

Uncertain Transitions and Uneasy Power Plays

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Recent political, economic, and security developments herald important changes for Southeast Asia's future. In Myanmar, a gradual political transition from authoritarian military rule to multi-party democracy is underway. New economic opportunities made possible by an incipient emerging economy constitute another welcome development for this strategically-located country of 50 million people. But these transitions have also raised questions about the capabilities and orientation of the new government and concerns about the economic prospects for Myanmar's still underdeveloped economy.

Meanwhile, regional developments – such as the conclusion of the Trans-Pacific Partnership (TPP) negotiations and the intensification of the South China Sea territorial disputes involving China and several Southeast Asian claimants – have put increased pressure on regional institutions, especially the Association of Southeast Asian Nations (ASEAN). The region's future is of considerable importance for the United States and Europe, who remain important economic partners and crucial stakeholders in the liberal international order. Southeast Asia is also important for the West not just for trade, human rights, freedom of navigation, and conflict prevention, but also for many other issues that receive less international attention, including disarmament, migration, public health, energy security, terrorism, and drug trafficking.

Myanmar's Many Transitions

Myanmar – also known as Burma – is a country that is evidently undergoing enormous changes, both political and economic. The country is currently in the process of emerging from years of self-imposed isolation and international sanctions. Myanmar's economy today boasts tremendous possibilities, captured by the rapid proliferation of telecommunications networks over the last few years. But the country's future is also mired in a great deal of uncertainty, and it is in many ways entering completely uncharted territory.

As with any political transition, there are questions about what role members of the old regime – led by the military – will have under the new political dispensation led by Nobel Peace Prize Laureate Aung San Suu Kyi's National League for Democracy (NLD). Although the army has allowed relatively free and fair elections to take place, the process of giving up power is never easy. At the same time, there are now questions about the NLD's capacity to govern after its resounding electoral victory. The party has no prior experience in governance and, despite today being Myanmar's most politically dominant force, it has not articulated clear policy platforms on a number of major issues. The NLD remains very much dependent on the person of Suu Kyi, and its leadership exerts strict controls over the party's rank and file. The NLD's approach to media freedom and to dissent within its ranks remains to be seen. Although there is still a long way to go for Myanmar to completely democratize, the weight of domestic and international expectations is heavy.

Economically, Myanmar's transition is just as uncertain and tenuous. On the one hand, the potential is clearly tremendous. Myanmar having long been the missing link in the region in terms of infrastructure, but there are also immediate opportunities to be seized in such sectors as agriculture, energy, and tourism. Myanmar has geography on its side, nestled between the major markets and economies of China, India, and Southeast Asia. At the same time, the challenges are numerous, and include corruption, crony capitalism, inadequate energy infrastructure, low labour productivity, limitations on small and medium enterprises (including lines of credit), poor human capital, xenophobia, populist impulses, donor fatigue, and policy uncertainty, including on monetary policy. Beyond pure economic policy considerations, peace and stability in Myanmar will be crucial if the country is to prosper. The panoply of challenges facing the economy raise questions about whether Myanmar should pursue an alternative path to the traditional Asian model of development – marked

by foreign investment, infrastructure, manufacturing and exports – and whether it should instead rely upon small and medium enterprises and entrepreneurship.

Both the United States and Europe can undoubtedly contribute to Myanmar's development in terms of investment and capacity building. But while sanctions on Myanmar by the United States and Europe may have played an important role in encouraging the country's political transition, they may also have had damaging implications for the country's economy, some of which are still being felt to this day. There are now real questions about whether punitive measures by international bodies against Myanmar are still necessary or effective, and whether or not any remaining discriminatory policies by the United States, Europe, and others should be swiftly reversed.

Southeast Asia's Strategic Future

As Myanmar gradually democratizes and liberalizes, there are more worrisome trends at the regional level. The so-called 'ASEAN way' – the model of regional cooperation based on regular dialogue and building consensus around lowest common denominators, which has stood the region in relatively good stead for the past thirty years – may now be eroding. The challenges to the ASEAN way are at least threefold.

The first is institutional, relating to whether ASEAN and the ASEAN-plus regional groupings, including the East Asia Summit, have reached their natural limits. There are now concerns that these institutions will be overtaken by events and that they lack a unifying mission or purpose. The growing mismatch between statements and actions also threatens ASEAN's credibility. Furthermore, the lack of institutional cohesiveness translates onto the global level, including the absence of ASEAN unanimity at multilateral institutions such as the United Nations.

A second challenge facing ASEAN is the specific absence of economic cohesiveness. While the diversity of Southeast Asian regimes, religions, and cultures has justifiably been a cause for celebration, the economic disparities are perhaps overlooked. Myanmar was left behind as many other ASEAN countries prospered in the 1990s and early 2000s, and the disparity between a Singapore and a Laos is immense. Various trade initiatives, such as TPP and the Regional Economic Cooperation Partnership (RCEP), could drive further wedges between ASEAN member states. Admittedly, TPP and RCEP are different kinds of agreements, and are not directly in competition with one another. But regional economic and trade arrangements may still contribute to a two-speed global trading system.

The third challenge involving ASEAN comes from external major powers, primarily intensifying security competition between the United States and China. How ASEAN member states will respond to international arbitration on the South China Sea will be a crucial test for the institution, and for regional stability. There are concerns about ASEAN member states being split into two rival camps, one more closely aligned with the United States and the other with China. Vietnam is in many ways at the forefront of this challenge, and is attempting to maintain a delicate balance given its active dispute with China in the South China Sea, its geographical position as China's neighbour, its leadership's political links with the Chinese Communist Party, and its deepening trade relations with both China and the United States. Although many Southeast Asian economies are worried about their economic over-reliance on China, dependency is a two way street, and China's dependence on Southeast Asia is often overlooked.

The United States' relations with various Southeast Asian states – and pro-American public sentiments in the region – have by and large been on the rise. The Philippines is one notable example, where some of the recent improvements in security cooperation with the United States should be expected to survive beyond this year's Philippine presidential elections. Despite concerns that the United States is losing its conventional military superiority to China in the Pacific, TPP does appear to have helped the United States' reputation considerably. The failure of the U.S. Congress to pass TPP would consequently lead to an enormous loss of credibility for Washington in Southeast Asia.

The United States and China are not alone in competing for influence in the region. Japan is often credited as a model of practical engagement in the region, with high quality investments. Tokyo is also playing a new role in the region by providing security assistance in the form of coast guard patrol vessels to Vietnam and the Philippines. India, meanwhile, has seen its role as a commercial partner decline in relative terms in Myanmar, and suffers from a lack of connectivity and consistency in the region. But it also has a good base for future engagement with a large and growing market, a conscious emphasis on improving connectivity, and an emphasis on capacity building in the region's less-developed economies.

Until the recent euro and migration crises, Europe was often thought of as a gold standard for regional integration for Asia. Today, European leaders are sensitive about not trying to export their model of multilateralism to Southeast Asia, but face criticism for not being sufficiently invested, particularly on security matters. Europe could make a virtue of its being a disinterested party to reinforce norms and support a code of conduct in the South China Sea, although any such role may still require a show of hard power to be effective. It is an open question as to whether and how European states and institutions will respond to international arbitration in the South China Sea, particularly if the rulings go as expected in favour of the Philippines and against China.

Conclusion

The United States and Europe are both deeply invested in Southeast Asia's future. They are among the largest trade and economic partners for the region, and the United States in particular has long-standing military alliance commitments and security partnerships. Given its natural resources, geographical location, political diversity, and economic potential, Southeast Asia's evolution will have global ramifications. That is all the more reason for Europe and the United States to work with local partners, and with one another, to ensure the evolution of Southeast Asia in general, and Myanmar in particular, into stable, secure, democratic, and prosperous polities.