



FPC Briefing: Why Burma's political transition should be viewed with caution
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This paper will examine the recent political transition in Burma² and the challenges that lie ahead for the newly formed government under the National League for Democracy (NLD). Over the past year Western governments have expressed a profound sense of optimism over Burma's transition from a military dictatorship to democracy. While reforms have been undertaken, such as the abolition of the draconian Emergency Provisions Act, caution should be exercised given the budding nature of this transition and the current political makeup of the government.

While progressive and democratic to some degree, the political transition has been a deliberate liberalisation process at the hands of the Tatmadaw (Burma Armed Forces). This transition has only been allowed to proceed after the Tatmadaw designed a political and socioeconomic system to secure its interests through penetrating the very fabric of Burma's society and culture. As a result, the current government led by Aung San Suu Kyi and the NLD faces severe challenges, and should be viewed as a disciplined form of democracy where 'red lines' have been established.

To understand the challenges this poses for democracy, this paper will analyse how the Tatmadaw strategically took control of the state-building apparatus to establish this political and socioeconomic system. The paper will then highlight the challenges this poses to the current government, particularly with regard to political and economic reforms, and reaching a political solution to the ethnic conflict.

Militarisation of the Political System

The Tatmadaw's interference and control of the state-building apparatus in Burma has been persistent since independence in 1948. Established under the auspices of the Japanese in 1942 as the Burmese Independence Army (BIA), the Tatmadaw existed prior to the independent state of Burma, composed mainly of ethnic Bamar's seeking independence from British rule.³ Politicised through its actions as a liberating force during the struggle for national independence, the officer corps of the Tatmadaw view themselves today as guardians of the integrity of the state. This politicisation and belief is manifested through the Tatmadaw's three guiding principles: 'Non-disintegration of the Union', 'Non-disintegration of National Sovereignty', and 'Consolidation of National Sovereignty'.⁴

Shortly after independence in 1948, ethnic insurgencies broke out across Burma due to anger over vague language and persistent anomalies regarding ethno-political rights, demarcation, and a federal state system in the Panglong agreement and 1947 constitution.⁵ These insurgencies were swiftly joined by the Communist Party of Burma (CPB) and the Peoples Volunteer Organisation (PVO)

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² Burma is officially known as the Republic of the Union of Myanmar. The democracy movement does not accept the name "Myanmar" as they believe to do so would mean accepting the legitimacy of the unelected military regime under which the official name of the country was changed in 1989 without consultation. The Tatmadaw claims Myanmar is more inclusive as Burma only represents the Bamar ethnicity. Internationally, both names are recognised with Myanmar officially recognised by the United Nations. For no reason, other than consistency, this paper will refer to Burma.

³ An ethnically diverse country with some 135 linguistic sub-groups, Burma was never governed as a unified state prior to independence. Under the British, the country was subjected to a diarchic system of governance under 'Ministerial Burma' and the 'Frontier Areas.' 'Ministerial Burma' was composed predominantly of ethnic Bamar's and governed under a centralised colonial system of governance. The 'Frontier Areas,' were composed of ethnic minorities who enjoyed a large degree of autonomy, left to govern through their customs. The British policy of divide and rule exacerbated already simmering tensions between these ethnic nationalities. While the BIA fought alongside the Japanese in World War II, many ethnic minorities – satisfied with their autonomy– fought alongside the British.

⁴ Seekins, D.M., 'Burma and U.S. Sanctions: Punishing and Authoritarian Regime,' *Asian Survey*, Vol. 45, No. 3, (May/June 2005), pp. 439-440

⁵ Thant, M., *The River of Lost Footsteps: A Personal History of Burma*, (London: Faber and Faber, 2008), pp. 257-265



– a militia of some 100,000 soldiers created to expedite a British departure. The rapid number of those who took up arms created a sudden and sustained escalation in the conflict, spreading throughout the Irrawaddy Valley and former ‘Frontier Areas’ with towns falling under Ethnic Armed Organisations (EAOs) and the CPB by early 1949.⁶ Fighting further escalated after the Kuomintang Army (KMT), supported by the US Central Intelligence Agency (CIA), retreated from China setting up base in Shan state to launch its operations, financed through opium trafficking.⁷

The territorial integrity of the Burmese state quickly came under threat after a process of rapid decolonisation, the rise of insurgencies, and the involvement of foreign powers. In addition to CIA support for the KMT, the CPB’s rebellion against the Burmese state was supported by the Chinese. Combined with escalating insurgencies from EAOs, the Tatmadaw began a period of rapid modernisation that surpassed the institutional capacity of the Burmese state. While EAOs united with the CPB to create a ‘united front’, the Tatmadaw took control of civilian administrative and state-building functions as they feared a breakup of the newly independent state of Burma.⁸

The Revolutionary Council and the Burmese Way to Socialism

By 1962 the Tatmadaw had taken full control following a sharp escalation in insurgencies and increasing demands for a federal state system. A Revolutionary Council was established, and while a brief period of negotiations with EAOs commenced in 1963, these quickly collapsed. In 1968, China began openly supporting the CPB, while Thailand supported the Karen National Union (KNU), Shan State Army (SSA) and New Mon State Party (NMSP) among others, to create a “buffer state” on the Thai-Burma border. The collapse of negotiations, combined with regional support for EAOs and the Tatmadaw’s belief in a disintegrating state, contributed to the establishment of an autarkic military dictatorship.⁹

The Tatmadaw cemented control through a radical restructuring of the domestic political system while simultaneously pursuing a non-aligned foreign policy through draconian measures. Political parties were banned, civil society quashed, and parliament was dissolved. The Burma Socialist Programme Party (BSPP) was established as the sole political party, maintaining a civilian façade while its membership was composed almost entirely of Tatmadaw officials. The administrative and judicial functions of the state were radically restructured, while a new constitution was drafted and enforced by 1974, giving the BSPP complete control over the political system right down to the village level through Security and Administrative Committees (SACs).¹⁰

Foreign influence within Burmese society was targeted as international civil society organisations were expelled, while foreign aid was only permitted at a government to government level. Student exchange programs were discontinued; foreign publications were banned and the News Agency of Burma was established to reinforce a foreign policy of non-alignment. Even foreign embassies were required to submit news items to the Burma Foreign Office before press circulation.¹¹ On an economic level the Revolutionary Council targeted foreign owned businesses through the Enterprise Nationalisation Law, nationalising both major and consumer industries. Foreigners were forbidden to own land and could no longer remit funds back home resulting in over 300,000 South Asian business owners emigrating Burma. State owned banks were also targeted such as the Bank of China and the Bank of Communications, both run by the Chinese state.¹²

⁶ Smith, M., *State of Strife: The Dynamics of Ethnic Conflict in Burma*, (Washington D.C.: East West Centre, 2007), pp. 13- 27

⁷ Jones, L., ‘Explaining Myanmar’s Regime Transition: The Periphery is Central,’ *Democratization*, (Jan., 2014a), p. 7

⁸ Bünthe, M., ‘Burma’s Transition to “Disciplined Democracy”: Abdication or Institutionalization of Military Rule?’ GIGA German Institute of Global and Area Studies Working Paper Series, No. 177, (Aug., 2011) pp. 5-13

⁹ Smith (2007), pp. 29-35

¹⁰ Wiant, J.A., ‘Burma: Loosening up on the Tiger’s Tail,’ *Asian Survey*, Vol. 13, No. 2, (Feb., 1973), pp. 179-182

¹¹ Holmes, R.A., ‘Burmese Domestic Policy: The Politics of Burmanization,’ *Asian Survey*, Vol. 7, No. 3, (Mar., 1967) pp. 188-190

¹² *Ibid.* (1967), pp. 190-193



Collapse of the BSPP and rise of the SLORC-SPDC

The sudden nationalisation of the private sector was a disaster due to the inexperience of military personnel in running the administrative and economic apparatus of the state. Burma also faced a rising budget deficit, which the BSPP covered through foreign assistance from donors and commercial sources.¹³ While these loans were utilised to import materials for the industrial sector, there were little funds for consumer imports. Prices for legal commodities exported dropped throughout the 1970s and 1980s, while import prices that Burma's industrial sector was reliant upon remained high, resulting in an increase of external debt from \$106m in 1970 to \$4.4bn by 1986.¹⁴ In 1987, the BSPP demonetised the Kyat (the national currency) wiping out the savings of ordinary people. This was followed by the World Bank designating Burma with the status of Least Developed Country due to rising inflation, pervasive unemployment and a stagnant economy.¹⁵

Due to the despondent economic situation and rising living costs, Bamar pro-democracy protests broke out across the country in 1988. In 1989, the CPB collapsed after China withdrew its support, resulting in the mutiny of ethnic groups and the establishment of splinter EAOs, most notably the United Wa State Army (UWSA). The leadership of the BSPP resigned, while the Tatmadaw – viewing the protests and rise of splinter EAOs as a threat to the territorial integrity of the state – ruthlessly cracked down and reasserted military control through the establishment of the State Law and Order Council (SLORC), revoking the 1974 constitution and promising elections.¹⁶

The increasing number of threats to territorial integrity and rising political instability viewed by the Tatmadaw resulted in another period of drastic military modernisation. Driven by the preoccupation of regime survival and the protection of the state, the Tatmadaw increased troop numbers from 180,000 in 1988 to between 350,000 – 400,000¹⁷ throughout the 1990s, while spending \$1bn on military hardware making it the second largest military force in Southeast Asia.¹⁸

In 1990, the NLD won the elections and Western states demanded a transfer of power. The SLORC refused stating that a new constitution was to be drafted. While the NLD and ethnic minorities proposed invoking the original 1947 constitution and attempted to convene an elected parliament, the Tatmadaw cracked down, arresting opposition leaders. In 1992, the SLORC convened a National Convention composed of opposition leaders and ethnic minorities to begin the process of drafting a new constitution. The convention was a failure with the Tatmadaw standing firm on a centralised system of governance to avoid further disintegration of the state. In 1995, opposition and ethnic leaders walked out and the SLORC restructured itself into the State Peace and Development Council (SPDC), ruling with an iron fist until 2003 when it initiated a seven-step roadmap to democracy.¹⁹

Social and Economic Control

While the economy suffered under the Revolutionary Council and the BSPP, the Tatmadaw benefitted from revenue sources outside of civilian control. Established in 1951, the Defence Services Institute (DSI) financed military modernisation throughout the 1950s, establishing businesses in the banking and construction sectors.²⁰ A prevalent black market economy and crony capitalist network had also emerged from the nationalisation of all internal trade, which forced many business owners into the black market. The continuing conflict had also contributed to a surge in the smuggling of opium, jade and timber as EAOs looked to finance their operations against the

¹³ Wiant (1973), p. 185

¹⁴ Steinberg, D. I., 'International Rivalries in Burma: The Rise of Economic Competition,' *Asian Survey*, Vol. 30, No. 6, (Jun., 1990) p. 591

¹⁵ Bünthe (2011), p. 14

¹⁶ Smith (2007), pp. 38-39

¹⁷ numbers vary according to sources

¹⁸ Bünthe (2011), p. 15; Smith (2007), p. 22

¹⁹ Jones (2014a), p. 9-11

²⁰ Smith, M., 'The Enigma of Burma's Tatmadaw: A "State Within A State," *Critical Asian Studies*, Vol. 35, No. 4, (2003) p. 627



state. Deprived of economic opportunities, villagers living in conflict affected areas earned a living from mining, logging, and the harvesting of opium, while local warlords and Tatmadaw officials lined their pockets through the control of smuggling routes, international border posts and the establishment of crony networks.²¹ By 1987, black market trade in Burma was worth an estimated \$3bn i.e. 40% of the country's GDP.²²

As the Tatmadaw modernised and increased in size, so too did the depth of its operations against EAOs across the country. By the mid 1990s, some 17 EAOs signed ceasefire agreements allowing the Tatmadaw to establish outposts within ceasefire territory and capture the resource bases of the insurgents. Under the terms of these ceasefire agreements, former EAOs would receive development assistance while retaining control over territories, checkpoints and border-crossings. The Tatmadaw and EAOs established joint ventures in black-market activities such as smuggling, logging, opium harvesting and mining. Government Organised Non-Government Organisations (GONGOs) provided social services while extending the state's control as part of a vast intelligence and security infrastructure to maintain control over the civilian population. The largest of which, the Union Solidarity Development Association (USDA), had over 23 million members by 2005 and set the backdrop for the establishment of the Union Solidarity and Development Party (USDP) in 2010.²³

The weakening of opposition forces

Despite the popular view on Western sanctions, in Burma they had a negative impact on the economy and the democracy movement, while strengthening the position of the Tatmadaw. Sanctions such as the US 'Burmese Freedom and Democracy Act' were enacted to target SLORC-SPDC owned enterprises while providing 'moral support' to the democratic opposition. Western states hoped the sanctions would instigate 'behaviour modification' or some form of regime collapse. Rather, they had a disproportionate impact on civilians. Due to the establishment of GONGOs such as the USDA, which redistributed resources to the general population, civilians were already dependent on the SLORC-SPDC through a social patriarchal system.²⁴ As a result of this dependency and the economic disparity induced by sanctions, most political activists became preoccupied with daily survival resulting in the de-politicisation and fracturing of opposition forces. In 2007, protests broke out under the Saffron revolution with some 100,000 Buddhist monks protesting against rising living costs. While many in the international community became hopeful over possible regime change, the protesters were dispersed easily by the Tatmadaw. While the population suffered, the SLORC-SPDC's economic resources continued to grow as the state turned East, gaining economic support and foreign investment from China and Singapore that went directly to military linked firms. The Tatmadaw also circumvented Western sanctions, purchasing arms directly from China and from European states through the black market.²⁵

The Tatmadaw further expanded its business interests through privatisation and pro-market policies focused towards regime survival through a prevalent crony network that was manifested through State Owned Enterprises (SOEs). These SOEs were leased to foreign entrepreneurs, along with the establishment of two major conglomerates; the Union of Myanmar Economic Holdings Limited (UMEH) and the Myanmar Economic Cooperation (MEC). The UMEH and MEC – controlled until recently by the Ministry of Defence – absorbed much of the foreign investment coming into Burma and established businesses in jade mining, gems, tourism, imports, real estate, foodstuffs,

²¹ Steinberg (1990), p. 591

²² Jones (2014a), p. 12

²³ Jones, L., 'The Political Economy of Myanmar's Transition,' *Journal of Contemporary Asia*, Vol. 44, No. 1, (2014b) p. 150; Smith (2007), pp.23-27

²⁴ Seekins (2005), pp. 439-446

²⁵ The Irrawaddy, 'In EU Meeting, Min Aung Hlaing Defends Army's Political Role,' *The Irrawaddy*, 10 November 2016, <http://www.irrawaddy.com/opinion/in-eu-meeting-min-aung-hlaing-defends-armys-political-role.html> Jones (2014a), pp. 3-13



automobiles, banking, transportation and construction.²⁶ Under this network of patronage and cronyism, the Tatmadaw bought loyalty through lucrative business deals and contracts to favoured individuals, ceasefire EAOs, and domestic and international firms, including those involved in black market activities such as logging, mining and opium cultivation.²⁷ For example, drug lords were able to launder money through state-owned banks and invest in 'legitimate' businesses after paying a 25% 'whitening tax'.²⁸

By the early 2000's the Tatmadaw was at the height of its strength and controlled much of the national economy. Despite Western sanctions, Burma's economy continued to grow (gas exports in the early 2000's exceeded \$2bn a year) and the SLORC-SPDC continued to procure trade agreements particularly with China, routing investments through military-state channels. Despite the crony networks and black market activities between the Tatmadaw and EAOs, the SLORC-SPDC looked to continue weakening both ceasefire and non-ceasefire EAOs through cutting off their access to resource rents through banning trade at border crossings. While some EAOs resisted, many became crippled by the socioeconomic dominance of the Tatmadaw. The weakened position of EAOs and the political and economic strength of the Tatmadaw, exercised through the SLORC-SPDC, paved the way for a military led transition.²⁹

Military Led Transition

Under the SLORC-SPDC, the Tatmadaw announced its seven-step 'roadmap to democracy' in 2003, which entailed the convening of a constitutional convention similar to the one abandoned in 1995. In preparation for the transition the Tatmadaw downsized the officer corps with middle ranking officers moving into the civil service.³⁰ As the constitutional convention was convened, the two main opposition parties – the NLD and Shan National League for Democracy (SNLD) – boycotted the process, while EAOs put up little resistance due to their weakened political position and economic reliance on ceasefire agreements. In 2008, the constitution was passed in a dubious referendum with the SLORC-SPDC announcing a voter turnout of 98.12% with 92.48% voting in favour.³¹

The general elections in 2010 were criticised for rampant intimidation, fraud and voting irregularities. Prior to the elections, the SLORC-SPDC converted the USDA into a new quasi-civilian entity under the USDP with Tatmadaw generals shedding their uniforms to join the party. Meanwhile, democratic opposition and ethnic minority parties faced extortionate registration fees (\$300 per party, \$500 per candidate), while the USDP enjoyed financial backing from the SLORC-SPDC. The NLD boycotted the elections due to Aung San Suu Kyi's exclusion resulting in the dissolution of the party and weakening the democratic opposition. While an NLD splinter group contested the elections under the National Democratic Force (NDF), the USDP won 80% of the seats in the Pyithu Hluttaw (People's Assembly or lower house) and 77% of the seats in the Amyothu Hluttaw (upper House of Nationalities) taking power in a widely flawed election with a voter turnout of 30%.³²

By-elections were held in 2012 with the NLD winning 43 seats in parliament, allowing the national democratic opposition to gain a foothold through an established political presence in parliament and through various legislative committees. In 2015, having secured its position both politically and economically, the USDP continued with the planned political transition through general elections.

²⁶ The Irrawaddy (2016)

²⁷ Jones (2014b), pp. 149-150

²⁸ Jones (2014a), p. 14

²⁹ Jones (2014b), p. 153-156

³⁰ Taylor, R.H., 'Myanmar: From Army Rule to Constitutional Rule?', *Asian Affairs*, Vol. XLIII, No. 11, (Jul. 2012), p. 9

³¹ Haacke, J., 'ASEAN and Political Change in Myanmar: Towards a Regional Initiative?', *Contemporary Southeast Asia*, Vol. 30, No. 3, (2008), p. 352

³² Turnell, S., 'Myanmar in 2010: Doors Open, Doors Close,' *Asian Survey*, Vol. 51, No. 1, (Jan/Feb. 2011), pp. 148-151



The NLD won in a landslide victory in a process largely praised by international observers and the West. Having garnered the required number of seats to form a majority government, the NLD assumed power in a peaceful transition on 30 March 2016.³³

Challenges and Opportunities

While a political transition has occurred, it has been allowed to proceed after the Tatmadaw secured its position on a political and socioeconomic level. The process has been controlled by the Tatmadaw as the structure of the political apparatus remains largely intact with a dominant and unaccountable military force. This presents a number of challenges to the NLD led government.

Political presence of the Tatmadaw

The 2008 constitution ensures the Tatmadaw retains an entrenched position without any civilian oversight. Under the constitution, the Tatmadaw is allocated 25% seats in both the upper and lower houses of the Pyidaungsu Hluttaw. Combined with the seats held by the USDP, this gives the Tatmadaw an effective veto over constitutional reform which requires 75% of the house to vote in favour. The Tatmadaw retains control of the Ministries of Defence, Border Affairs, and most importantly, Home Affairs, which oversees the entire police and security apparatus as well as the General Administrative Department (GAD). The commander-in-chief appoints six of the 11 members on the National Defence and Security Council (NDSC), one of which is former chief of military security affairs, Gen. Myint Swe, a hardliner who oversaw the suppression of the Saffron Revolution. In a state of emergency, the NDSC can approve a request from the president to hand over power to the military. Other powers include the constitutional right to grant amnesty, cut diplomatic ties with foreign countries and draft civilians into the Tatmadaw. Furthermore, the Tatmadaw's downsizing of the officer corps in 2003 has led to a civil service where the majority have a military background.³⁴

The NLD led government should be viewed with caution not only due to the strength of the Tatmadaw's position in the government, but also due to its weak position politically. Despite winning the elections in 2015, the NLD lacked a cohesive campaign that focused on specific policy. Rather, the opposition largely implemented a campaign that was focused on the illegitimacy of the 2008 referendum and the USDP government. Furthermore, election monitors noted that at local community events, no members of the NLD took Q&A sessions with the exception of Aung San Suu Kyi.³⁵ The NLD's lack of policy and engagement with local communities' acts as a barrier given the political strength of the Tatmadaw over domestic and foreign affairs.

Peace Process

The persistent failure to reach any political settlement in the ethnic conflict is the most challenging issue facing the new government. An underlying facet to this failure is the fundamental distrust manifested along social, political and ethnic lines across Burma today. While this distrust is historically rooted, it is also a direct result of the policies under the Tatmadaw which have focused on surrender and 'rehabilitation', resulting in continual failure of previous negotiations. This distrust is likely to persist given the presence of the Tatmadaw in the current government and recent events surrounding the peace process.

In August 2016, the peace process recommenced under the 21st Century Panglong peace conference (Panglong-21). While praised for its broad inclusion of EAOs; representation of ethnic groups has been limited to EAOs and political parties who won seats in the general election, leaving smaller ethnic groups excluded. Those EAOs and ethnic groups who did join, did so because they had

³³ Parameswaran, P., 'Myanmar's Opposition Clinches Majority in Historic Election Win,' *The Diplomat*, 13 November 2015, <http://thediplomat.com/2015/11/myanmars-opposition-clinches-majority-in-election-win/>

³⁴ Clapp, P. A., 'Securing a Democratic Future in Myanmar,' *Council on Foreign Relations*, Council Special Report, No. 75, March 2016, p. 10

³⁵ Australian National University (ANU), 'The Mean of Myanmar's Election,' ANU Myanmar Research Centre, 2016, p. 4



no alternative with some feeling poorly treated, eroding a large amount of trust.³⁶ The process has also been set to a rigid timeframe with talks being held every six months, leaving little scope for flexibility. Parties to the talks are required to sign the Nationwide Ceasefire Agreement (NCA), which has been criticised by EAOs for its lack of inclusiveness and prospects for meaningful peace. The NLD has also pressured the United Nationalities Federal Council (UNFC) to sign the Nationwide Ceasefire Agreement (NCA), causing many EAOs to doubt the intentions of the government. Furthermore, the Arakan Army (AA), Ta'ang National Liberation Army (TNLA), and the Myanmar National Democratic Alliance Army (MNDAA/Kokang Group) have yet to sign bilateral ceasefires with the Tatmadaw, a precondition to signing the NCA and taking part in any negotiations. Others such as the UWSA, have signed bilateral ceasefires but are hesitant to sign the NCA as they have already carved out a de-facto mini-state with far more autonomy than anything offered under the NCA's terms.³⁷

The NLD have narrowed future negotiations to focus on federalism and security while socioeconomic issues such as revenue sharing, drugs, human rights, access to natural resources etc. have been side-lined. This is problematic as EAOs will not have a vested interest in attaining peace if the complexities of the political economy are not addressed. Due to the contracts and business opportunities offered to EAOs in the 1990s as per terms of various ceasefire agreements, many EAOs and civilians in conflict affected areas rely on illicit activities due to the lack of alternative economic opportunities and their preoccupation with day-to-day survival. Burma is the second biggest producer of opium in the world with 200,000 households cultivating the crop.³⁸

While federalism is on the table, the parameters through which it is addressed need to be ironed out. The NCA does state that it aims to 'establish a union based on the principles of democracy and federalism', but this has been discussed mainly along geographical lines, failing to take into account the concerns of smaller ethnic groups who fear political domination at the state level. While the Tatmadaw traditionally view federalism as a threat to sovereignty, one senior officer recently referred to federalism as a potential solution, opening the door to further progress.³⁹ However, recent offensive operations conducted by the Tatmadaw against EAOs following the conclusion of Panglong-21 have led to the worst violence in Burma in decades. The continuing escalation of the conflict and the NLD's silence is becoming a worrying trend.⁴⁰

Finally, international actors involved in the peace process also present barriers. China has been both constructive and disruptive to recent talks with its leverage over EAOs that operate on its border with Burma. While relations in the past have been strained, China recently called on all groups to attend Panglong-21 but is likely to balance relations between EAOs and the government to secure its own interests. Furthermore, international civil society has also presented a barrier through their involvement, which has revolved around competition for lucrative funding in their efforts to 'solve' the conflict. Rather than focusing on the causes of past failed attempts to achieve peace, much of which lies on the actions of the Tatmadaw, international actors continue to advocate studying processes from other conflicts around the world. In doing so they fail to acknowledge the complex

³⁶ Tatmadaw officers attending the recent conference in August were allowed to wear their military uniforms with rank and insignia, while officers from the EAOs were only permitted to wear their traditional ethnic dress, accentuating ethnic divisions and an atmosphere of inequality in the dialogue process - Nyein, N., 'We Came to This Conference as Equals, but There is Still No Equality': RCSS,' *The Irrawaddy*, 2 September 2016, <http://www.irrawaddy.com/in-person/interview/we-came-to-this-conference-as-equals-but-there-is-still-no-equality-rcss.html>

³⁷ International Crisis Group (ICG), 'Myanmar's Peace Process: Getting to a Political Dialogue,' *Crisis Group Asia Briefing*, N°149, (October 2016), pp. 7-11

³⁸ Al Jazeera, 'Poppylands: Understanding Myanmar's addiction to heroin,' Al Jazeera, 20 June 2016,

<http://www.aljazeera.com/indepth/features/2016/06/poppylands-understanding-myanmar-addiction-heroin-160619114736853.html>

³⁹ Global New Light of Myanmar, '21st Century Panglong commences in Nay Pyi Taw,' *Global New Light of Myanmar*, 31 August 2016, <http://www.globalnewlightofmyanmar.com/21st-century-panglong-commences-in-nay-pyi-taw/>

⁴⁰ Lawi, W., 'Analysis: Rushing the Peace Process,' *The Irrawaddy*, 8 November 2016, <http://www.irrawaddy.com/news/burma/analysis-rushing-the-peace-process.html>



dynamics of Burma's conflict, while their engagement justifies the Tatmadaw's hard-line approach at the expense of EAOs.⁴¹

Cronyism and the black-market economy

Entangled into the challenges of the peace process is the rampant cronyism and black-market economy. Under the 2008 constitution, the Tatmadaw has the authority to control important sectors of economic production while having the capacity to appropriate tracts of land for military and economic activity. As a result, the UMEHL and the MEC dominate key economic sectors through control and influence over cronies who live in fear of becoming too close to democratic forces.⁴² Furthermore, the routing of foreign trade through military state channels and the depth of cronyism presents a challenge to the NLD i.e. future economic reforms will need to be implemented with the assistance of cronies and the Tatmadaw who are most knowledgeable on how Burma's economy operates.

Despite the black-market economy and corruption, reforms are ongoing on a domestic and international economic level. In the run-up to the political transition, the Tatmadaw openly acknowledged Burma's economic challenges particularly after the devastation caused by Cyclone Nargis in 2008, which impacted the lives of 2.4m people. The USDP became dependent on business connections and donors to supply aid and reconstruction assistance. However, the continued engagement and facilitation of humanitarian aid from ASEAN assisted the SLORC-SPDC in opening the country to greater international cooperation. Furthermore, the establishment of the ASEAN Economic Community in 2015 pressured the USDP to realise the need for macroeconomic reform policies, while opening the country up to economic development and investment, particularly in the oil and gas sectors. According to the Asian Development Bank (ADB), as of 2014 Burma has proven natural gas reserves of 7.8 trillion cubic feet and oil reserves of 3.2 billion barrels, with many areas yet unexplored.⁴³

While Western imposed sanctions had a disastrous effect both politically and economically, some states such as the US have terminated economic sanctions, lifting prohibitions on investment and trade. Ending Western sanctions opens up the potential for greater political and economic opportunities to the wider population through a legalised national economy and the strengthening of democratic forces.

Conclusion

Despite the political transition, a stable growth forecast by the World Bank, the end to sanctions and economic reforms, Burma still has a long way to go. The preceding decades have allowed the Tatmadaw to ensure its position as a powerful political and economic force, with Senior General, Min Aung Hlaing, defending its political position within the new government as recently as November 2016.⁴⁴

Rampant human rights abuses committed at the hands of both EAOs and the Tatmadaw are also a continuing problem. The NLD continues to remain silent on abuses committed by the Tatmadaw (rape, torture, enforced disappearances) and on the humanitarian catastrophe of the Rohingya – a topic deserving of its own paper and not covered here due to the complexities on the issue – who suffer endemic discrimination through systematic dehumanisation, harassment, violence, and terror.

⁴¹ Lintner, B., 'Burma's Misguided Peace Process Needs a Fresh Start,' The Irrawaddy, 11 October 2016

<http://www.irrawaddy.com/opinion/commentary/burmas-misguided-peace-process-needs-a-fresh-start.html>

⁴² The Irrawaddy (2016)

⁴³ Asian Development Bank, 'Myanmar: Unlocking the Potential, Diagnostic Study,' Asian Development Bank, August 2014, pp. 1-20

⁴⁴ The Irrawaddy (2016)



As Burma opens its doors economically, the international community need to be mindful that corruption and the black market are still rampant with military involvement in key economic sectors. Burma is also very weak economically. Basic infrastructure is underdeveloped evident through regular power cuts, and the UN's 2016 Global Climate Risk Index listed Burma as the most disaster-prone state in Southeast Asia due to severe environmental vulnerability, pre-existing social fragility and weak institutions. Although the NLD have stressed the need for a 'controlled opening', this needs to be rigorously enforced. Flooding Burma with investment before it develops the appropriate institutional and infrastructural capacities would increase corruption and income inequality.⁴⁵

Although there is an opportunity to solve the continuing ethnic conflict, the process has been rushed and strained with the treatment of EAOs, and the Tatmadaw's offensive operations. The continuing escalation of the conflict by the Tatmadaw will increase tensions in a fractured society where distrust is rampant. Given the determination of the NLD and Aung San Suu Kyi's political clout there is potential for continuing dialogue. However, the NLD's silence over the Tatmadaw's escalation of violence, and its lack of policy and political engagement, has left many EAOs and local communities doubtful over the NLDs true intentions. Most ethnic minorities do not see the NLD as representing their interests, voting for them in the 2015 general elections more in terms of a referendum on military rule.⁴⁶ Future talks need to be more flexible and broadened in scope to include the socioeconomic dynamics of the conflict. International actors need to realise the uniqueness of the conflict in Burma and exercise caution over legitimising the Tatmadaw's hard-line approach. A greater focus has to be put on a bottom up approach where local projects are focused on connecting inter-ethnic and inter-religious communities to ensure social cohesion.

While a political transition has occurred, the international community needs to exercise cautious optimism given the political and socioeconomic depth of the Tatmadaw's control. While reforms are now occurring, there is still a long way to go. The onus is on both democratic opposition forces in Burma and the international community to maintain pressure for greater civilian oversight on the Tatmadaw, while encouraging the NLD speak out on human rights abuses and the Rohingya, while strengthening its policy and political base.

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⁴⁵ Pyae, T.P., 'Myanmar most disaster-prone in Southeast Asia: official,' Myanmar Times, 19 October 2016, <http://www.mmtimes.com/index.php/national-news/23166-myanmar-most-disaster-prone-in-southeast-asia-official.html>

⁴⁶ ICG (2016) p. 12