

Myanmar's Reform and its Impact on Myanmar-China Relations

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Abstract

Myanmar embarked on domestic reform measures with the inception of new democratic government in 2011. New democratic government initiated three phases of reform measures: political reform, socio-economic reform and administrative reform under democratization process. Political and economic liberalization were ambitious reforms agendas to integrate in global community. Internally, the political change in Myanmar was the outcome to Tatmataw (military) government's designated political agenda that was configured by Seven Step of Road Map. Externally, it can be seen that reform measures were carried out in line with the leaders desired to acquire the reputational cause in its external relations. With the initial success of democratic reform in Myanmar, it rendered a series of uncertainties for China's relations with Myanmar. In addition, undertaking democratic reforms diversify Myanmar's foreign relations and mitigate its dependence on China. In this context, China has adjusted its posture and policy towards Myanmar. Based on this background, this research attempts to explore how and what reform measures were undertaken by President U Thein Sein's government and what are the impacts on Myanmar-China relations.

Keywords: election, military, reform, road map, transition

1. Introduction

Myanmar embarked on unprecedented reform measures with the inception of new democratic government in 2011 and it was a critical year and a new era of developing democracy in Myanmar. Historically, Myanmar endured more than four decades of military rule and it has been directly or indirectly involved in control of the state's power. Since the inauguration of President U Thein Sein in March 2011, Myanmar opened up to the outside world by liberalizing economically with the relaxation of many centralized controls. After taking the office of the government in March 2011, President announced overall reform strategies by prioritizing political unity and poverty reduction. New government initiated three phases of reforms measures: political reform, social economic reform and administrative reform under democratic transitional process.

Changing domestic political landscape of Myanmar was the outcome to military government's designated political agenda by configuring seven-step of road map. Setting for reform agendas were launched for acquiring the reputational cause in Myanmar's external relations. With the initial success of democratic reform in Myanmar, it rendered a series of uncertainties for China's relations with Myanmar. In addition, undertaking democratic reforms diversify Myanmar's foreign relations and mitigate its dependence on China. In this context, China has adjusted its posture and policy towards Myanmar. This study seeks to identify the degree and the impacts of Myanmar's changing domestic political situation on Myanmar. It is to explore how and what reform measures President U Thein Sein's government undertook and what are the impacts on Myanmar-China relations. In this context, this research will be composed of three parts. Firstly, this research will examine the brief background of the political development of Myanmar and describe the performances of new civilian government. Secondly, it will find out the underlying causes to embark on the domestic reform measures by pointing out the internal and external influencing factors. The

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third portion will discuss China's vital interests in Myanmar by highlighting economic driven factors and China's strategic considerations on Myanmar. The final part will identify the consequences of Myanmar's reform measures on China in terms of political, economic and strategic impacts.

2. Political Development of Myanmar

The year 2011 was a critical year and a new era of developing democracy in Myanmar. Myanmar is a unique case in the longest military administration in the history of modern states. After decades of direct military rule, Myanmar opened up to the outside world by liberalizing economically and politically. In order to realize the brief history of Myanmar domestic politics, the following table summarizes the political and economic system of Myanmar since 1948.

Table 1. Overview of Myanmar's political and economic system since 1948

Period	Political system	Economic system
- 1948-62 - (1958-60)	-Parliamentary Democracy System -Military caretaker government	-A mix of nationalism, socialism market - Same as above
- March 1962 (1964-74) - (1974-88)	-Socialist military, revolutionary council of the Military -Burmese way to socialism under military rule one party system (BSPP)	-Nationalization and Burmese Way, Command Economy, Self-reliance isolation -Same as above except for re-acceptance of ODA loans and partial reforms
-(Sept 1988 to 2011)	-Military rule (SLORC/SPDC)	-Transition toward a market-oriented economy in the first half of the 1990s.
- (2011-present)	-Parliamentary democracy system Presidential Republic with a bicameral legislature	-A market-oriented economy

Source: Authors' own work.

According to this Table, it is found that Myanmar endured more than four decades of military rule and domination since General Ne Win's military coup of 1962. In 1974, he introduced a socialist ideology and single-party parliament, albeit one dominated by the military by practicing the Burmese Way to Socialism. In 1988, military government in the name of State Law and Order Restoration Council (SLORC)* came to power and changed the country's economic system as "market oriented economy. Although multiparty election was held in 1990, the SLORC did not recognize the victory of NLD in election. Because of this

* SLORC was renamed as State Peace and Development Council (SPDC) in 1997.

¹ Priscilla Clapp, *Myanmar Anatomy of a Political Transition*, Special Report 369, the United States Institute of Peace April 2015, p.2 (Hereafter this work will be referred to as Priscilla: *Myanmar Political Transition*)

situation, Western nations imposed sanction and isolated Myanmar from international community.

In order to resolve the long and deep-rooted internal problem of the country, Tatmadaw government announced the seven-step road map with the aim to embark on national reconciliation in August 2003 as follow:

1. Reconvening the National Convention
2. After successful holding of convention, step by step implementation of the process necessary for the emergence of a genuine and disciplined democratic state
3. Drafting a new constitution in accordance with basic principles and detailed basic principle laid down by the National Convention
4. Adoption of constitution through national referendum
5. Holding free and fair election
6. Convening of parliaments
7. Building a modern, developed and democratic nation^{*}

The state's seven-step roadmap was implemented step by step basis for building a peaceful, modern and developed new democratic nation with flourishing disciplines. In this context, the National Convention was convened as first step in 1993. This was also known an inclusive forum in which the delegates from national races, political parties and various strata of society were deliberated in order to formulate the principles for the drafting of Constitution. In 2004, the National Convention that was temporarily adjourned resumed. To draft a new constitution, the government has formed Commission on Draft Constitution with 54 members. The draft constitution was ratified on 19th February 2008.[†]

The drafting of National started in 1993 but was abandoned three years later when the NLD delegates left the convention in protest. After U Thein Sein was appointed as Chairman of the Convening Commission of the National Convention in 2003, the process restarted in 2003 as part of the road map.

In May 2008, a new constitution was also adopted with the support of 92.48 percent of the voters at a referendum. Following the ratification of the new constitution, a multi-party general election was held on 7th November 2010 and thirty seven parties contested in the election. Among them, the Union of Solidarity and Development Party (USDP) won with landslide victory. Parliaments were also convened according to the roadmap in February 2011. The new government, Republic of the Union of Myanmar was established on 31st March 2011. President-elect U Thein Sein was sworn and also marked the dissolution of the State Peace and Development Council (SPDC).[‡]

As for SPDC government, the efforts were more far-reaching and carefully mapped than previous attempts. It had spent twenty years painstakingly drafting a new constitution to pave the way for multiparty elections that would guarantee continuing military control over the political process, which they christened "discipline flourishing democracy." Under such circumstances, this 2008 constitution was clearly a model of electoral authoritarianism seek to cloak themselves in an elected veneer. The outgoing military regime openly manipulated

^{*} U KhinMaung Win, **Myanmar Roadmap to Democracy: The Way Forward**, Seminar on Understanding Myanmar Yangon, MISIS, January 2004 (Hereafter this work will be referred to as Win: **Myanmar Roadmap to Democracy**)

[†]Ibid

[‡]Timo Kivimäki, Kristiina Rintakoski, Sami Lahdensuo and Dene Cairns, **Supporting Democratic and Peaceful Change in Burma/Myanmar**, Crisis Management Initiative Report, Helsinki, October 2010

the elections of 2010 to produce the desired outcome: a quasi-elected government in which military were appointed to one-quarter of all parliamentary seats. All positions of authority were occupied by senior military leaders from the SPDC who had taken off their uniforms on the eve of the elections and run for office.

3. Performance of New Government under President U Thein Sein

After taking the office of the government in March 2011, President U Thein Sein announced overall reform strategies by prioritizing political unity and poverty reduction. New government initiated three phases of reforms measures: political reform, social economic reform and administrative reform under democratic transitional process. The government also emphasized on undertaking reforms geared towards political liberalization and national reconciliation during the initial stage of the reform process. Reform has been undertaken in pragmatic way in the building up of a discipline-flourishing, genuine democratic nation. The new government carried out political reforms working together with all political parties and invited them to participate in the political process.

Under President U Thein Sein Administration, political liberalization in Myanmar focused on the fields of national reconciliation, liberalization of political freedoms and press censorship. One of the significant political reform agenda was that President attempted to improve the relationship with the main opposition party. In November 2011, government amended the political-party registration law and the election law, which allowed the opposition leader to run for by elections.¹

The NLD decided to register the party with the Election Commission and run in the April 2012 by-elections. The by-elections of 1st April 2012, which were held to fill four-six vacant parliamentary seats, were generally seen as an important credibility test of the will to reform on the part of UTheinSein's new government. The NLD enjoyed a landslide victory in the April by elections, winning four-three of forty-four seats they contested. DawAung San SuuKyi, herself, managed to get elected to Parliament in a township which situates at the outskirts of Yangon. Most internal and external observers characterized the by elections as relatively free and fair. To reveal his reformist credentials, President also released a number of political prisoners by mid-January 2012 such as student leaders Min KoNaing and KoKoGyi; the leaders of the 2007 monks' demonstrations. A number of those released were able to join the political process. For instance, members of the 88 Generation Students Group decided to form the 88 Generation Peace and Open Society, an NGO, which helped monitor the by-elections.

A very significant move of the opening has been the relaxation of Internet and media controls. In 2011, Internet controls and censorship were relaxed and certain restrictions on international and independent news websites were lifted. In August 2012, the government proclaimed both an end to prepublication censorship and the dissolution of the Press Scrutiny and Registration Division. In December 2011, President signed the new Law on Freedom of Assembly which allows for peaceful demonstrations. This law encompassed to broaden the freedom of movement as part of this democratic reform agenda.

The priorities for economic reforms in Myanmar under new civilian government were articulated in the government's Framework for Economic and Social Reform (FESR) that was presented to the international donor community in early 2013. It highlighted ten

¹*The New Light of Myanmar*, News and Periodicals Enterprises, Yangon, 1st April, 2011

²*The New Light of Myanmar*, News and Periodicals Enterprises, Yangon, November, 2011

priorities in the government's economic strategy: fiscal and tax reforms, infrastructure, private sector development, monetary and financial sector reforms, liberalization of trade and investment, health and education, food security and agricultural growth, governance and transparency, mobile phones and internet access, and effective and efficient government.

As a second step of the reforms, the government launched an economic reform by promulgating a new Foreign Investment Law and making endeavored by built up special economic zones and industrial zones. Concerning economic reform agenda, the International Monetary Fund (IMF) reported that gross domestic product of Myanmar grew 8.3 percent in 2013/14. Rapid growth will be critical to reducing Myanmar's poverty rate—estimated at 25.6 percent in 2010 by the United Nations Development Programme (UNDP) and at 37.5 percent by the World Bank.

The third step of the reforms agenda was carried out since it was important need for an administrative sector. In December 2012, President U Thein Sein delivered a speech on reforms to improve the management and administrative capacity of the government. In his speech, he highlighted that some government officials ignored the voice of the people, not taking enough transparency and timely and effective action on matters presented by the people, and corruption is in existence. On account of these weak points, President called for the reform in administrative sector.⁴

To be a clean government with good governance, the government formed committees at township level to make joint discussions, joint decision and to take joint leadership in the implementation of administrative reform agenda. He called for coordination between the central government and region or state governments to carry out effective undertakings and also identified the cooperation in addressing the difficulties and challenges, especially in cracking down on bribery and corruption.[†]

It is found that President U Thein Sein's government performance was commonly accepted that the first five-year term was the most indispensable for building a modern, developed democratic nation while peace and stability is the most fundamental requirement of the nation and the people. Whereas the political reforms ensured a liberalization of the political system, the socio-economic and administrative reforms of the second and third years aimed primarily to improve governance, fight corruption and reform the economy.

4. Underlying Causes to Undertake Reform Measures

This section will find out why did the new government start the reforms and it is also interesting to explore the internal and external influencing factors to launch reform.

Internal influencing factors

Resuming semi-civilian ruled and liberalization under reform measures after 2011 constituted the new gateway for Myanmar. Some scholar augured about U Thein Sein's legacy for Domestic Reform Agenda, Financial Times (2012) stated that President U Thein Sein himself attributed the need for reforms to his experience visiting the Ayeyawaddy Delta after a devastating cyclone, Nargis, hit the area in May 2008. He found that people in the Delta area were not expecting state authorities to help them led to an "understanding that things

⁴The New Light of Myanmar, News and Periodicals Enterprises, Yangon, 27 December 2012

[†] Ibid

could not go on the way they were". His personal experience might explain his own reformist agenda. In addition, in early January 2012, DawAung San SuuKyi described the president as "an honest man [...], a man capable of taking risks if he thinks they are worth taking" an indication that she knew how difficult implementing reforms would be, given the resistance of hard liners' elements within the military.*

Studying the domestic reform agenda of Myanmar, it is found that, civilian government was set up with old and retired general in 2012 as a predecessor of military government's twenty-three years. In line with the arguments of some scholars, it is found that there are the numbers of reasons to embark on reform measures under President U Thein Sein. First, the military government's ultimate ambition to set up civilian government was to strengthen the power base of Myanmar's military. It is found that military government ignored the result of 1990 general election and also established the Union Solidarity Development Association (USDA) as government organization. After that USDP has been organized as apolitical party fully backed by the military and institutionalized a mechanism for winning votes through the party's parent organization.†

It can be seen that the several provisions in the 2008 constitution guarantee the military participation in the national government. In line with the constitution, the national system was created systematically which maintains the military's influence in the government even if the USDP loses ground in an election. A military-centered political system in which retired military leaders run the USDP and active military leaders run the military was intentionally created. For the military, the creation of this political system was a major accomplishment of the era of military rule. In addition, the 2008 constitution also reserves a quarter of the seats in parliament for the military. It allows military commanders to influence national politics through the National Defense and Security Council, or ensure military.

Secondly, accomplishing peace with the ethnic insurgency groups marked an epochal strategy for the military. The military government attempt to achieve in reaching the ceasefire agreements with the major ethnic minority insurgency groups. In order to attain the certain achievement in peace process, the military government managed to achieve the first nationwide peace free of major combat since independence. Since its establishment, Myanmar's military had been fighting a civil war that increased its power and reason for existence. Under these circumstances, accomplishing peace with the ethnic insurgency groups marked an epochal strategy for the military. It can be said that the military government decision to choose peace was largely part of a strategy for their own survival because the peace achieved by the military government has been both as asset and a liability for the new government.‡

Third, new government desires to construct a level of legitimacy in order to escape the negative aspects from people during the era of military government rule. Deregulating the media and expanding the rights and freedoms of workers and opening up media and

*Bunte, Marco, and Jörn Dosch, Myanmar: Political Reforms and the Recalibration of External Relations, Journal of Current Southeast Asian Affairs, 2015 (Hereafter this work will be referred to as Macro and Dosch: Political Reforms and External Relations)

† Toshihiro Kudo, Myanmar's Economic Relations with China: Can China Support the Myanmar Economy? Institute of Developing Economies, JETRO, July 2006, p.2 (Hereafter this work will be referred to as Kudo: Can China Support the Myanmar Economy)

‡ Toshihiro KUDO, One Year Myanmar's Thein Sein Government: Background and Outlook of Reform, Institute of Developing Economies, JETRO, p.2 <http://www.ide.go.jp> (Hereafter this work will be referred to as Kudo: One Year Outlook of Reform)

expanding the rights and freedoms of workers and citizens, it attempted to gain a level of legitimacy.

Fourth, government performance on economic development and the poverty alleviation plagued the lives of Myanmar's people under military rule. In 2001, the offshore natural gas resources became a massive source of foreign currency for the military government. Instead of using and managing the use of these foreign earning for improving the people's quality of life, government poured them into expanding the military's power and modernizing its equipment.

5. External Influencing Factors

One of the external influencing factors for Myanmar's reform was mainly concerned with China. Myanmar's reliance on China for political and economic support started in 1990. Taking economic vacuum of US and Western nations economic sanctions on military government of Myanmar, China became the closed partner for Myanmar by disbursing financial aid via infrastructure projects. Beijing shielded Myanmar from UN sanction in 2007 and provided vast investment and foreign aid to the country. As for new government of Myanmar, it can be considered that the absence to undertake reform measures became the prolong Myanmar's international isolation and deepen its overdependence on China. China economic and political support was an asymmetrical leverage over Myanmar and disadvantaged position for Myanmar's national interest in some cases. For instance, in terms of economy, China's exploitation of Myanmar's rich natural resources created serious problems: most investments from China focus on extractive industry with little regard for sustainable development; lack of job creation or technology transfers; bring irreversible detrimental environmental and social impacts.

Being attempted to improve its relations with neighbours was one of the external influencing factors. The military government's stronger political, economic, military ties to China protected its power base from crumbling under the pressure of Western sanctions. Particularly important were the government's stronger political, economic and diplomatic ties to China that gave rise to China's reputation as Myanmar's patron among the international community. These efforts clarified the new civilian government enthusiasm to remedy its position in external relations as it was isolated by the international community over human rights and lack of democracy.

Enhancing its integration into the global economy, and achieving sustained and broad-based growth are the essential external influencing factors for domestic reform agenda. Without improving its relations with Western and other developed countries including Japan, it was difficult to fully return to the international community for enhancing its integration into global economy. Since Obama took office in 2009, the US has been implementing a new foreign policy that makes the Asia-Pacific region its 'top priority'. Obama administration was also greatly helped the Myanmar government's bid to return to the international community. The US shifted its stance and policy on Myanmar from one of uncompromising pressure through sanctions, to a carrot-and-stick approach Myanmar has seized the opportunity by trying to improve its relations with the West since the establishment of the new government. These underlying circumstances paved the way for Myanmar to integrate global economy to some extents.

President U Thein Sein became aware of how Myanmar image has fallen in the eyes of the international community. So that it is necessary to find out the reputational causes of Myanmar image. Myanmar's bid to return to the international community gained traction with its appointment to chair ASEAN in 2014 and Hillary Clinton's visit to Myanmar's capital, Naypyitaw, the first visit by a US Secretary of State during fifty years.

China's vital interests in Myanmar: economic driven factors and strategic considerations

China's vital interests in Myanmar are mainly shaped by the strategic considerations and motivation of economic interest. China's economic relations with Myanmar became stronger throughout the 1990s. After imposing US economic sanction on Myanmar in 1997, China's economic cooperation with Myanmar had expanded. In addition, the so-called "Black Friday Event" of May 30, 2003 also provoked the US to impose stricter sanctions by banning to import all Myanmar-made products to US in July 2003. China stepped into this economic vacuum that was created by the Western sanctions and also provided the necessity trade and economic cooperation with Myanmar. In this context, Chinese enterprises were heavily involved in Myanmar's industrial, infrastructure and energy development through economic cooperation under military government of Myanmar.

Meanwhile, the Chinese vital interests in Myanmar were based on the motivation on promoting the economic development of its southwestern backwards provinces. In the first decade of its economic reform strategy, China accomplished in the foreign capital, technologies and know-how towards the country's Eastern coastal area. However, it required to redress the development balance in its South and West provincial governments to cooperate more closely with its neighbours in geographical proximity. At present, Chinese provinces have become a major trading partner and the important foreign investors for neighboring Asian countries including Myanmar. Myanmar was also vital for China concerning with the development of its landlocked inland provinces - Yunnan and Sichuan.[†]

Based on this immediate context, China's economic interests in Myanmar were driven under three main fields, i.e., infrastructure development, support to State-owned Economic Enterprises (SEEs), and energy exploitation. Furthermore, as its economy rapidly grows, China's quest for energy sources abroad has expanded. Myanmar's oil and gas reserves had naturally drawn China's attention.

China provided the market access for Myanmar's exports such as wood, agricultural, minerals, and marine product and oil and gas. Border trade provided a direct route connecting the center of Upper Myanmar to Yunnan Province in China. Both physical infrastructure developments such as roads and bridges and institutionalization of cross-border transactions, including "one-stop services," promote border trade. Without the massive influx of Chinese products, the Myanmar economy may have suffered severe shortages of commodities. As for Myanmar, without opening up of China's export markets, it may have suffered severe shortages of foreign currencies.[‡]

China also offered a large amount of economic cooperation and commercial-based financing in the areas of infrastructure, state-owned economic enterprises, and oil and gas

[†]Kudo: Can China Support the Myanmar Economy p.2

[‡]Julia Buder, *Emerging Regional Power in their Region: China's Impact on its Neighbours' Political System*, Bonn, German Development Institute, January 2010, p.2

[‡]Kudo: Can China Support the Myanmar Economy, pp.12-13

exploitation. Without Chinese long-term loans with low interest rates, the Myanmar government could not be implemented its massive construction of state-owned factories such as textile and sugar mills. Chinese enterprises became the major economic players in Myanmar. Myanmar's economy was heavily depended on economic ties with China during the military government control the state power.

In 2011, China launched "Twelfth Five Year Plan" and introduced the national "bridgehead strategy". This strategy proposes to turn Yunnan into a strategic corridor and a bridgehead for China's strategic engagement in the Indian Ocean. Based on its geographical situation, China's coastal line on the eastern part of the country is the strategic prioritization of the Pacific and it is more convenient and active to use the Indian Ocean as the outlet for inland China. This strategy represents China's strategic aspirations in the Indian Ocean and obvious for China's pursuit of the "Two Ocean Strategy". Both Beijing and Yunnan provincial government acknowledged that the orientation of such a strategy has an eventual political and security component. Therefore, it can be noted that the bridgehead strategy itself is China's strategic offensive into the Indian Ocean".[†]

Myanmar's reform implications on China (political, economic and strategic impacts)

Myanmar democratic reform in 2011 under President U Thein Sein rendered a series of unpleasant uncertainties for China. Myanmar reforms in 2011 encompassed both internal and external influencing factors that contributed to implement the reform measures. At the internal level, political change was the process that was the outcome to military government's designated political agenda that is seven-step road map. At the external level, military leaders desired to acquire the reputational cause in its external relations. It means that Myanmar attempted to mitigate its dependence on China and adjust its relations with the West especially with the US. Myanmar's domestic reform agenda brings political, economic and strategic implications on China.

As for Chinese leaders, they witnessed Myanmar domestic reform agenda as a true "harmonious model" in which top-down political reform model that protect the interests of both the military and the democratic forces. Myanmar's reform model could offer authoritarian regimes an appealing alternative to the traditional China model, featured by political authoritarianism and economic capitalism. Although China advised Myanmar to choose the economic development instead of democratic reform to build legitimacy, President U Thein Sein opted the opposite option. Instead of focusing economic reform first like a Chinese Model, Myanmar launched the political democratization. Progress in Myanmar's domestic reform agendas could have some extents the consequences over other authoritarian countries important for China, such as North Korea.

Politically, Myanmar's democratization was particularly worrisome for China because it represents the "peaceful revolution" of another authoritarian regime on China's periphery after the disintegration of the Soviet bloc in the 1990s and the "colour revolutions" in the 2000s. It created the pressure for Chinese leaders to adopt political reforms at a highly sensitive time because it was coincidence with the power transition in China in 2012. In this regard, some Chinese intellectuals admired Myanmar's stable and peaceful transition from

* Ibid, pp.13-14

† Yun Sun, **China's Strategic Misjudgment on Myanmar**, Journal of Current Southeast Asian Affairs, German Institute of Global and Area Studies, Institute of Asian Studies GIGA and Hamburg University Press, 2012 (Hereafter this work will be referred to as Yun Sun: **China's Strategic Misjudgment on Myanmar**)

the military control to a reformist democratic government and they also started to dismiss Beijing's pronounced fear for "instability and chaos" as the excuse to delay the much-needed political reform."

One of the significant consequences of the Myanmar domestic reforms agenda for China in terms of economy was the suspension of the Myitsone Dam project by President Thein Sein in 2011. It was unexpected experience for China. Although the Dam project had always been controversial and garnered tremendous public opposition, China did not consider that Naypyitaw would not suspend large scale and great important project of China.

The Myitsone Dam is located in a sacred area for the local Kachin population and the Ayeyarwaddy which is known as the "mother river" for all Myanmar. The enormous dam project with a reservoir the size of Singapore would send 90 percent of electric power to China. The dam would have tremendous environmental and social impact for the region. It would require the relocation of local villages and affect fisheries, sediment flows and the livelihoods of people hundreds of kilometers downstream. The controversy has been exacerbated by the widespread belief that corruption was rampant during the negotiation and implementation of the project between the military government, CPI and its local partner – the Burmese Asia World Company. The project stirred up massive anti-China, anti-Myitsone Dam sentiment in Myanmar society in 2011, leading to President U Thein Sein's decision to suspend during his tenure.

After his government came to power in March 2011, China's investment in Myanmar decreased dramatically. Myanmar domestic reform measures in 2011 had substantially impacted Chinese projects and rapid declined in Chinese investment. Myanmar reported that Chinese companies invested only US\$ 407 million in the country in fiscal year 2012/2013.[†] Chinese official Xinhua News Agency stated that from 2008 to 2011 the total Chinese cumulative investment in Myanmar jumped from the equivalent of US\$ 1 billion to the equivalent of nearly US \$ 13 billion.

In addition, Western investments in Myanmar after lifting sanctions also led to the drop of Chinese investment in Myanmar in fiscal year 2012/2013. According to Myanmar government, Chinese investment volume has dropped US\$1.42 billion in 2012 and it has also declined from US\$4.64 billion and \$20 billion in 2011-2012.[‡] As the consequences of Myanmar's domestic reform agenda, Myanmar is no longer seen as a reliable, loyal ally to advance China's regional and strategic agenda. It is the most immediate impact over China's strategic interests. One of the essential components of the US pivot to Asia strategy is that US manipulation to alienate China and Myanmar. Under the circumstances, potential military cooperation between the U.S. and Myanmar became alert for China. The invitation for Myanmar to observe the U.S.-led Cobra Gold joint military exercise or the potential intelligence sharing between Central Intelligence Agency and Myanmar became the serious challenges to China's national security.

* Yun Sun, *China and the Changing Myanmar*, Journal of Current Southeast Asian Affairs, German Institute of Global and Area Studies GIGA, Institute of Asian Studies and Hamburg University Press, 2012 (Hereafter this work will be referred to as Yun Sun: *China and the Changing Myanmar*)

† Yun Sun, *Chinese Investment in Myanmar: What lies Ahead's? Great Powers and the Changing Myanmar*, Issue Brief No, September 2013, p.2 (Hereafter this worked will be referred to as Yun Sun: *Chinese Investment in Myanmar*)

‡Ibid, pp2-3

Last but not least, the changing Myanmar also has influenced China's strength at ASEAN. Free from its previous over-dependence on China, Naypyitaw no longer needs to struggle between the desire to please China and its ASEAN identity. During the July 2012 ASEAN Summit, China had to rely completely on Cambodia to block the attempt by the Philippines and Vietnam to reference Manila's recent naval stand-off with China over disputed Scarborough Shoal. It was said that Myanmar "stood aside" and "didn't even lift a finger" to assist China.

As for China, unique strategic plan prior to the inauguration of U Thein Sein government, to enhance its strategic cooperation with the new civilian government in Myanmar based on the traditional fraternal friendship and economic ties. In this context, the well known "comprehensive strategic cooperative partnership" became China's strategic aspiration on Myanmar. It is also anticipated that Naypyitaw's support of China at ASEAN and Greater Mekong Sub-regional economic cooperation as well as a national "bridgehead" strategy that would turn Myanmar into China's outpost into the Indian Ocean with a potential for naval cooperation. According to one scholar, the foundation of this strategy can be assumed that Myanmar would not adopt political reform, hence its international isolation and overdependence on China would continue. However, with the changing context of Myanmar domestic politics, the asymmetry between the two countries began to reverse. Myanmar can find out viable alternatives to China while China's interests have already deeply entrenched in Myanmar.

6. Conclusion

After two decades of relatively warmed and closed relations with military government of Myanmar, China bears Myanmar into its strategic orbit in the region by embracing economically and strategically. Though China expected to construct a higher strategic level interaction with Myanmar, such kind of expectations had greatly perturbed after undertaking domestic reform agendas in Myanmar in 2011. As for Myanmar's political development, China underestimated the political reality and trend in Myanmar domestic politics and its booming external relations within international community. This situation was China's critical mismanagement and misjudgment on calculating the strategic leverage with Myanmar. After the inauguration of U Thein Sein government and the determination to pursue democracy and national reconciliation, it is also found that China also lack of overrating the democratic transitional momentum inside Myanmar. China's attitude on overestimating its strong power status and position concerning Myanmar was originated from perception of China's own political development and economic model. This dynamics has played a dominant role in China's interpretation of other countries' status and position and its external relations with them. In the case point, Myanmar political changes under President U Thein Sein became one of the examples. These circumstances paved the way for China as the failure to anticipate the pace and outcome of Western's powers engagement with Myanmar by overestimating its economic and political influence in the country.

As a result, China has been taking a different look at its policy toward Myanmar by maintaining a "wait and see" posture, refraining from making further political, economic, and strategic commitments to the country, while focusing on the implementation of the existing agreements. Chinese companies and the government have learned from the Myitstone Dam dilemma and also aware promote its emphasis on improving its relations with the local communities and upwarding more corporate social responsibility programs in dealing with its economic and business matters. The policy community in Myanmar is being accepted the

new reality that China will no longer be the sole dominant power and it was the natural consequences of Myanmar's correction of its previous over-dependence on China. At a certain point, Naypyitaw will have to recalibrate its relationship with the U.S., China, and other powers in the region and bring its foreign policy to its traditionally non-aligned, balanced path. Given its geopolitical significance and reality, the best strategy for Myanmar always lies in seeking a balanced diplomacy among big powers to maximize its leverages and gains. However, this manipulation should not be extremely delicate balancing act and also crucial to consider the proper wisdom policy and accurate strategic calculations.

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