

# Burmese Days

By Kit Dawngay

**The spate of reforms implemented in recent months by the government of Burma has raised the prospects of the country returning from pariah status. The changes have been dramatic, and highlight broader concerns about regional security.**

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SINCE taking office in March 2011, Burmese President Thein Sein has released Nobel Prize winner Aung San Suu Kyi from house arrest, introduced new rights for workers, freed political prisoners, entered into talks with the International Monetary Fund (IMF) about its exchange rate regime, commenced ceasefire negotiations with minority armies and prepared by-elections for April – polls which should return Aung San Suu Kyi to parliament.

In exchange, Burma is rejoining the international community. The Association of South East Asian Nations (ASEAN) acceded in November 2011 to Napyidaw's request that it chair the body in 2014, a proposition once unthinkable in light of US opposition. US Secretary of State Hilary Clinton then visited the country in December, meeting both Thein Sein and Aung San Suu Kyi. ASEAN members such as Singapore and the Philippines have also called for an end to the US and EU sanctions regimes. The US has lifted some sanctions, although the most biting, such as the 2008 Burmese JADE Act, remain in force. Andreas Piebalgs, the European Commissioner for International Development, also announced in February 2012 a EUR150 million commitment to Burmese development over the next two years.

The speed of the reforms, though, has raised doubts. The new regime has a strong flavour of the old. The 2008 constitution enshrines the Tatmadaw (the army) in government. A quarter of the seats in parliament are reserved to soldiers, a National Defence and Security Council injects military influence into policymaking (recalling Pakistan and Turkey), and the defence budget will absorb 14.4% of government spending in 2012. The "new" leaders are soldiers, with both Thein Sein and Vice-President Tin Aung Myint Oo, a particularly reactionary general, simply slipping off their uniforms. Than Shwe, the former overall leader, retains considerable influence. Accordingly, some commentators fear the reforms are simply a charade, while others raise concerns of a conservative backlash if they are not.

In the interim, though, the race to enter the market is on, and the prospects look good. Investment into Burma increased from US\$300 million in 2010 to over US\$20 billion in 2011. Revenues from gas sales to Thailand amount to about US\$2.5 billion a year, and may climb to US\$5 billion by 2015, improving government solvency. One core initiative is the US\$50 billion Dawei plan, which will see the development of a transport corridor across South East Asia. The Dawei plan is comprised of three phases:

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a major infrastructure development effort from 2010 to 2015, worth about US\$8.6 billion, by the Italian-Thai Development Company; the construction of Dawei port; and the establishment of an industrial estate costing up to US\$1.3 billion in a free trade zone. Sectors such as timber, oil and gas, rice and gems all look enticing.

The road to Burma is not necessarily paved with gold, of course. New entrants to the market must compete with established investors, such as those hailing from China, which in 2010 traded to the tune of US\$4.4 billion with Burma, and invested more than US\$9.6 billion in the country between 1988 and 2010. India is another competitor. Perhaps the most intense pressure, though, will come from Singaporean, South Korean and Thai companies, with groups like Samsung enjoying both experience of Burma and intrinsic commercial strength. Furthermore, corruption is a huge impediment to companies obliged to conform to the Foreign Corrupt Practices Act or similar legislation. And yet a difficult business climate is still preferable to a closed door.

Hopes for commerce, though, should not ignore the strategic risk of doing business in Burma. The US "pivot" towards Asia could ignite regional competition with China. It is worth noting that Burma was an arena for proxy contest during the Cold War, albeit one overshadowed by the Vietnam conflicts. The US supported Guomindang armies in Burma from 1949 until an early 1960s People's Liberation Army (PLA) offensive forced a retreat into Thailand. Beijing backed the Communist Party of Burma in its conflict with the government from 1967 until 1989, the same year that Vietnam pulled out of

Cambodia, reducing regional tensions and facilitating the growth of ASEAN. The divided nature of the region then was clear; South Vietnam, Thailand and the US faced off against North Vietnam, the Soviet Union and, until 1972, China.

Arguably, divisions in continental South East Asia are again becoming discernible, even if they are less overt and more complex than in the Cold War years. One potential camp might include Thailand, a quavering US treaty partner, and Vietnam, which is seeking US support in the South China Sea dispute; and on the other side, Chinese clients Cambodia, Laos and Burma. Beijing may thus see Thein Sein's reforms as part of a US "rollback" strategy, and respond in kind. After all, China has also been flexing muscles. After the murder of 13 Chinese sailors in October 2011, Beijing requested that Vientiane, Napyidaw and Bangkok agree to patrols by the People's Armed Police of lawless stretches of the upper Mekong. China's negotiators dropped their demands in December in light of Thai claims that cross-border patrols would require parliamentary approval, but the request alone points to a new assertiveness. Beijing could take a tougher stance, though, if insecurity continues to plague the rivers, or if Burma moves clearly into an American "camp".

Of course, the region is not divided into two armed stockades as in the 1970s. By contrast, all states seek to hedge between the US and China. Furthermore, economic links, both within the region and between the US and China, may mitigate against a major contest of wills. Burma's government may thus hope to introduce its reforms and move away from China's orbit at little cost. Yet any deterioration in US-China relations could prompt

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demands for greater loyalty from either great power, heightening the risk of divisions. Accordingly, western companies need to factor in not just the

political risk of a policy reversal in Burma, but also the strategic risk of tensions between the US and China, as they rush to sign deals in Napyidaw.

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