

## MYANMAR

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# Is the West driving Myanmar into the arms of China?

DESPITE THE RAKHINE CRISIS, COMPETITION FOR THE COUNTRY CONTINUES

**At the start of the Lunar New Year, the Chinese ambassador in Yangon, Myanmar's largest city, sent out invitations for a New Year's reception. He praised Myanmar for having maintained political stability and making progress in the peace process. He said that China had played a constructive role in the process and would remain a presence.<sup>1</sup> The assembled Burmese ministers, regional dignitaries and parliamentarians must have had mixed feelings upon hearing this. For decades, China has been pursuing ambitious goals in Myanmar, not always to the satisfaction of its neighbour. The West's policy once again risks increasing Myanmar's dependence on China.**

Since the eruption of the Rohingya crisis last summer, the U.S. and Europe have been engaged in a bidding war in their condemnation of and sanctions against Myanmar. Contrasting with this approach, China has begun a charm offensive that is falling on fertile ground. It would be ironic if the West, by promoting democracy and human rights, were only to drive Myanmar directly into China's arms. But is that the case? And what are the implications?

### Deep roots

For decades, China has maintained a strong presence in Myanmar. Appalled by the brutal suppression of the democratic movement, most Western

nations broke off relations with Myanmar in 1988 and imposed sanctions. The military regime under Saw Maung began to search for new partners and struck it rich in Beijing. China, which had itself become a pariah state following Tiananmen Square, eagerly responded to the Burmese advances.<sup>2</sup> Burmese officers who had previously trained in the United States and Europe began to travel instead to Singapore, Pakistan or China.<sup>3</sup> Returning home, they fought using the weapons that China had sold them.<sup>4</sup> In 2010, China was Myanmar's largest investor and second-largest trading partner,<sup>5</sup> its most important ally and the largest supplier of its development assistance.<sup>6</sup> China continues to profit from these initial policies. The decades-long relationships that linked the generals-cum-businessmen to Chinese partners do not disappear overnight.<sup>7</sup>

Despite this, Myanmar was not a Chinese vassal state. The Burmese elites' reluctance to accept

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<sup>2</sup>Cf. Ganesan, Narayanan 2018: Bilateral Issues in Myanmar's Policy towards China, Occasional Papers Series 38, pp. 4-5, in: [https://www.eu-china.net/uploads/tx\\_news/OP\\_38\\_-\\_Ganesan\\_-\\_Bilateral\\_Issues\\_in\\_Myanmar's\\_Policy\\_towards\\_China.pdf](https://www.eu-china.net/uploads/tx_news/OP_38_-_Ganesan_-_Bilateral_Issues_in_Myanmar's_Policy_towards_China.pdf) [26.02.2018].

<sup>3</sup>Cf. Riley, Marks S./Balaran, Ravi A. 2013: The United States International Military Education and Training (IMET) Program with Burma/Myanmar, in: Asian Affairs: An American Review 40:3, pp. 109-132, here: p. 120.

<sup>4</sup>Cf. Stockholm International Peace Research Institute: SIPRI Arms Transfers Database, in <https://www.sipri.org/databases/armstransfers> [26.02.2018].

<sup>5</sup>Cf. Sun Yun 2012: China's Strategic Misjudgement on Myanmar, in: Journal of Current Southeast Asian Affairs 31:1, pp. 73-96, here: p. 79.

<sup>6</sup>Cf. Malik, Mohan J. 2017: Myanmar's Role in China's Maritime Silk Road Initiative, in: Journal of Contemporary China, pp. 1-17, here: p. 2.

<sup>7</sup>Cf. Balshan, Aaron 2016: Why the U.S. shouldn't have lifted sanctions on Myanmar, The Diplomat, 03.10.2016, in: <http://thediplomat.com/2016/10/why-the-us-shouldnt-have-lifted-sanctions-on-myanmar/> [26.02.2018].

<sup>1</sup> Cf. State Counsellor's Office 10.02.2018: U Kway Tint Swe and wife attend Chinese New Year ceremony. <http://statecounsellor.gov.mm/mscoen/en/latest-news-news/u-kyaw-tint-swe-and-wife-attend-chinese-new-year-ceremony> [26.02.2018].

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foreign and specifically Chinese dominance is too deeply rooted. For centuries the Chinese Empire had represented a threat to Myanmar, and the People's Republic supported the rebellious Communist Party of Burma (CPB) by supplying weapons.<sup>8</sup> Already during the military dictatorship, efforts were made to counterbalance Chinese influence. India has maintained constructive relations with its neighbour since 1993. North Korea and Russia supplied Myanmar with weapons and military experts, whilst Thailand and Singapore acted as trading partners. China was, therefore, never Myanmar's only friend, and as a consequence it also never enjoyed unlimited influence in the country.<sup>9</sup>

**2011 – a liberation?**

On 30<sup>th</sup> September 2011, Burma's then-President Thein Sein put the Myitsone Dam project on ice. The gigantic hydro-electric plant, which generated power almost exclusively for the Chinese market despite energy shortages in Myanmar, had been criticised for years. The decision was nonetheless surprising, especially for Chinese investors.<sup>10 11</sup>

The start of reform policies appeared to mark the end of the era in which there were no alternatives to Chinese investments. Corporate representatives landed in Yangon from around the globe to try to sound out their opportunities in the last developing economy in Asia. The tender for the Burmese telecommunications network attracted 91 bidders, including the international market leaders.<sup>12</sup> At the same time, development assistance agencies queued up. The EU committed to 688 million

<sup>8</sup>Cf. Ganesan 2018, pp. 3-4.

<sup>9</sup>Cf. International Crisis Group 2009: China's Myanmar Dilemma, Asia Report 177, pp. 28-30, in: <https://www.crisisgroup.org/asia/north-east-asia/china/china-s-myanmar-dilemma> [26.02.2018].

<sup>10</sup>Cf. Sun 2012, pp. 84-85.

<sup>11</sup>Cf. Malik 2017, p. 2.

<sup>12</sup>Cf. Cockett, Richard 2013: A Burmese Spring, *The Economist*, 25.05.2013, in: <http://www.economist.com/news/special-report/21578168-after-50-years-brutal-military-rule-myanmars-democratic-opening-has-been-swift-and> [26.02.2018].

euro for the period from 2014 to 2020, a clear retreat from the previous sanctions policy.<sup>13</sup> That is a tidy sum, but it is peanuts compared to the 7.7 billion dollars that Japan promised for the 2017-2024 period. Since then, Japan has become the most important donor country.<sup>14</sup> In diplomatic circles, Myanmar broke out of its pariah status in record time. Hillary Clinton's visit marked the first time in five decades that an American secretary of state had visited the country,<sup>15</sup> and in 2014 Myanmar took over as chair of ASEAN for the first time in its 70-year history.<sup>16</sup> The expansion of economic and diplomatic ties was also successfully achieved.

Despite this, China continued to lead the pack. As a foreign investor, to be sure, it ranked slightly below Singapore.<sup>17</sup> Myanmar's dependency on international trade has continued to rise since the start of the reform policies. In 2010, Thailand was still Myanmar's most important export destination. Six years later, 40 percent of exports were going to China, twice as much as to Bangkok.<sup>18</sup> Beijing emerged as a negotiator in Myanmar's internal peace process. The participation of the Northern Alliance, a coalition of ethnic militia groups, in the second Panglong Conference can be traced to Chinese influence.<sup>19</sup> And although the Myitsone Dam was plugged, equally controversial projects continued.<sup>20</sup> Even if the dependency on China had lessened since 2011, the hoped-for liberation did not occur.

<sup>13</sup>Cf. Dosch, Jörn/Sidhu, Jatswan S. 2015: The European Union's Myanmar Policy: Focused or Directionless?, in: *Journal of Current Southeast Asian Affairs* 2, pp. 85-122, here: p. 104.

<sup>14</sup>Cf. Malik, p. 8.

<sup>15</sup>Cf. Sun 2012, p. 88.

<sup>16</sup>Cf. Moe Thuzar 2017: ASEAN and Myanmar – past, present and future, *Myanmar Times*, 08.08.2017, in: <http://www.mmmtimes.com/asean-focus/27162-asean-and-myanmar-past-present-and-future.html> [26.02.2018].

<sup>17</sup>Cf. International Monetary Fund: Coordinated Direct Investment Survey, in: <http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&id=1482331048410> [26.02.2018].

<sup>18</sup>Cf. World Bank Group: Myanmar Trade Summary Data, in: <https://wits.worldbank.org/CountryProfile/en/Country/MMR/Year/2010/Summary> [26.02.2018]

<sup>19</sup>Cf. Ganesan 2018, p. 10.

<sup>20</sup>Cf. Myanmar Times 2016: Letpadaung mine to restart operations, 19.02.2016, in: <https://www.mmmtimes.com/business/19093-letpadaung-mine-to-restart-operations.html> [26.02.2018].

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The West bears some of the responsibility for this. The last American trade restrictions were only lifted in October 2016<sup>21</sup> and Western investors remained hesitant despite initial euphoria. Poor infrastructure, political instability and lack of clarity regarding the legal environment were detracting from the enjoyment of Asia's last "frontier". In addition, bankers and business executives feared coming into conflict with the sanctions regime.<sup>22</sup> Regional powers, chief amongst them China, India and Singapore, did not share this manner of thinking and willingly sprang into the breach.

The main explanation, however, lies with China itself, which pursued strategic interests in Myanmar. China is dependent for its energy transport on the Straits of Malacca, a narrow passage between Malaysia and Indonesia. In the event of a conflict, it would be easy to block the straits. To offset this strategic vulnerability, Chinese investors built a deep-sea port in southern Rakhine and ran an oil-and-gas pipeline straight across Myanmar to Yunnan in China. The project is part of the Silk Road Initiative, Xi Jinping's largest infrastructure project.<sup>23</sup> For this reason, Myanmar is too important to China for it to be left to the West.

China also has ample tools to pressure Myanmar. It shares a 2,200-kilometer land border with Myanmar. The successor militias to the CPB, the United Wa State Army (UWSA) and Myanmar National Democratic Alliance Army (MNDAA), continue to enjoy Chinese support. With around 30,000 soldiers and sophisticated Chinese weapons systems, the UWSA in particular constitutes a formidable means of bringing pressure to bear against the Burmese government in Naypyitaw. In addition, the Shan State Army – North (SSA-N) and Kachin Independence Organization/Army (KIO/A) finance themselves through their smuggling connections with China.

<sup>21</sup>Cf. Soloway, Benjamin 2016: Obama to Lift Myanmar Sanctions, Including Those on Dirty Jade, Sooner Than Human Rights Organizations Wanted, Foreign Policy, 14.09.2016, in: <http://foreignpolicy.com/2016/09/14/obama-to-lift-myanmar-sanctions-including-those-on-dirty-jade-sooner-than-human-rights-organizations-wanted/> [26.02.2018].

<sup>22</sup>Cf. Cockett 2013.

<sup>23</sup>Cf. Malik 2017.

Moreover, Beijing holds 44 percent of Burmese government debt, part of it at high interest.<sup>24</sup> To that are added the incentives that an economically powerful state can offer its neighbours. Since 2011, Myanmar has disengaged itself from China only conditionally. The dependency was reduced, precipitated by initiatives such as the halt of the Myitsone Dam project. Despite this, China remained by far Myanmar's most important partner country.

**Back into China's arms?**

On 25<sup>th</sup> August 2017, the Arakhan Rohingya Salvation Army (ARSA) attacked police stations in the northern part of Rakhine State. The army's brutal reaction drove over a half million Rohingya into Bangladesh, where they wait under precarious conditions in refugee camps.<sup>25</sup> World public opinion was horrified. The EU halted invitations to Burmese officers<sup>26</sup> and suspended negotiations regarding an investment protection treaty.<sup>27</sup> France spoke of genocide,<sup>28</sup> the U.S. imposed sanctions against individuals,<sup>29</sup> Great Britain suspended important parts of its bilateral military cooperation.<sup>30</sup> Universities were pressured to cut back their links to Myanmar.<sup>31</sup> A recession is expected to affect Western investments for the next two to three years.<sup>32</sup>

<sup>24</sup>Cf. Ganesan 2017, pp. 8, 12.

<sup>25</sup>Cf. International Crisis Group, 07.12.2017: Myanmar's Rohingya Crisis Enters a Dangerous New Phase, Asia Report 292, pp. 6-7, in: <https://www.crisisgroup.org/asia/south-east-asia/myanmar/292-myanmars-rohingya-crisis-enters-dangerous-new-phase> [26.02.2018].

<sup>26</sup>Cf. Peel, Michael/Reed, John 2017: EU to scale back relations with Myanmar's military, Financial Times, 16.10.2017, in: <https://www.ft.com/content/cf0b94f6-b25d-11e7-a398-73d59db9e399> [26.02.2018].

<sup>27</sup>Cf. Chau, Thompson, 02.10.2017: Rakhine crisis leads Europe to put off IPA ratification, Myanmar Times, 02.10.2017, in: <https://www.mmtimes.com/news/rakhine-crisis-leads-europe-put-ipa-ratification.html> [26.10.2018].

<sup>28</sup>Cf. Le Monde 2017: Emmanuel Macron qualifie la situation en Birmanie de «génocide», 20.09.2017, in: [http://www.lemonde.fr/asiatique/article/2017/09/20/emmanuel-macron-qualifie-la-situation-en-birmanie-de-genocide\\_5188784\\_3216.html](http://www.lemonde.fr/asiatique/article/2017/09/20/emmanuel-macron-qualifie-la-situation-en-birmanie-de-genocide_5188784_3216.html) [26.02.2018].

<sup>29</sup>Cf. Shelbourne, Mallory 2017: US sanctions top Myanmar general, others under Magnitsky Act, The Hill, 21.12.2017, in: <http://thehill.com/homenews/administration/365996-us-sanctions-13-individuals-for-human-rights-abuse-and-corruption> [26.02.2018].

<sup>30</sup>Cf. Tarabay, Jamie 2017: Myanmar's military: The power Aung San Suu Kyi can't control, CNN, 06.12.2017, in: <https://edition.cnn.com/2017/09/21/asia/myanmar-military-the-real-power/index.html> [26.02.2018].

<sup>31</sup>Cf. Bothwell, Ellie 2017: Universities pressured to cut Myanmar ties over Rohingya crisis, Times Higher Education, 02.11.2017, in: <https://www.timeshighereducation.com/news/universities-pressured-cut-myanmar-ties-over-rohingya-crisis> [26.02.2018].

<sup>32</sup>Cf. Thiha Ko Ko 2018: Western FDI to fall in 2018 as Rakhine crisis continues. Myanmar Times, 08.01.2018, in: <https://www.mmtimes.com/news/western-fdi-fall-2018-rakhine-crisis-continues.html> [26.02.2018].

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Other sanctions are pending.<sup>33</sup>

The intentions behind this are honourable. Sanctions and strong rhetoric exert pressure on Naypyitaw. In addition, they indicate that the West does not tolerate the use of force. Even if they do not bring about a rethinking, they still send a signal to other mixed regimes and dictatorships. The consequences could still be counter-productive, however. To the extent that Western partners pull back, Beijing fills the breach. The UN Security Council managed only a watered-down statement, with Beijing and Moscow threatening their veto.<sup>34</sup> Whilst Western investors fell away, Chinese and Japanese investors agreed the largest joint venture since the NDA government took office.<sup>35</sup> As the U.S. and Great Britain were suspending military training programs, China was offering to build them.<sup>36</sup> Visits to China by Commander-in-Chief Min Aung Hlaing and Aung San Suu Kyi last spring<sup>37</sup> indicate that Myanmar is showing receptivity to the Chinese advances. The image of China has also risen in public opinion. This had recently dropped to a low level due to a locally contested major project.<sup>38</sup>

<sup>33</sup>Cf. International Crisis Group 2017, p. 16.

<sup>34</sup>Cf. Lau Seng Lap 2017: UN's Futile Efforts to Engage Myanmar on the Rohingya Crisis, *The Diplomat*, 09.11.2017, in: <https://thediplomat.com/2017/11/uns-futile-effort-to-engage-myanmar-on-the-rohingya-crisis/> [26.02.2018].

<sup>35</sup>Cf. Chau, Thompson 2018: Eight years needed to build Yangon railway station project, *Myanmar Times*, 21.02.2018, in: <https://www.mmtimes.com/news/eight-years-needed-build-yangon-railway-station-project.html> [26.02.2018].

<sup>36</sup>Cf. Kinling Lo 2017: China eyes closer military cooperation with Myanmar as it looks to expand sphere of influence near India's borders, *South China Morning Post*, 23.11.2017, in: <http://www.scmp.com/news/china/diplomacy-defence/article/2121298/china-eyes-closer-military-cooperation-myanmar-it-looks> [26.02.2018].

<sup>37</sup>Cf. *South China Morning Post* 2017: China is committed to friendly ties with Myanmar, Xi Jinping tells Aung San Suu Kyi, 01.12.2017, in: <http://www.scmp.com/news/china/diplomacy-defence/article/2122534/china-committed-friendly-ties-myanmar-xi-jinping-tells> [26.02.2018].

<sup>38</sup>Cf. Sun Yun 2018: China finds opportunity in Myanmar crisis, *Asia Times*, 14.02.2018, in: <http://www.atimes.com/article/china-finds-opportunity-myanmar-crisis/> [26.02.2018].

In the West's view, this development is counter-productive. By expanding military cooperation and military training programs, China is in a position to expand its influence over not only current but also future military leadership (*Tatmadaw*). Increased economic dependency could also have consequences for the area of foreign relations. Myanmar would not be the first nation to adopt China-friendly positions for economic considerations. Following the international arbitration award regarding the South China Sea in July 2016, Cambodia may have blocked a strong statement by ASEAN<sup>39</sup> against China.

It will not get that bad, but that is not to the credit of the West. Whilst most Western countries have reacted to the Rohingya crisis with condemnations and threats of sanctions, regional partners are following China's example. ASEAN is steering a course of cooperation by insisting on the principle of non-intervention.<sup>40</sup> Japan too has held back on public criticism and has confirmed the continuation of its military training programs.<sup>41</sup> Russia even offered to expand military cooperation.<sup>42</sup> And whilst the UN spoke of ethnic cleansing, India designated the Rohingya in their own country as a terrorist threat and announced that they would be deported.<sup>43</sup> As they vie for influence, the regional powers are not prepared to allow a half million refugees to put them off their stride. Say what you will about morality: the practical effect is that China dominates, as it has since the days of the military dictatorship, although it has no monopoly. The fact that the West is surrendering opportunities for influence and reducing channels of dialogue remains unaffected by this.

<sup>39</sup>Cf. Campbell, Charlie 2016: After Days of Deadlock, ASEAN Releases Statement on South China Sea Dispute, *Time*, 25.07.2016, in: <http://time.com/4421293/asean-beijing-south-china-sea-cambodia-philippines-laos/> [26.02.2018].

<sup>40</sup>Cf. Muslimin, Anis 2017: ASEAN's Rohingya Response – Barely A Peep Outside Of Malaysia, *Forbes*, 17.12.2017, in: <https://www.forbes.com/sites/anislamuslimin/2017/12/17/asean-rohingya-response-barely-a-peep-outside-of-malaysia/#2b36430c39de> [26.02.2018].

<sup>41</sup>Cf. *Myanmar Times* 2018: Japan affirms military ties with Tatmadaw, 09.02.2018, in: <https://www.mmtimes.com/news/japan-affirms-military-ties-tatmadaw.html> [26.02.2018].

<sup>42</sup>Ibid.

<sup>43</sup>Cf. Kazmin, Amy 2017: India's Rohingya refugees face new deportation threat, *Financial Times*, 11.09.2017, in: <https://www.ft.com/content/6df84ea-946e-11e7-a9e6-11d2f0ebb7f0> [26.02.2018].

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**Outlook**

We should be fully aware that the West's influence is limited. From an economic point of view, Asian nations have long since taken over that influence in Myanmar. Regional states and ASEAN are also playing a more significant political role. Even if the West were to enter into the competition and refrain from criticism of the government, it would be unable to move Myanmar out of China's orbit. As one partner amongst many, it could only mitigate Chinese influence. Thus, current Western policies are not fully driving Myanmar into China's arms, but they are certainly moving them closer in that direction. Nevertheless, the West should not leave the

field to China, Russia and other regional powers. It<sup>5</sup> is particularly important at this time to maintain solid relations and lines of communication. Human rights violations will be prevented sooner if security forces work professionally, if the government is required to answer to the people, if there is a sufficiently high living standard for all, and if a sound educational system is in place. These are long-range goals, and to achieve them Myanmar needs the support of external partners. Whether China shares all these goals is questionable. This does not mean that the West must not criticise Myanmar. Doing nothing would be intolerable purely with respect to domestic politics. But it is important not to lose sight of the long-term relationships. The Rohingya crisis presents a dilemma for Western policies. Nevertheless, one can still hope that the right balance will be found between confrontation and cooperation.