

**Rebalancing not Pivoting: Myanmar's Reforms and Relations with Washington and Beijing** by Jonathan T. Chow and Leif-Eric Easley

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Myanmar's new government is making its international debut. In mid-August 2016, Beijing welcomed Aung San Suu Kyi on her first visit to China since becoming Myanmar's state counselor and foreign minister. This followed her trips to Myanmar's ASEAN neighbors Laos and Thailand and preceded President U Htin Kyaw's landmark visit to India. On Sept. 14-15, Suu Kyi will travel to Washington, DC. Myanmar's busy diplomatic calendar carries special significance after the landslide electoral victory of the National League for Democracy (NLD) in November 2015, following political reforms that dismantled Myanmar's decades-long military rule.

Myanmar's reforms, which notably picked up speed in 2011, are related to Naypyidaw's recently strained relations with Beijing. As we argue in the [September 2016 issue of \*Pacific Affairs\*](#), a major factor behind Myanmar's political transition was concern for over-reliance on China. Since 1988, Myanmar faced international isolation and sanctions for violating human rights and repressing pro-democracy actors. China stepped in with trade, investment, military hardware and training, and diplomatic support to fend off UN resolutions. This assistance afforded China access to Myanmar's rich natural resources and a strategic outlet to the Bay of Bengal intended to mitigate its "[Malacca Dilemma](#)." However, China's extensive economic presence in Myanmar encountered popular resentment, particularly in extractive industries. Residents complained about environmental degradation, insufficient compensation for expropriated land, labor abuses, and that Chinese firms often hired workers brought in from across the border rather than locals. Meanwhile, [Myanmar elites expressed reservations](#) about ties between Chinese actors (particularly from neighboring Yunnan Province) and ethnic armed groups like the United Wa State Army. President Thein Sein's major policy decisions in 2011 – including suspending the Chinese construction of the \$3.6 billion Myitsone Dam on the Ayeyarwady River, releasing political prisoners, and initiating civil liberties reforms — helped Myanmar shed its pariah status and diversify its diplomatic and economic relations.

Myanmar's new willingness to court partners like the United States, India, and Japan raised anxiety in Beijing and

Kunming that economic interests in Myanmar could be compromised and that Naypyidaw [could be integrated into a strategy of "encircling" or "containing" China](#). However, Suu Kyi's decision to visit China before the US seems to have [assuaged fears that Myanmar is seeking to pivot away from Beijing](#) and toward Washington. [A joint statement with President Xi Jinping](#) reaffirmed the bilateral "*pauk-phaw*" ("kinfolk") relationship and pledged cooperation on border security, trade, climate change, natural disasters and communicable diseases. China expressed support for Myanmar's democratic transition and national reconciliation, while Myanmar welcomed the "One Belt, One Road" (OBOR) initiative and affirmed the "One China" principle regarding Taiwan, Xinjiang, and Tibet.

Further strengthening ties, China and Myanmar inked a deal to build two hospitals in Yangon and Mandalay, as well as to construct a bridge at Kunlong in Myanmar's northeastern Shan State, a potentially important link for the proposed Bangladesh-China-India-Myanmar Economic Corridor and OBOR initiative. Even more significant was Chinese willingness to attempt to persuade several holdouts among Myanmar's ethnic armed groups to attend the "21<sup>st</sup> Century Panglong Conference" aimed at building a permanent peace with the central government. Beijing has thus clearly communicated its strategic interest in maintaining good relations with Naypyidaw.

In Washington, Suu Kyi will likely encounter a warm welcome from an Obama administration eager to solidify Myanmar as one of its foreign policy successes. To reward and help consolidate [Myanmar's democratization process](#), the Obama administration is considering further reducing sanctions. However, Congressional and NGO concerns about the military's enduring political role and the [treatment of ethnic Rohingya](#) — tens of thousands of whom have been displaced by nativist violence — may limit further sanctions relief. The State Department's [2016 Trafficking in Persons report](#) downgraded Myanmar to "Tier 3," indicating failure to meet minimum anti-trafficking standards or exhibit significant efforts to do so. Suu Kyi's assurances of Myanmar's positive trajectory on human rights can influence US sanctions policy. However, the phased rather than expedited lifting of targeted sanctions may have political utility for the NLD as a [bargaining chip with the Tatmadaw military leadership](#), and as domestic political justification to pursue further reforms.

Compared to human rights issues, US officials will be less concerned about Myanmar repairing ties with China or cooperating with Beijing on infrastructure projects. As former US Ambassador to Myanmar [Derek Mitchell recently said](#), the United States has not opposed China's infrastructure projects in Myanmar so long as they are "transparent, acceptable to the people and environmentally sound." Washington and Beijing can avoid tensions related to zero-sum perceptions of

Myanmar's reform and opening by supporting international standards and greater transparency. What does this mean in practice?

In economic development, international firms in Myanmar should enhance corporate social responsibility; some have already adopted the [ISO 26000 standard](#), for example. Naypyidaw should increase democratic oversight of international economic agreements and state-backed development. Myanmar's [new commission on hydroelectric projects](#) (including the Myitsone Dam), represents a positive step and is expected to issue its first report in November. China and the United States should support Myanmar's anti-corruption efforts as a way to increase predictability and reduce the costs of doing business for foreign investors and companies. Open-bid contracts for infrastructure projects would encourage productive competition and provide Naypyidaw with political cover to pursue needed infrastructure improvements. Here, Japanese, Korean, and ASEAN firms can be important partners, as can the China-led Asian Infrastructure Investment Bank (AIIB), if it keeps its open-bid commitments.

Myanmar's domestic peacebuilding efforts need greater transparency and legislation to bring laws and practices in line with international norms. Myanmar's admittance of international observers — including UN Secretary General Ban Ki-Moon — at the recent Panglong Conference is a welcome development that should boost confidence in the fairness and legitimacy of its proceedings. Similarly, appointing former UN Secretary General Kofi Annan to head a commission on Rakhine State may enhance Naypyidaw's credibility in addressing the plight of the Rohingya minority. More transparency is needed along the Myanmar-China border, where observers from the European Union and elsewhere could be helpful if they were allowed access. Finally, while the *Tatmadaw* seeks the ability to purchase arms from the United States, Washington can reassure Beijing that mil-mil relations with Myanmar are focused on [expanding best practices, including nonproliferation standards](#), not pursuing defense contracts or geopolitical advantage.

Myanmar's reform and opening has begun to improve conditions for its people, who were long denied the benefits of international trade and exchange. The present flurry of diplomacy is encouraging, but human rights and economic development in Myanmar still have a long way to go. Naypyidaw is not pivoting away from Beijing; it is rebalancing its foreign relations to manage domestic pressures and pursue international opportunities. To avoid counterproductive perceptions of favoring business interests over public welfare, military interests over ethnic inclusion, or the interests of some diplomatic partners at the expense of others, Myanmar's strategy should be to focus on meeting international standards of governance. Expect this to be a theme of Aung San Suu Kyi's visit to Washington.

*PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged.*