Express*, August 31, 2011.
 6. Stockholm International Peace Research Institute. SIPRI Arms Transfer Database. http://armstrade.sipri.org/armstrade/page/trade_register.php. Accessed on January 24, 2012. Figure reported is in 2010 U.S. dollars.
 7. For a review of the evidence that China has been constructing bases on Burmese soil, see: Andrew Selth. "Chinese Military Bases in Burma: The Explosion of a Myth", Griffith Asia Institute Regional Outlook Paper No. 10 (2007). http://www.griffith.edu.au/__data/assets/pdf_file/0018/18225/regional-outlook-andrew-selth.pdf
 8. Jurgen Haacke, "China's Role in the Pursuit of Security by Myanmar's State Peace and Development Council: Boon and Bane?," *Pacific Review* 23, no. 1 (2010): 126-27.
 9. Thomas Fuller, "Myanmar Backs Down, Suspending Dam Project," *New York Times*, September 30, 2011.
 10. Alice D. Ba, (Re)negotiating East and Southeast Asia: Region, Regionalism and the Association of Southeast Asian Nations (Stanford: Stanford University Press, 2009), 121.



Jonathan T. Chow is a research fellow at the Asan Institute for Policy Studies in Seoul, Korea. He specializes in the regional politics in Southeast Asia, transnational norms, and the transnational politics of religion. Dr. Chow has taught international relations and East Asian politics as a Loewenstein Fellow and Five College Fellow at Amherst College, and also served as Project Director at the Berkeley Asia-Pacific Economic Cooperation Study Center and as a Visiting Fellow at the Ateneo de Manila University Center for Asian Studies. He holds a Ph.D. and M.A. in Political Science from the University of California, Berkeley and a B.A. in Political Science and Chinese from Williams College.



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