

Asia-Pacific Security Studies



Regional Reverberations from Regime Shake-up in Rangoon

Asia-Pacific Center for Security Studies Volume 4 - Number 1, January 2005

Key Findings

The reverberations from the recent regime shake-up in Rangoon continue to be felt in regional capitals. Since prime minister Khin Nyunt was the chief architect of closer China-Burma strategic ties, his sudden removal has been interpreted as a major setback for China's strategic goals in Burma.

Dr. Mohan Malik is a Professor with the Asia-Pacific Center for Security Studies. His work focuses mainly on Asian Geopolitics and Proliferation in Asia-Pacific region. His most recent APCSS publication is "India-China Relations: Giants Stir, Cooperate and Compete"

However, an objective assessment of China's strategic and economic needs and Burma's predicament shows that Beijing is unlikely to easily give up what it has already gained in and through Burma. From China's perspective, Burma should be satisfied to gain a powerful friend, a permanent member of the UN Security Council, and an economic superpower that comes bearing gifts of much needed military hardware, economic aid, infrastructure projects and diplomatic support.

The fact remains that ASEAN, India and Japan cannot compete with China either in providing military assistance, diplomatic support or in offering trade and investment benefits.

With the UN-brokered talks on political reconciliation having reached a dead end, it might be worthwhile to start afresh with a dialogue framework of ASEAN+3 (ASEAN plus China, India and Japan) on Burma. This would also put to test China's oft-stated commitment to multilateralism and Beijing's penchant for "Asian solutions to Asian problems".

Introduction

The regional reverberations from the recent regime shake-up in Rangoon continue to be felt in Beijing, New Delhi and in most ASEAN (Association of South-East Asian Nations) capitals. After barely 15 months in office, Prime Minister and the long-powerful intelligence chief General Khin Nyunt was sacked in mid-October 2004, and put under house arrest on corruption charges following seizure of large quantities of gold, jade and currency from his agents at Muse checkpoint on the China-Burma border. Since Khin Nyunt was the chief architect of closer China-Burma strategic ties during the 1990s, his sudden removal has been interpreted as a major setback for China's strategic goals in Burma. The Chinese had been trying to bolster his position through generous mega business deals and soft loan packages. Since becoming prime minister in August 2003, he had also outlined a "road map to democracy" in UN-brokered contacts between the government and opposition leader Aung San Suu Kyi's National League for Democracy (NLD) that favored limited role for civilian politicians. The NLD had won more than 80 percent of parliamentary seats in 1990 elections that were voided by the military.

Khin Nyunt's replacement with Lt. Gen. Soe Win, a hardliner known for his opposition to transferring power to Suu Kyi's NLD, is seen as another setback to the long-awaited political reconciliation process within the country. Furthermore, the regime shake-up has the potential to endanger ceasefires with ethnic minority rebel groups, and further sour Rangoon's relations with the West. The military junta's decision to extend the house arrest of Suu Kyi, announced during the annual ASEAN summit held in the Laotian capital on November 29, 2004, further embarrassed ASEAN leaders. Nonetheless, Rangoon escaped any public criticism at the recent ASEAN summit because of the need to maintain the façade of unity within the regional grouping and also due to Thailand's concern that discussion of domestic issues in member-states would open the door for public criticism of Bangkok's mishandling of the Muslim unrest in southern provinces. The United States, however, responded by tightening economic sanctions against the impoverished nation and warned that it might boycott ASEAN meetings when Burma takes over the chairmanship of the regional grouping in 2006, unless the military junta improves its human rights record and releases democracy icon Aung San Suu Kyi. Earlier, a U.S. State Department report had expressed concern over North Korea's supply of small arms, ammunition, artillery, and missiles to Burma. Apparently, growing international pressure for political reform and Burma's isolation has created fissures inside the military junta, forcing it to consolidate its control over power and neutralize perceived domestic and external threats. Despite repeated assurances, the junta has excluded the political parties from the constitutional drafting process and kept Suu Kyi under detention. It also continues to defy UN resolutions, international pressure and sanctions, thanks to the economic and military support from neighboring countries.

Winners and Losers

While General Than Shwe, Chairman of the military junta, also known as the State Peace and Development Council (SPDC), is the key figure in the power structure, a new triumvirate of traditional Burmese nationalists comprising General Maung Aye, General Thura Shwe Mann and Lt. Gen. Soe Win is emerging to run the country. In fact, the military junta continues to exploit internal divisions within ASEAN and regional fears of the country's pro-China tilt to take the heat off its human rights violations and to further consolidate its rule. By offering some economic inducements (e.g., oil and gas concessions) to neighboring countries, the regime has entrenched itself in power, with the military cornering all the benefits of the investment flow emanating from the

ASEAN countries, India and Japan. Over the last decade, Rangoon's fellow ASEAN states have at least \$4.2 billion invested in manufacturing joint ventures and see Burma as the last big Asian frontier for consumer exports. After China, Singapore, Thailand, Malaysia and India are the top four investors in Burma and provide the bulk of the foreign exchange and trade infrastructure that keeps the Burmese economy afloat. Regional trade gives the military government just enough income to maintain its current hold on power. Burma exports close to a billion dollars a year in natural gas-well over twice the potential windfall from trade with the U.S. or the European Union (EU). The "constructive engagement" pursued by ASEAN, India and Australia has imparted the regime greater confidence and legitimacy and also won it membership of the coveted Asia-Europe Summit (ASEM) while giving little or nothing in return. It has neither produced national reconciliation nor succeeded in the restoration of the democratic process nor in securing the release of Aung San Suu Kyi. Perhaps like Pakistani military rulers' dangerous dalliances with terrorism and proliferation that endanger international security, Burmese generals apparently believe that their impoverished but strategically-located country is also of such great geopolitical importance that it can earn significant "geo-strategic rents" and make the international community turn a blind eye to their appalling behavior.

Although regime shake-up was in large part a result of internal power struggle and a bid to curtail Khin Nyunt's growing clout by factions that had long accused his National Intelligence Bureau (now dismantled) of running "a state within the state," its impact on regional power equations deserves careful scrutiny. Much like ASEAN, India and China closely monitor each other's moves vis-à-vis Burma because of concerns over the foreign policy implications of domestic political developments. Alarmed that its eastern neighbor was sliding into China's strategic orbit, India since 1993 has abandoned its fervent support for Suu Kyi, resisted Western pressure for sanctions, and supported ASEAN's policy of "constructive engagement" to develop commercial and political contacts with the military junta. New Delhi's coddling of the military junta is thus motivated by geo-strategic concerns of combating northeastern insurgents, drug-trafficking and weaning Burma away from China and geo-economic imperatives of exploiting trade and investment opportunities. For India, Burma is the land bridge to Indo-China and Southeast Asia, over which goods, people and ideas have traveled for centuries. Just as China has stepped up its efforts to gain access to the Bay of Bengal and Andaman Sea through Burma and Bangladesh, India is pitching to gain an entry into the South China Sea. While China is developing a North-South transport corridor along the Irrawaddy River in Burma that will provide Beijing access to the Indian Ocean, rival India is pitching to gain an entry into Indo-China by building an East-West corridor cutting horizontally through Burma toward Thailand and Vietnam. With China and India agreeing to conclude free trade agreements with ASEAN, competition between Asia's giants has intensified as both view the Southeast Asian region as a vital source of natural resources and a market for their goods. The two fastest growing economies are also eyeing Burma's gas wealth. Both face growing demand for energy and are locked in fierce competition for stakes in overseas oil and gas fields not only in Burma and Russia but also in the Middle East, Africa and Latin America. Neutralizing Chinese presence and influence in Burma has therefore been the key factor that has determined India's policy toward its eastern neighbor for almost a decade. It also dovetails well with India's "Look East" policy of establishing closer ties with Southeast Asia to prevent the region from becoming an exclusive Chinese sphere of influence—an objective shared by the U.S. and Japan. For their part, the Chinese have made their displeasure over Southeast Asian countries' recent attempts to draw India into the region by establishing closer military ties known to ASEAN capitals.

Great Expectations

Not surprisingly then, the Indian government rolled out the red carpet when SDPC Chairman General Than Shwe paid his first-ever head of state visit in late October 2004, less than a week after the dramatic ouster of pro-China Khin Nyunt. Amongst other declarations, the two sides signed a memorandum on non-traditional security cooperation, which was soon followed by coordinated joint military operations against Manipuri and Naga rebels operating on the India-Burma frontier. With the ouster of Khin Nyunt, known to back China in the Sino-Indian contest for influence in Burma, the Indian media and strategic analysts concluded that "the balance had tilted in India's favor" and that "New Delhi just might be able to breathe easier." Such euphoria is understandable in light of the fact that Khin Nyunt had also developed close political and business links with China's ally and India's nemesis, Pakistan. For their part, Burmese nationalist leaders like Than Shwe and Maung Aye are reportedly concerned over the Chinese domination of Burmese economy and military, the plunder of the country's natural resources and raw materials, and large-scale illegal Chinese immigration. A massive influx of ethnic Chinese into northern Burma, who have taken over houses, hotels, and businesses and forced the local inhabitants to move to the outlying areas, has generated concerns that if unchecked, the changing demographic balance may spark communal violence similar to the anti-Chinese riots of 1967. It is in this context that Than's India visit is interpreted as an attempt by the SPDC to intensify looking toward India as a bargaining chip in its dealings with China. In short, Khin's dismissal has been welcomed in New Delhi and Bangkok as signaling a shift in Burma's foreign policy toward a more balanced approach to Burma's relations not just with India but also with Japan and other Asian neighbors.

However, jubilation in some quarters over Khin Nyunt's fall from power notwithstanding, long-time China-watchers maintain that predictions and expectations of a major strategic shift in Burma's foreign policy may well be pre-mature and unwarranted for several reasons. While it is true that the dismissal of Beijing's man in Rangoon took the Chinese Foreign Ministry by surprise, the fact remains that General Than Shwe took care to keep Beijing (and Bangkok) informed of the unfolding developments in mid-October. It is also noteworthy that within days of Than Shwe's visit to India, the military junta scheduled official visits to Beijing by the new prime minister Lt. Gen. Soe Win and the chief of general staff General Thura Shwe Mann in November apparently to reassure China that its interests would be well-protected under the new political dispensation. It is argued that Burma cannot afford to antagonize the only country in the world that can seriously threaten its vital national interests.

Chinese Checkers

Since the early 1990s, Rangoon has relied on China—which controls more than 60 percent of the Burmese economy—for diplomatic, military, and economic support. (In 2004 alone, China concluded 33 trade and aid agreements with Burma.) For China, the payoff went beyond geo-economics to geopolitics, gaining access through Burma to the Indian Ocean. While the Burmese military regime's pro-China tilt in the early 1990s was certainly not the result of some "grand plan" in Rangoon but because it had nowhere else to go, Beijing's forays into Burma were definitely a part of China's grand strategy and based on a careful assessment of China's strategic interests and economic needs in the 21st century. India and ASEAN's "constructive engagement" policy notwithstanding, China still remains Burma's main trading partner, arms supplier, and a steadfast supporter in international forums such as the UN Security Council (UNSC) where Beijing has a veto. Neither India nor ASEAN can compete with China either in providing military assistance or in offering trade and investment benefits. Its intent to steer a more balanced foreign policy notwithstanding, the SPDC may not find much room for maneuver. As one Burma-watcher has argued: "China is developing such a hold on Burma's economy and armed forces that it will constrain the Rangoon

regime's ability to act independently in the future." Given Burma's dependence on China for military hardware, training, spare parts, financial assistance, industrial equipment and diplomatic support, Beijing can apply considerable pressure on the regime, be it military or civilian, to prevent its defection from China's camp.

More importantly, resource scarcity in the 21st century would see nations engaged in intense competition, confrontation, and even conflict, and China's future naval operations would be undertaken with a view to securing the country's oil supply routes. Chinese forays into Burma are thus a reflection of China's transformation from a continental power into a global maritime power increasingly dependent upon external trade, on ever-growing volumes of imports and exports through oceanic routes, and on overseas markets for capital and investments. Nearly 75 percent of China's trade is carried by sea through the Strait of Malacca, the Indian Ocean and the Suez Canal, and the predominance of the Indian and U.S. navies along these sea lanes of communication (SLOCs) is viewed as a major threat to Chinese security. China's future naval plans include permanent deployments into the Indian Ocean as soon as the Taiwan issue is resolved to Beijing's satisfaction. China's insatiable demand for energy is also prompting fears of economic and diplomatic collisions around the globe as it seeks reliable supplies of oil from as far away as Brazil and Sudan.

In fact, competition for resources has already provoked elbow-bashing in the region—witness, for example, the rush to extend claims and counter-claims to the oil and gas that lie under the South China Sea, Sea of Japan, East China Sea, and Central Asia. The fact that barely two months after the dismissal of Beijing's man in Rangoon, China's National Offshore Oil Corporation (CNOOC) and its partners were awarded two large coveted blocks A-4 and M-10 blocks off Burma—after a tough fight with an Indian bidder, ONGC Videsh Ltd, is a case in point. The November 2004 intrusion into Japanese territorial waters by a Chinese nuclear submarine and the seizure in the same week of two Chinese spying ships that were doing magnetic resonance imaging of the seabed in the vicinity of the Andaman islands on which India plans to station a part of its strategic forces once again illuminates growing maritime competition in the Pacific and Indian oceans and nearby seas. Growing demand for imported petroleum and the security of shipping routes through the Indian Ocean to the Straits of Malacca and the South China Sea explains Beijing's naval interests in Burma. As a major trading nation and a future world power, China is now laying the groundwork for a naval presence along maritime chokepoints in the South China Sea, the Malacca Straits, the Indian Ocean and the Strait of Hormuz in the Persian Gulf through acquisition of naval bases in Cambodia, Burma, Bangladesh and Pakistan to protect its long-term economic security interests.

The strategic context in which China views its relationship with Burma is as a close ally both for southward expansion and to counteract the moves of its rival powers (India, Japan and the United States). China sees itself as being engaged in a long and protracted competition with other major powers and counts Burma, along with Pakistan and North Korea, as its military allies in Asia. Since influence over Burma is the key to China's future strategy for South and Southeast Asia, Beijing will use all means available to keep Burma under its thumb. Clearly, Beijing did not provide diplomatic protection, arms, aid, and finance—all on very generous terms—to Rangoon in its hour of need for nothing.

Proximity and complementarity also work in China's favor. In confirmation of the classic "dependency theory" school of international economic relations, Burma plays the role of exporter of raw materials, timber, minerals and energy resources while China exports finished manufactured goods, from tennis shoes and rice cookers to electronics, heavy trucks and railway equipment that conform to Burma's level of development and spending power. Hundreds of thousands of Chinese are moving into northern Burma every year. If Burma's attempts to steer an even-handed course undermine China's economic and security interests in the region, Beijing could resume assistance to ethnic insurgents fighting for inde-

pendence or help engineer a coup by the down-but-not-out pro-China faction within the Burmese military. China, after all, has a reputation for using threats and bluff to force other states (friends and foes alike) to accede to its will.

Last but not least, Beijing would not like to see any political change in Burma that might lead to the installation of a less friendly regime to China. The Chinese leadership is aware of the traditional ties that exist between Suu Kyi and Beijing's longtime rival India. The SPDC's fall from power would constitute a sizeable defeat for Chinese foreign policy. Political change in Rangoon in the future, for example the coming to power of an Aung San Suu Kyi-led democratic government, could also lead to a situation where Chinese military is denied access to the infrastructural facilities it is now building in Burma. For example, Suu Kyi's NLD blames Beijing's military and diplomatic support to the junta for the current political impasse and sees the provision of access to the Chinese navy into the Andaman Sea as an infringement of Burmese sovereignty. Nor is it in China's interests to see Burma becoming a liberal-democratic state. At the most, Beijing would prefer another Pakistan-like quasi-democratic state where civilians hold power so long as the military tolerates them, and that military is paranoid of its neighbors, and therefore, remains heavily dependent on China for weapons, training, and support.

A realistic assessment of China's strategic and economic needs and Burma's predicament shows that Beijing is unlikely to easily give up what it has already gained in and through Burma. The increasing Chinese domination of northern Burma's economy has demographic, cultural, economic, security, diplomatic, and political repercussions. Burma's rulers know too well that China is the only Asian power has the will and capability to protect its allies and safeguard its interests. Than Shwe and Co. would have noticed that in the same week the Chinese Foreign Ministry spokeswoman was singing paeans on "China's peaceful rise" while accusing others of displaying "Cold war mentality," Beijing stalled UNSC action against Sudan over the atrocities in Darfur, opposed any moves to refer Iran's nuclear program to the UNSC (ostensibly to protect hard-won Chinese oil concessions in the two pariah states), and sent its naval vessels on spying missions to Japanese and Indian territorial waters. No matter how much the rest of the world agitates against Rangoon, the military junta feels at ease under China's protective umbrella and no need to change its ways. Nothing works like oil and geopolitics blended with trade and commerce in inter-state relations.

Soul Searching Options

There is no denying the fact that in the long term, Burma's strategic interests lie in counterbalancing China's influence and power through its ties with India, ASEAN, Japan and the West. Nor can the continuation of the political status quo within Burma be taken for granted. NLD supporters continue to focus international media attention toward the SPDC's lack of a popular mandate. Remote though it may seem, one cannot rule out the possibility of the SPDC being overthrown by a popular movement for a democratic regime. However, unless a vertical split emerges within the Burmese military into pro- and anti-democracy factions along the lines of the Philippines Armed Forces in the mid-1980s and until Beijing adopts a posture of strict neutrality in Burma's domestic politics, no popularly elected civilian government is likely to emerge in Rangoon. For the foreseeable future, the SPDC seems likely to maintain its iron-grip on power.

In the meantime, the current sorry state of affairs in Burma should make Rangoon's allies, friends and critics alike ponder the consequences of their policies and actions for regional security. China needs to realize that until it stops protecting tyrants in its neighborhood and around the world (North Korea, Burma, Pakistan, Sudan, Iran), China cannot win respect as a responsible and constructive global great power. India needs to ponder whether the bizarre spectacle of the world's largest democracy courting one of the world's most repressive regimes propped up by the world's largest authoritarian state is in the long-term interests of its national security. ASEAN needs to opt for mid-course correction because its policy of "constructive engagement" has clearly started yielding diminishing returns. And the U.S. and European Union need to rethink their policy of imposing sanctions that has clearly failed to deliver the desired outcome during the past 15 years. Unless the U.S. succeeds in persuading Burma's neighbors, especially China, Thailand and India to stop their economic and political patronage of the Burmese dictatorship, there can be no light at the end of the tunnel for the country's democratic forces. With the UN-brokered talks on political reconciliation having reached a dead end, it might be worthwhile to start afresh with a dialogue framework of ASEAN+3 (ASEAN plus China, India and Japan) on Burma. This would also put to test China's oft-stated commitment to multilateralism and Beijing's penchant for "Asian solutions to Asian problems".



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Asia-Pacific Center for Security Studies

2058 Maluhia Road Honolulu, Hawaii 96815-1949 (808) 971-8900 fax: (808) 971-8999

www.apcss.org

