



By Debra Eisenman

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## RECONCILING EXPECTATIONS WITH REALITY IN A TRANSITIONING MYANMAR

### ABOUT THE AUTHOR

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### SUMMARY

The pace of Myanmar's fluid, fragile, and young political and economic transition and reform process has slowed during a period of significant internal conflict. While State Counsellor Aung San Suu Kyi has been in a de facto leadership role for two years, real control of the country remains in the military's hands.

Suu Kyi's focus on the country's internal peace process has not thus far borne the fruit that ethnic armed organizations and the civilian government had hoped. Additionally, while the economy is still showing growth, the sizeable hopes and expectations for the country's economic development have not been met, and instead the pace of this development has slowed for myriad reasons. Magnifying the birth pangs of this nascent democracy is the violent persecution of Rohingya civilians in northern Rakhine state at the hands of Myanmar's military, coupled with poor crisis communication and purposeful disinformation campaigns that further the challenges in Rakhine, as well as fan the flames of Muslim-Buddhist conflict. As the United States and the international community focus on accountability for the violence against the Rohingya and ways to help alleviate the tragedy this community has faced, a continued campaign of violence by Myanmar's military is underway against ethnic armed organizations in other parts of the country.

All of these challenges are undermining the creation or fortification of institutions of good governance, creating pressure points in Myanmar's relations with the West and an opening that plays into existing geostrategic tensions.

This issue paper covers five critical challenges facing Myanmar today:

- Multifaceted and violent ethnic conflict, largely created or exacerbated by Myanmar's military, which is undermining the peace process and causing the tragic plight of the Rohingya
- Poor and uneven government communications, causing both "fake news" and speculation to proliferate
- Slowed economic reform and development
- A flawed constitution, unchecked military power, and the conflation of the rule of law and law and order
- Unbalanced geopolitical and geostrategic power and risk.

With all of these challenges—particularly the persecution of the Rohingya—some in the United States and across the West look at Myanmar, and at Aung San Suu Kyi in particular, as having squandered the goodwill of the international community. Taking such a narrow view of Myanmar, however, helps no one—including the Rohingya. Given these challenges, and the assistance Myanmar needs to address them, now is the time to double down on helping Myanmar find a positive way forward.



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## OVERVIEW

Since late 2016, the Western conversation on Myanmar has turned from hope for democratic development and a potential “gold rush” of investment in the country to shock, frustration, and despair over the tragic plight of the Rohingya. The Rohingya are a stateless Muslim people who were located primarily near Myanmar’s border with Bangladesh, in northern Rakhine state, until a recent and significant campaign of violence against them spurred a mass exodus of nearly 700,000. These sentiments regarding the harrowing and inhumane treatment of Rohingya civilians are warranted. More *real* action to help these people is desperately needed.

The recent international debate about Myanmar has focused largely on the country’s de facto leader, State Counsellor Aung San Suu Kyi, a long-celebrated champion of human rights and democracy, and disappointment and deliberation over her inability to stop or even outwardly condemn the violence against the Rohingya. The current conversation centers on the thickness of the tightrope that Aung San Suu Kyi must walk between her concern for human rights and the will of the Myanmar military, the Tatmadaw—which still retains significant control over the country. Some argue that no such tightrope exists, that there is no knife at Suu Kyi’s back, and that she is complicit in the Tatmadaw’s violence against and expulsion of the Rohingya. Some others see this as a question of international norms versus domestic interests, which are diametrically opposed when it comes to the Rohingya. Certainly, holding those who commit crimes against humanity to account is an

important part of justice in transitioning states. However, the present debate is not helping anyone—including the Rohingya. Calls to strip Suu Kyi of her Nobel Peace Prize, or to shame the country by pressing foreign companies to leave, will not help any of Myanmar’s people. On the contrary, these calls may be fostering the opposite effect: steeliness against constructive criticism, reticence to take the advice of friends, and a shift away from international norms and values.

By focusing the conversation so narrowly and attempting to adjudicate Suu Kyi’s role in the court of public opinion, we have moved away from a broader and more solution-oriented dialogue. Many who look at the current situation are now asking, has Aung San Suu Kyi changed, or has our understanding of her changed? Perhaps the question should be, *what is our understanding of Myanmar?*

Myanmar is complicated. It is far behind its ASEAN neighbors according to numerous indicators of societal and economic health, and it has little capacity to catch up. The country has been mired in 70 years of civil war, which is still ongoing; it has 135 *recognized* ethnic groups; it has spent 49 of the last 56 years under a military dictatorship; it has the lowest per capita gross domestic product and the lowest life expectancy in ASEAN; it ranks as one of the most natural-disaster-prone countries in the world; and it is the second-largest cultivator or producer of opium in the world.

Myanmar is arguably 10 years into a top-down, planned transition. The first three years of this transition—from the creation



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of a new constitution in 2008 under Senior General Than Shwe, which enshrined the military's power, until the Thein Sein government came into place in 2011—were seen as a complete farce, while the next five years—with President Thein Sein's quasi-civilian government at the helm—tested the legitimacy of the transition. The country is now two years into the de facto leadership of Aung San Suu Kyi, who is constitutionally prohibited from becoming president, and thus in a newly created role of state counsellor. Suu Kyi has long railed against the military dictatorship, but is a proud member of an elite military family. Although she wants to effect change and has strongly held views, she trusts few people, is quite isolated in Myanmar's capital of Naypyidaw, and holds her communications closely.

A business leader based in Myanmar noted privately that on the world stage, many spectators are used to seeing three parts played in a conflict—the victim, the villain, and the hero. For years, Aung San Suu Kyi was seen as the victim of Myanmar's military. When she gained power as state counsellor, she was seen as the hero. But now, as the tragedy of the Rohingya continues, many in the world are wondering, what role is Aung San Suu Kyi to play? Perhaps, given the complexities that make up Myanmar, it is not so simple.

Myanmar faces a raft of challenges, both domestically and internationally. Some of these are the result of unforced errors and continued military intransigence, such as the case of two Reuters journalists recently jailed under the arcane and archaic Official Secrets Act. Some of the challenges that

Myanmar faces stem from decades of discrimination, unchecked military power, and misplaced fear of other ethnicities and religions, which speaks to the long-term persecution of the Rohingya. Many other challenges come from a lack of leadership, capacity, expertise, and access. But none of these problems can be solved by abandoning Myanmar and its people—particularly so early in the country's transition. Instead, to aid in the plight of all those in Myanmar, including the Rohingya, we must turn our attention to the country's myriad interconnected challenges, reconcile expectations with the present reality, address drivers of conflict, and support baby steps toward just and inclusive solutions.

This issue paper explores five critical challenges facing Myanmar. It suggests how the United States and multilateral and regional partners can help the country move forward and provides actionable recommendations for Myanmar.

## FIVE CRITICAL CHALLENGES

### 1. VIOLENT ETHNIC CONFLICT

#### A. The Peace Process

The civil war that has plagued Myanmar for some 70 years—and whose end has been Aung San Suu Kyi's main priority as state counsellor—has not let up. Hopes for a swift peace and ensuing stability were likely too high for such a protracted war. Just over two years into Suu Kyi's tenure, 10 ethnic armed organizations (EAOs) have signed a Nationwide Ceasefire Agreement (NCA). This number represents two more than at the end of the Thein Sein



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presidency but less than half of all recognized EAOs. The signatories, with two exceptions, are EAOs with forces of fewer than 5,000, representing, in the aggregate, only a fraction of Myanmar's ethnic armed forces.<sup>1</sup> There are a number of ethnic groups that are not formally part of the peace process—not to mention the lack of women,<sup>2</sup> civil society organizations, and youth leaders involved. Amid ongoing and recently intensified warfare, largely instigated by the Tatmadaw against groups in Kachin and Shan states, pathways to a broader peace seem elusive, regardless of the government's road map toward a negotiated solution.

While a joint cease-fire monitoring committee and political dialogue process have been created, the Tatmadaw and some EAOs have broken the NCA in areas other than active warfare. Complaints include forced recruitment, illegal taxation, land confiscation, and disputes over territory and the demarcation of borders. A third 21st Century Panglong peace conference, focused on expanding the NCA and political dialogue, was to convene in January 2018, but it has been postponed numerous times. This conference will not be held until national-level dialogues (throughout ethnic states) are completed. However, there are cases in which the dialogues have stalled as a result of statewide ethnopolitical challenges, often stoked by the Tatmadaw. There is much debate and confusion over what comes next, how, and when.

## **B. The Rohingya and Rakhine Quagmire**

For many in the West, even though Myanmar has long been embroiled in ethnic-

based war, the only ethnic conflict they are aware of in the country involves the Rohingya. In Myanmar, the Rohingya are a distrusted Muslim population, regarded as illegal migrants from Bangladesh taking away opportunities and resources from Myanmar's deeply impoverished Rakhine state and people. The Rohingya have long been targets of discrimination and ardent Buddhist nationalism and violence, with an uptick over the last six years. After increasing acts of violence against the Rohingya by local militias and police (looking back to 2012, although communal violence is not new), resulted in mass internal displacement or exodus, Aung San Suu Kyi called for a commission chaired by former United Nations Secretary-General Kofi Annan to conduct a fact-finding investigation and make comprehensive recommendations toward the overall peace and prosperity of Rakhine state.<sup>3</sup>

In August 2017, just a day before the release of the Annan Commission's report, the Arakan Rohingya Salvation Army (ARSA), a fairly new insurgent group (who had attacked Myanmar's border guard before, in 2016), launched an attack against 30 Myanmar border guard posts. The Tatmadaw, border guard forces, and local Rakhine militias responded with significantly disproportionate violence against not only the ARSA insurgents but Rohingya civilians in general (including women and children), spurring an exodus of nearly 700,000 Rohingya, who fled to neighboring Bangladesh in just a matter of months. The United Nations, the U.S. government, and numerous others have labeled this forced expulsion ethnic cleansing. There were also reports by the





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Rohingya of mass arson, rape, and extrajudicial killings. Now, Myanmar's government is grappling with *whether* and *how* it should pacify what it regards as an unwarranted uproar from the international community in matters of domestic terrorism and internal/border security. The Myanmar government is also dealing with complaints from the Tatmadaw for not lauding the military's campaign against terrorism. Domestically, the feelings of Myanmar citizens toward the Rohingya generally range from ambivalence to acrimony.<sup>4</sup>

Importantly, most Myanmar people are not touched by the situation in Rakhine state. One certainly sees no spillover effects while walking the bustling streets of Yangon. For a country with a recent and rich history of dissent over rights and freedoms, the domestic silence regarding the Rohingya feels surprising to the international community. But there is little domestic pressure on the elected government to do anything to help the Rohingya, and thus internal incentives and urgency for the government to provide safety and a path toward citizenship are low. In fact, the military, Myanmar's Union Solidarity and Development Party (Thein Sein's former party), Buddhist nationalists, and a number of ethnic Rakhine would lobby for the opposite. Locally staffed humanitarian and human rights groups are split: some realize that peace, justice, and human rights must be inclusive and thus apply to the Rohingya. However, many others sympathize with the Rakhine people, who were becoming a minority in northern Rakhine state and feel they have experienced deprivation in comparison with the Rohingya (citing the humanitarian assistance that

the Rohingya have received from organizations such as the World Food Programme for years, which is perhaps wrongly conflated with development aid). Further, some in Myanmar believe that Suu Kyi and the military are being blamed unfairly for the Rohingya tragedy, and that only the ARSA insurgents are to blame. Others reluctantly blame the military for pushing too far against civilians, and a somewhat fearful few believe that Suu Kyi is responsible for the violence at worst, or complicit at best.

Very few Bamar people (the ethnic majority in Myanmar) or those from other ethnic groups have spoken out about what has happened in Rakhine. A small group of expats and private citizens issued a letter voicing shock over the treatment of the Rohingya, noting that "if the cost of democratic transition and holding onto power is the systemic sacrifice of human lives ...that cost is too high."<sup>5</sup> The Karen Women's Organization issued a statement condemning the actions of the Tatmadaw against Rohingya civilians—comparing this treatment to what they and other ethnic groups have experienced at the hands of the military—and calling out the "inaction" of the civilian government.<sup>6</sup>

The government has said that it is working to implement the Annan Commission's recommendations and has the beginning of a plan to repatriate the Rohingya who have been expelled. Suu Kyi has also called on former cronies to invest in Rakhine's development in an attempt to create stability and the potential for prosperity. However, the UN and other international agencies confirm that Myanmar is not ready to receive these people, and



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moreover, it is naïve to think they will return in due course. As more time passes, as monsoon season looms in the floodplain that is northern Rakhine and the border areas of Bangladesh, as appropriate multi-lateral bodies are not given complete access to Rakhine to offer their expertise and assistance, and as there are still more than 200,000 Rohingya in central Rakhine who seem to be forgotten in this international debate, an actionable way forward to protect these people and provide them with basic rights (and a hopeful and much needed path toward citizenship) is unclear.

Given all of the international criticism, Suu Kyi and many in the civilian government have become fairly averse to a broader conversation about the Rohingya, though this topic is reportedly on the agenda at most foreign meetings. Like those in the military, some government officials have called publications such as the *New York Times* “fake news” and have outwardly rejected evidence of violence, such as the mass rape alleged in a recent UN Secretary-General report on conflict-related sexual violence.<sup>7</sup> These anecdotes have begun to support claims that Suu Kyi and the civilian government are listening to an echo chamber within Myanmar’s capital of Naypyidaw, which is filled largely with voices from the military and security space or others who are ambivalent about the Rohingya. However, at the end of May, the civilian government took the very positive step of calling for an independent commission of inquiry to “investigate the violation of human rights and related issues following the terrorist attacks by ARSA.”<sup>8</sup> This three member commission would include an international representative. But, the creation of

this commission has come long after international organizations, rights groups, and other governments have called on Myanmar to move in this direction. Critics already allege that it will lack teeth, and that the UN created a fact-finding mission<sup>9</sup> that Myanmar would not let into the country. These circumstances—the push and pull between the military, the domestic population, and the international community—speak to the “tightrope” on which Suu Kyi and her National League for Democracy (NLD) government are perhaps attempting to find balance.

Privately, advisers to Suu Kyi have said that the military considers any talk of transitional justice mechanisms, such as tribunals or referrals to the International Criminal Court, a red line that could spell the end of Suu Kyi’s government. How that might actually play out is another story. But, these factors have created some of the many gaps in positive pressure to change course and take a hard look at the evidence (and constitutionally, the military is the body empowered to investigate the military).

## 2. POOR AND UNEVEN COMMUNICATIONS

Narratives from inside Myanmar’s echo chambers are amplified via a platform that many in Myanmar think is the entirety of the internet—Facebook. Myanmar has leap-frogged technology: just five years ago, SIM cards and smartphones were tough to come by, limited primarily to elites and expatriates. Now, the telecommunications company Telenor, citing Myanmar’s official figures, reports 105 percent SIM card penetration and 80 percent smartphone penetration in the



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country.<sup>10</sup> The ability to consume and share information with ease is certainly positive and relatively new for this former military dictatorship. But, much like the rest of the world, “fake news” has become a reality, and if Facebook is one’s entire internet experience, “alternative facts” seem to be just facts (because where is the truthful alternative). Additionally, both Muslim and Buddhist groups (and others) have used Facebook to instigate conflict, spread false information about planned attacks, allege that Muslims plan to launch jihad, or otherwise promote hate speech.

There is also the challenge of who is filling the narrative from the government side, and with what. The Office of the State Counsellor has a vocal spokesperson (who served in the same role for President Thein Sein), who has put forward narratives like those that would be expected of the military or Buddhist nationalists (for instance, posting discredited images claiming that Rohingya people in northern Rakhine were burning their own homes). As Aung San Suu Kyi is not filling the narrative with her own voice and statements, the spokesperson is often her sole proxy. In a similar vein, and quite bizarrely, many Bamar in Myanmar seem to have put aside decades of mistrust of the Tatmadaw and readily believe the onslaught of propaganda that the military has put forward regarding ARSA and Rohingya people in general. A few NGOs find this lapse in collective memory incredible, but they are unsure of the best way to counter it. (It is important to note that ARSA is by no means a benevolent entity—a recent Amnesty International report held ARSA responsible for the killing of dozens—

potentially up to 200—Hindu civilians in Myanmar in August 2017.<sup>11</sup>)

### A. Silence as a Strategy to Shape Political Futures?

As in the United States, for better or worse, many in Myanmar’s government, military, EAOs, and NGOs already have an eye on the 2020 domestic election—even though the country only had its first credible *enough* election three years ago.

The 2020 election will be an important one. NLD leader Aung San Suu Kyi will be 75 years old, and the state of her health is already in question. A positive effect of Suu Kyi’s thinking about the campaign sooner than later is that she is likely coming up with a succession plan and activating a younger generation of political leaders. Many feel that the new president serving under her, U Win Myint (who was confirmed at the end of March 2018 at age 66), is part of Suu Kyi’s NLD succession plan.

However, potential power sharing and greater contestation seem to be the more significant concerns of the NLD government for 2020. Political insiders have shared that Suu Kyi is concerned that the NLD will face enough contestation by ethnic groups in the next election to stand in the way of an(other) NLD landslide. This might require the creation of a coalition government, which could push more power toward the military if civilian power sharing becomes too difficult.

There are also the political aspirations of the military, more specifically, Senior General Min Aung Hlaing. Few believe that the military and the nearly defunct Union Solidarity and Development Party



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(which was Thein Sein's party) will be a serious contender in a sufficiently inclusive and transparent election. However, when it created the 2008 Constitution and allowed elections in 2015, the Tatmadaw likely did not imagine that it would lose so much of its representation in the parliament and the executive branch. Thus, the NLD, and citizens more broadly, should not underestimate the machinations of Min Aung Hlaing, the military's ability to harness technology and promote propaganda, and the military's overall power—which it has used to expel the Rohingya and to undermine the peace process, and which creates continued challenges in myriad other areas.

### **B. Silence Creates a Vacuum for Speculation**

It is not only real and straightforward communication about the conflict in Rakhine state that is lacking. Across sectors, there are complaints that the government has failed to communicate both good and bad news, creating a vacuum in which speculation has proliferated. This is particularly a problem in the business sector, where investors are awaiting information on long-promised regulatory frameworks and markets that will open to them. This lack of consistent communication could undermine some of Myanmar's development prospects, as foreign companies, particularly those beholden to boards, will have to decide what they think is possible in Myanmar—and whether they should stay in the country. Additionally, some foreign companies are awaiting pronouncements of sectors that will be opening and new regulatory frameworks before deciding how to engage in Myanmar.

### **3. SLOWED ECONOMIC REFORM AND DEVELOPMENT**

A major challenge for the Thein Sein administration was extending the benefits of economic reform to the masses; this challenge remains. Myanmar's economy is growing (at around 7 percent), and experts note that the country just had the best year for agricultural exports in five decades. However, there are still multiple, significant economic challenges to contend with. While foreign businesses have long had high expectations for Myanmar's economic development, many in the private sector currently note that development has stagnated due to a lack of liquidity and the need for additional investment frameworks.

While many of these investors remain bullish on Myanmar's economy, they feel that the civilian government has not been focusing enough on stoking development. Some Myanmar experts give the civilian government a pass and feel that military intransigence is again at play, asserting that the military is actively working to reverse the trend of liberalization. There is likely some truth in a middle ground here. Meanwhile, average Myanmar people still lack access to credit, and frameworks and processes for moving investment and approved projects forward are stifled. Interestingly, as a result of the NLD's attempt to tamp down corruption, some projects are not moving through corrupt practices—which is certainly positive, but there are not enough working processes to replace the former corrupt ones, thus causing delays.

Exacerbating economic development delays is the problem that subject-matter expertise





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seems to reside mostly at the top of government ministries, creating a bottleneck at the top and inefficiency and ineffectiveness at the bottom. This is particularly problematic in the finance and development sectors, and also leads to a lack of communication between government ministries and the business sector. These myriad challenges may help explain why Myanmar recently dropped one spot in the World Bank's ease of doing business rankings, landing just below Sudan and three spots above Syria.<sup>12</sup>

Moreover, some sectors that were to be opened to foreign companies months ago are still lying in wait. The insurance market is a prime example, and one that would bring liquidity into Myanmar's bond market, helping to fill budget deficits, create loans and, in turn, jobs. Some foreign companies that are not experiencing real growth are staying in Myanmar for at least the medium term, but their leaders know that their boards may ultimately change course in the absence of clear indicators of success. Some in the consumption sector note that they are not finding the middle class needed for consumption to rise enough to keep them in the black. They surmise that people's disposable income may first go toward SIM cards and internet connectivity (which could mean a lot for eventual engagement with fintech, should banks be able to provide these services and the significant consumer education needed). For consumables, though, the cost of doing business in Myanmar is often higher than in neighboring countries because of logistical challenges and infrastructure constraints, high energy costs, and low labor productivity. Some multinational companies note that it is cheaper

and easier to deal with trade relations and thus continue to export finished products from nearby countries such as Thailand.

There are some new and positive changes in the economic development space, however. For instance, a companies law, set to go into effect in August 2018, will set up frameworks for registration and ease partnerships between Myanmar and international firms. The law is internationally modelled, but as with all laws, the proof will be in the implementation. Having the capacity to get the implementation right is a bigger challenge. A new planning and finance minister has also been confirmed as of the end of May 2018, after the resignation of the previous minister under corruption charges. Additionally, there are new development projects breaking ground that hope to shore up investment—such as the recently announced New Yangon City development, which is based on public-private partnerships, although it is too early for any commentary on its progress or efficacy.

### **A. What Would Targeted Economic Sanctions Mean for Myanmar?**

Looking for ways to hold Myanmar's military accountable for the Rohingya crisis, the United States and other Western nations have begun to talk of economic sanctions. In the U.S. case, the targeted sanctions proposed in current congressional bills would likely be palliative. The real losers of past U.S. sanctions on Myanmar were ordinary Myanmar people. Because the military leadership has long controlled all levers of the economy, even now their holdings and interests cannot be easily extracted. These are not linear



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connections to snip but rather a mass of tentacles to untangle. American companies operating in Myanmar note that given their strong due diligence and transparency requirements, determining who and what entities they can work with is arduous.

Regarding the prospect of a return to targeted sanctions, many foreign businesses, diplomats, experts, and leaders of NGOs feel that regardless of where the economy stands, any U.S. sanctions (including targeted ones) would have a negative effect on the economy and undermine Myanmar's ability to implement international standards and bring corporate social responsibility to myriad sectors. Some Myanmar business leaders, interestingly, doubled down when faced with the threat of targeted U.S. sanctions, noting that Japan, Korea, other Southeast Asian nations, and China would fill any gaps. This contrasts starkly with sentiments over the past six years and likely points to significant frustration with underwhelming American investment in Myanmar. The key question, though, is how much could sanctions accomplish in terms of creating useful pressure on military leaders? The answer, unfortunately, may be very little. Instead, sanctions may bring greater hostility toward the civilian government, as political insiders note that some in the military (wrongly) think Aung San Suu Kyi has strong influence on U.S. sanctions policy and that sanctions on the military would be her doing.

#### 4. POWER IMBALANCES AND RULE OF LAW CHALLENGES

Although it paved the way for the current elected government, Myanmar's constitution codified the military's long-held and

unchecked power, keeping it outside of civilian oversight and keeping certain powers and systems (beyond defense and border security) firmly under the military's control. One example is the multilayered and ubiquitous General Administration Division, which makes up the majority of Myanmar's civil service and is responsible for everything from tax collection to land registration, NGO registration, local financial management, and so on. Additionally, as the military is constitutionally guaranteed 25 percent of parliamentary seats, and the constitution cannot be changed without 75 percent parliamentary approval, the military's political levers of power are not in danger, and power is balanced in its favor. The Tatmadaw has made deep inroads into nearly every political, economic, and social mechanism in the country, which will continue to hinder Myanmar's development.

While the international community, EAOs, and others are rightly concerned about the military's pursuits and plans within the current and longer-term transition, domestically, the Tatmadaw is enjoying a rare wave of positivity from the Bamar people. The Tatmadaw has allowed an inclusive and transparent enough election to take place, bringing the NLD to power. It has allowed for the trappings of an open society—such as cell phones and an open internet—and it has quelled the ARSA insurgents. The question going forward thus is, where do perceptions of the NLD and military split in this chimeric, bifurcated, and uncheckable (in terms of the military's power) system? And how and when will the balance of power shift from the military to the civilian government?



Although it paved the way for the current elected government, Myanmar's constitution codified the military's long-held and unchecked power, keeping it outside of civilian oversight and keeping certain powers and systems (beyond defense and border security) firmly under the military's control.

As mentioned previously, and particularly in regard to the Rohingya and the peace process, the government and the military currently and often seem to occupy the same echo chamber. Even though military intransigence is often the source of these challenges, the government (should it not be in agreement with the military) is left to explain and deal with the challenges. But the longer violence at the hands of the military continues in Myanmar, the more the civilian government will need to outwardly counter the military's propaganda and overtures. Not doing so could foster greater distrust of not just the military but also the government by EAOs in particular (this speaks to the ethnic political challenge for 2020, about which the NLD is reportedly concerned). Experts have surmised, for instance, that the Reuters journalists who are currently jailed in Myanmar will be convicted—because this is what the military wants—but then will have their sentences commuted by the civilian government, as happened in another press freedom case during the Thein Sein administration.<sup>13</sup> To be sure, this is not the swift and just process that the international community and domestic activists and journalists are looking for, but is the likeliest hope for release. If it happens, it helps show the gap that exists between the NLD/civilian government and the military. It is also important to note that there are myriad press freedom issues in Myanmar, with working journalists asserting that press freedom has declined within the past year.<sup>14</sup>

Meanwhile, during this era of political development, devoid of working procedural checks and balances, the military and many in government have created a space

in which rights, freedoms, and due process are subverted for the sake of security and stability. This refers not just to the military engaging in corrupt or inhumane practices but also to the conflation of *rule of law* and *law and order*. This problem undermines attempts to build and fortify effective institutions of governance that are needed to create (and eventually consolidate) democratic processes and norms. Moreover, experts attest that the military is actively undermining the justice sector through pressure and corruption.

While Western targeted sanctions may seek to both punish and coax transition forward, they likely will not be the mechanism that will build momentum toward constitutional reform and shift the power dynamic. So what will? The NLD campaigned on a platform of constitutional reform in 2015, and the EAOs stand firm that reform is necessary to move toward federalism. Suu Kyi is likely working the political calculus to put constitutional reform back on the table in an attempt to rebalance power. Her refusal to denigrate the military during the Rohingya conflict and its ramped-up violence against ethnic groups might be part of this calculus with the Tatmadaw. However, this process will not be swift. Given the military's capacity and training in propaganda and the degree to which it is engrained in all areas of Myanmar's economy and policy, achieving balance of power will take time. It will require trust-building, demonstrating that democratic governance can bring economic results and stability—eventually isolating the military, or waiting for those at the highest levels to age out of command.



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## 5. EXTERNAL AND GEOSTRATEGIC PRESSURES AND RISK

Preserving the delicate balance of internal power in Myanmar has left little appetite in the government for navigating matters of geostrategic competition.

The U.S. rebalance toward Asia during the Barack Obama administration gave both the United States and Myanmar options for pragmatic bilateral engagement, expanded U.S. interests in the region, and gave Myanmar hope for investment and development partners other than China. (As many in Myanmar felt Chinese products were of poor quality, and on the infrastructure side, that China was seeking to gain too much for itself at too high of a cost for Myanmar—such as the case of the Myistone Dam project.)

While U.S. investment in Myanmar never became as robust as Myanmar would have liked—partly because of the lack of rule of law and regulatory frameworks, corruption, opaque decision-making, and poor conditions on the ground—the potential export of international norms and values to influence Myanmar’s lackluster labor, environment, and other business sector standards was a welcome idea.

Looking at the numbers, as of March 2018, foreign investment from the United States to Myanmar since 2014 hit USD 133 million. During this same period, investment from Singapore totaled USD 14.5 billion; from China, USD 5.2 billion (with investment in fiscal year 2017–18 triple that of 2016–17); from Japan, USD 1.29 billion; from Thailand, USD 949 million; and from South Korea, USD 784 million.<sup>15</sup>

Without a clear, strategic vision and narrative for American goals in the Indo-Pacific, with the threat of sanctions on Myanmar, and with Myanmar failing to come to account on basic tenets of human rights, the United States and other Western nations seem to be having a hard time striking a balance between useful pressure and engagement, particularly against the backdrop of other investments underway in Myanmar. Political insiders note that Myanmar government officials are ready with the refrain, “there’s always China.” As Aung San Suu Kyi tires of the criticisms hurled at her, she may welcome China’s economic engagement more and more.

The shift back toward China is noteworthy, especially as new Chinese Belt and Road Initiative (BRI) projects seek to break ground in Myanmar. Gas and oil pipelines already exist from Yunnan to Myanmar, connecting China to the Bay of Bengal. One BRI project that is becoming increasingly contentious for numerous countries that are *not* involved is the not-yet-built Chinese deep sea port at Kyaukpyu in Rakhine state. The port, with an estimated cost of nearly USD 7.5 billion (and Myanmar’s 30 percent stake costing just over USD 2 billion), is raising red flags in the Indo-Pacific. Some of Suu Kyi’s advisers have questioned the overall cost of the port and the sustainability of Myanmar’s debt burden (the port and surrounding special economic zone are estimated at USD 9.5 to 10 billion).<sup>16</sup> Others have echoed this concern, expressing worry that the risk is greater than the reward and that this port will go the way of Sri Lanka’s Hambantota port—leaving Myanmar unable to cover its debt and giving the full stake in the deep sea port to





China. Concerned parties note that this would undermine Myanmar's sovereignty while increasing China's strategic capacity in the Indo-Pacific. Some advisers are nervous that the minister in charge of special economic zones will sign off on the port project without full analysis and debate. However, others in government note that the Kyaukpyu deal was already agreed upon by the Thein Sein administration and that Myanmar must adhere to its international agreements. (When the Thein Sein government agreed to the port, Myanmar's share of the project was a 15 percent stake, totaling just over USD 1 billion.)

However, as with the Sri Lanka case, other Indo-Pacific nations seek to counter Chinese strategic interest and investment. Myanmar's USD 8 billion Dawei deep sea port and surrounding special economic zone project,<sup>17</sup> which was an Italian and Thai venture that folded because of a lack of resources, was resuscitated by Japan and is now a joint Japan-Thailand-Myanmar project. Japan has also developed a deep river port near Yangon. Meanwhile, China has proposed developing an economic corridor across a large swath of the country, connecting Kunming to Mandalay, Yangon, and Kyaukpyu.

On balance, investment by Myanmar's neighbors, including China, is good for Myanmar, so long as the country can sustain its debt burden and strike deals with multiple countries that benefit Myanmar's local populations—particularly the ethnic states, where resource and profit sharing, environmental and social impacts, and other concerns must be negotiated among multiple parties. However, where the United States and other Western nations

fit into Myanmar's geopolitical calculus—which was once of great value to Myanmar in terms of competition and standards—is becoming questionable.

## CONCLUSIONS

This issue paper has touched on five multilayered, interconnected, and critical challenges:

- Multifaceted and violent ethnic conflict, largely created or exacerbated by Myanmar's military, which is undermining the peace process and causing the tragic plight of the Rohingya
- Poor and uneven government communications, causing both “fake news” and speculation to proliferate
- Slowed economic reform and development
- A flawed constitution, unchecked military power, and the conflation of the rule of law and law and order
- Unbalanced geopolitical and geostrategic power and risk.

These five challenges are not exhaustive. Although this paper has painted a fairly pessimistic picture, it seeks to reconcile Western expectations with current realities. Myanmar's transition, from a military dictatorship to a contained, quasi-democracy where the military still holds the majority of power, in a country with a 70-year civil war, will be messy, difficult, and lengthy. To be sure, the economic and political development strides that Myanmar has made in only a few years are real and remarkable. This in no way excuses the real and harrowing long-term persecution



and recent violent expulsion of the Rohingya or the intensified violence of the ongoing civil war. By sticking with Myanmar to provide capacity and support to the civilian government as well as to local NGOs and media, ethnic political parties, and marginalized and persecuted groups (such as the Rohingya), the United States and other partners can help address these deep-seated challenges and continue to encourage and assist Myanmar in taking small steps toward inclusive and just solutions. In this way, Myanmar and its partners in the West can reset a positive path forward for Myanmar's development and transition, so that reality may edge closer to expectations.

## RECOMMENDATIONS

### WHAT SHOULD THE UNITED STATES, OTHER WESTERN NATIONS, AND MULTILATERAL ORGANIZATIONS DO?

- **Reengage constructively with Myanmar on its myriad challenges, including ways forward to end the long-term persecution of the Rohingya, as the space for dialogue has contracted and trust has diminished.** Consider a new approach to the Rohingya crisis that is not rooted in unilateral sanctions, as well as additional senior interlocutors to liaise with Aung San Suu Kyi and Myanmar's civilian officials. This could include visits by congressional members who are long-time Myanmar and Asia-Pacific watchers and human rights advocates. The United States could also better engage its partners in ASEAN (such as Singapore, ASEAN chair and Myanmar's current largest investor), as well as allies Japan and South Korea, and multilaterals who are being granted greater access to the Rohingya, to constructively engage Myanmar on challenges to the peace process, in Rakhine state, and in other areas.
- **Continue to pressure social media platforms, such as Facebook, for improved processes to thwart hate speech and the incitement of violence. On the other side, provide support, training, and capacity to media literacy, watchdog, and fact-checking organizations** in Myanmar to engage in the promotion of facts and quash "alternative" narratives. The spread of fake news will only become more insidious over time as technology makes its creation easier and more believable.
- **Be willing to act to help solve the Rohingya crisis by resettling refugees.** The Rohingya crisis will grow more urgent when monsoon season starts. Repatriating more than half a million people to an insecure location or attempting to maintain stasis in Bangladesh's camps cannot be the only solutions at present. Regional neighbors in ASEAN (such as Malaysia and Indonesia), as well as other nearby countries, should offer to resettle a number of Rohingya refugees inside their borders (should the Rohingya want to go) as part of a larger solution—a solution that also includes the return of the expelled Rohingya to their original lands in Myanmar and support for the Annan Commission's recommendations toward greater peace and prosperity in Rakhine



state. Additionally, it is important to keep in mind the plight of the approximately 200,000 Rohingya in central Rakhine state and, for that matter, the plight of the Kachin, Chin, Shan, and other groups that are living in squalid internally displaced person camps throughout the country.

- **Continue to support and invest in Myanmar—not just in Yangon but also in the country’s overall social and economic development.** Helping Myanmar develop and build a middle class will fuel growth and further democratic norms. Aid can come through foreign investment, secondment of much-needed technocrats, or other mechanisms. On the social and political side, during the lead-up to the 2020 elections and beyond, provide exchange and capacity-building opportunities for the next generation of Myanmar’s leaders and spread these opportunities across the country and across sectors.

### WHAT SHOULD MYANMAR DO TO MOVE FORWARD?

*Fully addressing the challenges put forward in this paper would be a sizeable aim. The following list provides contained and thus more actionable recommendations for Myanmar.*

- **Start to rebuild trust with ethnic armed organizations, which are growing increasingly doubtful of the government’s commitment to peace as violent conflict with the Tatmadaw renews and grows.** This would include the government engaging in more

interim informal dialogue with ethnic groups in between formal dialogues, particularly as the voices of the military and government have become similar, which amplifies ethnic group concerns.

- On the plight of the Rohingya:
  - **Talk to and engage more with Bangladesh; greater and more constructive communication is needed from both sides.** Only recently have the most senior Myanmar government officials been communicating with Bangladesh about the Rohingya refugee crisis. As the situation on the border will grow more precarious as monsoon season approaches, not to mention the high potential for radicalization, Bangladesh and Myanmar must be strong partners in creating a stable solution.
  - **Give uninterrupted access to multilateral organizations that exist for the sole purpose of helping the vulnerable**—such as the United Nations High Commissioner for Refugees (where an MOU was signed for help with repatriation in the beginning of June 2018), and other UN organizations and envoys, as well as Doctors Without Borders, and other multilaterals or NGOs. Use these experts to help the country create an environment that is conducive to repatriation of the Rohingya and to the adequate and humane treatment of the Rohingya who are still in Rakhine.



- **Assume that international attention will soon focus on the 200,000 Rohingya in central Rakhine and begin to provide the rights of national verification cards to this group, including freedom of movement.** This does not mean abandoning the Rohingya who were expelled, nor does it mean abandoning a path toward citizenship for the Rohingya people. The return of Rohingya refugees and providing a real path toward citizenship are necessary steps. In the near term, work toward easing the plight of the Rohingya in central Rakhine rather than maintaining stasis or making the situation worse.
- **Develop communication strategies for the state counsellor, president, vice president, union ministers, and other offices of the government—including communicating the positive *and* the negative.** This would create more trust among stakeholders in different areas—business/investors, EAOs, and so forth—to help realize Myanmar’s current development aims.
- On the economy:
  - **Accelerate economic development.** Access to credit and capital is necessary for development and the creation of a middle class. In the near term, the government can address the lower-hanging-fruit challenges, including communication delays in the opening of the insurance market and delays in other regulatory frameworks and road maps for foreign companies.
  - **Request from partners and multilateral organizations the technical capacity as well as the technocrats necessary to encourage economic development,** whether this means seconded additional capacity in the Central Bank, the Ministry of Finance, parliament, or other agencies.
- During the lead-up to the 2020 election, **political parties should begin building the capacity of and fielding the next generation of candidates,** for the long-term health and stability of a civilian-led government.

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## ENDNOTES

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