

MYANMAR: LIMITED REFORMS, CONTINUED MILITARY DOMINANCE

After decades of military rule, Myanmar is experiencing a remarkable period of political change. There are, however, limits to democratisation at this stage, as the reform process is largely controlled by military leaders. Myanmar's efforts to reduce its dependence on China and engage more closely with the global economy have given rise to international competition for influence and access to the country's natural resources. Still, given the uncertainties about Myanmar's political future, Western countries should proceed cautiously.



Aung San Suu Kyi walks to take an oath at the lower house of parliament in Naypyidaw, 2 May 2012

Myanmar has long been an outsider in the international system. After gaining independence from Britain in 1948, the country experienced 14 years of tenuous civilian rule before a military coup in March 1962. Subsequently, the armed forces, known as the *Tatmadaw*, ran the country under army chief Ne Win. Myanmar, which adopted a policy of isolationism and neutralism during the Cold War, was left to military dictatorship until the late 1980s.

In 1988, a pro-democracy uprising was crushed and Ne Win was deposed by a younger generation of military officers. Through a committee called the State Law and Order Restoration Council (later renamed the State Peace and Development Council – SPDC), they established a stratocracy; perhaps the only one of its kind in the world. The civilian bureaucracy was seeded with soldiers, thus equating the military with the state. In May 1990, parliamentary

elections were won by the National League for Democracy (NLD), an opposition party. Despite having promised to respect the electoral verdict, the *Tatmadaw* annulled the results and continued to rule directly. Its failure to introduce democratic reforms led the US, the EU, and some other states to impose sanctions on Myanmar, thereby increasing the country's isolation.

Of late, the military regime has begun to implement reforms that suggest at least a notional commitment to democratisation. The international response, although cautious at first, has now gathered momentum with some countries lifting sanctions while others have partially or wholly suspended them. There are grounds to believe, however, that the extent of political change in Myanmar may well remain limited. It appears as though the *Tatmadaw* is seeking to gradually relinquish responsibility for governance while retaining full veto rights

and the privileges of power. The following will discuss the reasons, the likely scope, and the regional and international implications of political change in Myanmar.

Complex motivations

The main reason for reforms might be Myanmar's gradual economic decline. While military rule during its earliest years yielded some benefits, such as improved health services, reduced corruption, and police reform, these were offset over the following decades. Kleptocracy weakened the economy, as senior *Tatmadaw* officers acquired large business empires and to protect these, steered the country away from foreign trade. International sanctions have reinforced this trend since the 1990s. From being the world's largest exporter of rice in 1948 and accounting for 75 per cent of global teak production, by the 2000s Myanmar was dependent on foreign aid to mitigate suffering caused by natural disasters and poverty. Food expenses took up 80 per cent of household income for some middle class families, and annual GDP growth was among the lowest in Southeast Asia. Meanwhile, the military as an institution apportioned anywhere between 25 and 40 per cent of the national budget to itself.

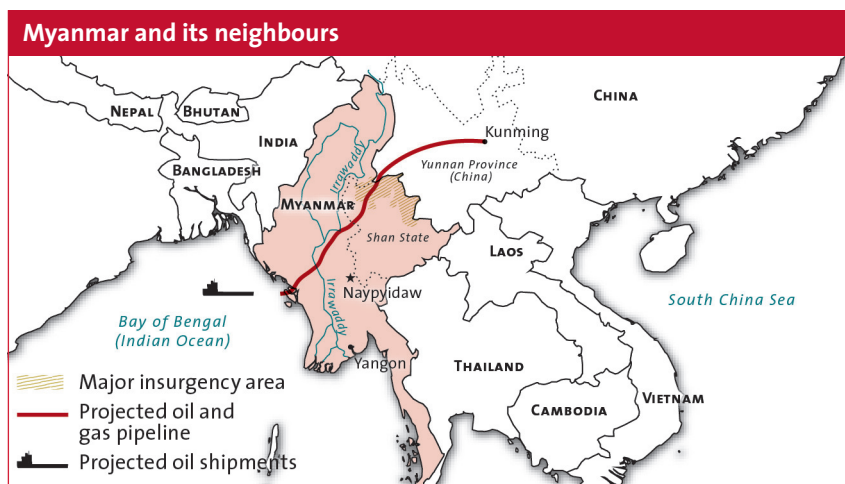
From economic maladies stemmed two other problems, which fuelled the present drive towards reforms: heavy dependence on China, and domestic unrest caused by high prices. Upon being internationally ostracised following the 1988 crackdown, the *Tatmadaw* leadership turned to Beijing for support. China was at the time reeling from its own internal crisis at Tiananmen

Square. In October 1989, both countries entered into a partnership that encompassed security and economic cooperation. China gained unprecedented access to Myanmar, despite the latter country having traditionally been suspicious of its northern neighbour and keen to avoid aligning with any major regional or global power.

The result of closer Sino-Myanmar ties was an influx of traders from the Chinese province of Yunnan. Gradually, Chinese businesses gained control over Myanmar's economic heartland, the Irrawaddy corridor, which runs north to south for much of the country's length. Although the *Tatmadaw* was unhappy about this development, it had no alternative given Myanmar's international isolation. Public resentment at the Chinese immigrants was suppressed. However, by extensively accommodating Beijing's commercial interests, the junta grew vulnerable to accusations that it was selling the country's resources cheaply. Given popular unrest over growing economic difficulties, this was an accusation the regime could ill-afford.

The third factor which explains ongoing reforms in Myanmar is domestic unrest. Over several years, a discernible wealth gap has emerged between the military-business elite of the country and the rest of the population. Under other circumstances, the resultant public anger could have been directed towards an external adversary. However, Myanmar faces no obvious military threats from its neighbours and the internal threats posed by rebellious groups have long been contained. Thus, the worsening economic climate undermines the legitimacy of the regime, as was demonstrated in 2007, when a removal of fuel subsidies led to a spike in basic commodity prices, triggering massive protests. Known as the 'Saffron Revolution', due to the large number of Buddhist monks who marched against the regime, the 2007 protests shook the *Tatmadaw* to its core. Many soldiers were unhappy about being compelled to suppress an uprising led by the clergy. Despite having dealt violently with protests in the past, the junta had always relied on the country's spiritual-religious community to remain politically neutral.

With the 2011 'Arab Spring' having since shown that political inertia can be fatal to a regime's longevity, the *Tatmadaw* leadership might now have decided to take charge of the democratisation process be-



fore it assumes a momentum of its own. In doing this, it would also be reducing its reliance on the military intelligence service, which has traditionally been responsible for preempting popular unrest. On numerous past occasions, the service has failed to warn of impending tensions due to factional infighting and a high personnel turnover. It is possible that the SPDC – the core policymaking body in the military – has recognised that depending solely on instruments of coercion and surveillance might tax the loyalties of the security forces.

Finally, there remains the effect of diplomatic isolation. There is general agreement that sanctions themselves did not have any direct impact upon the top leadership of the *Tatmadaw*. What has been more effective are travel bans on selected individuals believed to play a crucial role in obstructing democratisation. In creating a linkage between targeted punitive measures and authoritarianism in Myanmar, the West has maintained moral pressure on the junta. Even the Association of Southeast Asian Nations (ASEAN), which since 1992 has tended to be conciliatory towards Myanmar, denied the country any opportunity to assume the rotating chair of the regional bloc until reforms were initiated. Only once this process began in 2010/11, did ASEAN announce that Myanmar could take the chair in 2014.

Limited reforms

Political events in Myanmar since 2008 point to two major trends: First, a genuine effort is underway to increasingly include opposition groups in the consultative processes of governance. Second, this effort comes at no prejudice to the military's own political position, which remains strong. The first example of the duality of

political change and continuing military dominance concerns the new constitution of 2008. While this constitution serves as a basis for democratisation, it also reserves 25 per cent of all legislative seats for serving military officers. Together with the preponderance of army-controlled political groups in parliament, this constitution ensures that the military's institutional privileges would remain untouched under any future civilian government. Changes to the constitution require a 75 per cent majority vote and the army chief would appoint the ministers of defence, home affairs, and border management. After thus safeguarding its own commercial and professional interests, the junta permitted parliamentary elections to be held in November 2010.

The 2010 elections themselves were widely criticised as neither free nor fair at the time. The NLD and its leader, Aung San Suu Kyi, were unable to participate, with the Union Solidarity and Development Party (USDP), a military-backed grouping, receiving 76.5 per cent of the vote. However, partly as a response to international criticism of the elections, the government has since concentrated on coopting Suu Kyi in order to win international acceptance. Led by President Thein Sein, a former general and perceived moderate, the government has made significant concessions to the opposition leader. These include releasing her from house arrest and amending the constitution to allow her to campaign in elections. Several hundred political prisoners have also been released – thus meeting a key demand of the international community.

The military has also concluded ceasefires with several insurgent groups across the country, and indicated a willingness to make concessions. Admittedly, this in itself

may not mean much, since a disconnect is known to exist between the *Tatmadaw* leadership and regional military commanders, who function as quasi-autonomous power centres. However, the fact that the *Tatmadaw* leadership is showing flexibility in dealing with long-running insurgent conflicts suggests that changes within Myanmar might not be confined to interactions with Suu Kyi alone. As on the political front vis-à-vis civilians, the military has an advantageous strategic position vis-à-vis the insurgent groups – which it has further consolidated through an offensive in summer 2011. It can therefore afford to negotiate without appearing weak.

Finally, the most visible sign of change in Myanmar is a by-election held on 1 April 2012. For the first time in two decades, the NLD contested the polls and won 43 of the 44 seats it campaigned for. Suu Kyi herself won a parliamentary seat, thereby attracting some criticism that she was buying into the military's version of democracy. Such arguments miss the larger point – the government still respected the election verdict and allowed the NLD to enter the political mainstream as a credible opposition party. Although over 78 per cent of parliamentary seats remain with the military or its proxies, the rehabilitation of the NLD is a historic development, given how the party and its leadership have been suppressed since 1990.

The bottom line is that the *Tatmadaw* remains firmly in control over the democratisation process. According to a seven-step blueprint revealed in 2003, the military leadership intends to gradually divest itself of the task of governance while having the final say in all security-related decisions. Unlike their predecessors who seized power in the 1960s and held on to it until the 1980s, the present leaders of Myanmar are not fearful of imminent threats to the country's unity. Their own position in society is strong enough for them to feel confident about controlling the wider impact of political reforms.

Regional rivalry

Against the backdrop of change in Myanmar, a geopolitical scramble for influence in the country is occurring. Myanmar has abundant natural resources, cheap labour, road connectivity with the world's two biggest emerging markets – China and India, and seaports facing the West. It is uniquely situated at the crossroads of South Asia and East Asia. Realising this, since the

early 1990s, it has played on Sino-Indian rivalry to maintain an independent foreign policy. Although China remains the most influential external power in Myanmar, by occasionally making overtures to New Delhi, the *Tatmadaw* has ensured that it preserves strategic autonomy.

Beijing is bound to be concerned over recent changes in Myanmar. It has invested heavily in the country's authoritarian system, providing US\$2 billion worth of military equipment to stave off a possible Western invasion. Chinese technical assistance have helped upgrade military infrastructure, especially air and naval bases. In return, the Myanmar government has allowed China to begin building oil and gas pipelines through its territory, from Yunnan to the Arakan coast on the Bay of Bengal. Should these pipelines become operational in mid-2013, as planned, they will reduce China's dependence on energy supplies currently being shipped through the Malacca Straits. Beijing has long been concerned that a blockade of the straits during an international crisis would lead to China's economic strangulation. Myanmar offers an alternative. To safeguard this option, the Chinese government is also building a railway that could be used to transport troops to the Arakan coast in the event of a threat to energy security, either from within Myanmar or on the high seas.

Despite all this, the Myanmar government has drawn limits to its courtship of China. In August 2009, it launched an offensive against insurgents in Shan State, driving 30,000 refugees across the border into Yunnan. Chinese authorities were reportedly unhappy about not being informed about this offensive. Hitherto, Beijing had acted as a neutral arbiter between the *Tatmadaw* and rebellious groups, in the process providing material help to both sides. By unilaterally carrying out a counterinsurgency offensive, Myanmar was signaling that its strategic interests were not inextricably linked with those of its patron. Equally pointed was the September 2011 decision by Thein Sein to suspend a Chinese-financed dam project on the Irrawaddy river. The planned Myitsone dam would have flooded an area the size of Singapore and displaced 10,000 villagers, but most of the hydroelectricity generated would have been sold to Chinese consumers. Quite generally, from the few messages emanating out of the *Tatmadaw's* inner

circle, it appears that pro-China elements are losing ground to a faction in favour of more nuanced policies.

After Beijing, New Delhi commands the largest quantum of foreign influence in Myanmar. Having launched an eastward push in the early 1990s, known as the 'Look East Policy', India seeks to expand land-based trade with Southeast Asia by using Myanmar as a bridge. Towards this, it has been upgrading road infrastructure along the border and is currently building a deep-water port in Sittwe, in Rakhine state. India, like Russia, is also emerging as a major arms supplier to Myanmar, hoping to counter Chinese influence within the *Tatmadaw*. Its assistance is being accepted partly due to dissatisfaction over some of the equipment previously obtained from Beijing. Thailand meanwhile, is heavily dependent on natural gas obtained from Myanmar, and is keen to expand economic relations even further.

Implications for the West

Western governments are following events in Myanmar closely. Recognising that the government has taken positive steps towards democratic reform, many have lifted or suspended sanctions. These include the United States, which has also withdrawn its objections to World Bank assistance to Myanmar. Washington has appointed a new ambassador to the country, thereby filling a post left vacant since the annulled 1990 elections. In November 2011 US Secretary of State Hillary Clinton made an official visit, marking the first trip by such a high-ranking official since 1955. Her visit was followed by that of UK Prime Minister David Cameron, another landmark event in Myanmar's history since 1962.

American and European eagerness to engage with Myanmar is partly motivated by economic calculations. It has been estimated that the country's GDP could grow by 6 per cent per annum until 2020. In anticipation of this trend, investors have rushed to secure early-mover advantages. In 2011, Myanmar received US\$20 billion in foreign investment, compared with US\$302 million in 2010 and US\$16 billion for the entire period spanning 1989–2009. Land prices have skyrocketed in the past 12 months, in some cases quadrupling in value. The local currency, the Kyat, has appreciated during the same timeframe due to strong capital inflows.

That is not to suggest that change, both political and economic, is irreversible. By retaining the option of imposing sanctions again should the democratisation process stall, the US and EU has shown that they are aware of hurdles ahead. These hurdles could potentially emanate from both the government and the opposition. First, by hurriedly privatising state-owned assets in late 2010, the government has risked creating a powerful oligarchic class that would not welcome increased transparency in civil administration. Second, the NLD itself could harm the pro-democracy movement, if key members continue calling for an end to the military's political dominance. Refusal to work with the *Tatmadaw* would negate all that has been achieved so far and make it difficult for President Thein Sein to offer more concessions.

Given these complexities, it would be best to remain cautious about Myanmar's political reforms. A key indicator of the country's long-term prospects will be the next parliamentary elections, scheduled for November 2015. Many observers believe that the *Tatmadaw's* intentions will become much clearer at the time. A gradual transition could well be in the country's best interests. Too quick a rate of change would create instability since Myanmar lacks the institutional capacity to contain widespread social unrest. The spurt in economic growth is already fuelling inflation, which is likely to remain four percentage points ahead of GDP growth over the coming year. If civilian politicians are left to deal with public discontentment on their own, they might well fall short. The military could thus feel compelled to again take responsibility for governance. It would therefore be advisable for the West to continue encouraging political reforms, while accepting that democratisation might be most durable if it is a slow and domestically-owned process.

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