

Myanmar in US-China Relations

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This brief examines the dynamics between the US and China in their relations with Myanmar within the broader context of US-China relations.

KEY FINDINGS:

- 1** The January 2014 US-China Joint Statement on cooperation in Myanmar is an important first step in setting a new tone for how the two countries view each other's policies and presence in the country.
- 2** China has perceived new American interest in engaging Myanmar as a threat to their established role in the country, and has tended to view the dynamic in zero-sum, competitive terms.
- 3** The United States, in contrast, has focused its policies in Myanmar primarily on the country's commitment to internal reforms and its prospects for democracy and improved human rights. While not directed at China, these policy priorities are seen by Beijing as harmful to its interests.
- 4** The newly declared interest in US-China cooperation in Myanmar does not mean a dramatic change in the near future. The content and depth of such cooperation will be difficult to work out, and some level of friction in US-China relations related to Myanmar is likely to persist.

This is the third in a series of four issue briefs on the changes and challenges that Myanmar faces in its domestic and foreign policies since the beginning of democratization in the nation in 2011. These briefs will explore how external factors and forces influence and shape various aspects of Myanmar's internal development, including economic growth, ethnic conflict and national reconciliation.

This brief examines the dynamics between the US and China in their relations with Myanmar within the broader context of US-China relations. It discusses the two powers' perceptions of each other in Myanmar and the extent to which their Myanmar policies are targeted at the other country. In addition, it seeks to explore the potential scope and depth of US-China cooperation in Myanmar.



Overview

On January 22, 2014, following the 5th US-China Asia-Pacific Consultations in Beijing, the United States and China jointly announced their intention to pursue several areas of practical cooperation. For the first time in the history of their bilateral relations, Myanmar was listed as an area for future cooperation, though the suggested scope for mutual or complementary action was modest. As stated in the announcement, “US and Chinese experts will meet to coordinate with Myanmar counterparts on an appropriate project(s), such as in the field of health, to work together for Myanmar’s stability and development.”¹

The announcement sent several important messages. Since the beginning of Myanmar’s political reform and the improvement of relations with the United States, China has felt aggrieved about the “damage” that has been inflicted on Chinese political, economic and strategic interests inside Myanmar. Many Chinese analysts perceive the “obstacles” that China has encountered in Myanmar to be largely the result of a US premeditated strategy to undermine Sino-Myanmar relations and “contain” China. Against this background, the announcement of US-China cooperation in Myanmar might be seen as an indication that the zero-sum perceptions have moderated.

However, a careful examination of the reality raises more questions and doubts than answers about such cooperation. Although China and the US share common interests in Myanmar’s stability and development, a strong sense of competition has been observed between the two powers for influence in the country, which will inevitably affect their cooperation. Given China’s perception of and grudge against the “containment” nature of US maneuvers in Myanmar, trust will be a major issue that limits the scope and depth of such cooperation. In addition, a key element of any US-China cooperation in Myanmar will be the pivotal role Myanmar itself must play in the process. Whether the Myanmar government is capable or willing to play such a role remains unclear.

I. Chinese perception of the US in Myanmar

The role of the US in China’s Myanmar policy has undergone rapid changes in the short three years between 2010 and 2013. Before the beginning of Myanmar’s political reform in 2011, Beijing perceived the US primarily as a security threat and a diplomatic sore point to Myanmar. Washington followed a human rights-centered agenda and pursued a harsh sanctions policy against the military government for its human rights transgressions and unwillingness to abide by the results of the 1990 elections.² The policy was designed for regime change, which in China’s view threatened the national security of both Myanmar and China, as the collapse of Myanmar’s military government or a US military invasion of Myanmar would inevitably change the security outlook of China’s southwest border region.

China’s support of the Myanmar military government exposed Beijing to tremendous international criticism. For example, China’s veto of the 2007 Security Council draft resolution sponsored by the US and UK that condemned Myanmar’s human rights situation generated bitter censure from the West for China’s shielding of the military regime.³ Desire to mitigate the international pressure on China and concern about strained Sino-US relations led Beijing to play a behind-the-scenes role to facilitate dialogue between the US and Myanmar, in the hopes of easing the Washington-Yangon tensions. In July 2007, Beijing hosted two days of “secret” talks between US Deputy Assistant Secretary of State for Southeast Asian Affairs Eric John and three senior envoys from Myanmar, the first such discussion since 2003.⁴ The purpose of Beijing hosting such talks lay in its desire to

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defuse Washington's pressure on Beijing to be responsible for and subsequently change the Myanmar military government's behavior. To this day, Chinese officials still regard themselves as having played an instrumental role in facilitating US-Myanmar relations in its early stages.⁵

In 2009, the Obama administration undertook a review of the US' Burma policy review and subsequently announced a new engagement strategy toward Burma. This raised concerns in China about the possibility of US-Myanmar rapprochement that may go beyond the easing of tensions between Washington and Yangon to something more meaningful – and the impact of this on Sino-Myanmar ties. However, such concern was soon dissipated when Washington criticized Myanmar's 2010 elections as “neither free nor fair.”⁶ China assumed that Myanmar's new government would not pursue major political reform in the near future, and therefore the policy options for the US would continue to be constrained by its domestic politics, which would not favor a change of tone with Myanmar.

Within this context, China welcomed the pragmatic engagement policy of the Obama administration.⁷ Beijing saw a degree of improvement in relations between the US and Myanmar as beneficial to China by reducing international criticism of China for supporting the military government, but not reaching a level that would jeopardize China's existing ties with Myanmar. As explained by the *Global Times*, a government mouthpiece under China's *People's Daily*, China had no objection to Myanmar seeking improved relations with the West, so long as it was not “based on stomping China's interests.”⁸

However, beginning with President Thein Sein's historic meeting with Aung San Suu Kyi in August 2011, US-Myanmar relations began to improve at a dazzling pace. As a reward for Myanmar's political liberalization, the US lifted most of its financial sanctions on the country.⁹ US recognition of Myanmar's political progress was also demonstrated with visits by then-Secretary of State Hillary Clinton and President Barack Obama in 2011 and 2012 respectively, as well as the appointment of a US Ambassador to Burma for the first time since 1990. The speed and depth of US-Myanmar rapprochement greatly exceeded China's original expectation.

In China's perception, the rapid improvement of US-Myanmar relations has greatly affected China's existing interests in Myanmar. Most importantly, the warming of US ties with Myanmar is perceived to be a key element of the US rebalancing to Asia strategy, which China regards as a containment policy toward China.¹⁰ In Beijing's understanding, the US successfully alienated Myanmar's traditional ties with China and damaged existing Chinese commercial projects in the country, as evidenced by the suspension of the controversial Chinese Myitsone dam. Although President Thein Sein's suspension decision was made in accordance with the “people's will,” the Chinese nonetheless believe that the Myanmar government suspended the project at least partially in order to curry favor with the US. In addition, the Chinese saw NGOs, operating with the support and potential guidance of the US government, as having played an insidious role in undermining Chinese investment projects in Myanmar.¹¹ To China, these developments confirmed suspicions of the China-related orientation of US strategic intentions in Myanmar.

Chinese analysts invariably frame the issue of US-Myanmar ties in a broader context of US-China relations. Their perception of US presence in Myanmar is essentially zero-sum: the gains made by the US have come at China's expense. When told by US officials that US policy in Myanmar is driven by American and Burmese domestic politics, Chinese analysts often question the genuineness of such statements or argue that, at the very least, the US

has been inconsiderate of China's vested interests in and relations with Myanmar. Although there is a general acknowledgement of China's own failures to better manage relations with Myanmar, to China this does not negate the fact that the US exploited those opportunities to expand and deepen the frictions between China and Myanmar.

II. US perception of China in Myanmar

There has been some debate regarding whether US engagement policy toward Myanmar was at least partially targeted towards China. While this belief has been widely shared by many foreign policy watchers in and outside the United States, the Obama administration has strongly argued that its Myanmar policy was fundamentally anchored toward supporting democracy and human rights rather than engaging in competition with China. As put by then-Secretary of State Hillary Clinton during her visit to Myanmar in November and December of 2011:

*"... we are not about opposing any other country: we are about supporting this country... as I specifically told the president and the two speakers, we welcome positive, constructive relations between China and her neighbors... So from our perspective, we are not viewing this in light of any competition with China."*¹²

Two weeks later, then-US Special Representative and Policy Coordinator for Burma, Derek Mitchell, made a similar but more specific statement in Beijing on US policy and China-Myanmar relations. He reconfirmed the US' lack of intention to target China by improving ties with the isolated country:

*"There is no intent of the United States in its relationship with Burma to have any negative influence on China-Burma relations. It is not meant to come at the expense of any country. It is not in the interest of the United States that Burma have tense relationships with its neighbors, in fact the contrary, that it's in the interest of regional peace and stability and development that Burma have good relationships with its neighbors, that there not be division within the region, that there be cooperation and coordination of approaches, and that we have a unified approach or at least we're working in coordination together."*¹³

Regardless of the US government's true intention, strategic thinkers in the US had been calling for modification of the American sanctions policy because of China's deepening political ties and economic integration with Myanmar. At a 2011 conference at Georgetown University, some panelists strongly argued that US sanctions had the effect of locking Myanmar into a dependent relationship with China: "(with the Western sanctions)... Myanmar had no way out [of being] trapped into a dependent relationship with the only country in the world (China) in a position to threaten its core interests."¹⁴ Seeing China's monopoly of influence in Myanmar as detrimental to US strategic interests in South Asia and the Indian Ocean, the argument continued that the US needed to reconsider its isolation and sanctions policy from a broader regional and strategic perspective.

Furthermore, US rapprochement with Myanmar has been broadly seen as serving Washington's broader strategic goal of strengthening relations with ASEAN, which, as argued by Jürgen Haacke, a leading expert on Myanmar's foreign relations, "cannot really be considered outside the context of China's rise as a great power and its deepening ties with Southeast Asia."¹⁵ The US has sought to counter and offset China's charm offensive in Southeast Asia, as well as confront China's rising assertiveness in the region on issues such as the South China Sea. In this context, the Obama administration's pragmatic ap-

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proach toward Myanmar is viewed by many as a key element of its enhanced competition with China in the region.¹⁶ Therefore, the US' new Myanmar policy remains geared to the promotion of democratic governance and national reconciliation, but under President Obama, it has arguably also been made with China very much in consideration.¹⁷

Exactly how much the China factor influenced the shift in US policy toward Myanmar is difficult to determine, but certainly the deepening of Beijing's ties to Naypyidaw played both direct and indirect roles. China's rising regional influence played an important role in the Obama Administration's decision to increase its engagement with ASEAN, including the decision to sign the 1967 ASEAN Treaty of Amity and Cooperation (TAC) at the regional body's annual meeting with its external "dialogue partners" in July 2009, in Phuket, Thailand. Then-Secretary of State Hillary Clinton famously proclaimed, "The United States is back in Southeast Asia" just prior to signing the TAC. The sanctions and the poor state of bilateral relations were a significant obstacle to the US' ability to fully embrace ASEAN. The same concerns lay behind the decision of the White House to test the military government's intentions when it allowed Kurt Campbell to meet Aung San Suu Kyi in November 2009.

In reality, the US' policy initiatives in Myanmar have been focused on Myanmar itself and the success of its transition to democracy and development.¹⁸ From long opposing human rights abuses to promoting peace and reconciliation, strengthening of government institutions, building a market economy and enhancing livelihood and local governance, most US policy initiatives, if not all, have been focused on Myanmar's domestic political and economic development – with little direct relevance to China. At least until very recently this has been especially true of the US Congress. However, because China has had such extensive political and economic linkages with Myanmar, mostly associated with the former military government, it is inevitable for the results of US reform-facilitating policies to affect and be perceived as undermining China's interests on the ground. While it would not be accurate to qualify such policies as targeted at China, it is also undeniable that China has suffered significant collateral damage due to those policies.

Rhetorically, the United States has intentionally avoided framing Myanmar in the context of broader US-China relations. To the extent that it does not compromise its support of democratic reform in Myanmar, Washington has been intent on minimizing animosity from Beijing. This is not only because it would disturb Sino-American ties, but because it could also be detrimental to Myanmar's reform process. Indeed, there have been concerns among American analysts regarding what Beijing might do to undermine the China-unfriendly reforms in Myanmar. Speculation has included China potentially propping up border ethnic groups such as the Wa and the Kachin to increase its policy leverage, reducing investment in Myanmar to undermine the reform process and supporting the Myanmar military to maintain influence over the country's domestic politics.

III. US-China in Myanmar: Competition or Cooperation?

Given China's deep distrust and the impact of US-Myanmar rapprochement on China, competition rather than cooperation has been the most prominent characteristic of the US-China dynamic in Myanmar since 2011. Long-time Myanmar watchers such as Bertil Lintner, Aung Zaw and Jürgen Haacke, and prestigious media outlets such as the *New York Times*, swiftly grasped the trend and began to discuss Myanmar as the "US-China Great Game,"¹⁹ "Sino-US Geopolitical Competition,"²⁰ "US-China Battlefield"²¹ and a focal point where "US and China press for influence."²²

The signs of US-China competition are identified in various fields. Politically, both countries are trying to diversify ties with various political forces in Myanmar and build relationships with those traditionally closer to the other country. Within the limited room for maneuver permitted by congressional supporters of continued sanctions, the US has attempted to engage the Myanmar military. In late 2012, more than 20 senior US defense officials met with senior government ministers and military leaders in Myanmar, marking Washington's "strongest overtures to the Burmese army in nearly a quarter of a century."²³ In February 2013, Myanmar military observers were allowed to participate in a US-led military exercise in Thailand "Cobra Gold" for the first time in history (and a year before China first participated).²⁴

China on the other hand has eagerly reached out to the pro-West democratic oppositions to build ties, especially with democracy icon Aung San Suu Kyi. Since late 2011, the Chinese ambassador in Myanmar has held multiple meetings with her, and China has invited two delegations from the National League for Democracy (NLD) to visit Beijing.²⁵ Most recently, the deputy chief of the International Department of the Chinese Communist Party visited NLD headquarters, and an invitation for Suu Kyi to visit China is widely speculated.²⁶

Economically, China sees competition from the US' close ally Japan, rather than directly from the US. Chinese analysts recognize that the US is constrained by sanctions and domestic politics and therefore cannot launch major economic engagements in Myanmar. However, they have also perceived an informal division of labor between the US and Japan, where the US prioritizes delivering political rewards for Myanmar's reform while Japan focuses on the economic front by offering aid and investment.²⁷

Since 2012, Japan has cancelled more than \$5 billion of debt owed by Myanmar and has committed to providing a \$504 million loan to the country.²⁸ During a summit of Japanese and ASEAN leaders in December 2013, Japan pledged another \$580 million in loans to Myanmar.²⁹ In relation to China, unnamed Tokyo government officials were quoted as saying that Japan's aid is "an attempt to counterbalance China's influence in Burma, as well as to support Japanese companies as they move into the country."³⁰ Japan's economic contribution to Myanmar is believed to have been designed to offset the negative impact of China's withdrawn foreign investment since 2011.

Strategically, the sense of competition comes mostly from a perception in China that through improved ties with the United States, Myanmar will become less dependent on China and thus less likely to honor China's requests on regional and strategic issues. Such issues mostly relate to Myanmar's strategic utility in China's engagement with Southeast Asia and South Asia, including Myanmar's positions on China-related issues in ASEAN as well as China's strategic corridor and engagement through Myanmar into the Indian Ocean.

In this context of strong competition between the US and China in Myanmar, the January announcement of future US-China cooperation in Myanmar indeed strikes some observers as surprising, counter-intuitive and perplexing. The decision seems to be partially motivated by the two sides' commitments to build and operationalize a "new model of major power relations." The idea of the "new model of major power relations" was first raised by then-State Councilor Dai Bingguo in mid-2010 and was supported and reiterated by Xi Jinping during his visits to the US in February 2012 and June 2013.³¹ It is considered to be Xi Jinping's main strategy in Sino-US relations. Although there are differences with respect to some of the key details, at a broad conceptual level the proposal

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is regarded to have been accepted by the Obama administration in late November 2013 when National Security Advisor Susan Rice stated that the US “seeks to operationalize a new model of major power relations when it comes to China.”³² Therefore, the need is presumably high for the two sides to identify and work on a few key issues to substantiate their claimed commitments.

Myanmar is a good candidate for such cooperation for a few reasons. The US and China are both committed to the peace, stability and development of Myanmar. They may have different motivations (China for a stable and prosperous neighbor and the US for the success of democratic reform), but the common interests exist. As a country with on-going internal conflict, Myanmar could be another showcase of US-China joint effort in promoting peace and stability, after some promising cooperation efforts in Afghanistan. Particularly given the perceived competitive nature of their relationship in Myanmar, the announcement of such cooperation would at a minimum alleviate the bitter flavor of their power dynamics in Myanmar.

However, observers should have realistic expectations of the content and depth of such cooperation. Earlier analysis in the US had called for US-China cooperation on Myanmar’s economic reform, such as joint assistance through third parties to improve Myanmar’s education and banking system.³³ However, at the present stage, bilateral cooperation on economic issues in Myanmar face a few critical obstacles:

- One obstacle is China’s dropping economic investment in Myanmar. From Fiscal Year 2011/2012 to Fiscal Year 2012/2013,³⁴ China’s foreign investment in Myanmar dropped by over 90% from more than \$8 billion to \$407 million.³⁵ In 2013, Chinese investment showed no signs of resumption.³⁶ In the midst of China’s overall caution about economic investment in Myanmar, it would be difficult to persuade China to launch significant economic initiatives.
- In terms of economic aid, China traditionally prefers to provide assistance bilaterally rather than in collaboration with Western donors because of different requirements and conditions. From China’s perspective, economic aid should serve a higher purpose of improving Sino-Myanmar relations. For example, the \$100 million in small-sized agricultural loans that the China Export-Import Bank agreed to provide Myanmar in October 2013 is targeted at improving China’s image and reputation at the grass-roots level in rural Myanmar.³⁷ The bilateral nature of such assistance makes it difficult for the US to participate.
- The compatibility of US and Chinese investment in Myanmar’s economic reform is another issue. For example, in 2012 a group of US and Chinese experts were invited to Myanmar to provide advice on the development of Special Economic Zones. However, even on basic issues such as handling public opinion in the development process, China has very different approaches than the US and Myanmar due to its non-democratic political system.

US-China cooperation on political issues is difficult as well. Any cooperation on the promotion of democracy would be difficult to sell to Beijing, for the obvious reason that it would not be in line with China’s own political system. However, even on issues where the US and China presumably share a common goal, such as the peace process and ethnic reconciliation, cooperation is limited by each country’s different priorities and approaches. On the Kachin conflict, China has rejected involvement of other foreign powers, particularly of the US, in an area adjacent to the Chinese border that could af-

fect China's national security. Moreover, for its part, the US has been very careful not to impose itself on the peace process, given the Myanmar government's sensitivity that the process remains an internal affair.

These constraints narrow the scope of US-China cooperation to less sensitive and non-critical issues in Myanmar. Nontraditional security threats have been identified as the most likely area of cooperation, given existing US-China working relations in countering narcotics trafficking, pandemic disease, terrorism and piracy in Southeast Asia.³⁸ Therefore, health issues such as HIV/AIDS and counter-narcotics campaign are two areas with the highest likelihood for US-China cooperation in Myanmar. Such cooperation would not be politically exciting or economically rewarding in the immediate future. However, it would contribute to the improvement of the Burmese people's livelihood and lay the social foundation for healthy, sustainable development.

IV. The Role and Views of Myanmar

In examining US-China interaction in Myanmar and the potential for cooperation, a vital player that should not be ignored is Myanmar itself. Myanmar's preference for the nature and format of US-China interactions plays a determining role in shaping the eventual outcomes. In addition, the maturity and capacity of the Myanmar government to shape such interactions also fundamentally affects the possibility and success of any US-China cooperation in its country. American and Chinese analysts both acknowledge the importance that Myanmar be included in any potential US-China cooperation in the country, so that Yangon does not perceive such efforts to be the two great powers "ganging up" on it or pressuring it to do anything outside its interests.³⁹ Some have even argued that such cooperation should be initiated by the Burmese themselves to be effective.

Traditionally, Myanmar pursued a neutralist, non-alignment foreign policy strategy and balancing diplomacy among all powers, including China and the US. In the case of China, Myanmar has always been suspicious and fearful about China's intentions, given the vast difference of their sizes and Beijing's support of the Burmese Communist Party during the Cultural Revolution.⁴⁰ In the case of the US, Myanmar endured two decades of isolation and sanctions by Washington, a serious security threat to the military government that led to its alignment with China during the same period. Such disproportionate overdependence on China later prompted the pendulum to swing toward rapprochement with Washington to balance China. Against this background, Burmese analysts feel strongly about the need to balance between the US and China to maximize Myanmar's policy options and benefits.⁴¹

On the issue of US-China cooperation versus competition in Myanmar, the Burmese constantly use the "two elephants" analogy – the grass suffers regardless of whether the two elephants are on good or bad terms. On the one hand, Myanmar genuinely fears becoming the center of a competition or confrontation between Washington and Beijing, which would force it to either choose a side or anger both. On the other hand, if the US and China get along so well that they begin to jointly dictate the terms in Myanmar, Myanmar might lose its independence and become the victim of a back-channel agreement between Washington and Beijing. Myanmar is walking a fine line trying to prevent China and US from either fighting or striking a secret deal over Myanmar.

Although no one can deny that Myanmar should take the initiative and lead US-China cooperation efforts in Myanmar, the reality is less promising. Myanmar seems unlikely to be ready to take the lead in initiating, shaping and managing US-China cooperative

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efforts in its country. Although Myanmar aspires to maintain equal distance from both the US and China, such acts require a strong domestic political base and a high level of policy coherence. Unfortunately, the current Myanmar government has yet to achieve such strong domestic support and any mismanagement of relations with either the US or China could backfire. Navigating the complicated and sensitive issues of US-China relations is tricky and requires political maturity, diplomatic adeptness and government capacity that the current Myanmar government neither possesses nor prioritizes at its current stage. Unless Myanmar can accurately identify those issues on which the US and China can cooperate without harsh feelings and carve out specific action plans, such cooperation will be difficult.

V. Looking Ahead

As the two powers with arguably the most resources and influence in Myanmar, the US and China have had and will continue to have a major impact over the future of the country. Although the two sides have committed to work together for Myanmar's stability and development, the genuineness, scope and depth of such cooperation remains to be seen. Many expect the Myanmar government to make careful calculations and take the lead in such US-China cooperation in its country. However, it might be a long while before any US-China joint initiatives will actually happen in the case of Myanmar.

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