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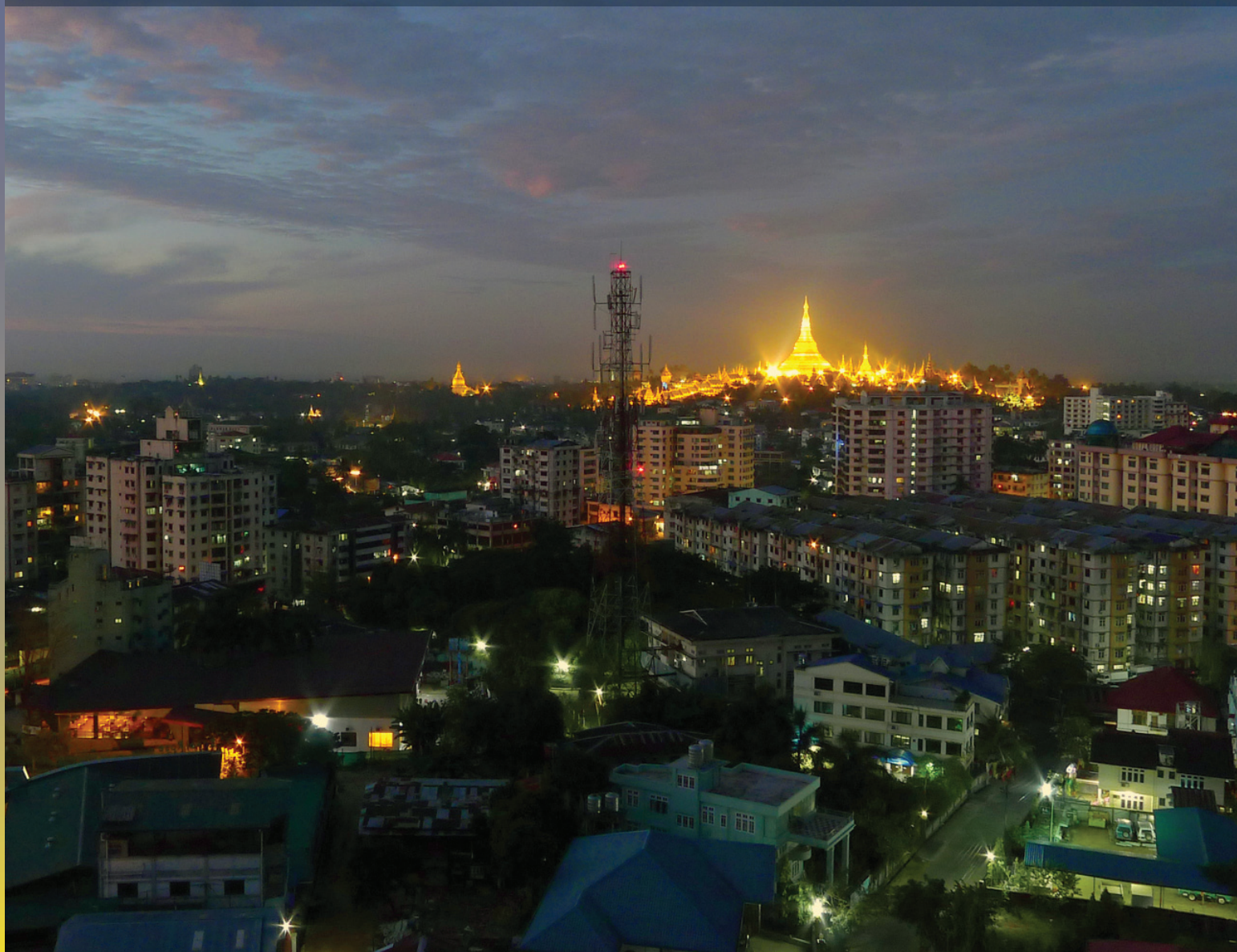
MYANMAR'S GROWING REGIONAL ROLE

By Mely Caballero-Anthony, Priscilla Clapp, Catharin Dalpino, Abraham M. Denmark, Meredith Miller, and Morten B. Pedersen



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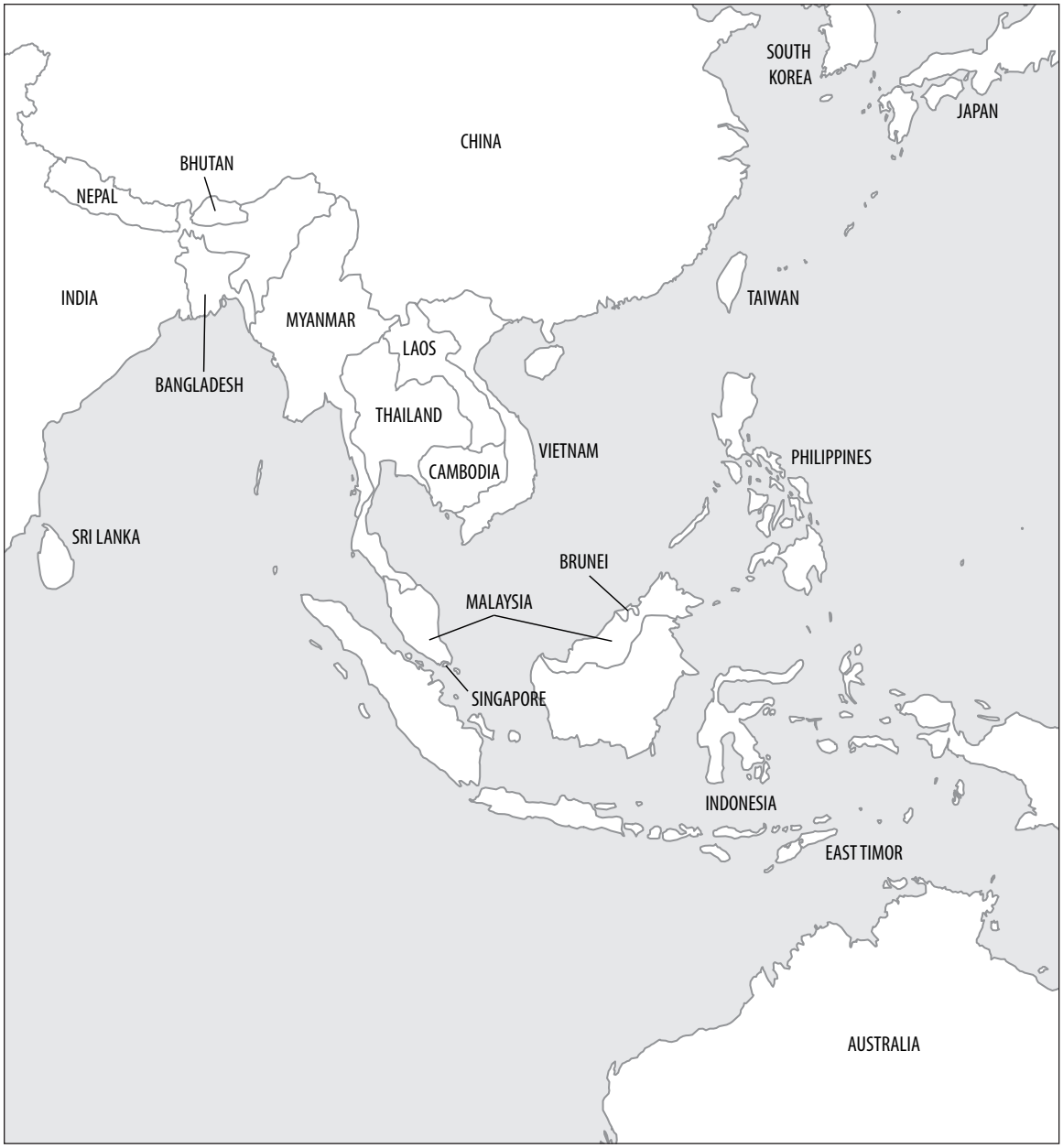

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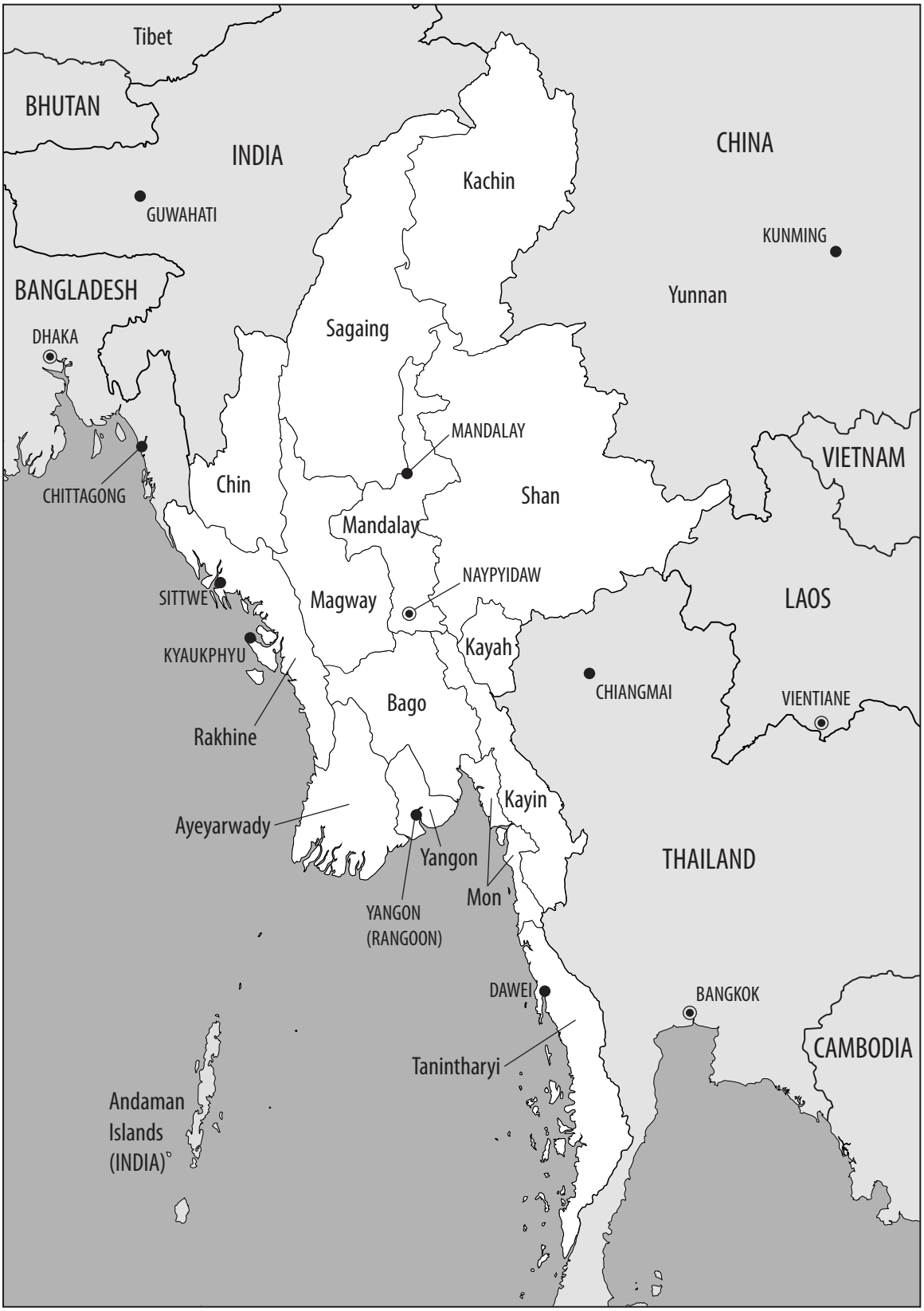

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Introduction: Myanmar's Re-emergence

Meredith Miller and Abraham M. Denmark

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Myanmar is a nation consumed with its own evolution. After decades of authoritarianism and self-imposed isolation, the country has begun to reform its politics at home and open up to the outside world. Though still precarious, domestic political and economic reforms have already begun to enable Myanmar's people and institutions to interact with their foreign counterparts in ways that would have previously been impossible. As Myanmar re-emerges onto the world stage, the potential for it to play a larger role in global economic and political affairs is significant.

Prior to its shift toward isolation, Myanmar was a major player in the politics of South and Southeast Asia and the developing world more broadly. Active in the formation of the Non-Aligned Movement and bolstered by its strategic geographic position and wealth of natural resources, the country was able to punch above its weight in international affairs. With its experiment in military authoritarianism hopefully coming to a close, Myanmar is poised to re-emerge as a significant regional player.

A major step in this process has been Myanmar's assumption of the chair of the Association of Southeast Asian Nations (ASEAN) for 2014 after being passed over for the chairmanship in 2005. This signaled to the world that the country was prepared to interact with the region in a more robust and serious fashion. Yet Myanmar's chairmanship, as with so many of the country's foreign policy decisions, will be primarily driven by domestic political factors. Specifically, Naypyidaw views chairing ASEAN as an opportunity to demonstrate to domestic audiences the international support for, and tangible benefits of, its political and economic reforms.

These domestic motivations echo a theme that reverberates throughout this study. Time and again, Myanmar's approach to foreign affairs has been significantly (and often primarily) shaped by domestic political and economic considerations. While this is not necessarily different from the formation of foreign policies by other nations, the unique state of reform and opening in which Myanmar finds itself today lays these motivations bare to the world. Decades of isolation have significantly depleted Myanmar's cadre of foreign policy professionals, leaving only a few dozen technocrats able to understand and articulate strategic and geopolitical rationales for foreign policy decision-making. Most often, domestic politics and economic needs are explicitly given as reasons for foreign policy behavior.

Yet much remains to be understood about the role that Myanmar can play in the region, the role it seeks to play, and the forces that will pull it in various strategic directions. To better understand these issues, the National Bureau of Asian Research (NBR), with the support of the Henry Luce Foundation, has gathered a team of experts to analyze various aspects of Myanmar's re-emergence. This team visited Myanmar in October 2013 for meetings with political, economic, and foreign policy actors in Yangon and Naypyidaw. In this NBR Special Report, Priscilla Clapp, a senior adviser to the Asia Society and the United States Institute of Peace and a former U.S. Foreign Service officer, writes about the influence of domestic issues on Myanmar's foreign policy. Next, Catharin Dalpino, a contract course chair at the State Department's Foreign Service Institute and a former deputy assistant secretary of state, examines the prospects for U.S.-Myanmar relations. Mely Caballero-Anthony, head of the Centre for Non-Traditional Security Studies at the S. Rajaratnam School of International Studies and a former official at ASEAN, discusses Myanmar's chairmanship of ASEAN. Morten Pedersen, a senior lecturer at the University of New South Wales in Canberra, then analyzes how Myanmar's policy elites think about the country's foreign policy during the current time of transition. Abraham M. Denmark, vice president for

political and security affairs at NBR, examines Myanmar's relations with Asia's major powers—China, India, and Japan. Finally, Meredith Miller, senior vice president for trade, economics, and energy affairs at NBR, considers the economic and trade issues related to Myanmar's re-emergence.

Myanmar's chairmanship of ASEAN is certainly focused on the progression toward ASEAN's goals, but it is also concerned with the country's own development as a foreign policy actor. The six essays in this report all point to the long road ahead for Myanmar's political and economic evolution. Through its chairmanship, Myanmar will gain the profile and experience of leading ASEAN, as well as the dialogue partners that it has for so long lacked. However, the real determinant of the country's future international standing will be the new government's leadership at home in building the economic and political framework that will allow Myanmar to play a stronger role in regional affairs in the decades to come.

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The Influence of Domestic Issues on Myanmar's Foreign Policy: A Historical Perspective

Priscilla Clapp

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EXECUTIVE SUMMARY

This essay describes the influence of internal events and circumstances on Myanmar's foreign policy and external relations from the end of the colonial period to present.

MAIN ARGUMENT

Emerging from colonial rule as a battleground in World War II, Myanmar soon found itself buffeted by Cold War power struggles between Communist giants and East and West. To avoid being drawn into the turmoil, the fledgling democracy of the 1950s adopted a foreign policy of strict neutrality and nonalignment. Consumed by internal insurgencies on several fronts, Myanmar slid into a harsh form of military rule after 1962 and closed its doors to isolate itself from the post-independence struggles besieging the neighborhood. After the events of 1988, the military rulers tried to end their self-imposed isolation, but Western countries began applying political and economic sanctions that effectively perpetuated isolation for another twenty years. In response, the military government adopted a defensive foreign policy using its neighbors, especially other members of the Association of Southeast Asian Nations (ASEAN) and China, as a buffer against a Western attack. When the transition to a quasi-elected government in 2011 suddenly spawned a dramatic succession of political and economic reforms, the waves of international opprobrium ceased. Myanmar now finds itself in the embrace of the international community and is gradually adjusting to its newfound status.

POLICY IMPLICATIONS

- Myanmar's foreign policy will remain consistently neutral and nonaligned, although the country will inevitably become increasingly bound to its Southeast Asian neighbors as ASEAN realizes its post-2015 goal of the ASEAN Economic Community.
- The failure to confront communal violence against Muslims could seriously complicate Myanmar's relations with Muslim countries in Asia and elsewhere.
- While the current government is clearly vested in the democratic reform process, the sustainability of reforms beyond 2015 will depend vitally on the government's ability to deliver a higher standard of living to the general population, as well as its success in delivering peace, prosperity, and equality to the country's peripheries.

As with any country, Myanmar's internal conditions and challenges play a central role in determining how its government frames foreign policy and manages external relations. Nonetheless, very few countries have allowed internal matters to overpower foreign relations so thoroughly and for such a long period of time as Myanmar did during the 50 years leading up to the decision by its new government to embark on a program of radical reform in 2011. It is therefore not surprising that the country's dramatic internal reforms have had the effect of transforming its interest in the global community and approach to foreign policy. This transformation has not been formed out of whole cloth, however; it is a fabric woven by decades of Myanmar coping with internal strife, dodging great power struggles both inside and outside its borders, interacting with a hostile world, and arriving at new calculations about how to achieve the country's best interests in a rapidly evolving neighborhood.

In order to appreciate fully the nature of this abrupt departure from the isolation that marked Myanmar's past and why the new leadership's perspective on the world seems to have changed so markedly, one must first explore the country's modern history, beginning with the end of the colonial era. To set the stage for subsequent essays in this report, this essay will provide a retrospective on the interplay between domestic issues and foreign policy during the three main eras succeeding independence from British colonial rule: the democratic years from 1947 to 1962, the Ne Win government from 1962 to 1988, and the years of martial law under the State Law and Order Restoration Council (SLORC) and State Peace and Development Council (SPDC) from 1988 to 2011.[1] The essay will then describe the domestic objectives of the political and economic transition that have reshaped the government's attitudes toward foreign relations and will end with a number of observations and conclusions about possible trends in the future.

The Colonial Legacy

The British colonial period in Burma spawned a strong nationalistic sentiment in the country's Burman ethnic group, motivated chiefly by a desire to expel the colonial masters and gain political and economic independence and self-determination.[2] Burmans felt alienated in their own country by the many "guests" the British had brought in, particularly Indians, who by the 1930s had become the mainstay of the mercantile class and government ministries. Indian *chettyar* moneylenders propelled the impoverishment of rural farmers, and half the population of Rangoon was now Indian. Anti-Indian riots in 1930 and 1938 killed thousands.[3]

In the late 1930s, the growing nationalism gave rise to a group of young activists, led by students who were drawn to Marx's anti-imperialist philosophy, founding the Communist Party of Burma (CPB) in 1939. They became increasingly determined to rid the country of its colonial masters, economic exploitation, and its subjugation to India. By the outbreak of World War II, their sentiments had gained widespread sympathy within the ethnic Burman population.

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[1] Myanmar's history is much more complex than could be described in a single essay. The aim here will not be to deal with the country's highly complex internal development but rather to focus on those issues and events that had the most impact on the leadership's attitudes and posture toward the outside world. Most of the historical material for the early years from 1947 to 1988 has been drawn from several sources cited in the following footnotes. However, the information and analysis of the period from 1990 to the present is based largely on the author's firsthand experience, and the related analysis and conclusions are those of the author.

[2] Burma is used here as the country's name when discussing the period before it was renamed Myanmar in 1989.

[3] Martin Smith, *Burma: Insurgency and the Politics of Ethnicity*, rev. ed. (1991; repr., New York: St. Martin's Press, 1999), 43–44. See also Sean Turnell, *Fiery Dragons: Banks, Moneylenders, and Microfinance in Burma* (Malaysia: NIAS Press, 2009), 49.

Although there were a number of divisions and subdivisions among the widening group of anti-colonial agitators, a small core of students around Aung San, the father of today's democracy champion Aung San Suu Kyi, became the most important because of their efforts to instigate an armed revolt against the British. To gather the necessary wherewithal for this, they accepted imperial Japan's offer to train and arm a small liberation force that would form the backbone of the Burma Independence Army (BIA). After several months of training outside Burma in 1941, Aung San and his "30 comrades" returned home on the heels of the Japanese takeover in early 1942 and assisted the Japanese in routing the colonial government and rallying Burmese support for the new occupiers. During this period, the young BIA took advantage of Japanese rule to chase out half a million Indians, and many thousands perished in what historian Martin Smith has described as "one of the darkest passages in Burma's history."[4] After three years, however, Aung San and his army tired of Japanese fascism and fled Rangoon to the hills around the country's current capital of Naypyidaw. From here, they helped form a political arm for the BIA called the Anti-Fascist People's Freedom League (AFPFL), joining the Allied forces to bring an end to Japanese occupation in 1945.

General Aung San and his colleagues emerged from this experience more determined than ever to rid the country of what they saw as foreign domination designed solely to serve the political and economic interests of powerful capitalists.[5] Indeed, Britain was now prepared to grant them the independence they had craved, but the war between occupiers and invaders had left the country in a shambles. The British proposed an interim "reconstruction" period of several years under British guidance to allow for economic recovery and establish the governing institutions of parliamentary democracy. Aung San and his colleagues, however, preferred to move directly to self-rule and were particularly anxious to expunge British control of the country's economy. Under pressure from leftist elements in the nationalist movement who insisted on a total break with Britain, the offer of membership in the Commonwealth was rejected to ensure the strict neutrality and sovereign independence of the new state.[6] January 4, 1948, was chosen as the most auspicious date for embarking on independence. Yet, as the new leaders were drawing up a constitution and forming the country's initial government bodies, they met a tragic end. On July 19, 1947, Aung San and several of his colleagues who were to join him in the new government were shot by a disgruntled political opponent who felt he was being deprived of his right to leadership.[7]

Thus, the country of Burma was reborn on January 4, 1948, and its new leaders embarked boldly on their adventure of independence. However, they were without the strong, wise leader who had skillfully negotiated the terms of independence with Britain and forged agreements with skeptical minority ethnic groups to gain their endorsement of the new constitution that formed the country's first union. Both before and during the colonial years, the main ethnic groups had been governed more or less separately, and the non-Burman nationalities had enjoyed considerable autonomy in return for supporting British interests in their areas. In fact, most of them had appreciated the autonomous existence of the colonial years and remained firmly in the camp of the Allied forces during the Japanese occupation, supporting Allied operations in their areas and fighting alongside

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4 Smith, *Burma: Insurgency and the Politics of Ethnicity*, 44.

5 Thant Myint-U, *The River of Lost Footsteps: Histories of Burma* (New York: Farrar, Straus, and Giroux, 2006), 244.

6 Ibid., 44–54. See also Smith, *Burma: Insurgency and the Politics of Ethnicity*, 77–79.

7 Not surprisingly, some rogue British military and business figures were implicated in the plot.

Allied forces to thwart and expel the Japanese.[8] Many had been Christianized by missionaries and had little in common with the Burman Buddhist majority. They had resented the collaboration of the Burman nationalist leaders with the Japanese fascists. In fact, one of the other ethnic groups, the Karen, had refused altogether to join the new constitution and only participated as observers in the Panglong conference where Aung San had promised that the major ethnic groups could continue to govern themselves under the new union. The Karen remained strongly affiliated with various British organizations and individuals after independence. Thus, they and other ethnic groups came to be seen, especially by the more conservative of the new Burman nationalist leaders, as continuing conduits for foreign influence and meddling in the country.[9]

One of Aung San's 30 comrades, U Nu, became the first prime minister after Aung San was assassinated, but he could not match Aung San's strong leadership. Inept decisions taken by the government to restrict ethnic autonomy intensified grievances, and soon most of the ethnic areas had joined in armed rebellion. By 1950 the country was awash in insurgency, with Islamic *mujahideen* fighting in northern Arakan State, a major Karen rebellion, two separate Communist insurgencies, a rebellion by military police, renegade army divisions joining different rebellions, and the formation of the People's Volunteer Organization consisting of young, unemployed men who had been demobilized from the bloated BIA after the defeat of the Japanese.

In 1949–50, just as Ne Win's army was beginning to bring the Communist and Karen rebellions under a modicum of control, the external world began to intrude on Burma again as a result of the Communist revolution in China. When the remnants of Chiang Kai-shek's Kuomintang (KMT) fled across the border into Burma with the support of Taiwan, Thailand, and the United States, General Ne Win and his military planners became deeply concerned that the KMT presence could provoke an invasion by Chinese Communist forces, making China a potential external threat to Burma.[10] To contain the KMT, therefore, Ne Win deployed government forces into the Shan State and put large areas under military administration, causing the Shan, who had until then been on good terms with the U Nu government, to begin thinking about self-rule.

Recognizing that the weak, fledgling Union of Burma was under threat from powerful external forces who were supporting several of the internal rebel forces, U Nu strived to maintain friendly relations with all by holding to strict neutrality and nonalignment in an increasingly polarized postwar world. Burma became a founding member of both the United Nations and the Non-Aligned Movement and sought protection by having no external enemies. Considering the very real threat from China, U Nu's Burma was especially careful to cultivate friendly relations with China's new Communist government. U Nu and his close adviser U Thant traveled widely together, making friends, supporting independence movements, and visiting China, Europe, the United States, the Soviet Union, and Israel. In 1957, U Nu named U Thant as Burma's permanent representative to the UN. His election four years later to the post of UN secretary general was a testament to Burma's international standing at the time and the success of its careful balancing act between East and West.

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[8] Mary Callahan, "Myanmar's Perpetual Junta: Solving the Riddle of the Tatmadaw's Long Reign," *New Left Review*, no. 60 (2009): 38; Smith, *Burma: Insurgency and the Politics of Ethnicity*, 44–48; and Mary Callahan, *Making Enemies: War and State Building in Burma* (Ithaca: Cornell University Press, 2003), chap. 2.

[9] David I. Steinberg, *Burma/Myanmar: What Everyone Needs to Know* (New York: Oxford University Press, 2010), 44; Smith, *Burma: Insurgency and the Politics of Ethnicity*, 88–101; and Thant Myint-U, *The River of Lost Footsteps*, 255–65.

[10] Thant Myint-U, *The River of Lost Footsteps*, 275.

Under pressure from both the left and right wings of the political spectrum, U Nu continued to centralize the economy. The 1947 constitution had designated the state as the ultimate owner of all land and outlawed all large land holdings. It also obliged the state to provide for public health, education, and welfare, thus setting the foundation for a socialist economy. At the same time, General Ne Win was gradually expanding the army's control over trade and industry, ostensibly to procure adequate supplies for the army to fight the countrywide rebellions.

Gradually, the divisions within the ruling AFPFL party in the parliament—between the more liberal wing of U Nu and the more authoritarian wing, which tended to support Ne Win and his allies—were beginning to widen, making it increasingly difficult for the government to reach decisions.[11] When the party split in 1958, Ne Win and his allies became concerned that the resulting tension in the parliament was developing into widespread political instability at the local level, threatening the cohesion of the union. He convinced, perhaps even coerced, U Nu to establish a caretaker government under the army's authority to restore security and law and order in preparation for new elections in 1960. Although Ne Win returned the government to parliamentary rule, as promised, with the 1960 elections, the squabbling within the parliament persisted and a culture of violence began to take root throughout the country.

Consequently, when key Shan leaders met in 1961 to discuss a new federal system of government and U Nu responded by convening the Nationalities Seminar in Rangoon in early 1962, Ne Win and his lieutenants saw these developments as prelude to the disintegration of the union and became nervous. They believed they could do a better job of holding the country together and making the trains run on time than U Nu's fractious civilian government.

The Ne Win Years

On March 2, 1962, shortly after U Nu's Nationalities Seminar, the military rolled through Rangoon and took over the government offices, arresting nearly all the top elected officials. Parliament was dismissed, the constitution was suspended, and the Revolutionary Council of Ne Win's lieutenants assumed power. The council's spokesman Brigadier Aung Kyi explained that, with the chaos emerging in the neighboring countries of Indochina, Burma could not afford "such a luxury as federalism."[12] Ne Win appointed himself president, minister of defense, and minister of finance, and local military councils were formed to replace the existing government.

Using the socialist theme that had guided the anti-colonial movement and the parliamentary years, Ne Win expounded an ideology of the "Burmese Way to Socialism" that became a thinly disguised excuse for consolidating all national assets under military control and closing the country's doors tightly to the tumultuous world outside.[13] By espousing the socialist theme and presenting the military as socialist revolutionaries, Ne Win and his cohorts wished to appeal to the large body of popular sympathy that had developed around the countrywide Communist opposition, which had emerged from the pre-independence, anti-colonial nationalist movement. Yet the absence of a genuine intellectual philosophy to distinguish the Ne Win brand of socialism exposed it as simply a veneer for military control.[14]

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11 Smith, *Burma: Insurgency and the Politics of Ethnicity*, 176–79.

12 Ibid., 196.

13 Callahan, "Myanmar's Perpetual Junta," 41.

14 Smith, *Burma: Insurgency and the Politics of Ethnicity*, 196–97.

Within a year it became clear just how far the army was prepared to move against its perceived internal enemies. All international influences were summarily expunged. In 1962, the Ford and Asia Foundations, the Fulbright Program, and the Rangoon campus of the Johns Hopkins School of Advanced International Studies were evicted. In 1964, Ne Win nationalized all major businesses and industry. Hundreds of thousands of Indian and Chinese merchants were expelled from the country, and all foreign and national banks were taken over by the government, dealing a harsh blow to the economy, particularly the rice and commodity trade. English-language training was severely curtailed and a serious effort at "Burmanization" was instituted among the ethnic minorities.

In 1963, Ne Win, perhaps under Chinese pressure, invited various Communist and ethnic leaders to a peace conference in Rangoon for a half-hearted effort at reconciliation. The talks led nowhere, and the rebellious leaders returned to their insurgencies, breathing new life into the country's civil war. Several of the ethnic rebellions began to acquire a Communist overlay. As Mao Zedong's Cultural Revolution gathered momentum in China, the Chinese began openly to support the Communist Party of Burma. The insurgency spread across the country and infiltrated many of the ethnic insurgencies, particularly along the border with China, even as they maintained outwardly cordial relations with Ne Win's government. With the widening rift between Beijing and Moscow, the Soviet Union became a champion of Ne Win's socialist revolution, while rumors of covert U.S. support for the Karen insurgency flew around Rangoon and the intensifying war in Vietnam fueled the arms market supplying all the insurgencies in eastern Burma.[15] Although Ne Win had taken draconian measures to hermetically seal the country from external influence, the great powers were still finding ways to complicate his effort to unify the country.

In 1967 the xenophobia that spread among the urban Burman population with Ne Win's coup led to a massive communal assault on the country's remaining Chinese population, provoked by street demonstrations of Chinese school children in support of Mao and the Cultural Revolution. The mobs destroyed many Chinese properties in Rangoon and other cities, killed many Chinese residents, and attacked the Chinese embassy. Beijing turned against Ne Win and began openly supporting the CPB's effort to overthrow the Ne Win government, thereby greatly expanding material support for CPB forces. The CPB, for its part, not long after the break between Beijing and Ne Win, turned sharply to the left in support of Mao's Cultural Revolution. Bloody internal leadership purges were carried out, with public executions of top and middle leadership, including several CPB heroes from the original anti-colonial movement and Aung San's 30 comrades. Public horror at the spectacle of the internecine struggle destroyed the party's popularity with the Burman population.[16] Although it continued to play a key role in the ethnic insurgencies that were growing in strength in the northeast, by the late 1960s the CPB had ceased to represent the central threat to the government that it had been at its height.

China now began pouring assistance of all kinds—financial and military support, development aid, advisers, food, and clothing—to the CPB's northeast command.[17] In typical Chinese legerdemain, this assistance was channeled through the Chinese Communist Party Yunnan Provincial Committee as a show of friendly relations with a neighboring Communist party, even

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[15] Smith, *Burma: Insurgency and the Politics of Ethnicity*, 228; and Thant Myint-U, *The River of Lost Footsteps*, 307–9.

[16] Smith, *Burma: Insurgency and the Politics of Ethnicity*, 235.

[17] Some have estimated that the scale of this assistance was surpassed only by China's support for Pol Pot and the Khmer Rouge in Cambodia. See ibid., 248.

as Beijing began to withdraw public support for the CPB and revive government-to-government relations with Rangoon. As the CPB gained strength in the northeast, it managed to enlist or insinuate the support of local ethnic armies into its fierce campaign against Ne Win's Tatmadaw (armed forces), because they held common cause against Ne Win at the time. In the course of a six-year war, the northeast command succeeded in gaining control over most of the northeast section of Burma with the vital support and participation of Chinese military forces.

Fearing that this could be the vanguard of a Chinese invasion of Burma, Ne Win and his military leaders developed the infamous "four cuts" strategy to separate rebel forces from their families and support bases in villages so as to build a cordon between northeast and central Burma to defend the heartland.[18] Mobile counterinsurgency shock troops—a series of light infantry divisions—were developed to conduct the campaign by fanning out across the delta to the west and into the Pegu Mountains to the north of Rangoon in order to attack the CPB and Karen strongholds. By 1976, the Tatmadaw had broken the back of the CPB in central Burma, and the northeast command was beginning to lose its grip in the northeast. During the 1980s, ethnic rebellions continued to rage throughout the country, although not at the earlier levels. The CPB was confined largely to the areas bordering China, many of which had become a virtual extension of Yunnan Province. So long as China was not a threat to central Burma, Ne Win was willing to play along with Beijing's pretense at cordial relations, even as China was using Yunnan to promote a Communist takeover in Burma. In a sense, the communal violence against Chinese residents in 1967 could be seen as a signal to China about the kind of reception it would receive should it attempt to penetrate farther into the country.

Because Ne Win and his socialist government had managed quite successfully to seal the country off from outside scrutiny and the turmoil raging in Southeast Asia, he was able to minimize any negative effect the chaos inside Burma might have had on his foreign policy. Having thrown out all foreign and international banks and aid organizations in the early years after the coup of 1962, the socialist government decided toward the end of the decade that the economy was in dire straits. The World Bank and the Asian Development Bank were invited back, and Burma began accepting assistance from both Asian and Western governments, including the United States. Ne Win was invited to make a state visit to Washington in 1966 as a mark of U.S. appreciation for his nonalignment and neutrality in the Cold War, especially the war in Indochina, and to allay his fears about U.S. hostility. In Washington the visit was seen as a largely ceremonial gesture on the part of Ne Win, designed to balance the many visitors he had been receiving in Rangoon from various Communist states and to reassure the United States that Burma's strict neutrality was necessary to insulate the country from hostile neighbors. Keeping Burma out of the Vietnam conflict constituted the greatest parallel interest between the two countries.[19] In fact, at this time the United States maintained a continuing, but inconspicuous, program of military assistance that had been initiated in 1958. After the visit to Washington, this program, as well as economic assistance, expanded considerably to help Ne Win fight his own Communist threat.[20]

Rumors of covert U.S. support to some of the ethnic rebellions and to U Nu's ill-fated attempt to mount a rebellion from Bangkok in 1971–74 were never substantiated. If the United States did

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18 Smith, *Burma: Insurgency and the Politics of Ethnicity*, 258–62.

19 "Memorandum from Secretary of State Rusk to President Johnson," Document 101, September 3, 1966, in *Mainland Southeast Asia; Regional Affairs*, Foreign Relations of the United States, 1964–1968, vol. XXVII (Washington, D.C.: U.S. Government Printing Office, 2000).

20 Smith, *Burma: Insurgency and the Politics of Ethnicity*, 276.

provide support, it was well masked and Washington maintained a studied distance from the antigovernment movements to avoid compromising its relations with Ne Win, who was holding the line against the Communists. The engagement of some of the ethnic militias in the opium trade further alienated Washington from their activities. Burma's relations with Thailand were strained for both psychological and practical reasons. As ancient kingdoms, the two countries had a long history of rivalry and invasion back and forth, which continued to color their relations in the modern era. Against this background, Thailand's protection and military support for ethnic militias along their common border was considered by Burma a hostile act.

Moscow, for its part, was a strong supporter of Ne Win's socialist regime and withdrew its backing for the CPB when the party began drifting toward Mao's version of Marxist-Leninist doctrine. Rangoon's relations with the Soviet Union were thus close, and Moscow was relatively generous with economic assistance. In 1979, however, Burma withdrew from the Non-Aligned Movement out of deference to China, which felt that the movement had become too sympathetic to Moscow.

Throughout this period, Ne Win's overriding foreign policy objective was consistently and single-mindedly one of avoidance: to avoid foreign interference in Burma's chaotic civil wars, to avoid being forced to choose sides in the Cold War, and to avoid becoming embroiled in the postcolonial wars enveloping Southeast Asia. Surrounded by great-power competition that threatened to spill over into Burma, he held all contenders at bay and carefully balanced his relations with each.

The Return of Martial Law

The Ne Win era came to an ignominious end with the popular uprising of 1988, when people became fed up with the Burma Socialist Programme Party's inept economic management, which had impoverished the country. As Ne Win stepped down in July 1988, dismissing the socialist cabinet and handing the government over to the military, he said that the military must return the country to multiparty parliamentary governance. Southeast Asia had stabilized and was rapidly developing, China was undergoing an economic transformation, and the Cold War was coming to an end. He probably felt it was now safe to begin modifying military rule in Burma.

On the heels of Ne Win's resignation, Burma was placed under martial law by a military coup in September 1988. The first official decree of the new military government, which had named itself the State Law and Order Restoration Council, was an announcement that multiparty parliamentary elections would be held in the near future.[21] The SLORC also announced the establishment of a free-market sector in the economy, inviting foreign investment and opening the country to tourism. Quite fortuitously, in 1989 some of the ethnic leaders who had joined forces with the CPB in the northeast began deposing their Communist leaders and sending their Chinese advisers home, bringing an end to the CPB as a threat to the government. With the support of Beijing—now firmly under the reformist management of Deng Xiaoping—the SLORC began to negotiate a series of ceasefire agreements with various ethnic rebel groups, guaranteeing them autonomous governance of designated areas, mostly in the Shan State, and allowing them to keep

[21] Steinberg, *Burma/Myanmar: What Everyone Needs to Know*, 86–87.

their armed forces to provide local security.[22] The main exception was the Karen rebellion, which continued to insist on independence. Several Shan and Mon groups along the Thai border also continued their struggle against the Tatmadaw, but Burma had now become essentially stabilized after more than 40 years of raging civil war.

In 1988, Aung San's daughter, Aung San Suu Kyi, returned to Burma from her home in England to care for her ailing mother and quickly became a leader among protesters. When the SLORC began in earnest to set the stage for multiparty elections in 1990, she joined forces with other democracy advocates to help organize the National League for Democracy (NLD) and actively campaigned for its parliamentary candidates. SLORC leaders, however, saw Aung San Suu Kyi as an instrument of foreign influence in the political process and placed her in detention in 1989, where she remained for several years.

The government's exercise of extreme violence against the 1988 protesters elicited strong international opprobrium, causing Western governments to begin withdrawing economic and military assistance. When the 1990 election results produced an overwhelming win for the NLD, the military government was taken by surprise and began to see the democracy movement as a serious threat to the country's stability and governance.[23] The leadership refused to seat the new parliament, arguing instead that a new constitution must be produced first, and it proceeded to form the National Convention for this purpose. Thus began a twenty-year search for the right formula for a return to multiparty governance, which allowed the military to retain its preeminence in the political process to ensure "discipline."

The repression of democracy activists, particularly Aung San Suu Kyi and her party colleagues, became increasingly harsh as they resisted the army's plans to retain control, bringing greater and greater international reaction in the form of economic and political sanctions. The country's foreign relations spiraled downward, and its international isolation was now increasingly imposed from outside rather than inside, in contrast with the Ne Win years. At the same time, an inherent distrust of external forces and fear that they could regain influence over the country's economy or challenge the government's sovereignty remained a strong determinant of the SLORC's worldview. The sanctions were seen as a clear manifestation of the leadership's worst fears about the intentions of external powers to control Burma's internal situation. In its eyes, Aung San Suu Kyi and the NLD were vehicles for external meddling and needed to be excluded from the development of a new government.

In 1989, continuing the long nationalist campaign to wipe out all vestiges of the colonial years, the SLORC changed the country's official name from Burma to Myanmar and began Burmanizing the names of cities in ethnic minority areas. This policy created a new symbol for resistance by various opposition groups, both the pro-democracy forces and ethnic minority rebels. Adding insult to injury, Western governments embraced the cause of the pro-democracy forces and refused to accept the new name. International relations with the country became increasingly divided between those who called it Myanmar and those who refused to give up the name Burma.

The country's Asian neighbors, by contrast, welcomed the SLORC's free-market opening in 1989 and took advantage of the new investment opportunities. Tourism began to take off. International aid agencies began to operate in Myanmar, and many countries opened banking

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22 Steinberg, *Burma/Myanmar: What Everyone Needs to Know*, 110–13.

23 David I. Steinberg, *Turmoil in Burma: Contested Legitimacies in Myanmar* (Norwalk: EastBridge, 2006), 185–88.

offices in expectation that they would soon be allowed to operate.[24] In 1997, Myanmar became a member of the Association of Southeast Asian Nations (ASEAN), wrapping itself in a cloak of Asian respectability and unleashing a harsh U.S. rebuke to ASEAN for admitting such a repressive regime. The United States itself had begun to levy ever harsher sanctions on Myanmar with its 1996 ban on U.S. investment, and the ASEAN move caused Washington to begin sanctioning ASEAN activities that would require the participation of high-level officials. By the late 1990s, the military regime had changed its name to the State Peace and Development Council to demonstrate that martial law under the post–Ne Win leadership had now restored law and order and that the regime was focusing on peace and development in preparation for the return to parliamentary governance.[25] The fine point of these semantics was somehow lost on the international community, whose focus remained on the harsh human rights abuses being meted out by the regime against its perceived enemies: the democracy advocates and those ethnic rebels who still refused to "join the legal fold" by concluding ceasefire agreements. ASEAN investments had not produced much return, and many had been confiscated or subverted by partners in Myanmar, which were in most cases government or military industries. In addition, foreign banks had not been allowed to open for business and one by one began to leave.

By the turn of the century, Myanmar had become a worldwide target for human rights advocates and the subject of annual campaigns at the UN General Assembly to levy international scorn on the military regime. Aung San Su Kyi and the NLD, despite their isolation inside the country, had developed a very effective global network of supporters who were prepared to mount protests and lobby governments persistently to keep the travesty of the 1990 elections and the regime's abuses in the international spotlight. Under these circumstances, the SPDC was in no position to conduct an active foreign policy. Instead, the government adopted a posture of passive defense by turning its back on the constant barrage of verbal attacks in international forums and relying on its Asian friends—China and ASEAN—to protect it from international sanctions. Although communications, the dissemination of information, and freedom of movement and assembly were strictly controlled inside the country, the leadership—unlike during the Ne Win years—had become more outward-looking and sought to engage with the external world, albeit on its own terms. The regime's international isolation at this point was as much a function of Western sanctions as it was a matter of the SPDC's choosing. Western governments had made it very clear that the price of engagement would be a return to genuine democracy and reconciliation with both the pro-democracy forces and ethnic minorities.[26] The SPDC was as yet unprepared to take these steps and certainly not willing to take them simply for the sake of assuaging outside pressure.

During the millennial UN General Assembly in 2000, Aung San Suu Kyi and her colleagues decided to provoke the SPDC into an act of repression that would gain the attention of the world's top leaders gathering in New York. Eluding military security, they slipped across a river in Rangoon and were blocked by police in the middle of a rice paddy for two weeks in heavy monsoon rains, attracting intense international attention and returning them all to detention. Following this incident, the regime accepted a visit by the UN secretary general's special envoy, former Malaysian diplomat Ambassador Razali Ismail, and agreed to begin talking directly with

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24 Steinberg, *Turmoil in Burma*, 98–100.

25 Ibid., 83.

26 See, for example, Kurt M. Campbell, "U.S. Policy Toward Burma," testimony before the Subcommittee on East Asian and Pacific Affairs, Senate Foreign Relations Committee, September 30, 2009.

Aung San Suu Kyi to explore the potential for reconciliation. Although Razali was sent under UN auspices—as many previous envoys had been—the regime also had to consider him an envoy from ASEAN with that organization's tacit support, which had not been the case with previous envoys. The ensuing "confidence building" talks between the government and Aung San Suu Kyi lasted eighteen months, at the end of which she was finally released from detention and allowed the freedom to travel around the country that she had been seeking since 1989.

By the second decade of SLORC/SPDC martial law, it was becoming apparent to outside observers that there were different views inside the top military leadership about the degree to which the government should engage with the outside world and the pace at which it should proceed toward its stated goal of multiparty governance. The top general, Than Shwe, was predominantly inward-looking, concerned with securing the union and assuring military predominance. By contrast, the third general in the hierarchy, Khin Nyunt, was more sensitive to the country's posture in the region and the world. [27]

In the early days of the SLORC, Khin Nyunt had been a major architect of the country's opening to the world and had maneuvered adroitly within the top leadership to assume primary responsibility for foreign policy and the management of foreign relations. As head of Military Intelligence, he had equipped himself with superior knowledge of international affairs, as well as a vast array of intelligence on internal activities in the country. For example, he and his staff had initiated and led the negotiations for ceasefires with the ethnic minorities. Within the top leadership, it was Khin Nyunt who managed contacts with foreign governments and organizations in their working relationships with government ministries. He used this authority, in turn, to appoint many of his trusted lieutenants to top ministerial and diplomatic positions. Khin Nyunt met regularly with his inner advisory group—which included the foreign minister and his deputy, the home minister, the labor minister and spokesman for the prime minister's office, and a couple of senior military officials from Khin Nyunt's own staff—to manage the daily flow of foreign policy issues and decisions.

Therefore, when Khin Nyunt convinced the top general that it was time for his staff to begin talking with Aung San Suu Kyi, it quickly became an international enterprise. Ambassador Razali, his advisers, and other ambassadors in Rangoon frequently communicated with both sides, forming a trilateral discussion that encouraged the dialogue process. Although this confidence building did not develop into substantive discussions about constitutional issues, a window had opened for the international community to become involved in the long stand-off between the government and the democracy movement. The outlines of the new constitution, which was then under development, were also revealed through deliberate leaks from the government.

In 2003, after a year of moving about the country to re-establish the NLD, Aung San Suu Kyi and her party were attacked by government-backed thugs near Mandalay and taken into detention. The attack erased the progress that had been achieved in the earlier talks with Military Intelligence and provoked a new round of harsh sanctions from the United States and Europe. Other governments, such as Australia and Canada, joined in some aspects of the sanctions. ASEAN was also shaken by the events and let its concerns be known to the SPDC.[28] In an effort to reassure ASEAN that the transition was still on track, the SPDC produced a "seven-step plan" for transition

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[27] Callahan, "Myanmar's Perpetual Junta," 62. See also Steinberg, *Turmoil in Burma*, 252–53.

[28] "The Depayin Massacre 2 Years On, Justice Denied," ASEAN Inter-Parliamentary Caucus, May 30, 2005.

and promised that it would be accomplished in the next few years.[29] The National Convention was reconvened in 2004, after a hiatus of many years, and work on the new constitution intensified. When General Khin Nyunt was overruled by the senior general in a bid to bring Aung San Suu Kyi and the NLD into the convention, his authority within the SPDC hierarchy began to wane.[30] Many observers believe that the senior general was uncomfortable with the degree to which Khin Nyunt and his colleagues were bending to international pressure and compromising the SPDC's freedom to manage the transition process without international interference.[31] Khin Nyunt was suddenly arrested in October 2004, convicted of economic corruption and treason, and sentenced to 44 years in jail. Military Intelligence itself was disbanded, and other members of his inner circle were forced to step down and become invisible.

A period of deterioration in Myanmar's foreign relations followed these events. Without its chief foreign policy architect and interlocutor Khin Nyunt, the SPDC's diplomacy was essentially frozen. Senior General Than Shwe was not interested in maintaining an active foreign policy. He preferred instead to turn inward and focus on his plans for transition, which included moving the entire government to a new capital in 2005. Valuable channels of communication through foreign embassies and missions in Rangoon were seriously damaged by the move to Naypyidaw, and the SPDC became isolated again, not only internationally but internally as well. Both China and ASEAN appear to have been alarmed by the implications of this abrupt move for the future of the planned transition and began ramping up pressure.[32]

For example, with Myanmar's turn for chairmanship of ASEAN in 2006 fast approaching, subtle pressure was beginning to build within the organization to urge the SPDC forward into its political transition before assuming this post.[33] ASEAN leaders undoubtedly feared that if Myanmar were to assume the chair while still under the governance of a military council, it would bring a year of stasis and tension with Western governments who were unwilling to deal directly with Myanmar's military leadership.[34] Similarly, when the SPDC appeared to be delaying its completion of the new constitution, Beijing sent senior officials to Naypyidaw. They apparently urged the process forward, because shortly after this visit the National Convention was called back into session unexpectedly; the final document emerged in August 2007, even as the next public protest was gathering steam.[35]

The so-called saffron revolution of 2007, when an armed attack on protesting monks by government security brought a new wave of international outrage, was followed shortly by the devastating Cyclone Nargis in 2008, when the government refused to accept offers of international disaster assistance, condemning many of the storm's victims to perish. These events rocked the international community and shocked Myanmar citizens into action in defiance of the government. This time, however, the popular protests consisted of efforts to organize civil society and join hands with business groups and international NGOs to provide assistance to the ravaged

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29 Don Pathan, "Wind of Change May Be Stirring," *Nation*, July 29, 2003.

30 Author interview with a participant in the 2004 negotiations between Military Intelligence and the NLD.

31 Callahan, "Myanmar's Perpetual Junta," 62.

32 According to a Reuters report, "China's Foreign Ministry published an unflattering account of Myanmar's new jungle capital, complaining it was remote, isolated and barren." See "China Urges Myanmar to Pursue 'Democracy Process,'" Reuters, September 14, 2007.

33 Steinberg, *Burma/Myanmar: What Everyone Needs to Know*, 176. In 2005, ASEAN convinced Myanmar to delay its chairmanship until the country had completed its "roadmap."

34 "Myanmar Gives Up 2006 ASEAN Chairmanship," *New York Times*, July 26, 2005.

35 Larry Jagan, "Beijing Remains Burma's Best Friend," Mizzima News, June 7, 2007.

areas of the Irrawaddy Delta, defying the government's callous neglect. The SPDC's reputation in the international community plummeted,[36] and ASEAN joined with the UN to negotiate an agreement with the SPDC to allow access for international assistance. These two events, which took place just as the new constitution was being completed, seem to have had a formative effect on the more liberal elements of the SPDC and their advisers outside government, who wished to position the country for productive interaction within the rapidly evolving global arena.[37]

Thus, during its twenty-year reign, the SLORC/SPDC leadership experienced a significant evolution in its attitude toward foreign relations, as the regime gradually joined forces with its neighbors in ASEAN and coped with mounting condemnation and pressure from Western governments over its handling of internal affairs. While the principles of nonalignment and neutrality remained fundamental guidelines for Myanmar's foreign policy, recognition gradually dawned within the military leadership that international engagement did not signify derogation of the country's independence and sovereignty and would even be necessary to move forward economically. Economic and political interaction with Southeast Asia expanded rapidly during this period, as did interaction with powerful actors outside the region. Even negative interaction with Western powers was a valuable learning experience for the leadership in understanding how to maneuver in a multipolar global power structure. Perhaps most significantly, the regime's expanded interaction with and exposure to the outside world tended to reinforce the wisdom of moving forward with genuine political and economic reform and strengthened the hand of the more moderate and forward-looking elements of the military leadership.

Although the army continued to fight the remaining rebellions along the Thai border according to the "four cuts" strategy inherited from Ne Win, thereby leaving large numbers of refugees stranded in Thailand, the ceasefire agreements had brought a modicum of peace, if not the promised prosperity, to most of the areas formerly under the sway of the CPB. When General Khin Nyunt and his Military Intelligence staff were purged, however, relations between the ceasefire groups and the government began to falter, especially when these groups saw that the constitutional provisions they thought had been agreed to in the National Convention failed to materialize in the new constitution of 2008. In 2009, when the SPDC suddenly produced an order for the ceasefire groups to merge their armed forces into a border guard under the national army—that is, to place themselves under Tatmadaw command—most of them refused.[38] After a series of botched negotiations, the largest of these groups began reinforcing their armies, and skirmishes with the Tatmadaw broke out in several areas. In September 2010, those groups that had not agreed to join the border guard force were returned to their pre-ceasefire illegal status, and their civilian leaders were not allowed to register political parties to compete in the upcoming elections.[39] The new government that took office in 2011, therefore, found itself confronted with the threat of a return to the state of rebellion that had plagued the country since independence.

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36 Steinberg, *Burma/Myanmar: What Everyone Needs to Know*, 118–19.

37 Mary Callahan, "The Generals Loosen Their Grip," *Journal of Democracy* 23, no. 4 (2012): 122–25.

38 Steinberg, *Burma/Myanmar: What Everyone Needs to Know*, 112; and Callahan, "Myanmar's Perpetual Junta," 61.

39 "Myanmar Deprives 'Millions' of Vote in Ethnic Areas," Agence France Presse, September 17, 2010.

The Search for Democracy

Various events leading up to the elections of 2010 left the international community with little expectation that the elections would produce more than a rerun of the SPDC, with the military now in control of a subservient civilian class.[40] The presence of multiple parties in the new parliament would be meaningless, because they were so small as to pale in comparison with the dominant Union Solidarity and Development Party, which was composed largely of retired military, and the 25% appointed uniformed military in both houses of parliament legislated by the new constitution. Most importantly, the NLD—the only trusted voice of democracy in the country—was absent.

It was quite unexpected, therefore, when the new president, former general Thein Sein, who had been prime minister in the previous government, announced a major program of political and economic reform during his first days in office. His embrace of reform unleashed a remarkable about-face for the former military leaders who were now in control of the new government as elected civilians. Within a year, the election laws had been changed to bring Aung San Suu Kyi and the NLD into the parliament, accepting her as a member of the country's senior leadership; the parliament had become an equal partner with the executive branch, moving the reform process forward with new laws and initiatives; the public interest had been placed front and center in the government's decision-making process; controls on print and electronic media had been relaxed, flooding the country with a variety of information and opinion that had previously been banned; and a wide-ranging peace process with the ceasefire groups and pro-democracy activists who had gone into exile after 1988 was underway.

In preparation for the approaching transition in 2009, the United States had developed a roadmap for normalizing and improving bilateral relations. In 2011 the new Myanmar government began systematically addressing the elements of the roadmap, including reconciling with both pro-democracy groups and ethnic minorities, releasing political prisoners, reining in its relationship with North Korea, and introducing transparency into the economy. Suddenly the firm denial with which the SLORC/SPDC government had met Western political and human rights demands melted away, facilitating a transformation of Myanmar's relations with the United States, Europe, Japan, and—with this breakthrough—the international financial institutions whose assistance to Myanmar had been frozen for decades.

The new government invited foreign countries, international institutions, and private businesses to invest in Myanmar's development and help with the democratization process. To overcome barriers to investment, the government turned to the International Monetary Fund to overhaul the country's economy and build a modern banking system, agreed to join the Extractive Industries Transparency Initiative, and produced new laws for FDI and special economic zones, thereby allowing much broader foreign access to the economy than had existed at any time since independence

In short, the new government decided to throw its doors open to foreign activity and relations on an unprecedented scale. The transition to democracy has marked a distinct and dramatic departure from the country's previous attitude toward the outside world. Myanmar has finally taken its turn as chair of ASEAN in 2014. ASEAN neighbors are participating in the country's new

[40] These events included the sham trial of Aung San Suu Kyi in 2009 to ensure that she would not be eligible to run for parliament, the draconian laws designed to keep the NLD out of the elections, and the blatant support by the government for its own Union Solidarity and Development Party.

investment opportunities and developing programs to help with capacity-building to underpin the democratic transition. Relations with China have been substantially reoriented to ensure that its activities in Myanmar are sensitive to social and environmental safety and contribute adequately to Myanmar's development objectives, while preserving the friendly relationship that the two countries have enjoyed since the end of the Mao era. Japan has been by far the most generous source of economic assistance and investment, donating hundreds of millions of dollars in debt forgiveness to facilitate the return of international financial institutions and build critical infrastructure for the country's economy.[41]

The most dramatic foreign policy development, however, has been the opening to the West, which has clearly been a central objective of the new government's effort to democratize. The extent to which the new leadership has sought to develop bonds with the United States and Europe suggests that Myanmar's long struggle to come to grips with its colonial experience and fears of great-power meddling has finally ended. A new chapter in its relations with the world has opened.

Conclusions

Whatever direction the transition takes in the future is not likely to affect the fundamental principles of Myanmar's foreign policy—that is, nonalignment, carefully balanced relations with the great powers and its neighbors, and promotion of international peace and disarmament. These themes have endured from the time of the country's independence in 1948. Nor will Myanmar's foreign policy cease to be a function of its internal situation. For example, regression back to authoritarian governance—which is still possible under the 2008 constitution—would undoubtedly close many of the doors to external engagement that have opened in the last two years.

At least for the remainder of the current presidential term through 2015, Myanmar can be expected to continue expanding its external relations across the board, both bilaterally and multilaterally, as governments, international organizations, and NGOs seek to engage in the country's development, trade, and nation-building activity. Internal problems, however, could complicate or even disrupt some of these external relations. Most significantly, the communal violence that has flared against the country's Muslim population as authoritarian rule is lifted has brought a barrage of international opprobrium for the lack of a robust response from the government to protect Muslim communities. Myanmar's Asian neighbors with large Muslim populations and the Muslim countries of South Asia and the Middle East have become particularly concerned and sought to intervene in some form. If the Myanmar government and society are not able to address this problem successfully, the country risks becoming a target of jihadists, which will only multiply its internal security problems, scaring away investors.

The achievement of genuine and lasting peace with the ethnic minorities around Myanmar's periphery also bears critically on the country's foreign relations, not only with neighbors on its borders but with the West as well. The United States and Europe have an enduring interest in protecting these groups from repression and unfair treatment by the Burman majority—especially the military—and will inevitably see this as a measure of the integrity of the democratic reform process. China is also concerned about the welfare of minority tribes that straddle its border with

[41] Gwen Robinson, "China's Ups and Downs in Myanmar Open the Door for Japan," *Financial Times*, April 16, 2013.

Myanmar and has taken a direct interest in the current peace process. Finally, Thailand looks forward to economic development in Myanmar that will make it possible to repatriate migrants.

Similarly, if the reforms do not begin delivering substantial improvements in living standards for the poor and middle class, these groups are likely to become more restive to the point of obstructing development and investment projects. To a certain degree, this issue is already visible in the protests springing up around current investment projects, and efforts are underway by both the government and investors to address popular concerns about the impact of projects on local residents.[42] With a relatively free press and increasingly organized civil society, these problems cannot simply be ignored or handled with force, as they have been in the past. This issue is not unique to Myanmar and can be managed if it is addressed holistically with a clear framework for mitigation. Otherwise, it could become politically destabilizing and a serious impediment to economic development.

Chairing ASEAN in 2014 will test Naypyidaw's capacity both to manage a complex international agenda and maximize the opportunity to promote the country's economic development and democratization. But the real test will come after 2015, when voters will have had a chance to deliver a verdict on the achievements of the current government and the next general elections will have produced a new government, presumably one reflecting popular choice. The serious work of democratizing Myanmar's underlying political and economic structures will have to begin in earnest. Foremost among these tasks will be setting the course for weaning the military from its domination of the country's political and economic life, which is unlikely to take place before 2015 and will only happen in stages after that. This process will have a strong positive effect on the country's ability to engage fully with Western investors and governments and to deliver greater prosperity to the rural poor.

Another issue affecting foreign relations that is high on the 2015 agenda will be the question of free and fair elections, including the status of NLD leader Aung San Suu Kyi. During her recent visits to other countries, she has suggested that unless the constitution is amended to allow her candidacy for president, the elections cannot be free and fair.[43] Her cause has already been taken up by EU leaders and will surely be of great concern in Washington.

Also key on the post-2015 agenda will be the task of developing a modern, reliable justice system and rule of law. Although this process is already underway, it has been halting and was set back considerably by the neutering of the Constitutional Tribunal in the struggle for authority between the legislative and executive branches. The judicial system should be independent of manipulation by political forces. The fact that the 2008 constitution requires many adjustments is already recognized in the creation of a parliamentary committee to consider constitutional amendments. Whether the necessary changes are made through amendment or reinterpretation of the constitution, the Constitutional Tribunal must be empowered to play a central role in providing the appropriate legal oversight to accomplish these goals. An adequate legal system is also fundamental to normalizing Myanmar's environment for economic investment, so that foreign investors are not forced to adjudicate disputes in foreign courts, as they are now, in order to be assured of a fair judgment.

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[42] For example, protests have occurred against the expansion of the Letpadaung copper mine by Chinese and Myanmar companies, Japanese development of a special economic zone near Rangoon, and the development of a special economic zone in Kyaukphyu by Chinese and other foreign investors.

[43] Andrew Selth, "Suu Kyi's Risky Strategy," *Myanmar Times*, October 30, 2013, http://www.mmtimes.com/index.php/national-news/8641-suu-kyi-s-risky-strategy.html.

Myanmar's dramatic international debut since 2011 is, of course, the result of decisions made by the new government to press forward rapidly with fundamental economic and political reforms. Perhaps equally important to the drama, however, has been the enthusiastic response of the international community to this development. With a world full of failed expectations from other transitions, hopes have been raised—perhaps unrealistically—that Myanmar can be the exception that provides the model. Thus, both sides are now vested in making this democratic transition succeed.

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Second Chance: Prospects for U.S.-Myanmar Relations

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EXECUTIVE SUMMARY

This essay examines how Myanmar's emergence in regional affairs adds a new dimension to the geostrategic calculus in the Asia-Pacific and argues that the country's opening provides a unique opportunity for the U.S. and Myanmar to map out a new bilateral relationship.

MAIN ARGUMENT

The history of U.S.-Myanmar relations is marked by periods of long estrangement, which gives the two countries limited experience with one another and constrains the ability of the U.S. to influence Myanmar's political development. Over the past two decades, U.S. policymakers have focused on the National League for Democracy and its leader, Aung San Suu Kyi. However, the pool of potential leaders is expanding, and Washington must consider a number of possible outcomes to the 2015 elections. Bilateral economic and trade relations are largely free of sanctions but have nonetheless been slow to develop. Cooperation in this area is focused more on positioning Myanmar to benefit from trade with the U.S. at a future point. As Myanmar becomes the nexus of connectivity on mainland Southeast Asia, its importance to U.S. security policy will increase. This will require stronger military-to-military relations, which is arguably the most sensitive area of policy.

POLICY IMPLICATIONS

- Even if it eventually produces a democratic system, the political reform process in Myanmar will be uneven and long. A policy that aims to sustain the momentum of liberalization without requiring a specific electoral outcome will be the most effective in the long run.
- Although U.S. companies might not take the lead in the current "gold rush," trade with the U.S. promises technology transfer and higher labor standards for Myanmar.
- At this juncture, U.S. security interests may best be served by supporting Myanmar in its policy of developing stronger relations with several powers rather than by pressing the country to lean toward the U.S. in particular.
- The U.S. military should nurture a fraternal relationship with its counterpart in Myanmar as political conditions permit. This will not only encourage more democratic civil-military relations in Myanmar but also enable the two militaries to develop rudimentary interoperability for joint cooperation.

The history of U.S. relations with Myanmar since that country's independence in 1948 is more one of estrangement than cooperation.[1] Periods of closeness were often followed by rupture—for example, in 1962 and 1988—with either side choosing to downgrade relations. Moreover, the two countries had little history before independence, in contrast with Myanmar's relations with the United Kingdom and Asian neighbors such as China, Japan, and Thailand. As a result, despite the fact that interest in Myanmar is strong in the U.S. policy community at the present time, the two countries lack a solid mutual foundation, and the importance of one to the other is still hypothetical to some degree.

The thinness of this past could prove to be an advantage. It compels the two countries to be forward-looking as they identify shared interests and forge new pathways for cooperation. However, for the immediate future, the prospects for closer relations will depend on the continued success of Myanmar's reforms and the ability of U.S. policymakers to maintain a clear-eyed view of this process.

This essay examines the impact of past U.S.-Myanmar relations on the prospects for strengthening the bilateral relationship in the near and mid-term. Given continued U.S. interest in Myanmar's political reform process, the essay considers whether U.S. and Burmese visions of this process can be reconciled. It also examines U.S. economic and security interests in Myanmar, particularly with regard to changing power dynamics in the Asia-Pacific region. Last, the essay offers recommendations to strengthen U.S.-Myanmar relations.

The Impact of History

After World War II, as Southeast Asian countries struggled to become independent from their Western colonizers and faced the challenge of nation-building, Burma was believed to have particular promise. Rich in natural resources such as minerals, rubber, and timber, Burma also had a robust educated class compared with many other Southeast Asian states. Britain's twentieth-century colonial style encouraged limited self-rule through elections. As a result, in contrast with Vietnamese, Laotians, and Cambodians under French rule, Burmese greeted independence with some prior democratic experience. Rangoon was committed to a multilateral foreign policy and gave particular emphasis to the United Nations, with U Thant in 1960 becoming the first UN secretary-general from the developing world.

Burma also faced serious challenges to its security and internal stability in the post-independence era. The country's geostrategic position in Asia made it an unwilling player in cross-strait relations after the defeat of Kuomintang (KMT) forces in China. In 1950, remnants of the KMT fled from Yunnan Province to northern Burma, where they were given supplies and other support from the United States to prepare for a return invasion back into China. The invasion never materialized, but KMT troops remained, some of them participating in the opium trade. When Rangoon's protests to Washington went unheeded, Prime Minister U Nu suspended U.S. Point Four activities and threatened to sever relations with the United States completely.[2] In these early years, Burma was also confronted by a Communist insurgency sponsored by China. This made it

[1] Although it is presently U.S. policy to refer to the country as Burma, this essay uses "Burma" to refer to events before 1989 and "Myanmar" for those in 1989 and later.

[2] "Burma in 1950–61," GlobalSecurity.org, July 28. 2011, http://www.globalsecurity.org/intell/ops/burma.htm.

a country of concern for the United States during the Cold War, along with Southeast Asia's other potential "dominos."

The Post-independence Relationship

The KMT issue notwithstanding, Burma was an early recipient of U.S. assistance, with the first U.S.-Burma Economic Cooperation Agreement signed in 1950. Technical support, equipment, training, loans, and economic assistance made up the basket of support.[3] However, during the Cold War, Burma was unwilling to join South Vietnam, Thailand, and the Philippines as a treaty ally of the United States. Like Indonesia, Burma's support of the principles of the Non-Aligned Movement prevented it from signing the 1954 Manila Pact and joining the Southeast Asia Treaty Organization. U.S. policymakers were uncomfortable with Cold War experiments in neutrality, convinced that third-world leaders who believed they could remain equidistant from Washington and Moscow were making their countries more vulnerable to a Communist takeover.

This initial period of cooperation came to a halt in 1962 with General Ne Win's coup, although the two countries did not break diplomatic relations. The new military government was more isolationist than its predecessor regimes. As with most foreign agencies, the U.S. Agency for International Development (USAID) closed its Rangoon office in 1962, although some low-key U.S. assistance was maintained.

The blow to bilateral relations in 1962 was dealt by the Ne Win government, which seemed determined to seal Burma off from foreign influence as much as possible. Ironically, by the early 1960s Washington was not inclined to break relations with third-world countries because of a military takeover, particularly in states vulnerable to Communism. After Ngo Dinh Diem was overthrown and assassinated in Saigon in 1963, the United States looked exclusively to the South Vietnamese military for leaders. From the late 1950s through the 1960s, Washington provided robust assistance to the Thai military and found it easy to cooperate with Sarit Thanarat and his successor military governments. Military coups in Indonesia in 1965 and Cambodia in 1970 also met with Washington's tacit approval. This military mindset in U.S. policy toward Southeast Asia was abetted by theories popular in some U.S. academic circles that held that "strongman government" was beneficial to economic development.

In 1978, joint development projects resumed in agriculture and health; the United States and Burma had another decade of low-key cooperation, focused on economic assistance and cooperation to stem the flow of heroin from the Golden Triangle to the West. From the late 1970s to the late 1980s, Japan was Burma's primary aid donor and investor. Although U.S. policymakers did not dwell on the authoritarian excesses (and eccentricities) of the Ne Win regime, they did not place much faith in the ability of the government to formulate and execute sound policies for economic development. In 1988, after the military's crackdown on protestors demanding reform, USAID closed its mission in Rangoon once again. Bilateral counternarcotics cooperation was also suspended at that time.

Breaking Ties over Political Change

By 1988, however, U.S. policy paradigms had shifted with respect to military rule. By the late 1980s the Communist threat in Southeast Asia had abated, primarily because of the reforms initiated by Deng Xiaoping and the resulting changes in Beijing's policy toward the region: China

[3] U.S. Agency for International Development, "Burma–History," October 29, 2013, http://www.usaid.gov/burma/history.

no longer sought to sponsor Communist revolution but rather to normalize diplomatic and trade relations, regardless of ideology. Vietnam had also adopted new policies toward its neighbors that were less doctrinaire and more pragmatic. Equally important, two political transitions had taken place in Southeast Asia around the time: the democratic revolution in the Philippines in 1986 and Thailand's more evolutionary move away from military rule and toward elected government.

For the next two decades, relations between the United States and Myanmar (as it was renamed in 1989, along with a shift from the name "Rangoon" to "Yangon") were on a steady downward spiral. Washington did not replace its ambassador to Rangoon after 1988, effectively downgrading relations to the chargé d'affaires level. The detention of Aung San Suu Kyi and other leaders of the National League for Democracy (NLD); the military's decision to set aside the 1990 elections; and numerous acts of political repression, including the crackdown on the 2007 "saffron revolution" led by Buddhist monks, were met with an increasingly hard line from the United States. This was a largely bipartisan response and one in which political administrations and Congress were in agreement for the most part.

Myanmar also became a cause for human rights and other advocacy groups, some of whom equated the situation in that country to the struggle against apartheid in South Africa. Although South African apartheid and military repression in Myanmar were arguably more different than they were similar, each had at its center a charismatic opposition leader. When Aung San Suu Kyi was awarded the Nobel Peace Prize in 1991, joining Nelson Mandela in that distinction, the comparison was reinforced. So too did forced comparisons with the fall of Eastern Europe in the late 1980s, when dissidents such as Vaclav Havel in Czechoslovakia (also a Nobel Peace Prize winner) and Lech Walesa in Poland went on to become heads of state. This democratization-by-dissident model was particularly strong in the Clinton administration in the early 1990s.

U.S. policy toward Myanmar also rode the crest of other political and social trends of the time. One was the locality movement, in which towns, counties, and states passed legislation attempting to apply their own regulations to foreign policy. In 1996, for example, Massachusetts imposed sanctions on doing business with Myanmar. During this time, a dozen U.S. cities passed their own forms of sanctions against Myanmar, including New York and San Francisco. Lastly, repression in Myanmar qualified it for outlaw status in the administration of President George W. Bush. Although it was not considered to be a lethal threat to the international community like North Korea or Iran, both of which were included in the "axis of evil," Myanmar did qualify as an "outpost of tyranny."[4]

The centerpiece of U.S. policy toward Myanmar during this period was multiple layers of sanctions, engendered by five acts of legislation and numerous executive orders. Although most U.S. sanctions on Myanmar have been suspended in the past two years by executive order, four of the five sanctions bills remain on the books. Some of the laws contain direct and specific prohibitions, while others simply give the president the authority to impose sanctions. The imposition of most sanctions was crisis-driven—that is, they were passed or imposed after a political crackdown or related event in Myanmar. Country-specific sanctions were intended to encourage or force the military regime to improve its human rights practices and move toward more democratic rule.

[4] Myanmar was described as an outpost of tyranny by Secretary of State Condoleezza Rice in her testimony at her confirmation hearing before the Senate Foreign Relations Committee on January 18, 2005. Rice said, "To be sure, in our world, there remain outposts of tyranny, and America stands with oppressed people on every continent, in Cuba and Burma, and North Korea and Iran and Belarus and Zimbabwe." A transcript of the entire hearing is available at "Confirmation Hearing of Condoleeza Rice," *New York Times*, January 18, 2005, http://www.nytimes.com/2005/01/18/politics/18TEXT-RICE.html.

However, Myanmar was also included in sanctions regimes along several functional lines. These are broad laws that impose restrictions on any country that violates standards on drug trafficking, human trafficking, child soldiers, money laundering and organized crime, religious freedom, labor rights, or threats to the United States or international security.[5]

Despite the extensive array of sanctions on Myanmar, there was a broad consensus in the U.S. policy community during these two decades that these instruments did little to influence the junta. Human rights groups blamed the U.S. government for not sufficiently enforcing sanctions (particularly on financial institutions) and the international community for the lack of broad multilateral support for the sanctions. Both charges were true to some extent, but some question whether more severe sanctions would have produced the desired result of a Western-style democracy in a country with a long history of self-isolation and military authoritarianism.

In tacit acknowledgement that U.S. leverage on Myanmar was too limited to sway the junta in Yangon (and later Naypyidaw, where the capital moved in 2005), Washington leaned on other powers. In the mid-1990s, Tokyo was encouraged to use the influence it had built with Burmese leaders in the 1980s to persuade the government to enter into dialogue with the opposition, at the time personified by the NLD. Japan spent down some of its accumulated political capital, with little to show for it.[6] In the 2000s U.S. policymakers focused on the Association of Southeast Asian Nations (ASEAN), particularly on Myanmar's neighbor Thailand. Although ASEAN continued to oppose sanctions, it did devise a "roadmap" for political reconciliation between the military government and political opposition. As China's relations with Myanmar became stronger (and more apparent to the West), Beijing was likewise pressured to urge its clients in Naypyidaw to liberalize. China responded with some rhetoric on the importance of human rights, but both Washington and Beijing knew that the centrality of U.S.-China relations meant that neither country would fall on its sword over Myanmar.

In its sanctions policy the United States was closest to the European Union (and, within the EU, to the United Kingdom), but there was some daylight even among the Western powers on Myanmar policy. Congress and human rights groups continually urged the White House to take a stronger role in coordinating international policy on Myanmar during the 1990s and 2000s, but Washington's position on the spectrum made it difficult to exercise influence on the international community. Other powers feared third-country sanctions, such as those the United States had placed on Cuba, in which they would be penalized by the United States for trading with a country under U.S. sanctions. However, as the efficacy of the existing set of sanctions came increasingly into question, these powers began to break ranks with Washington.

Normalization and the Impact of Reform on U.S.-Myanmar Relations

The administration of President Barack Obama came into office occupying a middle ground on the sanctions debate. Eager to coin a new U.S. policy in Southeast Asia, the administration announced in October 2009 that it would open a dialogue with the Myanmar government but still retain sanctions unless political conditions improved. This policy had little immediate effect in Naypyidaw. However, the November 2010 national elections in Myanmar and the inauguration

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[5] For a detailed description of U.S. sanctions on Myanmar, see Michael F. Martin, "U.S. Sanctions on Burma," Congressional Research Service, CRS Report for Congress, R41336, July 10, 2010.

[6] For a description of Japan-Myanmar relations in this period, see Catharin Dalpino, "The Role of Human Rights: The Case of Burma," in *Japan in International Politics: The Foreign Policy of an Adaptive State*, ed. Thomas U. Berger, Mike M. Mochizuki, and Jitsuo Tsuchiyama (Boulder: Lynne Reiner Publishers, 2007).

of a new government gave both sides an opportunity to re-examine the relationship. Changes to Myanmar's political system under the new constitution did not move the country immediately to a democratic system, but they were perceived to be the genesis of a new reform process, however flawed.

In the aftermath of Myanmar's 2010 elections there was still no support in either Congress or the administration to repeal sanctions. However, the administration was sufficiently encouraged, with quiet support in some quarters in Congress, to use loopholes and other forms of flexibility in the sanctions legislation to expand relations with Myanmar. These policy changes included the following:

- The suspension (by executive order) of most import and export sanctions on trade with Myanmar
- The upgrading of relations to enable the exchange of ambassadors
- The restoration of economic assistance and the return of the USAID mission, with a modest program ranging from humanitarian assistance to rule of law
- Political support for Myanmar's chairmanship of ASEAN in 2014 (which Washington had opposed when Naypyidaw was first scheduled to chair the group in 2004)
- The relaxation of some visa bans for Myanmar officials
- Tacit agreement between the administration and Congress to let the 2007 Burma JADE Act lapse when it came up for renewal at the end of July 2013 (although a subsequent executive order maintained import sanctions on gems)
- President Obama's visit to Yangon in November 2012, and visits to Washington by President Thein Sein and House Speaker Shwe Mann in spring 2013

Despite a fairly impressive agenda of policy shifts in a relatively short time, other aspects of U.S.-Myanmar relations continue to be restricted in some manner. The United States and Myanmar have not yet resumed cooperation on counternarcotics activity. Economic assistance to the Tatmadaw (Myanmar Armed Forces) and most other forms of military-to-military relations continue to be prohibited. The Myanmar government also points to the "specially designated nationals" (SDN) list, on which the names of several officials from the former regime and the companies they own or control appear.

The SDN list, which the U.S. Treasury Department administers, also includes individuals or entities suspected of being terrorists and narcotics traffickers and is commonly regarded as a form of sanctions. Individuals and companies on the SDN list have their assets blocked, if possible, and U.S. persons are prohibited from dealing with them.[7] Myanmar officials complain that the SDN list is an obstacle to economic development because it blocks some wealthy Burmese investors from taking part in certain international projects, while intimidating investors from other countries who fear becoming entangled in U.S. sanctions.[8] In September, a joint delegation from the U.S. Departments of State and Treasury visited Myanmar in part to examine the impact of the SDN list on bilateral relations. The two departments are reported to be working on a set of criteria to help determine which, if any, names should be removed from the list in the new era of reform.[9]

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[7] U.S. Department of the Treasury, "Specially Designated Nationals List," November 14, 2013, http://www.treasury.gov/RESOURCE-CENTER/SANCTIONS/SDN-List/Pages/default.aspx.

[8] Author's interview with a Myanmar government official, Yangon, October 7, 2013.

[9] Author's interview with a U.S. embassy official, Yangon, October 8, 2013.

The Centrality of Reform

In the 1990s and 2000s, U.S. policy toward Myanmar was focused almost exclusively on human rights and the promotion of democracy. Although U.S. policy has broadened somewhat in the past two years, the reform process in Myanmar (and expectations that it increasingly will open the country to democracy) is an organizing principle in the post-2010 U.S. position. The reform process is genuine, but its long-term success is far from assured.

Constitutional Reform: The Path to Political and Social Change?

In Myanmar and in the international community, dialogue on the course of the reform process is couched in proposals for constitutional revision and other forms of legal development. One the one hand, the expanding marketplace of ideas for constitutional change suggests a lively sense of constitutionalism in Myanmar. On the other, it implies that there is growing discontent with the present charter.

At the time it was promulgated, the 2008 constitution was viewed as deeply flawed by international human rights groups and some quarters of the U.S. policy community, in large part because it enables the Tatmadaw to retain significant political control. For example, the constitution reserves 25% of seats in parliament for military appointments.[10] Another provision of the constitution that U.S. policymakers tend to focus on is the prohibition against Myanmar citizens with foreign spouses or children from serving as president, a provision that applies to Aung San Suu Kyi.

To address these and other issues, a parliamentary committee on constitutional change was convened in mid-2013. On January 31, 2014, the committee presented its findings and did not recommend that qualifications for contesting the presidency be changed, or that the quota of 25% of parliamentary seats for the military be abolished.[11] Although the committee's recommendations have no force of law, they can be interpreted as expressing the government 's current intention to retain the current political system.

In Myanmar, public discussion on constitutional revision includes these two provisions but is much broader. For example, in their dialogue with the central government, leaders of armed ethnic groups are pressing for constitutional changes that would usher in a more federal system and presumably devolve greater authority to provincial governments. Underlying this public debate is the issue of whether the 2008 constitution can be amended to make it more democratic or should be abolished and a new charter drafted. In October the ruling Union Solidarity and Development Party (USDP) issued a statement declaring that it would be "dangerous" to abolish the current constitution, an obvious reference to the military's displeasure at the prospect of cancelling a constitution that it had drafted. This announcement was partly in response to a joint statement issued by the NLD and ethnic parties in September, suggesting that the issue of abolishing or revising the constitution be referred to parliament.[12]

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[10] Similarly, the Indonesian constitution following the 1999 democratic transition granted 25% of legislative seats to the military. However, it provided for the military quota to be phased out, whereas the Myanmar constitution does not include such a provision.

[11] Greg Poling, Phuong Nguyen, and Courtney Weatherby, "Myanmar's Constitutional Review Committee Shies Away from Needed Changes," Center for Strategic and International Studies, cogitAsia, web log, February 5, 2014, http://cogitasia.com/myanmars-constitutional-review-committee-shies-away-from-needed-changes.

[12] "Ruling Party Warns of Danger in Event of Constitutional Redrawing," Xinhua, October 5, 2013, available at http://www.mizzima.com/mizzima-news/politics/item/10257-ruling-party-warns-of-danger-in-event-of-constitution-redrawing.

Myanmar is also receiving pressure from the international community to offer citizenship or at least stronger legal protections to its Muslim population, many of which are known as Rohingya. The flow of Rohingya refugees from Myanmar to Malaysia and Thailand and numerous waves of violence against Muslims in Myanmar have drawn international attention. Some Western policymakers and analysts favor blanket citizenship for Rohingya Muslims in Myanmar, but neither President Thein Sein nor NLD leader Aung Sang Suu Kyi has endorsed this proposal. For example, in November 2013, Myanmar rejected a UN resolution urging it to grant citizenship to the Rohingya.[13] Although the government is attempting to increase registration of Muslims who have been residents in Myanmar for at least three generations, which would make them eligible for citizenship under the 1982 Citizenship Law, even that measure is controversial among the country's non-Muslims. It could become even more so in 2014, when the results of a national census, the first since 1983, will be released. If the census finds that the percentage of Muslims in Myanmar, currently estimated at 4%, is higher than believed, communal tensions could flare even more.

U.S. Policy and the Constitutional Debate

Two common U.S. foreign policy paradigms resonate for many Americans in the Myanmar constitutional debate. Interest in Washington is high in the possibility that Myanmar will revise the qualifications for president to enable citizens with foreign spouses or children to serve. This interest is obviously directed toward Aung San Suu Kyi, who has enjoyed iconic status in the West for two decades. It also reflects a tendency in U.S. foreign policy to view high-profile dissidents or opposition leaders as the inevitable leaders of their nations in more democratic times. Some are simply exiles and not necessarily proponents of democracy, but are assumed to be because they are not affiliated with the regime in power. Many of these figures are arguably deserving of U.S. attention and support. Some do indeed become heads of democratic governments, such as Kim Dae-jung in South Korea, Vaclav Havel in the Czech Republic, and Nelson Mandela in South Africa.[14] However, others, such as Lech Walesa in Poland and Ahmed Chalabi in Iraq, fall short of expectations when put to the test. The difficulty with embracing such individuals too closely is that their rise to power comes to represent the only acceptable scenario for democratization.

In this regard, expectations are high in some quarters of the Washington policy community for Aung San Suu Kyi's election as president in 2015, the findings of the parliamentary committee notwithstanding. There is some basis for believing that the NLD could win a majority (or plurality) in the elections and that, if appropriate changes are made to the constitution, Aung San Suu Kyi could indeed become president. If she does not, there could be some backlash in Washington and a drop in support for the reform process and further expansion of U.S.-Myanmar relations.

But other scenarios could play out. If the NLD wins a majority and the constitution is not revised, Aung San Suu Kyi could become speaker of the lower house and, most likely, kingmaker in the presidential contest, given that the election of the president is done indirectly in parliament under the constitution. President Thein Sein may decide to run again in the 2015 elections and could take part of the USDP with him, pulling reformers into a new party. The current lower

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[13] "Myanmar Rejects UN Resolution on Rohingya Muslims," Reuters, November 21, 2013, http://reuters.com/article/idUSBRE9AK0P120131121?irpc=932.

[14] It bears mention that the United States' support of Nelson Mandela represented an about-face on Washington's part, given that Mandela and the African National Congress were once on the U.S. list of terrorists. In fairness, however, there was also a turnaround on Mandela's part, when he pulled back from violent tactics in favor of political negotiation.

house speaker Shwe Mann has made no secret of his intention to compete for the presidency in 2015, and in late 2013 Senior General Min Aung Hlaing, the current Tatmadaw commander-in-chief, signaled his interest in the presidency through various forums.[15] (It is not clear if Min Aung Hlaing would run in the election or simply be nominated by the military-appointed members of parliament.)

A second item under discussion for constitutional reform, more in the West than in Myanmar, is removing or reducing the quota of military-appointed members of parliament. Human rights and democracy-promotion groups in the United States focus on this provision as an impediment to civilian control of the military and the development of democratic civil-military relations. U.S. paradigms favor a complete and immediate withdrawal of the military from political affairs and a shift to a military that is politically neutral. The experience of other countries that have a history of military rule, particularly those in Southeast Asia, suggests that a transition to elected civilian government and civilian control of the military is in fact incremental, comprising several transitions rather than one. Powerful military leaders are often more willing to leave political office if they are given financial inducements, also known as "golden parachutes"; more broadly, the military may be willing to forfeit political power if its economic interests are protected. Even then, however, it may be unwilling to give up a dominant role in internal security before the police or other forces are strengthened.

Some of the processes that would lead to more democratic civil-military relations may be particularly difficult for Myanmar. First, simultaneous political and economic transitions are exponentially more challenging than single transitions. Redirecting military leaders away from the political sector to the economic sector, with or without golden parachutes, may do little to lessen military influence in politics and would increase the number of military actors and cronies in the economic sector, where they are already dominant. Moreover, the number of internal conflicts in Myanmar at present makes it difficult to quickly shift the Tatmadaw away from its role in internal security. These caveats suggest that changing the dynamic in the country's civil-military relations will require more than reducing or eliminating the military quotas in parliament if, as defense officials insist, the military is "no longer in the driver's seat" but still has a hand on the emergency brake.[16]

Anticipating a long process of military reform raises the question of what is appropriate for civil-military relations between the United States and Myanmar at present and in the near future. Holding this aspect of the bilateral relationship hostage until the country is a full democracy makes little sense, either for the promotion of democracy or for security relations. The U.S. and Myanmar militaries are engaged in rudimentary dialogue at this point, for which U.S. government funds are not being used. When support for the Tatmadaw becomes politically acceptable in Washington, activities that expose Myanmar officers to models of a professional military (such as the International Military Education and Training program) would be useful starter activities.

Building fraternal relations between the two militaries is another early objective. Myanmar is unlikely to become a close security partner of the United States in the near future, if ever. However, developing a common conceptual framework has multiple purposes, including stronger cooperation in disaster relief and humanitarian assistance in both Myanmar and the region.

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[15] Su Mon Thazin Aung, "The Man to Watch: Is Burma's Top General Maneuvering for a Run at the Presidency?" *Foreign Policy*, Democracy Lab, January 15, 2014, http://www.foreignpolicy.com/articles/2014/01/15/the_man_to_watch.

[16] Author's interview with an official from Myanmar's Ministry of Defense, Naypyidaw, October 11, 2013.

Economics and Trade: Obstacles and Opportunities

The momentum of growth in U.S.-Myanmar diplomatic relations has been impressive in the reform era. However, economic relations have not taken off as quickly as Myanmar officials had expected, despite the suspension of most sanctions on imports to and exports from Myanmar. One U.S. official attributes this slower pace to "self-sanctions" on the part of American business.[17] At present, fifteen U.S. companies are involved in Myanmar, but many larger companies—particularly banks—have held back. Many in Myanmar believe this is because these companies fear that sanctions could be restored quickly, given that the majority are still "on the books" in U.S. legislation (in that they have been suspended by executive order but not removed from the law itself). While that may be true, U.S. business representatives also point to a lack of confidence in Myanmar's regulatory framework.[18]

There is hesitation on the Myanmar side as well. At the country's current economic levels, some officials and members of the business community believe that a strong economic relationship with China is possible, while strong relations with more advanced economies—particularly the United States—must be deferred until the country has attained a higher place on the economic ladder. They point out that China's economic interests in Myanmar at present are focused on natural resources. However, this is not to suggest that Myanmar's business sector is not seeking a stronger trade relationship with the United States. Representatives from the garment sector see an immediate benefit in stronger labor practices, and those in the energy sector believe that U.S. oil companies can play an important role in offshore exploration.[19]

These reservations on both sides suggest several issues. One is the need for the United States to move to a more affirmative economic and trade policy—that is, one that is not simply focused on the removal of sanctions. In recent years the United States has provided effective assistance to Southeast Asian countries with newly normalized relations. The Support for Trade Acceleration (STAR) program in Vietnam helped reinforce the U.S.-Vietnam Bilateral Trade Agreement. Trade preferences for garments were extended to Cambodia in exchange for revisions to the government's labor laws, and a streamlined version of the STAR program was applied in Laos to support its entry into the World Trade Organization (WTO). Washington is considering extending trade preferences to Myanmar through the Generalized System of Preferences. A program tailored to Myanmar's economic transition might be an appropriate accompaniment. However, in riders attached to the government spending bill for fiscal year 2014, Congress linked economic assistance to the country's constitutional reform and improvements in human rights. This constraint will likely prevent the establishment of a trade assistance program with Myanmar for the immediate future.[20]

A related issue is Myanmar's participation in multinational trade regimes, particularly free trade agreements. For the time being, the country's participation in the ASEAN Free Trade Agreement, which is scheduled to become operative in 2015, will be enough of a challenge. Officials have expressed some concern that the ASEAN Economic Community as a whole will disadvantage Myanmar in the early years. They are particularly wary of existing (and potentially expanded)

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[17] Author's interview with a U.S. embassy official, Yangon, October 8, 2013.

[18] Author's interviews with U.S. business representatives in Washington, D.C., in September 2013 and in Yangon on October 8, 2013.

[19] Author's interviews with representatives from Myanmar's business community, Yangon, October 7–8, 2013.

[20] These restrictions are set out in *Consolidated Appropriations Act, 2014*, HR 3547, 113th Congress, http://docs.house.gov/billsthisweek/20140113/CPRT-113-HPRT-RU00-h3547-hamdt2samdt_xml.pdf.

provisions that will permit the free movement of skilled labor in ASEAN, which could hinder the growth of trained professionals in Myanmar.[21]

The United States and Myanmar are not likely to be partners in a multilateral free trade agreement in the foreseeable future. Given the high standards of the Trans-Pacific Partnership, Myanmar will not be a candidate to join the next group of entrants, which Washington hopes will include Indonesia, South Korea, Thailand, and the Philippines. Nor is the United States willing to negotiate a regional free trade agreement with ASEAN. However, Myanmar's reform efforts and Laos's recent entry into the WTO raise the issue of whether the Asia-Pacific Economic Cooperation (APEC) should consider ending its moratorium on membership to admit these two countries, as well as Cambodia.

U.S. Strategic Interests in Myanmar

The United States has clear interests in Myanmar's development—for Myanmar's own sake but also for its impact on the region and thus for broader U.S. concerns. For half a century, few strategic scenarios for Southeast Asia imagined a rising Myanmar, integrated into the region and the international community. The country's current low per-capita income rate is real and reflects, among other things, economic inequities. However, it is not necessarily an indicator of the country's future: Myanmar's size, natural resources, and educated class offer greater prospects for development than is the case in Southeast Asia's other poor countries. Once the world's largest rice exporter, Myanmar could rival Vietnam, Thailand, and India for that distinction again. Although these scenarios imply a brighter future for Myanmar's people, they would also create some economic dislocation in the region, particularly within mainland Southeast Asia.

In addition, Myanmar will become the nexus of new rail, road, and shipping links that increase connectivity between the Pacific and Indian Oceans. This will put greater pressure on China-India relations, as China gains more access to the Bay of Bengal, and challenge traditional trade routes. For example, if the Dawei deepwater port and special economic zone project is realized, Thailand and other mainland Southeast Asian countries will be able to route their eastbound exports by land to Dawei and out through the Bay of Bengal rather than through the Strait of Malacca. This expanded traffic could benefit Myanmar economically, but it also promises to increase the country's exposure to a range of transnational threats. Mismanagement of these threats would have an impact on the region, as would internal instability. The latter could send thousands of refugees across Myanmar's borders and threaten the international community's growing stake in the country.

The United States, China, and Myanmar

The expansion of Myanmar's foreign relations is generally in the United States' interest because it helps to prevent any one power from exerting hegemony in the region. Without doubt, one reason for this expansion is Myanmar's intention to move beyond a singular dependence on China. This decision has both economic and strategic implications, and Myanmar officials are aware that Beijing is increasingly disturbed by what it views as attempts to displace it as the country's only patron. Naypyidaw's response is that it seeks the kind of multilateral menu of relations seen in the foreign policies of other Southeast Asian countries, notably Thailand and Vietnam.

[21] Author's interviews with numerous Myanmar officials, Naypyidaw, October 10–11, 2013.

Naypyidaw is also aware of rising anti-China sentiment among the Myanmar public. There are several sources of this discontent. Chinese infrastructure projects, many of which were contracted before the reform movement, are less attentive to environmental consequences and the displacement of local populations than projects with Western partners. The Mytisone dam project, which was suspended after public protests, has become emblematic of the negative aspects of Chinese investment. There is also growing suspicion about Chinese actions in the border provinces, particularly Kachin State. China has vital interests in Kachin, not least because China's oil and gas pipelines will run through the state. However, long-standing tensions between the Myanmar central government and armed ethnic groups makes the Chinese presence in this and other areas particularly sensitive.

Nevertheless, a broad spectrum of the country's officials and nongovernmental actors consider China to be Myanmar's most important bilateral partner and even hold that the relationship is special. There are numerous reasons for this. First, geography is undeniable, and the shared border between China and Myanmar gives Beijing (and Kunming) a direct interest in Myanmar's internal stability. The country's situation in this way is similar to that of Vietnam, although Vietnam-China relations are complicated by a longer and more contentious history. Second, even the most Western-friendly Myanmar officials feel some loyalty to China for its support during two decades of international sanctions. Myanmar also strengthened relations with Russia during the sanctions period, but those have a lower profile than Myanmar-China relations.[22]

The United States is not the only counterweight to China in Myanmar's new foreign policy. Japan, in particular, has made rapid strides in reclaiming a leading role as an investor in the country, and some Myanmar analysts believe that China sees Japan as its primary rival in Myanmar instead of the United States. India, however, worries about Myanmar because it shows little sign of becoming a counterweight to China. Indian companies are not as prominent as Chinese ones in infrastructure projects, primarily because the decision-making process is too cumbersome. Officials worry that, without a more robust Indian presence in Myanmar, China may be able to exploit the new regional connectivity to its advantage.[23]

Despite their seeming threat to China, partners in Myanmar's new foreign policy mix are finding that they need to step carefully around the China-Myanmar relationship. For example, the United States and Britain have not pressed to observe talks between the central government and armed ethnic groups because of Beijing's objections. Nor is Myanmar likely to seek outside assistance for any problems it has with China, as Vietnam and the Philippines have done in their disputes with China in the South China Sea.

Supporting Myanmar's Regional Role

In October, Myanmar assumed the chairmanship of ASEAN, a position it will hold through most of 2014. This represents a significant step for the country's role in the region, and the Ministry of Foreign Affairs (MOFA) seems to view the chairmanship as both a challenge and an opportunity. By coincidence, Myanmar is also the current coordinator for ASEAN in its affairs with the United States, which gives Washington an additional channel for input into the organization's agenda for 2014.

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[22] Author's interviews with officials from Myanmar's Ministry of Foreign Affairs, Naypyidaw, October 10–11, 2013.

[23] Author's interview with a Myanmar journalist, Yangon, October 9, 2013.

At least two issues will involve the United States during Naypyidaw's chairmanship. First, the U.S. position that the South China Sea disputes deserve a place on the agendas of ASEAN meetings, including the East Asia Summit, could challenge Myanmar as the chair, given Cambodia's decision in 2012 to yield to Beijing's demands that the South China Sea be kept off the ASEAN agenda. MOFA officials are well aware of the pressure to maintain ASEAN unity on this issue and to follow Brunei's lead as the 2013 chair in pursuing dialogue with China on a code of conduct. Some officials insist that if Myanmar must choose between ASEAN and China in this instance, it will choose ASEAN. Others say ruefully that they hope Myanmar will not be forced to choose.[24]

Second, although Myanmar officials have yet to decide on a theme for ASEAN in 2014, they have indicated that one objective for the year will be to persuade the five permanent members of the UN Security Council to sign the Southeast Asian Nuclear-Weapon-Free Zone Treaty. This would be a diplomatic coup for Myanmar and have the added advantage, in the words of one MOFA official, of "convincing the United States that Myanmar has no nuclear ambitions."[25] ASEAN has attempted at various intervals to bring the "permanent five" nuclear powers into the treaty, the most recent instance being in 2012. As of yet, only China has said it will sign, but Myanmar believes that Russia and France can be persuaded to do so. Questions linger about both the United States and the United Kingdom, but particularly the United States. Yet even if the permanent five do sign the treaty, they are likely to do so with qualifications; in other words, if ASEAN hopes for a clean agreement, it is bound to be disappointed. It should be noted, however, that this is not solely the aspiration of the ASEAN chair and that Myanmar can expect to receive support from the other ASEAN members on this issue.

The handling of human rights within ASEAN will also challenge Myanmar as a first-time chair. Within ASEAN, Myanmar has been a strong supporter of the principle of noninterference in the internal affairs of member states, along with Vietnam, Laos, and Cambodia. When the ASEAN Declaration on Human Rights was initially drafted, these four countries were instrumental in setting human rights standards fairly low. As chair, however, Myanmar is charged with advancing ASEAN's plans, albeit modest, to develop regional norms for human rights. One action item within that plan is for each member state to establish a national human rights commission; to date, only six countries have done so. Although they often begin as "rubber stamps," some national human rights commissions have become active and assertive beyond the expectations of their founders. Myanmar is considering establishing a commission and might do so this year. U.S. encouragement and support for this action would do double duty, helping strengthen the human rights framework in both Myanmar and ASEAN.

Although Myanmar's reform process has engendered a new relationship with the United States, continued progress will be a criterion for further movement in the relationship. The outcome of the 2015 elections will be a critical factor in U.S. perceptions of Myanmar's commitment (or lack thereof) to democracy, as will the country's treatment of ethnic minorities, particularly the Rohingya. For the near term, progress in Myanmar's reform process will be a precondition for the expansion of security relations. However, advancing the United States' security interests in Myanmar and the broader Southeast Asian region will also depend on a balanced and productive dialogue on U.S.-Myanmar relations within the U.S. foreign policy community.

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[24] Author's interview with Myanmar Ministry of Foreign Affairs officials, Naypyidaw, October 11, 2013.

[25] Ibid.

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Myanmar's Chairmanship of ASEAN: Challenges and Opportunities

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EXECUTIVE SUMMARY

This essay examines the role of Myanmar as the 2014 chair of the Association of Southeast Asian Nations (ASEAN) and assesses the impact of recent developments on the agenda during its chairmanship, including the prospects for realizing the ASEAN Community in 2015.

MAIN ARGUMENT

Given the fragile state of the country's transition, chairing ASEAN for the first time is more challenging for Myanmar than it was for any of the other nine members. Yet Myanmar's national agenda closely parallels ASEAN's goals for 2014–15. While the tasks of the chairmanship are daunting, the extent to which Naypyidaw can skillfully navigate the myriad challenges of its political and socioeconomic reforms will have an important bearing on ASEAN's own efforts to build the ASEAN Community.

POLICY IMPLICATIONS

- Consolidating democratic reforms and promoting human rights are priorities for both Myanmar and ASEAN. Member states should thus lend their support to Myanmar's political reforms, even beyond its chairmanship in 2014.
- Myanmar's initiation of peace talks with the country's armed ethnic groups is significant for developing national and regional capacity to prevent and resolve conflicts. Success in getting the peace talks off the ground and concluding a new peace agreement by the end of 2015 would not only boost Myanmar's confidence as chair but also open the space for continued engagement on the plight of other marginalized communities such as the Rohingya.
- How Myanmar steers ASEAN's external relations during its chairmanship is particularly significant because of the country's close linkages with China. Given the recent history of disagreement among member states over the South China Sea issue, Myanmar's skillful diplomacy is critical for maintaining ASEAN solidarity under the pressure of great-power politics.

Myanmar finally takes over the chairmanship of the Association of Southeast Asian Nations (ASEAN) in 2014. This will be its first time as chair, after having missed a turn in 2006 due to its controversial human rights record. When the country was admitted into ASEAN in 1997, the association found itself having to carefully navigate through the intense pressure coming from both within and outside the region because of Myanmar's oppressive military regime. At the same time, ASEAN also had to manage the impact of the Myanmar issue on its own credibility.

A decade and a half later, the change could not be more dramatic. By-elections in April 2012 saw the revival of Myanmar's opposition party, the National League for Democracy (NLD), and the formal entry of its leader, democracy icon Aung San Suu Kyi, into politics. The elections also heralded sweeping economic and political reforms such as the release of a number of political prisoners. The country has indeed come a long way from being regarded as a pariah state to now being the toast of the regional and international community.

To be sure, Myanmar's remarkable transformation has just begun. Not only has the country come out of its decades-long political and economic isolation, but it also has now become a key focus of many actors in the international community—from big powers like the United States and European Union that had earlier shunned Myanmar to international organizations and multinational corporations, all attracted by the promise of a richly endowed country with the potential to become one of Asia's rising economies.

Amid the euphoria, however, are pressing questions about whether the country's political transition is indeed irreversible and whether its economic reforms will succeed. Among those who have voiced caution is Aung San Suu Kyi, who in her meeting with President Barack Obama in November 2012 warned of the need to guard against being "lured by [the] mirage of success." As Myanmar continues along the path of change, there will be no one more keenly interested in its success than the ASEAN neighbors that have stood by the country in good times and in bad. Thus, as Myanmar takes over the helm of ASEAN, it is an opportune time to examine the implications of its chairmanship for ASEAN.

The next year will be critical for the realization of the much-talked-about ASEAN Community—a three-pillared community comprising the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). By 2015, ASEAN hopes to have achieved the goal of establishing a community that is "peaceful and stable, living in shared prosperity, and with caring and sharing societies."[1] Given that this is the first time Myanmar is chairing ASEAN, all eyes will surely be on how it will steer the association through to 2015. However, it is also worth examining what challenges and opportunities the chairmanship will present to a transitioning Myanmar.

This essay will consider Myanmar's ASEAN chairmanship on two fronts: from the perspective of ASEAN as an organization and from Myanmar's perspective as a member. In line with this, the essay is divided into two parts. The first provides an overview of developments surrounding Myanmar's entry into ASEAN up to its forthcoming chairmanship. The second part analyzes the impact of these developments on Myanmar's agenda for its chairmanship in 2014.

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[1] See ASEAN, *Declaration of ASEAN Concord II (Bali Concord II)* (Jakarta: ASEAN Secretariat, 2003).

Overview of Myanmar-ASEAN Relations from 1997 to Present

Myanmar's Membership in ASEAN

Myanmar's admission to ASEAN in 1997 was not without controversy. This was the year that the association's much-anticipated 30th anniversary celebrations were dampened by a series of crises that hit the region. The first was the Asian financial crisis, which destabilized ASEAN's emerging economies—Singapore, Malaysia, Thailand, and Indonesia—and ballooned into a political crisis so devastating that it precipitated the downfall of ASEAN's oldest regime, that of Indonesia's President Suharto. The Asian financial crisis not only exposed the degree to which ASEAN economies were vulnerable, both in the international marketplace and to external currency manipulation. More importantly, it raised many questions about the ability of ASEAN to respond effectively to a region-wide crisis. At the height of the crisis, a number of scholars and analysts began to question the viability of ASEAN as a regional organization, with some even calling it a "sunset organization."[2]

Despite the financial crisis, ASEAN decided to go ahead with the expansion of its membership. The decision to admit Myanmar, along with Laos and Cambodia, into ASEAN was made supposedly to fulfill the vision of the ASEAN framers, who wished to have all ten countries in Southeast Asia participate in the association. Hence, at the 6th ASEAN Summit, held in July 1997, Myanmar and Laos were formally admitted. Cambodia, though, had its membership deferred because Hun Sen, later Cambodia's second prime minister, had staged a coup to oust Prince Norodom Ranariddh from the premiership. The implications of the power struggle caused consternation in ASEAN circles, and member countries wanted to convey to Cambodia that the use of force to settle leadership disputes would not be condoned.

ASEAN's deferment of Cambodia's membership was juxtaposed against the admission of Myanmar, with the latter's human rights issues generating strong criticism. ASEAN was attacked for its inconsistency and double standards. The organization defended its decision by arguing that Myanmar's human rights record was an internal issue, whereas Cambodia's coup had regional implications by violating ASEAN's norm of the nonuse of force.

As a consequence, ASEAN insisted that Cambodia had to meet certain conditions before its admission would be approved, including the holding of free and fair elections and the establishment of a senate. While this decision may have raised some questions and cast doubt on ASEAN's credibility, the political crisis in Cambodia nonetheless prompted the organization to revisit its norm of noninterference and examine its lack of mechanisms to assist members and neighbors that needed help. Subsequently, the association formed the ASEAN Troika, comprising the foreign ministers of the previous, current, and upcoming chairs of ASEAN, to assist in restoring political stability in Cambodia.[3]

ASEAN's role in helping Cambodia became the precursor to the policy of "constructive engagement," a term that went through several iterations. The idea was first broached by Malaysia's

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[2] See, for example, Jeannie Henderson, *Reassessing ASEAN*, Adelphi Paper 323 (London: International Institute for Strategic Studies, 1999).

[3] For a detailed account of ASEAN's initiatives to persuade Cambodia to agree to the organization's terms for restoring political stability in the country, see Juanito Jarasa, "The ASEAN Troika on Cambodia: A Philippine Perspective," in *The Next Stage: Preventive Diplomacy and Security Cooperation in the Asia-Pacific*, ed. Desmond Ball and Amitav Acharya (Canberra: Strategic and Defence Studies Centre, 1999), 209–14.

former deputy prime minister Anwar Ibrahim in 1997 after the Cambodian crisis.[4] Anwar originally proposed the notion of "constructive intervention," which called for a proactive policy of involvement and assistance to Southeast Asia's weaker states to prevent their internal collapse. The assistance would come in several forms: direct assistance to firm up electoral processes, increased commitment to legal and administrative reforms, development of human capital, and general strengthening of civil society and the rule of law. A year later, Thai foreign minister Surin Pitsuwan also proposed the idea of constructive intervention. His notion, however, was remarkably different from the one proposed by Anwar in that it called for an "open, frank, and constructive" discussion of issues, including domestic affairs that had external and transnational dimensions. At that time, the open discussion of the internal affairs of an ASEAN member was regarded as taboo in the association's norms and practices. Yet despite initial resistance, a nuanced version of constructive intervention eventually found its way into ASEAN's official lexicon in the term "enhanced interaction."[5]

Despite the semantic re-crafting, it could be argued that the very introduction of this radical idea indicated that ASEAN members had already recognized the need to revisit some of the organization's most established norms and were interested in examining how these norms could hinder or help efforts to address emerging security challenges. In the decade following Myanmar's admission, ASEAN faced several regional crises, including the devastating economic crisis discussed above, worsening environmental problems such as air pollution, and political conflicts and instability in member states. These crises provided a compelling reason for ASEAN to be more proactive in dealing with issues that had regional implications, which meant having to move beyond its comfort zone of noninterference in members' affairs. These developments signaled a subtle shift in interstate relations within ASEAN, one that became more palpable when Myanmar was admitted as a member. As a result, in 2007 and 2008 the organization found itself having to deal with the political crisis that unfolded in Myanmar, discussed further below.

The controversy over Myanmar's membership in ASEAN was not limited to comparisons with the Cambodian case. In fact, ASEAN's reason for engaging with Myanmar, despite the country's ignominious image and the impact this decision would have on ASEAN's credibility, was far from clear. Analysts have offered a number of reasons why Myanmar's membership was important to the organization, aside from the declared dream of unifying Southeast Asia. Two of these reasons stand out as deserving closer examination.

The first is founded on the geopolitics of the time. With the end of the Cold War, the strategic environment changed dramatically. The United States became the only superpower after the dissolution of the Soviet Union, and China was already emerging as a major power in Asia. Throughout Myanmar's years under a self-imposed policy of isolation, China was one of the few countries that became close to Myanmar. This relationship was strengthened after the military took power in 1988. In 1997, China's military assistance to Myanmar stood at $1.4 billion, and this was coupled with intense trade and internal investment all over the country, including a port development that stretched along the Bay of Bengal and critical infrastructure projects spreading

[4] Some accounts of the origins of "constructive engagement" trace this term back to former Thai prime minister Chatichai Choonhavan in 1988, when he announced Thailand's foreign policy of turning Cambodia's battlefield into a marketplace. During that period, Cambodia was still under Vietnamese occupation and the international community, including ASEAN, was involved in finding a durable political settlement to the conflict.

[5] For an expanded discussion of ASEAN's constructive intervention, see Mely Caballero-Anthony, *Regional Security in Southeast Asia: Beyond the ASEAN Way* (Singapore: Institute of Southeast Asian Studies, 2005), 209–31.

out from China's Yunnan Province.[6] Against concerns about China's intentions as an emerging power in Asia with increasing economic influence in what the Asian Development Bank referred to as the "golden quadrangle"—northern Myanmar, northern Thailand, Laos, and Yunnan Province—some ASEAN members felt that China's influence, particularly on Myanmar, could be tempered by bringing Myanmar into the organization's fold.[7]

The second reason for ASEAN's interest in extending membership to Myanmar could be traced to the approach taken by Western countries in addressing the human rights abuses and harsh suppression of pro-democracy activists in Myanmar. The year the country entered ASEAN was the same year that the United States, Canada, and the EU imposed sanctions, restricting all new investments in Myanmar and implementing a broad ban on travel to the United States by the country's officials and their relatives. This was mostly due to the efforts of U.S. human rights groups lobbying against engagement with Myanmar.[8]

The hard-line position of Western countries placed ASEAN, which had a more ambiguous stance on democracy and human rights, on the defensive. It also reinforced the policy of constructive engagement as an alternative approach to the West's strategy of condemnation and confrontation. Nevertheless, this collective diplomatic approach created a number of problems for ASEAN, particularly with regard to its external relations. The EU linked its engagement with ASEAN to the behavior of Myanmar's military regime, particularly the treatment of opposition leader Aung San Suu Kyi.[9] In 2004, for instance, the EU made its participation in the fifth Asia-Europe Meeting contingent on political reform in Myanmar and Aung San Suu Kyi's release. To resolve the issue, ASEAN, China, and Japan negotiated Myanmar's participation in the meeting in return for the participation of ten new EU members.[10]

Some analysts argue that the pressure from ASEAN's dialogue partners is what pushed the association in 2006 to delay handing over the chairmanship to Myanmar.[11] Australia, Canada, the EU, New Zealand, and the United States had been vocal about their reluctance to attend any meetings hosted by Yangon (formerly known as Rangoon) without Myanmar making any major political reforms.[12] In 2005, Myanmar announced that it would defer its turn as ASEAN chair, and the next country in line, the Philippines, took the chair in 2006. Myanmar's justification for giving up the chairmanship was its "pre-occupation with national reconciliation referring to its 'Roadmap to Democracy.'"[13] Interestingly, later in November 2005, Myanmar moved its capital

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6 David Steinberg, "Myanmar: Regional Relationships and Internal Concerns," in *Southeast Asian Affairs 1998*, ed. Derek Da Cunha and John Funston (Singapore: Institute of Southeast Asian Studies, 1998), 181–82.

7 See, for example, Donald M. Seekins, "Burma-China Relations: Playing with Fire," *ASEAN Survey* 37, no. 6 (1997): 525–39; and Jurgen Haacke, *Myanmar's Foreign Policy: Domestic Influences and International Implications* (London: Routledge, 2006).

8 Steinberg, "Myanmar: Regional Relationships and Internal Concerns," 180.

9 Tin Maung Than, "Myanmar's Golden Anniversary: Economic and Political Uncertainty," in *Southeast Asian Affairs 1999*, ed. Daljit Singh and John Funston (Singapore: Institute of Southeast Asian Studies, 1999), 221; and Tom Wingfield, "Myanmar: Political Stasis and a Precarious Economy," in *Southeast Asian Affairs 2000*, ed. Daljit Singh (Singapore: Institute of Southeast Asian Studies, 2000), 210.

10 "Divisions over Myanmar Shadow Asia-Europe Meeting This Week," BurmaNet News, October 6, 2004, http://www.burmanet.org/news/2004/10/06/dow-jones-divisions-over-myanmar-shadow-asia-europe-meeting-this-week.

11 Donald Weatherbee, "Southeast Asia in 2006: Déjà vu All Over Again," in *Southeast Asian Affairs 2007*, ed. Daljit Singh and Lorraine C. Salazar (Singapore: Institute of Southeast Asian Studies, 2007), 20. See also Michael Vatikiotis, "Southeast Asia in 2005: Strength in the Face of Adversity," in *Southeast Asian Affairs 2006*, ed. Daljit Singh and Lorraine C. Salazar (Singapore: Institute of Southeast Asian Studies, 2006), 1–14.

12 Richard Stubbs, "ASEAN in 2003: Adversity and Response," in *Southeast Asian Affairs 2004*, ed. Daljit Singh and Chin Kin Wah (Singapore: Institute of Southeast Asian Studies, 2004), 114–15.

13 Vatikiotis, "Southeast Asia in 2005," 11.

to Naypyidaw, a new city three hundred kilometers from Yangon, much to the surprise and annoyance of its ASEAN neighbors.

If there was a subtle shift in the stance of ASEAN members toward Myanmar, the December 2005 ASEAN Chair's Statement at the 11th ASEAN Summit in Kuala Lumpur provides the best hint. The statement "encouraged" Myanmar to "expedite" its democratic reforms and called for the "release of those placed under detention."[14] Reports on the proceedings of the Kuala Lumpur summit noted that some members had encouraged Naypyidaw to allow the ASEAN envoy to Myanmar to assess the country's political situation firsthand and report back to the association. Observers following the summit suggested that rather than adopt genuine democratic reforms—reforms that the EU, United Kingdom, United States, and ASEAN had been calling for—Myanmar found it easier to defer its turn as chair.[15]

The Saffron Revolution, Cyclone Nargis, and the ASEAN Charter

The impact of Myanmar's membership on ASEAN became more defined in August and September 2007 when the military regime responded forcefully to a series of public demonstrations that erupted in the capital and other parts of the country. The demonstrations were triggered by massive hikes in fuel prices that exacerbated the already dire living conditions of many people across the country. What began as peaceful protests by political activists eventually swelled into massive demonstrations by students and ordinary citizens led by Buddhist monks—hence the name "saffron revolution." The participation of the monks was very significant as the Buddhist clergy was highly revered by both the military and the civilian population. The brutal military crackdown that followed resulted in several deaths and the arrest of thousands of protestors. Several monasteries were reportedly raided. The government's response was met with condemnation on a global level, and members of the international community—particularly the United States, Australia, Canada, and the EU—called for immediate action to be taken, including sanctions against Myanmar's military leaders. The UN secretary-general Ban Ki-moon also condemned the crackdown as "abhorrent and unacceptable."[16]

The response from ASEAN was noticeably sharp and swift. Not only did it issue a joint statement expressing "revulsion" at the atrocities that had just occurred, but it also joined the rest of the international community in urging Myanmar to "exercise utmost restraint," seek a "political solution," and "release all political detainees," including Aung San Suu Kyi.[17] This response was unprecedented and a stark departure from ASEAN's practice of noninterference. The saffron revolution therefore became a litmus test for ASEAN's policy of constructive engagement,

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[14] "Chairman's Statement of the 11th ASEAN Summit 'One Vision, One Identity, One Community,'" ASEAN, December 12, 2005, http://www.asean.org/news/item/chairman-s-statement-of-the-11th-asean-summit-one-vision-one-identity-one-community.

[15] Bruce Matthews, "Myanmar's Human and Economic Crisis and Its Regional Implications," in Singh and Salazar, *Southeast Asian Affairs 2006*, 219. Some observers further noted that Myanmar might be assigning less value to its ASEAN membership than it did in 1997 because of "increasing guarantees against isolationism as India and China expend considerable effort to court the country, be it for economic, military or strategic reasons." See Mathew Davies, "The Perils of Incoherence: ASEAN, Myanmar and the Avoidable Failures of Human Rights Socialization?" *Contemporary Southeast Asia* 34, no. 1 (2012): 16.

[16] Warren Hoge and Seth Mydans, "UN Chief Calls Crackdown in Myanmar 'Abhorrent,'" *New York Times*, October 6, 2007.

[17] Embassy of the Republic of Singapore (Jakarta), "Letter from Prime Minister Lee Hsien Loong to Senior General Than Shwe, Chairman, State Peace and Development Council, Union of Myanmar," Press Release, September 29, 2007, http://www.mfa.gov.sg/content/mfa/overseasmission/jakarta/press_statements_speeches_archives/2007/200710/press_200710_01.html; and Embassy of the Republic of Singapore (Washington, D.C.), "Statement by ASEAN Chair, Singapore's Minister for Foreign Affairs George Yeo in New York, September 27 2007," Press Statement, November 22, 2013, http://www.mfa.gov.sg/content/mfa/overseasmission/washington/newsroom/press_statements/2007/200709/press_200709_03.html.

with former Malaysian prime minister Abdullah Badawi declaring that the policy had failed in Myanmar.[18]

Incidentally, the saffron revolution occurred just before the ASEAN Summit of November 2007 in Singapore, where leaders were to adopt the much-awaited ASEAN Charter. The charter was intended to signal a new phase in ASEAN regionalism, defined by a more normative and rule-based framework of inter- and intrastate conduct. Article 1 of the charter spells out the norms of interstate engagement and asserts that ASEAN is to "strengthen democracy, enhance good governance and the rule of law, and...promote and protect human rights and fundamental freedoms."[19]

While the adoption of the charter was welcomed by the regional and international community, its implementation posed significant challenges for ASEAN's normative practices, as was seen in the aftermath of Cyclone Nargis, which devastated Myanmar in May 2008. The regime initially barred international assistance from reaching the storm-battered rural areas, leaving foreign aid agencies that wanted to help these badly affected communities without any way to do so. Despite the need to urgently respond to the disaster, the regime appeared to be preoccupied with holding a national referendum to approve the country's redrafted constitution. The state's callous attitude toward the plight of the disaster-affected communities compelled former French foreign minister Bernard Kouchner to call for international intervention in Myanmar based on the principles of the "responsibility to protect."[20]

The pressure on Myanmar to allow international assistance into the country presented ASEAN with an opportunity to persuade Naypyidaw to use the ASEAN framework to mobilize and coordinate international disaster-relief operations. ASEAN apparently did so by firmly pressuring Myanmar to concede and prove to the rest of the member states that the organization was indeed important to it. The regime's concession prevented the humanitarian crisis from spiraling out of control and led to a year-long ASEAN mission to assist in disaster relief, rehabilitation, and reconstruction in Myanmar. ASEAN's direct involvement in the massive effort eventually led to the establishment of several regional disaster-relief mechanisms, including the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management founded in Jakarta in 2011.

Myanmar in Post-Charter ASEAN: Plotting Changes in Parallel Tracks

The saffron revolution and Cyclone Nargis could thus be seen as watershed events that reflect the subtle yet significant changes taking place in Myanmar in parallel with changes in ASEAN's regionalism. On the one hand, there was the series of steps taken by the regime to signal to Myanmar's neighbors that the country was slowly moving toward a more open political system. On the other hand, there were the dramatic changes undertaken by ASEAN that indicated a significant shift in its management of interstate relations. The new regional modalities and processes, adopted in response to a changing strategic environment, have significant implications for ASEAN's way of doing things in that they can be, and are, intrusive on the internal affairs of

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18 Foo Yee Ping, "PM: Asean's Constructive Engagement with Junta Has Failed," *Star*, September 28, 2007.

19 ASEAN, *The ASEAN Charter* (Jakarta: ASEAN Secretariat, 2008), art. 1, par. 7, http://www.asean.org/archive/publications/ASEAN-Charter.pdf.

20 According to the "responsibility to protect" principles, a state loses its sovereignty if it is unable to carry out the primary responsibility of protecting its population from four grievous crimes, namely, war crimes, genocide, ethnic cleansing, and crimes against humanity. Some argued that Myanmar's wanton and intentional neglect of the plight of disaster victims—by withholding assistance that could have saved thousands of lives—was tantamount to a crime against humanity. For more on this discussion, see Mely Caballero-Anthony and Belinda Chng, "Cyclones and Humanitarian Crises: Pushing the Limits of R2P in Southeast Asia," *Global Responsibility to Protect* 1, no. 2 (2009): 135–55.

states. These parallel developments, which happened independently over roughly the same period of time, are discussed briefly below.

Myanmar's "roadmap to democracy." In 2003, Myanmar's ruling regime, the State Peace and Development Council, unveiled its "roadmap to democracy."[21] Despite international skepticism about the intentions of the roadmap, Myanmar steadily implemented the tasks outlined in the plan. National elections were held in November 2010, the first after two decades of direct military rule. Although the opposition NLD boycotted the elections, a new government led by the elected president, Thein Sein, was formally established and a new elected legislative body, the Pyithu Hluttaw, institutionalized.

ASEAN welcomed Myanmar's turn toward democracy while maintaining a cautious watch over events in the country. These reservations can be seen in some of the statements issued by the association. In the run-up to the 2010 elections, for instance, Thailand issued a statement as chair of ASEAN noting that the release of some political detainees contributed significantly to the process of national reconciliation. The statement added, without any explicit mention of Aung San Suu Kyi, that the participation of political parties in the elections should be encouraged. This carefully worded joint statement by the ASEAN chair did not stop Indonesia's foreign minister from also saying that ASEAN was on the record demanding Aung San Suu Kyi's immediate release.[22] In April 2010, at the 16th ASEAN Summit, the new chair Vietnam went further, saying that member states were ready to help in the Myanmar elections when requested, in the spirit of the association's charter. ASEAN also floated a couple of ideas: appointing a special envoy to discuss the elections with the leadership in Myanmar and sending observers from ASEAN to monitor the elections. These statements reflected the position of the association on Myanmar's reform plans. It was clear at the time that ASEAN had a stake in the success of the elections, if only to prove to the international community that the policy of constructive engagement was working.

It is worth noting that although Myanmar declined the offers of electoral assistance from its ASEAN neighbors in 2010, these regional initiatives, particularly the notion of ASEAN election observers, were later taken up by Thein Sein in 2012. In a move that surprised the regional community, the government invited observers from member countries, ASEAN's dialogue partners (e.g., the United States, Japan, Korea, and the EU), and the UN to its first nationwide by-elections. It also welcomed representatives from ASEAN media and civil society organizations. Unlike in 2010, the opposition NLD participated, led by Aung San Suu Kyi, who contested a seat in her town of Kawmhu. The elections were described by ASEAN and other foreign electoral observers as free and fair and saw the NLD win 43 out of the 45 contested seats.

ASEAN's parallel reforms: The ASEAN Political-Security Community. Myanmar's announcement of its roadmap to democracy in 2003 coincided with the unveiling of ASEAN's own roadmap for a political and security community, the APSC. The blueprint for the APSC set forth an ambitious vision of a security community in Southeast Asia wherein member states would "live at peace with one another and with the world at large, in a just, democratic and harmonious environment."[23]

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[21] For a list of the seven stages, see Myanmar Institute of Strategic and International Studies, "Myanmar Roadmap to Democracy: The Way Forward" (summary report of a presentation by U Khin Maung Win at the Seminar on Understanding Myanmar, Yangon, January 27–28, 2004), http://www.burmatoday.net/burmatoday2003/2004/02/040218_khinmgwin.htm.

[22] Larry Jagan, "ASEAN, Myanmar Agree to Disagree," *Asia Times*, July 27, 2010, http://www.atimes.com/atimes/Southeast_Asia/LG27Ae02.html.

[23] ASEAN, "ASEAN Security Community Vientiane Plan of Action," in *ASEAN Document Series 2004* (Jakarta: ASEAN Secretariat, 2005), 51, http://www.asean.org/archive/ADS-2004.pdf.

The APSC blueprint specified five new areas of cooperation: political development, setting and sharing norms, conflict prevention, conflict resolution, and post-conflict peacebuilding.[24] The inclusion of political development is particularly significant given that not too long ago ASEAN had plainly avoided discussing topics that could be interpreted as intrusions into the domestic political affairs of its member states. Those familiar with the organization's processes were surprised that this phrase even had survived the drafting stage of the senior officials' meeting, let alone been included in the ASEAN Security Community's plan of action and the subsequent blueprint.[25] In order to better understand the rationale for including this language, one can look to the specific strategies that the blueprint identifies to encourage political development. These include promoting the rule of law, good governance, human rights, and principles of democracy.[26]

The mainstreaming of democracy and the human rights agenda in the APSC—and its prioritization no less within this first pillar of the ASEAN Community—was indeed a milestone. This decision reflected the thinking that it is no longer sufficient for ASEAN to stick to the lowest common denominator in standards of behavior. If there is to be a higher level of cooperation, it is incumbent on states to observe their membership obligations and comply with norms of interstate relations and intrastate conduct. The APSC, therefore, is ASEAN's own political project of establishing an ASEAN community that promises to be more receptive to—and capable of—ensuring the protection of human rights.

The push to advance the goals of the APSC gained momentum with the adoption of the ASEAN Charter in 2007. The charter established the foundations for interstate conduct and committed member states to, among other things, the promotion of democracy and the protection of human rights and security. It also provided for the establishment of new regional institutions to advance those norms and values and "boost its community-building process."[27]

Subsequently, the ASEAN Intergovernmental Commission on Human Rights was established in October 2009 as the "overarching institution responsible for the promotion and protection of human rights in ASEAN."[28] One of its main tasks was to develop the ASEAN Human Rights Declaration, subsequently adopted at the 21st ASEAN Summit in November 2012, with a view to establishing a framework for human rights cooperation through various ASEAN conventions and other instruments.

Another intergovernmental consultative body, the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children, was established in April 2010. This commission was formed to help the ASEAN Community pursue a "constructive non-confrontational and cooperative approach to enhance the promotion and protection of rights of women and children" and "adopt a collaborative and consultative approach" with member states, academia, and civil society in tackling these issues.[29] In addition, to promote deeper regional cooperation in conflict resolution and post-conflict peacebuilding, ASEAN established the ASEAN Institute for Peace and

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24 See ASEAN, "ASEAN Political-Security Community Blueprint," in *Roadmap for an ASEAN Community 2009–2015* (Jakarta: ASEAN Secretariat, 2009), 5–20.

25 The ASEAN Security Community was subsequently renamed the ASEAN Political-Security Community.

26 Relevant entities here would include Track 2 networks such as the ASEAN Institutes of Strategic and International Studies and recognized civil society organizations such as the ASEAN Civil Society Conference and the ASEAN Inter-Parliamentary Assembly.

27 ASEAN, *The ASEAN Charter*.

28 ASEAN Intergovernmental Commission on Human Rights, "Cha-am Hua Hin Declaration on the Inauguration of the ASEAN Intergovernmental Commission on Human Rights," par. 8.

29 ASEAN, *Terms of Reference: ASEAN Commission on the Promotion and Protection of the Rights of Women and Children* (Jakarta: ASEAN Secretariat, 2010), par. 3.

Reconciliation in 2012. The institute conducts research, develops best practices, builds capacity, serves as a regional knowledge hub, and provides recommendations to ASEAN governments and parties on how to resolve conflict through peaceful negotiations.

ASEAN also reviewed its existing mechanisms for dispute settlement, as codified in Article 23 of the ASEAN Charter. Article 23 establishes that states involved in a dispute can "request the Chairman of ASEAN or the Secretary-General of ASEAN, acting in an ex-officio capacity, to provide good offices, conciliation or mediation." Since the ratification of the charter, ASEAN's mechanism for good offices, conciliation, or mediation has been put to the test just once, during the Cambodia-Thailand border dispute in February 2011. Indonesia, as the ASEAN chair, engaged in shuttle diplomacy to stop the military skirmishes between Cambodian and Thai troops. It also convened a special meeting of ASEAN foreign ministers on February 22, 2011, in Jakarta to discuss the dispute. The initiative taken by the ASEAN chair to intervene during the crisis and the support given by other members were unprecedented and served to underline that the association was now proactively moving beyond conflict prevention into conflict resolution.

In sum, the series of regional initiatives undertaken by ASEAN to advance its ambitious goal of establishing the APSC provides an interesting background for the developments that concurrently took place in Myanmar. Although the country's journey toward democratization has been riddled with contradictions, particularly the saffron revolution and the government's response to Cyclone Nargis, the parallel developments in Myanmar and ASEAN arguably finally converged in 2011, when Thein Sein introduced a series of dramatic political and economic reforms that accelerated the democratization of the country.

Myanmar as Chair of ASEAN in 2014

Myanmar's ASEAN chairmanship could not have come at a more critical time in the association's history. Former ASEAN secretary-general Surin Pitsuwan aptly described the importance of this role when he said that Myanmar will be "running the penultimate leg towards the finishing line of ASEAN Community in 2015." To be chairing ASEAN for the first time—at this point in the country's political transition and at this stage of ASEAN's political development—is arguably more challenging for Myanmar than it was for any of the other nine member states.

The chairmanship comes with a number of responsibilities and expectations. These include steering the ASEAN agenda, specifically the implementation of many of the agreements and action plans laid out for 2014 and beyond; identifying outstanding issues that need to be raised among member states; setting out new items for ASEAN to consider, be it an initiative like Indonesia's "Bali Concord III" or Vietnam's "Agenda for ASEAN Community Building"; and managing relations with external partners within the frameworks of ASEAN +3, the ASEAN Regional Forum, and the East Asia Summit.

Among the key agenda items for 2014 is the ongoing review of all three ASEAN Community blueprints: for the APSC, AEC, and ASCC. In anticipation of the AEC's establishment in 2015, a new "vision paper" for a post-2015 AEC agenda is currently being drafted. This paper is expected to be adopted during Myanmar's chairmanship. Similarly, initiatives are being developed to review the APSC blueprint, which would include a review of the ASEAN Charter as well as the

work plan and terms of reference of ASEAN's human rights body.[30] While the tasks ahead may seem daunting for a new chair, they nonetheless open up opportunities for Myanmar to show its neighbors and the international community why the country matters to ASEAN. To be sure, Myanmar's own national agenda coincides with ASEAN's agenda, covering the whole gamut of issues across the political, security, economic, and sociocultural areas.

Consolidating Democratic Reforms

Myanmar's ability to consolidate its democratic reforms is critical to ASEAN's agenda. The APSC blueprint emphasizes political development and setting and sharing norms. It is worth noting that when the issue of Myanmar's chairmanship came up in official ASEAN discussions in 2011, one of the concerns raised was whether the country's democratic reforms were sustainable. It was decided that Indonesian foreign minister Marty Natalegawa, representing the ASEAN chair, would go to Naypyidaw to assess the situation. Following a positive report from this visit, ASEAN announced Myanmar's upcoming 2014 chairmanship at its summit in Bali in November 2011. In a key statement, Natalegawa noted that Myanmar's democratic reforms appear to be "irreversible."[31]

Myanmar's political transition has indeed been dramatic. However, the slew of rapid political and economic reforms introduced by Thein Sein has left many observers inside and outside ASEAN wondering whether the reforms can be sustained. Among the key issues of concern is the extent to which the military has retreated from politics, given that 25% of Myanmar's parliamentary seats are reserved for military representatives. Another question is what impact the opening up of political space will have on the future of the ruling Union Solidarity and Development Party (USDP), particularly with the 2015 elections likely to see the full participation of the widely popular NLD as well as emerging parties representing the country's different ethnic groups. Even more important questions are whether the elections will bring a change in leadership and whether Aung San Suu Kyi could possibly be the next leader.

The impact of the elections on the constellation of power in Myanmar and on the country's democratic consolidation is extremely important for ASEAN, particularly in light of the APSC's thrust toward strengthening the normative, democratic framework of the region. The uncertainty of how the government will navigate the strong confluence of rising expectations and pressure for political change between 2014 and 2015 provides a compelling reason for ASEAN to work closely with Naypyidaw in managing the challenges that could arise. Aside from providing extensive logistical and human-resources support to help Myanmar build the capacity to cope with the hosting of hundreds of meetings during its chairmanship, ASEAN must also ensure that political reforms are supported. This would include, for instance, helping the country in its plans to undertake security sector reform. The experiences of Indonesia and the Philippines in undergoing similar reforms could provide useful lessons for Myanmar.

Promoting and Protecting Human Rights

Myanmar's political reforms have also brought attention to human rights issues in the country. Although ASEAN and the international community have welcomed the release of hundreds of political detainees, the plight of the Rohingya Muslims has been in the spotlight, particularly since

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[30] In 2009, ASEAN officials agreed to review the ASEAN Charter, the ASEAN Intergovernmental Commission on Human Rights, and the blueprints of the APSC, AEC, and ASCC on the fifth year after their adoption.

[31] Mustaqim Adamrah, "Myanmar Gets Support to Lead ASEAN," *Jakarta Post*, November 1, 2011.

Myanmar's neighbors have been forced to host Rohingya refugees. In 2012, statements from some ASEAN officials called on Myanmar to address its human rights violations and the deplorable conditions under which the Rohingya are living. An ASEAN statement issued in August 2012 noted that the association was ready to lend humanitarian assistance to the Rohingya "upon the request of the Government of Myanmar."[32] Other officials were more forthright, with ASEAN's secretary-general pointing out that the plight of the Rohingya was "an issue of democracy, human rights and reconciliation,"[33] while Indonesian foreign minister Natalegawa declared that the violence visited on the Rohingya Muslims represents "crimes against humanity" and that "the Myanmar government's treatment of [them] is not in line with its recent efforts towards democracy."[34]

Current actions taken by the government to defuse tensions and end the violence in the state of Rakhine, as well as the pronouncements about citizenship review and amendments to the constitution, point to efforts by the Thein Sein administration to address the issue. Nonetheless, given growing international consternation, how Myanmar resolves the conflict in Rakhine will have an impact not just on the credibility of ASEAN but more importantly on the world's confidence in Myanmar's ability to fulfil its responsibilities as 2014 chair.

Developing Capacity: Moving from Conflict Prevention to Conflict Resolution

Myanmar's democratization has opened the way for peace talks among the country's ethnic groups. At the time of writing, Thein Sein's government is still working to finalize ceasefire agreements with armed ethnic rebel groups like the Shans, Kachins, and Karens under the umbrella of the United Nationalities Federal Council.[35] The government aims to hold a number of political dialogues with these groups in 2014, with the goal of reaching a comprehensive agreement by next year. The current round of peace negotiations has seen concessions from the Thein Sein administration, which dropped its demands that talks be held in Myanmar and that weapons be surrendered before talks could take place. Significantly, the ethnic question is also now being dealt with as a political or constitutional issue rather than as a military matter.

Myanmar's success in getting the peace talks off the ground and arriving at a new peace agreement in 2015 would augur well for ASEAN's work on conflict prevention and resolution. Furthermore, these efforts to address the Rohingya issue, if successful, will give Myanmar confidence as chair of ASEAN and in turn allow it to be a point of reference for other members facing similar problems. Such progress will help with building capacity throughout the region for managing and resolving conflict.

Setting the Agenda for Addressing Human Security Challenges

Part of the APSC agenda is enhancing regional cooperation to address the nontraditional security challenges facing ASEAN. Myanmar has confronted a number of such challenges,

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32 "Statement of the ASEAN Foreign Ministers on the Recent Developments in the Rakhine State, Myanmar," ASEAN, August 17, 2012.

33 Surin Pitsuwan, "Raising the ASEAN Value through the Concept of Global Movement of Moderates" (speech at the Conference on Global Movement of Moderates, Kuala Lumpur, October 30, 2012). See also R. Sittamparam and Awaina Arbee, "Call for Global Action on Rohingya," *New Straits Times*, October 31, 2012, http://www.nst.com.my/nation/general/call-for-global-action-on-rohingya-1.164324.

34 Yang Razali Kassim, "Plight of the Rohingya: ASEAN Credibility Again at Stake," S. Rajaratnam School of International Studies (RSIS), RSIS Commentaries, no. 207, November 6, 2012.

35 The United Nationalities Federal Council is a coalition of eleven armed ethnic groups. It grew out of the Committee for the Emergence of Federal Union and aspires to represent all armed ethnic groups during peace negotiations with the government.

including environmental degradation from climate change, the spread of infectious disease, human trafficking, small arms proliferation, internal displacement, and illegal migration.[36]

Myanmar's experience with the devastating impact of Cyclone Nargis and the repeated occurrence of this type of catastrophic disaster in other parts of the region, most recently in the Philippines with Typhoon Haiyan, ironically provide Naypyidaw with a good platform to lead ASEAN's efforts to strengthen regional cooperation on humanitarian assistance and disaster relief. Similarly, with the impact of severe climate conditions on food and water security, Naypyidaw has the opportunity to craft a new agenda for ASEAN focused on nontraditional security challenges. Just as in 2012 when Cambodia prepared its "Phnom Penh Agenda for ASEAN Community Building" that called on member states to push ahead with the outstanding agenda for the three-pillared ASEAN Community, Myanmar should consider crafting a "Naypyidaw Declaration on Climate Change and Catastrophic Risks." Such a declaration could bring urgency to the risks of food and water insecurity, the spread of infectious disease, and massive population displacement as a consequence of climate change and natural disasters.

Managing ASEAN's External Relations

In addition to the long list of possible items on the agenda for Myanmar's 2014 chairmanship, there will be a lot of attention on how Naypyidaw manages ASEAN's relations with its dialogue partners, particularly China. In light of the controversy in 2012—which saw the failure of ASEAN to issue an official statement, ostensibly caused by disagreements between the Cambodian chair and other ASEAN members over the South China Sea issue—the spotlight will be on how Myanmar will handle a possible repeat of 2012, should ASEAN face similar pressure from China.

Myanmar officials have been careful to not present the country as China's lackey in ASEAN, despite the fact that it has had a long relationship with Beijing and benefited from China's generous development assistance, particularly during sanctions. The government's suspension of the Chinese-backed Myitsone dam project in 2011 amid popular protests, as well as its pronouncements of a "free and active" foreign policy, serves to indicate the independent stance that Naypyidaw has adopted with regard to China. Nevertheless, the reassurances and pronouncements emanating from both official and nonofficial circles that ASEAN is more important than China to Myanmar will surely be tested in 2014. In chairing ASEAN for the first time, Myanmar must be seen as acting in the organization's interest. Given the likelihood that divisive issues such as the South China Sea will come up again during the 2014 ASEAN ministerial meetings, ASEAN leaders' retreat, and even the East Asia Summit meetings, Naypyidaw's skillful management in ensuring that members' concerns are heard will surely be tested. Thus, it behooves Myanmar to demonstrate its ability to maintain ASEAN solidarity under the pressure of great-power politics. This would not only instill confidence among its ASEAN neighbors but also reinforce the regime's decision to make ASEAN a cornerstone of its foreign policy.

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[36] The domestic instability, corruption, and poor state capacity in Myanmar exacerbate human security issues and transnational crime affecting ASEAN. For a more comprehensive discussion of the specific challenges attributed to narcotics production, human trafficking, and money laundering or "transnational criminal communities," see Christopher Roberts, *ASEAN's Myanmar Crisis: Challenges to the Pursuit of a Security Community* (Singapore: Institute of Southeast Asian Studies, 2010), 56–57, 79–87.

Conclusion

Myanmar's journey to the ASEAN chairmanship has been long and difficult. The country had to prove to its fellow ASEAN members that it deserved to be chair—something that the rest of the members did not have to do. Making the chairmanship contingent on the progress of political reforms is unprecedented in ASEAN's history. This development reflects the new reality of a changing ASEAN, an organization of small- and medium-power states that is bent on becoming a serious actor in Asian security. Hence, the current discourses about ASEAN's centrality in the emerging regional security architecture also concern the ability of the association to credibly lead the agenda of peace and security in Southeast Asia. Critical to ASEAN's leadership is the establishment of its democratic credentials as defined by the goals of the APSC. ASEAN therefore has a huge stake in the success of not only Myanmar's chairmanship but its democratic reforms.

Thus, Myanmar has gone from being regarded as a problem for ASEAN to being seen as the country that holds the potential to be the catalyst for deeper political reforms in the region. Given the fact that not all of the other nine members have democratic systems, and a few are themselves facing human rights issues, some would argue that the pressures put on Myanmar, particularly by ASEAN's democratic members, have been greater than those placed on other nondemocratic states. Nonetheless, by entrusting the chairmanship to Myanmar, ASEAN has allowed Naypyidaw to accelerate the pace of its democratic reforms and human rights initiatives. These reforms can contribute significantly to advancing regional political cooperation and building the APSC by 2015. Because the country's democratic reforms are still fragile and will need some time to be consolidated, it is critical for other member states to lend their support to Myanmar during its chairmanship of ASEAN and beyond. This includes continuing to constructively engage Myanmar on addressing the plight of its marginalized communities and on its efforts to reach peace agreements with armed ethnic groups.

The road ahead for Myanmar's transformation is full of challenges. If its reforms are successful, however, the country could be the ballast that helps anchor ASEAN's goals for 2014 and beyond.

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Myanmar Foreign Policy in a Time of Transition

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EXECUTIVE SUMMARY

This essay examines the changes and continuities in Myanmar foreign policy under the post-2011 government, with a particular view to elucidating the country's emerging role in Asia.

MAIN ARGUMENT

Like every government of Myanmar since independence, the new quasi-civilian government has pursued an independent, nonaligned, and active foreign policy. With domestic political reforms gathering momentum, however, it has been able to leave behind the essentially defensive, inward-looking policies of past security-oriented administrations and greatly increase interaction with the outside world in pursuit of national development. Over the past three years, the government has thus moved aggressively to normalize Myanmar's international relations, rebalance bilateral relations with the major powers, and further integrate the country into the region. At the same time, it has taken steps to ensure that new foreign aid, trade, and investment genuinely benefit the country and its people rather than just a narrow economic elite.

POLICY IMPLICATIONS

- While Myanmar's resurgence has added fuel to the long-simmering strategic competition in the country between the major powers, the new government continues to eschew alliances in favor of friendly, mutually beneficial relations with all nations.
- Despite potentially emerging as one of the more liberal members of ASEAN, Myanmar is unlikely to want to push its own values on other members or change the political *modus operandi* of the organization, at least in the short term.
- The most immediate impact of Myanmar's new foreign policy is economic. Major business opportunities are opening up in the country, especially for responsible, rule-based investors. At the same time, Myanmar's efforts to strengthen connectivity with its neighbors could remove a major barrier to interregional economic integration.

For the past 25 years, studies of Myanmar's foreign policy have mainly focused on the military's efforts to fend off Western pressure for regime change.[1] Yet with major political and economic changes now underway in the country, the traditional story of military intransigence, government propaganda, and unholy alliances with other repressive states is rapidly losing relevance. As the new quasi-civilian government's domestic reform program gains momentum, Myanmar's foreign policy is also undergoing a transformation. This calls for a new kind of scholarship and for a broader reassessment of Myanmar's role in Asia.

This essay seeks to elucidate how Myanmar views, approaches, and ultimately influences the outside world, with a particular emphasis on the changes that are taking place under the post-2011 government. Applying K.J. Holsti's classic model of foreign policy, the essay considers Myanmar's general foreign policy orientation, as well as its specific foreign policy objectives and the concrete actions undertaken to achieve them.[2] The latter are examined through a thematic survey of four key areas of Myanmar's foreign policy: normalizing international relations, balancing the major powers, furthering regional integration, and managing international resources.

Myanmar's Foreign Policy Orientation

Basic Attitudes

Myanmar's foreign policy orientation—understood as the general kinds of decisions, commitments, rules, and actions its leaders consider suitable to their state[3]—has been powerfully shaped by the country's history and geography, which have conspired to instill a deep sense of national vulnerability. Since independence, the failure of successive governments to build a strong, unified state, coupled with Myanmar's location in a region dominated by great and dangerous powers, has conditioned an essentially defensive, even xenophobic, mindset. In the 1950s, Prime Minister U Nu spoke of Myanmar as "a tender gourd among cactuses," obliquely referring to the country's location between two of the world's largest and most populous countries, China and India.[4] Later, General Ne Win reportedly stated that "all of [Myanmar's] problems would be solved if only the country could be chiseled off from its neighbors and floated out in the Bay of Bengal."[5]

Since the 1980s, successive governments have increasingly come to recognize the potential benefits of joining a rapidly globalizing and generally more peaceful region. Yet twenty years of Western efforts to subvert the post-1988 military regime, coupled with the post–Cold War upsurge in humanitarian interventions in other fragile states, had the effect of sustaining traditional fears and distrust of the outside world beyond their natural shelf life. Rightfully or not, the military leadership perceived Western sanctions as a precursor for possible military intervention, as well

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[1] For the purposes of the present analysis, "foreign policy" is understood to encompass all the ways in which the Myanmar government manages its relations with foreigners, whether they are state or nonstate actors and are active inside or outside the country's borders. This broadened definition seeks to capture the changes caused by deepening globalization, including the breakdown of the traditional divide between domestic and foreign policy and the weakening of state primacy in world affairs.

[2] K.J. Holsti, *International Politics: A Framework for Analysis* (Englewood Cliffs: Prentice-Hall, 1971).

[3] K.J. Holsti, "National Role Conceptions in the Study of Foreign Policy," *International Studies Quarterly* 14, no. 3 (1970): 246.

[4] This statement is from a speech U Nu delivered in parliament on September 5, 1950. See U Nu, *From Peace to Stability: Translation of Selected Speeches* (Rangoon: Government of the Union of Burma, 1951), 95–105.

[5] See James Guyot, "Burmese Praetorianism," in *Tradition and Modernity in Myanmar*, ed. Uta Gartner and Jens Lorenz (Munster: LIT, 1994), 142.

as the main cause of the country's economic woes.[6] Even today, many people are quick to blame the country's problems on outsiders. This is evident, for example, in the widespread belief that the recent communal violence between Buddhists and Muslims has been instigated by Chinese interests (supposedly to distract attention from Myanmar's Chinese minority, which historically has been the subject of similar hostility).[7]

At the same time, however, Myanmar also has a significant tradition of openness and assertiveness in international affairs. U Nu played a notable role in the international diplomatic scene, working closely with fellow postcolonial leaders, such as Indian prime minister Jawaharlal Nehru and Indonesian president Sukarno, to promote Asian solidarity and world peace.[8] Another of Myanmar's famous sons, U Thant, served as UN secretary-general from 1961 to 1971, which is a clear indication of the respect the country enjoyed in the international community at that time. U Thant is credited with, among other things, facilitating the negotiations between U.S. president John F. Kennedy and Soviet premier Nikita Khrushchev during the Cuban Missile Crisis.

Most of Myanmar's military leaders, from Ne Win to Than Shwe, have been more inwardly oriented. The latter, in particular, was the product of decades of counterinsurgency campaigns, international isolation, and xenophobic government propaganda and was clearly uncomfortable on the international stage. But even within the military, more internationalist views have been present. In the early 2000s, for example, the military intelligence chief, General Khin Nyunt, worked actively with Myanmar's top diplomats to reduce the country's deepening isolation and reintegrate it into the international community and global economy.[9] The current government draws on this counter-tradition, exhibiting a more positive nationalism that strives for Myanmar to stand tall on the world stage, although tensions with more conservative, inward-looking groups and interests remain.

Core Principles

The core principles of Myanmar's foreign policy reflect these contrasting attitudes and have remained remarkably constant over time. According to the 2008 constitution, "the Union of Myanmar practices an *independent, active, and non-aligned* foreign policy" (emphasis added). These same principles have figured centrally in the policy declarations of every administration since independence. Widely seen to have successfully safeguarded the country's independence and territorial integrity through some very dangerous times, these principles have enjoyed strong support over time and across the ideological spectrum. President Thein Sein stressed this very point in his inaugural address to parliament in March 2011:

> From the post-independence period to date, successive governments practiced different political and economic policies and concepts. But, regarding foreign affairs, they all exercised an independent, non-aligned, and active foreign policy, and dealt with other countries in line with the Five Principles of

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[6] Andrew Selth, "Burma and the Threat of Invasion: Regime Fantasy or Strategic Reality?" Griffith Asia Institute, Regional Outlook Paper, no. 17, 2008; and Morten B. Pedersen, *Promoting Human Rights in Burma: A Critique of Western Sanctions Policy* (Lanham: Rowman & Littlefield, 2008).

[7] Author's interviews with government officials and religious leaders, Naypyidaw and Yangon, October 2013.

[8] William C. Johnstone, *Burma's Foreign Policy: A Study in Neutralism* (Cambridge: Harvard University Press, 1963).

[9] See Anna Magnusson and Morten B. Pedersen, *A Good Office? Twenty Years of UN Mediation in Myanmar* (New York: International Peace Institute, 2012).

> Peaceful Coexistence…. Our government will also adhere to this honorable foreign policy.[10]

The principles of an independent, nonaligned, and active foreign policy correspond with general orientations identified in the international relations literature and traditionally associated with a number of other postcolonial states, notably India and Indonesia. Yet as with other governance principles such as democracy and market economics, their exact expression differs from country to country and tends to vary over time. It is important, therefore, to further unpack how the principles of independence, nonalignment, and active foreign policy are understood and practiced in Myanmar, particularly by the current government.

Independence

A commitment to independence is the bedrock principle of Myanmar's foreign policy. Government officials often talk about it as part of the "national character."[11] An independent foreign policy is conventionally understood to imply simply that on any given international issue the state will choose the course of action that best serves its national interests (and not the objectives of any other state). In the case of Myanmar, however, this principle has taken on an extra edge. The country's leaders not only stress that their position on international issues will be determined by what is best for Myanmar; they also insist that no one will tell them what to do in their own country, and indeed take significant pride in this. As U Nu once put it, "the Burmese dislike intensely any kind of subjugation or control, direct or indirect, and any attempt to control or subjugate us would be resisted."[12]

Over time, this principle has become a badge of honor. Any self-respecting Myanmar leader will resist outside pressure, even at the expense of the country's broader interests. This reflects a mindset, rooted in the country's colonial experience, that equates "genuine independence" with the state's ability to make its own choices free of external interference, whether at home or in world affairs—in other words, with absolute sovereignty.

Myanmar's insistence on doing things its own way has been expressed frequently and at times in a rather spectacular fashion. Upon independence in 1948, Myanmar was one of the few former British colonies to reject membership in the Commonwealth (and with it, much-needed British assistance for state-building). The country's leaders felt that membership was incompatible with full independence.[13] After the military coup in 1962, the Revolutionary Council went a step further, cutting links to the outside world in an effort to ensure that Myanmar would develop on its own terms.[14] The new military rulers not only expelled Western aid and cultural organizations, which they felt were exerting undue influence on the people of Myanmar; they also nationalized a wide range of foreign-owned businesses, causing a mass exodus of non-Burmese residents, including hundreds of thousands of Indians and Chinese. The same determination to do what is perceived to be right for Myanmar, no matter what foreigners might think, was evident during the time of the State Law and Order Restoration Council (SLORC), later renamed the State Peace and

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[10] For a full transcript of Thein Sein's Inaugural Address, see *New Light of Myanmar*, March 31, 2011.

[11] Author's interview with a former Myanmar ambassador, Yangon, June 2013.

[12] Johnstone, *Burma's Foreign Policy*, 174.

[13] Ibid., 44–77.

[14] Michael Aung-Thwin, "1948 and Burma's Myth of Independence," in *Independent Burma at Forty Years: Six Assessments*, ed. Josef Silverstein (Ithaca: Cornell University Press, 1989).

Development Council (SPDC). For twenty years the council refused to give an inch to international demands for political reform, despite mounting diplomatic and economic costs.

The insistence on independence has not deterred Myanmar from seeking assistance from external sources. Faced with huge internal development needs and lacking the necessary financial resources, every administration has received foreign aid from a variety of international sources, which Myanmar perceives as its due as a developing country and former subject of colonialism. Yet leaders from U Nu to Thein Sein have always insisted that foreign aid must come with no strings attached, and they have been willing to forgo assistance that was perceived as conditional.

In the current, less threatening environment, the new government has less need to assert its independence. Yet if Myanmar seems more amenable to international recommendations at this point, it is mainly due to the fact that the post-2011 government's own priorities largely align with those of key external actors. Where dissonance exists, the current leadership has proved every bit as ready to go its own way as previous governments have been. A case in point is the high-profile suspension of the multibillion dollar, Chinese-funded Myitsone dam project on the Irrawaddy River, which was perceived to be contrary to Myanmar's national interest. Another example is the government's rather dismissive response to international criticism of its handling of the recent violent attacks on Muslims.[15]

Nonalignment

If independence is a bedrock principle of Myanmar foreign policy, then the commitment to nonalignment is more strategic and, as such, more adaptable. By avoiding entangling alliances with other states, Myanmar has sought to preserve its much-vaunted independence in decision-making, while at the same time minimizing the risk of being drawn into regional conflicts and maintaining access to the widest possible range of economic opportunities.

In the international relations literature, nonalignment is usually taken to mean that a state is unwilling to commit itself militarily to the goals and objectives of any of the major powers. In the case of Myanmar, however, nonalignment should be understood more broadly to signify a strong reluctance to develop any particular relationship at the expense of other relationships, whether diplomatically, militarily, or economically. Instead, Myanmar pursues friendly relations with all states based on the "five principles of peaceful coexistence." The basic premises of Myanmar's doctrine of nonalignment have been expressed in the following way:

> Since these great powers are not acting in the interest of anybody else, but their own, do not let ourselves be their stooges…. They can injure and damage us. Therefore, we must not insult them. We have to get on as best as we can with them…. Where there is a question of mutual interest, or where there can be mutual advantage, we should act in concert with them sincerely and cleanly. Nevertheless, never trust them completely to the extent of leaving our all in their hands.[16]

Different governments have operationalized this doctrine in different ways, but none have broken with the basic strategy. All have sought to carefully balance Myanmar's relations with the major powers of the day. All have worked to stay on friendly terms with every state that could threaten

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[15] See, for example, Ministry of Foreign Affairs (Myanmar), Press Release, August 21, 2012, http://www.myanmarembassysa.com/news/press%20release/scan0007.pdf.

[16] Johnstone, *Burma's Foreign Policy*, 73.

Myanmar's security, even when faced with overtly hostile actions. And with the exception of the Revolutionary Council, which believed in economic autarky, all have pursued mutually beneficial economic relations with a wide variety of countries, whatever their ideological persuasion.

From 1988 to 2010, Western efforts to isolate the military regime forced Myanmar to abandon its preference for equidistance between the major powers in favor of developing closer ties with its immediate neighbors. Diplomatically, the SLORC/SPDC came to rely on China and the Association of Southeast Asian Nations (ASEAN) for protection against Western efforts to build a universal sanctions regime. Economically, Western sanctions meant that the regime's efforts to attract foreign aid, trade, and investment as part of its new open-door policy were, by necessity, largely limited to regional neighbors. Yet contrary to claims by some scholars at the time that Myanmar had become a puppet or quasi-ally of China,[17] the military government upheld the basic principles of nonalignment.

Defense cooperation between Myanmar and China during the SLORC/SPDC period in fact remained relatively limited.[18] Although China trained members of the Myanmar Armed Forces, mainly in connection with arms acquisitions, the two countries never engaged in the kind of formal defense dialogue that China has conducted with several other Southeast Asian countries, and there were no joint military exercises or security operations. Similarly, although Myanmar seemingly rewarded China with lucrative economic opportunities as a *quid pro quo* for Beijing's diplomatic and other support, these were largely limited to deals that served Myanmar's own economic interests as well.[19] The SLORC/SPDC, for example, was happy to cooperate with China on a number of large-scale energy, infrastructure, and industrial projects that dovetailed with the council's own development priorities. Yet it resisted China's wish to establish the Irrawaddy transport corridor through Myanmar to the Indian Ocean, which would have mainly benefited Chinese global trade. At the same time, the military government worked deliberately to broaden and thus balance Myanmar's international relations by developing closer military and economic ties with India and Russia in particular. A high-ranking SPDC official insisted in a rare interview with the international media in 1999 that "we have developed a good relationship with China, because China is among the countries that have assisted and supported us…. But Myanmar is a friend of all nations. *We are nobody's ally*" (emphasis added).[20]

The post-2011 government has continued these efforts to balance Myanmar's international relations as much as possible. At the first opportunity, it moved quickly and decisively to normalize relations with the West. Yet despite mounting concerns in China, there are no indications that this rebalancing is directed against China. On the contrary, the new government has also confirmed and expanded its relations with Beijing, as well as with New Delhi and Moscow.

An important caveat is that nonalignment does not mean neutrality. In line with its independent stance, Myanmar may or may not support any of the great powers on any specific issue, depending on what serves its national interests. Nonalignment also does not mean going it alone. While taking care not to be drawn into dependent relationships with any of the major powers, Myanmar

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[17] See, for example, Mohan J. Malik, "Myanmar's Role in Regional Security: Pawn or Pivot?" *Contemporary Southeast Asia* 19, no. 1 (1997): 52–73; and Swaran Singh, Institute for Defence Studies and Analyses in New Delhi, interview with Mizzima News, July 6, 2000.

[18] Jurgen Haacke, "The Nature and Management of Myanmar's Alignment with China: The SLORC/SPDC Years," *Journal of Current Southeast Asian Affairs* 30, no. 2 (2011): 105–40.

[19] Ibid.

[20] This statement is from an interview with Brigadier General Kyaw Win that was published in the *Japan Times* on February 5, 1999.

has regularly joined other smaller states to promote their common interest in a more peaceful and just international order, as is discussed in the next section.

An Active Foreign Policy

The significance of the third core principle of Myanmar's foreign policy is harder to pin down. In a minimalist sense, an active foreign policy may be understood simply as non-isolation. This is seemingly what Ne Win had in mind in 1971 when the Revolutionary Council first officially used the term following the decision to resume international cooperation after a decade of extreme economic autarky. Both earlier and later leaders, however, have shown a broader commitment to multilateralism. In the 1950s, U Nu spoke often about the need to contribute to world peace. He distinguished what he called Myanmar's policy of positive neutralism from the foreign policy of states that were "concerned only with their own betterment regardless of others."[21] President Thein Sein has similarly emphasized the importance of being a responsible member of the international community. At his first address to the UN General Assembly in September 2012, he stressed that "Myanmar consistently pursues an active foreign policy. One of the basic tenets of our foreign policy is to actively contribute towards the maintenance of international peace and security. In doing so, we encourage efforts to settle differences among nations by peaceful and amicable means."[22] In his comments on ASEAN, too, Thein Sein has underscored Myanmar's commitment to working for a more peaceful and just world:

> In 2014, Myanmar will undertake the chairmanship of ASEAN. It is a great responsibility. And it signals Myanmar's eagerness to re-join fully the family of nations. We look forward not only to managing our own transformation but becoming responsible members of the international community, helping to do our share for regional and global peace and security and economic prosperity.[23]

According to the official website of the Ministry of Foreign Affairs, one of the basic principles of Myanmar's foreign policy is "active participation in the maintenance of international peace and security and the creation of an equitable economic order and opposition to imperialism, colonialism, intervention, aggression and hegemonism."[24]

What is clear is that Myanmar appreciates the value of multilateral organizations as vehicles for promoting common interests as long as they do not impinge too much on the country's autonomy. Myanmar joined the United Nations within months of gaining independence in 1948 and later became a founding member of the Non-Aligned Movement. It has also been a long-standing member of the Bretton Woods institutions and the World Trade Organization. Although the Revolutionary Council famously rejected membership in ASEAN when it was first established in 1967, this was mainly because the new organization was perceived to be aligned with the United States against the Soviet Union. Once the geostrategic sensitivities of the Cold War were a thing of the past and ASEAN emerged as a more independent organization concerned with minimizing great-power interference in Southeast Asia, the SLORC/SPDC was quick to join the new wave of regionalism spreading across the world. Myanmar became a member of ASEAN in 1997 and has since joined a number of other, mainly economic-oriented regional organizations, including the

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21 Johnstone, *Burma's Foreign Policy*, 99.

22 Thein Sein (address to the 67th UN General Assembly, New York, September 27, 2012).

23 Thein Sein, "Myanmar's Complex Transformation: Prospects and Challenges" (address at Chatham House, London, July 15, 2013).

24 Ministry of Foreign Affairs (Myanmar), "Emergence of Foreign Policy," http://www.mofa.gov.mm/?page_id=32.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Greater Mekong Subregion. At the time of writing, the new government has assumed, for the first time, the chairmanship of ASEAN, which is arguably the country's most significant contribution to multilateralism yet.

This commitment to multilateralism, however, is not a matter of idealism. To a weak and vulnerable state, international strife in general, and aggression in particular, presents a mortal danger. Thus, Myanmar has sought membership in organizations that work to promote international peace and security based on principles of nonaggression and peaceful resolution of conflict, while rejecting others seen to threaten these values. Importantly, even as Myanmar appreciates that multilateralism can help bolster national security and development, it remains strongly wedded to the principle of state sovereignty. As a member of international political organizations, such as those mentioned above, Myanmar has always insisted on the importance of noninterference in the internal affairs of member states. This is not only a corollary of the attachment to independence and self-determination, but also something that the country's leaders view as a crucial basis for world peace. Myanmar's current minister of defense emphasized this principle at the 2012 Shangri-La Dialogue:

> In our perspective, ASEAN's core values and norms as expressed in its Treaty of Amity and Cooperation, are one of the most effective instruments [for securing regional peace and security]. The proper definition, interpretation and implementation of these core values can deter instabilities in this region.[25]

Myanmar's leaders believe that only an international order based on state sovereignty and noninterference will promote international peace and security by allowing individual states to follow their own development path, as befitting their particular history, culture, and material resources. Myanmar's active foreign policy thus does not conflict with its attachment to independence but rather reinforces it.

Myanmar's Foreign Policy Objectives

While Myanmar's general foreign policy orientation reflects fundamental historical, cultural, and geographic factors and therefore has remained relatively stable over time, its specific foreign policy objectives present a different story. As an independent and sovereign state, the primary goal of Myanmar's foreign policy is "to protect and promote the country's national interests in [its] relations with other independent countries," as well as other foreign actors.[26] As such, it should come as no surprise that the major domestic reforms now underway have been accompanied by a corresponding shift in foreign policy objectives.

National Security

The previous military government was essentially a security administration. The SLORC/SPDC was born from domestic conflict and subject for the entire period of its rule to strong international opprobrium and sanctions. Governance thus came to be defined by efforts to safeguard what army ideologists termed the "three main national causes"—non-disintegration of territorial integrity,

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25 Hla Min (remarks at the 11th IISS Asian Security Summit), June 2, 2012.

26 Ministry of Foreign Affairs (Myanmar), "Foreign Policy of the Union of Myanmar: A Brief Overview," January 12, 2004.

non-disintegration of national solidarity, and perpetuation of sovereignty—each of which had important international dimensions. Although the military government, like every government before it, was also formally committed to transforming Myanmar into a modern and developed state, Western efforts to force regime change meant that every aspect of the country's foreign policy came to be shaped by these basic security imperatives.

The situation today is very different. Having succeeded in convincing the international community that it is serious about reform, the post-2011 government has been able to shift its focus from the virtual problems created by international pressure to the many real problems facing the country. International demands for regime change have all but disappeared, most sanctions have been lifted, and Western aid to promote democracy is no longer considered subversive. With new ceasefire agreements in place between the government and the main insurgent groups and the interests of neighboring countries shifting even further toward government-to-government relations, concerns about external support for ethnic separatism have also been greatly reduced.

Clearly, security is still on the foreign policy agenda. Like every other state in the region, Myanmar is carefully watching for any sign that great-power rivalry may resume, primarily between the United States and China but also between China and Japan or possibly China and India. More immediately, continuing tensions and armed clashes between government and rebel forces in Kachin State and northern Shan State, as well as the eruption of serious communal violence, have kept Myanmar on the international human rights agenda and attracted negative attention from a number of countries, including China and members of the Organisation of Islamic Cooperation. Threats by Islamic fundamentalist groups in Indonesia to launch a jihad on Myanmar soil to protest the perceived failure by the government to protect Muslims have added a potentially serious, though still vague, dimension to the "foreign threat."[27] Still, compared with the 1990s and 2000s, international security concerns are now much less prominent in Myanmar's foreign policy. Even the current government's geostrategic rebalancing is more immediately focused on maximizing opportunities than minimizing threats.

National Development

With the reduced external security threat, the foreign policy agenda of the post-2011 government has come to be dominated instead by the more positive challenges of improving Myanmar's international standing and gaining international support and assistance for its domestic reforms. These mid-range objectives are interdependent. While Myanmar needs to improve its external image in order to attract international support for its reform program, the country's reputation ultimately depends on successfully implementing domestic reforms.

Myanmar's national development goals are many and varied. In the words of President Thein Sein, the country is currently undergoing an "unprecedented" triple transition: the government is attempting to simultaneously move from "military rule and authoritarianism to democracy," from "armed conflict to a just and sustainable peace," and from "a state-centered and isolated economy to one that is based on free-market principles and is integrated into world markets."[28] The new government has sought, and is receiving, international support in each of these areas. Yet it is the socioeconomic transition that by far looms largest on the foreign policy agenda.

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27 "Bali Terror Leader Calls for Jihad against Myanmar," *Sydney Morning Herald*, May 3, 2013.

28 Thein Sein, "Myanmar's Complex Transformation."

The new government is fully committed to finally making the long-standing goal of building a modern and developed nation a reality and has made clear that it cannot succeed without foreign aid, trade, and investment. In some respects, the government is simply picking up the baton from the previous military government, which initiated many of the market-oriented, open-door economic reforms that the post-2011 government is now driving forward. However, there are two important differences from the earlier period with major implications for Myanmar's foreign policy. First, whereas the SLORC/SPDC was preoccupied with growth rates, the current government is more focused on what it refers to as "people-centered growth" or what development specialists might call "sustainable human development." This new approach is enriched by a demonstrated concern with ensuring that new growth helps reduce poverty and overcome regional development gaps, without ruining the country's future by spoiling the environment. Second, the private interests of key government leaders and their cronies appear to have much less influence on government policy now than was previously the case. Thein Sein has publicly called for a new era of clean government and has backed up this call with several important steps to reduce opportunities for corruption and insider deals.

International Standing

Although improving Myanmar's international standing is necessary in order to attract international aid, trade, and investment, it also has independent value. To a highly nationalistic leadership and a country with a long and proud history, it has been a source of humiliation that Myanmar in the mid-1980s had to apply for least-developed country status at the UN. Even today, it ranks at the bottom of the ten ASEAN countries across most relevant social, political, and economic indicators. Indeed, part of the motivation for domestic reform seems to be rooted in embarrassment over the low international standing to which the country has fallen during the past half-century of military rule.

The importance of this fact for the present analysis is twofold. First, it highlights the role of symbolism in Myanmar's current foreign policy. Many observers have questioned the prudence of a government that faces major domestic reform challenges not only taking on the chairmanship of ASEAN in 2014 but also hosting other major international events, such as the World Economic Forum on East Asia (July 2013) and the Southeast Asian Games (December 2013). However, doing so is an important matter of national pride. The new government wants to show that "Myanmar is back."

Second, it is important to understand just how ambitious the post-2011 leadership is. The new government is not just bringing Myanmar closer into line with international governance standards; it wants to demonstrate to the world that the country's top-down model of democratization is superior to the chaotic bottom-up models attempted elsewhere. Similarly, the leadership is not just looking to revive the economy; it is aiming to rapidly match the most developed countries in the region. As one government adviser explained, "Today we are number ten in ASEAN, but our leaders want us to be in the top three."[29] This aspiration may sound far-fetched to the country's critics, but national pride is an important driver behind the shift in foreign policy and the broader reform process.

[29] Author's interview, Yangon, October 2013.

Regional Community-Building

Despite Myanmar's increasingly active foreign policy and long-standing commitment to promoting world peace, the current government has few, if any, long-range or system-oriented foreign policy objectives. Preoccupied with its ambitious domestic reform program, the leadership seeks primarily to optimize its position within the existing international system rather than change that system. It is likely, however, that over time further progress on national reconciliation and economic development at home will see the country take a greater interest in influencing the evolving regional order, notably within ASEAN. Much like their counterparts in Indonesia, for example, Myanmar's leaders are keenly aware of the extent to which national and regional peace and prosperity are mutually reinforcing and thus show a strong preference for further regional community-building, especially but not exclusively in the economic dimension.

Myanmar's Foreign Policy in Action

Historically, the theory and practice of Myanmar's foreign policy have not always aligned. This is to be expected for a state that for most of the post-independence period has faced serious threats to its national security, significantly limiting its freedom of choice. The recent improvement in both the internal and external security environment, however, has made it possible for the post-2011 government to adjust its foreign policy actions, which today are more closely aligned with the country's general foreign policy orientation and objectives than perhaps at any time since independence. Although a comprehensive survey of Myanmar's foreign relations is beyond the scope of the present essay, a brief examination of the new government's actions in four key areas—normalizing international relations, balancing major powers, promoting regional integration, and mobilizing and managing international resources—should help demonstrate this point.

Normalizing Myanmar's International Relations

Many of the new government's initial actions were aimed essentially at normalizing Myanmar's international relations. Armed with evidence of major domestic reform, the leaders went to ASEAN, insisting on being given the chairmanship that the previous government had been pressured to delay until the country's internal problems were resolved; to Western capitals, demanding that long-standing sanctions be removed; to the UN, demanding that the equally long-standing human rights resolutions on Myanmar be discontinued; and to international financial institutions, requesting a resumption of the assistance normally offered to other members states. This was a matter of national pride, as well as a practical necessity if the country wanted to have any chance of attracting the kind of international resources needed to support its domestic reform program.

Balancing the Major Powers

As Myanmar's international relations have normalized, the new government has moved quickly and decisively to rebalance relations with the major powers in the region and overcome the serious imbalance forced on the country by two decades of Western sanctions. In particular, it has made significant and largely successful efforts to court the United States, restore ties with Japan, and recalibrate relations with China. (Myanmar's relations with the European Union, India, and Russia are also important in this context, but are not discussed further here because of space constraints.)

Courting the United States (the world's only superpower). Without question, the most dramatic change in Myanmar's foreign policy under the new government is the rapprochement with the United States. During the previous two decades, Myanmar-U.S. relations had fallen into a state of suspended animation, punctuated only by frequent and mutual public recriminations. By comparison, the past two years have seen a flurry of high-level diplomatic activity, followed by the removal or suspension of major elements of the U.S. sanctions regime and the signing of a number of important new bilateral agreements on aid, trade, and investment. In return, Myanmar has pledged to adhere to international standards on human rights, labor rights, good governance, and nonproliferation, as well as to terminate its military relations with North Korea.

The previous military government had been trying intermittently since the early 2000s to restore relations with the United States, but was ultimately not prepared to make the concessions that Washington demanded to make this possible. For the reformers in the new government, however, rapprochement with the United States is a vital element of their plan to reorganize Myanmar's foreign relations for several reasons. First, as the world's only superpower and still undisputed hegemon, the United States holds the key to international legitimacy and access to lending from international financial institutions. Second, the United States and its allies, including Japan, are critical to Myanmar's ability to balance its international relations in the face of a rising and powerful China. Third, Myanmar's leaders are keen to access U.S. technology, which they consider to be the gold standard in many areas (both military and civilian) and far superior to Chinese technology. The latter has often been disappointing, not least on the arms side. It is important to note as well that, notwithstanding the xenophobic and anti-imperialist rhetoric of every Myanmar government since 1962, a significant section of the country's elite has always been fundamentally pro-Western.

The closeness of Myanmar-U.S. relations should not be overstated, however. While the current government's agenda aligns closely enough with American values and interests for it to accommodate a range of U.S. governance programs, this should not be taken as an open invitation for the United States to promote some version of the "Washington consensus." Any attempt by the U.S. government to overtly interfere in issues of core interest to Myanmar will undoubtedly still raise nationalist hackles and could quickly lead to a cooling of bilateral relations. This risk is heightened by Myanmar's growing frustration over the slow response of the U.S. private sector to the normalization of government-to-government relations, which the leadership blames mainly on the failure of the U.S. government to fully revoke its unilateral sanctions regime.[30] While a number of prominent U.S. companies such as Coca-Cola, Pepsi, Ford, and General Motors have re-entered Myanmar, overall U.S. trade and investment remains minuscule. There is a widespread feeling among government officials and business leaders alike that many Americans remain stuck in an imperialist mindset and do not genuinely wish Myanmar well. Fundamental differences also persist between the two countries in terms of the rules of international society, especially when it comes to the principle of national sovereignty, which could lead to diplomatic clashes down the road. One thing is certain: Myanmar is not looking to bandwagon with the United States in any containment policy directed at China. It is simply hoping to build a mutually beneficial relationship based on equality and respect for each other's sovereignty.

Restoring ties with Japan (an old best friend). Less talked about in international circles, but arguably of equal importance to Myanmar's future, are the country's rapidly growing ties

[30] Author's interviews with government officials and private business leaders, Naypyidaw and Yangon, October 2013.

with Japan. During the Ne Win era, Japan was known to have a special relationship with Myanmar, based both on personal relations between wartime leaders and on Japanese war reparations (and, later, official development assistance, or ODA), which made Japan by far Myanmar's largest donor. The relationship, however, quickly deteriorated during the SLORC/SPDC period. The successors to Ne Win did not have the same personal affinity with Japan. Moreover, they took serious offense to Japanese efforts to cajole the regime to democratize by leveraging foreign aid programs in line with the United States' wishes. As Japanese ODA dropped off—and with it, broader economic relations—the two countries became increasingly estranged.[31] Tokyo, however, has long been keen to return to Myanmar, and once Washington gave the green light, the stage was set for development of a new special relationship based on mutual economic interests.

Whereas the rapprochement with the United States is primarily of political and strategic value for the new Myanmar government, the leadership is looking to Japan (and international financial institutions) for the main support for its economic reform program. Indeed, government officials frustrated by the slow uptake of U.S. companies have come to see Japan as the only real alternative to continued reliance on China for major investments and development cooperation.[32] As with Myanmar's relations with other donors, it is difficult to establish which of the two countries initiated which part of their burgeoning cooperation, but it would appear that Myanmar has actively sought Japanese support, particularly for debt relief and the development of its flagship special economic zones at Thilawa and Dawei. In the medium term, the government is also looking to the Japanese private sector for large-scale investment in manufacturing in order to support the country's industrialization and create jobs. In all these areas, Tokyo has responded with a speed and generosity that has swamped all other bilateral aid programs, and Japanese companies, as usual, are following closely behind.

While the restoration of relations with Japan has not generated quite the same buzz in Myanmar government circles or the local media as the rapprochement with the United States, the resumption of this old friendship is likely to matter at least as much in the longer term. Not only are Japanese aid, trade, and investment policies more compatible with Myanmar's needs, but relations also lack the stringent conditionalities that are invariably present in Myanmar-U.S. relations. Myanmar-Japan relations are therefore less likely to sour should the current reform process face setbacks.

Recalibrating relations with China (the rising power next door). One of the big questions for many observers of Myanmar's foreign policy, and not least for the Chinese, is what the new government's rebalancing toward the Western powers and Japan means for China. While Myanmar's relations with the United States and Japan have improved by leaps and bounds over the past few years, its relations with China have cooled significantly. High-level Chinese visits have been few and far between since the post-2011 government took over, and Chinese investment has dropped markedly. Regional analysts are openly speculating that Myanmar is being drawn into a circle of U.S. alliances in the region intended to contain China.[33]

During the post-1988 period of military rule and international ostracism, China emerged as Myanmar's closest friend. Beijing offered vital diplomatic protection, ensuring that Myanmar did not become subject to UN Security Council action based on its abysmal human rights record.

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[31] Toshihiro Kudo, *Myanmar and Japan: How Close Friends Become Estranged*, Institute of Developing Economies (IDE), IDE Discussion Paper, no. 118, August 2007.

[32] Author's interviews with government officials, Naypyidaw and Yangon, June and October 2013.

[33] For example, Subhash Kapila, "Myanmar and Bangladesh in U.S.'s China-Containment Strategy," Southeast Asia Analysis Group, May 21, 2012, http://www.eurasiareview.com/21052012-myanmar-and-bangladesh-in-us-china-containment-strategy-analysis.

China also was the country's main investment and trading partner, particularly during the latter part of the period. Both Myanmar and Chinese officials regularly spoke of a *paukphaw* (fraternal) relationship between the two countries, indicating a particular closeness. After the new government took office in March 2011, early signs were that nothing would change. Just two months after taking the office of president, Thein Sein made a state visit to Beijing during which the two sides formally signed a comprehensive strategic cooperative partnership agreement. The agreement seemingly confirmed a mutual commitment to further expanding their already close relations.

However, in September of the same year, Myanmar sent shock waves through the Chinese investment community by suspending without warning the multibillion dollar Myitsone dam project in which China Power Investment Corporation was the major investor. This action was followed by government scrutiny of other major Chinese investments, including the Letpadaung copper mine, which resulted in another Chinese company, Wanbao Mining, being forced to accept a substantial reduction in its share of the production. There has also been a large increase in domestic media criticism of China's broader economic role in Myanmar, which has tended to provide few benefits for the general economy or local communities.

The apparent backlash against China, and Chinese economic interests in particular, reflects Myanmar's long-standing anxiety about its large neighbor. The memory of China's invasions into Myanmar territory, as well as its more recent support for the Burma Communist Party, has fed latent fears about Beijing's strategic intentions in the country, which have only been compounded by China's huge population. At the same time, there is deep resentment among many Myanmar people about what they perceive as Chinese arrogance and exploitative business practices.[34] As such, there is no doubt that the new government is keen to lessen Myanmar's dependence on China both politically and economically and thus restore a greater balance to the relationship.

Despite such sentiments, however, Myanmar government officials have been careful not to alienate China. Thein Sein has made no less than four visits to China during his time in office and has repeatedly assured Beijing that Myanmar continues to view China as a good friend and is deeply grateful for the support it provided during the difficult years of Western sanctions and isolation. Myanmar's foreign policy orientation and practical security and development needs all dictate that it must remain on amicable terms with its powerful neighbor. The two countries share a 2,000-kilometer-long and still unstable border, which requires close political, and potentially military, cooperation. Moreover, no other country can fully replace China's central role in Myanmar's economic development. It would be unthinkable for Myanmar as a deeply impoverished country to not maintain close ties with its much larger and more developed neighbor. As Thein Sein recently expressed, "we need to see the fact that we are sharing a border with China, the world's fastest growing economic power, as a strong point and create opportunities for development of our country."[35]

On balance, and in line with Myanmar's traditional foreign policy orientation, the purpose of the ongoing rebalancing toward the West is not to sideline China but rather to reassert Myanmar's independence and maximize its strategic and economic options going forward.

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[34] See Min Zin, "Burmese Attitude Towards Chinese: Portrayal of the Chinese in Contemporary Cultural and Media Works," *Journal of Current Southeast Asian Affairs* 31, no. 1 (2012): 115–31.

[35] This statement is from Thein Sein's radio speech to the Myanmar people on May 2, 2013. An English translation is available from *New Light of Myanmar*, May 2, 2013, http://www.burmalibrary.org/docs15/NLM-2013-05-02.pdf.

Promoting Regional Integration

While the new government is making strenuous efforts to balance its bilateral relations with the major powers, it is keenly aware that Myanmar also stands to benefit from further regional integration. During his visit to Washington in May 2012, Thein Sein described the regional context of Myanmar's development:

> Our transformation is not taking place in a vacuum. Asia is changing fast and a part of the world that was once a by-word for war and poverty is now entering perhaps its greatest period ever of peace and prosperity. A new generation, free from the burdens of colonialism and ideological conflicts of the past, is taking charge. Perhaps more than anything else, Myanmar must fully join this historic evolution in Asia.[36]

The post-2011 leadership has thus moved to further strengthen ties with ASEAN and to position Myanmar as the new bridge between Southeast Asia, South Asia, and East Asia.

Chairing ASEAN. One of the first major foreign policy decisions Thein Sein made as president was to inform his ASEAN colleagues that Myanmar was now ready to assume the chair of ASEAN. Most observers interpreted this as a move to bolster the new government's international legitimacy. However, it may have been about both less and more than that.

According to Myanmar officials, the decision to take the chairmanship at a time when the agenda of the new government was already overcrowded had less to do with strategy than with a more basic, yet deeply felt, need to rectify a perceived wrong at the first opportunity. To the country's leaders, it was a cause of great embarrassment that Myanmar had to forfeit its turn as chair in 2006, not least because the country became the only member that had not yet chaired the organization. As a former ambassador stressed later, "it is insufferable that even Cambodia and Laos have chaired ASEAN, yet we have not."[37] From this perspective, chairing ASEAN is necessary to demonstrate that Myanmar is now a normal country and is fully capable of playing a leading role in the region.

Myanmar's commitment to ASEAN more generally, however, goes far beyond the largely symbolic value of the chairmanship. Although the country has traditionally prioritized bilateral relationships over regionalism and originally rejected membership in ASEAN,[38] its leaders have long recognized the potential benefits of forming a community of likeminded Southeast Asian states to bolster the national security and development efforts of each individual state. Myanmar diplomats often recount how the country's independence hero, General Aung San, was one of the first Asian leaders to expound a vision of a "United States of Indochina." At the time, Myanmar was too preoccupied with its own internal problems to think much about a potential regional community, let alone do anything to realize one, although in the 1950s U Nu did work for a looser form of Asian solidarity. However, the notion endured that countries with significant political, strategic, and economic affinities would stand stronger together than separately. With the acceleration of globalization, this view has further crystallized. Today it is an article of faith among most Myanmar elites that for the country to develop and engage more effectively with the world beyond Southeast Asia it must integrate further with its fellow ASEAN members. Ne Win

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[36] Thein Sein (address at Johns Hopkins University's School of Advanced International Studies, Washington, D.C., May 21, 2013).

[37] Author's interview with a former Myanmar ambassador, Yangon, June 2013.

[38] See Maung Aung Myoe, "Regionalism in Myanmar's Foreign Policy: Past, Present, and Future," Asia Research Institute, Working Paper, no. 73, September 2006.

may have wanted to float Myanmar out into the Bay of Bengal, but for later leaders it has become increasingly clear that the country cannot afford to be an island, to continue the metaphor.

Unsurprisingly, given this mix of motivations and the challenges the government faces at home, its agenda for the chairmanship is quite conservative. According to Myanmar diplomats, the focus will be on carrying forward preparations for the ASEAN Community in 2015 and beyond.[39] Many are keen to try to ensure that the future agenda will include issues affecting Myanmar's interests, such as closing the economic development gap among members and promoting small- and medium-sized enterprises and green development, but none of this is likely to prove controversial.

On some of the more difficult issues on ASEAN's agenda, Myanmar appears to have a defendable position. Foreign Minister Wunna Maung Lwin already made it clear at the first foreign ministers meeting in January 2014 that Myanmar will not tolerate any formal discussion of the recent anti-Muslim violence in the country, which it considers an internal affair. This could become a flash point, but considering the current domestic political problems of other member states, such as Thailand and Cambodia, Myanmar would seem to hold a trump.

Long-standing problems in the South China Sea involving competing territorial claims by China and six ASEAN member states could also threaten to divert attention from the more routine agenda preferred by Myanmar. However, government officials are adamant that they will not fail ASEAN the way Cambodia is widely perceived to have done in 2012 by putting its bilateral relationship with China before its commitment to the association. Myanmar is hoping that its friendly relations with China will allow it to help move the negotiations on a code of conduct for the South China Sea forward and effectively mediate any new tensions. However, if forced to choose sides, Myanmar is likely to prioritize ASEAN solidarity and unity, if for no other reason than because any hint of capitulation to Chinese pressure would be deeply embarrassing and could weaken the government's legitimacy both at home and abroad.

Overall, fears that Myanmar will fumble the chairmanship and potentially harm ASEAN at a critical juncture in the association's efforts to build a deeper regional community are likely to prove unwarranted. The government may not have much experience with managing complex multilateral negotiations, but should a crisis occur, the current leaders are no strangers to handling external pressure and have built up a lot of goodwill both within ASEAN and among key dialogue partners.

Strengthening cross-border connectivity. In addition to regional institution-building, the new government is accelerating the efforts started by the SLORC/SPDC to strengthen Myanmar's physical connectivity with its neighbors and cash in on its hugely advantageous geoeconomic position at the crossroads of three of the world's fastest-growing regions. Thein Sein has stated:

> Our country of 60 million sits at the new crossroads of Asia. With China to our northeast, India and Bangladesh to our west, the other nations of ASEAN to our south and east, we border more than two billion people and the fastest growing markets in the world. Our country, once isolated not just by politics but by physical barriers, is now poised to break those barriers. We are becoming the door to Asia.[40]

Historically, Myanmar has been physically isolated from its immediate neighbors, surrounded by remote and inaccessible areas mired in conflict and largely under control of

[39] Author's interviews with Myanmar officials, Naypyidaw and Yangon, October 2013.

[40] Thein Sein (address to the Young Global Leaders World Economic Forum, Naypyidaw, June 5, 2013).

antigovernment forces. Until fairly recently, the central government's access to and authority in these borderlands were largely limited to a number of army outposts. There was little formal economic activity, few civilian institutions existed, and most cross-border exchanges were of an illegal nature. But this is now changing as Myanmar works to transform its international borders from outposts to bridges.

This is a long-term project, which includes not only massive investment in hard infrastructure, such as roads, railways, harbors, and communication networks, but also soft infrastructure, such as border trade agreements. Not least, it requires successful peace- and state-building at home. However, some of the necessary groundwork was laid by the previous military government, and with much improved access to international funding the new government is confidently pushing ahead with a number of large-scale transportation projects, such as the Sittwe-Kunming pipeline corridor. In addition, it is working to establish three highly ambitious special economic zones at key crossroads, which are slated to become the focal point for the country's industrialization drive. Over time, these projects are bound to further strengthen Myanmar's commitment to regional institution-building and improved people-to-people connectivity.

Mobilizing and Managing International Resources

Most of the activities discussed earlier in this section are aimed, at least in part, at mobilizing international resources for national development. The new government has made no secret of the fact that it urgently needs international assistance—not just capital but also advice, training, and technology—to have any hope of realizing its ambitious domestic reform agenda. It would be a mistake, however, to assume that Myanmar is willing to accept whatever is offered. Indeed, one of the biggest changes from the previous government—though one that is fully in line with the country's traditional foreign policy orientation—is the current leadership's insistence that all foreign aid, trade, and investment benefit its new people-centered economic development agenda.

The government's general thinking on these issues has been laid out in a number of speeches and interviews by Thein Sein. Among other things, the president has repeatedly stressed how important it is for Myanmar to make its own way, relying on mutually beneficial foreign trade and investment rather than handouts:

> We are very grateful for the aid that the UK government and UK charities have provided over the years and continue to provide. But let me say this: We have no desire to become an aid-dependent country. We need assistance now, especially in training and education during this period of transition in order that we might stand on our own two feet. But what we need most is responsible trade and investment, to grow our economy, create jobs, and lift our people from poverty; investment that will transfer technology and will help us join in the economic success of the region and give our children the same opportunities as in the rest of Asia.[41]

Thein Sein has also frequently commented on the kind of trade and investment the government prefers:

> One of our strong focuses right now is to try to create the sort of labor intensive industries that can provide employment…. We have more than three million

[41] Thein Sein, "Myanmar's Complex Transformation."

> migrant workers in nearby countries and it's important to try to create jobs for them…at home.
>
> The country…has tremendous potential…in [agriculture, forestry, and other natural resources]…. But the important thing is not to export products simply as raw materials but look for ways in which we can develop value-added industries so they're processed and exported at higher value….
>
> In looking at investment, there are three basic principles. The first is that any foreign investment has to benefit the people of this country to help raise their incomes, to transfer technology to benefit ordinary people. The second is a sovereignty issue. We don't want to be in a situation where there is a lot of foreign money linked to politicians and political parties and this becomes a country where…outside money is a big part of the politics. The third is the environment, we don't want to have foreign or any investment in this country that will be damaging to the natural environment.[42]

The watchword—as China has learned the hard way—is "responsible": responsible aid, trade, and investment. It would be easy to dismiss this as simple rhetoric intended to appease long-standing critics, but as in other areas, such as the release of political prisoners, the government is walking the talk, or at least appears to be making a serious attempt to do so. In accordance with international best practices, donors are urged to provide funding through the government budget in line with the new Framework for Economic and Social Reforms, which forms the basis for a series of more detailed economic plans currently under development.[43] A number of new committees have been set up to manage aid inflows and evaluate their effectiveness. Similarly, major new foreign investment projects are now being allotted through open, competitive tenders and are subject to a new foreign investment law. The law has been criticized by some for being overly protectionist but does enact many of the government's political commitments to corporate social responsibility. The government has also committed to joining the Norway-based Extractive Industries Transparency Initiative, which promises to make a significant contribution to ensuring that Myanmar and its people fully benefit from the country's rich natural resources. Importantly, the new principles of good governance are applied not only to foreigners but also to the government itself, which has made significant efforts to improve transparency, accountability, and participation in its own policy processes.

Conclusion: Myanmar's Emerging Role in the Region

The basic orientation of Myanmar's foreign policy has remained surprisingly consistent over time, yet is eminently adaptable. While every government since independence has pursued an independent, nonaligned, and active foreign policy, each has implemented these core principles in its own way, reflecting the personal idiosyncrasies of key leaders as well as the country's changing needs in an evolving internal and external environment.

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[42] Thein Sein, "Transcript of Interview with Thein Sein," interview by Gwen Robinson, *Financial Times*, July 12, 2013.

[43] Government of Myanmar, "Framework for Economic and Social Reforms" (first draft submitted to the first Myanmar Development Cooperation Forum, January 14, 2013), https://www.mnped.gov.mm/images/stories/pdf_file/FERD/Feb/framework%20for%20economic%20and%20social%20reforms%20english.pdf.

The current strategy of re-engagement with the world goes back to the early 1990s, when the SLORC/SPDC launched the first phase of open-door, market economic reforms and brought Myanmar into ASEAN, thus rejecting the isolationism of the Ne Win era. This previous generation of military leaders, however, remained fundamentally suspicious of foreigners. Facing Western ostracism and sanctions, it never managed to move beyond an awkward mixture of traditional self-reliance and opportunistic regionalism. By contrast, the post-2011 government, helped by a parallel reversal of Western policy on Myanmar, has thrown all hesitation aside and fully opened the country to international aid, trade, and investment in an effort to reverse decades of political and economic stagnation and restore Myanmar's regional standing. Although the government remains predominantly focused on internal challenges and how external relations can be tapped to help deal with these more effectively, Myanmar's new foreign policy has important strategic, political, and economic implications for the region.

Myanmar is emerging as an important balancer in the new "great game" in the Asia-Pacific. While its resurgence has fueled long-simmering strategic competition between the major powers, the new government continues to eschew alliances in favor of friendly relations with all nations. Like other ASEAN states, Myanmar supports regional economic and security institutions, which include both the United States and China, while wanting to maintain ASEAN's centrality. On broader issues of international order, it can be expected to join with China to resist Western efforts to water down the principle of national sovereignty. At the same time, however, Myanmar leans on Western countries and international institutions to help protect against Chinese economic encroachment and exploitation. The result, to the extent that a smaller state like Myanmar matters, is to promote regional cooperation and compromise.

A reforming Myanmar also has significant benefits for ASEAN, which has not only been freed of a major irritant in its relations with the United States and Europe but also become more unified vis-à-vis China. The impact on ASEAN's internal politics is likely to be more mixed. While continuing political reform will place Myanmar firmly in the liberal camp, Naypyidaw is unlikely, at least in the short term, to push its own values on any other member or change the political *modus operandi* of the organization. Conversely, while Myanmar's economic reforms facilitate further regional economic integration, a more self-confident and assertive government in Naypyidaw is likely to make new demands, not least on the more developed members.

Yet the greatest and most immediate impact of Myanmar's re-emergence on regional affairs is in the economic realm. The new government's aggressive opening to the world, coupled with its domestic economic reforms, not only creates major new trade and investment opportunities for regional businesses in Myanmar but also promises over the medium term to greatly strengthen trade and communication links between different parts of Asia.

The preceding analysis is most immediately relevant for the period until early 2016, when a new government is scheduled to take over. The outcome of the 2015 elections will have important implications for the broader reform process and thus likely also for Myanmar foreign policy. Should the National League for Democracy come to power, as seems probable, it is likely to take a more activist line on democracy and human rights, both at home and in regional affairs. By the same token, a more assertively pro-democracy government may be more nationalistic in its investment policy. By contrast, if the reform process derails and there is a regression to a more authoritarian or even military government, the pendulum is bound to swing in the opposite direction.

Having said that, short of a major crisis and total unravelling of the domestic reform process, the main tenets of the government's new economic openness are likely to be sustained. The benefits to Myanmar of globalizing are so evident that it is hard to imagine a voluntary return to autarky. In this respect, the country's outlook may depend less on the color of the next government than on political stability. Renewed domestic tension and conflict could have significantly negative implications for Myanmar's foreign economic relations, especially if Western governments were to revert to their former coercive policies.

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Myanmar and Asia's New Great Game

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EXECUTIVE SUMMARY

This essay examines the existing and emerging dynamics between Myanmar and Asia's three major powers—China, India, and Japan—and assesses both the prospects for great-power competition and the opportunities for future cooperation.

MAIN ARGUMENT

Myanmar's domestic reforms have not only created the potential for the country to play a more significant role in the outside world; they have also opened the door for a more intensified geopolitical competition among Asia's great powers. Myanmar's indigenous resources and the potential of its nascent markets make it a ripening opportunity for economic engagement and development. Moreover, Myanmar's geographic position puts it at the center of efforts to increase the interconnectivity of South and Southeast Asia with Northeast Asia, thereby greatly enhancing the country's strategic value to the region's established and emerging powers. Finally, China's strong influence in Myanmar has driven Naypyidaw to work to diversify its external relationships, while similar concerns are simultaneously driving other Asian powers to check China's rising power in South and Southeast Asia by enhancing their own relations with Myanmar.

POLICY IMPLICATIONS

- Although Myanmar seeks to diversify its international relationships so as to reduce its dependence on Beijing, it will continue to require a positive and robust relationship with China for the foreseeable future. However, Myanmar's stronger ties with other foreign powers will likely force Beijing to take Naypyidaw's interests and priorities into greater consideration.
- While Myanmar's relations with India and Japan have rapidly expanded across a number of dimensions—especially in recent years—neither country yet enjoys influence on par with that of China. As these ties continue to improve and additional domestic political reforms are realized, observers should expect the influence of these two large Asian democracies to grow as well.
- Competition among Asia's major powers will greatly influence the nature of Myanmar's continued international reawakening. Yet despite these competitive dynamics, China, India, and Japan all share interests and goals in Myanmar that could serve as the basis for future cooperation and coordination.

> China's drive southward and India's drive both westward and eastward—to keep it from being strategically encircled by China's navy—means that both powers collide in Burma. As China and India vie for power and influence, Burma has become a quiet, strategic battleground.
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> — Robert D. Kaplan[1]

Myanmar sits at the epicenter of change. Not only are its internal political and social structures rapidly evolving, but so too is its position in Southeast Asia. For decades, until quite recently, Myanmar was something of a pariah that stood outside the region's expanding economies, burgeoning democracies, and integrating politics. Yet reforms at home have opened the door for Myanmar to play a more active and influential role in shaping Asia's geopolitics.

Geography has made Myanmar a key player in the Asia-Pacific's increasingly complex geopolitical machinations. Sharing land borders with Bangladesh (193 km), China (2,185 km), India (1,463 km), Laos (235 km), and Thailand (1,800 km), as well as sitting on the Bay of Bengal and near the Strait of Malacca, Myanmar has the potential to serve as a strategic gateway between China and India, South and Southeast Asia, and continental and maritime Asia.[2]

Today, Myanmar also represents a potential source for new economic development and expansion. Difficult times in the global economy have made international corporations and foreign governments desperate for guaranteed growth, and Myanmar presents a nearly blank-slate opportunity for the development of infrastructure, institutions, and the other foundations of a modern economy. The country also possesses tremendous natural resources that have remained largely untapped, including abundant reserves of oil, natural gas, uranium, coal, zinc, copper, precious stones, timber, and hydropower.

As it reforms its economy, Myanmar is also emerging from decades of political isolation. Once a major political force in international politics that was a founding member of the Non-Aligned Movement in 1961, the military coup in 1962 and rise to power of General Ne Win quickly diminished Myanmar's influence—and interest—in international affairs. Domestic reforms, however, have created expectations of engagement with the outside world.

Geography, opening markets, abundant natural resources, and an international reawakening are combining to make Myanmar the setting for a dramatic strategic competition between Asia's great powers. This essay will describe Myanmar's relationships with Asia's three great powers—China, India, and Japan—and explore how those relationships will influence both geopolitical dynamics in the Asia-Pacific and Myanmar's potential role in the region. Given Myanmar's membership in and current chairmanship of the Association of Southeast Asian Nations (ASEAN), these questions are of particular salience.

China: Hard Power and Burgeoning Resentment

Although Myanmar was the first non-Communist country to recognize the People's Republic of China, relations between the two have never been entirely warm. For the first few decades of the relationship, Myanmar sought to establish a neutralist foreign policy that, as much as possible,

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[1] Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2010), 226.

[2] For more on Myanmar and Asia's strategic geography, see ibid., 213–40.

kept China at arm's length. Relations took a significant downturn after the anti-Chinese riots and expulsions of ethnic Chinese from Myanmar in 1967 and were not rehabilitated until 1988, when international condemnation of Myanmar's crackdown on pro-democracy demonstrators made Beijing one of Rangoon's only friendly ports in the storm. Beijing's past support of the Burma Communist Party also generated suspicion and antipathy within Myanmar, and especially among the Tatmadaw (Myanmar Armed Forces).

Since then, China has been successful in building a robust relationship with Myanmar that involves all elements of hard power. China is Myanmar's top trading partner ($4.4 billion in 2010) and ranks first in new investments in the country, with $8.3 billion pledged in 2011.[3] Beijing has in the past effectively used this economic relationship to achieve political and strategic objectives—the most obvious being the construction of a deepwater port, highways, and energy pipelines that will connect southern China to the Indian Ocean and thus help China bypass vulnerable maritime chokepoints.

China's intervention in negotiations between Myanmar's government and the rebel Kachin Independence Organization brought for some analysts a glimmer of hope that the long-simmering conflict could be resolved and demonstrated China's influence in and usefulness to Myanmar.[4] Others, however, saw this action as an effort to block others from mediating the dispute. This, combined with perceived internal divisions in Chinese policies toward Myanmar—both geographic (Beijing vs. Kunming) and bureaucratic (government vs. military)—has fueled concerns that Beijing's motivations in this arena are less benevolent.[5] Nevertheless, leaders from the People's Liberation Army and Myanmar Armed Forces agreed in 2012 to expand military-to-military cooperation and include high-level visits, strategic dialogues, technological cooperation, personnel training, and joint border control.[6]

China's Interests in Myanmar

Put simply, China's primary objective in Myanmar is to establish a dominant role in the country and gain access to its natural resources. China also seeks to participate in development and construction opportunities, both to benefit economically from Myanmar's burgeoning economy and to strengthen its connectivity to South Asia and the Indian Ocean. Additionally, China seeks stability along its border with Myanmar in order to preserve its own domestic stability and to control the flow of refugees, the spread of health problems, and trade of legal and illegal goods.

Most of China's actions vis-à-vis Myanmar grow out of these ambitions. For example, the highways and pipelines that would connect southern China to the Indian Ocean will need to pass through Myanmar's restive northern provinces. This has driven China to be more active in negotiations to stabilize those regions, while also building relationships with the local ethnic minorities themselves in case a separate agreement needs to be reached in the future. Beijing generally values stability above other considerations and has in recent years supported the

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[3] For comparison, India ranks thirteenth, with $189 million pledged, and Indian trade with Myanmar in 2010 was $1.1 billion. See "India Signs Pacts with Myanmar to Boost Trade," *China Daily*, May 29, 2012, http://www.chinadaily.com.cn/cndy/2012-05/29/content_15408152.htm. Though trade data regarding Myanmar is difficult to confirm, these numbers generally conform to reports by Myanmar's Central Statistical Organization and India's Ministry of External Affairs. See Ministry of External Affairs (India), "India-Myanmar Relations," July 2012, http://mea.gov.in/Portal/ForeignRelation/myanmar-july-2012.pdf.

[4] Yun Sun, "China's Intervention in the Myanmar-Kachin Peace Talks," *Asia-Pacific Bulletin*, February 20, 2013.

[5] Author's interviews in Myanmar, October 2013.

[6] "China, Myanmar to Further Military Cooperation," *China Defense Mashup*, November 20, 2012, http://www.china-defense-mashup.com/china-myanmar-to-further-military-cooperation.html.

continued rule of Myanmar's military government as well as a peaceful transition to civilian rule. Yet it also seems to fear the potential destabilizing effects of Myanmar's democratization—not out of an altruistic instinct but rather a realpolitik calculation that instability in Myanmar could bleed over into China and frustrate its strategic ambitions for South Asia.

Also driving China's engagement with Myanmar is a sense of geopolitical competition with the other great powers of the Asia-Pacific, especially the United States. Reacting to a series of historic high-level visits to Myanmar by U.S. officials—including Secretary of State Hillary Clinton in late 2011 and President Barack Obama in November 2012—the *Global Times*, a Chinese Communist Party–owned (though not authoritative) newspaper, opined that Clinton's trip was "undermining the [Chinese] wall in Myanmar."[7] Other analysis by Chinese scholars strongly suggests that Beijing perceived that its failure to engage Myanmar would pave the way for an enhanced U.S. presence.[8]

Burgeoning Resentment

Despite the robust levels of engagement and cooperation that China has established with Myanmar, these efforts have failed to bring it fully into China's strategic orbit. Indeed, Myanmar's military and democratic leaders, as well as some leaders of the various ethnic and political rebellions, chafe at the idea of Chinese dominance. Naypyidaw has consequently sought to diversify Myanmar's economic, political, and military relationships in part to reduce China's preeminent position in the country and limit Myanmar's vulnerability to economic or political coercion from Beijing.

Soft power—the ability of a state to achieve its goals without force, primarily by using the persuasive and attractive influence of culture and society[9]—has largely been an underperforming aspect of China's comprehensive strategy toward Myanmar. Historical resentments and animosities against the Chinese run deep in some parts of the country. The Qing Dynasty's bloody and unsuccessful invasions in the 18th century, for example, affirmed Burmese independence and laid the foundation for the present-day boundary between the two countries.[10]

Resentment against China continues to run throughout Myanmar. There is a general sense among some Burmese scholars and officials that China has been overly assertive in inserting itself into domestic peace-building and reconciliation efforts, with some even speculating that China has been quietly promoting ethnic unrest in order to justify its involvement and keep Myanmar off balance.[11] Another example of deepening antagonism can be found in Mandalay, where the Chinese population has grown as merchants and traders have flocked to this northern river hub. The character of the city changed so rapidly that local populations successfully persuaded the government to remove the Chinese signage that had proliferated in Mandalay's streets. Such sentiments run deep and are often based on rumor and assumption as much as on fact and experience.

More recently, Myanmar's leaders have grown concerned that overly close economic and political ties with China could quickly turn into reliance and leave Naypyidaw vulnerable to

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[7] As quoted in David I. Steinberg, "China Counter-pivots on Myanmar," *Asia Times*, March 18, 2013, http://www.atimes.com/atimes/Southeast_Asia/SEA-01-180313.html.

[8] Sun, "China's Intervention."

[9] Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2005).

[10] See, for example, Charles Patterson Giersch, *Asian Borderlands: The Transformation of Qing China's Yunnan Frontier* (Cambridge: Harvard University Press, 2006); and "Unruly Lines," *Economist*, February 11, 2013, http://www.economist.com/blogs/analects/2013/02/chinas-history-myanmar.

[11] Author's interviews in October 2013.

coercion from Beijing. This dynamic was at play during the recent collapse of the controversial $3.6 billion project to build a dam at Myitsone. Many in Myanmar were concerned that the dam represented a relationship with China that was highly unequal and potentially exploitative. The project had also fueled fighting between the Myanmar army and Kachin rebels and given rhetorical ammunition to domestic social activists claiming that Naypyidaw was favoring Beijing over its own people. Myanmar president Thein Sein suspended construction of the dam in 2011, bringing the dispute between Beijing and Naypyidaw to public attention.

China has sought to learn lessons from the Myitsone debacle. Zhu Feng, a prominent and influential scholar at Peking University, recognized that Beijing had been overly focused on building relations with Myanmar's government and ignored the feelings and interests of local populations. Beijing has since instructed Chinese businesses operating overseas to respect local people and ensure that their efforts benefit these populations—what the West calls corporate social responsibility.[12] Yet it is possible that in the Myitsone area such measures do not necessarily reflect lesson-learning by Chinese interlocutors and may instead represent an appeal by Beijing to anti-Kachin sentiment amongst Shan villagers in order to claim popular support for the dam.[13]

Despite these lingering resentments and challenges, China remains one of Myanmar's closest and most important partners. China's size and proximity, as well as its economic and political power, make it unlikely that Naypyidaw will move toward a more antagonistic relationship with Beijing. Even while working to diversify its relationships and reduce dependence on China, Myanmar will seek to benefit from China's economic rise and pursue positive relations with Beijing. Going forward, however, their engagement is likely to be of a more balanced nature that is consistent with the way most other ASEAN states deal with their powerful neighbor to the north.

India: Soft Power and Ambition

India-Myanmar relations enjoy a strong foundation based on long-standing historical, religious, and social ties. For example, Theravada Buddhism, which originated in India, has been the dominant religious practice in Burmese society for centuries, with 90% of the population identifying as Buddhist today. The British considered Burma an integral part of British India until their separation in 1937, and millions of Indians migrated to Burma over the course of the Raj. Diplomatic ties were established after both India and Burma secured independence from Britain in 1948.

While the years immediately following independence involved significant cooperation between New Delhi and Rangoon (known as Yangon after 1989), the relationship began to crumble in 1962 following a successful military coup led by General Ne Win. Throughout the 1960s and 1970s, Burma, which was later renamed Myanmar in 1989, expelled a large number of ethnic Indians and instituted a series of highly nationalistic economic policies, thereby straining relations with India. After the regime crushed the pro-democracy protests in 1988, relations were further strained; India openly supported the democracy movement and its leader Aung San Suu Kyi, who spent many years in India and had close personal ties to the country. A number of political refugees also fled to India and were allowed to stay from 1988 onward. These Burmese activists operated pro-

[12] "Less Thunder Out of China," *Economist*, October 6, 2012, http://www.economist.com/node/21564279.

[13] See, for example, Ding Gang, "What Way Forward for Myitsone Dam?" *Global Times*, September 12, 2013, http://www.globaltimes.cn/content/810609.shtml.

democracy NGOs and media from within the country and developed ties to Indian civil society organizations and politicians sympathetic to their cause.

Yet bilateral relations improved in the 1990s as India's "Look East" policy drove New Delhi to pursue positive relations with Myanmar as a check against growing Chinese influence in Southeast Asia, culminating in 1998 with a restatement of India's policy of noninterference in Myanmar's internal affairs. Such efforts have accelerated since Myanmar began to implement domestic political reforms in 2011. President Thein Sein visited India in October 2011 and Manmohan Singh returned the visit in May 2012, the first time an Indian prime minister had visited Myanmar in 25 years. The two countries signed twelve memorandums of understanding and agreements covering issues ranging from the development of border areas to the improvement of transport and connectivity, which set the stage for an intensification of bilateral interaction.

Despite the underlying potential strength of India's soft-power relations with Myanmar, New Delhi to date has been unable to translate those ties into traditional hard power. Ethnic Indians living in Myanmar seem to identify more with their current home than their ancestral homeland, which limits India's ability to exercise influence over its diaspora community.[14] More significantly, India's economic and political ties to Myanmar, though improving, have yet to reach a level that would lead to significant influence in the country.

India's Interests in Myanmar

India has multiple interests that drive its approach to Myanmar: preserving stability, deepening economic engagement and development, expanding Southeast Asia's physical interconnectivity, checking the expansion of Chinese power, gaining access to Myanmar's abundant natural resources, and encouraging the continued emergence of democracy.[15] There are also several small insurgent groups, such as the National Socialist Council of Nagaland and the United Liberation Front of Assam, that have conducted operations into northeastern India from sanctuaries in Myanmar. New Delhi hopes that better relations with Naypyidaw and the economic development of areas along the border could stifle these insurgencies and stabilize its restive eastern provinces.

To these ends, India has been pursuing cooperative projects across all elements of national power, including the construction of roads, rails, and a port to improve connectivity. It has also initiated a nascent program to provide equipment to Myanmar's military, including tanks, light helicopters, transport planes, and some small naval craft.[16]

Bilateral trade has also increased dramatically, from $12.4 million in 1980–81 to $1.1 billion in 2010–11.[17] Agricultural items dominate India's imports from Myanmar, while India's main exports to its eastern neighbor are steel and pharmaceuticals. Indian energy companies have been very active in Myanmar: ONGC Videsh Limited and GAIL have announced a $1.33 billion investment in the China-Myanmar gas pipeline project, and Punj Lloyd was awarded a contract worth $475 million for construction of the Kyaukphyu-Kunming oil and gas pipeline.[18] As with China's investments, India's objective is to gain business opportunities for its companies while also building relationships and influence in Myanmar itself.

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[14] Author's interviews in Myanmar, October 2013.

[15] R. Hariharan, "India-Myanmar-China Relations," *Asian Tribune*, July 22, 2007, http://www.asiantribune.com/index.php?q=node/6641.

[16] Ibid.

[17] Ministry of External Affairs (India), "India-Myanmar Relations."

[18] "India Inc's Next Big Destination: Myanmar," Myanmar Business Network, June 27, 2013.

For Myanmar, engagement with India is driven by fairly straightforward objectives: maximizing opportunities for economic development, enhancing regional connectivity, and diversifying its foreign relations to reduce dependence on China. India's strategic motivations are thus fully compatible with Myanmar's; the primary challenge is scale and execution.

India has to date been unable to translate its burgeoning political and economic interaction with Myanmar into real strategic influence. Several structural barriers, including India's infamous bureaucratic machinery and economic laws that prevent Indian companies from working toward national interests without an explicit commercial benefit, prevent India from using its economic links for diplomatic gains as directly as China does. The authoritarian nature of Myanmar's government before the recent reform initiatives also has served to place constraints on bilateral relations, despite the Indian government's stated policy of full engagement. The political and economic changes underway in both countries, however, should set the stage for India's influence in Myanmar to increase as bilateral political and economic contacts continue to grow.

One area of potential growth for India-Myanmar cooperation is in the diplomatic realm. There is a robust history of diplomatic cooperation between New Delhi and Naypyidaw, as both were very active in the Non-Aligned Movement prior to Myanmar's coup and subsequent isolation. A Myanmar that is active in ASEAN would very much be in India's interest; this is especially true during Myanmar's chairmanship of ASEAN over the coming year. Naypyidaw is expected to come under heavy pressure from China, as Beijing seeks to sideline efforts in ASEAN to address disputes in the South China Sea. An opportunity thus exists for India to help buttress Myanmar's ability to keep these issues on the table, primarily by giving economic assurances to mitigate any potential punitive action by Beijing. The result of such support—in which Myanmar plays a role as regional leader to help sustain ASEAN unity and check Chinese ambitions in Southeast Asia—would be of great strategic benefit to India, not least by providing an opportunity for strategic cooperation with other key stakeholders in the region.

Yet such cooperation would ultimately be the first of many steps. As Myanmar continues to reform and open itself, the opportunities for engagement with India are tremendous. The primary potential barriers to success will be of both sides' own making; the key is for them to get out of their own way.

Japan: External Partner

Myanmar's re-emergence has also reignited its relationship with Japan. During the postwar era, the bilateral relationship was quite close—Burma was a top recipient of Japanese overseas development assistance between 1948 and 1988.[19] Tokyo's interests in the country's natural resources and markets, a sense of guilt over the destruction Japan wrought during World War II, a common Buddhist background, a normative desire to play an important international role, and efforts to resuscitate Japanese industry drove Tokyo to provide Rangoon with $2.2 billion in foreign aid during that period.[20]

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[19] David I. Steinberg, "Japanese Aid to Burma: Assistance in the Tarenagashi Manner?" in *Japan's Foreign Aid: Power and Policy in a New Era*, ed. Bruce M. Koppel and Robert M. Orr (Boulder: Westview Press, 1993).

[20] David I. Steinberg, "Japan and Myanmar: Relationship Redux," Center for Strategic and International Studies, October 15, 2013, http://csis.org/files/publication/131015_Steinberg_JapanMyanmar_JapanPlatform.pdf.

The bilateral relationship was damaged by Burma's violent repression of democratic protesters in 1988 and the subsequent voiding of the 1990 elections won by Aung San Suu Kyi's National League for Democracy. Tokyo reduced its engagement with Yangon, but not to the degree that the United States requested; Japan was one of the few countries from the Organisation for Economic Co-operation and Development (OECD) to maintain diplomatic and aid missions that allowed for regular contact with the military government. Relations were further strained when a Japanese photojournalist was murdered during protests in 2007, but they began to warm in 2008 after Japan took an active role in relief efforts following Cyclone Nargis and progressed further in March 2011 after the Thein Sein government's reforms. It should be noted that Japan's re-engagement with Myanmar was driven as much by its own interest in encouraging reform as it was by the United States' expressions of support for enhanced engagement.

Cooperation and Engagement Reborn

Since 2011, Japan's engagement with Myanmar has grown significantly. Driven by strategic motivations very similar to India's, as well as by a broader desire to rebuild relations with Southeast Asia, Tokyo seeks to enhance regional integration and encourage Myanmar's continued reform and development while also checking Chinese power. The image of a resurgent China wielding influence in Myanmar is an especially strong driver of Japanese actions. As a retired Japanese general said regarding China's increasing power, "if China can import oil through Myanmar and avoid the Malacca Straits and the South China Sea, that is not in Japan's national interests."[21] Crude oil and natural gas pipelines connecting Kunming to the Bay of Bengal have recently come online, intensifying Tokyo's concerns.

To address these interests, Japan has worked primarily through economic and diplomatic means, though contacts have ranged across all aspects of national power. Leaders from the two sides meet regularly, and each meeting is filled with expressions of mutual ambitions "to further deepen the bilateral cooperative relationship in a wide range of areas."[22] The May 2013 visit to Myanmar by Shinzo Abe was the first by a Japanese prime minister since 1977. The ensuing joint statement hailed the meeting's "cordial and friendly atmosphere" and included the declaration that by laying "a new foundation for taking the relationship between Japan and Myanmar to a higher level and establishing a lasting, friendly and cooperative relationship, Japan and Myanmar will work together to bolster their relationship."[23]

The core of the reconstituted Myanmar-Japan relationship is trade and economics. Japan has agreed to cancel $2.72 billion in debts, and has pledged 91 billion yen (roughly $875 million) of financial cooperation and 63 billion yen (roughly $600 million) of development assistance loans for railway, water supply, and irrigation projects.[24] The two sides also signed a bilateral investment agreement and established a joint initiative to develop a framework to discuss the investment environment in Myanmar.

The centerpiece of the bilateral economic relationship is the development of the Thilawa Special Economic Zone outside Yangon, which is scheduled to open in 2015. Roughly $380 million of Japan's assistance will be devoted to this zone and will primarily go toward infrastructure

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21 Steinberg, "Japan and Myanmar."

22 See, for example, Ministry of Foreign Affairs (Japan), "Japan-Myanmar Summit Meeting," Press Release, December 15, 2013, http://www.mofa.go.jp/region/page23e_000032.html.

23 "Joint Statement between Japan and the Republic of the Union of Myanmar," May 26, 2013; as quoted in Steinberg, "Japan and Myanmar."

24 Ministry of Foreign Affairs (Japan), "Japan-Myanmar Summit Meeting."

development. Japan is also helping with the development of the Dawei port and industrial area on the Bay of Bengal, which is located just 150 miles west of Bangkok. In addition, Japan's private sector is playing a major role in this project, providing about $13 billion in industrial development.[25] According to Japanese authorities, Tokyo expects the Dawei port to provide Japan with direct access to the Indian port of Chennai across the Bay of Bengal, thus enabling greater regional connectivity and helping Japan's investments in India, Thailand, and Myanmar to be mutually supporting.[26] Japan's efforts to connect Chennai, Dawei, and Bangkok would cut transportation times in half and potentially save billions of dollars per year for Japanese industrial interests.[27]

Japan has also sought to help Myanmar rebuild its financial institutions and civil society. Japanese experts on topics ranging from the establishment of a stock market to the development of postal services have been dispatched, as have experts on health care. Japan even provided uniforms for the Myanmar national soccer team during the 27th Southeast Asian Games held in Myanmar.

Cooperation has reached the political and security spheres as well, though to a relatively limited degree. A training squadron of the Japan Maritime Self-Defense Force visited Yangon in October 2013 and conducted a military-to-military exchange. Both sides have pledged to further enhance defense cooperation and engagement in the future.[28] In addition, Abe has pledged Japan's support for national reconciliation efforts. The special envoy for national reconciliation in Myanmar, Yohei Sasakawa, may be used by Tokyo to support the areas controlled by ethnic minorities. Japan has also offered 10 billion yen ($96 million) to support rebuilding efforts following ethnic ceasefire agreements. This could potentially put Japan in the position of facilitating Myanmar's peace efforts and therefore (if successful) help Tokyo gain a significant amount of sway with Naypyidaw.

It should also be noted that Japan's active, yet careful, engagement of Myanmar has closely aligned with U.S. efforts. This strongly suggests that there will be ample opportunities for coordination and cooperation between Tokyo and Washington on engagement with Naypyidaw to build connectivity in the region and encourage continued political and economic reform.

Conclusions

Primarily due to geography, China and India are the two Asian powers whose activities in Myanmar most closely resemble a geopolitical competition for power, access, and influence. Japan, for its part, has primarily focused on developing economic opportunities and encouraging continued political and social reform.

Before its self-imposed isolation, Myanmar had played an important international role both in Southeast Asia and globally. Indeed, the third secretary general of the United Nations was U Thant, whose election to that post reflected the country's international influence at the time. As Myanmar re-emerges onto the international scene, it is doing so in a drastically different strategic context. Multipolar competition—between China and the United States as well as Asia's other major powers—will define the context of Myanmar's continued international reawakening.

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25 Steinberg, "Japan and Myanmar."

26 Ibid.

27 Maxwell Harrington, "Conference Report—China-Myanmar Relations: The Dilemmas of Mutual Dependence," *Journal of Current Southeast Asian Affairs* 31, no. 1 (2012): 137.

28 Ministry of Foreign Affairs (Japan), "Japan-Myanmar Summit Meeting."

The importance of competition between Asia's great powers has not gone unnoticed in Myanmar. China seeks greater influence in Myanmar for its own purposes, surely, but also because it has taken note of greater interest by India, Japan, and the United States. While neither India nor Japan will threaten to overtake China as the dominant foreign power in Myanmar for the foreseeable future, they both represent an opportunity for Naypyidaw to further diversify its international relationships and demonstrate to Beijing that it cannot be pushed around.

Yet despite these competitive dynamics, all three countries share interests and goals in Myanmar that could serve as the basis for future cooperation and coordination. All share a fundamental interest in the country's continued stability and ongoing reform, although they do not share the same level of interest in the emergence of democracy and the rule of law. All also share an interest in strengthening the connectivity of Myanmar to the rest of Southeast Asia and potentially buttressing its role as a bridge between South and Southeast Asia.

Since attaining independence in 1948—with the People's Republic of China being established a year later—Myanmar has attempted to stake out a neutral position for itself. While it can never escape China's shadow completely, Myanmar has in the past asserted its independence by working closely with other neighbors and external powers as hedges and balancers. If Naypyidaw is able to sustain momentum on reforms at home, India and Japan have the potential to become increasingly important players in Myanmar. With China rising and in increasingly overt competition with the region's other major powers, the new "great game" in Myanmar is underway.

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Myanmar's Emerging Role in the Regional Economy

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EXECUTIVE SUMMARY

This essay assesses how Myanmar's economic trajectory will shape its future international standing and regional relationships.

MAIN ARGUMENT

Although Myanmar stands to benefit tremendously from its geographic location and natural endowments, the country faces significant challenges in navigating the current period of intense political and economic change. High domestic expectations and amplified international attention have placed increased pressure on the government to make effective economic reforms. This economic evolution will take decades to unfold, but if successful, Myanmar's economic re-emergence will enlarge Naypyidaw's role on the world stage and strengthen the region as a whole.

POLICY IMPLICATIONS

- Myanmar's opening and ambitious reform agenda were sparked by the desire to diversify and expand the country's economic relationships, and economic progress is essential to legitimize the political reforms. This means that an immediate focus on areas where tangible livelihood improvements can be realized is critical for strengthening the political reform agenda.
- Economic and geopolitical trends in Asia have converged to heighten Myanmar's attractiveness as an economic partner. Sustained momentum on political and economic reforms would allow Myanmar to develop into an important hub for deepening the region's economic integration and would also boost the credibility of the Association of Southeast Asian Nations (ASEAN).
- One immediate result of Myanmar's opening has been the increased voice of civil society in economic policy, particularly with respect to large-scale infrastructure projects such as the suspended Myitsone dam. This adds an important new dynamic to the country's relationships with foreign investors, particularly China, and could be a catalyst for a more balanced economic relationship.

Myanmar is blessed with abundant natural resources, has low population density, and is located at the heart of Asia. Situated between China and India, which have two of the largest and fastest-growing economies in the world, and also sharing borders with Thailand, Bangladesh, and Laos and coastal waters with Malaysia and Singapore, Myanmar should be a hub for East, South, and Southeast Asia, but its role has been limited in the postcolonial period.[1] Economic and political isolation, a lack of investment, and armed insurgencies in its border regions—combined with the fact that Myanmar's borders with China and India lie far from those countries' capitals and centers of development—have diminished Myanmar's economic influence and contribution to Asia's rapid growth.

However, several of these limiting factors have changed. Since coming into office in 2011, President U Thein Sein's government has pushed ahead on a wide array of reforms, including national reconciliation between ethnic groups, in order to lay the groundwork for future economic growth and to entrench as much reform as possible ahead of the 2015 parliamentary elections.[2] Political reforms have allowed for most international sanctions to be lifted, facilitating a rapid surge in bilateral aid and the resumption of loans and support from international financial institutions.

Myanmar's opening comes at a time when Asia has firmly established itself as the engine of the global economy. Steady GDP growth in Asia's developing countries during the 2008 financial crisis and recessions in the United States and European Union demonstrated that the region has become an important center of demand in its own right and encouraged Asian countries to accelerate their efforts to deepen regional economic integration.[3]

The Association of Southeast Asian Nations (ASEAN) has sought to position itself as the driving force behind Asia's economic integration. Myanmar's membership in ASEAN has taken on new significance as the country assumes the 2014 chairmanship at a key moment in ASEAN's development. The organization is intensely focused on meeting the goal of establishing the ASEAN Economic Community (AEC) by 2015—transforming its member countries into a single market and production base—partly to help Southeast Asia compete with the large markets that China and India offer investors. Myanmar has a central role to play in the viability of the AEC, particularly by putting its own economic house in order so that it can play a meaningful role in ASEAN's economic development. For Myanmar's leaders, the ASEAN chairmanship is also symbolically important, signaling international acceptance and drawing heads of state from the world's most powerful economies to Myanmar in the run-up to the 2015 general elections.

Next door, China's Yunnan Province has grown rapidly over the past ten years, boosting cross-border trade and investment in Myanmar's energy sector and fueling economic growth. Yunnan is also a focal point for Beijing's efforts to integrate China with Southeast and South Asia, and Myanmar is viewed as a critical piece of this strategy. Japan is also making investments that will boost Myanmar's role in the regional economy. Due to severely strained Sino-Japanese relations and a series of natural disasters, such as the 2011 floods in Thailand, that disrupted Japanese production networks, Tokyo has embarked on an ambitious strategy to strengthen and diversify its supply chains across mainland Southeast Asia and into South Asia.

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[1] Toshihiro Kudo and Fumiharu Mieno, "Trade, Foreign Investment and Myanmar's Economic Development during the Transition to an Open Economy," Institute of Developing Economies, Japan External Trade Organization (JETRO), Discussion Paper, no. 116, August 2007.

[2] Author's interviews in Yangon, October 2013.

[3] *Asian Development Outlook 2013: Asia's Energy Challenge* (Manila: Asian Development Bank (ADB), 2013).

Myanmar could benefit tremendously from the interest that these regional powers have in developing its potential to link economies throughout Asia. If Myanmar is able to increase its role in Asia's economy, its political capital and influence will rise in tandem, helping ensure that the country maintains the independence of its foreign and economic policy and does not become a staging ground for great-power rivalries. ASEAN would also be strengthened by Myanmar's economic success, which would increase the organization's economic and political cohesion and credibility.

Yet Myanmar's history has demonstrated that favorable geographic circumstances are not enough to ensure economic growth. Ultimately, Myanmar's capacity to take advantage of this opportunity will be determined by its domestic environment—in particular, political stability, continued support for developing a market-oriented economy based on the rule of law, and the ability of the central government to negotiate peace in the country's resource-rich border areas and manage sectarian violence. The government is under significant pressure to demonstrate that political reforms have generated economic benefits in advance of the 2015 elections.

Myanmar faces significant challenges in navigating this period of intense political and economic change. If successful, however, it could emerge as an important and more influential player in Asia's broader economy over the medium to long term.

The Historical Context of Myanmar's Reforms

Myanmar is struggling to overcome decades of economic and social neglect and faces formidable challenges to restore itself to its former place as one of the wealthiest Southeast Asian nations. At the end of World War II, Burma appeared to be a country destined for economic success and influence.[4] Owing in large part to its abundance of natural resources, strong national emphasis on education, geography, low population density, and vibrant culture and history, Burma had the potential to become a significant regional power in the postcolonial era.

Yet persistent internal strife fueled by ethnic and political divisions weakened the country's prospects. Following the 1962 coup, General Ne Win, in cooperation with other senior military leaders, established Burma as a socialist state under the control of the Revolutionary Council. The country's innate strengths were overwhelmed by domestic political turmoil and mismanagement as all industries other than agriculture were nationalized.[5] The Revolutionary Council's Burma Socialist Programme Party (BSPP) devastated the country's economy and ended its parliamentary democracy by forming a single-party system that focused inward. During the socialist period (1962–88), Ne Win limited the country's international relationships and attempted an economic strategy of self-reliance and self-sufficiency, including banning trade, with disastrous results for the economy.[6] These policies turned Burma into one of the world's poorest countries, forcing most economic activity into the black market and triggering food shortages.

The new military government, which came to power in 1988, began a policy of economic reform, including opening up to foreign investment and actively seeking to deepen cross-border trade.[7] These actions were welcomed by neighboring countries, particularly China, India, and

[4] This essay uses the name Burma when referring to events prior to 1989, when the country changed its name to Myanmar.

[5] International Crisis Group, "Myanmar: The Politics of Economic Reform," Asia Report, no. 231, July 2012.

[6] Kudo and Mieno, "Trade, Foreign Investment."

[7] Ibid., 4.

Thailand. Myanmar departed further from its isolationist stance in 1992 by joining the Greater Mekong Subregion Economic Cooperation Program. In 1997, Myanmar joined ASEAN and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. Myanmar officials hoped that joining these organizations would increase economic opportunities in South and Southeast Asia and alleviate pressure from the sanctions that Western countries had imposed after the military government's crackdown on pro-democracy protestors in 1988, rejection of the 1990 legislative elections, and detention of democracy icon Aung San Suu Kyi, whose National League for Democracy had won the elections by a landslide.[8]

Even with the sanctions still in place, Myanmar was starting from such a low point that exports increased sixteen times, led by gas, timber, jade, and gems, while annual imports increased by fifteen times between 1990 and 2010.[9] Myanmar is blessed with extensive natural resources, including fresh water, natural gas, oil, timber, minerals, and gems, which provide the biggest contribution to GDP. Exports of these resources did bring some foreign capital into the country but only modest amounts. For example, exports of natural gas earned $3.1 billion in 2008, amounting to approximately $50 per capita, while Myanmar imported more that $1 billion of diesel and gasoline in 2010.[10] The sanctions increased the importance of Myanmar's economic relationships in the region. According to the Asian Development Bank (ADB), Thailand, India, and China accounted for more than three-quarters of Myanmar's exports between 2006 and 2010, with nearly half of those exports being destined for Thailand. Similarly, China, Thailand, and Singapore accounted for nearly three-quarters of Myanmar's imports, and one-third of its imports are from China alone.[11]

Most FDI in Myanmar has flowed into the energy sector rather than into manufacturing, services, and agriculture, which are the main drivers of employment.[12] Myanmar's economy is primarily agrarian, with agriculture providing approximately 40%–50% of GDP and employing 70% of the labor force.[13] Compounding the country's eroding standard of living and competitiveness, capital inflows were not invested in the economy or people but were used to support high military expenditures and line the pockets of top-ranking officials.

It is difficult to obtain accurate numbers on the military budget prior to the 2011 reforms due to a lack of transparency and data, but in 2012 and 2013 the military was by far the largest recipient of public funds.[14] The military establishment is also sustained by two powerful holding companies, the Union of Myanmar Economic Holdings Limited and the Myanmar Economic Corporation. Established in 1990 to generate revenue for the military and ensure access to strategic materials, these companies have grown to encompass diverse economic interests in most sectors of Myanmar's economy, including rice, extractive industries, tourism, and transport. Both companies remain powerful players in Myanmar's economy, although their position has eroded in the reform period—for example, by losing monopolies on the imports of cars, cigarettes, edible

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[8] U Kyaw Tint Swe and U Aung Htoo, "Myanmar in ASEAN: Cooperation for Development," in *Proceedings of the Symposium on "Interaction for Progress: Myanmar in ASEAN"* (Rangoon: Office of Strategic Studies, Ministry of Defense, 1998), 171.

[9] International Monetary Fund (IMF), Direction of Trade Statistics, available at https://www.imf.org/external/pubs/cat/longres.cfm?sk=19305.0.

[10] Toshihiro Kudo, "Export-Oriented Growth Strategy for Myanmar Joining East Asia's Production Networks," Institute of Developing Economies, JETRO, February 2013.

[11] Benno Ferrarini, "Myanmar's Trade and Its Potential," ADB, ADB Economics Working Paper, no. 325, January 2013, 5.

[12] Kudo, "Export-Oriented Growth Strategy," 27.

[13] *Myanmar: Energy Sector Initial Assessment* (Manila: ADB, 2012).

[14] In 2013 the military received approximately one-fifth of the total national budget.

oils, and beer. Easing the military out of it dominant role in Myanmar's economy will take time, but will be a crucial litmus test of the country's progress towards political and economic reform.[15]

Historically, high military expenditures were justified internally as necessary to preserve national unity. Myanmar struggles with sharp ethnic divisions and armed conflicts in its border regions, where much of its natural wealth is located. The country is home to over 135 ethnic groups, and national unity has been an elusive goal since independence. In the Kachin and Shan states, armed ethnic groups such as the Kachin (Kachin Independence Organization), the Wa (United Wa State Army), and the Kokang (Myanmar National Democratic Alliance Army) have resisted administrative and military control by the central government, which is primarily Burman.[16] These conflicts have been an obstacle to greater economic integration—especially given their proximity to China and Thailand, Myanmar's two largest economic partners. The ongoing tensions have also fostered illegal economic activity, including smuggling, drug trafficking, and the looting of natural resources. High numbers of internally displaced people and the flight of refugees into Thailand and China have further added to Myanmar's economic problems.

The country also suffers from the cumulative impact of decades of neglecting its policy frameworks, physical infrastructure, and human resources. Public spending on health and education in Myanmar is among the lowest in Asia and possibly the world.[17] Approximately 32% of the population lives below the poverty line, largely concentrated in rural areas, and Myanmar lags behind other countries in the region on most indicators.[18] Mobile coverage in 2012 was only 11 cellular phone subscriptions per 100 people compared with a rate of 102 per 100 in neighboring Laos.[19] Many educated workers have left the country, while many skilled laborers prefer to work in Thailand, where they are paid a higher wage. Three out of four people within Myanmar do not have access to electricity.

Given the scope of the social, political, and economic evolution required, it will take decades for Myanmar to catch up to its neighbors. However, the Thein Sein government's political reforms have opened the door to this possibility for the first time in decades.

New Players, New Opportunities

Economic goals and the desire to decrease heavy reliance on China were key drivers in the military regime's decision to move ahead with elections in 2010 and embark on an ambitious reform agenda. The reforms that the Thein Sein government has embraced since coming into office in 2011 have achieved the desired impact of attracting the attention of multinational corporations, development agencies, international financial institutions, and governments around the world.

Yet while there has been a flurry of business delegations to Yangon, international investment has not poured into the country at the levels the government hoped. Privately, Myanmar officials and business people have expressed disappointment that FDI, particularly from the United States,

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15 "Under General License No. 17 issued by the Department of Treasury's Office of Foreign Assets Control (OFAC) on July 11, 2012, U.S. businesses are not allowed to invest or enter into an agreement with the Burmese Ministry of Defense or any state or non-state armed group; or any entity in which any of the above own a 50 percent or greater interest." See U.S. Department of State, "2013 Investment Climate Statement—Burma," March 2013.

16 Yun Sun, "China, the United States, and the Kachin Conflict," Stimson Center, Issue Brief, no. 2, January 2014.

17 David Dapice and Tom Vallely, "Choosing Survival: Finding a Way to Overcome Current Economic and Political Quagmires in Myanmar," Harvard Kennedy School, December 2013, 9.

18 CIA, World Factbook, available at https://www.cia.gov/library/publications/the-world-factbook.

19 World Bank, "Mobile Cellular Subscriptions (per 100 People)," http://data.worldbank.org/indicator/IT.CEL.SETS.P2.

has not increased more rapidly.[20] According to the Myanmar Investment Commission, as of August 31, 2013, U.S. companies contributed just over $243 million of the $43 billion invested in Myanmar by foreign entities.[21] Many in Myanmar hoped that opening the political system and economy would trigger an influx of Western capital that would help reduce China's dominant presence in the economy.

The slower pace is likely caused by several factors. Western multinationals have had little contact with Myanmar since the imposition of sanctions in 1990 and need time to learn the environment. In some cases, potential investors have expressed a "wait and see" attitude regarding the 2015 elections and are exploring corporate social-responsibility projects and lower-cost investments to better understand the country's rapidly evolving business environment before investing on a larger scale. Additionally, reforms considered critical for investors, including the passage of a foreign investment law and currency and banking reform, were only recently adopted, while others are still pending. Such measures, if successfully implemented, should help build a strong foundation for higher levels of future investment. Last but not least, the lower levels of investment by U.S. companies relative to investors from other countries are partly explained by the fact that the U.S. government does not direct or financially support private-sector companies' business strategies or investment decisions.

Myanmar's trading relationships have improved in the reform period. The lifting of most international sanctions has opened up critical export markets for Myanmar in the United States and EU, and trade has increased. The EU reinstated Generalized System of Preferences (GSP) for Myanmar as of July 19, 2013, in response to the progress made on political and economic reform and to the International Labor Organization's suspension of its restrictive resolution on Myanmar in June 2012. EU GSP benefits provide duty-free access for exports of all products except arms and ammunition. This has led several garment manufacturers to move operations from Thailand to Myanmar to take advantage of lower wages and the return of GSP privileges, and textile exports to the EU are expected to rise. Already in 2012, Myanmar's textile exports rose by 18% from 2011 following the opening of the U.S. and EU markets.[22] Myanmar also hopes that the United States will add it as a GSP beneficiary when U.S. GSP legislation is renewed, which would further increase Myanmar's attractiveness as a textile production center.[23]

Foreign aid to the country has also skyrocketed. In January 2013, Myanmar negotiated arrangements with the Paris Club sovereign lenders, ADB, and the World Bank to clear and refinance its arrears. This paved the way for ADB and the World Bank to establish offices in Myanmar and begin lending funds for much needed infrastructure and human services. Bilateral aid has increased dramatically as well, providing both a boon and a potential liability. Used properly, these funds could provide much-needed investment in Myanmar's human resource capacity and infrastructure. Used improperly, however, they could prove to be a dangerous distraction from market-oriented investments and policies and be squandered through corruption and misuse.[24] In the best-case scenario, ADB, the World Bank, and other donors would play

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[20] Author's interviews in Myanmar, October 2013.

[21] Sophie Song, "Myanmar FDI: China Accounts for One Third of Foreign Investment in Myanmar with $14 Billion," *International Business Times*, October 29, 2013.

[22] "Thai Factories Moving to Myanmar," *Bangkok Post*, May 20, 2013.

[23] The United States' GSP legislation expired on July 31, 2013, and is pending congressional renewal. In June 2013 a subcommittee of the Office of the U.S. Trade Representative held a public hearing to solicit testimony on the eligibility of Myanmar and Laos for GSP benefits.

[24] Lex Rieffle and James W. Fox "Too Much, Too Soon? The Dilemma of Foreign Aid to Myanmar/Burma," Nathan Associates, March 2013.

an essential role in helping Myanmar develop the building blocks it needs in terms of human resources, electricity grids, and transportation to ensure long-term economic success and link the country more closely to the economies of its fast-growing neighbors.

Developing Myanmar as a Regional Hub

Myanmar's re-emergence is critical to efforts to increase connectivity and integration in Southeast Asia. In order for this goal to be realized, Myanmar needs to attract considerable FDI to bring its infrastructure, particularly in the power and transportation sectors, up to international standards. For example, the World Bank's Logistics Performance Index of 2012 finds that Myanmar ranks the lowest in the region. Trucking costs are currently five to ten times higher per ton-kilometer than in Thailand or China, according to a survey by Harvard researchers.[25]

In addition to robust new programs from the World Bank and ADB, Myanmar has been the recipient of a rapid influx of aid and investment from Japan. Tokyo has explicitly made Myanmar a focal point for its "China plus one" strategy.[26] Japanese companies have been actively engaged in efforts to increase the resiliency of their supply chains and diminish risks from Sino-Japanese tension, as well as natural disasters, by diverting investment in manufacturing from China to South and Southeast Asia.

Japan's direct investments in China fell by almost 37% in the first nine months of 2013 following a series of anti-Japanese riots in China in 2011 and 2012.[27] ASEAN has been a significant beneficiary of this shift. Japanese direct investment in ASEAN countries increased by over 55% to a record high of $10 billion in the first half of 2013, according to the Japan External Trade Organization.[28] For the Mekong countries of Cambodia, Laos, Myanmar, and Vietnam, Japan unveiled a total of 200 billion yen in aid on the sidelines of the 2013 Japan-ASEAN summit, in addition to a three-year, 600-billion-yen assistance package pledged at the Japan-Mekong summit in 2012.

In Myanmar, Japan has directed much of its aid and investment toward supporting conditions that will allow Myanmar to assume a greater role in the regional economy. In January 2014, Tokyo pledged $96 million to develop infrastructure and provide aid in Myanmar's border regions and help promote peace.[29] In 2013, Japan was Myanmar's top humanitarian aid donor and canceled $2.72 billion in debt.[30] The Japanese government and private sector are also working closely with the Myanmar government to launch the Thilawa Special Economic Zone (SEZ), which will include industrial, commercial, and residential areas. This SEZ is one of Myanmar's largest development projects and has become a flagship initiative for the government, which hopes it will begin generating jobs in 2015, ahead of the elections. Japanese investors have a 49% stake in the $150 million joint-venture project, which will act as an incubator for investment-friendly policies, high labor standards, and streamlined business rules.[31] Japanese government aid is helping fund

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25 Dapice and Vallely, "Choosing Survival."

26 "Japan and China: Rattling the Supply Chains," *Economist*, October 20, 2012.

27 JETRO, "2013 JETRO Global Trade and Investment Report—Revitalizing Japan through Global Business," August 8, 2013.

28 Ibid.

29 Shibani, Mahtani, "Japan Pledges $96 Million to Reduce Conflicts in Myanmar," *Wall Street Journal*, January 7, 2014.

30 "Japan's PM Cancels Burma's Debt," Reuters, May 27, 2013.

31 Author's interviews in Yangon, October 2013

the power, water, and transport infrastructure needed to make the zone viable, while Mitsubishi, Marubeni, and Sumitomo have formed a consortium for investment and production in Thilawa. The SEZ will host a range of industries focused both on products intended primarily for the domestic market (e.g., construction equipment, automobiles, bicycles, and processed food) and on products intended for export (e.g., textiles, machinery, and electronic parts).[32]

Myanmar government officials hope that Japan will also invest in the Dawei SEZ facing the Bay of Bengal, which would include a deepwater megaport providing an alternative trading route to the congested Strait of Malacca and an easy access point for traffic from Chennai in India and Chittagong in Bangladesh, two of the largest port facilities in the world. Dawei was initially awarded to Italian-Thai Development PLC in 2010. Progress has been slowed by Thailand's political turmoil, protests over the resettlement of locals, and questions about the project's commercial viability. The latter will depend in large part on Thailand developing the rail and roads to link the port to other parts of Southeast Asia, and Japan is unlikely to commit before this infrastructure is in place. Yet despite these obstacles and the multibillion-dollar investment required, the port is a tantalizing prospect for Japan, Myanmar, and Thailand.

Myanmar's existing deepwater port, Kyaukphyu, was developed by China, whose economic interests in Myanmar are multifaceted. First, Myanmar is a key part of China's strategy to develop its landlocked western provinces, particularly Yunnan, which has historically been one of China's poorer provinces. In the past ten years, Beijing has invested in building roads, rail, and new energy infrastructure, successfully quadrupling the size of Yunnan's economy between 2000 and 2009.[33] Such investment in Yunnan meets two critical national goals: first, increasing living standards and diminishing economic imbalances between western and eastern China; and second, further integrating the Chinese economy with neighboring economies in South and Southeast Asia. China has thus looked to Myanmar as a bridgehead to ASEAN, India, and Bangladesh.

Second, Beijing views Myanmar as a key supplier of energy and raw materials to fuel the growth in China's western provinces. In particular, Kachin and Shan states are significant providers of energy and minerals for Yunnan and Sichuan, and China has invested heavily in extractive industries in both places. China overtook Thailand to become Myanmar's largest investor in the 2011–12 fiscal year, with bilateral trade of about $3.6 billion.[34] The Myanmar Investment Commission reports that China invested approximately $13.6 billion in Myanmar in 2010, primarily in the energy sector, and pledged $4.2 billion worth of interest-free loans over a 30-year period to help fund infrastructure, information technology, and hydropower projects.[35]

China's largest investment project in Myanmar is the controversial Myitsone dam, a hydropower plant at the head of the Irrawaddy River in Kachin State. The dam would provide between 3,600 and 6,000 megawatts of electricity, with 90% destined for China. To the shock and dismay of Beijing, Thein Sein halted the project after coming into office in September 2011, citing concerns over the social, environmental, and economic impact. Another Chinese investment project, the Letpadaung copper mine, had to be renegotiated following protests in 2012, while China's newly operational gas and oil pipelines, which begin at Kyaukphyu, have been the target of protests.

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32 Author's interviews with a Japan Ministry of Economy, Trade and Industry official, Yangon, October 2013.

33 Isabel Hilton "China in Myanmar: Implications for the Future," Norwegian Peacebuilding Resource Centre, October 2013.

34 Ibid.

35 Ibid.

One immediate result of Myanmar's opening has been the increased voice of civil society in economic policy, particularly large-scale infrastructure projects. This changes the dynamic of the country's relationships with foreign investors, particularly China, and could prove to be a significant catalyst for more socially responsible investments. On the heels of the popular protests over the Myitsone dam and Letpadaung copper mine projects, Chinese investment in Myanmar dropped by more than 90% in fiscal year 2012 compared with the same period in 2011.[36] The relationship is likely to recalibrate once both sides adjust to the political, social, and economic changes underway in Myanmar. China's economic interests have not changed: Yunnan still needs Myanmar's natural resources, and China has a vested interest in expanding access to Asian and global markets for products and services from its western provinces. For Myanmar, China remains an important economic partner and source of much-needed capital for national development goals.

ASEAN Centrality and Myanmar

Myanmar's opening offers an important boost to ASEAN's efforts to lead Asia's economic integration and form a more cohesive economic block through the establishment of the ASEAN Economic Community (AEC) by 2015. The AEC is based on the four pillars of promoting a single market and production base, a competitive region, equitable development, and a region connected to the global economy. The AEC aims to help Southeast Asia realize economies of scale and compete with China and India as a preferred destination for FDI by facilitating the development of a free trade zone that allows for the flow of people, capital, and goods.

Realizing the vision of an economically cohesive ASEAN will require accelerated development among its least developed members, Cambodia, Laos, and Myanmar, whose economies are dominated by China. The development gap within ASEAN, though diminishing, remains an impediment to greater integration. In absolute terms, the GDP per capita of the richest country in ASEAN (Singapore) will reach $57,000 by 2018, while Myanmar's will be $1,200.[37] Given its low level of development and meager human resource capacity, Myanmar will require decades to catch up to countries such as Thailand. Yet this prospect was not even on the horizon before the reform process began, and ASEAN's credibility will increase as a result of such economic development.

Due to its membership in ASEAN, Myanmar is also taking part in one of the most ambitious trade negotiations ever launched. At the November 2011 ASEAN Summit, ASEAN was joined by six dialogue partners—China, South Korea, Japan, Australia, New Zealand, and India—which came together to propose the establishment of a trade area that would link ASEAN's existing FTAs with these countries. The proposed Regional Comprehensive Economic Partnership (RCEP) would lead to the creation of an integrated market with ASEAN at its center. The market would have a combined population of over three billion people, representing 49% of the world's population, almost 39% of global GDP, and over a quarter of world exports.[38] While ASEAN has averaged relatively high growth rates and there have been steady improvements in Southeast Asia's

[36] Yun Sen, "China Adapts to a New Myanmar Reality," *Asia Times*, December 23, 2013.

[37] IMF, World Economic Outlook Database, April 2013, available at https://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx.

[38] ASEAN, "Overview of ASEAN–New Zealand Relations," available at http://www.asean.org/news/item/overview-of-asean-new-zealand-relations-2.

economic profile, the organization is acutely aware of the stiff competition it faces from China and India, as well as the potential benefits of linking more closely with Asia's emerging giants.

The AEC and later RCEP could support Myanmar's economic reform goals. However, some within the country have voiced concerns that compliance with the AEC's 2015 targets will lead to a further hollowing out of its skilled workforce and stiff competition from Thailand and Vietnam, particularly in the area of rice exports. Individual ASEAN countries will also face more competition from Myanmar in the medium to long term. In Thailand, some commentators have already raised concerns that Myanmar's opening, coupled with Bangkok's political paralysis, will lead to Myanmar eclipsing Thailand as the regional hub for ASEAN connectivity and as a partner for the United States and Japan.[39]

For ASEAN, the goals of promoting its centrality in regional affairs and the ongoing integration of its members ensure that there will continue to be broad support for Myanmar's efforts to develop a more balanced economic portfolio and a greater level of connectivity with the region. To the extent that Myanmar can lessen its economic dependence on China, the country will have more flexibility in its foreign policy as well as in the development of domestic economic frameworks that ensure that the benefits of its natural resources are invested in the Myanmar economy and people. This in turn will strengthen ASEAN's ability to enact an independent foreign and economic policy that reflects the interests of Southeast Asian countries.

Myanmar as a Regional Energy Power

The energy sector has a crucial role to play in Myanmar's economic development and increasing geostrategic importance. Neighboring countries such as China, India, and Thailand all face growing import dependencies and projected increases in energy demand to keep pace with economic growth.[40] Myanmar has enormous hydropower potential, estimated gas reserves of 2.54 trillion cubic meters (the tenth largest in the world), and an estimated 3.2 billion barrels of recoverable crude oil reserve.[41] Gas and oil are the largest components of Myanmar's export basket, and China and Thailand are the biggest recipients. Gas from the Yadana and Yetagun offshore fields is being exported to Thailand by pipeline, and Bangkok hopes that Myanmar will eventually satisfy upward of 25% of Thailand's natural gas needs.[42] Likewise, gas and oil pipelines from Kyaukphyu to Kunming opened in 2013 and will bring much needed supplies to China's Yunnan Province. Myanmar's ability to provide an energy corridor and supplies to its neighbors increases its negotiating power and potential value as an economic partner and dilutes their political leverage over Naypyidaw.

Myanmar could also play an important role in the success or failure of the Greater Mekong Subregion power grid project, which aims to connect Cambodia, Laos, Myanmar, Thailand, and Vietnam with some parts of southern China to promote cross-border power sharing. This initiative is part of a $50 billion regional economic development plan, the Regional Investment Framework,

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39 Kavi Chongkittavorn, "Thailand Withers as Myanmar Rises," *Nation* (Thailand), May 27, 2013.

40 World Bank, "Rebuilding Policy Buffers, Reinvigorating Growth," *East Asia and Pacific Economic Update*, October 2013.

41 Ministry of Immigration and Population (Myanmar), "About Myanmar: Natural Resources," available at https://www.myanmarevisa.gov.mm/naturalresources.aspx.

42 Umesh Pandey, "Thailand-Burma Energy Relationship," *Bangkok Post*, February 27, 2012.

envisaged by ADB. Electricity demand in the Greater Mekong is forecast to grow to more than 148,000 megawatts by 2015, a rise of nearly 80% from 2010 consumption.[43]

The development of Myanmar's energy sector has historically been limited by corruption, a lack of human resources, inadequate infrastructure, and a poor investment environment. There is also an urgent need to improve transparency if funds are to be used for socioeconomic development. The government took a major step in 2012 in allowing a managed float of the kyat, unifying the country's exchange rate. This will allow for profits from exporting oil and natural gas to be better captured in government projections and opens the door for energy revenues to play a more significant role in the national budget.

In December 2012, President Thein Sein announced his intention for Myanmar to join the Extractive Industries Transparency Initiative to help ensure that the country's natural resources are developed and managed in a transparent manner for the sustainable benefit of its people. The initiative establishes a voluntary set of standards that require full disclosure of taxes and other payments made by oil, gas, and mining companies to governments and, if adhered to, would increase Myanmar's budgetary transparency for lucrative resource-extraction contracts.

In an effort to further develop the energy sector to benefit the economy, the government included a provision in the new foreign investment law that requires firms to ensure that at least 25% of their workforce is made up of Burmese citizens in the first two years of operating, 50% by the subsequent two years, and 75% by the third two-year period, though the Myanmar Investment Commission can extend these timelines for "knowledge-based business."[44] Yet while it is intended to support the development of skilled labor in Myanmar, this requirement could become a barrier to entry if firms do not possess the human resource capacity to keep up with it.

In the post-2011 reform period, Myanmar's policymakers and parliamentarians have also begun to think about how to use the country's energy resources to fuel the growth of the manufacturing sector and increase access to electricity. At the June 2013 World Economic Forum in Naypyidaw, Thein Sein said that energy exports would take a back seat to meeting domestic demand. Before more energy can be consumed at home, Myanmar urgently needs to upgrade its generating capacity and grid to allow for increased consumption, which is expected to grow close to two times as fast as real GDP.[45] It will take time to build the infrastructure needed to fulfill Myanmar's unmet demand, but the benefits of expanding and enhancing energy trade, while smartly leveraging resources for domestic energy consumption, would be felt throughout the economy and provide a tangible benefit of economic reform to citizens. Myanmar has one of the lowest electrification rates in Asia.[46] The World Bank has pledged to invest $1 billion in the country's power sector—including electricity generation, transmission, and distribution—to increase electricity access to 50% of the population by 2020 (an increase of 20% from 2012) and achieve the goal of universal access by 2030.[47] ADB is also investing heavily in Myanmar's efforts to provide power to its people, including loaning $60 million to upgrade existing infrastructure and assisting with drafting a twenty-year master plan for developing the power and energy sectors.[48]

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43 "Hooked Up: Can Myanmar Benefit from Ambitious Regional Electricity Grid Plan?" Mizzima News, January 17, 2013.

44 "Doing Business in Burma: US Commercial Service Country Guide," U.S. and Foreign Commercial Service and U.S. Department of State, 2010, http://export.gov/thailand/build/groups/public/@eg_th/documents/webcontent/eg_th_065502.pdf.

45 David Dapice, "Electricity in Myanmar: The Missing Prerequisite for Development," Harvard Kennedy School, May 31, 2012.

46 "Singapore's Navigat Creates Blueprint for Future Myanmar Power Deals," Reuters, February 17, 2014.

47 Feng Yingqiu, "Myanmar's Electricity Supply to Increase in Next Five Years," Xinhua, February 1, 2014.

48 Kyaw Hsu Mon, "ADB to Loan $60 Million for Burma's Electricity Network," Irrawaddy, December 17, 2013.

Myanmar will need to carefully consider how to best allocate resources from the oil and gas sector to maximize the gain to its budget and economy. Continued improvements in the rule of law, transparency, and infrastructure will strengthen the government's hand in negotiating with foreign partners and its ability to allocate resources and revenues for maximum benefit to the economy.

The Outlook for Reforms

Myanmar's leaders are walking a tightrope, pushing for positive economic results ahead of the 2015 elections to bolster support for the reform process and wanting to "get things right" in order to build a strong foundation for the future. The government's immediate challenge is to demonstrate that the political and economic reform agenda will generate more winners than losers. In moving towards a more transparent and market-based economy, beneficiaries of the previous regime will lose preferential treatment. An additional risk for the government is that a lack of perceived benefits for ordinary citizens could lead to protests and instability. For example, the effects of some reform measures—such as increased government expenditures and capital inflows, which have triggered higher inflation in the short term and rapidly rising real estate prices in Yangon and Mandalay—have squeezed the lower and middle classes. Several sites of oil and gas production have been the target of protests by local citizens over a lack of access to electricity.

The government's Framework for Economic and Social Reforms reflects this balancing act and underscores the magnitude of the transformation that Myanmar's leaders are seeking.[49] Co-authored with the International Monetary Fund, the framework lays out the government's strategy and provides a blueprint for cooperation and coordination with the donor community. Specifically, it describes four key phases of reform: political reform (particularly national reconciliation), public-sector reform, private-sector development, and administrative reform.

Important progress has been made on national reconciliation, but outstanding issues remain, particularly with the Kachin. The government has inked ceasefire agreements with fourteen ethnic groups, including major insurgency forces such as the Karen National Union, and Thein Sein hoped to have a standard nationwide ceasefire brokered by the end of 2013 but fell short of this goal.[50] Peace among ethnic groups is key both to cementing the government's legitimacy internally and internationally and to decreasing the role of the military in the economy. Finding ways to transparently and equitably develop the Kachin and Shan states is essential for Myanmar to develop sustainable commercial and economic linkages with its fast-growing neighbors and thus reach its full potential.

Other important economic reforms include the completion of a supplement to the foreign investment law to facilitate capital inflows, the formation of a more independent central bank, and the lifting of requirements for import and export licenses on over six hundred goods. In addition, a new telecommunications law recently allowed two outside service providers, Telenor and Ooredoo, who won an open and transparent tender, to begin operations in Myanmar in 2014, which should allow for an increase in mobile phone access.

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[49] Government of Myanmar, "Framework for Economic and Social Reforms: Policy Priorities for 2012–15 towards the Long-Term Goals of the National Comprehensive Development Plan," January 14, 2013, http://www.themimu.info/sites/themimu.info/files/documents/Ref%20Doc_FrameworkForEconomicAndSocialReform2012-15_Govt_2013%20.pdf.

[50] Sun, "China, the United States, and the Kachin Conflict."

The Thein Sein government has identified seven priority areas for private-sector development: electricity, water supply, agriculture, employment creation, tourism, finance, and trade and investment development.[51] These priorities reflect the government's assessment that political stability and future reforms are contingent on demonstrable improvements in the economic well-being and standard of living of the populace. Agriculture is particularly important to the standard of living for most citizens. Over 70% of Myanmar's workforce is in the agricultural sector, and improvements in that area would have a broad impact. The Harvard Kennedy School's Ash Center has conducted in-depth analysis of what is needed, including better quality seeds, land reform, increasing the availability of credit, and improvements in the post-harvest system.[52] Meanwhile, Myanmar faces stiff competition as a rice exporter. Not only is worldwide rice consumption predicted to drop due to rising incomes, urbanization, and slowing world population growth, but Cambodia, Thailand, Laos, and Vietnam are all aiming to become leading producers.[53] Myanmar currently exports rice at a much lower level than its neighbors, exporting less than one million tons a year compared with Thailand's ten million. Yet Myanmar's considerable water resources give it a significant natural advantage over neighboring countries at a time when water scarcity is projected to increase. The Ayeyarwady and related river systems supply 24,000 cubic meters per capita of renewable fresh water each year, which is over ten times the per capita levels available in China and India and more than double the water resources of Vietnam, Thailand, and Bangladesh.[54]

In terms of employment creation, textiles have already generated an increase in the workforce. This is in part due to the granting of GSP benefits by the EU, shifts in Japan's investment strategy, and the opening of the U.S. market. Myanmar's main market is currently Japan, which received 88% of exports of shoes and leather and 45% of textile exports in 2013. Still, although Myanmar's apparel exports to Japan were 89 times higher in 2012 than in 2005, they represent only 1.6% of the value of China's apparel exports to Japan and constitute only 1.3% of Japan's total apparel imports. Consequently, even a small shift in Japanese apparel imports from China to Myanmar would significantly increase Myanmar's production. Many Japanese manufacturers, however, believe that expanding capacity will be a challenge because of infrastructure and human resource constraints.[55]

There are no short-term fixes for developing a skilled and educated workforce or decreasing the amount of time needed to fully implement many of the Thein Sein government's new draft laws and regulations. Myanmar has only just begun what will necessarily be a long process of reform. In the short term, one of the biggest challenges the government will face is in managing expectations at home and abroad.

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51 Thein Sein (address to the second Myanmar Development Cooperation Forum, Naypyidaw, January 27, 2014).

52 "Myanmar Agriculture in 2011: Old Problems and New Challenges," Ash Center for Democratic Governance and Innovation, Harvard Kennedy School, November 2011.

53 Yupin Pongthong, "World Rice Market to Shrink: TDRI," *Nation* (Thailand), December 17, 2013.

54 *Myanmar in Transition: Opportunities and Challenges* (Manila: ADB, 2012).

55 Kudo, "Export Oriented Growth Strategy for Myanmar."

Conclusion

Myanmar will need time to build a strong foundation for economic growth and regain the trust of international investors. In this interim period, it is critical for the government to continue to communicate clearly with the people and international community about the direction of the economic reform program and strive to ensure that the benefits of reform are felt throughout the country. The stakes are high not only for Myanmar, but for the region as well. Myanmar's successful economic emergence would greatly strengthen the nexus between ASEAN, South Asia, and China and provide a valuable link for Japan's economic networks in Southeast Asia, thereby making the region more economically resilient. For ASEAN, Myanmar's efforts at market-oriented economic reform increase the organization's credibility as the driver of regional economic integration. Economic success for Myanmar would also allow the country to operate independently and free from the influence of external powers, increasing the stability of the region overall. The international community can assist with the reform process by continuing to support measures that encourage Myanmar's greater integration into Asia's economy and increased access to global markets.

Myanmar's Growing Regional Role

The National Bureau of Asian Research (NBR) is pleased to announce a major initiative on Myanmar's regional role in Southeast Asia.

The Issues

Myanmar's recent domestic reforms and improved relations with the United States, European Union, Japan, and the Association of Southeast Asian Nations (ASEAN) have opened the door for Myanmar to be an important regional player. The key—Myanmar's foreign policy development and growing regional role—will not only have an impact on the country's own economic development but also have significant implications for the strength and coherence of ASEAN. As Naypyidaw prepares to serve as the 2014 chair of ASEAN, the time is ripe to find ways to support Myanmar's re-emergence and to deepen understanding of the dynamic that will shape the country's new foreign policy.

Project Objectives

- Explore how Myanmar's political and economic reforms open a window for the development of a more robust foreign policy and enhanced engagement with ASEAN, the United States, and the Asia-Pacific
- Offer recommendations for external partners to support Myanmar and a strong, cohesive ASEAN

Project Activities

- In October of 2013, NBR organized a study tour of Myanmar by the project's senior advisors to meet with government, business, and civil society stakeholders. This will lay the groundwork for the subsequent report "Myanmar's Growing Regional Role," which aims to support Myanmar's 2014 chairmanship of ASEAN.
- A public report rollout in Washington, D.C., will highlight the findings of the study trip and implications for U.S. policy.
- A workshop on the U.S. West Coast will provide a venue for scholars, civil society representatives, business leaders, and government officials to discuss Myanmar's re-emergence.

Policy Importance

NBR has identified the opportunities and challenges presented by Myanmar's re-emergence and is providing recommendations for Myanmar, the United States, and other regional actors as Naypyidaw assumes a more prominent international role. This includes outlining specific steps the international community can take to facilitate Myanmar's development of a capable foreign ministry, active civil society, and strong cohort of experts integrated into regional networks.

Photo by Boy-piyaphon

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"Burma/Myanmar: The Practicalities of Engagement," a forum convened by NBR, the Atlantic Council of the United States, and the U.S.–ASEAN Business Council (April 26, 2010, Washington, D.C.)

"Burma/Myanmar: Views from the Ground and the International Community," a forum convened by NBR, the Atlantic Council of the United States, and the U.S.–ASEAN Business Council, in cooperation with Refugees International (May 8, 2009, Washington, D.C.)

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