

NOREF Report

Ending 50 years of military rule? Prospects for peace, democracy and development in Burma¹

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Executive summary

Burma has been under military rule since 1962. However, in 2011 a new political system was introduced and a new military-backed government inaugurated that has reached out to the democratic opposition and armed ethnic opposition groups seeking more autonomy. Both of these groups reject the new constitution, which seeks to entrench the army's power.

The thaw in the repressive climate of Burma was epitomised by by-elections held in April 2012 in which the opposition National League for Democracy, led by Aung San Suu Kyi, scored a resounding victory. President Thein Sein's government has also reached initial peace agreements with most armed groups. But the challenges faced by a reformed Burmese state

remain vast, while serious doubts remain as to the real commitment of military and business leaders to a thoroughgoing process of democratisation and accountability.

Current talks must lead to political dialogue to address ethnic issues, which remain the principle sources of conflict. Furthermore, although Burma is rich in resources, the country is extremely poor. Acknowledging the reform effort, the West has reversed its sanctions policy, and there is great interest in engaging with Burma in the political and economic spheres. However, regulations to manage foreign investment are weak, raising questions about prospects for sustainable and equitable economic development, especially in the contested and conflict-prone borderlands.

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¹ In 1989 the military government changed the official name of the country from "Burma" to "Myanmar". Using either name has since become a politicised issue. The terms can be considered alternatives in the Burmese language. The UN uses "Myanmar", but it is not yet commonly used in English, therefore "Burma" will be used in this report. This is not intended as a political statement.

Introduction

Burma has been afflicted by ethnic conflict and civil war since independence in 1948, and has experienced one of the longest running armed conflicts in the world. Following independence from Britain, several ethnic groups took up arms against the central government. They were dissatisfied with the newly formed Union of Burma, which they felt did not guarantee them equal rights and autonomy.

In 1962 the army staged a coup against the democratically elected government and created a one-party state led by the Burma Socialist Programme Party. The constitution was abrogated, all opposition activists put behind bars and any attempt to organise was severely repressed. The army took over all state functions, controlling all aspects of political, economic and social life in the country.

Large-scale protests against military rule broke out in 1988 in the central part of the country. After a bloody crackdown on pro-democracy demonstrations, the regime organised general elections in 1990, in which the National League for Democracy (NLD), led by Nobel Peace laureate Aung San Suu Kyi, won a landslide victory. However, the regime refused to acknowledge the results. Calls from the opposition and the international community to initiate a tripartite dialogue among the army, democratic opposition and ethnic groups were ignored. Political oppression and military campaigns in ethnic areas continued.

The year 2011 marked the introduction of a new political system in Burma. Following the adoption of a controversial new constitution in 2008 and national elections in 2010, the State Peace and Development Council (the SPDC, shorthand for the military regime) was dissolved and a new military-backed government was inaugurated in March 2011, headed by President Thein Sein, an ex-general and former SPDC member. While the new government is still relatively new in office, its advent has brought about a major change in the political atmosphere in Burma, raising prospects of the most fundamental reform and realignment in national politics in decades.

The new government has reached out to the democratic opposition led by Aung San Suu Kyi and to armed ethnic opposition groups, but it is yet to be seen whether it will be able to rebuild a new Union of Burma that is acceptable to all social groups. Both the democratic opposition and the armed ethnic opposition groups reject the new constitution, which was drafted under military rule, and it is not clear what changes the new military-backed government is prepared to make. This report will analyse in detail the reform process begun by the new Thein Sein government, the challenges faced, and the prospects for governance and responsive statehood over the coming decade.

Burma's conflict dynamics

At first glance the conflict in Burma appears to be extremely complicated. Apart from the Tatmadaw (the national army), there are numerous armies and militias, some still fighting the central government, although most of them have reached a ceasefire agreement with the new military-backed government that came to power in March 2011. There is also a host of other opposition groups based inside and outside the country, including a large number of political parties that contested the 1990 and 2010 elections. Some of these groups have launched an armed struggle to achieve political change, while political parties such as the NLD have opted for a non-violent struggle for democracy. Many of these groups and organisations have suffered from splits and factional infighting, often resulting in the formation of breakaway groups with similar names. However, three main actors can be identified in the Burmese political conflict. These are:

1. the Tatmadaw, which has controlled the state since 1962, and the new military-backed Thein Sein government, which has been in power since March 2011;
2. the democratic opposition, including the NLD and some newly formed Burman political parties that contested the 2010 elections; and
3. ethnic minority groups constituting a wide range of different organisations (including armed groups and political parties), some of which have been fighting the central government since 1948.

There are two main forms of conflict in Burma. Firstly, there is the conflict over what the nature of the state of Burma should be and how state power (dominated today by the Burman¹ majority) from the centre connects with the periphery, which is dominated by a wide range of ethnic minority groups. Concomitantly there is the struggle over how the state is governed and the absolute control exerted by the military until recently over all executive, legislative and judicial powers.

The country's most obvious ethnic divide, meanwhile, is between the Burman majority and other ethnic nationalities. Furthermore, in Shan State some of the smaller minority groups, such as the Wa, Akha and Lahu, resent what they see as the dominance of the majority Shan population. Conflicts within ethnic communities also need to be addressed. Burma's Muslim population has probably suffered the most from religious and ethnic discrimination, and anti-Muslim riots have taken place on numerous occasions in several towns in central Burma. Muslim community leaders claim that these attacks were instigated – or at least tolerated – by the military government (HRW, 2002). Tensions are particularly high in Rakhine State, where a Muslim minority, often known as the Rohingya, faces ethnic and religious discrimination.

Ethnic diversity

Burma is a country of extreme ethnic diversity. Ethnic minorities comprise about 40% of its estimated 56 million population. The military government officially recognises 135 different ethnic groups divided into eight major “national ethnic races”. However, reliable population figures are not available and all data should be treated with great caution. Most of the majority population, which is ethnically Burman and predominantly Buddhist, lives in the central plains and valleys. In contrast, most ethnic minority groups live in the rugged hills and mountains surrounding the central lowlands, and significant numbers practise Christianity or animism. However, some minority groups, such as the Shan, Mon and Rakhine, are also Buddhists and reside in the valleys and plains, where they once had powerful kingdoms.

¹ I refer to a “Burman” as a member of an ethnic group and a “Burmese” as a citizen of the country.

Administratively, the country is divided into seven “regions”, predominantly inhabited by the Burman majority population, and seven “ethnic states”: Mon, Karen, Kayah, Shan, Kachin, Chin and Rakhine, reflecting the main minority groups in the country. The seven ethnic states comprise 57% of Burma's land area. However, neither the regions nor the states are mono-ethnic.

The main grievances of ethnic minority groups in Burma are lack of influence over the political decision-making processes; the absence of economic and social development in their areas; and what they see as the military government's Burmanisation policy, which translates into repression of their cultural rights and religious freedoms. Ethnic minorities in Burma feel marginalised and discriminated against, and in effect the armed rebellions in Burma are their response. However, after decades of civil war, some conflict actors – notably a large number of government-backed militias – no longer have a political agenda and focus more on economic issues. Some of these groups are involved in illegal activities, including the drugs trade, and benefit materially from the ongoing conflict.

At the same time the resilience of these conflicts can be attributed to successive military governments refusing to take political demands from ethnic nationalities into account and for the most part treating ethnic issues as a military and security issue. They have also opposed any movement towards federalism, which they fear will break up the union. This has been one of the main concerns of the Tatmadaw and stems in part from the cold war support of neighbouring countries for armed opposition groups in the border regions. This included China's backing for the Communist Party of Burma in parts of Shan State and Thai support for a large number of ethnic armed groups pursuing a pro-West and anti-communist policy.

Building a military state

After gaining independence in 1948 the new government embarked on the building of a new Union of Burma comprising the central heartland predominantly inhabited by ethnic Burmans and the surrounding hills and mountains inhabited

by a wide range of ethnic minorities. During the negotiations for independence from Britain, Burman nationalists advocated independence as soon as possible. For ethnic minority leaders, however, the key issues were self-determination and autonomy to safeguard their position in a future Union of Burma. The Panglong Agreement of 1947, intended as a basis for the new union of Burma, was signed between Burman politicians and ethnic minority representatives. However, the agreement did not give the same rights to the various ethnic minority groups. Furthermore, not all of the major ethnic groups were represented in Panglong. As a result, many issues were deferred for future resolution (Smith, 1999).

The civil war started shortly after independence in January 1948, with the Communist Party of Burma going underground to fight the central government, which also suffered mutinies in the army. Several newly formed ethnic minority nationalist movements, spearheaded by the Karen National Union (KNU, formed in 1947), took up arms to press their demands for more autonomy and equal rights in the union. They were followed by other ethnic nationalist movements, including the New Mon State Party and the Karenni National Progressive Party (KNPP). Within a year the entire country was in turmoil.

By the early 1950s the war had spread to many parts of the country. The situation was further complicated by the invasion of north-east Shan State by Kuomintang remnants from China following their defeat by Mao Zedong's communists. By the time of the coup of 1962 the civil war had spread to Kachin and Shan States, where the Kachin Independence Organisation (KIO) and the Shan State Army (SSA) led armed revolts.

State institutions also started to emerge, but post-independence statebuilding in the country was dominated by the army. For 50 years Burma has been ruled by military dictators practising a very centralised and top-down style of governance. These were General Ne Win (1962-88), General Saw Maung (1988-93) and General Than Shwe (1993-2010). The army led by these generals has tried to build a unitary Burman state promoting Burman culture and Buddhism as the state religion. Within this framework, regional military

commanders were able to exercise great power over territories under their control.

However, military rule greatly contributed to Burma's transformation into a weak state. Officially the military claims it is the founder of the Union of Burma, referring to its role in the struggle for independence against Britain. The military also claims it is the main force that has held the country together during the civil war that has plagued the country since independence, and that it has prevented the country from disintegrating. However, since the military came to power in 1962 armed resistance against the central government has only increased. In many ethnic areas the main or even sole government presence was the army, which consisted mainly of ethnic Burmans. These troops were often seen as an invasion force in ethnic areas. Military campaigns also led to serious human rights abuses, fuelling further anti-Burman grievances among the local population.

Furthermore, the military's ability to deliver services to the population and bring about economic development has proved very weak. The large majority of ministers under military rule were serving or ex-army generals with little non-military technical expertise. Ministries and other state institutions also had little capacity and few resources. Most of the state budget went to the military, while the isolationist policies of the military government contributed to the collapse of the public sector, including health and education services.

The Burman population has also rejected the military's statebuilding project. Since the 1962 coup several urban protests have broken out against military rule. The largest demonstrations took place in August 1988, following months of unrest, when hundreds of thousands of people took to the streets demanding an end to military rule, the restoration of democracy and multiparty elections. In the following month the military government crushed the movement, killing or arresting many protesters. The protests were also driven by the deteriorating economic situation, mainly caused by decades of political repression, civil war and the government's mismanagement of the country, especially the economy. The Burma Socialist Programme Party was also abolished

and socialism disappeared as the official state ideology.

Following the crackdown, thousands of Burman activists fled the cities to the jungle camps of the armed groups in the border regions. The new regime, called the State Law and Order Restoration Council (SLORC), organised general elections in 1990 in which the opposition NLD led by Aung San Suu Kyi won a landslide victory. Rather than accept the election results, the military established a National Convention to draft a new constitution. Aung San Suu Kyi was held under house arrest for long periods of time since 1989. The SLORC and its successor, the SPDC, refused to enter into a real political dialogue with her party.

Since 1994 the democratic opposition, led by Aung San Suu Kyi and ethnic opposition groups, has called for a tripartite dialogue to find a political solution to the crisis. The military refused, and instead responded with political repression and military offensives. It also embarked on a strategy to conduct ceasefire agreements with armed opposition groups as a strategy to “manage” the conflict.

Conflict management: ceasefires and militias

Since 1989 the military government has reached ceasefire agreements with over 15 armed opposition groups. The truces have had a deep impact on many ethnic communities, especially in the hills and mountains of northern Burma where the first truces were signed. Among the larger ceasefire groups are the United Wa State Army (UWSA), the KIO, the SSA-North and the Pao National Organisation. The ceasefire agreements have put an end to the bloodshed and curtailed the most serious human rights abuses. They have also facilitated easier travel and communication among communities in war-affected areas, and have led to some improvement in health and education services. Reconstruction in some of these former conflict areas has started (Kramer, 2009).

The truces, however, did not lead to political agreements and have yet to transform into

lasting peace. The uncertainty of the situation has also provided space for many illegal activities, including drug trafficking, illegal logging and other black-market trading, gambling, and human trafficking (Kramer et al., 2009). This has caused an influx of outsiders, including many from towns and cities from other states and divisions, that is forcing local people out of their traditional way of life and damaging their livelihoods.

In April 2009 tensions with the military government increased after it suddenly announced that all groups with whom ceasefires had been signed had to transform into separate Border Guard Forces (BGFs). This controversial scheme would have divided groups into smaller, separate units under Tatmadaw control. The proposal would have weakened the groups’ military wings while not addressing any of their political demands. As a result, only some of the smaller groups who had signed ceasefires agreed to transform into BGFs.

Tensions further increased after the Tatmadaw occupied the Kokang region, thereby ending two decades of ceasefire with the Myanmar National Democratic Alliance Army (MNDAA) in August 2009. The MNDAA was the first of nearly 20 armed opposition groups to conclude a truce with the military government that assumed power in 1988, but conflict flared up again when Tatmadaw troops wanted to search what they claimed to be an illegal arms factory. The Kokang army refused and the government issued arrest warrants for the Kokang leaders. The MNDAA’s position further weakened when a rival MNDAA faction rebelled and joined the government forces. After several days of fighting the remaining MNDAA troops were forced to withdraw and flee across the border into China.

As mentioned above, and exemplified by the Kokang conflict, successive military governments have focused on “managing” conflict rather than resolving it. The aim is not to eliminate armed opposition and insurgent groups, but rather to contain and divide them. The army has adopted and applied a “divide-and-rule” policy that has multiplied the number of armed groups and thereby militarised the country still further. The Tatmadaw’s strategy in the Kokang region followed a long and consistent pattern. Instead of a total offensive against all the armed groups,

the Tatmadaw preferred to take them on one by one, focusing on weakening them by military, political and economic means, and stimulating their fragmentation. When internal divisions within opposition groups developed, the army subsequently allied itself with breakaway factions.

Part of this conflict management strategy has involved creating and supporting a large number of militias. There are 42 different militia groups in Shan State alone (Shan Herald Agency for News, 2003: 71). The smaller ones may have fewer than 20 men, whereas others may number up to 300. These groups have no clear political agenda and are mostly involved in business, including the drugs trade. These militias serve as buffers between the Tatmadaw and ethnic armed groups, and as a counter-force to deny opposition groups access to territory, population and strategic trade routes.

Many of the ethnic armed groups controlled significant “liberated areas”, where they set up their own administrative bodies and in effect created separate “states” within the state. The best example of the “state-within-a-state” phenomenon in Burma is the UWSA. With an estimated 15,000-20,000 soldiers, it is the largest of all the ethnic armed groups. The UWSA signed a ceasefire with the government in 1989. Since then it has controlled a large area along the Chinese border and later also along the Thai border. The UWSA has also set up its own civilian governance structure, with a hierarchical leadership style that brooks little dissent and with limited administrative capacity.

Representatives from the central government, including from the army, can only enter this territory with the UWSA's permission (Kramer, 2007: 37-45). While the international community has branded the UWSA a “narco-trafficking army”, the UWSA also has an ethnic nationalist agenda, has promoted Wa nationalism and has tried to build a Wa state within Burma. As argued below, the UWSA has been involved in the drugs trade, but few conflict parties in Burma can claim to have clean hands. It is unlikely that the UWSA will disarm and give up control over its territory until its main political demands have been met.

During the final phase of SPDC rule the main ceasefire groups refused to transform into BGFs before the final deadline of September 1st 2010 and were told by the SPDC that it would now consider their status to be equivalent to that before the truces were agreed. Tensions increased and all sides put their troops on high alert, but further clashes with ceasefire groups did not occur. At the same time, fighting continued with the KNU, KNPP and SSA-South, all of which, despite occasional talks, had never agreed to formal ceasefires.

The post-2010 political landscape

The SPDC, led by General Than Shwe, drew up Burma's new political system. The 2008 constitution guarantees that the national political arena will continue to be dominated by the armed forces for the foreseeable future. The constitution reserves 25% of the seats of all legislative bodies (Lower House, Upper House and the regional parliaments), as well as three ministries, for military personnel.

The NLD had walked out of the National Convention in 1995 in protest at political restrictions. The drafting process of the new constitution at the National Convention finally came to an end in 2007. However, it does not address the main grievances and aspirations either of the armed ethnic groups or the democratic opposition. It was adopted in a controversial referendum in May 2008, just a few days after a powerful cyclone devastated the Irrawaddy Delta and Yangon, leaving 130,000 people dead.

The NLD and some ethnic minority parties that won seats in the 1990 elections rejected the 2008 constitution and subsequently boycotted the 2010 elections. Some new political parties were formed to take part in the elections, including a breakaway group from the NLD and several ethnic minority parties. These parties also disapproved of both the new constitution and the electoral process, but felt it was important to use the opportunity to promote political change.

Foreign governments quickly condemned the 2010 elections as being neither free nor fair. The

election laws and registrations procedures for political parties also greatly favoured the military-backed Union Solidarity and Development Party (USDP) and presented huge challenges for opposition parties, including obstacles to party registration; the high costs of registering candidates; and the limited time for political parties to build their party organisations, find suitable candidates and set up their campaigns.

At the national level the USDP now has a large majority, winning over 75% of the seats that were contested, giving it control of both the Upper and Lower Houses. Its policies are likely to be supported by the 25% of military personnel automatically appointed to all legislative bodies. For the first time Burma's new political system now includes regional parliaments and governments, where the USDP also has a large majority of seats and controls all key posts in the newly formed regional governments.

Despite this apparent military hegemony, the advent of a new government has caused a significant change in the political atmosphere in Burma, raising the prospect of the most fundamental reform and realignment in national politics in decades. Government spokespersons say the new Thein Sein administration is trying to achieve four main objectives: to improve relations with the NLD and Aung San Suu Kyi, to address ethnic conflict, to resolve the economic crisis and to improve relations with the international community.²

President Thein Sein's government has had meetings with democratic opposition leader Aung San Suu Kyi, amended the political party registration law to facilitate the registration of her NLD to convince it to participate in the 2012 by-elections, and released political prisoners. The by-elections on April 1st 2012 were won by the NLD, which captured 43 of the 45 vacant seats. The election defeat was clearly a big blow to the military-backed USDP, raising questions over whether the party will be able to win a substantial number of seats in the 2015 elections if these are free and fair. The "first-past-the-post" system also makes it very difficult for smaller parties – not only ethnic minority parties calling for ethnic rights, but

also smaller Burman democratic parties – to win seats, favouring instead larger centrally based parties among the Burman majority.

Aung San Suu Kyi has now become a member of parliament, but it is unclear what role she and her party members will play. The NLD's presence in parliament is still largely symbolic, as the chamber is dominated by the USDP. The NLD is thus not in a position to make changes to the 2008 constitution by itself – one of the party's main objectives – but could try to do so in co-operation with the USDP.

The current reforms are thus a top-down process initiated by the new Thein Sein government, which consists of ex-generals from the previous military regime. The main impetus behind the reform process appears to be the realisation that the country, once the rice bowl of Asia, is now lagging behind its neighbours Bangladesh and Laos on all fronts. Burma ranks 149 out of 197 countries on the UN Human Development Index (UNDP, 2011). The reforms are also driven by a desire to remove Western economic and political sanctions, to reduce the government's dependence on China as its main supporter, and to have more diverse international relations.

The reforms are also an acknowledgement of the failed policies of the military regimes of the past. However, it is uncertain what the ultimate objective of the reforms process may be. This is partly because it is difficult to assess the extent to which the army has given up its political role. It has always been very difficult to assess the politics inside the army due to the institution's secretive habits. Clearly, there are factions in the army that oppose the current process or feel that it is moving too quickly and going too far. However, until now they have not taken any action to stop the reforms or unseat the government.

War, peace and drugs

The new government has also held peace talks with all major ethnic armed opposition groups in the country. The talks represent a much-needed change from the ethnic policies of recent decades and an important first step towards achieving peace across the country. By February 2012

² Communication with representatives of armed group attending talks with Minister for Rail Transportation Aung Min, November 2011.

initial peace agreements had been reached with most ethnic armed opposition groups.

However, the resumption of open conflict in north-east Burma in Kachin and Shan States is the first great test for the government's reform agenda. In March 2011 the Tatmadaw attacked positions of the SSA-North, ending a truce dating back to 1989. In June fighting resumed with the KIO in Shan and Kachin States after 17 years of ceasefire, when clashes broke out between Tatmadaw and KIO troops near a hydroelectric dam. While the government later reached a new ceasefire with the SSA-North, meetings between government representatives and the KIO have so far failed to produce a new agreement. And despite the new ceasefire with the SSA-North, by July 2012 the Tatmadaw was involved in military operations against both groups.

KIO leaders say that during 17 years of ceasefire they were promised political dialogue with the central government, but this never materialised.³ Since the resumption of conflict with the KIO some 75,000 civilians have been displaced in Kachin State and northern Shan State.⁴ The renewal of hostilities has also antagonised and potentially radicalised a new generation of Kachin youth who had not seen fighting in their areas during their lives and has created strong anti-Burman sentiments.

Burma is also the world's second-largest producer of opium after Afghanistan. Following a decade of steady decline, opium cultivation in the Golden Triangle (Burma, Laos and Thailand) has doubled since 2006. Most is produced in Burma, where the area under cultivation increased from an estimated 21,500 hectares in 2006 to 43,600 hectares in 2011. Opium production in Burma during the same period increased from 315 tons to 610 tons, roughly 12% of total world production (UNODC, 2011). Poverty – broadly defined – is the main driver of the increase in opium cultivation. It is mostly cultivated by marginalised farmers in isolated mountainous areas of Shan and Kachin States.

Production of amphetamine-type stimulants (ATS) has increased significantly in the last decade. Although reliable figures are not available, estimates of the annual production of methamphetamine tablets in the border areas of Burma with China and Thailand are put at several hundred million. Most of the opium, heroin and ATS produced in Burma are exported from Shan State to China, Thailand and Laos. Precursor chemicals such as acetic anhydride (for heroin) and ephedrine (for methamphetamine) are not produced in Burma, but are illegally imported from Thailand, China and, more recently, India. ATS production is among the fastest-growing illicit markets worldwide. Huge profits are earned in the process, corrupting many local authorities, police, customs officials and military officers in the region. The ATS boom in the region is an example of what can be described as “displacement”: a campaign against one drug (opium and heroin) can lead to the rise of an equally or potentially more harmful substitute (methamphetamine). The increase in ATS use is driven by both demand and supply, and by profound socioeconomic changes in the region, and gives the urban and rural labour forces a necessary stimulant to work long hours in competitive economies with poor labour conditions (TNI, 2011).

The decades-old civil war in Burma and the failure of the government to address ethnic conflict has also contributed greatly to drug production in the country. All of the conflict actors have engaged in various illicit economic activities to finance their armed organisations. Over the years some of the groups became more committed to the opium trade than to their original political objectives. In the main opium-producing areas in Shan and Kachin States the narcotics trade and insurgency politics became increasingly intertwined.

However, judgements over whom to blame for the drugs trade are frequently arbitrary and rooted in political bias rather than evidence. The UWSA is often singled out as the main cause of Burma's drugs problem. Although it is clearly not innocent of narcotics-related crimes and a number of individuals in the organisation are involved in the drugs trade, in reality few conflict parties can claim to have clean hands (Kramer, 2007).

³ Interview with KIO chief of staff Gun Maw, October 17th 2011.

⁴ Of which some 20,000 are in government-controlled areas, some 45,000 in KIO areas and an estimated 10,000 in China (HRW, 2012).

The drugs trade is a hugely profitable business, and corruption and the involvement of high-ranking officials can be found in all countries of the region. The involvement of Tatmadaw units and commanders in the drugs trade has also been documented. Research in Shan State, for instance, has shown that all conflict parties – including Tatmadaw units – tax opium farmers (Kramer et al., 2009). In 2007 the U.S. State Department stated that Burma had “failed demonstrably” to meet international counter-narcotics obligations, which included, failure to “investigate and prosecute senior military officials for drug-related corruption”.⁵ Exiled media groups have also documented the involvement of Tatmadaw units in the drugs trade (Shan Herald Agency for News, 2003; PWO, 2010).

Challenges for human development

Despite the fact that Burma is rich in resources, the country is very poor. Decades of war and mismanagement have brought the country, once the world’s largest rice exporter, to the brink of economic collapse. The ethnic minority areas have suffered the worst. Minority leaders complain that while the central government has been keen to extract natural resources from the ethnic states and sell them abroad, the money earned has not been invested to develop these isolated and war-torn areas.

Successive military governments have profited from the timber, precious metals and stones (gold, jade and rubies), and gas and oil reserves sold to foreign companies without any consultation with local communities, which have suffered serious social and environmental effects from these projects. They have lost economic resources, received no compensation for damages and have never been offered a share in the profits.

Following the conclusion of ceasefire agreements in northern Burma at the end of the 1980s and

in the early 1990s, neighbouring countries profited greatly from political instability in Burma. Both foreign companies and governments were involved. The weakness of the Burmese state and the uncertainty of the situation encouraged major corruption by army and government officials at all levels, as well as among the local commanders of ceasefire groups. As a result, natural resources have been extracted and exported across the border to Thailand and China at low prices without any value added, with large profits for foreign companies and local authorities, while generating very little employment for nor investment in local communities. Governments of neighbouring countries have also signed contracts in these conflict areas for large-scale development projects, such as hydropower dams.

More than 60 years of civil war have caused the peoples of Burma to experience great suffering and dislocation, with the population in ethnic minority areas suffering extra-judicial and summary executions, torture, rape, the confiscation of land and property, and forced labour (Amnesty International, 2008).

The fighting and military campaigns have forced large number of civilians to leave their homes. Over half a million people are displaced in the conflict areas in the eastern part of the country along the Thai border. Currently, an estimated 137,000 ethnic minority refugees are living in camps in Thailand. Following the breakdown of the Kokang ceasefire in September 2009, some 37,000 refugees fled to China, although most of them have returned to Burma (TBBC, 2012; MSF, 2009).

During 1991 and 1992 about 250,000 minority Muslims fled to Bangladesh following a Tatmadaw campaign. Most of them have since been repatriated to Rakhine State by the UN High Commissioner for Refugees, but they face limited freedom of movement, forced labour and administrative barriers to marriage, and many are not recognised as Burmese citizens (Amnesty International, 2004). Some 35,000 Rohingya refugees remain in Bangladesh. In early June 2012 an angry mob of Buddhist Rakhines killed ten Muslims after mistakenly accusing them of being involved in the rape and murder of a Rakhine woman. Following the killings, communal

⁵ Other reasons included unsatisfactory efforts by Burma to deal with the burgeoning ATS production and trafficking problem; failure to take action to bring members of the United Wa State Party to justice following a U.S. indictment against them in January 2005; and failure to expand demand reduction, prevention and drug-treatment programmes to reduce drugs use and control the spread of HIV/AIDS (USDoS, 2007).

violence between the two population groups flared up. The unrest resulted in 78 people being killed, over 3,000 houses being destroyed and the displacement of over 50,000 people (UNOCHA, 2012; *The Irrawaddy*, 2012).

Meanwhile, the country's capacity to address these problems is limited. Almost all organisations in Burma are characterised by a hierarchal leadership style, meaning that in most organisations one person makes decisions. When differences of opinion or conflict arise, this often leads to a split in the organisation rather than a compromise. As such, there is little or no room for local communities to influence or take part in decision-making processes that affect their lives.

Beyond general calls for a multiparty system based on democratic principles and the rule of law, few political parties have come up with more concrete and specific demands or plans for the future. They have so far not produced well-defined policy plans on urgent matters such as the humanitarian crisis, including the HIV/AIDS epidemic; the deteriorating economic situation, which is in desperate need of reform; education; environmental degradation; and the drugs problem in the country.

A positive national development pathway cannot be adequately achieved until the long-standing and deep-seated issues of ethnic conflict, drugs-related problems and unsustainable models of development in the resource-rich borderlands of northern Burma are resolved.

Future prospects

The military has ruled the country since 1962 and has initiated the current reform process. The new constitution guarantees the armed forces' continued domination of the state, but their efforts at building a centralised Burman state dominated by the military have been rejected by other stakeholders. For Burma to make genuine progress towards democracy and peace over the coming years, it will thus have to negotiate a number of thoroughgoing reforms and overcome various hurdles.

Peace and reconciliation

Solving ethnic conflict remains the key issue for the country. First of all, it is important for the Tatmadaw to end all its current military operations against ethnic armed groups in the country. Ceasefire agreements negotiated at the local level between different armed ethnic opposition groups and the government are a first important step. However, in order to end the conflict in Burma and achieve true ethnic peace, the current talks must move beyond establishing new ceasefires.

The crucial next step is holding negotiations at the national level between all ethnic armed opposition groups and the government at a special national conference to agree on a permanent peace settlement. Failure to do so will undermine the current reform process in the country and will lead to a continuation of Burma's cycle of conflict (Smith, 2007). However, it is as yet unclear how and when such a conference will take place.

These new comprehensive peace agreements then need to be incorporated into the 2008 constitution, which ethnic opposition groups reject. Under the current political dispensation only the military-backed USDP has sufficient seats in the national legislatures to do so, if supported by the military representatives.⁶ It is unlikely that armed ethnic opposition groups will transform into political parties and dissolve before a political agreement is reached and the constitution is amended. After decades of conflict, this is probably going to be a long and difficult process.

Democratisation

For the momentum of political reform to continue in Burma, inclusive processes must be developed that allow the participation of all key stakeholders in the country. The next general elections of 2015 will serve as a key moment to judge how real the process of democratisation is.

The new political system that was put into place by the former military regime ensures domination by

⁶ Amending the constitution requires a three-quarters majority. The USDP controls 57.6% of the seats in the Upper House and 59.3% of those in the Lower House. A further 25% of each house is made up of military appointees. For analysis of the 2010 election results, see TNI and BCN (2010).

the military-backed USDP. The question remains whether the new army leadership, which is junior to the ex-generals now in the government, feels confident enough to accept the primacy of the quasi-civilian government over the army and refrain from intervening in decision-making.

It also remains to be seen whether the 25% of the seats reserved for the army in the two national and 14 regional legislatures will be used to hinder the changes currently under way or serve as a temporary guarantee for the army that its interests are safeguarded. A good indication of democratic progress would be for military representatives to vote independently, rather than as a block under instruction from the army leadership. A further indicator of the success of the longer-term democratisation process (after the 2015 elections) would be for the army to give up its right to reserved seats. A critical test will also be whether the reform agenda of President Thein Sein and key ministers is not blocked by hardliners in the government, or in the powerful military and business elite.

Furthermore, the institutional capacity of political parties, as well as their ability to formulate alternative policies on crucial political and socioeconomic issues, is weak. Many parties currently do not operate in a democratic way, and lack links with and accountability to the local communities they claim to represent. Political parties, including the ruling USDP and the main opposition party, the NLD, have yet to reach out to other parties with the aim of co-operating and formulating joint policy proposals. Democratic parties have also failed to develop sound policies on ethnic issues.

Human rights

The establishment of new ceasefires with all ethnic armed opposition groups by the Thein Sein government is a first step that could lead to a reduction of the most serious human rights violations in conflict areas. However, much more needs to be done, including discussions on reforming the Tatmadaw, reducing its size and ensuring that the state covers the army's basic operational costs. This would enable army units to stop their current recourse of living off the land, leading to the confiscation of land to grow food and

commercial crops, or off the people, resulting in extortion, the confiscation of property and forced labour. Discussions about army reform should also include making the Tatmadaw multi-ethnic, including its leadership, which is now dominated by ethnic Burmans.

It is also crucial that all remaining political prisoners are released. Furthermore, the judicial system is in need of reform to enable it to act independently. The newly established national Human Rights Commission should be able to function independently, receive complaints from the population, maintain confidentiality and provide meaningful follow-up.

International engagement and investment

Over the past two decades Europe and the U.S. have enforced a policy of political and economic isolation on Burma to promote democratic change and respect for human rights. However, their focus was primarily on events taking place in the former capital, Yangon, where opposition leader Aung San Suu Kyi became an international icon in her peaceful campaign for democracy and human rights. The ethnic issue was seen as secondary. Few efforts were made to end the fighting or to support the earlier ceasefire agreements at the end of the 1980s.

Following the reforms of the Thein Sein government, the West has reversed its policy, and there has been great interest in engaging with Burma in the political and economic arenas. The EU and U.S. have suspended almost all sanctions apart from an arms embargo, thus removing obstacles for companies seeking to invest in Burma. There have been a large number of high-level official visits to Burma from the West. International companies are also actively looking at opportunities to invest in Burma. Clearly, these new policies are not just guided by the wishes of the West to support the political transition in Burma, but also by a strategic economic interest in benefiting financially from what are seen as Burma's untapped natural resources, economic opportunities and strategic geopolitical location.

China is Burma's most important political and economic strategic ally, as well as its main supplier

of arms. Burma has relied on China as its political-economic lifeline partly because of Western sanctions. China's policy on Burma is mainly driven by economic and security considerations. Its "energy diplomacy" aims to ensure access to oil and gas through the construction of a gas pipeline overland from a deep-sea port in Burma's Rakhine State on the Bay of Bengal to Yunnan Province's capital, Kunming. China's "transport diplomacy" is aimed at obtaining access to the Indian Ocean, another key Chinese strategic objective. China is anxiously watching post-election politics unfold in Burma. The new Burmese government's cancellation of the Chinese-financed Myitsone dam project in Kachin State (which was strongly opposed by local communities) and the recent gradual improvement of U.S.-Burma diplomatic relations raise further questions over the future of Chinese relations with Burma.

It is clear that Burma is in a crucial phase of its political transition. Similarly, decisions that are made now will determine the economic landscape for decades to come. The key question is what kind of economic development model the country will follow, who will benefit from this and who will be the losers.

Current regulations to manage foreign investment in an equitable and sustainable manner are weak. New laws on land rights and foreign investment favour large local companies and foreign investors, instead of smallholder farmers, who constitute the large majority of the population, but who live at subsistence levels. The new laws have transformed land into a commodity that can be bought by companies, while smallholder farmers' rights to land in many cases are not adequately addressed.

Furthermore, there are serious concerns about the socioeconomic recovery and development plans in conflict zones as a follow-up to the peace agreements, as the economic development models of the last decades have caused great environmental damage and negative repercussions for livelihoods. These models consisted mainly of unsustainable logging and mining operations in border regions with Thailand and China by foreign companies. Natural resources were extracted in former conflict zones, with most benefits going to foreign companies

and very little being invested to develop the war-torn areas from which they originated (Global Witness, 2003).

Recommendations to the international community

Ethnic conflicts need to be resolved in order to bring about a lasting political settlement in Burma. If the grievances and aspirations of ethnic groups are not addressed, the prospects for democracy, peace and development are grim. Furthermore, the ethnic issue should be primarily seen as a political issue that needs a political solution. It is vital that the process toward ethnic peace and justice be sustained by an inclusive political dialogue at the national level.

The international community should also understand peace as a national issue affecting all sectors of society. It should support efforts to build trust and mutual understanding between the Burman majority and ethnic minority communities, as well as among ethnic communities. Foreign donors should support the capacity-building of political parties, and back initiatives that strengthen political parties' accountability to their members and to the communities they claim to represent. To promote decentralisation and local democracy, the international community should help support the new regional and state-level parliaments and governments, help them to address regional and ethnic nationality concerns and aspirations, and provide higher-quality basic services to their communities.

Democratisation also means engaging with the military to ensure that it remains part of the process and does not become a spoiler, and addressing a number of key issues that relate to conflict and human rights problems. The army needs to end its widespread abuses against the civilian population, especially in ethnic regions. It should also be appropriately resourced by the state to prevent Tatmadaw units having to live off the land and the local population.

The international community should increase international humanitarian and development aid to Burma, in particular for ethnic areas that have been devastated by decades of civil war. A number

of key areas of concern should be focused on, including HIV/AIDS, malaria and tuberculosis. The international community should also invest in rebuilding the health and education sectors. However, humanitarian assistance does not operate in a vacuum, and should not create new or increase existing divisions and tensions among communities and conflict actors. It should also not undermine the capacity of local communities and civil society groups, nor reduce the space for participation and accountability.

If responsibly managed, foreign investment can provide capital to support more sustainable and egalitarian economic development in the border areas of Burma. This investment could help address the long-term political grievances of the mostly non-Burman ethnic border populations, including poverty, the lack of economic opportunity and the inadequate implementation of foreign investment. Moreover, the development of border regions can serve as a source of income generation with spillover linkages that benefit the entire country. Regional foreign investment has the potential to serve as a source of capital for achieving these goals.

However, a key concern is whether foreign investment can provide such sustainable and equitable economic development for the country at large. The equitable economic development of Burma – in particular its border regions – is not just about implementing better regulations, improving transparency and accountability, and carrying out environmental and social impact assessments. Clearly, there are communities in Burma that reject outright some of the projects of local and regional investors. The international community should support initiatives that promote alternative and more sustainable development models that provide real benefits for local communities, such as supporting the land tenure security of smallholder farmers. It should also ensure that ethnic communities have much greater say in the governance of their affairs and can see tangible benefits from the massive developments taking place in their areas.

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