



Supporting Continued Reform in Myanmar

By Brian Harding, Charles A. Jordan, and Aarthi Gunasekaran November 13, 2014

President Barack Obama is visiting Myanmar this week to attend the 2014 East Asia Summit. The president's visit comes two years after his November 2012 trip, the first of a sitting U.S. president, and soon after the military government in Myanmar adopted a surprising and bold—but still incomplete—reform agenda.

Since Myanmar first took steps toward reform in 2011, the Obama administration has carefully recalibrated its policy toward the once beleaguered nation, resulting in a sea change in bilateral relations. Within the administration's broader framework of rebalancing to Asia, Myanmar has become a centerpiece of enhanced U.S. engagement, in contrast to its previous role as a barrier to expanded U.S. ties with the Association of Southeast Asian Nations, or ASEAN.

In a regional context, the strategic value of renewed cooperation is notable. Myanmar is situated between China and India and home to an estimated 51 million people;¹ it has the potential to be an influential actor in Southeast Asian politics and commerce. Reform has awakened its economy from almost 30 years of stagnation, and Myanmar's gross domestic product, or GDP, is now growing at close to 7 percent per year. Foreign direct investment, or FDI, has started to flow in, with FDI totals for fiscal year 2013 amounting to \$2.7 billion.² Internationally, it stepped onto the global stage with its ASEAN chairmanship in 2014. If Myanmar's reform plans continue, Myanmar will again become the link between South Asia and Southeast Asia that geography suggests it is destined to play.

U.S. interest in Myanmar's reform process, however, is more extensive than just an economic incentive. Myanmar's efforts to advance freedom and democracy have the potential to make the country an example to other nations. In particular, it could show autocratic regimes that reforms have the potential to re-introduce a country into the international community—and with substantial benefit. At a time when democratization and reform are languishing around the globe, Myanmar can provide some welcome hope.

Since 2011, the United States has provided strategic incentives to Myanmar's government to remain on the reform track, including easing sanctions; offering development assistance and partnerships in a range of areas such as capacity building in the energy and health sectors; and re-establishing full diplomatic ties and associated high-level visits.³ However, there is more work to be done in the reform process and the United States continues to wield unique influence to shape Myanmar's transition. As Myanmar's leaders become more and more integrated with the global community, the window of opportunity may soon close, and the United States should maximize its efforts over the next two years.

This issue brief analyzes the progress on Myanmar's political transition and reforms to date and highlights the hard work that remains. It also examines the distinct tools at the United States' disposal that can encourage Myanmar to protect its citizens' basic rights and to strengthen the U.S.-Myanmar relationship.

Reform process

Myanmar's president, Thein Sein, is a former Army general and top-level military junta official who retired in 2011 only to run for election in the country's first open, but deeply flawed, election in more than 20 years. Soon after he was elected, Myanmar surprised the world by introducing significant political reforms. The pace of reform has been dizzying for a nation previously isolated and under military rule for approximately 60 years. Under President Sein's leadership, Myanmar has established dramatically liberalized politics, encouraged freedom of the press, ensured protection of basic human rights, and broadly opened the economy.⁴ Some of the most critical reforms include:

- **Political reform:** The government permitted individuals not associated with the prior military regime to enter politics, including National League for Democracy, or NLD, leader and Nobel laureate Aung San Suu Kyi; she won a seat in parliament in a 2012 bi-election alongside 42 other NLD politicians. This inclusive approach has ensured widespread support for the government's reform agenda.⁵
- **Legal reform:** Amid a historical backdrop of brutal repression of protests, parliament legalized labor unions and the right for individuals to assemble.⁶
- **Economic reform:** A decision to float the kyat, Myanmar's currency, has been a particularly dramatic reform, eliminating one way the military had disguised earnings from the natural resource sector. Also significant was President Sein's announcement that Myanmar will implement the Extractive Industries Transparency Initiative, or EITI. While the military still holds too much control over the economy, the government also made positive changes to regulations concerning foreign investment procedures, trade duties and licensing, taxes, infrastructure, and banking, all helping to level the playing field in Myanmar.⁷

- **Human rights:** The government created the Myanmar National Human Rights Commission in September 2011, recognizing the need to address chronic abuses.⁸ However, civil society organizations and human rights groups have called into question the independence and objectivity of the commission, citing that the president appoints commission members without consultation from outside parties. These critics also point out that commission members have been silent on violence in Rakhine State, where more than 140,000 Rohingya people, a minority Muslim population, have been forcibly relocated to internment camps and face continued refusal by the leadership to recognize the population as Rohingya. Instead, they were classified as ‘Bengali’ in the recent citizenship verification project, which was designed to determine the status of Myanmar’s numerous minority populations.⁹
- **Ceasefire talks:** The government launched ambitious ceasefire talks aimed at ending civil conflicts that have festered for more than 50 years with more than a dozen major ethnic groups. There is hope that a nationwide ceasefire will be reached in coming months, although continued government commitment and external support will be essential for achieving positive outcomes.¹⁰
- **North Korea:** In 2012, the Myanmar government declared a cessation of military relations with North Korea, although it remains unclear whether this relationship has completely ceased.¹¹

Unfinished business

Despite significant progress, many observers of Myanmar’s democratic transition fear the reform process has stalled.

Many of these issues are wrapped up in debate over prospective changes to the 2008 constitution. One such clause in the constitution bars anyone from running for president or vice president whose children or spouse are foreign nationals; this clause is widely seen as directed at Suu Kyi, whose late husband was a British citizen, as are her two children.¹² Another clause being debated allows the military to retain 25 percent of the seats in parliament, which effectively gives the military veto power over constitutional changes, as the latter requires 75 percent of the parliament to concur.¹³ In addition, the current constitution lacks legal protections for freedom of the press and assembly, which the country has by and large enjoyed on a de facto basis since 2011.

The final release of all political prisoners and the need for increased transparency in human rights is another piece of unfinished business. President Sein has freed more than 1,000 political prisoners since taking office in 2010, but the government has yet to grant complete amnesty due to the lack of a formal definition and classification of political prisoners.¹⁴

Furthermore, long-running ethnic conflicts, particularly in Rakhine-Arakan State and Kachin State, require increased government attention and more enlightened policy. In Rakhine, Myanmar's estimated 1.3 million Rohingya Muslim population has been denied voting rights, access to education, citizenship, and even recognition as an ethnic and religious group. By denying these rights, Myanmar's government enshrines discrimination that can only have destabilizing effects.¹⁵ In Kachin—one of the remaining ethnic regions where sectarian violence and opposition to the central government continues—a ceasefire remains elusive. A change in military doctrine is essential for ending the conflict and preventing widespread human rights abuses.

U.S. policy

Since 2010, the U.S. government has made positive adjustments to its policies toward Myanmar while withholding normalizing full relations to maintain leverage to encourage further reforms. Most notably, certain economic sanctions remain in place, as well as all underlying legal authorities that would enable sanctions to be re-imposed. In addition, military-to-military engagement is highly curtailed.

Key steps to date on the road to fully normalized bilateral relations have included the following.

Diplomatic relations

In 2012, the United States restored full diplomatic relations between the two countries and exchanged ambassadors for the first time since 1990. With the high-level visits of Secretary of State Hillary Clinton, President Obama, and bipartisan congressional delegations—and reciprocal visits by President Sein and others—the United States has made clear its support for the diplomatic opening.

U.S. assistance programs

The United States Agency for International Development, or USAID, re-established its Myanmar mission in 2012 and total U.S. assistance has since topped \$200 million. Key initiatives to date have included building the local police force's technical expertise for combatting human trafficking; improving the technological infrastructure through partnerships with major U.S. technological firms; training on democratic systems and civil engagement through the Institute for Political Engagement program; and using public-private partnership to provide clean drinking water and clinical services.¹⁶ Particularly strong progress has been made in the energy sector, with the formation of a U.S.-Myanmar partnership aimed at improving transparency and governance of extractive industries by 2015.¹⁷

Sanctions and sanctioned individuals

The U.S. government has reduced some of its most restrictive economic sanctions, including revoking a ban on imports, new investment, and the exportation of financial services. But the United States has left unchanged a ban on importing jade and rubies of Myanmar origin pending further reforms. The United States still maintains the Specially Designated National and Blocked Persons, or SDN, list, which bars U.S. investors from engaging with designated persons and entities.¹⁸ Despite these restrictions, the Obama administration has also transparently outlined the legal processes for individuals and companies to be cleared from the SDN blacklist, a framework that encourages and incentivizes continued reform within the country.¹⁹

Military-to-military engagement

The Department of Defense is starting to re-engage the Myanmar military, but activities have been extremely modest to date, including “targeted education and training related to civilian control of the military, military justice improvement in accordance with internationally recognized human rights, proper management of defense resources and cooperation between the police and military for counter-narcotics.”²⁰ The continued need for significant reform within the military itself has led some to argue that the United States must wait to engage the military until after this reform has taken place. This view is widespread in Congress where draft legislation is being debated that would put in place a high bar for military reform before military-to-military relations can deepen.

Throughout the re-engagement process, the Obama administration and Congress have worked together productively with a shared goal for a free, democratic Myanmar. However, differences in approach and strong congressional criticism of the administration’s negotiating tactics have led to divergent approaches in recent months.²¹ Congressional leaders—both Republicans and Democrats—claim the administration is too soft on the post-junta government and would like to see more stringent timelines and review procedures for democratic reforms concerning transparency, human rights abuses, and military-to-military engagement.²² In particular, Congress believes further normalization of ties should be predicated on specific steps. Constitutional reform that would allow Aung San Suu Kyi to run for president in the next election is particularly concerning to many congressional members.

Recommendations

The United States is well poised to encourage further reform by accelerating engagement in certain areas while withholding particular benefits until reform is complete. As the administration and Congress continue to focus on achieving mutually shared goals in Myanmar, the Center for American Progress makes the following recommendations to the U.S. government:

- 1. View the reform process holistically and with a long-term view.** Steady progress, with an emphasis on strengthening democratic institutions and the rule of law, should be the focus of U.S. policy. Encouraging inclusive economic policy and sustainable management of resources is also essential. While constitutional reform that allows Aung San Suu Kyi to run for president is desirable, it should not be the main barometer of progress. Enshrining reforms into law will be equally, if not more, important. Following Myanmar's 2015 general election, the U.S. government should take stock of the overall direction of reforms and consider how U.S. policy toward Myanmar should be adjusted.
- 2. Maintain the pressure of sanctions against offending individuals.** Certain corrupt persons and entities who control large segments of Myanmar's economy also wield significant influence with key decision makers within the parliament and Sein's administration, and they have the ability to impede further reforms. The United States should maintain pressure on these individuals and add others who impede reform to the SDN list in order to incentivize continued progress until the seeds of reform take root.
- 3. Continue to have a transparent dialogue regarding individuals seeking to remove themselves from the sanctions list.** The incentives provided by removal from the sanctions list remain attractive to businesspeople and politicians and continued dialogue concerning this process should be a priority of the administration. There has been marked success in encouraging individuals to take action to change their corrupt behavior and practices. Affecting the behavior of Myanmar's business elite is one of the United States' key means through which it can continue to influence the country's long-term trajectory.
- 4. Engage Myanmar's military more deeply.** Affecting the behavior of Myanmar's military elite is a key way in which the United States can influence the country's future; actively building ties to this critically important institution is the only way to do so. Keeping the Myanmar military at arm's length will not achieve the ends the United States seeks, given that the military is still the center of gravity in the political system and one of the country's most efficient institutions. Alienating the military will only create a powerful class of people opposed to reform and will strengthen the case of hardliners within the system. Following the 2015 general election, the United States should consider expanding military-to-military activities contingent of continued reforms and national reconciliation. By transitioning from military exchanges limited to academic human rights workshops to training that includes field exercises in a defined set of areas such as humanitarian assistance and disaster response, the United States can assure the Myanmar military of its commitment to enhance cooperation while encouraging reformers to push for increased transparency and accountability. The United States should also support the development of civilian-military relations

through educational programs. This military-to-military engagement should not extend to arms sales or combat training and exercises until the military is out of politics, but it should be more robust than what is currently allowed.

5. **Incentivize integration and do not ignore human rights abuses against the Rohingya people.** Increased international attention is more likely to generate conciliatory behavior from the Myanmar government. The government's recent Rakhine State Action Plan to help the Rohingya population attain citizenship contains requirements for the Rohingya population to self-identify as Bengali, implying an outsider status, and to produce nationality verification documents that many Rohingya do not have. Failing to do this can ultimately push the minority group into indefinite internment camps.²³ Increased pressure and incentives for integration should be pursued over the mid to long term, but a major emphasis of current policy should be to ensure that international organizations are able to reliably address humanitarian needs in Rakhine State.

6. **Continue to encourage progress on ethnic conflict resolution.** In addition to being a barrier to the economic well-being of Myanmar's minority groups, stability on the country's borders has international implications and is in the interest of the United States and its partners. Only nationwide peace will allow Myanmar to become a bridge between South Asia and Southeast Asia, which should be a focus of U.S. policy in the country. However, while the United States should continue to voice support for the peace process, it should not become directly involved in talks unless all sides—including Myanmar's leadership and representatives from all ethnic groups, ASEAN members, and other international partners—invite the United States to participate and there are clear parameters regarding its role.

Since President Obama's visit in 2012, the United States and Myanmar have embarked on a new transformative relationship as Myanmar opened its doors and ended decades of international isolation. The above recommendations aim to nudge the bilateral relationship in the right direction and acknowledge the significant work that remains, especially as Myanmar prepares to hold its general election in the fall of 2015. President Obama's visit should act as a firm reminder of U.S. commitment and the tools at hand to assist and press for Myanmar's democratic reforms.

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Endnotes

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