

# Bumps in the road

## Political reform in Myanmar

Over the past two years, Myanmar has experienced increased political liberalisation. **Eric Randolph** examines the country's economic potential, increased attractiveness to the West, and potential roadblocks on its journey towards reform.

### ► KEY POINTS

- Myanmar has made considerable progress towards political reform over the past two years, which, coupled with its economic potential and geostrategic location, has led to increasing international attention.
- Despite the progress that has been made, major challenges still exist, including uncertainties over the political reform process, deep sectarian tensions, and ongoing ethnic conflicts in parts of the country.
- Looking forward, the most likely scenario is an ongoing but delayed reform process, although there is a possibility that certain elements within the military could seek to derail the process and seize power themselves.

Since the Myanmar government passed a new constitution in 2008, the country has experienced a process of domestic political liberalisation and engagement with the international community. However, the motives that have driven the reform process and many of the inner workings of the government remain largely inscrutable to outside observers. Serious concerns have been raised about the capability and willingness of the security forces to address increasing violence against minorities, which threatens to undermine the transition process.

The 2008 constitution was designed to allow political transition within strict

parameters that ensured the continued dominance of the military. It nominates 25% of the members in parliament, and there is wide scope for the re-imposition of military rule, should it deem the stability of the country to be under threat. This has largely protected members of the former regime from any repercussions for past and ongoing human rights abuses. The rapid reforms that followed the accession of President Thein Sein in March 2011 have been welcomed by Western countries, which are keen to reduce China's influence in Myanmar and benefit from the significant economic opportunities in the country. However, these reforms have so far occurred largely as directives from the executive, rather than in concrete legislative form.

Several new laws are in the process of being drafted, but the possibility remains that the changes made over the past two years – such as the release of political prisoners, reduced censorship, and increased freedom to protest and campaign – may be reversed, or reinterpreted at the whim of the government. Discussions have begun between the ruling Union Solidarity and Development Party (USDP) and opposition National League for Democracy (NLD) on reform of the constitution, but these are at an early stage and are likely to face considerable opposition from conservatives within parliament and the armed forces.

Nonetheless, fundamental changes to the political dynamic in Myanmar make a return to authoritarianism unlikely. Power is no longer concentrated around a single individual, as it was during the rule of Senior General Than

Shwe (1992–2011). There is now considerable competition for influence between different branches of government, and many politicians have embraced democratic reform as a way of advancing their own status.

Western governments' dropping of economic sanctions promises substantial foreign investment in the coming years, something the country's leaders are well positioned to exploit. It is likely the Myanmar government will therefore frame its actions with a view to maintaining international legitimacy, giving Western governments an unprecedented opportunity to direct the reform process.


The primary obstacle to achieving positive democratic outcomes relates to capacity. The poor state of education, infrastructure, and the lack of democratic experience present major challenges for the government and its international partners as they begin to address the challenges faced by Myanmar, which range from widespread poverty to sectarian violence and ongoing conflict in ethnic areas.

### Risk in July 2013

In order to assess how developments in Myanmar will unfold over the coming months and years, it is first necessary to analyse the country's current stability. This can be established by examining five stability factors: political, social, economic, military/security, and external.

### Political stability

In September 2012, President Thein Sein initiated a cabinet reshuffle designed



**A vandalised mosque is seen in the background of a burned shop in Lashio, northern Shan State, Myanmar, in May 2013. Hundreds of Buddhist men on motorcycles waved iron rods and bamboo poles and threw rocks after a mosque and a Muslim orphanage were torched in a new wave of violence targeting the religious minority.**

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to reinforce his position and sideline conservative influence, bringing together a team of reformist ministers without portfolio within his Ministry of the President's Office. The group is led by Soe Thane, who oversees the economic ministries, and Aung Min, who is spearheading negotiations with armed ethnic insurgents. Hardline conservative former generals were forced to retire or demoted, including the long-serving minister of information, Kyaw Hsan, who was moved to the Ministry of Co-operatives after mishandling the creation of a Press Council. This followed the retirement of Vice-president Tin Aung Myint-Oo in July 2012.

Despite this, conservative influence remains, with military appointees still holding the portfolios for home and border affairs. Soe Thane's reformist zeal has made him unpopular with some sections of the traditional elite, prompting his resignation from the chair of the Myanmar Investment Commission in May 2013 in an apparent concession to hardliners. However, he retains a great deal of influence over economic policy.

Although competing power centres will continue to make the pace of reform unpredictable, the very existence of competition between the executive, parliament, and the military marks a dramatic shift from the one-man rule that existed under Than Shwe, and helps to guarantee continued pluralism. Thein Sein is held in check by the emergence of figures such as parliamentary speaker Shwe Mann, who has established a powerful base in the Pyithu Hluttaw (House of Representatives).

In late 2012 and early 2013, he led a successful attack on the constitutional tribunal, forcing the president to annul the tribunal's attempt to limit the power of parliamentary committees and commissions. However, the real test of democracy will come with attempts to reform the constitution, and the general election that is due in November 2015.

The NLD under Aung San Suu Kyi was permitted to stand in by-elections in April 2012, winning 43 of the 44 seats it contested (out of a total of 46). It remains to be seen whether the military and the ruling USDP will accept a similar result in 2015. Rigging the election, as was widely alleged by international observers in 2010, will be far more difficult given increased international scrutiny of the country.

Much will depend on the outcome of a parliamentary review of the constitution, which was announced in March 2013. The focus of the review has not yet been publicised. For the NLD, the priority is clearly to alter the rule that bars Aung San Suu Kyi from the presidency (on the grounds that her children are foreign citizens). This may prove to be a minor concession for the USDP and military, since Aung San Suu Kyi has repeatedly signalled her willingness to work alongside them in the ongoing transition process. It is important in this context that the review was proposed by two senior members of the USDP (as well as one from the NLD) and was supported by some military members of parliament, demonstrating the extent to which parts of the traditional elite have accepted the need for reform.

Some media reports have suggested that

Shwe Mann and the USDP are keen to change the constitution to introduce an electoral system based on proportional representation, rather than the current first-past-the-post system. The latter strongly favours the NLD, as was evident in the by-elections of 2012, and it is possible that the USDP – along with ethnic parties – will back a new voting system in exchange for removing the obstacles to Aung San Suu Kyi becoming Myanmar's president.

Hardline members of the military will continue to view with concern anything that threatens their hold on parliament. If they feel that constitutional reforms are going too far, this could prove to be destabilising, conceivably triggering a military coup in the country. Thein Sein has sought to off-set these concerns, saying during his visit to Washington in May that the military "will always have a special place" in government.

In the medium term, it is hoped this iterative process of negotiation and reform will gradually diminish the influence of hardliners until fully democratic and civilian institutions are established. An inherent risk in this process is that members of the former regime who are accused of serious human rights abuses will not be brought to justice.

There is also a concern that the NLD will not be ready to govern in 2015. The party must find an estimated 1,300 candidates to stand in the election (spread across the lower and upper houses of parliament, and state assemblies). Low education standards, poor connectivity, and decades of political repression mean there is a limited number of capable

candidates. Some political training programmes have been organised on a largely ad hoc basis, but many of the NLD parliamentary members will be inexperienced and ill-prepared. This is a concern in light of the challenges ahead, including wide-ranging legislative reform, mounting social unrest, extensive corruption, and military conflict.

### Social stability

The most serious current threat to stability in Myanmar comes from the growing violence against Muslims, who account for around 5% of an estimated 60 million population.

Long-standing, state-backed discrimination against the Rohingya Muslim ethnic group in southwestern Rakhine state erupted in communal violence between the local Buddhist population and the Rohingya in June and October 2012. At least 192 people were killed and 140,000 displaced, according to official statistics, with the Rohingya suffering the worst of the violence. The majority are

ineffectual, and the most concerted legal action was reserved for a group of Muslims accused of killing a Buddhist monk.

Further attacks were reported against Muslims in other central towns and villages, before spreading to Oakkan in April and May. The violence has been fuelled, and in some cases led, by extremist monks.

The government has used curfews and the threat of force to quell the unrest, with Thein Sein stating that “political opportunists and religious extremists” fomenting hatred “will not be tolerated”. However, entrenched anti-Muslim sentiment throughout much of the Buddhist community has made Myanmar’s politicians and security forces reluctant to act too strongly against the perpetrators. This extends even to Aung San Suu Kyi, whose limited condemnation of the violence reflects her desire not to alienate Buddhist voters.

The police lack training in legitimate forms of crowd control, having enjoyed impunity for their heavy-handed tactics in the past.

Sagaing Division, a joint venture between the military-owned Union of Myanmar Economics Holdings and Myanmar Wanbao Mining, a subsidiary of Chinese state-owned arms manufacturer Norinco. The heavy-handed approach of security forces during one such protest on 29 November 2012 led to dozens of civilians – including monks – being injured, fuelling further anger.

Aung San Suu Kyi chaired a parliamentary investigation into the project, which stated that it should continue, despite acknowledging that farmers had been forcibly evicted and that it lacked strong environmental protections. This led to unprecedented public protests directed against the iconic leader in March 2013.

### Economic stability

Rich in natural resources – and strategically located on the crossroads between India, China, and Southeast Asia – Myanmar has huge economic potential if it maintains its current reform trajectory. The Asian Development Bank (ADB) predicts that Myanmar can more than treble the size of its economy by 2030, with GDP growing at 7-8% annually, and per capita incomes rising from USD857 in 2011 to as much as USD3,000 in that period.

Myanmar is able to benefit from the examples of other countries in the region, as well as the direction of foreign observers who are pouring into the country. The ADB is assisting the government in forming its new Companies Law, while the International Monetary Fund and others are providing advice on reform of the central bank. If Myanmar is able to institute effective macroeconomic management, with low inflation, high domestic savings, and substantial investment in human resources and infrastructure, the country could re-emerge as the major economic hub it was during the colonial era.

Central to this transformation will be a shift from its status as an agricultural economy (which employs the vast majority of the population, but provides only 36% of GDP) to a more industrialised base. Tourism and telecommunications are set for dramatic growth in the short term amid hopes that manufacturing, construction, and banking will follow.

However, for now, the economy is heavily constrained as a result of decades of mismanagement, isolation, and the poor state of education. The new government must tackle the challenges of dilapidated infrastructure, limited access to capital, and insufficient fiscal resources, which are poorly distributed due to

## ‘The most serious threat to state stability in Myanmar comes from the growing violence against the Muslim minority’

trapped in refugee camps where their movement is severely restricted.

Under the 1982 Citizenship Act, the Rohingya were excluded from the country’s 135 recognised ethnic groups, rendering them stateless and subject to a series of severe restrictions on travel and even marriage, policed by a Border Administration Force known as Nasaka, which has been accused by non-governmental organisations (NGOs), such as Human Rights Watch, of human rights abuses including rape, forced labour, and extortion.

In May 2013, the government imposed still harsher restrictions on the Rohingya through a new set of directives, including a two-child limit on the grounds that “high population growth” among the Muslim population had contributed to last year’s violent clashes.

Sectarian violence spread to other parts of the country throughout 2013 – no longer directed only against Rohingya, but all Muslims. Minor attacks were reported in Yangon, before erupting in the central town of Meiktila in March. The violence lasted for two days, leaving 43 people dead and entire Muslim suburbs destroyed. Police were largely

This may have contributed to their failure to control recent violence. The European Union has announced that it will assist with police training programmes, although it will take many years to transform the skills and mindset of the police.

In addition to sectarian violence, there is the increased chance of popular protest against government policies. As political dissension laws have been relaxed, citizens have taken advantage of this to voice their opposition to corruption, land-grabbing, and environmentally damaging economic projects.

Farmers have faced widespread dispossession as a result of infrastructure projects, made possible by the lack of clear land titling across the country. In ethnic border areas, this has been exacerbated by ceasefires with insurgent groups, which have allowed increased development to take place. The government introduced two new land-related bills in March 2012, which it said would address the concerns of small landholders, but activists say the bills have changed little on the ground.

There have been ongoing protests against a copper mine project in Letpadaung in



the lack of market mechanisms. In addition, the rampant exploitation of natural resources – including hydrocarbons, timber, jade, and other minerals – has caused environmental degradation in many areas of the country, and has been linked to human rights abuses, including forced displacement, land confiscations, and forced labour.

Bringing transparency to these operations is complicated by poor cadastral records, a dysfunctional judiciary, and opaque business practices. The small business elite, who benefited most from their ties to the government, are likely to act as a brake on reform.

### Military and security stability

Myanmar faces a significant threat of insurgent conflict with ethnic armed groups positioned around the country's periphery. Over the past 20 years, the government has increased its control over these areas through a combination of large-scale military build-up and attempts to sign bilateral ceasefires with individual groups.

Since coming to power in March 2011, the quasi-civilian government has abandoned its attempts to co-opt insurgent groups through their conversion into Border Guard Forces as mandated by the 2008 constitution. Instead, it has sought to sign fresh ceasefires with a view to an over-arching political dialogue. In early 2012, it outlined a three-step Roadmap to Eternal Peace, through which ceasefires would lead to disarmament and eventual discussions on political status as well as amendments to the constitution.

The most significant obstacle to this process has come from the Kachin Independence Army (KIA) in northern Kachin state. Hostilities resumed between the Myanmar armed forces (Tatmadaw) and KIA in July 2011 after a 17-year ceasefire broke down. Fuelled by competition for resources in the mineral-rich state, fighting continued with the KIA until February 2013, when a concerted advance by the Tatmadaw – including the unprecedented use of strike aircraft and helicopter gunships – allowed it to seize the mountains surrounding the KIA headquarters of Laiza. Although sporadic fighting has continued, the KIA lacks the resources to pose a major threat to the Tatmadaw. However, the conflict has eroded trust between the two sides, and tentative peace negotiations, held in China, are expected to make slow progress, although a tentative ceasefire was signed on 30 May 2013.

Since 2011, almost every other major armed ethnic group has signed a ceasefire with the



government, although talks have made only limited progress. The key condition for the government is ensuring that ethnic groups accept the Three Main National Causes: “the non-disintegration of the Union; non-disintegration of national solidarity; and the perpetuation of national sovereignty”. Most groups – including the KIA – had already abandoned the idea of full independence in favour of increased autonomy within the union. Yet, the two sides’ proposed peace deals differ significantly, and there is still no agreement on how to approach political talks.

It remains to be seen whether the military leadership will be willing to accept increased federalism, which in the past has been viewed as a precursor to secession. If they can be convinced that federalism represents a positive step towards ensuring the integrity of the union, there is hope for the current dialogues.

### External stability

Myanmar has transformed itself from an international pariah to a recipient of significant Western attention, ensuring that it faces very few external tensions. Investors are rushing to seize opportunities in Myanmar’s untouched market and exploit its wealth of mineral resources. Myanmar’s location between China, India, and Southeast Asia makes it a key strategic ally for Western and Asian governments.

With this in mind, the EU, Norway, Australia, and Canada dropped all economic sanctions (except arms embargoes) in April 2012. The United States has taken a more cautious approach, with US companies still barred from doing business with more than 100 Myanmar citizens listed by the Treasury Department as

‘Specially Designated Nationals’ for their links to the military, drug traffickers, and human rights abuses. However, Thein Sein was rewarded for his efforts with a state visit to the White House in May 2013, and pressure from US business interests is likely to see many sanctions dropped in the coming months.

Asian countries were less concerned about human rights abuses during the dictatorship, and were already engaged in major infrastructure projects prior to the reform process. India is midway through a USD100 million refurbishment of the port at Sittwe in the southwest, while Thailand is constructing an economic zone and deep-sea port in the southeast. Japan has cancelled USD3.58 billion of debt and, during a visit by Prime Minister Shinzo Abe to Myanmar in May 2013, advanced a loan of USD500 million for infrastructure projects.

The combined engagement of these countries, along with the presence of charities and NGOs, is likely to be a significant stabilising force on Myanmar. International advisers, and pressure to comply with international standards, will help guide the formation of new legislation and provide an unprecedented level of scrutiny over the transition process.

China has the most to lose from Myanmar’s engagement with the West, having benefitted from a near monopoly on foreign investment under the dictatorship. However, it has strong incentives to ensure stability in Myanmar, given the scale of its investments, cumulatively estimated at USD14 billion as of 2012. These include the 800 km Shwe oil and natural gas pipelines. This has prompted China to support negotiations along its border between the Myanmar government and KIA.

Myanmar has outstanding territorial disputes with Thailand and Bangladesh. The Thai military has occasionally fired on Tatmadaw forces when they moved against ethnic insurgent forces along the poorly-defined border, although the threat of clashes has reduced since the signing of ceasefires with these groups. The border with Bangladesh is more tense, exacerbated by both sides’ refusal to recognise the citizenship of Rohingya Muslims.

#### Risk in July 2013

Political risk	Significant
Social risk	Significant
Economic risk	High
Military & security risk	Moderate
External risk	Significant
<b>Total country risk</b>	<b>Significant</b>

Myanmar soldiers and police on patrol in western Myanmar during operations against the Kachin Independence Army (KIA) in November 2012. A peace agreement between the Myanmar government and the KIA was signed on 30 May 2013.

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## Scenarios

The three scenarios below outline possible courses for Myanmar as it continues its process of political reform against the backdrop of ongoing domestic security and stability challenges.

### Scenario 1: Constitutional reform, peace negotiations

Probability

Moderate

**T**he increased involvement of Western governments, NGOs, and businesses in Myanmar has brought an unprecedented level of scrutiny to government actions in the country. The emergence of a free press – domestic and international – has made it more difficult for the government to conceal any human rights abuses, and has opened up political space for civilians to voice their demands for further political change.

Many people within the executive and legislative branches of government have recognised the advantages of reform in the country, and the benefits of presenting themselves as supporters of democracy. Meanwhile, the emphasis that Aung San Suu Kyi has placed on engagement across the political spectrum has lowered the risk that

the military will consider the reform process to be a threat to its position.

With parliament having already announced a review of the 2008 constitution, there is a strong likelihood that it will be amended to allow Aung San Suu Kyi to become president after the elections in 2015, and that this will presage further steps towards the establishment of the rule of law and fully democratic institutions, although removing the military's 25% hold on parliament is expected to take many years.

It is so far difficult to gauge whether the military leadership is prepared to accept increased federalism for ethnic areas. However, given that many armed ethnic groups have renounced demands for full independence, and are incapable of challenging the Tatmadaw in military terms, there is scope for a broad agreement that meets ethnic

minorities' demands for greater autonomy without threatening the country's integrity.

With improved training and resources, the police and security forces will more effectively respond to outbreaks of sectarian violence in time. Overcoming entrenched racism, against Muslims in particular, will require extensive efforts by political leaders. However, the scale of the violence experienced in the past year, and the threat this poses to the wider transition, may prompt more urgent action by the authorities.

Risk factors	Scenario one
Political risk	Moderate
Social risk	Significant
Economic risk	Significant
Military & security risk	Moderate
External risk	Moderate
<b>Total country risk</b>	<b>Moderate</b>

### Scenario 2: Gradual reform marred by limited capacity

Probability

High

**M**yanmar suffers from a serious dearth of skilled professionals across all sectors. Decades of dictatorship and an extremely poor education system have left the country ill-prepared for the challenges ahead.

Drafting effective legislation, managing rapid economic growth, reforming a deeply corrupt judicial system, and training security forces in legitimate forms of crowd control will all be constrained by the lack of human and financial resources.

Although the international presence will help in these regards, there is a high risk that

the interests of the business community will take precedence over the establishment of effective governance, allowing corruption and human rights abuses to continue.

Despite the increased scrutiny of a free press and international observers, parts of the country will remain isolated due to poor communications and transport infrastructure.

The lack of capacity extends to political parties, with members of the NLD already making it clear in interviews with *IHS Jane's* that they are facing an uphill struggle in training enough capable members to stand for election in 2015.

In this scenario, the transition towards full democracy as well as a peaceful settlement

of the current situation in ethnic areas is likely to be beset by multiple set-backs, with ongoing outbreaks of sectarian violence and clashes between the Tatmadaw and ethnic insurgents. There will also be pressure coming from conservative hardliners within the government, many of whom oppose individual reforms.

Risk factors	Scenario two
Political risk	Significant
Social risk	Significant
Economic risk	High
Military & security risk	Moderate
External risk	Significant
<b>Total country risk</b>	<b>Significant</b>

## Scenario 3: Military coup reverses the reform process

Probability

Low

**D**espite the advances that have been made in Myanmar over the past two years, and the clear economic and strategic benefits that have accrued to the country as a result of its engagement with the international community, there is still scope for the reform process to collapse.

The views of military hardliners within the political establishment remain relatively opaque to the outside world. Although the reform process clearly had the approval of the former dictator, Than Shwe, and was carefully choreographed to ensure his protection from prosecution and the continued dominance of the military, it has developed its own momentum that may go beyond the designs of those who implemented it, and therefore threatens its power.

If the military feels that its position is threatened by a landslide victory for the NLD

in the 2015 election, it may choose to ignore the result, just as it did in 1990. Should there be popular protests against the military's continued hold on power, this may provide a pretext for the armed forces to seize control of the government. Similarly, if the sectarian

### 'There is still scope for the entire reform process to collapse'

violence of the past year spirals further out of control, the military may consider that it is the only force capable of ensuring stability, as it has argued in the past.

The progress of peace negotiations with ethnic armed groups could also prove to be highly destabilising, with mid-level military

officers having considerable autonomy – as well as business interests – in many of the ethnic areas, which mitigate against finding a solution to the conflict. If the military leadership has not been convinced that increased federalism for these regions is the route to lasting stability, this could also provoke a military coup.

Such an occurrence would result in the rapid re-imposition of sanctions by Western countries, something that would see the country returning to international isolation and severe economic hardship.

Risk factors	Scenario three
Political risk	High
Social risk	Significant
Economic risk	High
Military & security risk	Significant
External risk	High
<b>Total country risk</b>	<b>High</b>

## ► Conclusion

Myanmar has made considerable strides towards democratic reform in just two years. The atmosphere in its main cities has been dramatically transformed, with former enemies of the government now sincerely encouraged to return to the country and assist in its transition.

However, there are formidable challenges ahead, with attempts to draft effective laws, find capable administrators, and move forward with peace negotiations all at a very nascent stage.

The reform process has exposed deep social fissures within Myanmar, particularly between Buddhists and Muslims, which the government, security forces, and society are ill-prepared to address. The obstruction of education under the dictatorship has left a difficult legacy.

For now, the proponents of reform appear to have the momentum in the

executive and legislature, while competition between different branches of government offers hope for continued pluralism. Many have been disappointed by the perceived weak moral stance exhibited by Aung San Suu Kyi since her release from house detention, but she faces a delicate tightrope between encouraging further reform and avoiding actions that will trigger a reimposition of direct military rule.

Myanmar is fortunate to have great economic potential, as well as a location of geostrategic importance to the West. This guarantees that the country will receive considerable attention from the international community, which, if it is used in a cautious and positive way, can convince the military to gradually step away from power and allow civilian democratic institutions to take hold. However, as in the past, there still remains significant scope for a sudden

and dramatic change in circumstances on the ground. ■

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