China’s Policy Adjustment toward Myanmar in the Context of China-U.S. Relations

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Abstract. A complicated process of political and economic change has begun in Myanmar and the convergence of a series of geopolitical dynamics needs to be addressed, specifically in the context of the relationship between the US and China. The key to the possible future coexistence depends on what all three parties (China, the US and Myanmar) can derive from developing interactive collaboration. If differences can be mitigated, including the disagreements around the internal domestic policy of Myanmar, then the chances of peaceful coexistence and cooperation will be high.

Introduction

In recent times the question of the continued political development of Myanmar has arisen for two reasons. Firstly, it is clear that a complicated process of political change has begun in Myanmar, which is important to study in its own right. Secondly, the convergence of a series of geopolitical dynamics, specifically the relationship between the US and China as it relates to this political development needs to be addressed. The key to the possible future coexistence is the potential benefits that all three parties (China, the US and Myanmar) can derive from developing an ongoing collaboration. Much of the question of whether cooperative or disruptive strategies will be employed by one or more of the agents will revolve around the way that individual actors project the intentions of the other actors. For example, if China projects that the US is attempting to develop a long term process to contain China, and then China will take a stance based in attempting to break out of the ring of containment. If the US assumes that China is attempting to conduct an expansionist foreign policy, and China could pose a danger to existing international balances of power, then a US policy to contain the presumed expansion will assume great importance in its policy towards Myanmar.

Myanmar, the object within this tripartite relation, does not just play a role as an object of containment for two big countries. It has managed to take advantage of the policy adjustment and increased engagement by China and USA to drive the transition from a military junta to a civilian government, increasingly move in the direction of economic development and consolidate its power in the region. As such, the way that Myanmar interacts within this dynamic must be centered on the attempt to maintain the changes that have occurred while preventing this process from becoming an arena of contention for two world powers. To achieve this Myanmar must remain neutral and promote cooperation between the US and China as it relates to Myanmar itself.
Myanmar’s Attempt to Solve the Legitimacy Crisis Was the Decisive Factor That Caused Myanmar and US Rapprochement

The dynamics of US-China relations as they converge around the question of Myanmar can be interpreted through the lens of the attempt by the military junta within Myanmar to solve a lingering crisis in political legitimacy, one that derives from two primary sources. The first of these sources revolves around the literal life cycle of the junta itself; when Than Shwe chose to retire in 2011; after ruling Myanmar for 22 years, he was already 78 years old. The literal age of the regime has begun to create a scenario in which the obvious question of succession of transition must be asked. This occurs within a backdrop formed by the social disruptions of 1988 and 2007, and the sanction regime and international isolation that resulted from the suppression of these disruptions. Within this context Myanmar has been beset with a strict sanctions regime imposed by Western nations, an increasingly impoverished population, widespread political discontent and the rise of a series of separatist armed struggles being waged by several of the country’s major ethnic groups. Under such circumstances, it was hard to predict when the next social unrest would erupt and probably topple the military regime, or as the junta feared that a US-led invasion would strike and establish a new government as it did in Iraq. Thus, creating a scenario that could result in a “soft-landing” for the regime became the most urgent goal for the regime leadership.

It is within this context that Myanmar began to make a series of moves toward rapprochement with the US. There are a series of theories as to why this decision was seen as a way to generate a “soft-landing” scenario. One of the most common ways of thinking about these moves centers around the claim that Myanmar began to move closer to the US in an attempt to lower its dependency on China. If this is the case then China was not aware of much reluctance in the scope of the relationship between the junta in Myanmar and the Chinese administration, which partially affirmed the leadership of Than Shwe in discussions with US diplomats, and attempted to facilitate dialogue between Myanmar and the US. In a meeting with the US diplomats, the then Chinese Vice Foreign Minister told the US counterparts that Than Shwe described the United States as a “great power” and made it clear to the US that Myanmar did not wish to antagonize nor be the enemy of the United States. It was further stated that Than Shwe agreed that Burma was ready to restart a bilateral dialogue with the US. [1] In another occasion, the Chinese MFA Asian Affairs Department Director General told her US counterpart that Than Shwe was easy-going and not difficult to engage in conversation. She noted that Than Shwe held the US in high regard and did not want an antagonistic relationship with the US, suggesting that US should engage the junta “in a positive way and on an equal footing”. [2]

From an alternative point, Myanmar’s rapprochement with US was not because China played too large of a role in Myanmar, but rather, because China was in no position to solve the legitimacy crisis of Myanmar’s military regime. Internationally, the junta believed in the probability of a US-led invasion for a regime change. Domestically, the plethora of social, ethnic and economic problems in Myanmar’s society has the possibility of turning into violent eruptions of social unrest. Metaphorically speaking, the Myanmar junta had a forest on fire, and China could only send a cup of water. No matter how big China’s influence was on Myanmar, it could not help much in these two aspects, and the solution that the junta sought lay somewhere else.

The best solution to mitigate the threat from the US came from the US itself. The new policy of “Pragmatic Engagement” by the Obama administration provided an opportunity for the new
Myanmar government to establish fresh diplomatic ties with the US government and eradicate the threat from the hostility of a powerful nation. Domestically, with the implementation of the seven-step roadmap and the successful transition from the military junta to a quasi-civilian government garnered considerable legitimacy, given the fact that the most staunch opposition leader Aung San Suu Kyi joined the political process of the new government, ran for the 2012 by-election and was elected into the Myanmar’s assembly, the Pyithu Hluttaw. The landslide victory in the general election of 2015 by the National League for Democracy marked the beginning of a new era of fundamental transition for Myanmar.

**China’s Vested Interest in Myanmar Poses Questions for China’s Formulation of New Policies**

Myanmar’s shift away from China and toward the US has generated a series of specific problems for China in its attempt to cope with in this new political dynamic. Central to this attempted pivot are two primary concerns, the vested economic interest that China already has in Myanmar and the geopolitical importance of Myanmar for future Chinese foreign and military policy. The accumulated investment of China in Myanmar from 1988 to 2013 is over 14 billion US dollars. In 2013, and China’s bilateral trade with Myanmar totaled over 8 billion US dollars (China’s export to Myanmar in 2013 was 6.2 billion and import from Myanmar 2.2 billion. Both have seen sharp increases) [3]. China is now the largest investor and trade partner of Myanmar. This economic interest is combined with Myanmar’s geopolitical importance, both as a partner in an oil pipeline with the Chinese and as a country with direct access to the Indian Ocean. Within Chinese academic circles there has begun the discussion of the “Malacca Dilemma”, based in imagining a worst possible scenario in which China is cut off from oil transport by hostile forces. Within this scenario, countries like Myanmar become crucial to securing a multiplicity of sites of access for oil coming into China. Although limited amount oil can be transported into China via the China-Myanmar oil pipeline, the aforementioned scenario largely neglected the fact that pipelines over 700 kilometers are as equally vulnerable as the oil tankers, if not more.

These interests have been threatened by the political transition process in Myanmar, and we are already beginning to see the effects of this, beginning with Tatmadaw’s attack of the Kokang area in 2009. It was estimated that from ten thousand to thirty seven thousand refugees fled to China, and investment and properties by Chinese businesses in the region were damaged. In the routine press conference by the Chinese Ministry of Foreign Affairs (MFA), the spokeswoman said that the Yunnan government had accommodated over ten thousand refugees, and their “emotional state was stable”. When asked if Chinese government had requested compensation for the damages, the spokeswoman replied that China hoped Myanmar would guarantee the security of Chinese citizens and their property in Myanmar and handle the domestic issues properly[4].

In a talk with Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell, Chinese MFA Asian Affairs Department Director General remarked that given Myanmar’s election in 2010, the regime felt the need to deal with its ethnic issues. Director General mentioned in the dialogue that Chinese officials had told the Burmese to consider China’s interests, but also emphasized that China would never interfere in the internal affairs of Burma[5], echoing China’s long-standing policy of non-interference in domestic affairs of Myanmar. Staff of the American Consulate General in Chengdu observed “wide-spread
frustration” among ethnic Chinese from Kokang because they believed that the PRC government had not responded strongly enough to protect their interests possibly due to the on-going oil pipeline construction project[6]. As Steinberg and Fan put it “China faces the challenge and the conundrum of how to keep its balance and avert internal ethnic conflict along the Sino-Myanmar border while still claiming non-interference in the internal affairs of other countries.”[7]

The fast changes in Myanmar’s diplomatic relations with the US caught China off-guard, with the largest shock centering around the suspension of the Myitsone Dam until 2015 before discussions of the project could be raised. On the surface the delay of the dam project was an attempt to address the concerns of local ethnic groups, who feared that the dam would damage sites central to their cultural heritage and religion, as well as to speak to environmental concerns and concerns borne out of a growing nationalism. Underlying this shift in policy, however, was the emergence of a new dynamic in the relations between China and Myanmar, in which Myanmar is attempting to exercise a level of control over the conditions of the relationship, or at least to exist on what they see as equal footing. This shifting relation has also been made clear in the renegotiation of the terms of projects like the Letpadaung Copper Mine and the China-Burma Gas/Oil Pipeline; both of these projects had encountered challenges for a period of time until terms more favorable to Myanmar could be negotiated.

It would seems as if the attempt to build large scale infrastructure projects would meet little resistance from within Myanmar, a country that is in significant need of infrastructure investment. The resistance that did mobilize tended to emanate from two distinct sources. The first source stems from the entities in the negotiation, specifically the Chinese government and the military junta, and how this began to relate to the general loss of the political legitimacy of the junta within Myanmar. The almost universal contempt for the military junta marred the image of the projects in the grassroots sphere within Myanmar, generating the initial resistance to the projects. When the junta began the process of transition away from military rule the discontent of the grassroots shifted focus to the target of closest proximity, the Chinese state. Through the history of the support of the junta by the Chinese state these entities are inextricably linked within much of the public imagination within Myanmar, generating a distrust of the projects themselves.

On another level this was a struggle borne out of a concern for who would ultimately benefit from these projects. These concerns were specifically at issue in the renegotiation and resumption of the Letpadaung Copper Mine project. The final report by the Letpadaung Investigation finds that Wanbao performed community social development activities such as providing road repairing, drinking water system, library construction and medical care service to the local people. According to the report, a minium of 35,000 kyats per square foot were paid for the original houses of the villagers. Because the new houses built for the relocated villagers were of low quality and an additional payment ranging from 4 to 10 million kyats were compensated to the villagers. The amount paid for the land was among 520,000 to 550,000 kyats per acre [8]. A journalist from Huanqiu reported [9] that after renegotiation, Wanbao did not set a time limit for villagers to claim their compensation for farm land, which was divided into three types (irrigated, non-irrigated, non-irrigated temporary) and paid 1.2 million, 0.8 million and 0.3 million respectively. The renegotiated terms not only provided better compensation to local populations and more of a space for their concerns to be addressed, but also indicated the improved position that the government in Myanmar has within its
relationship with China. The renegotiated terms for profit allocation for Myanmar government and Union of Myanmar Economic Holdings increased dramatically, while Wanbao’s share shrank from 49 percent to 30 percent. Equally as important is the fact that grassroots concerns over large infrastructure projects had an impact on the process at all. It is the ability of the government of Myanmar to attempt to listen to and address concerns, as well as their intention to use their increased leverage in negotiations over projects, that signals the importance of the shifts that have been occurring both internally and externally in Myanmar, and how these shifts interact to change the relationship between Myanmar and China in fundamental ways.

China has chosen to adjust its policy and make moves to mitigate the situation within Myanmar, making necessary concessions from its original contracts and launching a public relations campaign. For example, the Letpadaung Copper Mine Project has been renegotiated with more favorable terms to Myanmar government and local people. Adjustments such as higher compensation to the local people, provision of more jobs for them, and increasing the shares of the Burmese government have reinforced the efforts to change the image of China in the region. The result has been the resumption of not only operations at the Letpadaung Copper Mine, but also the resumption of the building of the China-Myanmar Gas/Oil Pipeline.

The central question in the region, currently, is the question of the recreating of the image of China, which is often seen in an expansionist light, and moves have been made in this direction. In an interview by the Associate Press in July 2014, China’s ambassador to Myanmar Yang Houlan stressed that China would base its Myanmar foreign policy on the four aspects called for by President Xi. China’s high profile ceremony commemorated the 60th anniversary of the Five Principles of Peaceful Coexistence with Myanmar. President TheinSein and Indian Vice President Mohammad Hamid Ansari also propagated the official guidelines for Chinese foreign policy with its neighboring countries. However, it will be hard for China to completely stay clear of the political process and internal affairs of Myanmar, considering the fact that the all of its three mega projects encountered various sorts of difficulties. Qin Hui, a history professor from Tsinghua University, conducted an investigation about the suspension of Myitsone Dam in Kachin State. He concluded that it was almost a mission impossible for China to be exempted from Myanmar’s domestic issues. Moreover, the regions controlled by the armed forces of the ethnic groups were economically connected to China. Most importantly, while the state-owned colossi of China invested heavily in Myanmar to fulfill China’s perceived strategic goal (energy security and access to Indian Ocean) in Myanmar, the Myanmar government also used these projects as a counterweight to the ethnic states in the border area. Qin did not mince words and remarked that “even if you don’t want to interfere with [Myanmar’s] domestic issues, its domestic issues will interfere with you.”[10]

Conclusion

To balance the concerns that are shared by all parties within the China-US-Myanmar dynamic requires cooperation and focus on two distinct levels; the local level, addressing dynamics within Myanmar, and the international level, addressing the dynamics of the relationship between China and the US. On both of these levels China and the US have a lot to contribute to the situation within Myanmar. Myanmar needs China’s investment to build its infrastructure and other resources critical to industrial development particularly electricity infrastructure. However, because China is now faced with the urgent task to build a positive image in Myanmar’s growing civil society, it has to exert focused effort to make sure its presence in
Myanmar is benefiting the whole society. This includes rectifying the negative image associated with the junta, establishing comprehensive programs to engage Myanmar society as a whole, avoiding conducting business only with Myanmar government and reversing the belief that China did not practice fairness and justice in its dealings with the government. The major threat to China’s interest will be that China becomes a scapegoat for the civil discontent and nationalism in Myanmar’s society, possibly triggering another anti-Chinese riot and disturbance after the incident in 1967.

At the same time the US has a role to play in helping the government within Myanmar overcome the problem of political legitimacy that it has been attempting to address through the political transition. The more those within Myanmar can feel empowered, the less likely it is that Chinese economic interests will be under threat from political unrest, or the fires of Burmese nationalism, which often take discontent with the Myanmar government and turn it on infrastructure constructed by China. A more open and free Myanmar, with unity among its ethnic groups, will benefit China in the long run. The geographical link with Myanmar can ultimately lead to a bigger market for Chinese products and open new and diversified areas of investment, which will not be simply replicates of the types of natural resource related industries that has characterized China’s investment to this point in time. This scenario will only come about if mutual suspicion can be overcome, the Cold War mentality moved beyond, and only at the point where all sides within this dynamic come to the clear realization that it is only through the contributions of the others that their projects will ultimately succeed.

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