

# 'HEDGING IN SEARCH OF A NEW AGE OF NON-ALIGNMENT: MYANMAR BETWEEN CHINA AND THE U.S.'

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## ABSTRACT

The American 'return' to East Asia, which has been pursued under the banner of the '*Pivot to Asia*' strategy in order to stem the political, economic, military and cultural projection of the People's Republic of China (PRC) in the region, is currently characterized by a particularly high degree of competition with Beijing among the small and medium Powers of Southeast Asia. It is no coincidence that, during the last decade, in this specific sub-region the PRC's '*charm offensive*' achieved several significant outcomes; tarnishing, in some cases, the historical and consolidated '*hub and spokes*' network of alliances inherited by the United States at the end of the Cold War.

In such a scenario, which has been also described as *mutual soft-balancing*, Myanmar represented the epicenter of the challenge among the 'forerunners' of the new and old regional order.<sup>1</sup> In this case, the American pivot produced a major breakthrough in U.S.-Myanmar political interactions, to a large extent at China's expenses. Most notably, when the Obama administration took office, the relations between Washington and Naypyidaw were in dire straits, due to a recent past characterized by diplomatic restrictions and economic sanctions. Americans thus decided to elaborate a profound revision of their Myanmar Policy, highlighting the urgency of shifting towards a 'pragmatic engagement' approach, able to enmesh Burmese leaders in a growing network of interactions. U.S. efforts gained momentum after the Burmese elections of 2010 and the reintegration of the National League for Democracy led by Aung San Suu Kyi, which paved the way for the first visit of a U.S. President in the country, made by Obama in November 2012. More importantly, these steps have been accompanied by significant setbacks for China's presence in the country, as in the case of the suspension of the Myitsone Dam project.

Consequently, the principal objective of the present article is to explore the nature, reasons and patterns of this ongoing process of strategic repositioning put into practice by Myanmar within the political triangle with Washington and Beijing. Against this backdrop, we will draw upon the conceptualization of 'hedging strategy', which identifies a set of multidimensional 'insurance policies' adopted by small actors in their relations vis-à-vis great powers, that avoids the choice of one side at the obvious expense of another as well as one more straightforward policy stance, as in the case of the classic balancing or bandwagoning patterns of behavior.

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<sup>1</sup> In 1989, the military junta changed the country's name from Burma to Myanmar and this change was officially accepted by the United Nations. We generally use Burma when referring to the country before 1989 and Myanmar afterwards.

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## INTRODUCTION

In January 2009, when the Obama administration took office, America's image and role in the Asia-Pacific was inheriting the modest fruits of a decade of unproductive and faltering commitment towards this region. In Southeast Asia, particularly, the U.S. 'suffered from "neglect" (benign or otherwise), "episodic attention", a lack of imagination, "recurrent frictions" and incoherence, in addition to being "off the radar screen", "on automatic pilot", "distracted", "rudderless" and subject to "strategic drift".<sup>2</sup> Not surprisingly, the 'war on terror' that catalyzed the foreign policy agenda under President Bush Jr. had produced a shift in the approach and style of US diplomacy which, in most cases, failed to consult Southeast Asian countries, insufficiently appreciated regional concerns and disregarded multilateral processes. Washington appeared also to be over preoccupied with particular threats and, to a large extent, disconnected from regional trends, perceptions and realities.<sup>3</sup> More importantly, several other rising actors, and especially China, were eager to replace the central role of America in the region, occupying that political *vacuum*.

As a consequence, when the US decided to reaffirm its commitment to the region under the banner of the 'Pivot to Asia' strategy, this choice ignited growing competition with Beijing, particularly among the small and medium powers of Southeast Asia.<sup>4</sup> Here, the PRC's 'charm offensive' had previously achieved several significant outcomes, engaging close relations with historical American allies, such as Singapore, Thailand and the Philippines.

Since the introduction of Deng Xiaoping's 'Reform and Opening-up' strategy, such a new type regional diplomacy, labeled as 'Good Neighborhood Policy', became a central pillar of the Chinese transition, aimed at assuring a stable and conducive external environment for the domestic process of modernization. As a consequence, it effectively focused on mutual economic growth in the dynamic scenario of Southeast Asia, increasing enmeshment in multilateral frameworks and attentive soft-power projection, in order to defuse regional fears and consolidate the image of the People's Republic of China (PRC) as a benign rising power. Especially over the last decade, Beijing fostered cordial and remunerative bonds with most of the Southeast Asian countries, expanding common grounds of cooperation and maintaining the long standing 'low-profile' with regard to interferences in internal affairs or potentially divisive political issues of other States.

As a matter of fact, the Chinese approach appeared particularly fitted for the task, given the clear similarities with the 'ASEAN Way' philosophy endorsed by Southeast Asian

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<sup>2</sup> A. Ba, 'Systemic Neglect: A Reconsideration of US-Southeast Asia Policy', *Contemporary Southeast Asia*, Vol. 31, No. 3 (2009), p. 371

<sup>3</sup> *Ibidem*.

<sup>4</sup> R.J. Ferguson, 'China's Long-Term Relations with Southeast Asia: Beyond the Pivot', *The Bulletin of the Centre for East-West Cultural and Economic Studies*, Volume 10 Issue 1, Jan. 2012, pp. 12-13

countries.<sup>5</sup> On the other hand, regional fears vis-à-vis Beijing were still vivid not only in the memories of the Cultural Revolution and Mao's 'Red Guard Diplomacy', which extensively assisted socialist forces throughout the region, but also due to more recent developments. They involved a rapidly expanding military power, territorial and maritime disputes accompanied by a more assertive posture, as well as a sharp increase in the Chinese demand of energy and natural resources. Additionally, in continental Southeast Asia the pervasive economic leverage gradually acquired by Beijing with small and poor States such as Cambodia, Lao PDR and Myanmar began to create increasing unease among local and regional élites.

Myanmar, in particular, over the last years has often been depicted as a 'client state' of Beijing, a pure *bandwagoner* who decided to cede important shares of autonomy and sovereignty in order to reap the collateral benefits of the spectacular economic and strategic rise of China.<sup>6</sup> Such a close relationship, however, which is rooted in an historical sense of fraternity called '*Pauk Phaw*', is far more wavering and multifaceted than it could appear, given the Burmese traditional and strenuous defense of a sufficient room for manoeuvre among great power politics. It is no coincidence that Sino-Burmese ties largely re-flourished in the aftermath of the military coup led by the 'State Law and Order Restoration Council' (SLORC) in 1988, which caused the progressive isolation of Naypyidaw by Western countries and the imposition of several rounds of sanctions against the Burmese regime. In the following years, the ruthlessness shown by the ruling junta, especially regarding human rights massive violations and the persecution of political opponents, largely contributed to the emerging connotation of Myanmar as a '*pariah*' State, resulting in the deterioration or even suspension of paramount bilateral relations, as in the case of India, Thailand and, in particular, the U.S.

The isolation of the country thus proved to be a decisive pre-condition for the rapid expansion of a Sino-Myanmar partnership, especially in the economic field. Since then, in the eyes of Beijing, Myanmar has no longer been considered merely through a prism of geo-strategic dynamics, as a buffer state against Washington and New Delhi or a potential bridge-head towards the Indian Ocean, but also as a resource-rich and largely underdeveloped neighboring country which could help China in alleviating her voracious appetite for resources, as well as the concerns related to the 'Malacca Dilemma', characterized by a sharp reliance on the transportation route passing through the Strait.

Following a similar logic, over the last decade the PRC has significantly expanded diplomatic contacts, commercial ties and investments in infrastructural and energy projects on Burmese soil, as for the Myitsone Dam or the oil and gas pipelines connecting Myanmar's port of Sittwe in the Bay of Bengal with Yunnan, which is expected to start operations in September 2013. On the other side, Naypyidaw enjoyed, for instance, a reliable protection from China at the international level, as in the case of the vetoes opposed in 2007 and 2008 in the UNSC against a new round of sanctions after the Saffron

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<sup>5</sup> See for example the principle of non-interference in domestic affairs of neighboring states, the principle of seeking consensus and harmony and the emphasis on economic cooperation in the region.

<sup>6</sup> M. Osbourne, 'The Paramount Power: China And The Countries Of Southeast Asia', Lowy Institute Paper 11 (2006), pp. 26-29

revolution and the Cyclone Nargis, together with economic assistance and the Chinese support in dealing with domestic threats.<sup>7</sup>

The case of Myanmar, then, seems to represent an enlightening case study for the analysis of the evolving strategies put in place by small actors in their interactions with big powers, under the condition of high stakes and high uncertainties regarding the future balance of power. Consequently, the present work will be focused on the protagonists of the triangular relationship between Naypyidaw, Washington and Beijing in the broader scenario of a rapidly changing regional environment, which still appears to be in a state of flux and transformation. Isolated by the West, in the post-Cold War era Myanmar had in fact no choice than abandoning its historical neutralist policy of non-alignment within great power rivalries, thus finding protection in China's shadow. Nevertheless, the preponderant role of Beijing in the country soon convinced the junta of the necessity of finding a sort of counterweight to the PRC, which became available when the American policy shifted from isolation and sanctions to 'pragmatic engagement'.

Such a major shift in the U.S. approach towards Myanmar, which was part of the broader 'Pivot to Asia' strategy, acquired an unexpected positive pace with the first relevant steps of the Burmese internal transition towards a 'discipline-flourishing' democracy: the 2010 general elections, which led to the formation of a civilian government and the dissolution of the SLORC/SPDC ruling junta; the following release of Aung San Suu Kyi and other political prisoners, along with a general relaxation regarding press censorship and political opposition; and the 2012 by-election, widely won by the National League for Democracy (NLD). Each of these events prompted not only the resumption of high level contacts between Washington and Naypyidaw, the appointment of a new U.S. ambassador in Burma after a 20-years absence and the exchange of historical state visits between President Obama and President Thein Sein, which took place respectively in November 2012 and May 2013, but also a gradual lifting of economic sanctions against Myanmar that is gradually re-opening the country to regional and Western actors.

Our effort to interpret Myanmar's rapprochement with the West will draw upon the conceptualization of 'hedging strategy', which will be illustrated in the first paragraph. It identifies a set of multidimensional 'insurance' and engagement policies adopted by small actors in their relations vis-à-vis great powers, that avoids the choice of one side at the obvious expense of another as well as one more straightforward policy stance, such in the case of the classic balancing or bandwagoning patterns of behavior.<sup>8</sup> This nuanced and pragmatic approach, ultimately aimed at maximizing benefits from a rising power while pursuing risk-contingency measures under the condition of a changing distribution of power at the regional or global levels, seems to fit perfectly for grasping the essence of the long standing neutralist tradition of the Burmese foreign policy, as well as the more recent efforts in order to resume and expand diplomatic ties with the U.S., India, Japan, Thailand, the EU and ASEAN as potential counterweights to the pervasive Chinese influence in the country.

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<sup>7</sup> Maung Aung Myoe, 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', Institute of Southeast Asian Studies, 2011, pp. 126-127

<sup>8</sup> E. Goh, 'Southeast Asian Perspectives on the China Challenge', Journal of Strategic Studies, Vol. 30 Issue 4, 2007, p. 825

The second paragraph will try to outline the historical development of Sino-Myanmar bilateral ties from the Cold War era to the 21<sup>st</sup> century, focusing on the most relevant strategic, economic and social dimensions of this relationship, as well as on the drivers and patterns of such a renewed fraternity between the Burmese junta and Beijing. The aim is to identify the different imperatives and sectoral interest which nourished China's embrace towards Myanmar, assessing the role of the central government, the armed forces and local Yunnan authorities, strongly committed to the enhancement of economic ties with Southeast Asia in order to boost the economic development of Chinese western regions.

On the other hand, this part of the analysis will take into account the most important 'Achilles heels' that generated in recent years significant setbacks for the PRC's influence within Myanmar, notably the fragile situation along the borders with ethnic minorities, the complex relation between the powerful Chinese community and the government in Beijing, a public image in the country increasingly associated with mercantilism and deprivation of Burmese resources, as well as the policy of maintaining a preferential dialogue with Myanmar's armed forces, thus failing to engage large parts of the emerging Burmese civil society. In addition, it will underscore the fundamental advancements and constraints of such a close relation from the Burmese point of view, scrutinizing several domestic and international benefits gained by Myanmar through its engagement approach with China, which represents the first branch of the aforementioned two-pronged hedging strategy.

The shift in U.S. stance towards Naypyidaw will be at the center of the third paragraph, which will look not only at the formulation and implementation of a 'pragmatic engagement' strategy, pursued by the Obama administration in the broader scenario of the *Pivot to Asia*, but also at the important domestic dimension in the American diplomacy vis-à-vis Myanmar, still influenced by the highly charismatic figure of Aung San Suu Kyi. The Burmese 'boutique issue', as it has been defined in Washington, thus reveals an interplay or a 'two-level' game between domestic and external political imperatives of the United States, which will be analyzed in detail. Furthermore, the systemic consequences of the American engagement policy in Southeast Asia will be closely examined, as it provided the basic pre-condition and counterweight for the effective implementation of a Burmese hedging strategy vis-à-vis Beijing.

Finally, the last part will draw on the previous description of the triangular relationship between the three sides in order to evaluate if the ongoing repositioning pursued by Myanmar can be considered as a concrete manifestation of hedging behavior, in opposition to other possible choices like bandwagoning, as the prevalent pattern of interaction in its relations with great powers and, in particular, China. It will emphasize the long-standing Burmese historical tradition of neutralism and non-alignment established at the outbreak of the Cold War, as well as a national identity centered on nationalism and self-sufficiency that is still vivid, arguing that current hedging efforts are highly coherent with such an historical and cultural legacy. According to this interpretation, the recent American overtures finally allowed Burmese officials to strike a safer balance in their ties with the PRC, attenuating the overdependence on China which descended from international isolation in the post-1988 era.

Against this backdrop, however, even from the Burmese point of view, as in the case of the U.S., domestic politics constraints appear to be decisive in reorienting future relations with Washington and Beijing, which will be strongly affected by the still unpredictable outcomes of the long and bumpy path towards a 'discipline-flourishing' democracy undertaken in Naypyidaw.

## THE NOTION OF 'HEDGING' IN THE INTERNATIONAL RELATIONS THEORY

For at least a century, the theory of international relations offered only two broad patterns of state behavior when facing a changing balance of power or the rise of a new and increasingly influent actor: balancing or bandwagoning.<sup>9</sup> Scholars inspired by traditional Realist theories stressed the strategic imperative of containing a rising power through the employment of internal or external balancing strategies, while others emphasized that states may find attractive to align with, rather than contain against, a new pole of the system, in order to maximize potential benefits.<sup>10</sup> This dichotomy, nonetheless, became gradually unfit to grasp the essence of contemporary relations between small and great powers, especially in the evolving political realm of the Asia-Pacific, profoundly marked by the rise of China. Several empirical analysis, not surprisingly, confirmed the attractiveness of a more nuanced approach, capable of securing a middle position among great powers competition, which became gradually known in the literature as 'hedging'.

The notion of hedging derives from the financial terminology, indicating an investment position intended to offset potential losses or gains that may be incurred by a companion investment. In other words, following the old saying '*do not put all eggs in one basket*', a hedge is used to reduce any substantial risk of adverse price movements, regarding an asset controlled by an individual or an organization. In the past few years, interestingly, the notion has broken the boundaries of such discipline, becoming a familiar tune also in the International Relations discourse. His first appearance in an official diplomatic document dates back to the U.S. National Security Strategy of 2006, which asserted that the American approach '*seeks to encourage China to make the right strategic choices for its people, while we hedge against other possibilities.*'<sup>11</sup>

Since then, the conceptualization of 'hedging' as a specific pattern of behavior within interstate relations has begun to acquire accuracy and a more solid basis, thanks to the works of several distinguished authors. In particular, a shared and 'extensive' definition of 'hedging strategy' gradually emerged, which rejected the traditional dichotomy between containment or balancing patterns of behavior as opposed to engagement or even bandwagoning, but rather highlighted the possibility of employing a peculiar mix of the two, as 'insurance' against the uncertain present and future intentions of target states.

Given this basic but probably too loose definition, a growing number of IR scholars, and particularly those involved in the study of the Asia-Pacific macro-region, began to apply the notion to analyze extremely disparate phenomena, ranging from the bilateral relation between the U.S. and China to the Japanese evolving foreign policy. According to the former group, inspired by the works of David M. Edelstein (2000), Evan S. Medeiros (2005–6), and Rosemary Foot (2006), a clear manifestation of hedging behavior could be ascribed to both Washington and Beijing in their mutual interactions, looking at the

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<sup>9</sup> See for example: K. Waltz, 'Theory of International Politics', Addison-Wesley Publishing, 1979

<sup>10</sup> R.L. Schweller, 'Bandwagoning for Profit: Bringing the Revisionist State Back In', *International Security*, Vol. 19, No. 1 (Summer, 1994), pp. 71-74

<sup>11</sup> E. Goh, 'Understanding "Hedging" in Asia-Pacific Security', *PacNet* 43, August 31, 2006



particular mix of engagement/enmeshment policies combined with internal and external soft-balancing efforts.<sup>12</sup> However, if we consider hedging vaguely, as a mere choice of coupling engagement vis-à-vis a potential challenger or threat with some form of security insurance, this pattern of behavior would appear ubiquitous within great powers politics and the concept could thus add only a modest analytic contribution to the ongoing debate regarding East Asian politics.<sup>13</sup> Not surprisingly, after the end of the Cold War the adoption of insurance policies, along with efforts to maintain a working relationship with potential challengers, has returned to be the rule in the international arena, given the fundamental imperative shared by each actor to preserve and diversify the maximum range of strategic options. Hence, the notion should be defined more precisely and applied to interstate relations following several specific criteria.

Against this backdrop, a third strain in the 'hedging strategies' discourse turned its attention to the middle powers of Southeast Asia and, more specifically, to the ongoing process of strategic repositioning put into practice by several ASEAN countries within the political triangle with Washington and Beijing. According to them, the concept of hedging reveals its real explanatory value when applied to small and middle actors in their relations with great powers, under the condition of a changing distribution of power at the regional or global levels.

Small powers, as in the case of Myanmar, have often been described for 'what they are not' compared to major international actors, given their limitations in terms of political or military might and the related difficulties in challenging international arrangements set by great powers.<sup>14</sup> Notwithstanding such disadvantages, however, secondary actors can retain a certain degree of influence, particularly in times of power shift, exploiting their geostrategic positions '*either as bulwarks of rising state or as daggers against ascending power's throat*'.<sup>15</sup> Additionally, they can affect the calculations of great powers as 'electorates' in regional fora, establishing smart and cautious approaches to great power competition with the final goal of promoting their political autonomy.<sup>16</sup>

As could be expected, small and medium sized countries are thus the most fitted to develop hedging strategies, because the power gap between themselves and the major poles of the systems makes a balancing, straightforward alternative extremely dangerous and costly. In addition, and contrary to the implicit logic of balancing, the notion of hedging is able to emphasize the elements of uncertainty and risk that affect the security

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<sup>12</sup> See for example: E. Medeiros, 'Strategic Hedging and the Future of Asia-Pacific Stability', *The Washington Quarterly*, Vol. 29 no. 1 (2005).

<sup>13</sup> J.D. Ciorciari, 'The Balance of Great-Power Influence in Contemporary Southeast Asia', *International Relations of the Asia-Pacific*, Vol. 9 (2009), p. 168

<sup>14</sup> I.B. Neumann and S. Gstöhl, 'Lilliputians in Gulliver's World? Small States in International Relations', Centre for Small State Studies University of Iceland, Working Paper 1-2004, pp. 7-9

<sup>15</sup> J. Lee, 'Hedging Against Uncertain Future: The Response of East Asian Secondary Powers to Rising China', Paper prepared for the International Political Science Association XXII world Congress of Political Science, Madrid, Spain, July 8-12, 2012, p. 4

<sup>16</sup> *Ibidem*

strategies of secondary actors, as well as the threats and opportunities (often unclear) that a government has to face in such a scenario.<sup>17</sup>

Then, in order to enhance its analytic value, as Evelyn Goh correctly argues, *'hedging must be distinguished from balancing, containment, bandwagoning, buckpassing, and other more straightforward strategic choices. For instance, while it may be argued that hedging strategies encompass balancing or containment, they must be shown significantly to differ from these, either through the inclusion of significant engagement and reassurance components, or (more importantly) the demonstration that apparent containment strategies (such as alliances) are regarded as means to ends that are substantively different from those of straightforward balancing or containment.'*<sup>18</sup> Hedging should thus indicate *'a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality. Instead, they cultivate a middle position that forestalls or avoids having to choose one side [or one straightforward policy stance] at the obvious expense of another.'*<sup>19</sup>

Alternatively, John D. Ciorciari stresses different aspects of hedging behaviors, arguing that *'it can be considered as a specific type of alignment strategy designed to optimize the risks and rewards of security cooperation with a great power. A small state or middle power hedges when it pursues limited alignment with a great-power partner rather than forging a tight alliance characterized by basing privileges, mutual security guarantees, joint combat arrangements, and the like. Limited alignment protects the weaker partner's autonomy, reduces the risk of entrapment, and makes it easier for the state in question to simultaneously pursue robust political and economic engagement with that great power's rivals.'*<sup>20</sup> Accordingly, an informal relation of security cooperation with another power would not represent a full-blown threat for the target state, offering the opportunity to soften this stance by employing, at the same time, persuasive and cooperative tools.

As we can see, the core elements of Evelyn Goh's definition describe this pattern of small and medium states behavior as a *'cultivation of a middle position'*, which preserves multiple potential options and avoids a more explicit alignment with one side. This approach has been scrutinized by several other scholars, who reformulated the notion identifying it as *'a strategic behavior under the conditions of high stakes and high uncertainties in which an egoistic state actor seeks to ensure its long-term interests, by pursuing a bundle of mutually counteracting options that are aimed at offsetting any perceived risks stemming from the structural changes'*.<sup>21</sup> The emphasis here is on the opposite effects caused by two sets of mutually counteracting policies, with the ultimate goals of maximizing benefits from a rising power while pursuing risk-contingency measures.

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<sup>17</sup> D. Roy, 'Southeast Asia and China: Balancing or Bandwagoning?', *Contemporary Southeast Asia* 27, no. 2 (2005), p. 306

<sup>18</sup> E. Goh, 'Understanding "Hedging" in Asia-Pacific Security', *PacNet* 43, August 31, 2006

<sup>19</sup> E. Goh, 'Southeast Asian Perspectives on the China Challenge', *Journal of Strategic Studies*, 30:4-5, p. 825

<sup>20</sup> J.D. Ciorciari, 'The Balance of Great-Power Influence in Contemporary Southeast Asia', *International Relations of the Asia-Pacific*, Vol. 9 (2009), p. 168

<sup>21</sup> C.C. Kuik, 'The Essence of Hedging: Malaysia and Singapore's Response to a Rising China', *Contemporary Southeast Asia*, Vol. 30 No.2 (2008), p. 163

As a rule, these efforts 'are designed to counter the target state's ability to constrain the subject state, either through non-specific deterrence or defense strengthening, or through building diplomatic, economic, and political relationships with third states or organizations that can be converted into leverage against the target state when relations with it deteriorate'.<sup>22</sup> As a result, such a two-pronged approach attenuates the risk of 'betting on the wrong horse', producing an omnidirectional and multidimensional pattern of interaction amid structural changes at the systemic level.

Turning to the empirical domain of international relations, the above-mentioned and narrowed definition of hedging seems particularly useful in the effort of interpreting the evolving patterns of behavior of several Southeast Asian countries, and most notably Myanmar, vis-à-vis Washington and Beijing. As for the imperative of engaging China and maximizing benefits, they clearly sought to enmesh the rising power in a complex network of growing interdependence and institutional integration, both through bilateral and multilateral channels, in order to raise the economic and diplomatic returns of a warmer relations with the PRC while gradually binding a potential threat in a flourishing net of rules, practices and mutual perceptions. This attitude, which has been defined also as 'honest brokerage', relied to a great extent on ASEAN cooperative institutions and persuasive aspects of community-building processes.<sup>23</sup>

On the other hand, the second set of policies – aimed at acquiring or consolidating some form of strategic insurance – resulted in a broad and positive feedback toward the American 'return' to the region, which triggered a new era of engagement between Washington and several ASEAN members. In the security realm this attitude, labeled by many as '*soft or indirect balancing*', produced an almost unanimous support among Southeast Asian countries regarding the American choice to maintain a strong military presence in the region, without resorting to establish a formal military alliance.<sup>24</sup> Hence, the implicit logic of hedging here is to bring in multiple great powers to check each other, in the effort of stabilizing their potential rivalries.

On the whole, the most relevant strategic goals of the hedging strategies pursued by many ASEAN countries appear to be: (a) to prevent any destabilizing impact of China's rise and escalation of hostility either between ASEAN and China or between China and other major powers of the region, neutralizing its aggressive overtures without directly threatening the country; (b) to avoid any potential American disengagement from the region, as well as the adoption of a more straightforward approach by Washington vis-à-vis Beijing; (c) to retain, consolidate and even maximize their bargaining position with China.<sup>25</sup>

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<sup>22</sup> E. Goh, 'Understanding "Hedging" in Asia-Pacific Security', PacNet 43, August 31, 2006

<sup>23</sup> V. Shekhar, 'ASEAN's Response to the Rise of China: Deploying a Hedging Strategy', China Report, no. 48 (2012), pp. 262-263

<sup>24</sup> Y. F. Khong, 'Coping with Strategic Uncertainty: The Role of Institutions and Soft Balancing in Southeast Asia's Post-Cold War Strategy', pp. 180-184. In: P. Katzenstein et. al., 'Rethinking Security in East Asia: Identity, Power and Efficiency, Stanford University Press, 2004.

<sup>25</sup> V. Shekhar, 'ASEAN's Response to the Rise of China: Deploying a Hedging Strategy', China Report, no. 48 (2012), p. 263

Finally, in the case of Myanmar, the U.S. policy shift pursued through the implementation of a 'pragmatic engagement' approach offered not only a decisive structural precondition for the advancement of Naypyidaw's hedging strategy, providing a potential counterweight to the widespread presence and influence of Beijing in the country, but also the possibility of re-launching multidirectional ties with several relevant international actors, through bilateral and multilateral channels. The following paragraphs will describe in detail the major patterns and issues characterizing this triangular relation, while the last part is dedicated to a closer analysis of Myanmar's evolving foreign policy according to the notion of hedging.

## SINO – MYANMAR RELATIONS IN THE 21ST CENTURY: IS THE 'PAUK PHAW' STILL ALIVE?

Since its independence from colonial rule in 1948, Burma viewed itself as a 'tender gourd between two cactuses', namely China and the West, recognizing the absolute need of translating this perception of the national position within world politics in a concrete independent course, a middle way able to avoid the choice between the socialist camp and Western countries. Despite the fact that in the formative years of the Sino-Burmese relation Rangoon held several meaningful records, being for example the first non-communist country to recognize the PRC in December 1949, mutual suspicion and vigilance remained explicit on both sides.<sup>26</sup>

Several potentially divisive issues complicated the establishment of cordial relations: the approximately 16'000 KMT troops which in 1950 retreated into the Northeast Burma, using it as a launch-pad for numerous raids on Yunnan, thus causing deep concerns in Rangoon of a Chinese counter-invasion; the Sino-Burmese undemarcated border issue, pending since the previous century; the role of overseas Chinese as a potential 'fifth column' in the nascent Burmese society, along with the relation between Beijing and the Burmese Communist Party (BCP). In addition, the Maoist revolutionary foreign policy of 'leaning to one side', which considered the neutralist attitude of Rangoon as an underling of imperialist countries, further amplified the gap.<sup>27</sup>

The first positive shift in Sino-Burmese ties happened in 1954, when the PRC decided to pursue a more pragmatic foreign policy, primarily focused on national interests. Until the outbreak of China's Cultural Revolution, Rangoon and Beijing thus entered the amicable '*Pauk Phaw*' era, under the personal leadership of Prime Minister U Nu and Chinese Foreign Minister Zhou Enlai. The 'Five Principle of Peaceful Coexistence' became the cornerstone of future bilateral relations, assuaging Burmese concerns regarding mutual borders and potential interferences in the internal affairs of the country.<sup>28</sup> During the so-called 'honeymoon period', which lasted until 1966-67, Beijing and Naypyidaw negotiated a border settlement, in which China basically acknowledged the status quo and made substantial concessions with respect to its previous claims, signing a treaty of friendship and mutual non-aggression.

The ideological fervor of the Cultural Revolution, together with the policy of autarky implemented in Burma after Ne Win's coup of 1962, disrupted the spirit of '*Pauk Phaw*'. Beijing decided to intensify its dialogue with the overseas Chinese community and the BCP at the expenses of the Burmese government, which, in turn, led to the most relevant anti-Chinese manifestations in modern Burmese history: the xenophobic riots of June

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<sup>26</sup> Maung A.M., 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', Institute of Southeast Asian Studies, 2011, pp. 12-13

<sup>27</sup> D.I. Steinberg and Fan H., 'Modern China–Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 20

<sup>28</sup> Fan H., 'China–Burma Geopolitical Relations in the Cold War', Journal of Current Southeast Asian Affairs, Vol. 31 No. 1, p. 17

1967.<sup>29</sup> Interestingly, these events represented not only a by-product of the Cultural Revolution and China's Red Guard Diplomacy, but also a clear demonstration of the Burmese strenuous defense of its sovereignty, national security and non-alignment tradition in international affairs. According to David Steinberg *'between 1954 and 1966 China gradually shifted its foreign policy from the pragmatic to the irrational; ideological consideration, especially "proletariat internationalism", overwhelmed national security and realistic interests in the process of decision-making. China's foreign relations thus moved from a united front to self-isolation. The split between China-Burma in 1967 was a conspicuous example of this course'*.<sup>30</sup>

Sino-Burmese relations were gradually renormalized in the following years, even if Beijing did not give up its destabilizing support for the BCP in terms of intelligence and combat advisors until 1978.<sup>31</sup> Under Deng Xiaoping's 'Reform and Opening-up' strategy a good neighborhood policy in the region thus became a vital imperative for the PRC, accompanied by a more pragmatic approach towards non-aligned and developing countries. Until the outbreak of the Cultural Revolution, Naypyidaw had proved to be a precious and disciplined adherent of the Five Principles, pushing China to try to regain its special relation by erasing the scars of the 1967 uprisings. High-level contacts resumed and gradually expanded, particularly after Deng's 'Foreign Tour' of 1978, as bilateral trade and economic cooperation.

During the 1980s, while the PRC was pursuing an increasingly de-ideologized diplomacy, the enormous failure of the 'Burmese Way to Socialism' paradigm, inaugurated by Ne Win, ignited the nation-wide '8/8/88' revolts and the subsequent military coup by the 'State Law and Order Restoration Council' (SLORC), which in turn led to the first round of economic sanctions by the international community. In the following months, the Tiananmen uprisings caused similar domestic and diplomatic turmoil in China, triggering the basic precondition for an even stronger partnership between this two 'pariah' States. As argued by Steinberg, *'if Sino-Burmese relations in the period from independence to 1988 were characterized as essentially determined by internal Chinese policy shifts that were expressed in international affairs and to which the Burmese responded, the era in Sino-Burmese relations since 1988 has been driven by Chinese requirements at national and local levels for strategic and economic access to Myanmar and its resources, to help fuel China's growth; and by internal Burmese needs for both economic support and a strategic partner against what the Burmese junta perceived as external threats'*.<sup>32</sup>

Not surprisingly, in the post-Cold War era Naypyidaw and Beijing, largely isolated at the international level, have enhanced their mutual bonds due to a mutuality of a series of dependencies that invested primarily the economic and strategic dimensions, establishing a complex and multifaceted relationship which has been fueled by specific factions

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<sup>29</sup> I. Holliday, 'Beijing and the Myanmar's Problem', *The Pacific Review*, Vol. 22 No. 4, September 2009, pp. 488-489

<sup>30</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 130

<sup>31</sup> Maung A.M., 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', Institute of Southeast Asian Studies, 2011, p. 89

<sup>32</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 156

within the two countries.<sup>33</sup> China's goals and patterns of interaction with Myanmar, in particular, appeared increasingly fragmented among various actors and not centrally directed, with the emergence of the armed forces and regional authorities from Yunnan as the major proponents of Beijing's embrace towards its small neighbor.<sup>34</sup> Nevertheless, *'much of the "improvements" in economic relations between China and Myanmar do not depend on economic specialization, cost-benefit analysis, or even geographical proximity. Investments and trade have flourished between China and Myanmar in large part due to international boycotts, which have forced Myanmar to work with anyone willing and on almost any terms'*.<sup>35</sup>

Naypyidaw, on its side, increasingly aligned itself with the rising power through bilateral and multilateral channels, maximizing economic benefits and planning to avoid further exposure to additional and tougher international sanctions. China's protective stance at the international level emerged, for example, in 2007 and 2008 within the UNSC, when the PRC vetoed together with Russia a new round of sanctions after the Saffron revolution and the Cyclone Nargis. Diplomatic cooperation, as can be expected, has been further enhanced through economic assistance and Chinese support in dealing with domestic challenges, along the mutual border and vis-à-vis the influent Chinese community in Myanmar.<sup>36</sup>

Against this backdrop, the recent evolution of Sino-Burmese ties reflected a generally successful application of the main features of contemporary Chinese foreign relations, such as the strenuous pursuit of areas of common interests and 'win-win' solutions vis-à-vis target states, through bilateral as well as multilateral venues, while avoiding or playing down specific differences or disputes. Then, in May 2011, this long path of mutual engagement has finally found a concrete formalization, when U Thein Sein, during his first official trip as President, signed in Beijing the Joint Statement on Establishing Comprehensive Strategic Cooperative Partnership between Myanmar and the PRC. The document, which shapes the agenda of future bilateral ties, emphasizes several basic imperatives: to maintain and expand high-level contacts; to enlarge economic exchanges between the two countries, establishing a conducive environment for trade and investment; to strengthen border management cooperation; to further enhance coordination in multilateral forums, addressing the interests of developing countries.<sup>37</sup>

As can be seen, the economic dimension therefore represented a main instrument of this regional strategy, in order to seek and expand capital, technology, resources and markets. Yet, to be successful China's focus on economic development requires stability, especially around its periphery, pushing Beijing to bitterly oppose not only foreign intrusions or pressures that would risk destabilizing border areas, but also the eruption of popular and

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<sup>33</sup> Maung A.M., 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', Institute of Southeast Asian Studies, 2011, pp. 107-108

<sup>34</sup> N. Swanström, 'Sino-Myanmar Relations: Security and Beyond', Institute for Security and Development Policy Asia Paper Series, June 2012, p. 6

<sup>35</sup> Ivi, p. 10

<sup>36</sup> Maung A.M., 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', Institute of Southeast Asian Studies, 2011, pp. 108-109

<sup>37</sup> Li C., 'China-Myanmar Comprehensive Strategic Cooperative Partnership: A Regional Threat?', Journal of Current Southeast Asian Affairs, Vol. 31 No. 1 (2012), pp. 62-63

ethnic unrest.<sup>38</sup> In the economic sector, over the last decade the PRC has rapidly acquired the role of Naypydaw's key trading partner, thanks also to large grey and black markets whose size remains still largely undocumented, while Beijing's cumulative investment in the country currently dwarfs any other foreign investor inside Myanmar.<sup>39</sup>

Currently, China represents the first import market for Burmese consumer goods, expanding its economic leverage and dominance especially in northern Myanmar, which is gradually becoming a sub-economy of Yunnan.<sup>40</sup> Local authorities and private actors from Yunnan have thus played the role of strong advocates and major driving force behind the recent expansion of Sino-Burmese economic ties, in order to assume a key position in the development of Chinese Western regions, among the poorest and least productive in the entire country, as a new strategic hub for China's closer integration with Southeast Asia. To these ends, Myanmar represents a perfect opportunity, given the abundance of natural resources and the general lack of basic infrastructures.

Additionally, since 1988 the relatively small but highly influential Chinese community in Myanmar has gradually transformed itself, playing the role of broker between the local market and the PRC's economic sphere thanks to the enhanced cooperation between the two sides.<sup>41</sup> These favorable opportunities offered Chinese businessmen the possibility of channeling investments relying on their social networks and capital, which, in turn, allowed them to acquire a fair proportion of the industrial and banking sectors. Such a pervading presence, however, represents a double-edged sword for Beijing, being a lubricant as well as a potential friction of future bilateral relations, able to prompt diffuse fears of a Chinese hegemony in the country.<sup>42</sup> Accordingly, *'if the Chinese are perceived to be in control of the economy, then a rise in anti-foreign sentiment might be expected which could have serious effects on both the political and economic future of the state'*.<sup>43</sup>

In the eyes of Beijing, energy cooperation could help assuage both economic and strategic imperatives. Investments in Burmese oil and gas fields, together with the construction of the already mentioned transnational pipeline, then became the cornerstones of Sino-Myanmar evolving partnership in the 21<sup>st</sup> century, as well as the symbols of such a mutual dependence between the two neighboring countries. All three most relevant State-owned enterprises of this sector – CNPC, SINOPEC and CNOOC – gained their footholds on Burmese soil, mainly under production sharing contracts on cooperation in hydrocarbons exploration, with two major goals: diversify the sources of energy imports and reduce the transportation challenge, particularly regarding the so-

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<sup>38</sup> R. Sutter, 'Myanmar in Contemporary Chinese Foreign Policy: Strengthening Common Ground, Managing Differences', *Journal of Current Southeast Asian Affairs*, Vol. 31 No. 1 (2012), p. 30

<sup>39</sup> Sun Y., 'China and the Changing Myanmar', *Journal of Current Southeast Asian Affairs*, Vol. 31 No. 4 (2012), p. 57

<sup>40</sup> N. Swanström, 'Sino-Myanmar Relations: Security and Beyond', *Institute for Security and Development Policy Asia Paper Series*, June 2012, p. 8

<sup>41</sup> X. Guo, 'Boom on the Way from Ruili to Mandalay', pp. 95-96. In: Lex Rieffel et al., *Myanmar/Burma: Inside Challenges, Outside Interests*, Brookings Institution Press & Konrad Adenauer Foundation, 2009

<sup>42</sup> Maung A.M., 'In the Name of Pauk Phaw: Myanmar's China Policy Since 1948', *Institute of Southeast Asian Studies*, 2011, p. 123

<sup>43</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', *Nordic Institute of Asian Studies Press*, 2012, p. 260



called 'Malacca dilemma'.<sup>44</sup> According to the estimates, the Sittwe-Kunming oil pipeline will reduce by over 1,820 sea miles the present journey which brings Middle Eastern oil to Guangzhou, igniting the development of a set of associated projects ranging from a Sino-Myanmar transport corridor to hydroelectric infrastructures, port facilities along the Bay of Bengal and energy storage systems. The pipeline alone is expected to generate precious oil and gas revenues in Naypyidaw, along with annual transit fees that could exceed USD 150 million.<sup>45</sup>

At the same time, however, China's economic embrace toward its neighbor created a "Wild-West" mentality which professed not only an unsustainable usage of natural resources, causing negative impacts on the environment, but also the systematic outperforming of local businesses, that in turn has fueled anti-Chinese sentiments and negative perceptions of the PRC's presence in the country.<sup>46</sup> As a consequence, Myanmar locals often distrust ethnic Chinese residing in the country for their loyalties and both the trade and political relationship are generally perceived to be asymmetrical.<sup>47</sup> Hydroelectric projects, in particular, prompted harsh international and local criticism, related to the potential consequences of river alteration programs in terms of environmental damage, population dislocation, and disruptive effects on downstream economic activities.<sup>48</sup>

The Myitsone Dam project's historical evolution probably represents the best example not only of the strengths and constraints of China's presence in Myanmar, but also of recent efforts pursued by Naypyidaw to re-establish a multidirectional foreign policy. Outlined for the first time in 2001 as a significant part of the so-called 'Confluence Region Hydropower Project' and financed by the China Power Investment Corporation with a total investment of more than USD 3.5 billion, it raised growing domestic protests by the local Kachin community and Burmese NGOs since the start of construction works in late 2009, inducing Thein Sein to suspend it in September 2011. This choice, even if primarily focused at showcasing the government's good faith in respecting the public opinion, clearly demonstrated Myanmar's desire to rejoin the 'West's good book'.<sup>49</sup> In the event, Beijing reacted with visible surprise and urged that the issue be handled 'properly' through 'friendly consultations', while many Chinese commentators highlighted the explicit link between Thein Sein's decision and the civilian government's reaching out to the political opposition, Western powers and their leaders, notably Secretary of State Hillary Clinton, who visited Myanmar three months later.<sup>50</sup>

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<sup>44</sup> International Crisis Group, 'China's Myanmar Dilemma', Asia Report No. 177, 2009, p. 19

<sup>45</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 182

<sup>46</sup> N. Swanström, 'Sino-Myanmar Relations: Security and Beyond', Institute for Security and Development Policy Asia Paper Series, June 2012, p. 9

<sup>47</sup> N. Ganesan, 'Myanmar-China Relations: Interlocking Interests but Independent Output', Japanese Journal of Political Science, Vol. 12 No.1 (2011), p.107

<sup>48</sup> R. Sutter, 'Myanmar in Contemporary Chinese Foreign Policy: Strengthening Common Ground, Managing Differences', Journal of Current Southeast Asian Affairs, Vol. 31 No. 1 (2012), p.38

<sup>49</sup> S.W. Kyaw, 'Myanmar's Strategic Realignment', RSIS Commentary no. 170, November 2011, p. 3

<sup>50</sup> R. Sutter, 'Myanmar in Contemporary Chinese Foreign Policy: Strengthening Common Ground, Managing Differences', Journal of Current Southeast Asian Affairs, Vol. 31 No. 1(2012), p.47

Turning to the strategic and security dimensions in Sino-Myanmar contemporary ties, Chinese efforts should be scrutinized looking at Beijing's 'Two Ocean Strategy', which is focused on acquiring a stable access via Myanmar to the Indian Ocean in the broader scenario of Sino-Indian evolving relations. In the eyes of Chinese officials, consequently, port facilities along the Burmese coast would represent a perfect addition to the PRC's 'String of Pearls' network, joining Gwadar (Pakistan), Chittagong (Bangladesh), and Hambantota (Sri Lanka). Hence, Naypyidaw's geopolitical value as strategic passage and bridgehead towards Southeast Asia is still vivid and compelling, especially in light of the game of perceived encirclement and counter-encirclement between China, India and the U.S. in the region.<sup>51</sup>

The third set of factors that have fueled China's embrace towards its neighbor concerns the stability of the impoverished and ethnic minority-inhabited border regions, which represented, as already mentioned, a relevant bilateral issue even in the aftermath of the establishment of formal diplomatic ties in 1949. Since then, several serious challenges have flourished along the 2,186 km-long boundary, ranging from border trade surveillance and trans-border ethnic balances to transports, drug smuggling and disease control. A clear example of these potential threats to the stability of China's periphery erupted in 2009, when the Tatmadaw pursued a military campaign in the border region of Kokang which resulted in a refugee flow of more than 35'000 displaced persons towards Yunnan, prompting an unpleased reaction in Beijing.

The Chinese imperative of protecting the status quo in Myanmar is reflected not also in the cautious handling of border issues, but also in the very intimate bonds between China and Burmese armed forces, also known as Tatmadaw. These ties, not surprisingly, have always caused external criticism, given the lack of transparency in the massive increase of the Burmese military size since 1988, fueled by the systematic infusion of Chinese arms and assistance.<sup>52</sup> Still today, the PRC identify the Tatmadaw as the dominant force in Myanmar politics and security cooperation thus represents an important leverage for protecting the security of Chinese economic and political interests in the country. Yet, after the recent political evolution in Myanmar towards the establishment and consolidation of a civilian government, such an intimate and historic bond with the Tatmadaw proved to be also an obstacle in the Chinese effort of expanding its influence over the various stakeholders of the Burmese nascent civil society.

On the whole, over the last two decades the combined effect of the aforementioned factors and imperatives has nurtured China's embrace towards Naypyidaw, resulting in a series of dependencies between the two sides that led, in the case of Myanmar, to a positive feedback regarding American overtures, which will be the principal focus of the following paragraph.

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<sup>51</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 294

<sup>52</sup> H. James, 'Security and Sustainable Development in Myanmar', Routledge, 2006, p.108

## AMERICA'S 'PIVOT' TO ASIA AND THE SHIFT TOWARDS NAYPYIDAW: FROM ISOLATION TO 'PRAGMATIC ENGAGEMENT'

From 1948, when Burma became independent, to 1988, with the military coup, U.S.-Myanmar bilateral relations developed, but often tortuously. Burma's independence was quickly recognized by the United States but in 1953 the Burmese government refused to accept economic aid from the United States: the precipitous collapse of the Nationalist Chinese government in 1949 convinced the Truman administration that it had to stem "the southward flow of communism" into Southeast Asia. In 1950 the Defense Department extended military aid to the French in Indochina. In that same year, the CIA began regrouping those remnants of the defeated Kuomintang army in the Burmese Shan States for a projected invasion of southern China. With CIA support, the KMT remained in Burma until 1961, when a Burmese army offensive drove them into Laos and Thailand.

In 1962, General Ne Win led a military coup that allowed him to stay in power until 1988. The position of neutrality between the East and West "blocs" that Burma assumed under the new leadership made the country more isolated, given that a relevant part of foreign investments were discontinued. Nevertheless, despite a general loosening in the relations – further weakened by the American engagement in the Vietnam War - the United States still maintained some forms of assistance, both technical and financial, to Burma.

Bilateral relations between U.S. and Burma progressively deteriorated and were almost totally suspended after the bloody end, in September 1988, of Burma's pro-democracy demonstrations and the consequent establishment of the State Law and Order Restoration Council (SLORC), which was later renamed State Peace and Development Council (SPDC). The Reagan administration and the following Bush administration decided to suspend the small military and economic aid program, to implement sanctions, and impose bans on trade against Burmese human rights violations, democratic malpractices, and drug problems. In January 2005, Condoleezza Rice, in her Senate confirmation hearing ranked Burma second on her list of 'outposts of tyranny', reinforcing the hardline policy adopted by the Bush Jr. administration toward the South Asian country.<sup>53</sup> After the suppression of the Buddhist monks demonstrations, the so-called 'Saffron Revolution' of September 2007, American sanctions became even more stringent, exacerbating the coldness between U.S. and Burma: virtually no bilateral trade connection was maintained in this period. In definitive, however, this troubled relationship did not favor any of the two sides: the Americans did not reach the goal of a regime change in Burma, while the Asian country suffered greatly from the imposition of economic sanctions and international isolation.<sup>54</sup>

The advent of the Obama administration modified the American posture toward Myanmar, passing from isolation to a sort of pragmatic engagement, on the grounds of a

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<sup>53</sup> D. Steinberg, 'Whatever Happened to Myanmar as the 'Outpost of Tyranny'?', Asia Pacific Bulletin, November 27, 2012.

<sup>54</sup> Song Qingrun, 'The Improvement of U.S.-Myanmar Relations. Processes, Reasons and Prospects', Asia Paper, Institute for Security & Development Policy, September, 2010.

general remodeling of the overall posture toward Asia, which Secretary of State Hillary Clinton framed as a 'pivot to Asia'.<sup>55</sup> A central element of this newly designed 'pragmatic engagement approach was reflected in the enhancement of a direct, senior-level dialogue with representatives of the Burmese leadership, in order to test the intentions of the newly elected government and, eventually, ignite a step-by-step process with the final goal of normalizing economic and political relations.<sup>56</sup>

More generally, the US pivot to Asia made its formal debut in 2009, when Clinton made her first official trip to Asia; assumed relevance when, bursting on the scene of territorial disputes between China and other nations, she stated in Hanoi in 2010 that the U.S. had a national interest in the freedom of navigation in the South China Sea; and reached its climax in 2012, when she told a Pacific Island Forum that U.S. was making a major push to increase its engagement across the Asia-Pacific region.<sup>57</sup> Obama, the "first Pacific president," gave the approach authority and economic substance at the Asia-Pacific Economic Cooperation (APEC) Summit held in Honolulu, during which he solicited China to a greater sense of responsibility and maturity within the international community and to a stricter observance of international economic rules.<sup>58</sup> In the same occasion, Obama discussed the implementation of the Trans-Pacific Partnership (TPP), an ambitious program of free trade agreement which includes the major economies of the Asia-Pacific. The access to the TPP would not be aprioristically precluded to China, but the access is structured around principles of transparency, environmental protection, labor rights, and so forth.

These principles differ greatly from those that guide most Chinese actions in the economic and trade arena.<sup>59</sup> After the APEC Summit Obama visited Australia, where he reiterated the American shift from the Middle East to Asia-Pacific and ratified an agreement to allow rotational deployments of 2,500 marines in Darwin, the most proximate point to the south edge of the South China Sea. The maritime security and freedom of navigation assumed a central relevance in the subsequent East Asian Summit (EAS) held in Indonesia.

The new U.S. engagement policy, developed during the first term of the Obama presidency, was driven by multiple and multifaceted exigencies. The most evident was the need to refocus the attention, after years of war in Iraq and Afghanistan, toward Asia. This was in part due to the necessity to reassure Asian allies that U.S. presence in the region was not to be questioned, and, more important, to the impelling need to rebalance China's increasing power by deepening and building new relations with other countries in the region. At the same time, Obama wanted to distance himself from his predecessor, showing a more (positive) engaging inclination toward countries which had been intensely sanctioned by Bush (admitting the failure of sanctions). One of these countries in the region was Myanmar, where Obama had sent Secretary Clinton in November 2011, aiming at building a process of normalization that could have major implications for the

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<sup>55</sup> H. Clinton, 'America's Pacific Century', *Foreign Policy*, November, 2011.

<sup>56</sup> K. M. Campbell, 'Statement Before the Subcommittee on East Asian and Pacific Affairs Senate Foreign Relations Committee', Washington DC', September 30, 2009.

<sup>57</sup> Yang Jingjie, 'Clinton on Final Push for US' Asia Strategy', *Global Times*, September 3, 2012.

<sup>58</sup> A. Fiori, 'Obama's USA in the Chinese 'Garden'?', *Europressresearch.eu*, December, 2011.

<sup>59</sup> K. Lieberthal, 'The American Pivot to Asia', *Foreign Policy*, December 21, 2011.

U.S. strategic position in the region.<sup>60</sup> In addition, the timing of this new partnership between the U.S. and Myanmar was right, since the strategic interests of the two countries converged: in the case of Myanmar, such rapprochement finally provided the fundamental external prerequisite to move away from China's shadow, striking a safer balance in its ties with Beijing through the implementation of hedging behavior. For the Americans, beyond the already mentioned necessities of counterbalancing China's growing influence and reassuring regional allies, it also offered the possibility to redefine the relationship with the Association of Southeast Asian Nations (ASEAN), with which there had been deep diversity of visions regarding Myanmar

After China joined ASEAN as a dialogue partner in 1992, ASEAN-China ties quickly and positively developed. This sentiment of friendship, however, began to unravel after the progressive deterioration in the relations caused by the maritime disputes in the South China Sea in the last three years. China has started to become more assertive, baring teeth, while ASEAN has become progressively more fragmented because of the divergent individual interests with China of the member nations. In the context of the insecurity of ASEAN's conflicting parties in the South China Sea disputes, the U.S. has played a relevant role as guarantor of freedom of the sea lanes of trade and communication. After 2009, when Secretary of State Clinton signed the Treaty of Amity and Cooperation in Southeast Asia (TAC) on behalf of the U.S., Washington's posture and views pertaining to ASEAN began to be taken more seriously in the region. China, which used to receive a preferential treatment from ASEAN members, was "downgraded" to an ordinary dialogue partner. On Myanmar's side, this meant the beginning of a process of "emancipation" from China, which became tangible with the halt of the construction of Myitsone Dam in Kachin state (in November 2011). This has not only shown a new Myanmar's attitude towards China, but has also instilled more confidence to other members of the ASEAN to stand up against China, as Vietnam and the Philippines have demonstrated with regards to disputed maritime areas.<sup>61</sup>

The new American attitude culminated, symbolically, in the warm hug the two Noble Peace Prize Winners, President Obama and Burmese opposition leader, Aung San Suu Kyi, exchanged in November 2012, during the brief, historic, first visit of an American president to Yangon. It goes without saying that the modification of the Burmese political scenario contributed to this rapprochement: a series of important reforms were started by Prime Minister Thein Sein, later elected president at the beginning of 2011, and included the release from house arrest of Aung San Suu Kyi, the release of thousands of other political prisoners, the reduction of censorship of the media, the removal of some trade restrictions. The main reasons why this deep reformist efforts were initiated were twofold: regarding the domestic situation, the humiliation felt by Burma's manifest backwardness during regional meetings with its more prosperous regional neighbors played an important role, as well as, externally, the aspiration to temper Beijing's pervasive influence in the country, by reaching other relevant diplomatic actors. As far as bilateral relation with Washington are concerned, Burmese officials knew that a process of growth could be brought about only

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<sup>60</sup> W. Lohman, 'Assessing the Asia Pivot', *The Journal of International Security Affairs*, Spring-Summer, 22, 2012.

<sup>61</sup> K. Chongkittavorn, "Rebalancing US Strategies in Asia", *Asian Conflicts Reports*, Council for Asian Transnational Threats Research, February, 2013.

through the lifting of U.S. sanctions; on the other side, U.S. was able to persuade Thein Sein that sanctions could be revoked only after having ignited a mature process of democratic reforms and national reconciliation with the political opposition.

President Obama remarked the importance of sustaining the democratic process in Myanmar, and promised this would lead to a continuous support, even from the financial point of view, from the U.S., signaling the intention to be one of Myanmar's lead aid donors. During the historic visit in November 2012, Obama announced a program of \$170 million for the next two years, aimed at expanding American involvement into agriculture and food security, transparent governance, peace and reconciliation, prosperity, and higher education. This "offer" may probably be considered highly advantageous from both actors: Myanmar can thus find a way out of the backwardness and break the chain of dependency from Beijing; the U.S. is playing this game to bring Myanmar again on the proscenium of the international community, grabbing it from the hands of China, and to counter Beijing on Naypyidaw, especially in view of Myanmar's role as the chair of ASEAN in 2014. Last year (2012), at the East Asian Summit some tension and acrimony became palpable when Cambodia, chair nation, was accused of wanting to block – in the name of Beijing – any talk on the South China Sea. Washington does not want to incur again in this kind of situation, and having Myanmar under its umbrella could be a positive acquisition.

This re-engagement with the U.S. has meant a boost in confidence for the new Burmese government. The suspension of the construction of the Myitsone dam – a huge Chinese hydropower project – formally due to the protests about the potential negative environmental impact of the infrastructure, clearly shows this new inclination. In addition, many opposition members have seen in the rapprochement with the U.S. a strong support of their continuous struggle for democracy and, possibly, also a form of protection against China, an actor who had constantly supported the military junta in the crackdown of antagonist movements. Recently, protests have originated in upper Myanmar against a copper mine, which is a Chinese joint venture with the military owned conglomerate, the Union of Myanmar Economic Holding. Residents' land was confiscated for the implementation of the project, and the environmental consequences could be severe. Security officials recently staged a dawn attack against the demonstrators – in large part Buddhist monks and local residents – just before Aung San Suu Kyi's visit. Many Burmese, worried by the growing land confiscation, consider U.S. involvement in Myanmar as potentially leading to highly positive outcomes.

However, there are still some challenges to the future of relations between U.S. and Myanmar, as it was recalled by President Obama during Thein Sein's visit to the White House in May 2013. The main issues regard political prisoners, the process of reconciliation with ethnic minority groups, and the end to all military relations with North Korea.

## INTERPRETING MYANMAR'S STRATEGIC REPOSITIONING BETWEEN WASHINGTON AND BEIJING: HEDGING IN SEARCH OF A NEW AGE OF NON-ALIGNMENT

Over the last decade, a broadening number of IR scholars has provided various appraisals regarding East Asian secondary states' responses toward China's rise, drawing inspiration from a variety of different perspectives. Among them, David C. Kang for example argues that a vast majority of regional actors has positively welcomed the PRC's return as a pivotal Asian power, emphasizing the relevance of cultural and historical legacies of Sino-centric hierarchy which structured the region throughout many centuries, as well as the importance of burgeoning economic engagement between Beijing and Asian secondary powers, as a signal of their bandwagoning aptitude vis-à-vis a rising China.<sup>62</sup>

Others have extensively scrutinized this interpretation, rejecting the traditional and dichotomous framework that summarizes East Asian states' response to China as accommodation vs. balancing.<sup>63</sup> According to them, such a rigid distinction is becoming increasingly unfit to grasp the essence of Asian contemporary relations between small and great powers, which, on the contrary, are marked by a more nuanced approach, capable of combining an high degree of cooperation with the rising and potentially threatening actor, while, at the same time, relying on others poles of the system for security imperatives.

In light of the specific meaning of 'hedging strategy', extensively examined in the opening paragraph, our main argument here is that the ongoing rapprochement pursued by Myanmar with several regional and Western countries reflects a deliberate effort from the newly elected civilian government of restoring its traditional non-aligned diplomacy, by employing hedging strategies as the prevalent pattern of interaction with great powers and, in particular, China. To a large extent, these efforts have been triggered by an external prerequisite, namely the American review of the long-standing policy towards Myanmar, that since 1988 has been based on the goal of regime change and pursued through sanctions and international isolation. As a result, American overtures thus enabled the progressive re-establishment in Naypyidaw of a multidirectional foreign policy, pointed not only to the U.S., but also to India, Japan, the E.U. and several ASEAN states, with the ultimate goal of tempering the PRC's ubiquitous presence in the country.

Such a renewed research of international breathing space, in addition, seems highly coherent with the diplomatic tradition of autonomy and non-alignment which shaped Burmese foreign relations since the independence in 1948. At that time, Prime Minister U Nu elucidated in a famous speech the basic pillars of this approach, acknowledging that the country had to manage a complex mix of external and internal political-security pressures.<sup>64</sup> According to him *'our circumstances demand that we follow an independent*

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<sup>62</sup> D.C. Kang, 'Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations', *International Security*, Vol. 28, No. 3 (2004), pp. 173-180

<sup>63</sup> D. Roy, 'Southeast Asia and China: Balancing or Bandwagoning?', *Contemporary Southeast Asia* 27, no. 2 (2005), pp. 305-312

<sup>64</sup> J. Haacke, 'Myanmar: Now a Site for Sino-US Geopolitical Competition?', *LSE IDEAS Special Reports* (2012), p. 58

course and not ally ourselves with any power bloc [...]Burma must be friendly with all foreign countries. Our tiny nation cannot have the effrontery to quarrel with any power. A small, weak nation like ours, howsoever we strengthen our defences, can never successfully defend ourselves alone [...] Take a glance at our geographical position, we are hemmed in like a tender gourd among the cactus. We cannot move an inch.'<sup>65</sup> U Nu's blueprint has been followed by Burmese rulers over four decades, in the parliamentary period (1948-1962), as well as after Ne Win's coup, which inaugurated a long era of military rule under Burma's Socialist Party Programme (1962-1988), drawing strength from the emergence of the Non-Aligned Movement in the Bandung conference of 1955 and from the election of the Burmese diplomat U Thant as Secretary General of the U.N. in 1961.

In the aftermath of the 1988 uprisings, as could be expected, these continuous efforts of protecting a certain degree of manoeuvre in the international arena were drastically interrupted, forcing Naypyidaw to seek protection in China's shadow. Afterwards, *'the top military leadership clearly found it difficult to balance ties with China by building a better relationship with the United States for as long as the George W. Bush administration was in power, although the SPDC's interest in a dialogue with Washington was communicated both before and after the completion of its political roadmap in September 2007'*.<sup>66</sup> Consequently, over the last decade Sino-Myanmar relations have rapidly flourished, pushing a growing number of observers to categorize Myanmar as a Chinese client-state and as a textbook example of bandwagoning behavior.<sup>67</sup> Indeed, if we consider bandwagoning as a vague strategy of alignment with a rising great power instead of balancing against it, there is little doubt that, at a first glance, Burmese foreign relations in the 1988-2009 period should be ascribed to this category.

According to the existing literature regarding bandwagoning, however, a state can choose to bandwagon either for a defensive purpose, in the effort of attenuating an immediate threat, or in light of a 'profit-seeking' behavior, betting on the 'winning horse' in the hope of realizing economic and political gains.<sup>68</sup> Under the first and more traditional definition, in order to have a bandwagoning strategy a clear perception of the risk of being attacked must be present, which seems not the case of Sino-Myanmar relations since 1988, characterized by vast Chinese reassurances with the aim of restoring the *'Pauk Phaw's* spirit, thus defusing the so-called 'China threat theories'. On regional terms too, Beijing's rise is widely considered as a challenge, not as a threat, and Southeast Asian security discourses are more likely to refer to the 'challenges' or 'concerns' an increasingly powerful China poses to the regional environment.<sup>69</sup> Even more importantly, a shared

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<sup>65</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 12

<sup>66</sup> J. Haacke, 'Myanmar: Now a Site for Sino-US Geopolitical Competition?', LSE IDEAS Special Reports (2012), p. 59

<sup>67</sup> M. Osbourne, 'The Paramount Power: China And The Countries Of Southeast Asia', Lowy Institute Paper 11 (2006), pp. 26-29

<sup>68</sup> R. Schweller, 'Bandwagoning for Profit: Bringing the Revisionist State Back In', *International Security*, Vol. 19 No. 1 (1994), pp. 72-107

<sup>69</sup> Tan S.S., 'The Role of Knowledge Communities in Constructing Asia-Pacific Security: How Thought and Talk Make War and Peace', Edwin Mellen Press, 2006.



belief that positive engagement can transform an uncertain relationship into a mutually beneficial one has gradually emerged.<sup>70</sup>

Alternatively, if we adopt the second definition of 'profit-seeking' bandwagoning, divorcing it from security imperatives and alignments, such notion risks to appear a mere synonym of economic engagement, as in the case of the already mentioned contributions by David D. Kang. Hence, growing bilateral trade volumes and investment cannot reflect a clear evidence for bandwagoning by Asian countries, in order not to confuse it with economic self-interest.<sup>71</sup> As far as Naypyidaw is concerned, as brilliantly argued by Denny Roy, *'if the evidence does not suggest a determination by Myanmar's government that aligning itself with the Chinese is necessary to protect itself from the threat of a powerful China, we cannot conclude that this is a case of bandwagoning for survival. Furthermore, Yangon cannot be said to have "joined the winning side" if Myanmar had no real opportunity to choose sides'*.<sup>72</sup>

If the definition of bandwagoning ultimately fails to grasp the real nature of Sino-Myanmar relations under the military junta, it seems even more unsuited for describing what happened in the aftermath of its dissolution, when Burmese officials began to mutually engage their American, Japanese and Indian counterparts seeking to strike a better balance in the country's foreign policy vis-à-vis great powers, after two decades of international isolation and forced reliance on Beijing. Far from openly confront or even upset China, Naypyidaw began to hedge the risks of such an intimate and exclusive relation, expanding high-level contacts and areas of mutual interests with several other poles of the system. In other words, this nuanced approach was expected to maximize the benefits of maintaining a close and cordial relation with the rising power and, simultaneously, to eliminate or at least reduce the potentially disruptive effects of its ascent.

The strategy was implemented through both bilateral and multilateral channels, as in the case of ASEAN. Since its admission in 1997, pursued by both ASEAN member states and Burmese government with the goal of tempering Myanmar's overdependence on China, the Association of Southeast Asian Nations has de facto represented a fundamental international venue for Naypyidaw, which will assume its first chairmanship in 2014.<sup>73</sup> In particular, it turned out to be a prerequisite for the implementation of the first branch of such a two-pronged hedging blueprint, which prescribes to deeply socialize China in the regional environment, enmeshing the PRC in a growing network of rules, practices and institutions while rewarding its growing compliance and inclusion within these mechanisms.

As long as bilateral interactions are concerned, the ongoing détente with Washington prompted not only the basic preconditions for advancing risk-contingency measures as the second set of hedging policies, but also international legitimacy regarding the newly

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<sup>70</sup> A.D. Ba, 'A New History? The Structure and Process of Southeast Asia's Relations with a Rising China', p.196-198. In: M. Beeson et al., 'Contemporary Southeast Asia', 2nd Edition, Palgrave, 2008

<sup>71</sup> A. Acharya, 'Will Asia's Past Be Its Future?', International Security, Vol. 28, No. 3 (2004), p.151

<sup>72</sup> D. Roy, 'Southeast Asia and China: Balancing or Bandwagoning?', Contemporary Southeast Asia 27, no. 2 (2005), p.319

<sup>73</sup> A.D.B. Cook, 'Myanmar's China Policy: Agendas, Strategies and Challenges', China Report, vol. 48 no. 3 (August 2012), p. 271

elected government and the Burmese internal transition on the whole, casting aside the ordinary representations of the country as a *pariah* state and facilitating the re-establishing of cooperative ties with several regional and global powers.<sup>74</sup> Japan, for example, following U.S. overtures is embarking on an ambitious plan of economic engagement, which has been warmly welcomed by Burmese officials: in May 2013, during Prime Minister Abe's meeting with Thein Sein, Tokyo has thus extended its first loan to Myanmar in 26 years, canceling also the remainder of the country's debt. One month earlier the EU had lifted all residual economic and individual sanctions targeted at Naypyidaw, in response to political reforms. India, for its part, as one of the first to identify China's influence in Myanmar, represents an early advocate of engagement approach vis-à-vis the Burmese regime, having employed it since the death of Rajiv Gandhi in 1993 and the profound reassessment of New Delhi's regional diplomacy.<sup>75</sup>

More importantly, the omnidirectional efforts pursued by Myanmar affected also the security dimension, proving that an hedging attempt regarding Tatmadaw's overdependence on China is under way. In this specific area, Naypyidaw tried to diversify its partners even during the period of isolation, relying in particular on Russia for military sales and assistance.<sup>76</sup> Nowadays, however, new avenues of military cooperation are gradually available, as in the case of the first Burmese participation (as an observer) at the 2013 edition of the Cobra Gold exercise, the largest multilateral exercise conducted by the US and its allies in the Asia-Pacific. In the same way, the Burmese ports of Sittwe and Dawei have been recently opened for the use of the Indian navy, after a first historic port-call by a Chinese vessel in 2010.

In the eyes of Beijing, which officially reiterates its strong interest in a 'peaceful, stable, independent and prosperous Myanmar', the Obama administration's shift was initially considered as a positive sign, both for the regional environment and Burmese economic recovery.<sup>77</sup> Behind the scenes, the PRC had de facto tried to re-launch dialogue between the two sides since 2007, but the unexpected pace of improvements in recent US-Myanmar relations would seem to have left many observers in Beijing both startled and concerned, especially after the Myitsone project suspension.<sup>78</sup> Following this decision, however, far from pulling back, Beijing revised several fundamental aspects of its ties with Naypyidaw, warning its companies of the rising political risk against Chinese investment in the country, contrasting the mercantilist 'Wild-West' mentality of the previous phases, establishing historical relations with the democratic oppositions and deploying soft power tools with the goal of improving its image with local communities.<sup>79</sup>

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<sup>74</sup> J. Haacke, 'Myanmar: Now a Site for Sino-US Geopolitical Competition?', LSE IDEAS Special Reports (2012), p. 59

<sup>75</sup> D.I. Steinberg and Fan H., 'Modern China-Myanmar Relations: Dilemmas of Mutual Dependence', Nordic Institute of Asian Studies Press, 2012, p. 321

<sup>76</sup> S.W. Kyaw, 'Myanmar's Strategic Realignment', RSIS Commentary no. 170, November 2011, p. 2

<sup>77</sup> Sun Y., 'China's Strategic Misjudgment on Myanmar', Journal of Current Southeast Asian Affairs, Vol. 31 No. 1, p. 89

<sup>78</sup> J. Haacke, 'Myanmar: Now a Site for Sino-US Geopolitical Competition?', LSE IDEAS Special Reports (2012), p. 56.

<sup>79</sup> Sun Y., 'China and the Changing Myanmar', Journal of Current Southeast Asian Affairs, Vol. 31 No. 4 (2012), p. 52

Overall, notwithstanding a persistent and, to a large extent, natural asymmetry in contemporary Sino-Myanmar ties, in recent years Naypyidaw performed remarkably well in regaining some leverage in the relationship, particularly after the implementation of internal reforms and the shift in U.S. regional strategies. Hedging, thus, provides an important framework in the effort of interpreting current overtures between Washington and Naypyidaw, as well as a useful tool to strike a better balance in secondary states' relations with great powers. In the Burmese case, a key geo-strategic position and the country's abundance of natural resources have certainly facilitated this process, which clearly is still in a state of flux. Nevertheless, to carefully manage this delicate triangular relation, Myanmar needs to further advance its domestic reform agenda, making it compatible with such an evolving foreign policy. As could be expected, China will continue to play a crucial role in the country, and what U.S. diplomats see as a 'victory of the first stage'<sup>80</sup>, hence, can easily transform itself in a significant setback if the three sides will resort to a 'zero-sum' mentality in their mutual interactions.

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<sup>80</sup> Ivi, p. 60