

# **China and the Myanmar dilemma**

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**Acknowledgements**

The author thanks Professor Kerry Brown for giving the opportunity to write this policy brief. The author is grateful for Dr. Bijan Omrani *et al* of the Royal Society for Asian Affairs for helping the her earlier research paper to be published in time prior to the publication of this policy brief. The author is also thankful for the comments provided by Ms. Hannah Bretherton and Dr. Zeno Leoni during the peer-review process.

## Foreword

The military takeover of Myanmar early in 2021 after almost a decade of democratic freedoms came as a brutal shock to the rest of the world. At a time of so much instability and uncertainty, through the 2010s Myanmar's acceptance of elections and multi-party politics was taken as a sign at least of some positive progress for democracies. But through February into March and April 2021, as the army tightened its grip on power, placing former leading politicians under house arrest, rounding up opponents, and generally terrorising the population, the clock was firmly set backwards.

This paper benefits from the author's background, as someone with good knowledge and experience of what she is describing, but also as a student and analyst based in the UK. Her core arguments are about the very real challenges that the recent events in Myanmar have created for the country's neighbours, and in particular for China.

China, as Anna shows, has largely positioned itself as the practitioner of non-interference and non-involvement. Even so, in the last ten years, much to the surprise of many observers, it enjoyed a relatively positive relationship with the government of the newly democratic Myanmar. Ironically, one of the reasons put forward for the coup in 2021 was the fear by the Myanmar military of China becoming over influential and too powerful as an actor domestically.

China certainly has many levers and means by which to influence its neighbour. It also has a keen interest in Myanmar's resources, and in increasing trade. Nor does it want instability in such a key geographical area close to it. Even

so, the situation, as this paper makes clear, poses some sharp questions for the leaders in Beijing. Can they, for instance, continue with their posture of non-interference, when things may well be going against their interests and there might be ways in which they can act and have influence?

The situation in Myanmar is not reassuring. Economically, the new regime is isolated and needs the support of a player like China. But politically, it is deeply isolated, and suspicious to the point of paranoia. Fears of China converting its economic influence into other less palatable areas are strong, and probably well founded. This paper makes very clear the challenges China faces here – and why, despite the narratives promoted elsewhere that it is a power that seems these days to get whatever it wants, China is learning in Myanmar that to be the number one local actor has as many disadvantages and quandaries as benefits.

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## Abstract

China was significantly, yet indirectly, influential in the obstinate Myanmar military regime's tread towards political liberalisation in 2011. The civilianisation of the Burmese state was an attempt by the junta to counter its Chinese overdependence and to seek political legitimacy.<sup>1</sup> During this fleeting decade of its nascent freedoms from 2011 to 2021, Myanmar was neither able to achieve more balanced Sino-Burmese relations; nor were its armed forces able to gain legitimacy. At the time of writing, Myanmar's *coup d'état* in February 2021 has unleashed an irreversible magnitude of turmoil in the country as instabilities across the Sino-Burmese borders have soared.<sup>2</sup> Whilst significant progress has been made between the US and China on some global challenges such as climate change, China, at present, has shown hesitancy to cooperate with its Western counterparts within the permanent five members of the United Nations Security Council (UNSC), to intervene meaningfully in the chaos in Myanmar. China's narrative on wanting to maintain a status quo Myanmar foreign policy contradicts Beijing's ostensibly default foreign policy of party-state self-interest and rationality, given the close political and economic ties it enjoyed with the now-deposed civilian government led by Aung San Suu Kyi.<sup>3</sup>

This paper delves deeper to analyse why this is the case by assessing the nexus of political economy between the two countries. Is Beijing's current Myanmar policy China's miscalculation, or is Beijing grappling with a larger dilemma? China, by declaring the Burmese military as an illegitimate government and supporting Burmese dissident voices, could inadvertently encourage similar behaviour of dissent domestically and risk the spread of democratic contagion within its own population. China's non-interventionism is against Beijing's socioeconomic interests, as Myanmar risks becoming a centre of pathogenic disease, poverty, hunger, environmental degradation, accumulation of refugees and organised transnational crime, which could spread throughout the Greater Mekong Subregion (GMS), including China's Yunnan and Guangxi Zhuang provinces. This could threaten the viability of China's commercial and political objectives through the Belt and Road Initiative (BRI).<sup>4</sup> This paper concludes that China needs to rethink what stability means for the region, and that its 'business-as-usual' approach to Myanmar can have wider regional ramifications that should concern the permanent members of the UNSC due to the knock-on effects of continuous armed conflict in the medium to longer term: organised transnational crime, environmental degradation and future sources of epidemics. The paper ends with policy recommendations for China and international actors, especially for main donor governments (eg Germany, the UK and Japan) to Myanmar and international aid agencies operating in the country.

1 Anna Tan (2021) 'A Critical Assessment of Human Rights Diplomacy by Western States in Myanmar (Burma) From 2007 to 2020'. *Asian Affairs*, Volume 52, Issue 3. DOI: 10.1080/03068374.2021.1953783

2 Anna Tan (8 June 2021) 'Why Non-Interference Risks Another Syrian-Style Conflict in Myanmar'. School of Security Studies, King's College London. Available at: [kcl.ac.uk/Why-Non-Interference-Risks-Another-Syrian-Style-Conflict-In-Myanmar](https://www.kcl.ac.uk/Why-Non-Interference-Risks-Another-Syrian-Style-Conflict-In-Myanmar)

3 See: Bloomberg News (9 June 2021) 'China Boosts Support for Myanmar Army, Countering U.S. Sanctions'. Bloomberg News. Available at: [bloomberg.com/news/articles/2021-06-09/china-boosts-support-for-myanmar-army-countering-u-s-sanctions](https://www.bloomberg.com/news/articles/2021-06-09/china-boosts-support-for-myanmar-army-countering-u-s-sanctions)

4 See: Hughes et al. (2020) Horizon Scan of the Belt and Road Initiative. *Trends in Ecology and Evolution*, Volume 35, Issue 7, pp.583–593. DOI: 10.1016/j.tree.2020.02.005. This article shows the threats and opportunities arising from the first horizon-scanning study of the BRI. Horizon scanning is a scientific assessment using existing data to identify potential risks, threats and opportunities to allow policymaking to incorporate preparedness and resilience to mitigate irreversible damage from future uncertainty across geopolitical, environmental and public health issues.



## 1. The view from Beijing

China is known to have had close ties to the Burmese military, long before its short-lived democratic experiment from 2011 to 2021. Prior to this decade, Myanmar was a weak state under successive military regimes from the early 1960s to 2011. Its bilateral relationship with China since the late 1990s has been antagonistic yet convenient, with China offering diplomatic protection amidst global criticism at the UNSC on Myanmar's various human rights crises in return for China's economic encroachment on Myanmar – especially across the borderlands. China is also known to fund and supply arms to rebel groups in the borderlands, especially in the Shan region, which borders China's Yunnan province, Laos and Thailand.<sup>5</sup> This dynamic has been pervasive in Sino-Burmese relations over the past few decades, regardless of whether Myanmar has been under a military regime or a quasi-civilian government. The democratic reforms in 2011 were introduced by members of the military primarily desiring two things: political legitimacy and to counterbalance its overdependence on China.<sup>6</sup> It was understood that achieving both goals would require some relinquishing of absolute power, a certain degree of political liberation and legal safeguards to prevent transitional justice – the latter of which was secured in the form of a military-drafted 2008 Constitution that preserves the junta's veto power in the bicameral legislative bodies of the Burmese Government.

In Myanmar's early days of democratic reforms, Beijing was initially reluctant for Aung San Suu Kyi to come into power given her then-global status as a human rights icon. Initially, China was concerned that Suu Kyi's government would lecture them on the treatment of Uyghurs in Xinjiang and the sovereignty question of Tibet; however, leaders in Beijing were pleasantly surprised, post-2015, that this was not the case.<sup>7</sup> The National League for Democracy (NLD)-led government under Suu Kyi enjoyed even closer relations with China than did its predecessor government (which was run by ex-military generals), after the eruption of the Rohingya genocide in 2016.<sup>8</sup> By then, the largely

rejected military had increased its popularity in some areas of the country, and Myanmar's fledgling democracy went under siege. Suu Kyi's refusal to acknowledge and condemn the ethnic cleansing of the Rohingyas in 2019 at the International Court of Justice (ICJ) was not expected by the military. Most of the country overwhelmingly supported Suu Kyi's rebuttal of the genocide: though detrimental to the country's nascent fundamental freedoms, many felt that the only other alternative was another military-led government.

The coup in 2021 was a miscalculation by the commander-in-chief of the army, Min Aung Hlaing, who underestimated the amount of resistance this would entail nationwide and the lack of control the army had across the country. It has been argued that it was an attempt by the military to reassert its role in civilian politics and to not have a second term of Suu Kyi's rule where her influence would be stronger than it was in the first term.<sup>9</sup> Civilians from the dominant ethnic group, the Bamar majority, have been increasingly joining the armed ethnic forces across the peripheries since the coup took place in February.<sup>10</sup>

China's adherence to non-interference, on the surface, could imply that Beijing views the unfolding chaos as beneficial or at least not harmful to the Communist Party of China's (CPC's) core interests of domestic public health, socioeconomic stability and party-state legitimacy. If that is the case, what are the possible benefits for China from the Myanmar crisis?

### 1.1 The coup and the benefits for China

The end of the decade-long democratic rule in Myanmar, from 2011 to 2021, is ironically about as short as the brief stint it had in the 1950s after it gained independence from British colonial rule. The failure of democratisation in Myanmar is useful for China to further its narrative, as Yun Sun argues, 'that democracy is not a universal value and that democratisation does not lead to outcomes portrayed in the West'.<sup>11</sup> More importantly, the chaos in Myanmar

5 Institut Montaigne (19 February 2021) 'China's Stakes in the Myanmar Coup: Three Questions to Yun Sun'. Available at: [institutmontaigne.org/en/blog/chinas-stakes-myanmar-coup](https://institutmontaigne.org/en/blog/chinas-stakes-myanmar-coup)

6 See Note 1.

7 Author's interview with a former foreign diplomat based in Myanmar (25 June 2021).

8 The Rohingya Genocide in 2016 was a pre-meditated ethnic cleansing campaign against the predominantly Muslim Rohingya ethnic minorities that reside in Northern Rakhine. The campaign saw war crimes and mass killings committed against around 7,000 civilians who were primarily Rohingya, leading to a mass exodus of hundreds of thousands of Rohingya refugees to Cox's Bazar, Bangladesh. The event deeply impeded Myanmar's economy, as the political instability rendered unfavourable conditions for foreign investments. See Note 1. See also: United Nations Human Rights Council (2018) 'Report of the Independent International Fact-Finding Mission on Myanmar A/HRC/39/64'

9 See: Thant Myint-U (19 July 2021) 'Myanmar Six Months On: A Failed State?' *Asia Matters Podcast*. Episode 39. Available at: [asiamatterspod.com/episode-39](https://asiamatterspod.com/episode-39)

10 Anna Tan (10 February 2021) 'Can Myanmar Break this Cycle of Tyranny? An Interview with Former UN Assistant Secretary General Charles Petrie'. King's College London. Available at: [kcl.ac.uk/can-myanmar-break-this-cycle-of-tyranny-an-interview-with-charles-petrie-obe-former-un-assistant-secretary-general](https://kcl.ac.uk/can-myanmar-break-this-cycle-of-tyranny-an-interview-with-charles-petrie-obe-former-un-assistant-secretary-general). See also: Charles Petrie (1 May 2021) 'Myanmar Junta's Leadership Has No Idea What Forces Have Been Unleashed'. *The Irrawaddy*. Available at: [irrawaddy.com/opinion/guest-column/myanmar-juntas-leadership-no-idea-forces-unleashed.html](https://irrawaddy.com/opinion/guest-column/myanmar-juntas-leadership-no-idea-forces-unleashed.html)

11 See Note 5.

becomes part of a trend in the decline of democracies across the globe,<sup>12</sup> further strengthening China's narrative.

Prior to the coup, Myanmar had been a market for foreign investors, both from other parts of Asia and from the West, counterbalancing China's multibillion dollar investments in the country through the BRI – with most of the funds going into road, power and railway infrastructure.<sup>13</sup> The Myitsone Hydropower Project based in Kachin State in Northern Myanmar (discontinued since Thein Sein's era)<sup>14</sup> was widely unpopular in the country as it was seen as an encroachment on the land rights of local civilians, having led to their forceful displacement. During the decade of fragile democratic rule, China managed to reroute its investments in Myanmar through Singapore to avoid bad press, and foreign investors managed to gain more access to Myanmar as its governance was civilianised. An internal debt report by the now-deposed NLD government in 2018 showed the country still owed the most debt to China, followed by Japan, France and Germany. Influence of other lenders such as the International Development Association, which is part of the World Bank, and the Asian Development Bank (ADB), which is the World Bank's Asian counterpart, was marginal.<sup>15</sup> Following the coup, accelerating armed conflict and international pressure has meant that China's competitors have been fleeing the country in masses.<sup>16</sup> Unlike China, companies from countries such as the UK, the US, Japan, South Korea and Australia are, by default, obligated to cut ties with the military-run government following international pressure, which leaves the market much less competitive for China-backed companies to continue operating.

Renowned experts such as Charles Petrie, the former UN Resident Coordinator for Myanmar, argue that

the coup was a very poor miscalculation on the part of the Burmese military, given that it had more economic and political benefits under the previous government.<sup>17</sup> In facing global opprobrium following the Rohingya crisis, Suu Kyi's move to defend the military's crimes in Rakhine at the ICJ was an indication to the military to let bygones be bygones (ie avoid international prosecution and transitional justice) in exchange for the military's exit from civilian politics through potentially curbing the military's remaining veto in the 2008 Constitution for good.<sup>18</sup> The favour was, of course, never returned. This implies that the coup was more of a personal decision by the military's commander-in-chief – given his ambitions to be president as he nears retirement from the army – rather than a rational decision as an institution. It is therefore counterproductive to his military predecessors' original objectives of gaining political legitimacy and reducing overdependence on China through democratic reforms,<sup>19</sup> as it has now achieved neither.

## 1.2 The coup and the stakes for China

Xi Jinping's landmark visit to Myanmar in early 2020 saw the bilateral signing of 33 memoranda of understanding, including bilateral partnerships ranging from border patrol and police forces to media and information services.<sup>20</sup> Following the Rohingya crisis and Myanmar's return to global isolation,<sup>21</sup> China has been known to be eager to build a more sophisticated economic relationship with Myanmar.<sup>22</sup> This ambition might not be realised, as Myanmar's state failure can risk the explosion of illegal markets (eg gambling dens) in parts of the country such as the Karen State, where the military has less control.<sup>23</sup>

12 See: Economy Intelligence Unit (2021) 'Democracy Index 2020: In Sickness and in Health?' *The Economist*. Available at: [eiu.com/n/campaigns/democracy-index-2020/?utm\\_source=economist-daily-chart&utm\\_medium=anchor&utm\\_campaign=democracy-index-2020&utm\\_content=anchor-1](http://eiu.com/n/campaigns/democracy-index-2020/?utm_source=economist-daily-chart&utm_medium=anchor&utm_campaign=democracy-index-2020&utm_content=anchor-1). See also: 'Global Democracy Has a Very Bad Year'. *The Economist*, 2 February 2021. Available at: [economist.com/graphic-detail/2021/02/02/global-democracy-has-a-very-bad-year](http://economist.com/graphic-detail/2021/02/02/global-democracy-has-a-very-bad-year)

13 Clare Hammond, Victoria Milko, Ye Mon and Eva Constantaras (2019) 'Power Play: How Chinese Money Damned Myanmar's Economic Transition'. *Frontier Myanmar*, The Pulitzer Centre. Available at: [frontiermyanmar.net/power-play-how-chinese-investment-damned-myanmars-economic-transition](http://frontiermyanmar.net/power-play-how-chinese-investment-damned-myanmars-economic-transition) (Accessed 2 July 2021).

14 Thein Sein is the former President of Myanmar, who led the ex-general reformist government from 2011–15 prior to Suu Kyi's NLD government in 2016.

15 See Note 13.

16 John Reed (22 April 2021) "'Economic Collapse Amid Escalating Conflict': Is Myanmar Becoming a Failed State?' *Financial Times*. Available at: [ft.com/content/6189a752-6f68-4d61-99ea-9e83137a1d3d](http://ft.com/content/6189a752-6f68-4d61-99ea-9e83137a1d3d) (Accessed 2 July 2021).

17 See Note 10.

18 See Notes 1 and 7.

19 See Note 1.

20 Thompson Chau (21 January 2020) 'China, Myanmar Tighten Their Belt and Road Ties.' *Asia Times*. Available at: [asiatimes.com/2020/01/china-myanmar-tighten-their-belt-and-road-ties](http://asiatimes.com/2020/01/china-myanmar-tighten-their-belt-and-road-ties) (Accessed 1 July 2021). See also: Nan Lwin (18 January 2020) 'Myanmar, China Sign Dozens of Deals on BRI Projects, Cooperation During Xi's Visit'. *The Irrawaddy*. Available at: [irrawaddy.com/news/burma/myanmar-china-sign-dozens-deals-bri-projects-cooperation-xis-visit.html](http://irrawaddy.com/news/burma/myanmar-china-sign-dozens-deals-bri-projects-cooperation-xis-visit.html) (Accessed 1 July 2021).

21 See Note 1.

22 See Note 7.

23 Jason Tower and Priscilla Clapp (27 July 2020) 'Myanmar's Casino Cities: The Role of China and Transnational Criminal Networks'. *United States Institute of Peace (USIP) Special Report No. 471*. ISBN: 978-1-60127-813-5. Available at: [usip.org/publications/2020/07/myanmars-casino-cities-role-china-and-transnational-criminal-networks](http://usip.org/publications/2020/07/myanmars-casino-cities-role-china-and-transnational-criminal-networks) (Accessed 2 July 2021). See also: Jason Tower and Priscilla Clapp (20 April 2020) 'Chinese Crime Networks Partner with Myanmar Armed Groups'. *United States Institute of Peace (USIP)*. Available at: [usip.org/publications/2020/04/chinese-crime-networks-partner-myanmar-armed-groups](http://usip.org/publications/2020/04/chinese-crime-networks-partner-myanmar-armed-groups) (Accessed 27 August 2021).

There are also greater regional implications that go well beyond the landscape of Sino-Burmese political economy. China (specifically the Yunnan Province and Guangxi Zhuang Autonomous Region) and Myanmar are part of the GMS Economic Cooperation Program, together with four other Southeast Asian countries – Laos, Thailand, Cambodia and Vietnam – which is supported by the ADB.<sup>24</sup> The GMS has a population of 340 million (2016 Census) and, in 2015, multilateral trade was worth over \$400 billion. The region has experienced a spike in opium cultivation and heroin and methamphetamine illicit trade markets in recent years, particularly after the implementation of China's BRI projects in the region.<sup>25</sup>

Lessons should also be learnt by donor governments such as the UK, Germany and Japan from how the military and ethnic armed organisations (EAOs) operate amidst worsening civil war, especially within the Karen region along the Thai–Myanmar border. Both the military and EAOs partner with illegal Chinese investors linked specifically to three main projects: the Yatai New City Project, the Saixigang Industrial Zone Project and the Huanya International City Project. These firms claim to be associated with the BRI to evade crackdowns from Cambodian and Chinese local authorities, to which they have previously been subject. EAOs exchange their land to finance wars against the military, in their fight for more autonomy in their territories.<sup>26</sup> Similar patterns of war economies are likely to expand across the peripheries as the urban population joins different EAOs in the borderlands in their fight against the military – a newly emerged phenomenon that the coup has induced.<sup>27</sup> The behaviour of these China-linked illegal non-state actors that are in commercial relationships with the warring Myanmar military and ethnic forces creates a power and legal vacuum that can threaten the CPC's self-interests in wanting to have high border security and effective regional governance. An influx of refugees from Myanmar into the neighbouring countries of China, Thailand and Laos will also follow.<sup>28</sup> The large-scale refugee movements will have deep political and socioeconomic consequences, which could bring down the region's collective Human

Development Index (HDI).<sup>29</sup> For China, the Yunnan and Guangxi provinces should be of particular concern, as such consequences can threaten the domestic political stability, public health and economic welfare of these provinces.

Geopolitically speaking, cracks are beginning to form in China's significant political leverage over Myanmar. The Burmese military also now pivots towards Russia in terms of purchasing arms and gathering political rapport. This happens as the junta is likely to be aware that Sino-West and Sino-American relations are at a point of inflection and are subject to more fluidity, given the Biden administration's relatively higher proactivity in multilateralism and diplomacy than its predecessor. Moscow now diverges from Beijing such that it shows more blatant support for the Myanmar military, given that the latter can help with the Kremlin's decline in arms exports over the past decade.<sup>30</sup> Myanmar has always been regarded by China as its back door, and though China generally finds Western presence in the region unwelcome, it is also unlikely to desire Russian presence in its backyard.<sup>31</sup>

### 1.3 Beijing's miscalculation or an observer's misunderstanding?

If the stakes for China are high, then, on the fronts of public health, domestic socioeconomic welfare and border stability, what could be the reasons behind China's caution towards the crisis in Myanmar, which is apparently against its self-interests?

To decipher this, the roots of China's 'non-interference' policy ought to be briefly retraced. This principle has long been a signature trait of the CPC's foreign policy since the mid-1950s, when both Mao Zedong and Zhou Enlai advocated for the rule at the Afro-Asian anti-colonialist, anti-imperialist conference at Bandung, Indonesia. It is known to be embraced especially by authoritarian regimes with colonial pasts, which commonly share a history of Western-imposed victimhood with the People's Republic of China (PRC).<sup>32</sup> PRC is only as faithful to its orthodox

24 Asian Development Bank (2015) 'The Greater Mekong Subregion Economic Cooperation Program'. Available at: [adb.org/sites/default/files/publication/29387/gms-ecp-overview-2015.pdf#:~:text=ECONOMIC%20COOPERATION%20PROGRAM%20in%201992%2C%20the%20six%20countries,Economic%20Cooperation%20Program%20to%20enhance%20their%20economic%20relations](http://adb.org/sites/default/files/publication/29387/gms-ecp-overview-2015.pdf#:~:text=ECONOMIC%20COOPERATION%20PROGRAM%20in%201992%2C%20the%20six%20countries,Economic%20Cooperation%20Program%20to%20enhance%20their%20economic%20relations) (Accessed 1 July 2021).

25 Hai Thanh Luong (2020) 'Mapping TCR in New Silk Road: Case Study – Greater Mekong Subregion'. *The Chinese Journal of Global Governance*, Volume 6, Issue 1, pp.20–35.

26 See Note 23.

27 Emily Fishbein, Vahpual and Nu Nu Lusan (15 June 2021) "'Our only option': Myanmar Civilians Take Up Arms for Democracy'. *Aljazeera News*. Available at: [aljazeera.com/news/2021/6/15/our-only-option-myanmar-civilians-take-up-arms-for-democracy](http://aljazeera.com/news/2021/6/15/our-only-option-myanmar-civilians-take-up-arms-for-democracy) (Accessed 2 July 2021).

28 Thant Myint-U (2021) 'Myanmar's Coming Revolution: What Will Emerge from Collapse?' *Foreign Affairs*. Available at: [foreignaffairs.com/articles/burma-myanmar/2021-06-11/myanmars-coming-revolution](http://foreignaffairs.com/articles/burma-myanmar/2021-06-11/myanmars-coming-revolution) (Accessed 2 July 2021).

29 See Note 2.

30 Ruben Tavenier (14 May 2021) 'Russia and the Myanmar Coup: An Opportunity for Increased Armed Exports'. *Global Risk Insights*. Available at: [globalriskinsights.com/2021/05/russia-and-the-myanmar-coup-an-opportunity-for-increased-arms-exports/#:~:text=Myanmar%20has%20long%20been%20a%20buyer%20of%20Russian,eight%20Pechora-2M%20anti-aircraft%20missile%20systems%20since%20the%202000s](http://globalriskinsights.com/2021/05/russia-and-the-myanmar-coup-an-opportunity-for-increased-arms-exports/#:~:text=Myanmar%20has%20long%20been%20a%20buyer%20of%20Russian,eight%20Pechora-2M%20anti-aircraft%20missile%20systems%20since%20the%202000s) (Accessed 2 July 2021).

31 See Note 7.

32 Jason Li (27 August 2019) 'Conflict Mediation with Chinese Characteristics: How China Justifies Its Non-Interference Policy'. *The Stimson Centre*. Available at: [stimson.org/2019/conflict-mediation-chinese-characteristics-how-china-justifies-its-non-interference-policy](http://stimson.org/2019/conflict-mediation-chinese-characteristics-how-china-justifies-its-non-interference-policy)

‘non-interference’ policy if its interests in national security, domestic economy and party legitimacy are not directly threatened. Scholars call this an *à la carte* approach to the status quo rules-based international system, by ‘supporting those international institutions that serve its interests..., and weakening or subverting those..., that might otherwise challenge its legitimacy’.<sup>33</sup> It is by proxy that China’s interstate relations are not influenced by ideology but by party-state realism, and only in cases where foreign affairs that are central to the CPC tend to warrant China to break tradition in its behaviour at the UNSC.<sup>34</sup> This was seen in its contribution to peacekeeping missions in Sudan and Libya; in the case of the latter, it even supported the referral of Muammar Gaddafi to the International Criminal Court.<sup>35</sup>

What, then, makes China exhibit a more interventionist behaviour in some cases but not in others? Referring to the examples of Sudan and Libya, it has been argued that China’s dependence on the former’s oil exports was the most important factor in the CPC’s contradicting its almost auto-pilot policy of non-interference. Here, China’s economic concerns increased the centrality of the Sudan issue vis-à-vis the CPC.<sup>36</sup> The 2007 Darfur crisis was also led by the African Union (AU), and China’s relative lack of influence elsewhere in Africa at the time meant that it would be against its expansionist interests across Africa to go against the AU. However, for Libya, the cohesion between the regional groups (eg the League of Arab States and the Organisation of Islamic Cooperation) has been argued to be a significant factor behind China’s interventionist behaviour. This level of cohesion was not visible in the Syrian case. Their policies were also met with intense public defections contrary to the Libyan case, producing a disunity that gave China more leeway to assert its individual policy on the UNSC without risking

regional ostracism – something that the CPC fears.<sup>37</sup> These examples can be used to explain why Beijing has been able to pursue a blasé approach to the Myanmar crisis, as the Association of South East Asian Nations’ (ASEAN’s) response has shown to be incoherent, divided and ambivalent.<sup>38</sup>

The CPC is a self-interested institution – it does not intervene in cases where it believes there are no direct risks to its domestic legitimacy, regime survival, or regional or perhaps even global influence. It can be argued that its insistence on maintaining a status quo Myanmar policy<sup>39</sup> implies that the CPC views the crisis in Myanmar as bearing low centrality to its party-state self-interests.<sup>40</sup> However, this does not mean that its foreign policy decisions, made out of self-interest, are always necessarily rational or long-sighted. In the pursuit of self-interest, irrational decisions can be made and the CPC’s current behaviour towards Myanmar seems to be one such occasion. Evidently, the turmoil in Myanmar bears immense regional and, to some extent, domestic socioeconomic implications on China. Intervening, of course, comes with a risk: the CPC will be aware that supporting dissident voices in its backyard could encourage similar behaviour at home and could potentially contribute to the spread of democratic contagion within its own population (which, for the CPC, would be a cataclysmic nightmare).<sup>41</sup> However, this analysis shows that the cost of not intervening is likely to be much higher. The World Bank estimates that Myanmar’s economy will contract by 18 per cent in the 2021 fiscal year,<sup>42</sup> while a domestic bank estimated ‘high or hyperinflation, mass poverty and a currency collapse’ that risks putting the country alongside the likes of Argentina, Zimbabwe, Bolivia and Yugoslavia.<sup>43</sup> The biggest losers from this will be Myanmar’s largest

33 Steve Tsang (2020) ‘Party-state Realism: A Framework for Understanding China’s Approach to Foreign Policy’. *Journal of Contemporary China*, Volume 29, Issue 122, pp.304–318. DOI: 10.1080/10670564.2019.1637562. See also: A.L. Friedberg (2018) ‘Competing with China’. *Survival*, Volume 60, Issue 3, pp.24–25.

34 As defined by Jessica Weiss and Jeremy Wallace, centrality is referred to as how likely the CPC perceives a particular issue as negatively affecting its regime survival. Issues that are more closely associated with the regime’s self-identified sources of domestic support are more central or have higher centrality than issues that are not. Research has shown that it is one of the key domestic variables in explaining China’s international behaviour or responses to different policy issues. See: Jessica C. Weiss and Jeremy L. Wallace (2021) ‘Domestic Politics, China’s Rise, and the Future of the Liberal International Order’. *International Organization*, Volume 75, Issue 2, pp.635–664. DOI: 10.1017/S002081832000048X

35 Jessica C. Weiss (2019) ‘A World Safe for Autocracy? China’s Rise and the Future of Global Politics’. *Foreign Affairs*, Council on Foreign Relations. Available at: [foreignaffairs.com/articles/china/2019-06-11/world-safe-autocracy](https://foreignaffairs.com/articles/china/2019-06-11/world-safe-autocracy)

36 Daniel Large (2008) ‘China and the Contradictions of Non-Interference in Sudan’. *Review of African Political Economy*, Volume 35, Issue 115, pp.93–106. DOI: 10.1080/03056240802011568.

37 Courtney J. Fung (2015) ‘Global South Solidarity? China, Regional Organisations and Intervention in the Libyan and Syrian Civil Wars’. *Third World Quarterly*, Volume 37, Issue 1, pp.33–50. DOI: 10.1080/01436597.2015.1078230.

38 Billy Buddell (16 August 2021) ‘Hollow Diplomacy: Backlash at ASEAN’s Response to the Myanmar Crisis’. *Global Risk Insights*. Available at: [globalriskinsights.com/2021/08/hollow-diplomacy-backlash-at-aseans-response-to-the-myanmar-crisis](https://globalriskinsights.com/2021/08/hollow-diplomacy-backlash-at-aseans-response-to-the-myanmar-crisis)

39 Sebastian Strangio (10 June 2021) ‘China’s Myanmar Policy “Not Affected” by Post-Coup Chaos: Official’. *The Diplomat*. Available at: [thediplomat.com/2021/06/chinas-myanmar-policy-not-affected-by-post-coup-chaos-official](https://thediplomat.com/2021/06/chinas-myanmar-policy-not-affected-by-post-coup-chaos-official)

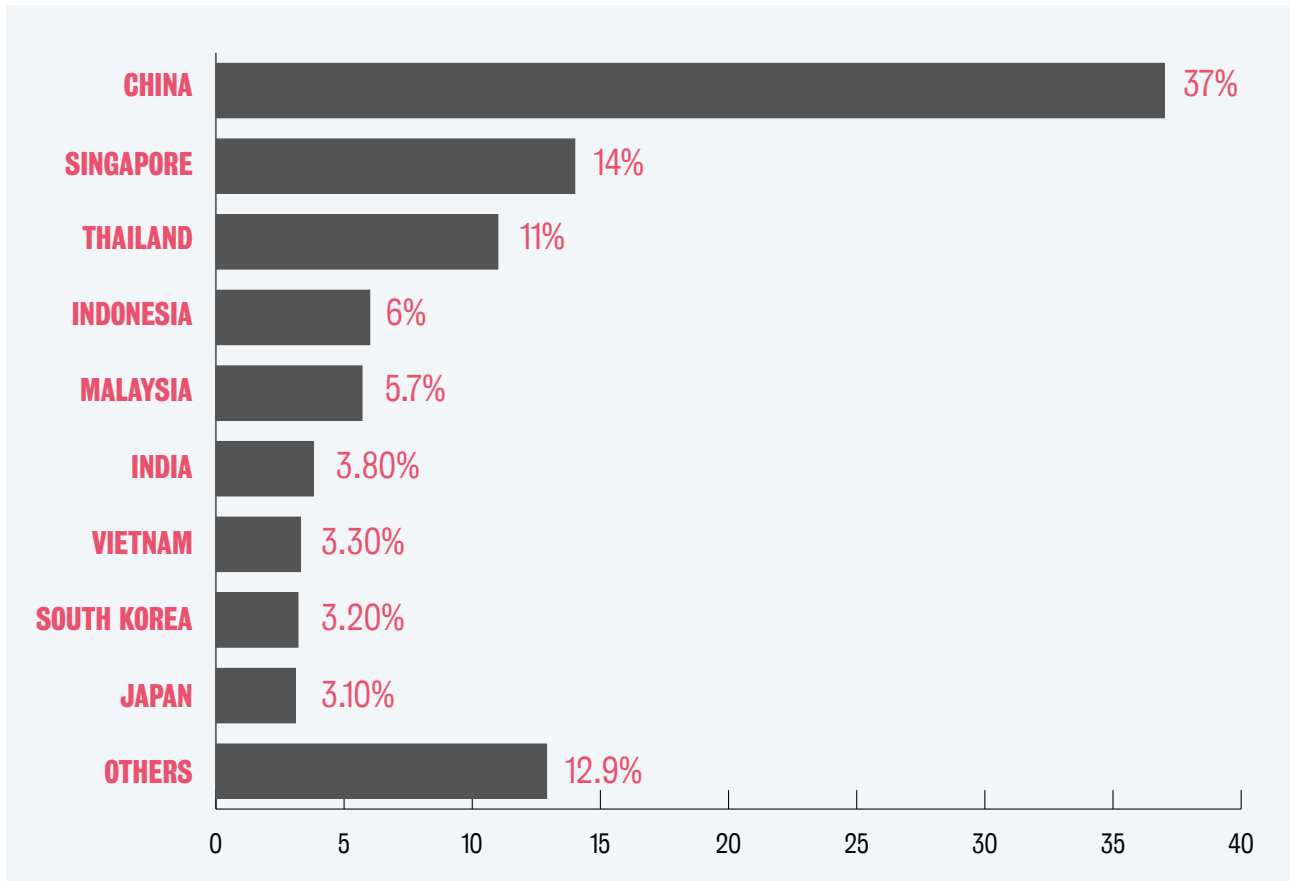
40 See Notes 34 and 35.

41 Elizabeth Economy (2019) *The Third Revolution: Xi Jinping and the New Chinese State*. Council on Foreign Relations, Oxford University Press, p.12.

42 See: World Bank (26 July 2021) ‘Myanmar Economy Expected to Contract by 18 Percent in FY2021: Report’. Press Release No: 2022/003/EAP. Available at: [worldbank.org/en/news/press-release/2021/07/23/myanmar-economy-expected-to-contract-by-18-percent-in-fy2021-report](https://worldbank.org/en/news/press-release/2021/07/23/myanmar-economy-expected-to-contract-by-18-percent-in-fy2021-report)

43 See Note 16.





**Figure 1.** China, Singapore, Thailand, Indonesia and Malaysia stand as Myanmar's top importers, who will be the biggest losers from the country's imminent economic collapse. Data drawn from the United Nations Comtrade Database on international trade statistics. (Source: Trading Economics)

importers, with China topping the list, followed by Singapore, Thailand, Indonesia and Malaysia.<sup>44</sup> This economic risk is not significantly from Myanmar itself, given that China's exports to Myanmar make up a small fraction of the PRC's overall GDP. The risk comes more from the potential impact of Myanmar's state and economic collapse on China's economic ambitions in the region.

## 2. Recommendations for international actors

### 2.1 China

This policy paper argues that China's current approach to Myanmar shows its underestimation that the ramifications of the crisis do not bear enough centrality for the CPC to take meaningful action. Beijing will have to become more

amenable in its foreign policy to Myanmar due to the following key implications:

**a. Security threats.** As the Burmese military and EAOs search for alternative war financing (eg methamphetamine war economies) amidst targeted sanctions, global arms embargoes and Burmese currency devaluation, Myanmar risks becoming a 'narco-state'.<sup>45</sup> Increased independence of illicit criminal networks arising from this could potentially spread through the GMS region. China will need to find a strategy beyond simply opting for government crackdowns in countering war-fuelled transnational crime, given the additional expenditure that could be incurred by the CPC.

**b. Economic losses for the BRI.** Myanmar's economic collapse can have knock-on effects on regional supply chains and therefore risks China, as Myanmar's biggest importer,

<sup>44</sup> See: Trading Economics (2021) 'Myanmar's Imports by Country'. Available at: [tradingeconomics.com/myanmar/imports-by-country](https://tradingeconomics.com/myanmar/imports-by-country) (Accessed 2 July 2021). The figures are based on the United Nations Comtrade Database on international trade statistics.

<sup>45</sup> This draws again from the Syrian experience. See: 'Syria has become a narco-state'. *The Economist*, 19 July 2021. Available at: [economist.com/middle-east-and-africa/2021/07/19/syria-has-become-a-narco-state](https://economist.com/middle-east-and-africa/2021/07/19/syria-has-become-a-narco-state)

on making financial losses. The spread of illicit activity and refugee flow through the GMS could cause Yunnan Province and the Guangxi Zhuang Autonomous Region to be of particular concern to the CPC. This can render negative effects on the two provinces' collective HDI and China's BRI ambitions along the GMS region.

**c. Regional stability.** Beijing overlooks a hostile neighbourhood, given that the Biden administration is exhibiting more proactivity in its policy towards the South China Sea disputes, through increasing the institutionalisation of the Quadrilateral Security Dialogue and its possible expansion beyond its current member states.<sup>46</sup> Increased security threats and economic losses that the Myanmar crisis poses for the region indicate that the CPC will have to rethink what regional stability means in the short to medium term.

**d. Domestic stability.** Territorial borders are porous. The spilling over of negative economic and security implications along the GMS region and into Chinese domestic provinces bordering Myanmar could disrupt China's domestic stability. Though Beijing does not desire even the lowest levels of internal turmoil, this analysis demonstrates that there exists a tangible risk. The CPC will have to reconsider if following its routine approach of non-interference is a realistic strategy. This analysis challenges the duality of self-interest and rationality in the CPC's party-state realism.

## 2.2 Foreign investors

Foreign firms or operators – especially those affiliated with the governments of Japan, the UK, Norway and others that are terminating their projects in the country – should prepare a measured exit strategy in compliance with international law. This recommendation factors in the increasing amount of direct intimidation by the military towards senior executives of foreign telecoms operators: travel bans are imposed until the operators comply by implementing surveillance technology that allows the authorities to intercept their users' calls, messages and web traffic.<sup>47</sup>

## 2.3 Democratic governments

**a. On development policy towards Myanmar.** Myanmar is an example indicating that civil war can cause investor flight and decrease competition for Chinese political and economic influence. Major donor governments such as Japan, the UK and Australia that show demonstrable interest in the promotion of democracy and in countering Chinese influence in the region should consider prioritising peacebuilding over democratisation in Myanmar (a country with unceasing armed conflict awash with weapons). Research has shown that this is one of the lessons that can be learnt from a critical evaluation of Western human rights diplomacy in Myanmar for the past 14 years, from the early days of the country's nascent freedoms to their abrupt end.<sup>48</sup>

**b. On influencing China's behaviour towards the Myanmar crisis.** Governments can incentivise the domestic and regional implications for China posed by the Myanmar crisis in both their public and quiet diplomacy vis-à-vis China, to motivate and encourage the latter to utilise its leverage on Myanmar. In particular, the UK Government (as the current penholder<sup>49</sup> for Myanmar on the UNSC) can also lobby for a more proactive and cohesive response from the ASEAN member states regarding the Myanmar crisis. This can decrease the leeway for China to pursue a more unilateral position on the matter, which can happen when regional groups are divided and incoherent.<sup>50</sup> The negative regional and financial implications of the Myanmar crisis on China are unlikely to apply for Russia, given the latter's proximity to the region and its economic interests vis-a-vis the Burmese junta. Therefore international actors can factor in China's relations with the Kremlin, given that any binding UN resolution on Myanmar will require the consensus of the UNSC's permanent five member states.

## 2.4 Foreign embassies and international organisations

**a. On medium-term to long-term aid expenditure.** Increased human trafficking and migrant flow will be inevitable if political unrest in Myanmar continues, and if

46 Yuri M. Yarmolinsky (3 April 2021) 'The Great Game 2.0 in Asia'. Observer Research Foundation. Available at: [orfonline.org/expert-speak/the-great-game-2-0-in-asia/](https://orfonline.org/expert-speak/the-great-game-2-0-in-asia/) (Accessed 5 July 2021).

47 Fanny Potkin (5 July 2021) 'After Pressuring Telecom Firms, Myanmar's Junta Bans Executives from Leaving'. Reuters Asia Pacific, Reuters News. Available at: [reuters.com/world/asia-pacific/exclusive-after-pressuring-telecom-firms-myanmars-junta-bans-executives-leaving-2021-07-05/?utm\\_campaign=trueAnthem%3A+Trending+Content&utm\\_medium=trueAnthem&utm\\_source=facebook](https://reuters.com/world/asia-pacific/exclusive-after-pressuring-telecom-firms-myanmars-junta-bans-executives-leaving-2021-07-05/?utm_campaign=trueAnthem%3A+Trending+Content&utm_medium=trueAnthem&utm_source=facebook)

48 See Note 1.

49 The penholder system is a UNSC practice whereby three out of five of its permanent member states – France, the UK and the US, also known as the P3 – handle leadership roles on country-specific and/or thematic issues on the on the Council's agenda.. The penholder of a particular country or an issue leads on the drafting of UNSC resolutions and, on occasion, taking initiatives of the Council's activities regarding that specific country or issue. See: 'The Penholder System'. *Security Council Report*, Research Report 2018, No. 3, 21 December 2018. Available at: [securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Penholders.pdf](https://securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Penholders.pdf) (Accessed 27 August 2021). See also: '2021 Chairs of Subsidiary Bodies and Penholders'. *Security Council Report*. Available at: [securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/working\\_methods\\_penholders\\_chairs.pdf](https://securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/working_methods_penholders_chairs.pdf) (Accessed 27 August 2021)

50 On research demonstrating the influence of regional organisations on China's behaviour at the UNSC regarding international crises, see Note 37.

crackdowns from governments within the ASEAN region are successful. At least in the short term, a fully fledged civil war is likely to continue in Myanmar. In an extreme scenario, state implosion could result in a very large-scale humanitarian crisis, urban poverty and extreme food insecurity, which will be very costly for donor governments and the ASEAN member states. This reinforces the recommendation made in Section 2.3., as prolonged, unresolved armed conflict can mean an exponentially increasing and therefore unsustainable aid expenditure.

**c. On aid-worker security.** Violent attacks on, and killings of, aid workers can increase – especially those from agencies delivering emergency food supplies and medical relief, such as the World Food Programme (WFP) and Médecins Sans Frontières. Donor governments – particularly top contributors to the United Nations Development Programme (UNDP) mission in Myanmar such as Japan, the UK, Sweden and Australia<sup>51</sup> – will need to work with the critical UN agencies in the country such as the WFP, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the International Committee of the Red Cross (ICRC) and other local non-governmental organisations (NGOs) on the ground, to increase coordination between the organisations. Regional coordination may also be improved through the involvement of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). As part of the medium- to long-term strategy, working groups on crisis response can be established and preparations made for increased attacks on aid workers; additionally, deconfliction efforts can be concentrated in areas under air strike.<sup>52</sup>

## Conclusion

At the time of writing, many trajectories point in the direction that Myanmar's state failure can diminish regional development and security, than in the direction

that it is simply a repetition of prolonged territorial rule. On top of escalating revolutionary armed conflict, the banking system has ceased to work, supply chains have broken down and the public health system has collapsed.<sup>53</sup> Yet, China has calculated that this is a return to the pre-reform status quo: another indefinite era under the junta as a result of a failed democratic experiment.<sup>54</sup> Unlike his predecessor, the current Chinese ambassador to Myanmar, Chen Hai, is avoidant of Western diplomats in the country, limiting his interactions to his Asian counterparts.<sup>55</sup> It was only in February 2021 that Foreign Minister Wang Yi delivered a speech at the Lanting Forum in Beijing entitled 'Promoting dialogue and cooperation and managing differences: bringing China-US relations back to the right track'.<sup>56</sup>

China's narrative of its engagement policy can be made more convincing if Beijing's leaders go beyond delaying the junta's representation at the UN General Assembly.<sup>57</sup> A failed state at the heart of Southeast Asia can become a centre of disease (especially as the third wave of COVID-19 grips the region), as well as environmental degradation, hunger and poverty – all of which can undermine China's foreign policy priorities in fostering sustainable development with the ASEAN under its Strategic Partnership Vision 2030.<sup>58</sup> These ramifications point to Myanmar's being more of a regional challenge than a global one. China's nascent cooperation with the U.S. on delaying the UNGA's credentials committee on allowing Myanmar's junta or the exile government to be represented is a good example. Unlike more global issues such as climate change, China remains uncooperative on brokering binding resolutions on more substantial matters such as a global arms embargo at the UNSC. Neither China nor the region is prepared or equipped for the regional calamities that are likely to be a continuing undercurrent amidst this multilateral passivity. It is more in the interests of China to therefore seek active coordination and cooperation with the wider international community on meaningful intervention in Myanmar than it is vice versa.<sup>59</sup>

51 See: United Nations Development Programme (5 October 2020) 'Partnerships for Peace and Prosperity: 2019 Annual Report UNDP Myanmar'. Available at: [mm.undp.org/content/myanmar/en/home/library/poverty/annual-report-2019.html](http://mm.undp.org/content/myanmar/en/home/library/poverty/annual-report-2019.html) (Accessed 2 July 2021).

52 Humanitarian deconfliction can assist in aid-worker security and has been increasing in recent years in conflict zones such as Yemen and Syria. See: Ben Parker (13 November 2018) 'What is Humanitarian Deconfliction?' The New Humanitarian. Available at: [the new humanitarian. org/analysis/2018/11/13/what-humanitarian-deconfliction-syria-yemen#:~:text=Yemen%20provides%20the%20most%20elaborate%20system%20of%20deconfliction,and%20its%20backers%20in%20a%20Saudi%20Arabia-led%20coalition](https://www.thenewhumanitarian.org/analysis/2018/11/13/what-humanitarian-deconfliction-syria-yemen#:~:text=Yemen%20provides%20the%20most%20elaborate%20system%20of%20deconfliction,and%20its%20backers%20in%20a%20Saudi%20Arabia-led%20coalition) (Accessed 2 July 2021).

53 Richard Horsey (9 April 2021) 'Myanmar on the Brink of State Failure'. International Crisis Group. Available at: [crisisgroup.org/asia/south-east-asia/myanmar/myanmar-brink-state-failure](https://www.crisisgroup.org/asia/south-east-asia/myanmar/myanmar-brink-state-failure)

54 Edward White and John Reed (23 June 2021) 'China Bolsters Ties with Myanmar Junta Despite International Condemnation'. *Financial Times*. Available at: [ft.com/content/ca43da4c-4287-4de6-ad8a-57a2a32fe7f3?shareType=nongift](https://www.ft.com/content/ca43da4c-4287-4de6-ad8a-57a2a32fe7f3?shareType=nongift)

55 See Note 12.

56 Zhang Jiadong (22 February 2021) 'FM Wang Fully Responds to West's Concerns'. *Global Times*. Available at: [globaltimes.cn/page/202102/1216194.shtml](http://globaltimes.cn/page/202102/1216194.shtml)

57 Colum Lynch, Robbie Gramer, and Jack Detsh (13 September 2021) 'U.S. and China Reach Deal to Block Myanmar's Junta from the U.N.' *Foreign Policy*. Available at: [foreignpolicy.com/2021/09/13/myanmar-untied-nations-china-biden-general-assembly](https://foreignpolicy.com/2021/09/13/myanmar-untied-nations-china-biden-general-assembly)

58 See: Ministry of Foreign Affairs of the People's Republic of China (1 February 2021) 'State Councilor and Foreign Minister Wang Yi Gives Interview to Xinhua News Agency and China Media Group on International Situation and China's Diplomacy in 2020'. Available at: [fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1844079.shtml](http://fmprc.gov.cn/mfa_eng/zxxx_662805/t1844079.shtml)

59 See Note 58.

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