

# Update Briefing

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## **A Tentative Peace in Myanmar's Kachin Conflict**

### **I. Overview**

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On 30 May 2013, the Kachin Independence Organisation (KIO) signed a tentative peace agreement with the Myanmar government – the last of the eleven major ethnic armed groups to do so since 2011. This represents a major opportunity to secure lasting peace in Kachin State, and in the country as a whole. Yet, there will be significant challenges in doing so. Key issues still need to be discussed and agreed, including the repositioning of troops from both sides to reduce the chance of clashes, a monitoring mechanism, and a meaningful political dialogue. Major steps need to be taken to develop an equitable peace economy, and the exploitation of Kachin's significant natural resources, if not appropriately regulated, could compound inequalities and trigger renewed conflict. Much remains to be done to avoid a repeat of the failures of the previous ceasefire process.

The Kachin conflict is one of the longest-running ethnic insurgencies in Myanmar and in the world. A rugged and independent hill people, the Kachin had played a key role in the allied victory over Japanese forces in northern Myanmar during the Second World War, and were a central part of the post-independence military. After these troops rebelled, the KIO quickly became among the largest and most formidable of the ethnic armed groups.

In 1994, the KIO reached a ceasefire agreement with the then-military government and participated in the deeply flawed National Convention process that ended with the drafting of the 2008 constitution. The KIO was allowed no substantive input, however, and no real discussion of ethnic grievances was possible. In the lead-up to the 2010 elections, the regime reneged on earlier promises to the KIO, demanding that they transform into border guard units under the partial control of the Myanmar army. When the KIO refused to do so, the ceasefire was declared void, and the electoral commission prevented registration of the main Kachin political parties and independent candidates.

In mid-2011, shortly after power was transferred to the new government, armed conflict in Kachin reignited. Numerous rounds of peace talks failed to achieve a breakthrough, and in late 2012 the conflict escalated once more. The prospects for peace looked grim.

It was a firm intervention from China, worried about border stability and security and its major investment projects in the area that brought the two sides back to the

negotiating table in February 2013. After two rounds of talks in China, there was once again deadlock, this time because Beijing objected to the presence of other international observers – the U.S., UK and UN – who had been invited by the KIO. The deadlock lasted more than two months, and a compromise was only reached after increasing resentment in Myanmar over what was perceived to be an unhelpful Chinese position.

The compromise was that the next talks, held from 28-30 May 2013 in the Kachin State capital Myitkyina, would have the UN and China as the international observers, but no-one else. These talks – held for the first time in government-controlled territory – resulted in a breakthrough. A seven-point peace agreement was signed, referencing longstanding demands of the KIO on the need for force separation, a monitoring and verification mechanism, and a dialogue on political issues.

This is a major step forward. Securing a sustainable peace will not be easy, and depends on more detailed negotiations in these three areas. The 30 May agreement is the beginning of a process of consolidating peace, not the end. Without further progress, a resumption of armed conflict is possible.

Access to displaced people for provision of humanitarian assistance is vital. It is also critical to address the longer-term development needs of Kachin communities. This will require donor support, but most importantly, it requires a shift in Kachin areas – from the present conflict economy to one that provides broad benefits to Kachin State and its peoples. Managing the state's valuable natural resources in a sustainable and equitable way – including billions of dollars of jade production annually – will be key.

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## **II. Background to the Conflict**

### *A. Historical Legacy*

Myanmar is home to the majority Burman people,<sup>1</sup> who make up perhaps two thirds of the population, together with a large number of other ethnic groups, many of whom live in the mountainous borderlands, comprising around one third of the population. Numbers are contested and no comprehensive census of the whole country and its ethnic composition has been conducted since colonial times.<sup>2</sup>

The borderlands that constitute the country's remote and rugged periphery have never been fully under the control of the central state. The different ethnic groups thus remained relatively distinct from each other in language, culture, economy and political traditions. British colonisation in the nineteenth century reinforced these divisions. The central part of the country, known as "Ministerial Burma", was placed under direct rule, and subject to colonial legal and administrative authority. The borderlands, known as the "Frontier Areas", were administered separately and left largely under the authority of hereditary chiefs. This division effectively hindered

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<sup>1</sup> "Burman" (or "Bamar") denotes the majority ethnic group in Myanmar, whereas "Burmese" (or "Myanma") denotes all people of the country. For previous Crisis Group reporting on Myanmar since the present government took power, see Crisis Group Asia Briefings N°136, *Reform in Myanmar: One Year On*, 11 April 2012 and N°127, *Myanmar: Major Reform Underway*, 22 September 2011; and Asia Reports N°238, *Myanmar: Storm Clouds on the Horizon*, 12 November 2012; N°231, *Myanmar: The Politics of Economic Reform*, 27 July 2012 and N°214, *Myanmar: A New Peace Initiative*, 30 November 2011.

<sup>2</sup> A new census, which will collect data on ethnicity, is planned for 2014.

Burman-minority interaction and relations were further undermined when the British recruited mainly Chin, Kachin and Karen into the colonial army, rather than Burmans. Many from these ethnic groups also converted to Christianity during this period.

During the Second World War, Burman nationalists sided briefly with the Japanese to fight against colonialism and achieve independence, then later switched sides to support the Allies. Most ethnic minority forces remained loyal to the British throughout, and at various times Burman and ethnic minority troops fought each other. There were many reports of brutal retribution by Burman forces against ethnic communities.<sup>3</sup> By the time of post-war discussions on the shape of a future independent country, there were already serious tensions between the majority Burmans and ethnic minorities.

At the 1947 Panglong Conference, Shan, Kachin and Chin representatives from the Frontier Areas agreed to the formation of a Union of Burma in return for promises of full autonomy in internal administration and an equal share in the country's wealth. The Karen – one of the largest minorities – did not participate in these negotiations, sending only an observer team. There were strong critics also among other ethnic groups. The 1947 constitution, which came into force after independence the following year, deepened the divides, in particular its provisions for power sharing between the centre and various ethnic states, which were the result of hasty, fragile and inconsistent compromises with ethnic leaders. The powers and degree of autonomy delegated to the ethnic states varied considerably or, in the case of the Karen, were unresolved. No special provisions were made for a number of major groups (such as the Mon, Rakhine and Wa). The upshot was that several ethnic rebellions had begun to simmer even before independence, and post-independence Burma was thrown into chaos.

The first major group to go underground, three months after independence in 1948, was the Communist Party of Burma (CPB). Soon after, Karen, Mon, Karenni (Kayah), Pao, Rakhine and "Mujahid" Rohingya nationalists also rebelled, due to the minimal input they had been allowed to have on the shape of the new country, and in particular dissatisfaction with the rights of self-determination provided for them in the constitution.

Other ethnic minority groups, including the Kachin, initially rallied around the government. The Kachin and Chin Rifles – key units of the national army – were deployed against the rebellious communist and Karen forces and may have been instrumental in preventing the break-up of the country. During the late 1950s and early 1960s, however, the Chin and Kachin, along with the Shan, also rebelled as dissatisfaction grew with an increasingly centralised form of government in Rangoon that they felt was ignoring ethnic interests. This was a turning point, as these three groups had signed the Panglong agreement and had been loyal to the concept of a union. The 1962 military coup, ostensibly a move to prevent the country from breaking up, provided added impetus to rebellion. Decades of conflict followed.

## B. *The Kachin Struggle*

The term "Kachin" refers to diverse subgroups inhabiting Kachin State and neighbouring areas of Myanmar, China and India. Some of these groups are only distantly related. The major group, known as the "Jingphaw" in Myanmar (and as "Jingpho"

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<sup>3</sup> See Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999), 2nd edition, p. 62.

in China and “Singpho” in India), has long been politically dominant, and there have sometimes been tensions between it and other Kachin groups, the Rawang, Lisu, Lashi, Maru and Azi.

The Kachin Independence Organisation (KIO) was established in February 1961 by a group of young Kachin nationalists who felt that the promises of political autonomy made at the Panglong conference had not been honoured. It quickly grew to become one of the largest and best-organised armed opposition groups in the country, controlling large areas of Kachin and northern Shan states. Ceasefire discussions took place at various points with the government, the most significant of which was in the early 1980s, with KIO leader Brang Seng travelling to Yangon at one point, but ultimately no deal was struck.

Over the years, like many armed groups, the KIO has suffered from fragmentation and splits. These were due to a number of factors, including personal rivalries, ideological differences and intra-ethnic tensions, sometimes with the encouragement or support of the government. In 1968, a prominent Maru, Ting Ying, defected from the KIO along with several hundred Lashi and Maru fighters. This group affiliated itself with the insurgent Communist Party of Burma (CPB), as Unit 101. When the CPB began imploding in 1989, as a result of a series of mutinies by ethnic minority troops against its Burman leadership, Ting Ying's group restyled itself as the New Democratic Army-Kachin (NDAK) and reached a ceasefire agreement with the government, as did most of the other ethnic minority organisations to emerge from the collapse of the CPB.

The KIO itself continued fighting. Yet, faced with the enormous human costs of the conflict, its leadership had become convinced that a negotiated political solution had to be found. It took the initiative to open contacts with the government in the early 1990s, aiming to negotiate a nationwide ceasefire on behalf of all armed opposition groups, to be followed by political dialogue. But unity between the groups soon broke down, and the KIO, unable to convince its other ethnic allies to enter dialogue with the government, signed its own agreement in early 1994. Several other groups, including the New Mon State Party (NMSPP), soon followed. This left the Shan State Army-South and the Karen National Union (KNU) as the main groups still in armed rebellion. (These groups agreed ceasefires in December 2011 and January 2012, respectively.)

### **III. The 1994 Ceasefire: An Uneasy Peace**

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#### *A. A Problematic Ceasefire*

The 1994 ceasefire ended the armed conflict in Kachin areas but did not address the underlying grievances. The expectation of the KIO was that its peace deal would pave the way for a nationwide ceasefire and a national dialogue about a broader political solution to the civil war. This was not to be. The continued fighting between the government and Shan and Karen groups meant that a national ceasefire remained elusive, and the government rejected calls for a political dialogue with the KIO.

Kachin politics also changed in important ways following the ceasefire. The death of the KIO's influential and respected leader, Brang Seng, a few months later represented a major blow. At the same time, a shift from a war footing to a peace economy created challenges. The KIO took formal administrative authority over the territory under its control and it functioned in many respects as a local government – with departments of health, education, agriculture, and so on; running civilian hospitals

and schools (that taught Kachin language and culture); and initiating infrastructure projects. It also maintained its armed forces.

The organisation funded its operations mainly through business activities, including in the lucrative areas of jade and gold mining, and logging. As time went on, there were increasing complaints from communities and civic groups over the lack of transparency of these resource revenues and the fact that very few were being used for the welfare of the population. The ceasefire also provided the space for outside business interests to enter Kachin State and become involved in unsustainable resource extraction activities.

In 2001, KIO leader Zau Mai and two other senior members were ousted by younger officers. Officially, Zau Mai was replaced because of health problems, but the real reason seems to have been dissatisfaction over his family's business dealings and the wealth they were amassing, as well as his autocratic leadership style.<sup>4</sup>

The new leadership seemed committed to pushing forward the Kachin political cause, but faced many of the same constraints – the need for financial survival, perceptions of corruption, the difficulty of dealing with a regime that was not ready to engage in substantive political dialogue, and increasing disaffection of the Kachin population and in particular the youth with the ceasefire.<sup>5</sup>

## B. *A Failed Political Process*

The Kachin peace deal, like all the ceasefires of the late 1980s and 1990s, was a security agreement: a truce, not a political settlement. The text was short, stating that there would be peace between the two sides, followed by development and economic improvements in Kachin areas and efforts to promote national peace. Liaison offices were established to ensure close communication, and KIO troop deployments and territories were specified.<sup>6</sup>

While the written agreement dealt only with military matters, the discussions themselves had been more wide-ranging. The military government always maintained that it was an interim administration and therefore not able to reach agreement on political matters. Instead, it laid out a “political roadmap”, providing for a National Convention to draft a new constitution, to which the ceasefire groups and the political opposition were invited to send delegates, to be followed by a referendum and elections.

The KIO agreed to participate in the roadmap, as it was convinced that in order to further its aims, it had to be part of the national political process, rather than fighting in the hills and excluded from it.<sup>7</sup> Following the ceasefire, it attended the National Convention, which had begun the previous year. Although the ethnic minority delegates were unable to have any significant influence on proceedings, the KIO attended the convention until it ended in 2007. That year, the organisation submitted to the chairman of the convention a nineteen-point proposal for the inclusion of certain

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<sup>4</sup> See, for example, Ashley South, *Mon Nationalism and Civil War in Burma: The Golden Sheldrake* (Routledge, 2003).

<sup>5</sup> Crisis Group interview, analyst, Yangon, May 2013.

<sup>6</sup> “Agreement between government peacemaking group representatives and KIO representatives”, 24 February 1994. Of all the ceasefires reached during this period, the Kachin were the only group to have a written agreement, which they obtained only after much insistence and on the condition that they would keep the text secret.

<sup>7</sup> See the comments of the then-KIO chairman, Brang Seng, reported in Martin Smith, *op. cit.*, pp. 442-443.

provisions in the future constitution, but it was not discussed in the convention, and the KIO received no response from the authorities.<sup>8</sup> A similar proposal, jointly submitted by thirteen ceasefire groups at an earlier stage of the National Convention, had also been ignored.

Despite its failure to have any influence over the National Convention process and outcome, the KIO maintained a fairly cooperative stance. After initially instructing its members and their families to boycott the constitutional referendum, it told them to vote in favour, and advised the public to do likewise.<sup>9</sup> The military government had been extremely concerned that the KIO would take a stand against the referendum and constitution and had sent several envoys to urge it not to do so. In the subsequent election process, the KIO went very far in adhering to the requirements of the constitution and electoral legislation. Yet, in spite of this, it faced military pressure and Kachin political representatives were then locked out of the elections.

### C. *Political Crisis*

In addition to their more general concerns over the 2008 constitution and that their proposals had not been incorporated, several ethnic armed groups were uncomfortable with one clause that appeared to prohibit them from retaining arms. Section 338 of the constitution reads: "all the armed forces in the Union shall be under the command of the Defence Services". Top regime officials had told the KIO and other ceasefire groups that they should discuss conditions for giving up their arms only once the new government was in place.<sup>10</sup> The groups had been assured that the authorities would not require that they give up their arms in the interim, and it was on this basis that the KIO agreed to participate in the 2008 constitutional referendum.

Those promises proved to be empty. In April 2009, the regime issued a new instruction, detailing how ceasefire groups should transform their armed units into "Border Guard Forces" under the partial command of the Myanmar military.<sup>11</sup> The transition process was to begin immediately.

Such a move was of considerable concern to ceasefire groups; it would greatly reduce their autonomy and would represent a major concession in return for which they were being offered no political quid pro quo by the regime. None of the major ceasefire groups – with the exception of the Democratic Kayin Buddhist Army – agreed to follow the instruction. The KIO held discussions with the regime, expressing its concern about some aspects (including the "border" designation), indicating that it would have to hold extensive consultations with its communities before it could give a final response, and stressing that any such transformation would be long and complicated.<sup>12</sup> While the government saw the border guard scheme as the price of entry to the elections, KIO leaders were surprised and deeply unhappy that having cooperated with all stages of the government's roadmap this demand had suddenly been imposed on them with no prior discussion. Moreover, the provisions of the

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<sup>8</sup> "The KIO proposal for constitutional provisions and clauses", KIO Central Committee, July 2007.

<sup>9</sup> Crisis Group interview, KIO leader, Yunnan, February 2009; "KIO no longer neutral on stand over referendum", Kachin News Group, 9 May 2008.

<sup>10</sup> Crisis Group interviews, Bangkok and Yunnan, January-February 2009.

<sup>11</sup> The instruction, dated 28 April 2009 and consisting of several pages of text, but with no official title or seal, is on file with Crisis Group.

<sup>12</sup> Crisis Group interview, KIO leader, Yunnan, February 2009.

scheme were seen as unworkable and in contradiction with the assurances they had been given when they signed the ceasefire.<sup>13</sup>

As several deadlines to adopt the scheme came and went, the regime stepped up pressure on the KIO and other ceasefire groups. It frustrated attempts by Kachin leaders to form a political party to contest the 2010 elections, on the basis of a provision of the political party registration law prohibiting parties from having contacts with organisations “in revolt with arms against the state”.<sup>14</sup>

Taking this provision into consideration, the KIO's vice-chairman, Dr Tu Ja, resigned from the organisation when he decided to lead a Kachin political party, the Kachin State Progressive Party, which aimed to represent all ethnic communities in Kachin State. The party had strong support in Kachin areas, and planned to contest the majority of seats in the state. It was denied registration by the Myanmar Election Commission. Similarly, a party representing the Kachin areas of northern Shan State, the Northern Shan State Progressive Party, was also denied registration. It became clear to the KIO that registration was contingent on it accepting the border guard scheme. The Election Commission sent a clear signal to the Kachin parties that, should the KIO adopt a different stance, their registration process could proceed quickly: another ceasefire group, the Democratic Kayin Buddhist Army, agreed to the Border Guard Force proposal in July 2010, and its associated political party was then ushered through the registration process in record time.<sup>15</sup>

Dr Tu Ja and other leaders of the unregistered Kachin State Progressive Party subsequently tried to register as independent candidates, but this was also blocked by the Election Commission. This meant that there was effectively no independent political representation for the Kachin people in the election,<sup>16</sup> leading to widespread anger and disillusionment among the Kachin population.

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## IV. A Return to War

### A. *Tensions Boil Over*

Following the elections, the scene was set for a resumption of hostilities. In late 2010, tensions increased after the regime took a series of confrontational steps toward the KIO: in addition to the refusal to register the Kachin political parties, the regime declared the ceasefire “null and void”, ordered the closure of KIO liaison offices, applied economic pressure by blocking KIO trading routes, and began referring to the organisation as “insurgents” in the state media.<sup>17</sup>

In February 2011, there was a serious incident in which the KIO shot and killed a Myanmar army battalion commander after he led his troops into a KIO-controlled area unannounced. Escalation was avoided, with the army apparently determining

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<sup>13</sup> Ibid.

<sup>14</sup> Section 12(a) (iii) of the 2010 Political Parties Registration Law, which repeated a provision (section 407b) of the 2008 constitution.

<sup>15</sup> The Kayin State Democracy and Development Party lodged its initial application on 11 August, it was approved by the Election Commission the following day, and final registration was completed on 19 August.

<sup>16</sup> The only Kachin party to stand was the Unity and Democracy Party of Kachin State, an offshoot of the military government's Union Solidarity and Development Party.

<sup>17</sup> For a contemporaneous account, see “A changing ethnic landscape: Analysis of Burma's 2010 polls”, Transnational Institute/Burma Centrum Nederland, Burma Policy Briefing No. 4, December 2010.

that its troops had acted improperly.<sup>18</sup> Tensions were simmering at the time that power was transferred to the new semi-civilian government of President Thein Sein at the end of March 2011 and both sides were aware that a resumption of fighting was a real possibility.<sup>19</sup>

The flashpoint came on 9 June 2011, with clashes between government troops and the strategic KIO outpost of Bumsen in Kachin State – close to the site of two Chinese-operated hydroelectric dams at Tarpein. The same day, soldiers arrested and killed a KIO representative from its nearby liaison office. The organisation alleged that his corpse showed evidence of severe torture. The Myanmar army overran the outpost on 12 June, and when it ignored a KIO deadline to withdraw, the KIO placed all its troops on a war footing and destroyed a number of bridges in the area to hamper the resupply of government forces.

From then until January 2013, clashes occurred regularly in several parts of Kachin and northern Shan states. There are allegations during this period of serious human rights abuses and violations of international humanitarian law, particularly (but not exclusively) on the part of government forces.<sup>20</sup> The fighting has displaced some 100,000 civilians.<sup>21</sup>

## B. *A Chronology of Talks*

In the first weeks following the resumption of the conflict, two rounds of peace talks were held between the KIO and a team from the Kachin State government on 30 June and 1 August 2011. The KIO indicated that it was not ready to sign a new ceasefire without neutral witnesses and a public commitment from the government to starting a political dialogue with all groups. As a KIO leader put it, “to have political discussions as a single organisation is meaningless; the ethnic issue is a nationwide issue”.<sup>22</sup>

After initial discussions with the local government failed to make headway, a national negotiation team started direct talks. At that time, two separate teams were conducting peace talks with the various armed groups in the country: one drawn from the legislature, headed by lower house representative Aung Thaung; and another from the executive, headed by then-Railways Minister Aung Min (now one of the “super ministers” in the president’s office). Aung Min had responsibility for negotiations with armed groups in lower Myanmar, and Aung Thaung for upper Myanmar, including Kachin.

This was to prove unfortunate. Aung Thaung, widely seen as a hardliner, had a poor reputation with the KIO. He had been the person charged by General Than Shwe

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<sup>18</sup> Crisis Group interview, Kachin community leader, Myanmar, April 2011; see also Wai Moe, “Burmese officer killed in clash with KIA”, *The Irrawaddy*, 7 February 2011.

<sup>19</sup> See, for example, “Burma’s new government: prospects for governance and peace in ethnic states”, Transnational Institute/Burma Centrum Nederland, Burma Policy Briefing no. 6, May 2011.

<sup>20</sup> Crisis Group interviews, KIO leaders, Laiza, October 2011; see also “Untold miseries: Wartime abuses and forced displacement in Burma’s Kachin State”, Human Rights Watch, March 2012.

<sup>21</sup> There are over 85,000 registered internally displaced persons (IDPs) in government- and KIO-controlled areas, and an estimated 10,000-15,000 living with host families. Myanmar Humanitarian Bulletin, UN Office for the Coordination of Humanitarian Affairs (UNOCHA), 18 April to 31 May 2013 and Crisis Group interview, UNOCHA official, Yangon, June 2013.

<sup>22</sup> Crisis Group interview, a KIO military commander, Laiza, October 2011.



in 2010 with delivering the ultimatum to the KIO to join the border guard scheme.<sup>23</sup> In negotiations, he showed little flexibility or readiness to make concessions, including on the locations for talks.<sup>24</sup> Even the president's decision at the end of September 2011 to cancel construction of the Myitsone dam in Kachin State, a project that the KIO and Kachin community were vehemently opposed to, did not create traction in the peace talks.

On 10 December 2011, the president called a unilateral halt to offensive actions against the KIO, in what was presented as an effort to build confidence for peace talks. However, armed clashes continued, with each side blaming the other, and deep bitterness resulting from the intense, and often bloody, conflict.

By late March 2012, with little progress being made in the KIO negotiations despite several rounds of meetings,<sup>25</sup> President Thein Sein changed negotiators, putting Railways Minister Aung Min in charge of the Kachin peace talks. This change was formalised on 3 May, through the establishment of a national peace committee chaired by the president himself, with a working committee that included members from the two previous negotiation teams, but not Aung Thaung.<sup>26</sup> Aung Min was one of the vice chairs of the working committee and in practice took over day-to-day charge of the peace processes.

Aung Min held a first informal meeting with two KIO leaders on 21 May 2012, in the northern Thai city of Chiang Rai. He expressed a willingness to come to KIO territory for the next meeting, something Aung Thaung had never been ready to consider.<sup>27</sup> This led to a second meeting in the KIO-held town of Maijayang near the Chinese border, from 31 May to 1 June. To reach Maijayang, Aung Min and his team had to travel by road through Kachin State, across the front lines of the conflict.<sup>28</sup> This logistically complicated feat was facilitated by a group of Kachin businessmen known as the Kachin Peace Talk Creation Group, headed by influential jade trader Yup Zau Hkawng.<sup>29</sup> Aung Min taking the trouble, and the risk, to come to a KIO area helped to break the ice, and the atmosphere was positive.<sup>30</sup> Following on from this, another meeting was held in Maijayang on 21 June 2012.

But after these initial informal and confidence-building meetings, the talks became bogged down in disagreements over the location of the next meeting and due to lack of mutual trust. The location was eventually resolved in favour of the Chinese border town of Ruili, and a further meeting was scheduled between Aung Min and the KIO on 30 October 2012. This meeting turned out to be a disaster. On the agenda was supposed to be a discussion of military positions and separation of forces, in order to reduce tensions and minimise the potential for clashes. According to individuals closely involved, Aung Min had put a great deal of effort into securing high-level participation by the Myanmar military, which was ready to withdraw from several of

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<sup>23</sup> Another senior member of Aung Thaung's team, Thein Zaw, was similarly distrusted, as he had been the one to push the KIO to support the 2008 constitutional referendum, assuring them that they would not have to disarm prior to the elections.

<sup>24</sup> Crisis Group interview, individual close to the peace process, Yangon, March 2013.

<sup>25</sup> Meetings between Aung Thaung and the KIO were held on 29 November 2011, 18-19 January and 8-10 March 2012, all in the Chinese town of Ruili near the Myanmar border.

<sup>26</sup> Myanmar President Office orders 11/2012 and 12/2012, 3 May 2012 (published in *New Light of Myanmar*, 19 May 2012, p. 1).

<sup>27</sup> Crisis Group interview, individual close to the peace process, Yangon, March 2013.

<sup>28</sup> Crisis Group interviews, individuals present at the talks, Bangkok, June 2012.

<sup>29</sup> The group has a website ([www.peace-talkcreationgroup.com](http://www.peace-talkcreationgroup.com)) explaining its activities.

<sup>30</sup> Crisis Group interviews, individuals present at the talks, Bangkok, June 2012.

its positions in Kachin State as part of a force-separation agreement.<sup>31</sup> In what was interpreted by the government as a snub, none of the senior leaders of the KIO came to the meeting, prompting the Myanmar military to downgrade its level of participation. No discussions on force separation could take place, and Aung Min was left feeling seriously undermined.<sup>32</sup>

There are competing explanations about what caused this problem. The KIO says that a detailed agenda and information on who would be participating in the meeting were not shared in advance, so it had not been aware that discussions on force separation would take place. It also claims that there were significant attacks on some of its positions by the Myanmar military in the days leading up to the talks, meaning its military leaders were too busy to travel.<sup>33</sup> Alternatively, some observers believe that the KIO had not reached an internal consensus about agreeing to a separation of forces.<sup>34</sup> Whatever the reasons, two things seem clear: first, the government side failed to convey to the KIO how much effort had been put into convincing the Myanmar military to seriously consider the force separation issue and discuss this at the meeting; and second, the KIO made a major miscalculation by not sending a senior leader. The result was a huge missed opportunity, and a significant setback in the peace process.

### C. *A Serious Escalation*

On 28 December 2012, the Myanmar army launched attacks on a base near the KIO's Laiza headquarters. This was not the first attack on the area since the resumption of hostilities in 2011, but this time it was backed by helicopter gunships and fighter jets. This was a serious escalation, as air power has rarely been used in Myanmar and appeared inconsistent with the president's order not to take offensive actions.

There is a large civilian population in and around Laiza, as well as a large number of internally displaced persons (IDPs) in camps. There were fears that any military offensive on the town would have a serious impact on civilians, and would likely send tens of thousands of refugees across the nearby border into China. IDP camps are situated on the approach roads to Laiza, and also at various locations in the town itself, including close to strategic targets. While in the end there was no attempt to capture Laiza, the possibility added to domestic and international concerns.

The main target of air attacks was a hilltop military base (Hill 771), with no major civilian populations living nearby.<sup>35</sup> The official *New Light of Myanmar* newspaper reported that the KIO had been using its position on this hill to attack the main Bhamo-Myitkyina road, including military ration supply convoys to the Myanmar army's longstanding base at Lajayang, adjacent to Hill 771.<sup>36</sup> The government said the KIO had been informed in advance that Myanmar military convoys would be passing along the route to deliver supplies, in order to prevent clashes from occurring, but that on all three occasions the KIO ambushed the convoys, with deadly effect.<sup>37</sup> The

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<sup>31</sup> Crisis Group interviews, individuals closely involved in the Kachin peace process, Yangon, November 2012.

<sup>32</sup> Ibid.

<sup>33</sup> Crisis Group interviews, November 2012 and May 2013.

<sup>34</sup> Crisis Group interview, Myanmar individual close to the process, Yangon, November 2012.

<sup>35</sup> Hill 771 is the headquarters of the KIO's battalion 23.

<sup>36</sup> "Tatmadaw seizes heavy weapons, arms, ammunition from transit point of KIA", *New Light of Myanmar*, 3 January 2013, p. 8.

<sup>37</sup> Press Release 3/2013, Myanmar Information Team, 18 January 2013.

government stated that 35 of its soldiers died and 190 were wounded in these ambushes,<sup>38</sup> while the KIO claimed to have killed 50 Myanmar army soldiers in one of these incidents alone.<sup>39</sup>

The army subsequently launched an operation to take the hill in “self-defence” and used air cover as part of the assault, succeeding in its objective on 30 December.<sup>40</sup> It continued its operation, now backed up mainly by artillery rather than air power, taking other nearby posts, and overrunning the important KIO base Hka Ya Bum on 26 January. According to some accounts, the Myanmar army lost 120 soldiers, with another 400 wounded, in the assault on this last position alone.<sup>41</sup>

At this point, offensive operations by the military ceased. Sources close to the military had been claiming since the start of the operation that there was no intention to take Laiza, and that the objective of the operations was to occupy the strategic high ground in the area, in order to protect existing military bases and their supply lines.<sup>42</sup> Part of the calculus was also likely to have been that control of these high points would give the military the ability to strike Laiza at will with artillery fire in response to offensive actions by the KIO.<sup>43</sup>

The renewed fighting, particularly given its intensity, raised questions about the extent to which the president has authority over the armed forces, or about his own commitment to ending the Kachin conflict peacefully. The first halt to offensive actions called by the president in December 2011 (see above) did not end the conflict, but this was at least in part because it was not reciprocated by the KIO, which continued attacks on Myanmar army positions and state infrastructure, including major operations and ambushes that killed or injured scores of government soldiers.

The second time that the president announced a halt to attacks was on 18 January, at the height of the operations around Laiza. The order applied only to the area around Lajayang, and in retrospect appears to have been aimed at reassuring China after a stray shell landed across the border the previous day (see below). The announcement also came on the eve of a major gathering of international donors in Naypyitaw and just hours after the Myanmar legislature had passed a resolution urging an end to the fighting.

The Myanmar military continued operations for a further week, until it had gained the upper hand by consolidating its hold of the strategic areas around Laiza, which seems likely to have been the original intention – although the military claims it abided by the president’s order and the continued fighting was the result of a KIO provocation.<sup>44</sup>

It is not clear that there is any significant divergence between the president and the military, much less that the military is actively disobeying the president’s decrees. In a context where the military posts of the two sides are in many cases in close proximity, there is a high risk of clashes. The position of the military is that it was

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<sup>38</sup> Ibid.

<sup>39</sup> Anthony Davis, “Pyrrhic victory in Myanmar”, Asia Times Online, 30 January 2013.

<sup>40</sup> Press Release, Myanmar Ministry of Defence, 28 January 2013.

<sup>41</sup> Anthony Davis, *op. cit.*

<sup>42</sup> Crisis Group interviews, Myanmar individuals close to the military, Yangon, January 2013.

<sup>43</sup> Ibid.

<sup>44</sup> Press Release, Myanmar Ministry of Defence, *op. cit.*

willing to solve this issue through a separation of forces agreement, but that the KIO was not ready to have such a discussion, leaving only the military option on the table.<sup>45</sup>

Whatever the merits of the Myanmar military's version of events – which the KIO disputes (see above) – it seems clear that at a time when ceasefire negotiations were stalled, and when KIO attacks were causing Myanmar military casualties to mount, the president would have had difficulty preventing the military from taking action to secure its positions. The turning point seems to have been the failed 30 October 2012 meeting and, whatever the real reason for that failure, the fact that Aung Min was left undermined vis-à-vis the military could well have reduced the latitude that the president felt he had to keep the military in check.

## V. The Search for Peace

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### A. A Chinese Intervention

It was China that broke the deadlock, by getting the Myanmar army and the KIO back to the negotiating table.<sup>46</sup>

During the operations to secure the strategic high ground around Laiza, the Myanmar army made considerable use of artillery fire, with several shells falling on Laiza and three landing across the border in China on 30 December. No casualties were reported, but China issued a statement demanding that Myanmar “immediately take effective measures to prevent similar incidents from happening again”.<sup>47</sup>

When a further stray shell landed across the border on 17 January 2013, China became more active. In addition to issuing an unusually strongly-worded statement expressing “strong concern and dissatisfaction with the situation, and demand[ing] that Myanmar earnestly investigate and adopt a series of measures to prevent further similar occurrences”, China went on to call on “both sides involved in the conflict in Myanmar to ... immediately implement a ceasefire ... and jointly protect the peace and stability of the China-Myanmar border area”.<sup>48</sup> This was the most pointed statement that it had made up to that point on the conflict and heralded a far more proactive stance.

Two days later, on 19 January, a high-level Chinese delegation visited Naypyitaw and met with President Thein Sein. The delegation was headed by then-Vice Foreign Minister Fu Ying, but also included a senior military representative, Qi Jianguo, the deputy chief of the general staff, who also met separately with commander-in-chief Min Aung Hlaing.<sup>49</sup> The main topic in both of these meetings was “border stability”, with China putting considerable pressure on Myanmar to end the fighting and find a peaceful solution, while also committing to use its influence on the KIO to do the

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<sup>45</sup> Crisis Group interviews, Myanmar individuals close to the military, Yangon, January 2013. See also Press Release 3/2013, Myanmar Information Team, op. cit.; and Press Release, Myanmar Ministry of Defence, op. cit.

<sup>46</sup> For previous Crisis Group analysis of China's policy towards Myanmar, see Crisis Group Asia Briefings N°112, *China's Myanmar Strategy: Elections, Ethnic Politics and Economics*, 21 September 2010 and N°177, *China's Myanmar Dilemma*, 14 September 2009.

<sup>47</sup> “China urges Myanmar to maintain stability”, Xinhua, 4 January 2013.

<sup>48</sup> “China rebukes Myanmar, urges ceasefire after shell crosses border”, Reuters, 17 January 2013.

<sup>49</sup> “President U Thein Sein receives Chinese Vice Foreign Minister”, *New Light of Myanmar*, 20 January 2013, p. 16; “C-in-C meets China's PLA deputy chief of general staff”, *New Light of Myanmar*, 21 January 2013, p. 9.

same.<sup>50</sup> By late January, Myanmar army operations in Kachin ended, and on 1 February the KIO issued a statement saying that they would end offensive military actions if the army did likewise.<sup>51</sup> This was the first time, since the ceasefire broke down in 2011, that the KIO had offered to stop fighting.

Following this, there was a marked reduction in clashes. A hotline was established between the two sides, at a senior level (Lt-Gen Myint Soe, head of the Myanmar army's bureau of special operations-1; and Maj-Gen Gun Maw, the KIO's vice chief of staff). Hotlines are also in operation at lower levels. These have apparently been effective in preventing armed clashes from reoccurring.<sup>52</sup>

On 4 February, a new round of peace talks was held in the Chinese border town of Ruili. Unlike previous meetings, the arrangements were made by China, who put significant pressure on both sides to attend and provided explicit security guarantees for all participants. At the request of the KIO, two leaders of the Karen National Union armed group attended the talks as observers, as did representatives of the Shan State Army-South and prominent Shan individual Harn Yawngwe.<sup>53</sup> A senior official from the foreign ministry in Beijing – Ambassador Luo Zhaohui, director general for Asia – also attended the meeting, initially proposing to chair the talks, but accepting an observer role when both sides rejected his offer. China nevertheless became actively involved in the substance of the meeting, to the point of refusing to sign off on the agreed minutes unless mention of two issues that were discussed, humanitarian aid and ceasefire monitoring, was deleted.<sup>54</sup> At the end of the meeting, the government and the KIO issued a joint statement agreeing to ease tensions and to hold further talks.<sup>55</sup>

Subsequently, the Myanmar government held its first ever multiparty peace talks, having discussions on 20 February in the northern Thai city of Chiang Mai with the United Nationalities Federal Council umbrella group, which includes representatives of several ceasefire and non-ceasefire armed groups, including the KIO. The armed groups had been demanding such discussion for decades. The talks were also significant for dealing with political issues, including key objectives for a dialogue, the possibility of developing a framework for political dialogue, and the need for a time-frame.<sup>56</sup> Apparently, China was keen to chair this meeting, but this was again rejected by both sides, and in the end Japan was invited to have the leading role – through the Nippon Foundation, which hosted and whose chairman, Yohei Sasakawa, was observ-

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<sup>50</sup> Crisis Group interview, Asian diplomat with detailed knowledge of the meetings, Yangon, February 2013. See also "Myanmar vows to maintain peace on China border", *China Daily*, 21 January 2013.

<sup>51</sup> Statement, KIO Central Committee, 1 February 2013.

<sup>52</sup> Crisis Group interview, individual close to the peace process, Yangon, March 2013.

<sup>53</sup> Crisis Group interview, individual present at the discussions, March 2013. The KNU representatives were its Chairman Mutu and General Secretary Kwe Htoo. See also "KNU attends 'peace talks' between Govt and Kachin", *KarenNews.org*, 7 February 2013.

<sup>54</sup> Crisis Group interview, participant in the meeting, March 2013.

<sup>55</sup> For the text of the joint statement, see "Union Level Peace Making Committee holds peace talks with KIO", *New Light of Myanmar*, 5 February 2013, p. 1.

<sup>56</sup> Crisis Group interview, individual present at the discussions, March 2013. See also "Joint statement by the Government of Myanmar and the UNFC", Chiang Mai, Thailand, 20 February 2013.

er at the meeting.<sup>57</sup> The day before the meeting, Sasakawa was appointed as “Special Envoy of the Government of Japan for National Reconciliation in Myanmar”.<sup>58</sup>

The next bilateral talks between the government and the KIO were held from 11-12 March 2013, again in the Chinese border town of Ruili. Once more, China played a very assertive role. Shortly prior to this meeting, it had appointed one of its top diplomats, Wang Yingfan, officially as “Special Envoy for Asian Affairs” but de facto as a Myanmar envoy.<sup>59</sup> Wang is a seasoned foreign affairs specialist, having served as vice foreign minister and as China’s permanent representative to the UN in New York. He played a key role at the 11 March meeting, which some participants termed heavy-handed.<sup>60</sup> Although, as with the February meeting, China was only an observer, Wang interceded at several points, calling a halt to discussions and having private meetings with the principals.<sup>61</sup>

In the final joint statement, both sides committed to working towards a durable ceasefire agreement, including monitoring arrangements, agreed on the importance of reaching a political settlement, and decided to meet again in April.<sup>62</sup> Also present at the meeting were representatives of the United Nationalities Federal Council umbrella group, and a number of individual armed groups – the Shan State Army-North, Shan State Army-South and National Democratic Alliance Army (Mongla) – as well as the Kachin Peace Talk Creation Group.

China’s intervention in these talks was far bolder than any role it has previously played in quieting tensions between the Myanmar government and armed groups.<sup>63</sup> When tensions peaked at the end of April 2010 between the government and several ethnic armed groups, many analysts – Chinese, Western and Myanmar – cited Beijing’s mediation and pressure as a key factor in ensuring that tensions did not boil over.<sup>64</sup> But on these occasions, pressure was exerted far more discreetly, through the expression of private concerns and pressure on both sides. Chinese analysts have remarked that the difference this time, in contrast to the past, is that China is mediating in a more firm and more public fashion.<sup>65</sup>

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<sup>57</sup> Crisis Group interviews, Asian diplomat, Yangon, February 2013 and individual with direct knowledge of preparations for the meeting, Yangon, May 2013.

<sup>58</sup> “Yohei Sasakawa named Japan’s Special Envoy for National Reconciliation in Myanmar”, Nippon Foundation, 19 February 2013.

<sup>59</sup> Crisis Group interviews, Yangon, March 2013, and Beijing, March and May 2013; see also, for example, “China confirms appointment of first special envoy on Asian affairs”, Xinhua, 11 March 2013.

<sup>60</sup> Crisis Group interviews, participants in the meeting, Yangon, March and May 2013.

<sup>61</sup> Ibid.

<sup>62</sup> “Joint statement of the Ruili peace talks”, Ruili, China, 12 March 2013.

<sup>63</sup> Despite the so-called principle of non-intervention, there are increasing examples of what Chinese foreign policy scholar Wang Yizhou refers to as “creative involvement” both in Asia and Africa. When Chinese interests are at stake, Beijing has been galvanised to act. For example, it acted as a mediator between Sudan and South Sudan to protect its oil investments; intervened in Rwanda and the Democratic Republic of Congo by asking Rwanda to remove a key rebel commander who was questioning Chinese investments; and engaged in shuttle diplomacy between India and Pakistan. Recently, China attempted to step into Palestine-Israel mediation. Again, securing energy supplies in the Middle East is a big consideration. A key principle in these cases as well as the stated position on Myanmar is consent by all of the parties. A top Chinese official said of the Myanmar mediation, “we will only do it if invited in. If we are not invited, we will leave”. Crisis Group interview, Beijing, May 2013.

<sup>64</sup> For further discussion, see Crisis Group Asia Briefing N°112, *China’s Myanmar Strategy: Elections, Ethnic Politics and Economics*, 21 September 2010.

<sup>65</sup> Crisis Group interviews, Beijing, May 2013.

Chinese diplomats have reaffirmed that the Kachin conflict is a domestic Myanmar issue, but one that can impact on China's interests – its investment projects in Myanmar, and with regard to cross-border implications such as conflict spillover and possible refugee flows – and therefore that Beijing has a legitimate interest in its resolution.<sup>66</sup>

China had initially been reluctant to involve itself in the Kachin conflict. Believing that Chinese involvement might help prevent the government from renegeing on any deal reached, the Kachin attempted to gain Chinese backing in 2010 for a common peace proposal, but failed. In mid-2011, the KIO wrote to the Chinese government requesting that it be a neutral witness in the peace talks that followed the collapse of the ceasefire. China did not respond to this request,<sup>67</sup> because, according to people close to Chinese government thinking, Beijing was cautious about giving official recognition to armed groups in Myanmar, which it felt any official response to such a request might do.<sup>68</sup>

Beijing's reluctance also reflected the lack of strong affinity between the Kachin and China. Although there are Kachin (Jingpo) in China's Yunnan Province, their number – about 130,000 – is not enough to significantly shape central government policy. Unlike the Kokang who are ethnically Chinese and the Wa who have built close relations with China, the Kachin are predominantly Christian and seen as U.S.-friendly.<sup>69</sup> It was not until the cancellation of the Myitsone dam project in Kachin State in September 2011 that the Chinese were issued a wake-up call that their investments in Myanmar faced new political risk and uncertainty. The Kachin conflict greatly compounded this.

China's commercial interests have provided significant incentive for the government to intervene. China's greatest concern in Myanmar is over its energy corridor from Myanmar's Indian Ocean port of Kyaukpyu, consisting of twin pipelines to import natural gas and crude oil. The pipelines are important for meeting the border province of Yunnan's growing energy needs, and critical for China's broader energy security, by providing an alternative route to the congested and strategically vulnerable Straits of Malacca.<sup>70</sup> These pipelines, which were completed in early June and are due to begin operation this year, pass close to KIO-held areas in northern Shan State where armed clashes have occurred. Ensuring the smooth operation of the pipelines is a top priority of both Beijing and the provincial government in Kunming, particularly following the Myitsone dam cancellation.<sup>71</sup>

Several other factors are also responsible for China's decision to intervene so assertively:

*Border stability.* While the immediate trigger for the shift in Chinese policy appears to have been the stray shells falling over the border in December 2012 and January 2013, a key worry for China was the possibility of a government assault on Laiza, the

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<sup>66</sup> Crisis Group interview, March 2013; see also Patrick Boehler, "Chinese companies must act responsibly: envoy", *The Irrawaddy*, 18 March 2013.

<sup>67</sup> Crisis Group interview, KIO leader, Laiza, October 2011.

<sup>68</sup> Crisis Group interview, Chinese academic, Kunming, October 2011.

<sup>69</sup> S. Kleine-Ahlbrandt, "Forget the Burmese elections, it's the growing risk of ethnic violence the world should worry about", *Foreign Policy*, 5 November 2010.

<sup>70</sup> For detailed discussion, see Crisis Group Asia Briefing N°112, *China's Myanmar Strategy: Elections, Ethnic Politics and Economics*, 21 September 2010.

<sup>71</sup> Crisis Group interviews, Beijing, May 2013. An official from a major Chinese power company said that his company has been pressured by ethnic leaders to urge Beijing to play a more active role in solving ethnic conflicts.

fall of which would have serious implications for border security.<sup>72</sup> In addition, memories are still fresh of the large and unforeseen influx of refugees – some 40,000 – from a conflict in Myanmar's Kokang region in 2009, and of the potential for an even larger influx from Kachin areas.<sup>73</sup>

*Geostrategic issues.* Some observers have noted that the shift in China's approach came shortly after the U.S. ambassador to Myanmar visited Kachin State in December 2012, along with rumours that the U.S. might be intending to play a mediation role – something that the KIO had been calling for.<sup>74</sup> Given the geostrategic rivalry between the U.S. and China in the region, the prospect of Washington becoming involved in an issue on China's border may have galvanised a more proactive response from Beijing.<sup>75</sup> (For its part, the U.S. says that it has been very cautious about becoming directly involved in the issue, even if it were invited to do so by both parties, due to Chinese sensitivities.<sup>76</sup>)

*Nationalist pressure.* Another factor is the nationalistic reaction of segments of the Chinese public, who have expressed unhappiness with some of Myanmar's actions towards China – including the cancellation of the Myitsone dam, difficulties with other Chinese investment projects (such as the Letpadaung copper mine), refugee flows, and the stray shells landing in China. This created pressure on the Chinese government to adopt a stronger stance.<sup>77</sup> There were also small protests by Chinese Kachin demanding that Beijing put pressure on Myanmar to end its offensive.<sup>78</sup>

The geostrategic concerns should not be underestimated as China has demonstrated an almost allergic reaction to international involvement in the Kachin peace process. In the 4 February meeting, it vetoed any mention in the minutes of humanitarian assistance and ceasefire monitoring arrangements, the two issues that might have involved an international presence on its border. It also tried to prevent Harn Yawnghwe – who is the son of the first president of Burma – from attending the meeting on the grounds that he heads the Euro-Burma Office, saying that this was an “international NGO”.<sup>79</sup> On this latter point it was overruled by the Myanmar government and the KIO.<sup>80</sup> In the 11 March meeting, China reportedly objected to the inclusion in the joint statement of a sentence agreed between the parties that noted the im-

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<sup>72</sup> Crisis Group interviews, Beijing, May 2013.

<sup>73</sup> Crisis Group interview, Chinese diplomat, March 2013. For detailed discussion of the Kokang incident, see Crisis Group Asia Report N°177, *China's Myanmar Dilemma*, 14 September 2009.

<sup>74</sup> Crisis Group interview, international analyst close to the peace process, Yangon, May 2013. See also Yun Sun, “China's intervention in the Myanmar-Kachin peace talks”, East-West Center, 20 February 2013; “Ethnic coordination and unity”, Euro-Burma Office Briefing Paper, February 2013.

<sup>75</sup> Some Chinese strategists suspect that Myanmar is becoming another part of a grand U.S. strategy in the region aimed at containing China's rise. A Chinese scholar asked pointedly, “is the U.S. really trying to build Myanmar into another anti-China bridgehead?” Such suspicions have been reinforced by the fact that the U.S. supported anti-Myitsone dam activists in Myanmar, interpreted as evidence that it intended to damage Chinese interests. Crisis Group interviews, Beijing, August and November 2012.

<sup>76</sup> Crisis Group interview, U.S. diplomat, Yangon, May 2013.

<sup>77</sup> Crisis Group interview, Chinese diplomat, March 2013; Yun Sun, *op. cit.*

<sup>78</sup> “Chinese Kachin protest against Burma's Kachin war”, *The Irrawaddy*, 11 January 2013. While these protests were small, their impact may have been magnified as they took place at a politically sensitive time, when China had just completed its leadership handover and was forming a new government. Crisis Group interviews, Beijing, May 2013.

<sup>79</sup> Crisis Group interview, individual present at the discussions, March 2013.

<sup>80</sup> *Ibid.*



portance of having the participation of respected (and by implication, international) observers at future meetings.<sup>81</sup>

Following the 11 March meeting, a deadlock ensued in arranging the next talks, which were to have taken place on 6 April. The KIO had invited international observers (the U.S., UK and UN), but this was effectively vetoed by China. Beijing informed the KIO ahead of the planned meeting – which was to have taken place in the Kachin State capital Myitkyina – that it did not support the group's participation in talks at which such international observers were present.<sup>82</sup> Given the KIO's reluctance to go against China's wishes, it withdrew from the meeting. This prompted criticism of China from Kachin civil society, which claimed that its position was an obstacle to progress in the peace talks, a view that was widely echoed in the domestic Myanmar media.<sup>83</sup>

Eventually, a compromise was worked out, with the government and KIO meeting in Myitkyina from 28-30 May, with China and the UN as the only international observers.<sup>84</sup> The U.S. and UK stayed away. China dropped its initial insistence that no international observers (including the UN) could be present partly because it was worried by the negative perception of its role in the Myanmar talks, precisely at a time when improving its damaged image in the country was a priority.<sup>85</sup> It remains opposed to any U.S. or UK involvement, but changed its stance on UN participation as it has begun to consider a proposal to guarantee the implementation of the peace agreement under a UN framework. A Chinese analyst explained that Beijing expects high-level Chinese presence in any UN delegation “so it will not be beyond our control”, but remains concerned that if the U.S. or UK were separately involved it could lose control of the situation.<sup>86</sup>

As part of the compromise arrangement, the KIO had sought and received U.S. and UK assurances that, although not observers at the May 2013 talks, they would “continue to follow developments closely”.<sup>87</sup> This diplomatic support for the peace process is important to the KIO, as it seeks ways to ensure that agreements reached are actually implemented. It is particularly relevant given that there was very little international focus on or support for the ceasefire process in the 1990s, when global attention was mainly on democracy and Aung San Suu Kyi – widely seen in retrospect as a significant missed opportunity.<sup>88</sup> The level of attention now being given to the ethnic issue by the U.S., UK and broader international community is unprecedented.

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<sup>81</sup> See “Statement of Kachin civil society organizations on peace negotiation between the KIO and government”, Myitkyina, 6 April 2013 (in Burmese).

<sup>82</sup> Crisis Group interview, individual close to the peace process, Yangon, March 2013.

<sup>83</sup> Ibid.

<sup>84</sup> Crisis Group interviews, individuals involved in the preparations for the meeting, Yangon, May 2013.

<sup>85</sup> The compromise came in the same week that the influential 88 Generation Students activist group, following a meeting with the Chinese embassy in Yangon, had publicly called for China to renegotiate in a more transparent way all its investment contracts signed with the previous government. See “China urged to revisit its Burma-related investment contracts”, *The Irrawaddy*, 18 May 2013.

<sup>86</sup> Crisis Group interview, Beijing, May 2013.

<sup>87</sup> Crisis Group interviews, U.S. and UK diplomats, Yangon, May 2013.

<sup>88</sup> For detailed discussion, see Crisis Group Asia Report N°214, *Myanmar: A New Peace Initiative*, 30 November 2011, Section II.A; and Tom Kramer, “Neither war nor peace: The future of the ceasefire agreements in Burma”, Transnational Institute, Amsterdam, July 2009.

## B. *Prospects for a Lasting Solution*

The latest round of peace talks produced a significant step forward. On 30 May, the government and the KIO signed a seven-point agreement in the presence of witnesses that included representatives of the UN, China and eight ethnic armed groups.<sup>89</sup> The two sides agreed to:

- ❑ move forward with a political dialogue;
- ❑ take steps to achieve “de-escalation and cessation of hostilities”;
- ❑ establish joint monitoring committees;
- ❑ undertake relief, rehabilitation and resettlement of internally displaced persons;
- ❑ continue discussions on repositioning of troops;
- ❑ establish a KIO technical team in the Kachin State capital Myitkyina to facilitate more effective peace discussions; and
- ❑ invite the same group of observers to attend the next meeting, with any additional observers being invited only after consultation between the parties.

The agreement was careful to avoid explicit mention of the term “ceasefire”, which for the KIO and the Kachin public has very negative connotations given the failures of the 1994 process. However, this agreement is a ceasefire in all but name. It confirms a de facto cessation of hostilities that has held, apart from minor skirmishes, since 1 February 2013. The agreement incorporates three concerns that have long been key for the KIO: that separation of forces is required to reduce the potential for clashes; that a monitoring and verification mechanism is critical for preventing and addressing ceasefire violations; and that a dialogue on the underlying political issues is key to ensuring a sustainable end to the conflict. A follow-up meeting between the two sides is expected within a few weeks, possibly in late June, at which a further agreement could be signed.

Continued peace in Kachin depends on further progress in these three areas. More detailed negotiations will be required, alongside a broader multiparty political dialogue on ethnic aspirations and grievances. The 30 May agreement should be seen as the beginning of a process of consolidating peace, not as the end. This is important because a resumption of armed conflict is all too possible, and is probably more likely in Kachin than in many other ceasefire areas due to the high levels of distrust and recent intense fighting.

While international participation and diplomatic support are critical to consolidating the peace process, the parties must take external geopolitical rivalries into account, to avoid these being imported into the Myanmar context. Beijing is resolute about continuing to block any substantive involvement of the U.S. or UK in what it sees as an issue relating to its border security.<sup>90</sup> In this context, China's relative openness to a UN framework should be encouraged and fully utilised.

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<sup>89</sup> “Agreement between the Union Peace Working Committee and the Kachin Independence Organization”, Myitkyina, 30 May 2013. The witnesses were the UN Secretary-General's Special Adviser for Myanmar Vijay Nambiar, Deputy Chief of Mission of the Chinese Embassy in Yangon Lu Zhi, and representatives of the Karenni National Progressive Party, the Karen National Union, the Chin National Front, the New Mon State Party, the Restoration Council of Shan State (Shan State Army-South), the Shan State Progress Party (Shan State Army-North), the United Wa State Army and the National Democratic Alliance Army (Mongla).

<sup>90</sup> Crisis Group interviews, Beijing, May 2013.

Beyond these considerations, there are a number of other issues that need to be addressed, including humanitarian access to allow the provision of essential assistance to populations displaced as a result of the conflict. The government needs to be more proactive in facilitating this.

It is also critical to address the longer-term development needs of Kachin communities. This will require donor assistance, but most importantly, it calls for a shift in the nature of the economy in Kachin areas, from the present conflict economy to one that provides broad benefits to Kachin State and its peoples.

The former ceasefire economy in the period 1994-2011 did not do this. The end to the fighting created a security context in which large-scale economic projects were able to be carried out, but the lack of any political settlement meant that uncertainty remained and the focus continued to be on resource extraction. The military government gave some economic concessions to armed group leaders, but made few efforts to integrate the borderlands into the national economy, which was in any case dominated by rent-seeking and monopolistic practices. Most projects in Kachin were extractive in nature – jade and gold mining, and logging – and involved illegal activities such as gambling and smuggling. There was little regulation from the KIO, who needed revenues to finance its operations and maintain its army, and some of its leaders were profiting greatly from these activities.<sup>91</sup> The Kachin population saw very little benefits, and significant environmental degradation negatively impacted on livelihoods. The international community provided very little support for development efforts.

A new political economy of peace needs to develop. This will not be easy, and recent experience from other ceasefire areas gives cause for concern.<sup>92</sup> Kachin State has great natural resource wealth, and risks are high that exploitation of these resources will remain largely unregulated – involving land grabs, clear-felling watersheds and pollution. The sale of jade – all of which is mined in Kachin State – is estimated to have reached as much as \$10 billion annually, which would make it by far Myanmar's largest export commodity.<sup>93</sup> While Kachin businessmen and the KIO make a lot of money from this trade, the largest profits go to non-Kachin business interests, including allegedly many of the largest private companies in Myanmar.<sup>94</sup> Given the vast sums of money at stake and the extent of the informal trade, regulating the sector, guaranteeing transparency and ensuring that a share of revenues is reinvested in Kachin State will not be easy. It is hard to be optimistic about a sustainable peace unless communities, and the Kachin State economy as a whole, benefit from its resource bonanza.

Notwithstanding the enormous challenges, there are also reasons to be hopeful. This new agreement has come at a time of unprecedented political and economic reform in Myanmar. The economy is becoming more open and transparent, and there are opportunities for the Kachin State economy to integrate with the national economy,

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<sup>91</sup> For a detailed analysis, see Tom Kramer, *op. cit.*

<sup>92</sup> See "Developing disparity: regional investment in Burma's borderlands", Transnational Institute and Burma Centre Netherlands, February 2013; and "Losing ground: land conflicts and collective action in eastern Myanmar", Karen Human Rights Group, March 2013.

<sup>93</sup> See "Against the odds: Building a coalition. Using a new federalism for unity and progress in Myanmar", Harvard Kennedy School and Rajawali Foundation, March 2013; and Renaud Egreteau, "Jade or JADE? Debating international sanctions on Burma's gem industry", *East-West Center, Asia-Pacific Bulletin*, no. 132, 13 October 2011.

<sup>94</sup> Crisis Group interviews, individuals with detailed knowledge of the jade trade, Yangon, May 2013.

and take advantage of its proximity to China and India. The possibility of revenue-sharing agreements for the ethnic states is on the cards. There is also a new generation of KIO leaders at the helm, who are more politically dynamic and who do not appear to be giving priority solely to economic interests. When combined with more open electoral politics, there is hope that they may prioritise the interests of Kachin communities, among which support for the KIO is at an all-time high.

## **VI. Conclusion**

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Reaching a peace agreement between the government and the KIO has been one of the biggest challenges of the overall ethnic peace process. This has been due to high levels of mutual distrust after the previous ceasefire broke down less than two years ago, leading to a resumption of often intense fighting.

The deal that has now been struck is a major step forward, but securing a sustainable peace will require much more work. Detailed agreements are still needed on complex and contentious issues such as force separation and monitoring and verification mechanisms. A dialogue process addressing underlying political grievances also needs to begin.

An end to the conflict is crucial for relief, rehabilitation and development initiatives to begin, but peace brings with it new risks for the people of Kachin State. Recent experience from ceasefires in other parts of Myanmar points to a potential increase in land grabs and exploitative and environmentally damaging resource extraction activities. This is a particular risk in Kachin State, given its enormously valuable natural resources.

The context is very different from the last ceasefire agreed by the KIO in 1994. This new agreement comes after a period of unprecedented political and economic reform in the country. If more far-sighted decisions are taken this time around by the central government, the KIO and Kachin civic leaders, a more sustainable peace economy could emerge that would distribute greater economic and social benefits to communities. But before this peace dividend can be claimed, many difficult underlying political issues need to be resolved. In short, there is not yet any guarantee of success.

**Yangon/Jakarta/Brussels, 12 June 2013**

Appendix A: Map of Myanmar



## Appendix B: About the International Crisis Group

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The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 150 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and made available simultaneously on the website, [www.crisisgroup.org](http://www.crisisgroup.org). Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

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