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## Can China and India Coexist in Myanmar?

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“As in the past, so in the future, the people of India will stand shoulder to shoulder with the people of Burma, and whether we have to share good fortune or ill fortune, we shall share it together.” These were Indian Prime Minister Jawaharlal Nehru’s words in 1948, on the day of Burma’s independence from Britain. Since then relations between the two countries have fluctuated between friendship, neglect and outright hostility, yet India’s rise on the international stage and Myanmar’s “democratic transition” are forcing both governments to reassess the nature of bilateral relations based on regional geopolitical developments.

**Daniel Wagner, Chief Executive Officer, and Giorgio Cafiero, Research Analyst, both with Country Risk Solutions, explain that “Even if Myanmar’s relationship with China does not fundamentally shift (and we do not expect that it will), India—and other countries such as the United States and Japan—offer Naypyidaw greater leverage against Beijing by emphasizing that Myanmar has other options.”**

India views Myanmar’s emerging political transformation as a strategic and ideological opening that offers New Delhi an opportunity to dilute Chinese influence while expanding India’s strategic depth. While India cannot expect to rival China’s influence in Myanmar in the near or even medium term, it can have an impact on that relationship. In turn, Myanmar stands to gain from a stronger relationship with India on a variety of levels, whereas China views the strengthening relationship between India and Myanmar as a strategic threat.

India has long prided itself as the world’s largest democracy, as well as being a leader of the Non-Aligned Movement. At previous junctures in their modern history, both of these factors contributed to the dynamics that shaped the India-Myanmar/Burma relationship. Throughout the 1950s, ties were cordial, however the 1962 coup d’état in Myanmar led to a deterioration of relations. During the two decades of General Ne Win’s junta, ethnic Indians were targeted, being viewed as “privileged” during British colonial rule. The nationalist wave that followed led to the expulsion of many ethnic Indians from the country. India pursued a rather disinterested and neutral policy vis-à-vis Myanmar throughout the majority of the Cold War. By the late 1980s, New Delhi began to play an activist role by sponsoring the democratic opposition—seeking to establish itself as a beacon of democracy in Asia.

New Delhi soon learned that such an idealistic approach to foreign policy did not advance its strategic interests, nor did it help the democratic struggle in Myanmar, as the repressive nature of the regime only worsened. As the military junta in Yangon grew hostile toward India, China became the regime’s closest ally. India’s approach to Myanmar’s government subsequently shifted toward realism by 1995, as New Delhi accepted that the ruling junta was there for the long term. Thereafter, India became one of only eight governments in the world to sell arms to Yangon, underscoring the degree to which the bilateral relationship fluctuated since independence.

Following the commencement of Myanmar’s “democratic transition” in 2012, which led to the lifting of international economic sanctions, India’s government and some of its private companies saw a strategic opportunity to influence the subcontinent’s periphery.

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Indian firms such as ONGC Videsh, Jubilant Oil and Gas and the Century Ply-Star Cement group commenced operations in Myanmar. Total Indian investment in the country now approaches \$300 million. Yet this is a small fraction of the total \$43 billion in foreign direct investment (FDI) that has reached Myanmar and the majority of its FDI continues to originate from China. While a decrease in Chinese FDI in Myanmar has ensued since 2012 the government in Naypyidaw remains dependent on China (and Russia) for its military armaments. Here, India is simply not in a position to compete, and probably will not be for many years to come—if at all.

India’s lack of capacity to become an influential trade and investment partner is driven by several factors, which include India’s underdeveloped energy infrastructure, which limits New Delhi’s capacity to transfer and distribute Myanmar’s oil and natural gas in India, the reality that the two countries’ mutual border is undeveloped, which contrasts with Myanmar’s border with China, and bureaucratic hurdles and red tape that impede the cross-border trade and investment process.

India has every reason to want to embrace Myanmar at this time, and to make as much progress as is possible on the trade and investment front. New Delhi’s interest in integrating India’s isolated northeast with the rest of the country will continue to provide Indian officials with an incentive to deepen economic, political and military ties with Myanmar. Yet security dilemmas on both sides of the border constitute major concerns for Indian authorities. For example, the Buddhist-orchestrated pogroms against Myanmar’s Muslims have led to a radicalization of some Muslims in the region, which threatens to result in retaliatory attacks against Buddhist institutions in India and other corners of South and Southeast Asia. The Naga community, situated on both sides of the border, will also remain a concern for both governments as the concept of “Nagaland” potentially threatens both states’ territorial integrity.

From Naypyidaw’s perspective, deeper ties with India can alleviate some of its own concerns about destabilizing developments on its side of the border, while also demonstrating that the country can balance its partnership with China along with other regional actors. Given Myanmar’s economic and political dependence on Beijing, it should be expected that the government in Naypyidaw will only do so much, and with caution. Even if Myanmar’s relationship with China does not fundamentally shift (and we do not expect that it will), India—and other countries such as the United States and Japan—offer Naypyidaw greater leverage against Beijing by emphasizing that Myanmar has other options. Chinese officials view the gradual development of economic, political and military relationships with India as a threat to Beijing’s unique relationship with the country.

Myanmar’s government understands the value it provides to both India and China. India’s security dilemmas and its interest in new sources of oil and natural gas will continue to drive its ambitions vis-à-vis Myanmar for the foreseeable future. At the same time, China’s access to the Bay of Bengal via Myanmar, and the security of energy accessibility via its landlocked southern provinces, make Myanmar an important strategic partner for Beijing. Within this context, deepening ties between India and Myanmar will remain an issue for China.

Regardless of whether Myanmar completes its democratic transition or retreats to resume its previous pariah status, its geostrategic significance and natural resources will continue to shape the balance of power in a region where Chinese and Indian interests intersect. China and India can indeed coexist in Myanmar, but China will maintain a distinct advantage by virtue of its recent history, the nature of its military assistance, and its alignment of long term interests with Naypyidaw.

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