

Myanmar – Winds of Change and Opportunity

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Introduction

The winds of change are finally blowing in Myanmar, formerly Burma, a country ruled by the military junta from 1962 onwards. The changes began in 2011 when a reformist and quasi-civilian government led by President Thein Sein took office ending the five decades authoritarian military rule. While the new government aims to end its isolation and secure investment from foreign governments, this latest *democracy-in-making* is being embraced by the US and wooed by China and India. The international community, always eager in search of rogue regimes behaving well, is flocking to Myanmar to convey their approval. A string of western politicians including the US Secretary of State Hillary Clinton and British Prime Minister David Cameron have recently travelled to Myanmar. In April 2012, UN Secretary-General Ban Ki Moon made his first-ever visit to Myanmar to encourage its Government to carry out more democratic reforms and sign peace deals with ethnic rebel groups. The trip of the UN Secretary General coincided with a visit by EU foreign policy chief Catherine Ashton to open a “new chapter” of relations as European firms seek a share of Myanmar’s vast untapped natural reserves.

The USA, mindful of China’s growing economic, military and political presence in Myanmar, has shifted its hard-line stance. During Hillary Clinton’s visit in December 2011, several initiatives were announced including removal of some curbs on foreign aid and the possibility of full diplomatic relations. The US did not have an overnight change of heart. The US interest in Myanmar should be seen in the backdrop of America reinserting itself as a key player in Asia-Pacific, becoming a counterweight to a rising and assertive China, and rallying Asian countries under the banner of

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the Stars and Stripes.¹ Myanmar will host the next meeting of ASEAN heads and the East Asia Summit in 2014 when it assumes the presidency of the body. These changes in Myanmar present unique challenges as well as opportunities for India and have the potential to transform the economic and social life of India's East and Northeast.

India's Road to Mandalay

Policy Swings

The relations with Myanmar date back to the third century BC, when Buddhism reached Myanmar from India. By the late 1920s, as the Burmese economy grew, there was an influx of labour as well as entrepreneurs from India, turning Rangoon into an 'Indian city'. However, about 400,000 Indians were compelled to leave in 1964 following the ultra-nationalist army regime coming to power in 1962. Over the years, the vacuum created by the Indians was filled by the Chinese, who rode on the military junta embracing China, post the 1988 events. Our policies did nothing to prevent it. Immediately after the 1988 pro-democracy uprising, India sympathised with the opposition, with the then PM Rajiv Gandhi coming out in open support of the movement. Incidentally, he was also the last Indian PM to visit Myanmar in 1987. Consequently, New Delhi implemented policies that gave shelter to Myanmar refugees and allowed dissidents to operate freely from Indian territory.

In 1993, India began to re-evaluate that strategy out of concern that its policies had achieved little except to push Myanmar closer to Beijing. The result was a shift in policy aimed at patching up relations with Myanmar's ruling generals.² Myanmar reciprocated by improving bilateral relations to lessen its over-dependence on China. In 1995, a joint operation known as *Operation Golden Bird*, aimed at flushing out United Liberation Front of Assam (ULFA), National Socialist Council of Nagaland (NSCN) and Manipuri insurgents in camps along the border with Mizoram, ended abruptly after 44 days when Myanmar withdrew its troops as New Delhi presented the Jawaharlal Nehru Award for International Understanding to Suu Kyi while the operation was still underway. In 2008, India suspended military aid, mainly 75/24 howitzers, 105 mm guns, T-55 tanks and BN-2 'Defender' Islander maritime

surveillance aircraft³ to Myanmar over the issue of human rights abuses by the ruling junta, although it preserved extensive commercial ties which provided the regime with much needed revenue.⁴ In the last few years, India has again renewed its ties with the junta and rolled-out the red-carpet, whenever the Generals came to New Delhi. Myanmar played along as it hoped that competition between the two Asian rivals will earn it a better deal for resources such as gas and access to the Indian Ocean from its shores, for which China had so far paid bottom-dollar.⁵

Look East Policy

The '*Look East*' policy of India, launched in 1991, was a timely policy shift aimed at expanding Indian trade, investment and influence to the East. This policy signified the Indian hope for the idea of an Asian century but the policy was actually developed to focus on relations with its Asian neighbours after the demise of the Soviet Union. Myanmar is critical to this policy which, by the way, the US wants to become '*Act East*' policy, to counter China. Myanmar is now a different country and a natural bridge between India and ASEAN – with which India hopes to achieve a bilateral trade target of US \$ 70 billion by end 2012.

Myanmar is India's land link to Thailand, Laos and other South East Asian countries like Vietnam which has already given India the right to use its southern port of Nha Trang, against the wishes of the Chinese. Myanmar is thus vital from the angle of trade, transport, energy and security. However, beyond the usual rhetoric, the '*Look East*' policy is yet to take a concrete shape. In 2010, the Indian government took ambassadors of ASEAN countries on a road trip from Imphal to Moreh on the Myanmar border to showcase the emerging Indian land bridge to Southeast Asia. The trip was high on talks of possibilities but the lack of physical infrastructure and the deplorable condition of the road shadowed the event. India needs to address its Northeast, unless the trucks crossing into Manipur from ASEAN countries are met with indefinite blockades which regularly plague the state or with one or the other insurgent groups collecting "taxes" on the roads.

Assistance and Trade

India's main interests in Myanmar are: to establish a land link to markets and trading partners in Southeast Asia, ensuring that

Northeastern insurgents are deprived of sanctuaries and supply lines through Myanmar and minimising the Chinese influence in our immediate neighbourhood. Further, India is concerned about Pakistan's long standing military ties with Myanmar to whom it had supplied several shiploads of ordnance and military hardware like 106 mm M-40 recoilless rifles over the past decade. India's rapidly expanding economy needs energy which demands more import of oil and gas from Myanmar. The trade between India and Myanmar is booming. Bilateral trade more than doubled between 2005 and 2010, expanding from US \$ 557 million to US \$ 1.2 billion. Myanmar ships mainly agricultural goods and natural resources, while India exports chiefly machinery, industrial equipment, pharmaceuticals and consumer goods.

In October 2011, New Delhi announced it was lending US \$ 500 million to Myanmar to help develop projects including irrigation works. India has plans to build a 1,200 megawatt hydroelectric power station on the Chindwin River. The 160 km India-Myanmar Friendship road in Myanmar from Tamu to Kalembo to Kalewa was completed by Border Roads Organisation in 2001. It linked Moreh in Manipur to Central Myanmar and onwards to Mandalay. Another important road project, first mooted during Narasimha Rao's government, is the Mekong-Ganga project, a road highway plan intended to connect India with five countries on the banks of the Mekong River - Cambodia, Laos, Thailand and Vietnam, apart from Myanmar.⁶ The project is still in planning stage. In 2008, India had agreed to finance and carry out the US \$ 110 million project to develop Myanmar's Sittwe port in western Rakhine state. The project remained in planning stage and only recently the Essar Group began work on the port and dredging the Kaladan River. By 2013, Essar will make the 225 km of Kaladan River from Sittwe to Setpyitpyin navigable. This shall enable India to ship goods from Kolkata to Sittwe, a sea distance of only 539 km,⁷ where they can then travel up-river into Myanmar or to Northeastern states of India, thus improving connectivity between mainland India and the Northeast.

Rebel Sanctuaries

The states of Mizoram, Manipur, Nagaland and Arunachal Pradesh share a 1,643 km porous, unfenced and thinly guarded border with Myanmar. Consequently, almost all rebel groups of the Northeast

maintain sanctuaries in remote areas on the Myanmar side of the border. Many parts of North and Northwest Myanmar bordering India are not quite in control of Naypyidaw (the new Capital City) and are at best loosely administered. The policy of Myanmar towards Indian insurgent groups has been mixed. At times, the insurgent outfits were actively supported by Myanmar as a counter to India's support for pro-democracy activists in Myanmar, but as such Myanmar has never had an inimical attitude towards India in terms of supporting insurgent groups despite Chin, Mizo and Kachin ethnic groups being spread on both sides of the border.

In 1980, it was a 'splinter group', led by Thuingaleng Muivah, Isak Chisi Swu and SS Khaplang, which opposed the 1975 Shillong Accord, and launched the dreaded NSCN from its bases inside Myanmar. Similarly, from 1988 onwards, the ULFA started sending its cadres for advanced "military training" at the hands of the Kachin Independence Army (KIA), a rebel group in Myanmar.⁸ Soon the Manipuri insurgent groups like People Liberation Army (PLA) and United National Liberation Front (UNLF) and other smaller ethnic-based groups of Kukis and Zomis had set up camps in Sagaing Division as well as in Kachin and Chin States. Despite this large number of armed insurgents on its western border, the Myanmar Army (MA) has paid lesser attention to this area compared to its eastern and northern borders with Thailand and China with the only exception being the NSCN (K) faction in Sagaing whom MA has attacked as recently as November 2009. This, however, reflects the general view that the NSCN's aim of a '*Greater Nagalim*' (including large areas of Myanmar) is a direct threat to Myanmar's national integrity.⁹

All these rebel groups obtain weapons from various clandestine sources on the Sino-Myanmar border. Some of these weapons originate in China's Yunnan province while others are made in secret gun factories in areas in Northeastern Myanmar. Myanmar is the corridor to Yunnan where a low-profile Chinese organisation known as 'Five Tigers' organises arms deal with state run Chinese companies like Norinco. Another known source is the United Wa State Army which has acted as a broker for Chinese-produced arms as well as selling weapons from their own arms factory near Panghsang on the China border.¹⁰ India's lack of influence with China means, strategic engagement with Naypyidaw is its only pressure point in putting a stop to the arms trafficking.

In September 2011, the MA launched military action against insurgent camps in Sagaing province, before the visit of the new President Sein to India. New Delhi has often mooted the idea of a joint military operation against the anti-India insurgents who are increasingly using Myanmar as a base after Bhutan and later Bangladesh had cracked down on them.¹¹

Chinese Interests

Trade and Ties

Sino-Myanmar ties have seen few ups and downs. Anti-Chinese riots erupted in the 1960s and for years afterwards China supported communist guerrillas in the Northern hills. But after the US imposed sanctions on the country, following a military crackdown on student-led democracy protests in 1988, the Chinese, with their belief '*The helmsman must ride with the waves*' stepped into Myanmar. Soon Myanmar slipped deep into China's embrace. China today accounts for two-thirds of investment in Myanmar and almost half of its bilateral trade. Most of the markets in Mandalay and Yangon are lined with Chinese-made clothes, appliances and cosmetics while Myanmar itself has become a transit point for goods produced in southern China to markets in South Asia. Since an agreement in 1988, Myanmar acts as a trading outlet to the Indian Ocean for the Chinese landlocked inland provinces of Yunnan and Sichuan with railheads of Myitkyina and Lashio in Northeastern Myanmar and the Irrawaddy River as the main routes. In 2010, trade between Myanmar and China amounted to US \$ 3 billion, with some analysts putting the figure as high as US \$ 4 billion. Chinese money is financing new ports, highways and dams across the resource-rich country of 50 million people. Those projects underpin more than US \$ 14 billion of pledged Chinese investment for 2011-12, making China by far the biggest investor in Myanmar.¹²

However, cracks have started to appear in the Sino-Myanmar ties and today Myanmar is no longer seen as a client state of China. Thousands of illegal Chinese immigrants have moved across the border over the past ten years and taken over local businesses in Northern Myanmar, causing friction with the local population. In fact, most of the Chinese forays into Myanmar have often been exploitative – no local jobs have been created, the jade mines of Kachin Hills have been denuded while many endangered

species of Myanmar find their way to China as exotic food and ingredients for Chinese medicines. According to Srinath Raghavan, a Senior Fellow at the New Delhi based Centre for Policy Research; Myanmar's generals are worried that China's focus on resources is not creating employment. In September 2011, President Sein shocked Beijing by shelving a US \$ 3.6 billion dam project, notwithstanding the hefty cancellation fee of US \$ 42.5 million, which would have supplied almost no domestic electricity (sending most of it to China) and had displaced thousands of people.

Malacca Dilemma

China imports most of its oil and gas from Central Asia and the Middle East and had indicated that it intended to build a pipeline through Myanmar to avoid the potentially volatile Strait of Malacca. For this purpose, and to import natural gas from the offshore Shwe fields in the sea south of Myanmar, China and Myanmar signed an agreement in March 2009 to build a natural gas pipeline extending across Myanmar to China's Yunnan province.¹³ The pipeline commences from the Rakhine coast and the construction is in full swing. This not only eliminates 5000 km of sea travel through the clogged Malacca Strait but Chinese-built ports enable Beijing to have two-ocean strategy – with access to both the South China Sea and the Indian Ocean. This will partly resolve, what President Hu Jintao in 2003 called '*The Malacca Dilemma*', referring to China's dependence on the Straits of Malacca as its primary energy transit route. The Dragon is apparently winning the infrastructure race. Indian companies, mainly Essar and ONGC Videsh, have a 30 per cent stake in two gas blocks in the offshore Shwe fields, but in 2007 Myanmar chose to sell the gas produced there to China. Therefore, the Indian companies prospecting for gas will have to use this pipeline to sell gas to China because plans to build a similar India-Myanmar pipeline have so far not materialised. The Chinese are also involved in the building of a Special Tax-free Export Zone around the port of Yangon. There are also reports that a highway linking Bangladesh, Myanmar and China is being planned by the Chinese for enhancing cooperation among the eastern countries.

Chinese Security Calculus

The Chinese Strategists see Myanmar occupying the same place in the Chinese calculus of deterrence *vis-à-vis* India in South–

Southeast Asia that Pakistan does in South-Southwest Asia.¹⁴ Accordingly, Myanmar has now become a major recipient of Chinese military hardware and a springboard for projecting Chinese military power in the region. By late 1991, Chinese military advisers had arrived in Myanmar, making them the first foreign military personnel to be stationed there since the 1950s. China soon supplied the much needed military hardware - Type 6911 medium battle tanks, HN-5 surface-to-air missiles, Chengdu F-7M Air Guard jet fighters, A-5M Ground-Attack aircraft, SAC Y-81 transport aircrafts and Hainan-class patrol boats. China and Myanmar have pledged to share intelligence of potential use to both countries. This is of particular concern to India as China has upgraded many of Myanmar's naval facilities, with possibly Chinese intelligence personnel manning them or providing 'technical support'. These facilities include four electronic listening posts along the Bay of Bengal and in the Andaman Sea: Man-aung, Hainggyi, Zadetkyi Island and the strategically important Coco Islands which is just 30 km north of India's Andaman Islands. There is also a Chinese-built radar station on Saganthit Island near Mergui in south-eastern Myanmar.¹⁵

Emerging Opportunities

Whenever India shall look East, the first country is Myanmar. In the days to come, it seems probable that Suu Kyi may work within the military-ordained system with an aim to ultimately democratise it while the junta-backed civilian government will back away from China. This would create multiple trading opportunities and an immense potential for closer ties with India. Already, Yangon's roughly 170 hotels are filled with potential investors, foreign government delegations and tourists. The country is seeking to privatise its railroads and is continuing a programme to sell state-owned real estate. The Government is likely to issue licenses for car showrooms and allow the import of newer models.¹⁶ These cars could be made in Gurgaon or Chennai, if not Guwahati. India could also set up a Special Economic Zone (SEZ) at Sittwe where there is already a presence. This SEZ shall provide an avenue for utilisation of the gas from the exploration blocks of ONGC Videsh and Essar. The power for the industries in the SEZ could be supplied from the two hydropower projects that India is involved in Tamanthi and Shwezaye.¹⁷

While possibilities are immense, lethargy can be costly. China is already in the process of creating extensive dual-use transport and economic connectivity infrastructure in Myanmar. India needs to counter this by a string of non-exploitative investments while engaging the Myanmar government not to grant any projects to the Chinese firms or citizens in the area West of Irrawaddy River – the Indian '*red line*'. Similarly, India may enhance its defence cooperation with Myanmar and insist on MA evicting Indian insurgents from its soil. The loss of sanctuaries in Northwestern Myanmar would be profound considering that the insurgent groups have already lost safe havens in Bhutan and Bangladesh. Though India is widely regarded as an emerging power; but for India to be taken seriously, an essential prerequisite is that it should command influence and respect in our neighbourhood. While India cannot do much in respect of inducing changes in the hardened policy orientations of China or Pakistan, Myanmar presents emerging opportunities.

Conclusion

India has a unique opportunity in Myanmar. India has long seen merit in engaging rather than proscribing Myanmar and, therefore, the Indian gestures towards Myanmar have been met more than half-way by Myanmar. When the deadly tropical cyclone Nargis hit Myanmar in mid-2008, the US packed its first relief convoy with Marines which promptly made Myanmar turn down the offer. In contrast, the Indian medical teams, even though drawn from the military, were allowed to venture deep into the country and requested to extend their stay. Today, both the crucial players – the generals in civilian clothes and Suu Kyi who went to school and college in India – look towards India for something more than counterbalancing China. Therefore, India needs to embrace the changing Myanmar and engage the various stake-holders, besides initiating Myanmar in the folds of SAARC. The US \$ 110 million Sittwe Port and transport hub which India is building on Myanmar's West coast is still unfinished while China has finalised plans to build a much larger deep-water port at Kyauk Phyu just a few miles away. While we cannot build it overnight, for a beginning, the pot-holes on the road to Moreh can be filled.

Endnotes

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