

# Myanmar

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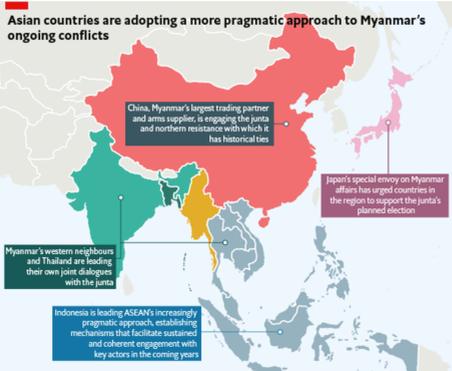
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## Myanmar coup two years on: neighbours' pragmatism

- EU does not expect outside actors to meaningfully alter the course of conflicts in Myanmar, given limited political and economic leverage over junta leaders and armed resistance, and the lack of a unified approach.
- Pragmatism underpins Myanmar's neighbours' approach to the country. China, Thailand and India will not rescind tacit support for the junta given practical concerns closer to home, such as border security and natural resources trade.
- Indonesia, the 2023 rotational chair of the Association of South-East Asian Nations (ASEAN), has steered the bloc towards promoting dialogue. However, ASEAN's capacity to mediate conflicts is ultimately constrained by its institutional structure.

Myanmar will feature prominently on the agenda of the ASEAN summit, set to take place on May 9th-11th. Two years after the bloc agreed on a five-point consensus on the post-coup environment, which called on the junta to cease violence immediately and to initiate an inclusive political dialogue, no peaceful resolution to the country's conflicts is in sight. Most recently, around 100 people, including civilians, were reportedly killed by the junta in an airstrike in Sagaing on April 11th. Our forecast remains that the junta, led by Senior General Min Aung Hlaing, and the armed resistance will be locked in a struggle of attrition throughout our forecast period (2023-27), with the military having the upper hand.

We do not expect any outside actors to meaningfully alter the course of conflicts in the country. Nearby, particularly China and Thailand, will probably adopt a pragmatic approach given the expectations of ongoing conflicts. They will engage the junta and, to a lesser extent, resistance actors, to work on more practical matters such as border security and natural resources trade.



### Even the most powerful international player has limited influence

China, Myanmar's largest trading partner and arms supplier, will probably continue to offer political and economic support to the junta on the international stage, while maintaining communications with other key actors. Since the 1990s, China's sway over Myanmar has largely hinged on its political and economic leverage over major stakeholders in the country. This encompassed economic incentives as well as international political support for Myanmar's government in power, including vetoing or abstaining from key UN resolutions concerning the country. It also exerted influence—but not control—over ethnic-minority armed organisations in the northern Kachin and Shan regions, which border China's Yunnan province, thereby indirectly affecting the peace dynamics in Myanmar. We expect China to maintain ties with the junta and resistance actors in northern Myanmar.

### China and Russia are Myanmar's largest arms suppliers, although India is becoming increasingly relevant

(military imports by origin; trend-indicator value terms\*; % of total)

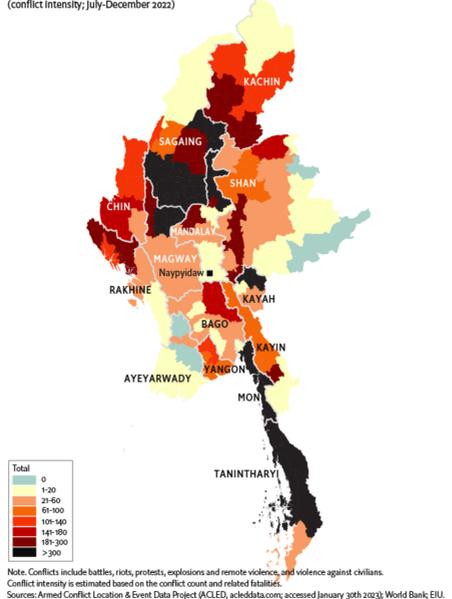


However, we are sceptical about China's influence over the ongoing conflicts, particularly in areas where they are most intense. Since the 2021 coup, the junta has viewed the power struggle as existential and not susceptible to compromise. Many of the current resistance actors also operate far from China's traditional sphere of influence, situated in Myanmar's central lowlands in Sagaing and Magway, as well as the states of Rakhine, Kayin and Kayah.

Nor does China have a strong interest in mediating the conflicts. China's diplomatic establishment has been pessimistic about stability in Myanmar even before the coup, given that country's inherently fragile political landscape that dates back to before its independence. As such, China's top priority in Myanmar has long been limited to border security, and China's involvement is directly linked to the extent of conflicts spilling over the border, which the current conflicts do not.

### Conflicts are spreading to Burmese-majority regions such as Sagaing and Magway

(conflict intensity; July-December 2022)



China will continue to retain influence over Myanmar given its interest in the country's natural resources, access to the Indian Ocean, and geopolitical competition in South-east Asia vis-à-vis the US, India and Japan. However, it will minimise its investment in the country, mindful of Myanmar's unstable economic and political environments and precarious debt levels.

### ASEAN playing the long game

Similar to China's practical considerations, we have noted that Indonesia, ASEAN's chair for 2023, has taken steps to steer the bloc away from the hollow demand for immediate ceasefire towards a more pragmatic strategy. Although the five-point consensus remains the guiding principle for ASEAN's endeavours, the priority now is the delivery of humanitarian aid and cultivation of an atmosphere conducive to inclusive dialogue, which should encompass major Myanmar stakeholders and international observers. This is predicated on the expectation that a comprehensive peace resolution is unattainable in the short term, and that conflicts will persist.

### The five-point consensus will remain as the core tenet of ASEAN's engagement with Myanmar, but some points will be prioritised

Points	EU's expectation for 2023
<b>STOP VIOLENCE</b> There shall be immediate cessation of violence in Myanmar and all parties shall exercise utmost restraint.	ASEAN is unlikely to make substantial progress on this. The junta and the armed resistance will be locked in a struggle of attrition and thus conflicts will continue, albeit at a lower intensity compared to 2021-22.
Constructive dialogue among all parties concerned shall commence to seek a peaceful solution in the interests of the people.	Indonesia will focus on establishing medium- to long-term dialogue mechanisms that encompass major Myanmar stakeholders and international observers.
A special envoy of the ASEAN chair shall facilitate mediation of the dialogue process, with the assistance of the secretary-general of ASEAN.	
ASEAN shall provide humanitarian assistance through the ASEAN Co-ordinating Centre for Humanitarian Assistance on Disaster Management.	Indonesia will be able to build on its ongoing engagement with various 'stakeholders' and provide some humanitarian assistance, although it will be a drop in the bucket.
The special envoy and delegation shall visit Myanmar to meet with all parties concerned.	Indonesia will appoint a special envoy, who—alongside the newly established Office of Special Envoy—will spearhead talks to relevant stakeholders.

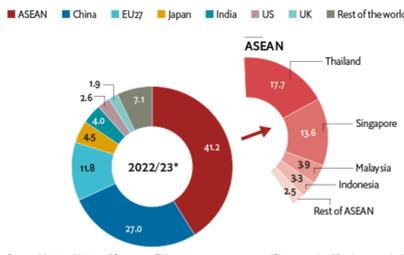
Sources: ASEAN; EIU.

Some progress has already been made. Retno Marsudi, Indonesia's top diplomat, has established within the country's foreign ministry a new office dedicated to mediating the Myanmar crisis. This office could become institutionalised at the ASEAN level, considering that the bloc's foreign ministers (excluding Myanmar's) endorsed Ms Marsudi's implementation plan for the five-point consensus (the plan has not been disclosed to the public) during the February 2023 foreign ministers' meeting. In addition, Indonesia has spearheaded the bloc's engagement with various Myanmar stakeholders regarding humanitarian aid provision that, according to Ms Marsudi, had been impossible previously. It is probable that Indonesia has already engaged representatives from Myanmar's armed resistance, including those affiliated with the shadow National Unity Government (NUG).

ASEAN's capacity to mediate conflicts is ultimately constrained by its institutional structure, particularly its consensus-based decision-making. The actions taken by ASEAN so far have already pushed the boundaries of its principle of 'non-interference' in a member country's internal affairs. It is highly unlikely that the nine countries within the bloc can reach a consensus on expulsion threats or economic sanctions, even though intra-ASEAN trade represents more than 40% of Myanmar's trade. Disunity was prominently on display in December 2022 when Thailand initiated an informal dialogue with the junta, which Indonesia, Malaysia, the Philippines and Singapore have shunned.

### China, Thailand and Singapore are Myanmar's largest trading partners

(bilateral trade value; %)



Intra-bloc tensions may escalate in the coming years as the Myanmar crisis persists. Laos is set to assume the ASEAN chairmanship in 2024, and its close relationship with the junta could jeopardise ASEAN's dialogue with armed resistance in Myanmar that Ms Marsudi is attempting to establish. ASEAN will also need to address the junta's election, which we now expect to take place in 2025, but member states have yet to reach a consensus view.

### Focusing on one's own backyard

Pragmatism similarly underpins other Asian countries' approach to Myanmar beyond China and the ASEAN framework. Thailand and India, both of which share long borders with Myanmar, will probably maintain communication channels with the Myanmar junta—and therefore tacit support—given practical concerns closer to home. For Thailand, whose military maintains a strong connection with Myanmar's junta, this includes natural gas supply, border security and haze arising from slash-and-burn farming. For India, the influx of refugees and paramilitary actors poses a threat to the stability of its north-eastern region, while China's increasing presence in the Indian Ocean raises concerns given their bilateral tensions. Both Thailand and India have hosted multilateral dialogues alongside other neighbours of Myanmar (most recently in April 2023), which could function as another communication platform for the junta and Myanmar's armed resistance.

Nonetheless, we remain sceptical about any country's ability to meaningfully de-escalate the conflicts within our forecast period, given the limited political and economic influence over those involved in the conflicts, and the lack of a unified approach by outside actors. This allows the junta to tactically give different promises and extract different concessions from various outside actors. China, ASEAN, and other Asian countries are likely to make incremental progress in establishing institutions to mediate the conflicts in Myanmar and facilitate some dialogue between various actors, but any tangible improvement in Myanmar's security situation will probably remain elusive.

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