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## On the path of change Political, economic and social challenges for Myanmar

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### Executive summary

After decades of repressive rule and self-imposed isolation, Myanmar has recently begun an unprecedented array of fundamental political, economic and social changes. Since 2011, the country has moved to institutionalise a more democratic system of governance, open up the economy, unshackle the press, promote access to the internet and consolidate peace agreements with armed ethnic insurgencies. Although these reforms are still in their nascent stages, it appears that the country has embarked on an irreversible transformation in both political and strategic direction.

However, many challenges continue to confront Myanmar and could upset the country's rehabilitation into the mainstream of international politics. The main ones are widespread poverty and underdevelopment; a lack of administrative and institutional capacity; a governing system that continues to lack true accountability and transparency; ethno-nationalist insurgent movements that have yet to fully make peace with the state; a dangerous escalation of religious violence between Muslims and Buddhists; and competing regional major power plays between China and the US.

Australia and ASEAN both have a vested interest in furthering and consolidating reform in Myanmar. Securing the country's rehabilitation will be an important component in ensuring the success of the much touted ASEAN Political, Economic and Security Community, which is due to come online in 2015. Domestic stability will also open up a large investment market, possibly help to stymie the production and trafficking of heroin and amphetamine-type stimulants (which have widespread impacts across Southeast Asia and Oceania) and provide the necessary conditions for promoting

greater professionalisation in what has hitherto been a highly repressive and abusive defence sector.

There are several things that ASEAN and Australia should do to help promote comprehensive change in Myanmar.

#### For ASEAN:

- Help foster greater institutional capacity, particularly in priority areas such as human resources, transportation and energy infrastructure, communications technology and economic integration.
- Increase foreign direct investment, focusing on sectors that will have an immediate grassroots effect, such as tourism, agriculture, light manufacturing, power generation and small-scale cottage industries.
- Underwrite the economic activities of local hill tribes as part of a 'peace through trade' strategy.
- Establish joint projects to harvest the country's considerable resources of hardwoods, oil, natural gas, fish and gemstones.
- Provide technical advice on how to restructure and diversify the economy, prioritise social development initiatives, distribute aid to various ethnic groups in the country, and strengthen governing institutions and human capital.
- Assist in niche areas such as democratic transition, anti-corruption and national reconciliation.
- Mediate between Myanmar and major world powers on ending remaining US sanctions, lobbying for the right kind of international assistance, channelling Western humanitarian relief and managing China-US competition.

**For Australia:**

- Buttress Myanmar's democratisation by helping domestic political parties build institutional capacity so they can be forces in a vibrant and competitive executive–opposition system.
- Engage Myanmar's defence sector, placing a premium on professional military education and modernisation, particularly in the areas of human rights, international rules of war and civil–military relations.
- Help augment the capabilities of Myanmar's armed forces—the Tatmadaw—for responding to major natural calamities such as floods and cyclones, which are frequent in the country.
- Invest in Myanmar's agricultural sector as well as the country's largely untapped resources of energy, timber, minerals and gemstones.
- Support judicial and law enforcement capacity building to help deal with mutual transnational issues of concern, such as the drugs trade, human trafficking, illegal migration, modern-day slavery and child-sex tourism.
- Use the International Deployment Group of the Australian Federal Police to help consolidate the various ceasefire agreements that the Myanmar Government has concluded with ethnic insurgent organisations.
- Explore the feasibility of establishing a mechanism with other interested parties to coordinate international assistance to Myanmar and ensure that programs complement rather than compete with one another.
- Consider leveraging Australia's seat on the UN Security Council and exceptionally close diplomatic relationship with the US to work with ASEAN in pushing for an end to all American trade and financial sanctions against Myanmar.



## Introduction

In 2011, Thein Sein assumed the presidency of Myanmar. He has since overseen a series of unprecedented domestic reforms in an effort to normalise the country's regional and international relations.

While these steps are welcome, the country faces a number of significant challenges in overhauling a political infrastructure that for many years was one of the world's most reclusive. The main problems include widespread poverty and underdevelopment; a lack of administrative and institutional capacity; a governing system that continues to lack true accountability and transparency; ethno-nationalist insurgent movements that have yet to fully make peace with the state; and a dangerous escalation of religious violence between Muslims and Buddhists.

Compounding these difficulties are the competing major-power interests that are likely to occur as Myanmar opens up. The country's key geostrategic location between South and Southeast Asia, its seaborne trade outlets along the Bay of Bengal and its substantial economic potential will make it a likely 'target' for both the People's Republic of China (PRC) and the US. The Obama administration has already made Myanmar one of its top foreign policy priorities, initiating a series of tentative steps to engage the country economically, diplomatically and even militarily. At the same time, Beijing, which for many years held considerable sway with the ruling military junta, has sought to retain its favoured position while simultaneously seeking to check that of America—not least because it sees Washington as pursuing an explicit policy of 'strategic encirclement'.

Addressing these challenges won't be easy. On the domestic front, Myanmar will have to navigate through an array of policy choices that could well work against one another. For example, unless properly managed, efforts to crack down on the drug trade could easily upset tentative peace deals reached with Shan, Kachin and Wa warlords, which could discourage overseas companies from seeking closer economic engagement. Equally, moving too fast on government reform could undermine the support of the military, which continues to exercise significant behind-the-scenes influence.

Internationally, Myanmar will have to balance its relations with China and the US carefully. Although the former offers a highly lucrative source of foreign direct investment (FDI), which typically comes with few if any political demands, the latter provides arguably the best diplomatic vehicle for furthering Naypyidaw's reintegration into the mainstream

of regional and international affairs. Moreover, as Myanmar prepares to take over the chair of ASEAN from Cambodia, it will presumably face great regional pressure not to follow Phnom Penh's example, but to actively resist undue pressure or intimidation from Beijing.<sup>1</sup>

This ASPI special report examines these challenges and assesses how ASEAN and Australia can best assist Myanmar as it seeks to rehabilitate into the mainstream of international politics. The aim is to provide a comprehensive picture of the changes that have so far occurred in the country and the types of outside assistance that can be most effectively brought to bear to help ensure that reform stays on track.

The report first reviews the main political, economic, information and security initiatives that Myanmar has undertaken since 2011. It then examines the principal domestic and external challenges that continue to confront the country, and that could slow or even stop continued reform. Finally, it sets out policy recommendations for guiding ASEAN's and Australia's role in offsetting potential barriers to Myanmar's successful transformation.

## Domestic reform in Myanmar

In March 2011, power in Myanmar was transferred to a nominally civilian but military-backed government under President Thein Sein that has since initiated a set of unprecedented domestic reforms in an effort to normalise its relations with the international community. The range of the change has been remarkable, given the country's former status as one of the world's most repressive and brutal dictatorships.

## Political reforms

Perhaps the most significant changes have been in the political sphere. In his inaugural address in March 2011, President Thein Sein reached out to critics of the military junta that, in one form or another, had ruled the nation for 60 years, and emphasised the need to put aside differences and collaborate for the good of the country.<sup>2</sup> In line with this vision, he freed Nobel laureate Aung San Suu Kyi from nearly 15 years of house arrest. In January 2012, her National League for Democracy (NLD) became a legally registered political party, and in April contested by-elections in which it won 43 out of 45 seats—a result the military accepted. This was in stark contrast to the situation in 1990, when the NLD was summarily banned after securing 81% of the seats in Parliament and Suu Kyi was 'detained'.

President Thein Sein further signalled his intention to remake Myanmar politics in February 2013, when he approved the nominations of five civilians to the Cabinet. Among them was opposition parliamentarian Tin Shwe of the National Democracy Force, who took on the title of Deputy Minister of Hotels and Tourism. Although the portfolio was relatively minor and the National Democracy Force was a small party (it's a breakaway group from the NLD), the move was significant because it was the first time a politician from outside the ruling elite had taken a seat in government.<sup>3</sup>

Thein Sein's deputies also enacted a series of amnesties overturning the convictions of hundreds of political prisoners held in Myanmar. The largest release—300 inmates—occurred on 13 January 2012 and was apparently timed to allow the activists to participate in the run-up to the April by-elections. In all, around 720 people have been freed from an incarcerated dissident population that at its height was thought to number around 1,100.<sup>4</sup> Importantly, those released haven't been subjected to scrutiny or harassment, and most have been allowed to resume their political activities, travel out of the country and lead relatively normal lives. This is true even of members of the so-called Generation 88 who acted as the vanguard for the failed pro-democracy uprising in 1988, including leaders Min Ko Naing, Nilar Thein and Kyaw Min Yu.<sup>5</sup>

Finally, steps have been taken to ensure that the legislative wing has a meaningful role to play in the governing of the country. As the International Crisis Group observes, far from being a rubber-stamp parliament as many feared in 2011, the Pyidaungsu Hluttaw (Union Assembly) has emerged as a key driver of reform, passing important laws to enshrine democratic rights, facilitate the NLD's return to the formal political process, and open up the economic system to foreign investment.<sup>6</sup> Debates have also been remarkably open and dynamic, and the legislators themselves appear to have taken their responsibility to act as a check and balance on the executive seriously. This was perhaps best reflected in February 2012, when the Pyidaungsu Hluttaw rejected a recommendation by the President to overturn a bill that sought to ensure that all local officials would be elected by secret ballot (Thein Sein wanted nominees to be chosen through a more informal negotiated selection system). Justifying this decision, U Aung Thein—the representative for Ywarngan—stated, 'Only [the] secret ballot system can reveal their true wishes for selecting a leader of a ward or village tract. A negotiated selection system cannot prevent inappropriate use of influence to affect the result.'<sup>7</sup>

One central factor in ensuring the emergence of the Pyidaungsu Hluttaw as a meaningful check on the executive branch is the performance of the Speaker, Shwe Mann, who has committed to do everything possible to transform parliament into an important institution in the country. As one well-placed representative of the lower house notes:

General Shwe Mann was determined to make sure that the parliament functioned the way it should. The parliament is supposed to check and balance the executive branch. So he and the parliamentary oversight committees he created have closely monitored the government's activities, including the allocation of the budget. The fact that he was an influential figure in the previous [State Peace and Development Council] government enabled him to run parliament the way he wanted.<sup>8</sup>

## Economic reforms

Thein Sein inherited a highly dysfunctional economy that had suffered from decades of mismanagement, rampant cronyism, corruption and the punitive effect of Western sanctions. By far the poorest of the 10 ASEAN member states, in 2011 Myanmar was exporting only \$1 worth of products for every \$25 worth sent abroad by its similarly sized neighbour, Thailand.<sup>9</sup> To address the situation, the government has committed to a series of reforms that, although not as extensive as those in the political arena, have still led to some important changes.

In April 2012, the central bank floated the national currency (the kyat), setting a new official value of 818 to the US dollar. This was an important move. Under the former exchange rate system, the military junta used an artificially strong kyat (6.4 to US\$1) to disguise and then appropriate earnings from the sale of the country's natural resources. The move to a floated currency radically reduces the opportunity for this type of fiscal impropriety and should ensure a more or less realistic reporting of such income.<sup>10</sup>

Another major reform was passed in November 2012—the introduction of a new Foreign Investment Law aimed at attracting outside companies to establish businesses in Myanmar and provide much-needed employment and infrastructure. The legislation permits fully foreign-owned firms to operate in the country (as long as all their unskilled workers are locals), provides lucrative tax incentives for their ventures and crucially introduces measures to protect

them against nationalisation. It also complements another important initiative—the creation of special economic zones with favourable policies on customs, labour and utilities. One of the most promising is the 2,000-hectare Thilawa Special Economic Zone outside Yangon. Funded by a number of large Japanese conglomerates, construction of factories in the zone is expected to commence in early 2014.<sup>11</sup>

Besides these major areas, the government has also put a premium on fostering equitable growth, particularly through efforts to address poverty and rural underdevelopment. A nascent process of land reform is underway, and plans have been announced to introduce a universal system of health insurance in cooperation with the private sector. These moves reflect the personal experiences of Thein Sein, who declared in a March 2012 speech: ‘I grew up in a rural area where life is tough ... Because of those experiences, I have prioritized rural development and poverty alleviation in my presidency. It is my wish to help the poor of our country walk out of poverty. I am vowed to fight tooth and nail to realize this wish.’<sup>12</sup>

## Making peace with insurgents

Myanmar is a multicultural, multi-religious state that’s officially composed of 135 sub-groups in eight major ethnicities (Table 1). Problematically, many of these communities have never identified with a common national identity and, as a result, secessionist sentiment has been rife across the country. In numerous cases, this has translated into the emergence of militant movements prepared to forcefully challenge the writ of the state. According to Bertil Lintner, no fewer than 115 guerrilla armies, factions, splinters and fronts have operated in the country since it gained its independence from the UK in 1948.<sup>13</sup> While the bulk of these entities had signed peace deals by the time Thein Sein assumed power, 12—including some of the most powerful and most closely linked to the drugs trade—were still active in 2011. The existence of these rebel hold-outs was not only acting as a major drain on national defence resources, they were also serving to discourage much-needed foreign investment. Concluding comprehensive settlements to end the lingering conflicts in the country thus emerged as a central priority for the new government.

An 11-member ‘Union Peace-Making Central Committee’ was subsequently formed, consisting of Thein Sein (the chair), the two vice-presidents, speakers of the Pyidaungsu Hluttaw, the commanders-in-chief of the Ministry of Defence and security-related ministries, and the Attorney-General.

This high-level body then delegated implementation tasks to a 52-member Union Peace-Making Work Committee headed by Dr Sai Mauk Kham (the civilian Vice-President) and Transportation Minister Aung Min. With the assistance of non-government interlocutors, this advocacy mission proved to be highly effective in stabilising Myanmar’s violent ethnic mosaic and within a year had secured deals with a dozen armed groups (Table 2). According to the government agenda, these agreements will be followed with ‘solid ceasefires,’ ‘reconciliation’ and ‘Union level peace talks which will lay the foundation for perpetual peace’.<sup>14</sup> After over six decades of civil war, this was a major achievement.

The one major exception was the Kachin Independence Army (KIA), one of the largest and best organised insurgencies in Myanmar. Although an accord of sorts had been reached with the group in 1994, like all ceasefires during that period it was more a security agreement—a truce—than a comprehensive political settlement. The ensuing failure to deal with the underlying ethnic, political, cultural and linguistic grievances of the Kachin led to a highly fragile peace that eventually boiled over into open conflict in June 2011. Despite a massive onslaught by the Tatmadaw, the KIA maintained a high operational tempo, launching increasingly effective attacks on the government’s forces, which by one (unverified) Kachin account had suffered 2,000 fatalities within six months (compared to just 160 guerrilla deaths).<sup>15</sup>

In early 2013, fearing that continued fighting would spill over its borders, China intervened in the crisis and managed to persuade the warring parties to enter into negotiations on ending hostilities. Deliberations rapidly broke down,

**Table 1: Officially designated ethnic groups in Myanmar**

Major group	Number of sub-nationalities	Percentage share of population (2003 estimate)
Kachin	12	1.5
Kayah	9	0.5
Kayin	11	6.4
Chin	53	2.1
Bamar	9	67.9
Mon		2.7
Rakhine	7	4.2
Shan	33	9.4
Others	Unspecified and foreign races	5.4

Source: Hla Min, *Political situation of Myanmar and its role in the region*, Office of Strategic Studies, Ministry of Defence, Yangon, 2004.

**Table 2: Ceasefire agreements with ethnic insurgents in Myanmar**

Insurgent organisation	Year founded	Strength	Date initial agreement signed
United Wa State Army	1989	20,000–30,000	6 September 2011
National Democratic Alliance Army (or the 'Mongla Group')	1989	3,000	7 September 2011
Democratic Karen Benevolent Army—Kalo Htoo Baw ('Golden Drum' Group or ex-Democratic Kayin Buddhist Army Brigade 5)	2010	1,500	3 November 2011
Shan State Army—South	1996	5,000–6,000	2 December 2011
Chin National Front	1988	200	6 January 2012
Karen National Union	1947	4,000–5,000	12 January 2012
Shan State Army—North	1964	3,000–4,000	28 January 2012
New Mon State Party	1958	800+	1 February 2012
Karenni National Progressive Party	1957	600	7 March 2012
Arakan Liberation Party	1968	60–100	5 April 2012
National Socialist Council of Nagaland–Khapland	1980	4,000–5,000	9 April 2012
Pa-O National Liberation Organization	1949	200	25 August 2012

Source: *Deciphering Myanmar's peace process: a reference guide*, 2013, News International, Chiang Mai, January 2013.

however, largely because Beijing objected to the presence of outside representatives from the US, UK and UN that the KIA had invited. The deadlock lasted more than two months and was eventually broken by a compromise that a future round of dialogue scheduled for May 2013 would include observers from the UN and China, but no-one else. That round resulted in the signing of a seven-point agreement that referenced KIA demands on the need for force separation, the institution of monitoring and verification mechanisms, and the commencement of a political dialogue addressing longstanding claims for equality and self-determination for ethnic Kachins.<sup>16</sup>

Admittedly, the agreement with the KIA remains tenuous—it doesn't commit either side to take comprehensive steps to achieve a lasting peace—and has yet to act as a powerful brake on fighting. However, if the accord can be consolidated, it would create a significant opportunity to fully secure Myanmar's overall ethnic peace process. Not only will this allow for relief and rehabilitation initiatives in some of the country's least developed and most socially dislocated provinces, it will also provide a more favourable business climate for attracting outside investors and the jobs and infrastructure that they bring.

### Freedom of information reforms

The Thein Sein administration has instituted some important reforms relating to freedom of information. In September 2011, restrictions on 30,000 blocked internet sites were lifted,

allowing Myanmar's people unhindered access to political and social networking content for the first time. This included several prominent advocacy and news sites, such as the BBC, the Voice of America, Radio Free Asia, the Democratic Voice of Burma, Facebook, Twitter and YouTube. The government also announced that it would open virtual private chat-rooms for commerce and trade, which as the International Crisis Group notes are essential for secure business communications.<sup>17</sup>

In August 2012, an even more dramatic change was announced: the abolition of media censorship. Under the new rules, journalists are no longer required to have articles dealing with politics and religion cleared by state vetters before they can be published. The move has been welcomed as a significant first step in providing for an unencumbered press in the country, even though authorities retain the power to crack down on information outlets deemed to be a threat to national security.<sup>18</sup>

The loosening of restrictions on information outlets had immediate results. Local private news journals and magazines were allowed to publish politically slanted articles that once could have resulted in jail terms for their authors. This was true even for outlets that were highly critical of the government, such as *Pyithu Khit*, which in September 2011 ran an op-ed titled 'We want authoritarian rule no more'.<sup>19</sup>

Further evidence of the impact of informational changes came in September 2011 when Thein Sein abruptly suspended construction of the Myitsone Dam. This

\$1.6 billion facility, financed by Beijing and consistently supported by Naypyidaw, was due to be completed in 2017 and would have been the 15th largest hydroelectricity station in the world. However, the proposed plant had long served as a magnet for large-scale domestic protest due to the enormous area that was to be flooded, its negative environmental impact, its adverse location on the Sagaing fault line and the fact that most of the generated energy was to be delivered to China, providing little benefit to local residents.<sup>20</sup> When controls over media outlets were lifted, eco-activists pressed the government to cancel the project, which Thein Sein duly did—citing public concerns as the reason for his decision.<sup>21</sup>

Commenting on these various developments, the OpenNet Initiative concluded:

While Burma remains a significant censor of a number of content categories, it has demonstrated a marked decrease in filtering of news and oppositional political content. The country has loosened a number of media restrictions, and its leadership openly discusses the end of censorship. While Burma's reform process may be in its early stages, the country has taken [concrete] steps toward opening up its information environment.<sup>22</sup>

## Assessment

While reform in Myanmar is still in its nascent stages, it appears that the country has initiated a process of fundamental transformation in both political and strategic direction. Under the direction of Thein Sein, the current government has moved to institutionalise a more democratic system of governance, open up the economy, unshackle the press, promote access to the internet and consolidate peace agreements with armed ethnic insurgencies.

In a radio address to the nation in August 2013, the President affirmed his commitment to change and his intention to build on the progress that has been made to date:

[M]y government in the coming thirty months will work hard to prioritize and improve the livelihoods and day to day needs of the people so that our people can begin to enjoy the tangible benefits of the socioeconomic [and political] reforms ... My government has been persistent in our efforts to achieve nation-wide peace, foster economic development and mould a better future for our young people. [The] Armed Forces and the people of Myanmar must work together to shape our new

political culture, make the right kind of political changes and progress, and build a strong political process that becomes an integral part of our national process for change.<sup>23</sup>

The underlying motive for these dramatic changes appears to have been driven mostly by internal considerations. Initially the aim was to ensure a smooth transition to civilian rule as the old military leadership under former president Than Shwe retired. Rapidly, however, the aim broadened to one that gave precedence to ending years of highly counterproductive self-imposed isolation as a means of attracting much-needed foreign investment and forging more harmonious relations with nations that could play a critical role in helping to boost the country's international standing and legitimacy.

## Key challenges confronting Myanmar in its reform efforts

Myanmar confronts several challenges that could yet stymie its reform process and efforts to 'rehabilitate' into the global system. They range from domestic issues relating to the economy, lack of institutional capacity and continuing ethno-religious tension to international power plays involving competing Chinese and US interests. This section explores these concerns.

### The economy

Although Myanmar has made some important initial moves to overhaul its economy, it remains by far the poorest of the ASEAN member states. The country has a GDP of only \$52 billion, which makes up a mere 0.2% of continent-wide production in mainland Southeast Asia. Rural areas are home to between 70% and 75% of the population, most of whom eke out a meagre existence as woodcutters, casual labourers or subsistence farmers and around a quarter of whom live below the poverty line. Myanmar has one of the highest infant mortality rates in the ASEAN region (52 per 1,000 births) due to a public health system that's severely underfunded and largely unable to provide effective service delivery. And although FDI increased fivefold in 2012, that was from a marginal base of just \$36 billion (slated for only 25 projects) in 2011.<sup>24</sup>

The country's main national income earner is agriculture, particularly rice production, which contributes more than 40% to GDP and which employs 70% of the population.

However, output's far below what it should be because of insecure land tenure, degraded infrastructure (particularly market access roads), insufficient farmer credit arrangements for buying fertiliser, a dearth of tractors, harvesters and other essential equipment, and a lack of adequate crop storage facilities. As a result, food insecurity has emerged as an increasingly serious concern. This is especially true in central areas, which typically have lower rainfall and less arable soil than other parts of the country. The most acutely affected region is Rakhine State, where ongoing sectarian violence between Muslims and Buddhists has triggered an increasingly serious political crisis. According to a USAID report, the number of households classified as being 'very food insecure' in this part of Myanmar has increased from 38% to 45% since 2009.<sup>25</sup>

Turning the economy around will be an enormous undertaking, particularly given Myanmar's highly limited institutional capacity, which has already slowed the overall reform process. As the International Crisis Group observes:

Economic reform has proceeded much more slowly than political reform. There appears to be strong political commitment from the president and the legislatures to make the necessary changes in this area. [However], the enormity of the task and weak institutional and technical capacity have slowed the process.<sup>26</sup>

Even assuming that a relatively seamless transformation does occur, it won't necessarily be without friction. Under the old regime, crony businessmen and high-ranking military officials benefited from the tightly regulated and centrally controlled system, garnering windfall profits from guaranteed monopolies and privileged access to permits, licences and major government contracts. These people have much to lose from the reform process, and there's no guarantee that they'll go along with the planned changes without a fight. Should their actions translate into an environment in which the government is unable to deliver, the possibility of unrest among those who stand to benefit from change—the population as a whole—will be real.<sup>27</sup>

A final economic challenge has to do with the nexus between economic development, ethnic peace and the drugs trade. Thein Sein has placed a premium on attracting outside investment to provide jobs and the critical infrastructure needed for tapping the country's considerable resources of oil, gas, minerals, timber and hydropower. While much of that effort has focused on altering investment laws, another major priority has been consolidating ethnic peace to reassure the global business community that their onshore assets will be

secure. To that end, the government has gone to considerable lengths to sign ceasefires with existing insurgent movements.

If those accords are to be forged into comprehensive peace settlements, they'll need to include provisions on autonomy. Problematically some of the most pressing demands for self-rule stem from groups that lie at the heart of Myanmar's narcotics trade, particularly those based in Shan State. Even if the government agrees to a devolution of power—which is by no means certain (see below)—the price of peace with these entities may be an unwritten understanding that allows them to continue with drug production unhindered. Under such circumstances, exports of opium and amphetamine-type stimulants—both of which have been steadily increasing over the past six years—will rise rapidly. This would not only threaten to further entrench Myanmar's status as Southeast Asia's principal narco-state, but could also fundamentally undermine economic reform by fuelling a parallel 'black economy' and diverting scarce resources to pay for unproductive law enforcement and public health-care costs.

## Political uncertainties

Despite Myanmar's considerable progress in securing a wide range of political reforms, how far the present government is truly proceeding down a democratic path is somewhat unclear. Non-government organisations and opposition parties point out that there are still political prisoners in the country (some 64 activists remain in jail at the time of writing, and according to the Assistance Association for Political Prisoners the number of prisoners of conscience rose by 33 in September 2013).<sup>28</sup> A viable opposition has yet to develop, largely because the NLD has shied away from challenging the government vigorously on important policy issues or presenting alternatives of its own. Indeed, a growing number of critics are arguing that Aung San Suu Kyi has been effectively neutralised—morphing from a once fiery opposition leader into a patsy of the government who now blindly follows its interpretation of Myanmar's so-called 'new order'.<sup>29</sup>

High-ranking military officials are also believed to exercise significant behind-the-scenes sway, including Senior General Than Shwe—the Chairman of the former ruling junta. Some informed commentators allege that, despite voluntarily departing from the political scene after Thein Sein assumed the presidency, Than Shwe still has the final say on all matters concerning security and continues to exercise at least some influence on the actions of the President.<sup>30</sup>



And the charter itself more significantly, in many ways the political set-up in Myanmar, is still very biased towards the Tatmadaw. A quarter of the 664 seats in the Pyidaungsu Hluttaw and one-third at the local level are reserved for the military's Union Solidarity and Development Party. The first chapter of the country's 2008 Constitution explicitly states that the 'Defense Services shall participate in the national political leadership role of the state.' The charter lays out highly complicated procedures for amendments that could alter the present power structure.<sup>31</sup>

There are also signs that the government is moving to change the current first-past-the-post electoral system to one based on proportional representation; this is important, as it would cut into the NLD's vote and could be decisive in preventing the party from winning an outright majority in the 2015 national elections. Even though the NLD's political performance has so far been lacklustre, there has yet to emerge any alternative that could seriously challenge the party as a viable opposition. Should proportional representation be instituted, it would conceivably allow the Tatmadaw to manage—and control—the direction of a future NLD government.

### **Lack of institutional capacity**

Years of self-enforced isolation have left Myanmar with an acute lack of institutional capability and expertise. The country is largely devoid of the physical infrastructure necessary for trade and economic production, including working ports, railways, roads and a viable national electricity grid. Many ministries lack basic equipment, such as computers, and high-speed internet access, and most don't have seasoned personnel with the vision and skill to lead the overall reform process. Decision-making is also highly ad hoc and typically done without any reference to a single master strategy. The ensuing absence of a national plan to assess the costs and benefits of major infrastructure projects has driven uncertainty, which if left to fester could seriously discourage future outside investment.<sup>32</sup>

The situation is just as dire at the middle and working levels, where the implementation of decisions takes place. Inertia combined with inexperience has meant that policies are executed at best slowly and at worst incorrectly. Indeed, even basic things such as issuing visas for companies wishing to do business in Myanmar can take weeks—irrespective of how quickly the government wants it done.

Institutional pressures will be exacerbated by two major events that Naypyidaw is committed to this year and next:

hosting the Southeast Asian Games (in December 2013) and assuming the chairmanship of ASEAN (in 2014). While both have great domestic and international symbolic value in showcasing Myanmar's return to the world stage, they'll impose an enormous organisational burden on all levels of the administration.

Taking on the lead of ASEAN will require the country to host a total of 1,100 meetings, the most important of which will be the two summits that bring together leaders from 18 nations, including China, Japan and the US, along with an army of journalists. The 2013 ASEAN Summit in Brunei attracted more than 1,000 correspondents, and its management required the deployment of 500 specially trained staff.<sup>33</sup> It's extremely unlikely that Myanmar will be able to match a ratio of that sort.

The logistics of the Southeast Asian Games will be just as daunting, not only in terms of housing and transporting athletes and spectators, but also in ensuring that stadiums are ready and events run according to schedule. This will require tight internal coordination between key ministries, non-government sectors, hotels and other services. Criticism of India over its mishandling of the 2010 Commonwealth Games in Delhi is a reminder of the difficulties that can arise when a country is unprepared to stage major sporting events in the glare of the international spotlight.

Should the government mishandle the tournament or fail to discharge its responsibilities as the ASEAN chair it would be a major embarrassment, exposing just how far the country still has to go to be on a par with its regional partners.

### **Ongoing ethno-nationalist and religious tension**

While Thein Sein has successfully negotiated ceasefire agreements with existing insurgent movements, a high degree of ethno-religious tension continues to exist in Myanmar. Consolidating comprehensive peace settlements will require a significant devolution of power and the transformation of the country into a federal union of semi-autonomous states. According to sources close to the military, the Tatmadaw is staunchly opposed to any such development for fear that it will lead to the wholesale balkanisation of Myanmar.<sup>34</sup>

The accord with the KIA is especially tenuous. Despite the 2013 ceasefire, heavy fighting continues to occur in Kachin State. At the time of writing, more than 100,000 civilians had reportedly been driven from their homes as a result

of the conflict and a resumption of full-scale hostilities couldn't be ruled out. Moreover, as Bertil Lintner points out, the Myanmar–KIA accord only commits the two sides to make efforts to achieve 'de-escalation' and to 'hold a political dialogue' on resolving underlying factors driving the conflict; it doesn't stipulate how or when such talks should take place.<sup>35</sup>

Further complicating matters are the actions of potential 'spoilers' who have no wish to make peace with Naypyidaw. Ominously, a series of well-coordinated bombings were carried out in Myanmar during October 2013, targeting hotels, guesthouses, bus stops, thoroughfares and pagodas. One of the venues struck was the Trader's Hotel, where many foreigners stay, including businessmen. Had this resulted in deaths, it could have significantly set back outsiders' willingness to invest in Myanmar. Although no group has yet claimed responsibility for the attacks, the Myanmar Government has blamed Kareni dissidents and there's widespread speculation that they were the work of renegade militias who are opposed to pursuing any type of peace process with the government.

In addition, there's been a marked escalation of friction between Buddhists and Muslims. The most serious situation has been in the coastal state of Rakhine, where two successive waves of attacks against Rohingya (a Muslim ethnic group) in May and October 2012 left a total of 192 people dead, 265 injured and more than 9,000 homes destroyed. Violence has since spread to other parts of Myanmar, flaring up in the towns of Meiktila, Okkan, Hpakan and Lashio during 2013.<sup>36</sup> These clashes have largely followed a typical pattern: seemingly random incidents or minor quarrels sparking Buddhist mob violence and Muslim revenge strikes that the police are then unable or unwilling to contain.

Problematically, none of the main political players in Myanmar—government, military and NLD—appear to have grasped the fact that sectarian violence is more than a short-term public relations issue. By contrast it exposes serious social divisions that could very well replicate the type of chronic instability that occurred in Indonesia as the 'lid' of totalitarian power was gradually lifted.

The international community has strongly criticised Myanmar for not doing more to protect its Muslim population. The government has yet to recognise the Rohingya as 'true citizens' (they're considered to be illegal Bengali migrants), and there have been alleged instances in which the security forces have either done little to stem Buddhist attacks or have actually been complicit in clashes. Authorities in

Rakhine have also instituted highly discriminatory policies against the Rohingya—including a 2013 directive imposing a two-child limit on all couples—that have been tolerated at the national level.<sup>37</sup> In addition, there's been little effort to rein in the vitriolic rhetoric of extremist Buddhists who preach anti-Muslim religious hatred.<sup>38</sup> This includes Wiseitta Binwuntha (aka the 'Venerable' Wirathu), one of the leaders of the 969 Movement, who has a following in the thousands and who has repeatedly denigrated the Rohingya as dogs and parasites and as intent on plotting to take over the country.

These actions have cast a significant pall on the Myanmar Government's stated commitment to political reform and the equal protection of civil and human rights for the *entire* population. The issue of anti-Muslim violence was brought up during Thein Sein's historic visit to the White House in May 2013, when President Obama made it clear that attacks against the Rohingya had to stop. That same day, the US State Department issued its annual report on religious freedom, naming Myanmar as one of the eight worst offenders in the world.<sup>39</sup>

Aside from undermining the country's reputation and reformist credibility, religious violence in Myanmar has had cross-border ramifications. The increasing number of Muslims fleeing the country has become an issue for Naypyidaw's neighbours. This is particularly true of Bangladesh and Thailand, both of which have had to accommodate successive large-scale waves of refugees making the highly perilous trip (frequently in very rickety boats) across the Bay of Bengal and Andaman Sea.

There have also been attacks against Buddhist migrant workers living abroad, as well as actual and purported terrorist plots, by *jihadi* extremists seeking to avenge the bloodletting in Rakhine State. In May 2003, for instance, Indonesian police announced that they'd foiled a plan involving four Islamist militants who were in the final stages of preparing to bomb Myanmar's Embassy in Jakarta. The alleged mastermind of the plot is a militant known as Sigit Indrajid, who according to state prosecutors had past ties with Abu Bakar Bashir, the spiritual leader of Jemaah Islamiya (which at its height was arguably the most dangerous transnational terrorist movement in Southeast Asia).<sup>40</sup>

Two months later, the Bodah Gaya shrine in India (one of Buddhism's most revered sites) was targeted in an operation blamed on Muslim radicals. This was followed by an attack on the Ekanyana Buddhist Centre in Jakarta, which caused minor injuries. A note left at the site read: 'We respond to the screams of the Rohingya.'<sup>41</sup>

While there's no sign yet of foreign extremists coming to Myanmar to fight alongside the Rohingya, the possibility of this occurring can't be ruled out. The communal fighting that exploded across the Indonesian provinces of Maluku and Sulawesi between 1999 and 2002 and which involved Islamists who later formed the organisational crux of Jemaah Islamiyah is a sober reminder of just how quickly localised religious unrest can draw in outside elements seeking to capitalise on sectarian divisions to further their own strategic cause.

### US–China power plays

Compounding Myanmar's domestic difficulties are the competing major-power interests that are likely to develop as the country emerges from its self-imposed isolation. The state's key geostrategic location between South and Southeast Asia, its immediate access to the Bay of Bengal and its substantial economic potential are likely to make it a 'target' for both China and the US.

President Obama has already announced that assisting Myanmar's rehabilitation in international affairs is one of his administration's top foreign policy priorities in Southeast Asia.<sup>42</sup> To that end, the US has suspended many (though not all) of the economic sanctions imposed on the country. There's been a flurry of high-level diplomatic activity that in December 2011 included a landmark visit to the country by

former secretary of state Hillary Clinton (the first such trip in more than half a century). In February 2013, observers from Myanmar were invited to join the American-led joint armed forces exercises in Thailand known as Cobra Gold. And in May 2013, Assistant Secretary of State for East Asian and Pacific Affairs Joseph Yun announced to Congress that America was now looking at ways to support nascent but direct military engagement as a way of furthering additional political reforms.

At the same time, Myanmar has actively sought to diversify its external relations in an attempt to become less dependent on Chinese investment, which is increasingly being viewed as a threat to the country's sovereignty and security.<sup>43</sup> Illustrative of this growing concern was Thein Sein's decision in September 2011 to stop construction of the controversial Myitsone Dam at the confluence of the two rivers forming the Irrawaddy. At the time, the move was widely interpreted as sending a signal to officials in Beijing that ties with Naypyidaw couldn't be taken for granted and weren't immune to the vicissitudes of the country's transformation.

The PRC, which held considerable sway with the former ruling military junta, has not looked kindly on these developments—not least because the US is already perceived to be pursuing an explicit policy of strategic Chinese encirclement in Asia. Myanmar is also of vital economic importance to Beijing, both because of existing



US President Barack Obama delivers remarks after a meeting with Myanmar President Thein Sein in the Oval Office of the White House in Washington, DC, USA, 20 May 2013. The Obama administration has continued to advocate for continued progress on reform by President Thein Sein's government, in close cooperation with Aung San Suu Kyi, civil society leaders, and the international community. © SHAWN THEW/Pool/Corbis

investments in hydroelectric power schemes (such as the suspended Myistone project) and mineral extraction and because it provides a commercial outlet for the PRC's landlocked southwestern provinces.<sup>44</sup> In an effort to retain its favoured position—while simultaneously reducing that of Washington—China has used both positive and negative tools of power.

As well as participating in efforts to broker a KIA ceasefire and thus helping to end one of Myanmar's most intractable internal conflicts (at least on paper), the PRC has also pledged generous loans of around \$527 million for future infrastructure development and other projects. Perhaps most significant was a proposal in October 2013 to build a \$20 billion high-speed rail link to connect the coastal town of Kyaukphyu in Rakhine State with Kunming in southern China. Under the plan, China would fund the entire project and run the network for 50 years before handing it back to Myanmar.<sup>45</sup>

On the other side of the coin, Beijing hasn't been averse to adopting a more coercive approach. This has been most apparent in the PRC's past support for the United Wa State Army (UWSA), the largest and best equipped insurgency in Myanmar and possibly the wider Asian region. In 2012, Chinese arms dealers provided the organisation with assault rifles, machine guns, rocket launchers, man-portable air defence systems, 4x4 combat vehicles and 6x6 tank destroyers.<sup>46</sup> According to *Jane's Defence Weekly*, backing has continued in 2013 with the provision of several Mi-17 medium transport helicopters equipped with TY-90 air-to-air missiles<sup>47</sup>—all this when the militia is supposed to be observing a ceasefire.

Few commentators believe that Beijing would like to see the UWSA resume a full-scale war against the Thein Sein government. However, there is a consensus that backing for the group serves as a thinly veiled reminder that China, unlike the US, is Myanmar's immediate neighbour and has the means to interfere in the country's internal conflicts if it wants to. More specifically, it sends a powerful message that the PRC will always 'be there' and is both able and willing to step up pressure should Naypyidaw's growing interaction with Washington run counter to its own strategic designs for the region. As one commentator put it, 'Beijing is and will remain the 800-pound gorilla in the room.'<sup>48</sup>

Myanmar is thus already caught in the middle of US–Chinese rivalry and will have to confront tough choices about which side to align with. Engagement with Washington will have

significant political pay-offs that will more expeditiously pave the way for a normalisation of the country's international relations. However, moving too close to America runs the risk of antagonising a looming superpower on Myanmar's northern border that continues to wield important—albeit increasingly resented—influence on the country's economic development. It could also prompt additional Chinese support to the UWSA, which, even if it doesn't result in the collapse of the existing ceasefire, will greatly strengthen the group's bargaining position and conceivably allow for the negotiation of what amounts to a quasi-independent state in southern Myanmar.

## Assessment

The Thein Sein government certainly appears sincere about its intent to reform and re-engage with the world community. However, as this section argues, the country faces an array of domestic problems that could yet upset the process, or at least slow it down. At the same time, there's a very real potential for Myanmar to become entangled in regional major power plays as both China and the US seek to expand their respective influence in the country.

Addressing these challenges will not be easy and will almost certainly require assistance from the international community. The next section takes up this issue in the context of support from two of Myanmar's closet and most immediate non-Chinese neighbours: ASEAN and Australia.

## ASEAN and Australian assistance to Myanmar

ASEAN and Australia both have a vested interest in furthering and consolidating the reforms currently underway in Myanmar. Securing the country's rehabilitation will be an important component in ensuring the success of ASEAN's Political, Economic and Security Community, which is due to come online in 2015. Domestic stability will also open up a large investment market, help to stymie the production and trafficking of heroin and amphetamine-type stimulants (both of which have had widespread effects across the Western and South Pacific) and provide the necessary conditions for depoliticising and professionalising the defence sector.

This section looks at how ASEAN and Australia can best support fundamental change in Myanmar and ensure its long-term success.

## ASEAN

Unlike the West, ASEAN has sought to promote change in Myanmar mainly through interaction, rather than isolation. This means that a number of existing forums can be used to help buttress the reform process. One important institutional mechanism is the Initiative for ASEAN Integration, which aims to help foster greater institutional capacity, particularly in priority areas such as human resources, transportation and energy infrastructure, communications technology and economic integration. The program, which has been ongoing since 2000, is specifically geared to narrowing the development gap between Cambodia, Laos, Myanmar and Vietnam and ASEAN's richer nations. The specific aim is to attract more foreign investment into ASEAN as well as promote the grouping's competitiveness as a production base.

Those objectives are integral to the consolidation of ASEAN's planned Economic Community by 2015. According to its architects, the community will 'transform ASEAN into a region with free movement of goods, services, investment, skilled labor and freer flow of capital.'<sup>49</sup> Such aims are also commensurate with the ASEAN Vision 2020: Partnership in Dynamic Development, which articulates a socially cohesive and caring inter-state grouping where 'all people enjoy equitable access to opportunities for total human development regardless of gender, race, religion, language or social and cultural background.'<sup>50</sup>

Member states could also move to increase their own FDI in Myanmar. Among them, only Thailand, Singapore, Malaysia and Indonesia currently have any sort of meaningful presence in the country. Together, they accounted for about \$12.8 billion in investment in 2012, compared to \$14 billion for China alone (Table 3). Selective micro, small and medium financial input into sectors such as tourism, agriculture, light manufacturing, fisheries and small-scale cottage industries would be especially beneficial—not least because it would be likely to have an immediate grassroots effect. Underwriting the economic activities of local hill tribes would be equally useful, increasing the earnings of the local Myanmar population—including armed ethnic minority groups. Fostering a 'peace through trade' strategy of this sort would help to enhance affluence over time, providing added incentive for insurgent groups to adhere to existing ceasefire arrangements.<sup>51</sup>

While grassroots investment is important, ASEAN states could help to unlock the enormous wealth potential of Myanmar through joint projects to harvest the country's considerable resources of hardwoods, oil, natural gas, fish

and gemstones. This would both balance the country's current dependence on China and provide crucial investment to further drive the country's budding economy. In addition, every effort should be made to ensure that major infrastructure projects already underway or planned are completed on or before schedule. One such initiative is the Dawei Special Economic Zone. Once finished, this will provide for a modern industrial estate, a deep-sea port and electricity plants in Myanmar's southern Tenasserim Division, together with road and rail links for the transshipment of goods to Thailand and on to Vietnam.<sup>52</sup>

Another way ASEAN could help to shape the transition in Myanmar is through the provision of technical advice. Several member states have proven experience in niche areas that could be highly relevant to the country's evolution. Indonesia's largely successful transition from authoritarian rule to democratic government would be pertinent, as would Cambodia's process of national reconciliation following the brutal rule of the Khmer Rouge and Singapore's institution of highly effective anticorruption policies.

On the political level, ASEAN could play an effective role in mediating between Myanmar and major world powers. This ability results from ASEAN's longstanding stance of engaging the Naypyidaw government (meaning that it has established access to key decision-makers) as well as its good international standing (which gives reformists in

**Table 3: Approved investment in Myanmar, by source**

Source	Number of investments	Total value of investments, (US\$ million)
China	34	14,142
Thailand	61	9,568
Hong Kong	40	6,371
Korea	51	2,954
United Kingdom	51	2,799
Singapore	77	1,965
Malaysia	38	975
United States	16	582
France	3	471
Indonesia	12	241
Netherlands	5	239
Japan	23	223

Source: Adapted from Jared Bissinger, 'Foreign investment in Myanmar: a resource boom but a development bust?', *Contemporary Southeast Asia*, 2012, 34(1):35 and Economic and Social Commission for Asia and the Pacific, *Myanmar: opening up to its trade and foreign direct investment potential*, United Nations, New York, December 2012, p. 6

Naypyidaw vital diplomatic ‘cover’ to reorient the country’s domestic and foreign policy). Brokering negotiations on ending existing American sanctions instituted under the National Emergencies Act, which authorises the continuation of embargoes on the grounds that the domestic situation in Myanmar poses an ‘unusual and extraordinary threat’ to US security and foreign policy interests, is one way ASEAN could intercede. Another would be by lobbying for the right kind of international assistance that promotes sustainable development without turning Myanmar into an aid-dependent state.<sup>53</sup> A third would be by acting as a politically neutral conduit to highlight areas where Washington and Beijing could usefully collaborate in-country, such as by jointly providing humanitarian relief and disaster assistance.

Finally, through their bilateral arrangements that support regional commitments, ASEAN member states could provide highly useful advice on how to restructure and diversify the economy; prioritise social development initiatives in education, poverty reduction, health care and rural development; distribute aid to various ethnic groups in the country; and strengthen governing institutions and human capital.<sup>54</sup> All these endeavours would be fully commensurate with the wider objective of creating a viable ASEAN political, human and economic community by 2015.

While ASEAN stands to make a real contribution in helping to shape Myanmar’s future, the grouping’s very nature imposes a limit on how far it can go in influencing Naypyidaw. ASEAN is neither a formal political nor military alliance, but rather a collection of states that adhere to the twin cardinal principles of unanimity in decision-making and non-interference in each other’s internal affairs. This normative underpinning, upon which all foreign policy actions are determined, necessarily makes it a contradictory practice for ASEAN to articulate definitive demands on another member unless all are in agreement, including the country in question.

Given this reality, it’s logical for ASEAN to promote the institutionalisation of reforms (and thereby prevent backsliding) through a combination of persuasion and diplomacy, rather than pressure. As Paul Cheak concludes:

Due to ASEAN’s limitations ... it is more prudent to build upon the attractiveness of diplomatic incentives to influence change ... In other words, ASEAN’s strategy should be to continue ‘pulling’ Myanmar along democratic and social reform, as opposed to ‘pushing’ or ‘driving’ it along.<sup>55</sup>

## Australia

Canberra has already enhanced its engagement with Naypyidaw in recognition of the country’s reform process and in appreciation that, as a close neighbour, Australia will directly benefit from a more open and prosperous Myanmar that is fully integrated into the region.

Australia is now the country’s second-largest bilateral aid donor, and the current level of assistance (\$47 million) is set to more than double to \$100 million by 2015–16.<sup>56</sup> Focus programs will include schooling, health, livelihoods, rural development, peace-building and economic and democratic governance. The government has also contributed to a \$15 million project that’s being run in coordination with the UK to train 7,000 teachers and educate 160,000 children over four years.<sup>57</sup>

Virtually all targeted travel and financial sanctions were lifted in April 2012. This has paved the way for the full normalisation of economic ties, which was given concrete expression a year later with the appointment of a full-time trade commissioner to oversee a dedicated Austrade office in Yangon, Myanmar’s commercial centre. Finally, although Australia maintains an arms embargo against Myanmar, a defence attaché is being posted to the embassy in Naypyidaw in 2014 to help initiate limited military engagement.<sup>58</sup>

There are several ways Canberra could usefully build on these early initiatives.

First, Australia could play a pivotal role in buttressing Myanmar’s democratisation by helping its political parties build institutional capacity so they can act as a meaningful force in a vibrant and competitive executive–opposition system. In addition, Canberra could form and dispatch advisory groups to work with Myanmar officials to help them understand the fundamentals of a clear and transparent public administration that serves and answers to the wishes of the people.

Second, in line with moving to engage Myanmar’s military, the Australian Defence Force (ADF) should place a premium on professional military education and modernisation, particularly in human rights, international rules of war and civil–military relations. English-language proficiency training would be an important adjunct in these areas and would act as a useful precursor to deeper engagement through secondments and exchanges.<sup>59</sup> The ADF could also help to boost the Tatmadaw’s capabilities for responding to major natural calamities such as floods and cyclones, which are a



Brunei's Sultan Hassanal Bolkiah, Myanmar's President U Thein Sein and Australian Prime Minister Tony Abbott (from L to R) pose for a group photo before attending the 8th East Asia Summit (EAS) in Bandar Seri Begawan, Brunei, 10 October 2013. © Li Peng/Xinhua Press/Corbis

frequent occurrence in Myanmar. Appropriately communicated humanitarian assistance and disaster relief (HADR) has the potential to build considerable goodwill and trust, and, because it is essentially 'apolitical,' is less liable to generate the types of sensitivities that might arise with more traditional training missions. Moreover, because HADR typically has the same type of command and control (C2), lift (sea, air and ground) and large-scale logistical, reconnaissance and surveillance requirements as more conventional security operations, it provides the basis for wider military-to-military interoperability that can be quickly ramped up as and when required. Finally, programs could be easily tailored to dovetail with and support ASEAN efforts aimed at promoting American–Chinese cooperation in the provision of joint humanitarian assistance to Myanmar.

Third, Australia could assist with the opening up of Myanmar's economy by redirecting some of its FDI to the country (which remained at zero in 2012).<sup>60</sup> Investments in agriculture and the fledgling—but potentially highly lucrative—oil and gas, mining and construction sectors would all be particularly helpful. Again, this would have the added advantage of reducing Naypyidaw's unhealthy and overwhelming reliance on Chinese FDI, while also giving Canberra early access to what could potentially emerge as

an important market for its goods. Australian exports to Myanmar currently stand at \$82 million, with a year-on-year projected growth rate of 2.8%. Most are grains and milk products, the demand for which is likely to increase as economic liberalisation and investment generate a more affluent domestic population.<sup>61</sup>

Fourth, Australia and Myanmar share several transnational issues of concern, such as the drugs trade, associated organised crime, human trafficking, illegal migration, modern-day slavery and child-sex tourism. The Australian Federal Police (AFP) has considerable experience in dealing with these threats and should move to replicate the collaborative law enforcement assistance programs it's instituted with other Southeast Asian states, such as the Philippines, Indonesia and Thailand. It would also be a logical adjunct to the program of regional police assistance that the AFP already has in place with ASEAN.<sup>62</sup>

Fifth, the AFP's International Deployment Group (IDG) could provide crucial assistance in consolidating the various ceasefire agreements the Myanmar Government has concluded with ethnic insurgents. The team is composed of around 1,200 serving police officers who volunteer for offshore peacekeeping and stabilisation missions, at least half whom can be expected to be overseas at any one time.

The IDG has an internationally recognised and established record in disarming, demobilising and reintegrating former combatants, dealing with the unique needs of special-category victims such as children and women and generally assisting partner nations in the transition to a post-conflict environment. The unit also includes a Special Operations Response Group to provide the ‘sharp’ end in policing a suspension in hostilities by intercepting or quelling belligerents and other spoilers who refuse to abide by the terms of ceasefire agreements. All of these facets, which were effectively employed in places such as Timor-Leste and Solomon Islands, could be usefully brought to bear in Myanmar, helping to effectively manage the process of ethnic peacebuilding. There may also be scope for an IDG deployment to work with ADF liaison officers to help facilitate contacts between the Tatmadaw and renegade militia factions and thus minimise the risk of a fresh outbreak of fighting.

Sixth, Australia could usefully explore the feasibility of establishing a support mechanism with other interested parties to provide an institutional mechanism for coordinating international assistance to Myanmar and ensuring that programs complement rather than compete with one another. Such a body could be created under the auspices of the UN, perhaps building on the existing Secretary-General’s Group of Friends on Myanmar or using Track 1.5 consultations. The Secretary-General’s group includes Australia, China, the EU, France, India, Indonesia, Japan, Norway, Russia, Singapore, Thailand, the UK, the US and Vietnam. Track 1.5 talks bring together Myanmar diplomats, representatives of UN member states and independent experts to discuss ways of promoting closer mutual understanding outside the confines of formal (Track 1) diplomacy.<sup>63</sup>

Finally, Australia might consider leveraging its seat on the UN Security Council and its exceptionally close diplomatic relationship with the US to work with ASEAN in pushing for an end to all American trade and financial sanctions against Myanmar. This would bring Washington into line with Canberra’s own position as well as that of other key players, such as the EU—which lifted the last of its outstanding trade and economic sanctions against Myanmar in April 2013—and considerably widen the scope for the West to support further political and economic reform. Admittedly this will be challenging, given that US embargoes are embedded in legislative statutes that some members of Congress may be

loath to repeal or modify. However even marginal progress could yield long-term benefits, if only by bolstering the position (and credibility) of those in Myanmar seeking to consolidate political, social and economic change.

## Assessment

There’s widespread latitude for both ASEAN and Australia to play a constructive role in facilitating reform in Myanmar and assisting with the country’s regional rehabilitation. Apart from providing investment to open up the economy and technical advice to build both institutional and bureaucratic capacity, Canberra and ASEAN could also help to entrench transformation by explicitly signalling support for the suite of changes that have already taken place. In enunciating this message, every effort should be made to ensure that it’s directed to authorities in Myanmar as a whole, rather than attempting to conduct a triage between reformists and hardliners. As the International Crisis Group notes, delineating in that way would be liable to create counterproductive divisions at a time when it’s vital to forge as broad a consensus as possible.<sup>64</sup>

Moving quickly to support Myanmar is important, not least because of the criticality of 2014 as the country takes the chair of ASEAN. Assisting Naypyidaw in effectively managing this responsibility will allow Myanmar to showcase its return from self-imposed isolation and, in so doing, open the way for the full institutionalisation of relations based on engagement and partnership.

## Notes

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## Acronyms and abbreviations

ADF	Australian Defence Force
AFP	Australian Federal Police
ASEAN	Association of Southeast Asian Nations
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
HADR	humanitarian assistance and disaster relief
IDG	International Deployment Group
KIA	Kachin Independence Army
NLD	National League for Democracy
UK	United Kingdom
UN	United Nations
UWSA	United Wa State Army

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**Peter Chalk** is a senior political scientist at the RAND Corporation. He has analysed such topics as unconventional security threats in Southeast and South Asia; new strategic challenges for the US Air Force in Latin America, Africa, and South Asia; evolving trends in national and international terrorism; Australian defence and foreign policy; international organised crime; the transnational spread of disease; and US military links in the Asia–Pacific region. He is a correspondent for *Jane's Intelligence Review* and associate editor of *Studies in Conflict and Terrorism*, one of the foremost journals in the international security field. Chalk has regularly testified before the US Senate on issues pertaining to national and international terrorism and is author of numerous publications on various aspects of low-intensity conflict in the contemporary world. Chalk is also an adjunct professor at the Postgraduate Naval School in Monterey, California, and contractor for the Asia Pacific Center for Security Studies in Honolulu, Hawaii, and the United States Institute of Peace in Washington, D.C. Before coming to RAND, Chalk was an assistant professor of politics at the University of Queensland, Brisbane, and a postdoctoral fellow in the Strategic and Defense Studies Centre of the Australian National University, Canberra. Chalk earned his Ph.D. in political science at the University of British Columbia.

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