Myanmar’s Troubled Path to Reform
Political Prospects in a Landmark Election Year
Summary

• Myanmar’s transition from military rule to democracy is far from complete, and its successes to date remain fragile. Given the chronic inertia and isolation of the previous half-century, there has been remarkable progress since 2011. But more work is needed to consolidate democracy, improve governance and promote stability.

• Legislative elections due by the end of 2015 promise to be pivotal for the country’s political development. The elections are likely to be the freest in decades, but the opportunity for constitutional reform ahead of the polls appears to have been missed.

• A political compromise between the military-dominated Union Solidarity and Development Party (USDP) and the opposition National League for Democracy (NLD) no longer looks feasible before the elections.

• Ceasefires with ethnic minorities in recent years have improved the security situation, but a national peace settlement has proven elusive. Armed groups may prefer to await the outcome of the elections rather than negotiate with the current government.

• Sectarian rivalry and the legacy of prolonged government neglect are fuelling continued instability in Rakhine state. Domestic and international actors must address the crisis in the state urgently, or risk the emergence of a situation that threatens national unity as well as regional stability.
Introduction

For the first time in many years we are able to dream – Professor Aung Thun Tet¹

The road to reform in Myanmar was never going to be smooth, after half a century of military rule and self-imposed isolation, compounded by what has been termed ‘the world’s longest running civil war’.² The country’s political opening since 2011 has raised hopes – both in Myanmar and the international community – for democratization and economic development, but the transition is proving a challenging one.

In early September 2014 Chatham House held a two-day roundtable event in Yangon, at which academics, journalists and leaders of civil society from Myanmar and the wider community of the Association of Southeast Asian Nations (ASEAN) took stock of the country’s progress in recent years and explored the challenges ahead.

This research paper draws on the wide-ranging debate and analysis at that meeting, which took place at a time when reform was looking more contingent and less certain than it had in 2011–12. The paper examines successes and failures to date, and assesses prospects for further reform. It looks ahead to the legislative elections that must be held by December 2015, and discusses constitutional permutations that could play into pre- and post-election politics.

It also examines the peace process, in particular the challenges of political reconciliation and inclusion after decades of ethnic conflict, and discusses the threatening communal tensions in Rakhine state. Improving security and governance in the regions that have long eluded central rule will be no easy task. A concluding section offers thoughts on likely scenarios for future political development.

The reform process to date

That there has been dramatic change in Myanmar is undeniable. In March 2011 General Thein Sein, leader of the military-dominated Union Solidarity and Development Party (USDP), was sworn in as president. Within months thousands of political prisoners had been released and a dialogue started with Aung San Suu Kyi, the leader of the opposition National League for Democracy (NLD). In due course the NLD was allowed to register as a political party and to join the country’s developing political process.³ Aung San Suu Kyi and other NLD members subsequently won parliamentary seats in by-elections in April 2012. This provided the opposition with representation in the National Assembly for the first time in decades.

The change in the country’s media landscape has also been far-reaching. The BBC, whose short-wave World Service broadcasts had long embodied resistance to junta censorship, now found its reporters openly invited to Yangon. Local radio stations began to rebroadcast BBC programmes on domestic FM channels. As a result, the BBC now has an audience of 6.5 million people in Myanmar. A string of new Burmese radio stations opened, and internet provision expanded rapidly. The newspaper industry was liberalized, with no fewer than 26 companies granted licences to print dailies. Inevitably, many of these start-ups have proven short-lived, but opening up of the media remains one of the real – and hopefully lasting – gains of the post-2011 reforms.

¹ Professor Aung Thun Tet, a former UN official and currently Economic Adviser to President Thein Sein, speaking at the Chatham House roundtable event ‘Transition in Myanmar: The Dynamics of Change’, Yangon, 4 September 2014.
² Charlie Campbell, ‘Is the world’s longest running civil war about to end?’, Time, 6 November 2013.
Political opening has also brought economic gains. The European Union, United States, Australia and Japan have all lifted sanctions (except on arms sales), giving a big boost to trade and investment prospects. The government has welcomed foreign investment, which has risen tenfold from $329 million in 2009/10 to $4.1 billion in 2013/14. Reforms have partially opened up banking, education and health care to private investors. In telecoms, oil and gas, the government has held bidding rounds and awarded substantial contracts to foreign investors.

Yet Myanmar’s undoubted progress – all the more dramatic in the context of the chronic inertia and introspection of the past half-century – should be seen in a wider regional and international context. The country’s development trails behind that of its fellow ASEAN members. The political system is still explicitly weighted towards the military, institutional capacity remains weak, the peace with ethnic insurgents is often fragile, and the dividends from economic liberalization are as yet uncertain. Banking reforms announced in October 2014 have disappointed foreign investors and governments. Crucially, foreign participants have been excluded from retail banking, and have limited ability to offer local banking services. Wider-ranging liberalization of the banking sector has been postponed until after the 2015 elections, casting doubt on the authorities’ long-term commitment to economic reform.

The unevenness of the reform process is hardly surprising given the country’s history. Its leaders and diplomats, especially those of the generation that grew up after the 1962 coup by General Ne Win, have been sheltered – or rather, suffocatingly isolated – from the outside world. Foreign visitors often remarked that Burma, as it was known until 1989, seemed like a land where time had stood still. The country only joined ASEAN in 1997. At first it adopted a low profile, uncertain about its first steps on a regional platform, let alone the wider international stage. Its location, sandwiched between the Asian giants India and China, compounded this foreign policy hesitancy.

Yet for a country that had practised an isolationist foreign policy for decades, recent changes have been striking. In a sign of greater self-confidence, it was announced at the end of 2011 that Myanmar would chair ASEAN in 2014. The government also postponed construction of the unpopular and controversial Myitsone hydroelectric dam, a project funded by China. This step was widely seen as a more assertive move by Myanmar away from Beijing’s orbit.

At the same time, Western countries reacted to political reform by welcoming Myanmar’s return to the international stage. In 2012 US President Barack Obama, UK Prime Minister David Cameron and UN Secretary-General Ban Ki-moon were among many dignitaries to visit Myanmar.

International engagement has continued, with some success. President Obama visited the country again for the East Asia Summit in November 2014, also attended by Japanese Prime Minister Shinzo Abe, Chinese Premier Li Keqiang and Indian Prime Minister Narendra Modi. Unlike his predecessors, President Thein Sein has travelled widely, including to the United States, the United Kingdom, France and Germany, with his visits bringing increased economic and political support for his country.

But as 2014 drew to a close there was increasing concern in Western capitals that the pace of reform was slowing, amid signs of a growing reluctance by the military to cede power. This feeling was articulated by President Obama during his November 2014 visit to Myanmar, when he described the process as ‘by no means complete or irreversible’.

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5 For its part Chatham House hosted Aung San Suu Kyi in July 2012 and exactly a year later was addressed by President Thein Sein in his only public meeting during a European tour.
Such an assessment is not confined to the United States. Most Western capitals share the view that while reforms have been widespread, the pervasive role of the army remains largely intact. This is highlighted by the 25 per cent of seats reserved for the military at all legislative levels – national, state and regional. Most observers regard a return to direct military rule as highly improbable. However, the coup on 22 May 2014 in neighbouring Thailand, a country at the very heart of ASEAN, and the absence of a commitment to return to civilian rule there, raises worrying questions about Myanmar’s own future. It underlines the importance of not taking continued democratization for granted.

The political timetable and reform

Expectations are completely unaligned with what is possible here. This is the first election since the new constitution. Building democratic institutions is going to take as long as the peace process, if not longer.

– Professor Mary Callahan

There is now less than a year before Myanmar’s legislative elections, which have to be held by December 2015. Despite obvious shortcomings in the electoral process, there is little doubt that the polls will be the most credible since 1990. The Union Election Commission is seen by outside observers as being far more open than it was, for example, during the last general election in 2010. This is despite the fact that some have questioned the suitability of its chairman, Tin Aye, who has a military background. The commission has already accepted that there should be international as well as domestic election observers, and it can therefore be presumed that the UN and the EU will be among them. In addition, political parties are now better prepared than they were in the 2010 elections, and have more credible and professional candidates and strategies.

Positive though this is, considerable uncertainty has surrounded the electoral process – at least until recently. The main issues have concerned the possibility of allowing Aung San Suu Kyi to run for president (she is currently barred from doing so under the constitution) and the merits of amending the ‘first past the post’ electoral system to one that is proportional. In both cases, the required constitutional changes would need to be put to a referendum, the timing of which would have a crucial bearing on the political conditions under which the forthcoming elections would be conducted.

The rationale for this would be to facilitate a political trade-off between those calling for Aung San Suu Kyi’s presidential candidacy and those in the USDP anxious to safeguard the party’s parliamentary seats. Obviously a constitutional amendment to allow Aung San Suu Kyi to become president would make her elevation to head of state appear likely, if not certain. At the same time, the ruling USDP would probably perform badly under the existing electoral system. (Indeed the experience of the 1990 general elections and the most recent 2012 by-elections has led some observers to see this as a certainty.) Under a proportional electoral system the USDP would almost certainly fare better. In the 2012 by-elections, for example, it won only one of the 44 contested seats despite gaining 25 per cent of the total votes cast.

The cancellation of further by-elections planned for December 2014 suggests prospects for constitutional reform in the short term have faded. No clear reasons were given for not holding the by-elections, but the assumption must be that the government feared an NLD landslide. Cancellation
of the by-elections may also have been linked to the fact that parliament had no budget line allocated for them, and holding them might have taken funding away from the 2015 election budget.

In retrospect, this is unsurprising. Although a constitutional compromise before the 2015 elections seemed preferable to a post-electoral crisis, it never appeared the most probable outcome. Indeed UN Special Representative Vijay Nambiar has recently concluded, ‘It does not appear feasible for such preparations to be completed in time for the 2015 election.’

The possibility of a more pragmatic political agreement, not reliant on constitutional reform, is also emerging. Many observers have noticed the strong relationship that Aung San Suu Kyi has forged with the speaker of parliament, General Shwe Mann. This has given rise to speculation that in the event of an NLD electoral victory Shwe Mann might become president, with Aung San Suu Kyi assuming the post of speaker. Such a step might give some reassurance to the military about its continued political influence, although Shwe Mann has distanced himself from President Thein Sein in a clear move to underline his political independence. In a new era of open government, the Burmese military may have to side with Shwe Mann despite its continued preference for the present incumbent, Thein Sein.

In the event of the NLD winning the election – as it is widely expected to do – the alternative might be an unambiguous demand by Aung San Suu Kyi to be the rightful and credible president. Such a move would risk thrusting the country into a political crisis. History suggests the ruling USDP’s first instinct would be to reject any election result unfavourable to it. At the same time, in the new political climate it would appear to be strongly in the interest of the USDP not to stand in the way of the democratic process. Whether, and how, this dilemma is resolved will be crucial to political stability. There have been some reports of a proposed hybrid electoral system that could satisfy both sides, and that could find support in minority areas. However, with time fast running out, meaningful constitutional change in 2015 now seems highly improbable.

In any event the questions of Aung San Suu Kyi’s candidacy for the presidency and the possibility of moving to proportional representation were seemingly clarified in late November 2014. A vote in the Hluttaw (House of Representatives), following advice from the Constitutional Court, endorsed a motion to stick with the current ‘first past the post’ system. Shwe Mann then declared that changes to the constitution could only take place after the 2015 elections. In an interview with the Financial Times, Aung San Suu Kyi said of her ineligibility for the presidency, ‘I am sure it will change, but when I cannot say… But this kind of clause cannot exist forever.’ Absent new developments on this front, the legislature will continue to reserve 25 per cent of seats for the military after the elections. However, this does not remove concern as to how the USDP and the Tatmadaw (the Myanmar armed forces) would react to a landslide electoral victory by the NLD. Indeed it leaves that concern heightened.

An end to communal conflict?

The failure to make bolder moves in addressing constitutional dilemmas appears inextricably linked to the other long-standing challenge confronting the country, namely achieving an elusive general peace settlement. Here, too, the pace of reform has palpably slackened, as was recognized by UN Special Representative Nambiar in his 2014 report.

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11 Michael Peel and David Pilling, ‘Suu Kyi hits at “parody of democracy”’, Financial Times, 4 February 2015.
Some observers have argued that the elections themselves have the capacity to undermine the nationwide peace process. Certainly many parties will organize on an ethnic basis, and that brings risks in the absence of a nationwide ceasefire, let alone a political settlement. Myanmar has long suffered from a lack of meaningful national unity. Since the end of British imperial rule in 1948, no central government has had sufficient authority to encompass the entire country. A bewildering array of ethnic, religious and political groupings have taken to violence to challenge the post-imperial settlement. As the journalist Evan Osnos has noted, ‘Burma is blessed with and bedevilled by diversity.’

A priority for the government of President Thein Sein has been to address the myriad insurgencies that have thus afflicted the country for more than six decades. His sincerity and commitment on this critical issue have been widely appreciated. On 18 August 2011 the government announced a comprehensive peace process. In December of that year a ceasefire was agreed with rebels of the Shan ethnic group, and the government ordered a halt to operations against Kachin rebels. In January 2013 a ceasefire with Karen rebels was announced. In total, in the three years since the start of the peace process, 14 bilateral ceasefires have been agreed.

These accords have been accompanied by political dialogue, and as recently as September 2014 there was continued hope of a nationwide ceasefire. In a speech at the Chatham House roundtable event, Aung Min, the minister charged with overseeing the ceasefire process, referred to ‘the beginning of an even more complex set of talks, involving a much greater array of stakeholders. The aim is a sustainable peace and the permanent removal of the gun from Myanmar politics.’ The government remains upbeat about the prospect, emphasizing the truces already signed with armed ethnic groups, but the absence of the much-touted nationwide ceasefire has inevitably dampened national and international expectations.

It is difficult to avoid the conclusion that the prospects for a comprehensive peace settlement appear to be fading. The reasons are many. The complexity of the issues to be confronted and the multiplicity of actors are, to say the least, daunting. There is also little doubt that as the present government approaches the end of its mandate, its capacity to bring about a historic nationwide ceasefire is diminishing. For their part some of the armed groups may now be questioning the wisdom of concluding agreements with the present government, and may prefer to await the outcome of the late-2015 elections.

There is no doubt that the peace process marks a particular moment in Myanmar’s history. Rather than working on bilateral ceasefires, the government hopes for a meaningful political dialogue and an overarching political settlement. Perhaps without such ambition the chances of this peace drive weakening, or even failing, would be greater. But the need to negotiate with multiple stakeholders and balance competing demands makes the process much more challenging. Furthermore, the pending 2015 elections have the potential to sow divisions among Myanmar’s minority groups, adding to the problems for the new government.

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15 At the end of 2014 government sources indicated to the author that they were expecting a nationwide ceasefire agreement in mid-February, but privately many observers remain highly sceptical.
A case study of conflict: the Kachins
The Kachins are one of the major ethnic groups in Myanmar and have been in rebellion against the Burmese state throughout most of its modern history. There have been two distinct phases to the conflict since independence: the first between 1961 and 1994, and the second between 2011 and 2013.

The origins of the Kachin rebellion go back to the resistance against the Japanese during the wartime occupation. After the end of the Second World War they became a key part of the immediate post-independence army. However, following the 1962 coup and the institution of a military dictatorship they became increasingly estranged from the new government. Kachin units withdrew from the national army to found the Kachin Independence Organization (KIO). Outside major towns the KIO dominated Kachin state between 1962 and 1991, with an economy essentially based on smuggling jade and narcotics. Fatigue with the long conflict led eventually in February 1994 to a peace agreement that lasted 17 years. In 2011, however, resistance towards the central authorities in Yangon broke out again, triggered by heavy-handed military action by government forces.

To break the deadlock President Thein Sein announced a unilateral ceasefire in January 2013. Four weeks later China, in a striking intervention, hosted talks between the two sides. On 30 May a ceasefire agreement was signed in the government-held city of Myitkyina. This included arrangements for the separation of forces, a monitoring and verification mechanism, and a dialogue on political issues. This Chinese-brokered agreement – precisely because of Beijing’s unusually active diplomacy – probably stands a better chance of survival than many of the other bilateral agreements negotiated between the government and the various ethnic groups.

Welcome though this agreement is, a meaningful national political dialogue is still not forthcoming. In part this is because the Kachins, and the other minorities, are waiting to see what the most important election in the country’s history will bring at the end of 2015. But regardless of that political outcome, the capability of the central government in addressing the many challenges confronting it is questionable. It is clear that governance standards in Myanmar atrophied to a considerable extent in the decades before 2011. In this regard there is undoubtedly more that the international agencies and organizations could do to help.

The threat in Rakhine state: Islam, violence and poverty

Discrimination against the Rohingya or any other religious minority, I think, does not express the kind of country that Burma over the long term wants to be. – President Obama, Yangon, 16 November 2014

Difficult though Myanmar’s many ethnic conflicts are, they pale in comparison with the stark issues in Rakhine state, which have long-standing and deep-rooted causes. Violence in the state in 2012 killed scores of people and displaced an estimated 140,000. Overall, it remains one of the poorest and most isolated states, with the second highest poverty incidence in Myanmar, estimated at an appalling 78 per cent. The problems are compounded by the fact that very large numbers of Rohingya Muslims have no clear citizenship and that there has been deep resentment against them in the past. Of the estimated population of three million in the state, some 40 per cent are thought to be Muslim.
Myanmar’s Troubled Path to Reform: Political Prospects in a Landmark Election Year

Map of Myanmar with state divisions
The contrast with the rest of the country is acute. Despite the problems in Rakhine, elsewhere in Myanmar Muslims can be found in almost every town of substance and are embedded in the country’s commercial life. While there have been communal tensions in many areas, strikingly in the city of Mandalay in July 2012, these have been at nothing like the level in Rakhine. Such tensions have also been handled more effectively of late.

The government has made some attempts to improve matters in Rakhine, but it is starting from an abysmally low base. So serious has been the violence in recent years between communities and religious groups – exacerbated by the state’s bleak economic prospects – that it presents perhaps the most critical threat to the country’s transition from dictatorship to democracy.

Ironically, the very success of Myanmar’s broader political transition has awakened dormant fears and prejudices which in some cases stretch back centuries. Faced with the depth of animosity between the Buddhist Rakhine people and the Rohingya and other Muslim minorities, even strong governments with a competent police and civil service would struggle to cope. Given the absence of robust institutions in Rakhine state, if not in the country as a whole, the immediate outlook is not good. Indeed there is evidence that authorities at local and state level have sometimes been complicit in the violence. Decades of armed conflict and authoritarianism have stripped Rakhine of meaningful civic structures. In reality both Buddhist and Muslim communities in the state have suffered considerable degrees of isolation, impoverishment and alienation during all the Burmese regimes since British colonial rule. There is the added danger, in an era of rising Islamist challenges to the international order, that Rakhine could be drawn into deeper violence. While there is no evidence to date of global jihadi involvement, such a prospect cannot be ruled out.

Myanmar has to grapple not only with the effects of decades of armed conflict, but with the consequences of the military’s handling of it. The army’s response to ethnic and communal tensions long showed scant regard for political or regional sensitivities, or for international norms. Its strategy for dealing with unruly regions was to play different groups off against one another. Remedial measures in terms of economic development, or improving education and transport infrastructure, were almost wholly absent, especially in Rakhine state. This is why so many different groups, militias and criminal networks abound in the borderlands.

Bringing security will be a tremendous challenge. An extraordinarily complex situation has meant that past governments, and to a considerable extent the present one, have simply ignored Rakhine. Even now the Rakhine perspective is very rarely listened to or represented in the media and political debates. In the absence of clear political groupings, there is a real danger that the people of Rakhine will lose out on the political settlement to which the government is committed in other parts of the country. This is despite the fact that the state’s inhabitants have similar grievances and aspirations to those of other ethnicities in Myanmar.

There are no easy fixes in Rakhine state. The government will need international support, including short-term economic and humanitarian aid, and to resolve the burning issue of citizenship for the Rohingya. In the medium and long term, the UN and its multiple agencies need to engage with the Myanmar authorities through a five- to ten-year plan to restore security, safeguard political and human rights, and promote economic development. Failure to act could take Myanmar towards chaos and potential national breakdown.

Conclusion: a critical year

Myanmar faces enormous challenges, with the elections at the end of the year likely to be a turning point in its history. They could herald a new era that sees a diminishing role for the military, better relations with the outside world – including the West – and a country at peace with itself and embracing its many minorities.

There are other futures too. A reform process that stumbles badly is clearly imaginable – not least over the position of Aung San Suu Kyi in national life; ceasefires that do not hold with increasingly restless minorities; and the emergence of Rakhine state as potentially a new flashpoint in a rising global Islamist agenda. These dangers are all too real.

In all likelihood Myanmar will find itself caught between these two scenarios. The elections will almost certainly proceed; abandoning reform is simply not an option now, even for military hardliners. Although much of institutional life is still dominated by the military, a real politics has emerged in Myanmar in recent years. Any attempt to put the democratic genie back in the bottle is unlikely. But the potential for unrest, and even violence, remains considerable.

At the same time, other Southeast Asian histories offer alternative possibilities. While the military appears to be firmly back in charge in neighbouring Thailand, Indonesia has evolved into one of the more robust democracies in Southeast Asia. In doing so, the country has overcome a toxic legacy of 33 years of military rule (from 1965 to 1998) and has successfully fended off threats of internal secession and Islamist extremism. Indonesia’s example is one that many in Myanmar still hope their country can follow.

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