

U.S.—Burma Relations: Peace, Stability and the Transition to Democracy

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Henry M. Jackson School of International Studies



***Act in time: wait not to repair the tank after the
water has escaped.***

—Burmese Proverb

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Preface

The authors of this Task Force report are comprised of undergraduates in the Henry M. Jackson School of International Studies at the University of Washington.

Task Force, the capstone course for undergraduate students in the Henry M. Jackson School, is an opportunity to examine current world issues with the intention of creating policy recommendations. This collaborative seminar is pursued over the course of one academic quarter. The final product is a 100 to 200 page policy recommendation report on a subject selected by the Jackson School staff and meant to address current international issues. After the research and writing process, the Task Force report is then evaluated by an outside expert. The intended audience of this report is Secretary of State John Kerry of the U.S. State Department.

Due to the limited nature of scholarship regarding U.S. – Burma relations, many of the recommendations found in this report reflect indepth interviews the authors had with U.S. State Department officials and experts in the field.

Terms and Abbreviations

ADB	Asian Development Bank
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
AUSAID	Australian Agency for International Development
BGF	Border Guard Force
CBM	Central Bank of Myanmar
CFMB	Central Farmland Management Body
CG	First Civilian Government
COLT	Coalition Observer Liaison Team
CPB	Communist Party of Burma
CSO	Civil Society Organizations
CSR	Corporate Social Responsibility
DAB	Democratic Alliance of Burma
DSPN	Democratic Party for New Society
FDI	Federal Direct Investment
FERA	Foreign Exchange Regulation Act
FOA	Food and Agriculture Organization of the United Nations
IDP	Internally Displaced Person
IFI	International Financial Institution
IMET	International Military Education and Training
IMF	International Monetary Fund
IRI	International Republican Institute

KIA	Kachin Independence Army
KIO	Kachin Independence Organization
KMT	Kuomintang
METTA	Micro-Enterprise Training and Technical Assistance
MPC	Myanmar Peace Centre
NCG	New Civilian Government
NDF	National Democratic Front
NDI	National Democratic Institute
NGO	Non-Governmental Organization
NLD	National League for Democracy
OSS	Office of Strategic Services
PC	Party Coalition
PLA	People's Liberation Army
PR	Proportional Representation
SDR	Special Drawing Rights
SF	Shalom Foundation
SLRD	Settlement and Land Records Department
SPDC	State Peace and Development Council
TIP	Trafficking in Persons
UNFC	United Nationalities Federal Council
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nation's Children's Fund
UNWFP	United Nations World Food Program
USAID	United States Agency for International Development
USDP	Union Solidarity and Development Party
WB	World Bank
WHO	World Health Organization

Burma or Myanmar?

L.L. Kronebusch

The U.S. State Department should consider referring to the country during all press conferences, publications, diplomatic meetings and State Department internal affairs as ‘Myanmar’ and not ‘Burma.’

The debate over which country name to use is directly linked to ethnic conflict in the country. The historical name Burma derives from the spoken form of the word in Burman, the language of the country’s majority ethnic group, the Bamar. However, because of the country’s ethnic diversity, choosing a name that regards all ethnicities as equally represented (politically, culturally and socially) is crucial, especially when one of the greatest challenges to continued liberal reforms is the disunion between Burma’s government and its ethnic minorities.¹

The name Burma was used by both the country’s British colonizers and the freedom movement that fought the British. After the collapse of British rule, the name Myanmar was adopted in 1989 at the hands of the junta-led government. The U.S. State Department officially refers to the country as Burma, linked to the solidarity to democratic opposition during this time.² The military government ascribed many cities and towns new, Burmese names, supposedly in an effort to unify the country by smoothing over ethnic differences. This conversion of local names and languages to the imposed Burmese language further alienated ethnic minorities.³ The national anthem, for example, uses the colloquial “bama pyi,” or “the country of Burma,” while the country’s literary name is “myanma naing ngan” in the national language.⁴

Asked in an interview with CNN’s Christiane Amanpour whether the country should be called Burma or Myanmar, Aung San Suu Kyi said it was a matter of freedom of expression and that “we [the people of Burma] can choose to call it the name that we feel comes most naturally to us.”⁵ Aung San Suu Kyi may use Burma for two main reasons: because the country was called Burma for most of her own life and because she con-

siders it, as many pro-democracy opposition groups do, a relic of the old authoritarian state.¹ Though Suu Kyi now claims freedom of expression as her reason for calling the country ‘Burma,’ leading up to the 1990 elections, she and her party directly opposed the use of ‘Myanmar.’ Suu Kyi and her party asserted that ‘Burma’ was the name for a more unified country that existed before the military takeover.⁶

Calling the country Myanmar is more than a diplomatic courtesy, as one White House press release responded to President Obama’s use of both names during his 2012 visit to the country.⁷ Current and future U.S. administrations should refer to the country as Myanmar for three main reasons:

- The pro-democracy movement in the country has not shown overwhelming support of a name change.ⁱⁱ⁸
- Between the two names, Burma is less representative of the country’s ethnic diversity, as it is derived from the language of the Bamar, the largest ethnic group in the country.
- The United States, like the United Nations and the European Union, should recognize the name change in part as a historical event.

There are those in the country who support ‘Burma’ because

i Suu Kyi said in a July 2012 interview following her European tour, “I call my country ‘Burma’ as we did a long time ago. I’m not insulting other people. Because I believe in democracy, I’m sure that I can call it as I like.”

ii Quoting Mark Farmener of Burma Campaign UK, “Often you can tell where someone’s sympathies lie if they use Burma or Myanmar. Myanmar is a kind of indicator of countries that are soft on the regime. But really it’s not important. Who cares what people call the country? It’s the human rights abuses that matter. There’s not a really strong call from the democracy movement saying you should not call it Myanmar, they just challenge the legitimacy of the regime. It’s probable it will carry on being called Myanmar after the regime is gone.”

'Myanmar' represents the illegitimate rule of the former military junta. A second group argues 'Myanmar' incorporates the potential for a new sense of unity. A third group, like Suu Kyi, argues it is only a matter of freedom of expression; express your right to choose the way you represent yourself and call the country by the name you accept on your own terms.

Some organizations, like the United Nations, choose to call the country 'Myanmar,' because that name derives from a form of self-determination. If the country (though in this case a very limited portion of the entire country – the military junta) chose to call itself 'Myanmar,' then the United Nations will use that name.⁹ The United States has stated that it uses 'Burma' "out of support for local opposition," however, some like Richard Coates, a linguist at the University of Western England, argue that local opposition groups do not accept the literary 'Myanmar' because it does not recognize the legitimacy of the new government.¹⁰

The use of either name is politicized. By using 'Burma,' the United States signifies to some in the country that it is looking backward, to the country's colonial past, and shows it is ignoring the developments of the past three years. While the military government did force the name Myanmar on the country's population, the name may not stay. That will be up to the new government and hopefully its people to decide. The United States should respect the country's history - including those parts when tensions between the United States and Burma ran high - as well as the ability of Myanmar's people to choose which name the country will take.

Endnotes

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U.S. — Burma Relations: Peace, Stability and the Transition to Democracy

Executive Summary

Rebekah Kennel, Devon Ridley

Burmaⁱ will define the Obama Administration's foreign policy legacy. Political change in Burma, once unimaginable, is now a bright reality with burgeoning prospects for the future. The ongoing rapprochement between Washington and Naypyidaw over the past four years has been marked by what seemed to be an improbable internal transformation of government under the leadership of Burma's President Thein Sein. Burma has demonstrated an extraordinary commitment to a new national trajectory marked by the goals of ethnic peace, stability and democratic governance.

While Burma's commitment to the reform process remains genuine, there are significant obstacles in attaining these goals. Pervading the country, civil war and poverty compounded by a weak constitutional government, a nebulous civil society, and an unreformed military structure. The United States is committed to supporting the people of Burma and this commitment must remain unfettered and strengthened in the coming years.

The United States has a unique opportunity in Burma to uphold the values of freedom and justice while better understanding a new, more relevant position in Asia. Burma offers a new roadmap for the United States in aiding a democratization process that requires moving beyond the tools of isolation and international pressure. The United States must pursue open-handed policies and remain firmly committed to the Burmese reformers as they seize their moment for change.

The recommendations of this report reflect a balanced, holistic approach that the U.S. State Department should apply moving forward in Burma. These intersecting policies address the contemporary concerns of national governance, civil society, ethnic peace, regional stability and economic reform. The remainder of this summary is a synthesis of the policy consider-

ations recommended within the body of this report.

Governance

Essential to governmental reform is a stable and long-term approach to democratization, in which capability and expectation overlap. The United States must consider other Burmese stakeholders other than the NLD, such as minority parties and the USDP, in order to avoid post-election fallout after the 2015 general elections. This outcome can further be avoided by increased USAID Democracy and Governance funding to bolster law, legislation and education systems.

As the United States continues to strengthen ties with Burma, understanding the limitations of constitutional reform will become key to determining how U.S. policy makers should proceed with legal reform efforts and capacity building. Constitutional reform should be a long-term goal as to not elide minority interests leading up to the 2015 elections. The United States should also encourage philanthropic foundations to fund legal technical assistance as capacity building aid for Burmese legislative and judicial reform.

Civil Society

The cornerstone to a stable democratic transition in Burma will be a strong and outspoken civil society. The framework for this civil society still exists in Burma, but has suffered historic repression, under decades of military-junta rule, press censorship and lack of inclusive civil liberties. To rebuild a strong civil society the United States needs to empower multiple sectors of Burmese civil society, by providing financial assistance to CSOs that are working toward strengthening the education system, establishing rule of law through legal reform and putting an end to human rights violations. In order to establish a strong education system, Burma must rebalance its domestic budget which currently spends more on the military than on healthcare and education combined. Further, CSOs must remain politically active as formal election monitors and resources for voter education before the 2015 elections.

ⁱ This report is intended for a U.S. State Department audience, thus the authors of this report continue to refer to the country as 'Burma' rather than 'Myanmar.' The note directly following the "Terms and Abbreviations" on pg. 1 explains the authors' reasoning behind this editorial choice and encourages State officials to begin openly referring to this country as Myanmar in the future.

Ethnic Peace

The United States must pursue a diplomatic approach to working with Burma to solve deeply rooted issues of ethnic instability, in order to create sustainable peace and political stability. Sectarian strife between Muslims and Buddhists in Rakhine State and the Kachin war for political autonomy in Burma has recently experienced a surge of violence. The United States should urge the Burmese government to uphold the protection of civil liberties and human rights while participating in a multilateral peace dialogue. This includes the protection of IDPs (internally displaced peoples) and refugees in regards to provisions within citizenship laws. The United States must support a de-escalation of the war, an end to war crimes and human rights violations, and unhindered access to Kachin state for international humanitarian organizations via U.N. agencies and local organizations.

Regional Stability

Essential to the reform process will be ensuring that the Burmese military is accountable to its civil society and not the reverse. This can be done in part through military-to-military training focusing on humanitarian and disaster relief. By engaging the military toward combating the proliferation of weapons, specifically regarding the ambiguous relationship with North Korea, combating terrorism and confronting human and narcotics trafficking, the United States can aid in the re-defining and professionalizing of the Burmese military. Regarding narcotics, the United States should promote “alternative development” through locally established NGOs adhering to the “action for action” policy specifically concerning rural economic development. In this process the United States and China must assume a partnership role to facilitate bilateral dialogue on Kachin state between the Burmese military, the KIO and the constitutional government. The United States should also promote fair economic competition in Burma by encouraging Japanese and Indian investments.

Domestic Economic Reform

Burma is lacking fundamental infrastructure, critical to furthering local economic development. Reforms such as sanctions reductions and a re-drafting of the 2012 Burmese investment code will be prerequisite to allowing greater foreign direct investments into the country that will bring much needed infrastructure development. Economic partnership will be built upon the foundation of strong economic goodwill, agricultural development, and the creation of sustainable industries in Burma. This is achievable by utilizing already existing microfinance framework and capabilities by directing U.S. branded microfinance loans through the Grameen Bank, the Asian Development Bank, and the United Nations Development Bank.

Reform in the key agricultural sector will help drive the domestic economy with increased support for small farmer development and contract agriculture. This includes fundamentally rethinking the Wasteland Act, which is non-conducive to

small landholding farmers. As Burma continues to pursue agricultural opportunities, there should be funding provided for exposure tours for key parliamentarians, Ministry of Agriculture officials, Burmese Agribusinesses and agriculture-oriented NGO staff to countries that are undergoing land reform or have undergone land reforms that supported small farmer development or contract agriculture.

Lastly, the United States is uniquely positioned to increase economic goodwill through microfinance and investment projects focused in sustainable industries such as manufacturing, agriculture and tourism. The United States should commission a USAID feasibility task force regarding the opportunities in an emerging tourism industry as Burma pursues economic stability.

International Economic Reform

Ultimately Burma’s reform will be determined by the country’s ability to integrate into the world economy. Struggling with an infant economy, lack of infrastructure and a largely incompatible economic system, the United States can offer international investments that support ongoing domestic goals, integration into regional trading blocks that will ultimately bring the country into line with international economic standards.

Key to Burma’s economic integration will be their success within ASEAN Economic Community (AEC), which they will chair in 2014. This must be accompanied by a gradual removal of international sanctions and barriers to trade. The stabilization of the Kyat will be instrumental in this process as American and other foreign business and educational exchange become possible. These ties are crucial in the development of human capital in Burma for future generations.

Conclusion

These recommendations target the crucial issues of Burmese governance, civil society, ethnic peace, regional stability and economic reform that must be successful if the reform process is truly to take hold. The United States is capable of providing the impetus for a positive way forward in Burma. Most importantly, both Burmese and Americans must welcome this moment of transition for these recommendations to affect palpable change.

At his 2013 State of the Union Address, President Obama recalled witnessing the power of hope last year in Rangoon, Burma when he became the first sitting American president to visit the country. It was an event that many in the international community did not foresee in their lifetime. Yet, there have been significant strides since in strengthening U.S. relations with Burma. Most notable is the official establishment of a U.S. Embassy in Rangoon, for which this report is directed. These remarkable advancements in U.S. – Burma relations will be Obama’s defining foreign policy legacy and the foundation upon which future administrations will build. The United States has embarked with Burma on a new trajectory towards peace, stability and democracy and must stay committed to that partnership, whatever obstacles may come.

Origins, Failures, and Lessons of the First Civilian Government

Trevor Smith

Background

In recent months it has become increasingly clear that Burma, under the leadership of President Thein Sein, has begun a transition away from military dominance of public affairs. As such, policy makers must note that this is not Burma's first experience with civilian rule and many lessons can be drawn from Burma's political past. Achieving full independence after a long period of British occupation and rule, the initial fledgling Burmese government was indeed civilian run, with the military not acting as the primary governing institution. This civilian government was a parliamentary system, and although the military was certainly still one of the dominant state institutions, it did not run the state, as has been the case from 1962 until the recent political opening. This first attempt at civilian rule lasted from the period of 1948 until 1962, with a brief period of state sponsored military rule in the middle of this period from 1958 to 1960. By noting the historical origins of the first civilian government, and analyzing the reasons for its eventual collapse, the State Department can more effectively understand what problems a new civilian government will likely face in Burma, including the essential step of integrating ethnic minorities into the political system which has yet to be solved. An understanding of the historical significance of Burma's first attempt at civilian rule can help policy makers understand what will be necessary to ensure the longevity of a new civilian government in the 21st century.

This introduction intends to first explain the origins of the first civilian government (CG) and specifically indicate how Burma emerged from its period of colonial rule as a fragile political union, with a devastated infrastructure and economy. This will be followed by an explanation of the primary drivers of collapse, most notably the unsuccessful political integration of ethnic minorities, resulting in the eventual complete military takeover in 1962. A subsequent analysis of why many of these drivers have not been addressed to date follows, making clear

that the first civilian government should not be considered a model for a new civilian government as it takes shape in Burma today. This brief historical introduction will set the stage for a more complete discussion of the ways the U.S. State Department can mitigate potential risks to a new reformist government as well, while additionally offering specific and achievable policy recommendations that will strengthen Burma's fledgling democracy as it embarks down a path for civilian rule.

Origins of the First Civilian Government

The period of the first CG assumed power after WWII as Burma's first national government in over a century marked by British and Japanese rule. An understanding of the failures of the CG must start with the study of its origins, in particular how the CG inherited a country completely devastated by war and post-colonial rule. Burma's infrastructure and overall economic development were severely deteriorated by bombing and general warfare. Colonial legacies also affected Burma politically, as the British arbitrarily created different ethnic groups, which sparked ethnic tensions that still hinder the possibility for a strong civil society today.

There are key aspects of Burma's role in WWII that still hold relevance for policy makers even today and others that help to explain the failures of the CG. First, following the Japanese invasion and eventual occupation of Burma, both British and U.S. Special Forces aided groups within Burma to assist in the fight against imperial Japan, most notably the Karen and Kachin ethnic groups, who still fight against the Burmese government today. Many of the disputes these ethnic groups have with the Burmese government stems from both stated and implied concessions for their military assistance in WWII. In short, these groups came to believe that they would be granted independence from a new central Burmese government in the event of a Japanese defeat. As Burma expert David Steinberg explains, "[WWII] fostered the growth of ethnonationalism

as some minority groups asserted what they considered their rights as part of the Allied war effort.”¹ These ethnic tensions between minority groups and Burma’s central government were further exacerbated because the eventual leader of independence, General Aung San, initially worked with the Japanese and at times even commanded his army fight against ethnic minority groups who opposed Japanese rule. When Britain recognized Aung San as the leader for Burma these groups felt even more marginalized, and thus were skeptical to accept the legitimacy of any new Burmese government.

The destructive impact of WWII was not only the source of the ethnic conflicts to follow; the devastation that the war had on Burma’s economy, infrastructure, population and overall security cannot be understated. Rangoon was in shambles. Whole city blocks had been shelled into rubble. There was no electricity, and the harbor had been wiped out. Mandalay was effectively gone.² In sum, the civilian government inherited a state that was completely devastated by warfare, where no short-term solutions existed for reconstruction.

As part of an overall British strategy of withdrawal from their colonial possessions following WWII, the CG and an independent Burma was born, officially ratified in the Aung San-Attlee Agreement signed by the Burmese army general Aung San, and British Prime Minister Clement Attlee on January 27, 1947. It is clear from post-colonial destruction that the new government was going to face some severe challenges from the start, and the CG failures from 1947 until its eventual collapse in 1962 stem from its inability to solve these initial problems. The primary problems the CG faced from its onset was an infrastructure and economy nearly completely destroyed, armed groups present throughout Burma with varying loyalties, and a fledgling government apparatus with little ability to institute policy. All of this was further complicated by the assassination of the revolutionary and unifying figure of Aung San five months before independence in 1948.

Failures of the First Civilian Government

Within two years of the Aung San-Attlee agreement, at least four active insurgency movements were present in Burma, who collectively posed a sizable military threat and a legitimate political threat to the young government. First to reject the legitimacy of the CG under the leadership of U Nu was the Stalinist Red-Flag Communists who rejected U Nu’s middle of the road socialism. Following shortly after, the Communist Party of Burma (CPB) revolted, a well-armed group, who saw the CG as simply a tool for British imperialism. Despite calls from U Nu and the CG for reconciliation with these groups, the CPB took over vast swaths of territory within the Irrawaddy Valley, and many units of the CG’s armed forces mutinied to join their

cause. To fight these conflicts, the CG depended significantly on the Karen and Kachin forces that initially supported the CG in hopes that the CG would reciprocate their support with greater autonomy. As it became increasingly clear such autonomy was unlikely to come, the Karen began building up their military arm, the KNDO, and the Kachin First Rifles stated their alliance with the KNDO, further escalating the scale of the armed resistance movement, who together fought all the way to within a few miles of the CG capital, Rangoon. In addition to this fighting, another ethnic group, the Chin in western Burma, took over the key strategic city of Pakkoku. Another presence in Burma, the CIA-backed Kuomintang remnants from China, occupied significant territory in northeast Burma, and there even remained a possibility for an overt Chinese invasion. Overall, the CG was facing active insurgencies on all sides, and looked outward for support³.

Slowly, with the help of British and American arms and intelligence, the Burmese military was able to retake all of the major cities in the Irrawaddy valley. The wars did not necessarily stop then however, and active fighting on many of these fronts still exists even today. From its origins in WWII, and the destructive civil war that followed, it was clear that the military was going to play a large role in Burmese society. It was the military that brought the CG back in control after a nearly complete breakdown in order during the civil war after WWII. However, even with order restored and armed groups primarily pushed into the border regions, these groups still posed a legitimate military threat to the CG. In spite of the civilian population’s influence, the military never completely stepped out of power under the CG, and military leaders began to view themselves as protectors of the state.

Finally in 1958 after years of intense civil wars, the military apparatus under the direct control of General Ne Win took control of the government in a constitutional coup. It remains unclear whether U -Nu consented to the coup or was forced to accept Ne Win’s takeover. However, in either case, the military took control fearing a collapse of the union. In the lead up to the particularly contentious 1958 elections, political posturing by various leaders made it seem likely to Burmese leaders at the time that the elections could lead to a collapse in the CG.⁴ Interestingly, this collapse was not to be created due to insurgency groups at the borders and the overall civil war, but by a split in political parties at the capital who seemed unable to cooperate and create a government. Considering the role of the military in protecting the state through the various insurgencies in the tumultuous years following independence, it is not surprising that the military stepped in to assume control when solidity of that state appeared at risk in 1958. Overall the coup of 1958 makes clear that due to necessity or desire the result is the

same: the military never fully stepped back and allowed the CG to fully take back control of the country. This self-perception of the military still remains in many ways true today; the military still continues to see itself as the most essential state institution and the only institution capable of protecting the country from disorder.

With the majority of state money and resources devoted to the creation and maintenance of a strong military the CG struggled greatly with the task of reinvigorating the economy. In a 1957 *Time* article on Burma's economic growth, the author explains how ten years after independence, "Burma's gross national product was still less than 90% of what it had been under British rule in 1939...Exports of rice, the nations main source of foreign exchange, were less than two-thirds the prewar average."⁵ It is clear from these statistics that the strategies for economic development undertaken by the CG were not particularly effective. Steinberg explains that, "the government was financed through extraction of materials and their sale overseas...The insurgencies not only drained resources but also denied the government access to much of the mineral and natural wealth of the state, which was in unsafe areas."⁶ It is also clear here that not only were the insurgencies a military problem, but that they were also a severe economic problem as well. With an inability to access natural resource reserves in the insurgent dominated areas, the CG was forced to look elsewhere for economic growth. This resulted in a number of failed policies, for instance the Pyidawtha Plan that relied on rice exports for growth; this plan failed due to a false assumption that rice prices would remain high. The CG was unable to develop Burma economically until the early 1970s, after a few years of military rule under Ne Win, the standard of living was raised back to pre-WWII levels⁷.

Lessons from the First Civilian Government

The primary failure of the CG was its inability to solve the problem of ethnic insurgencies at its borders. Further problems stemmed from this larger issue of constant fighting of armed insurgency movements. The military never stepped back fully from its role as the primary state institution because a strong military was, or at least seemed, necessary to protect the security of the state. Despite the existence and political operation of the parliamentary government, it was not the real source of state stability made clear by the constitutional coup of 1958. Because a strong military was necessary to ensure security, military leaders began to envision themselves as the sole protectors of Burmese sovereignty, a self-perception that continues today. As Burmese scholar Andrew Seith points out about contemporary Burma, "in the event of challenges to ... Burma's unity, stability and independence, there is little doubt that the generals would swiftly reassert their domination of Burmese society."⁸ The inability of

the first CG to bring long-term stability to Burma left a legacy where stability has since been backboneed by a strong military, constantly ready to intervene.

Stemming from the CG's inability to resolve the ethnic insurgencies in the border regions, other failures followed. The need for a strong military caused the CG to devote substantial state resources towards developing the military apparatus, resources that could not go towards economic or infrastructure development programs. This problem was further exacerbated by the geographic reality that much of the natural resource reserves in Burma were located in insurgent dominated areas, making economic development and rebuilding even more difficult. Raising the strength and capabilities of the Burmese armed forces took priority over developing civilian infrastructure and overshadowed any hope of raising the standard of living for the Burmese public. The centrality and necessity for military strength in post-colonial Burma made focusing on previously less pressing issues like public welfare, economic development, and infrastructure rebuilding a secondary enterprise.

Overall these failures of the CG make clear the CG should not be considered a model for what a new civilian government (NCG) should look like in the 21st century. However, the relevant problem for policy makers today and the reason such a history lesson has value is that many of the problems that the CG faced following WWII represent issues that have yet to be solved in modern Burma today. Ethnic insurgencies remain a pressing problem both politically and militarily today in Burma, and the military will be extremely hesitant to relinquish its primary role in the government structure. Because these major problems have not been solved, it remains clear that a full return to civilian government will not inherently mean a good thing for the people of Burma, the stability of the state, or Burma's economic development. A NCG that does not make progress towards solving these problems will likely be doomed to repeat the history of the first eventual military takeover if the stability of the state appears to be at risk. A solution must be found at the level of macro-stability that includes the political inclusion of ethnic minorities, or the military will never truly be able to step back as the primary state institution. A NCG that exists as some form of a democracy without the inclusion and political buy-in of minority groups will not be a proper democracy and is in danger of repeating the past ending in a military takeover. This report suggests positive ways to move forward in order for Burma to avoid a similar fate as demonstrated in the first CG. The following chapters focus on important policies related to governance, civil society, ethnic peace, regional stability and economic reform that must be addressed as Burma continues the reform process.

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Chapter 1: Governance

Emily Davis, Stephen Lee

Introduction

This chapter makes recommendations on how the reform process should best be reflected in reforms to Burma's current political system and government. The first report recommends that the United States should not solely support the National League for Democracy, as a landslide victory in 2015 could marginalize former political elites and other democratic forces within the country could build up a party that already suffers from several weaknesses. The second report recommends that the United States should support multiple constitutional reforms to prepare post-junta Burma's political system to best represent the country's ethnic minorities, who historically have been marginalized by the military's dominance in parliament.

Policy Considerations

If Burma is to become a key U.S. political ally in Southeast Asia and a gateway to the rest of Asia, developing the country's political stability will be vital. The United States must consider the implications of supporting a weak NLD to ensure the effective distribution of USAID Democracy and Governance funding. Regarding constitutional reform, lasting national reconciliation will only result when ethnic minorities receive some degree of political autonomy and provision in Burma's constitution. Constitutional reform might be among the first actions that implement U.S. interests to promote stability on the ethnic conflict and political fronts.

Policy Recommendations

- Ensure a continuous and inclusive discourse between all front-running parties, ethnic and democratic, by reducing U.S. support of the NLD prior to the 2015 election. Any outreach from the NLD to these political parties after the election will be ineffective.
- Implement U.S. support for newly elected NLD Regional and District leaders as they take their posts after the 2015 elections.

- Maintain an awareness of former USDP and military political elite who still control twenty-five percent of influential legislative power as they adjust to a new democratic dominated party system.
- Increase USAID Democracy and Governance funding to the necessary sectors such as law and legislation education systems to avoid post-election fallout.
- Continue the normalization process with the Burmese government under President Obama's 'action for action' policy. Constitutional reform is a long-term goal and providing incentive and rewarding the Burmese government to make real progress on ethnic tensions and human rights will provide the stability required for constitutional reform.
- Encourage philanthropic foundations to fund legal technical assistance as capacity building aid for Burmese legislature and judicial reform.

Implications of Single Party Support

Emily Davis

Background

The United States has invested greatly in the NLD in the upcoming 2015 elections and as a partner in the economic, social and political development of Burma. The NLD and its leader Aung San Suu Kyi have many positive and negative attributes that must be fully assessed before designing the USAID Democracy and Governance assistance solely around the NLD. Burma is positioned to be a foothold for U.S. interests in Southeast Asia. If Burma is to be a strong ally to the United States then it must first have sustainable internal stability. A closer look at the potential fallout that may occur should the NLD win in what is believed to be a landslide election is critical to avoid furthering conflict and instability within the country.

Policy Recommendations

- Ensure a continuous and inclusive discourse between all front-running parties, ethnic and democratic, by reducing U.S. support of the NLD prior to the 2015 election. Any outreach from the NLD to these political parties after the election will be ineffective.

One of the many risks associated with the victory of the NLD in the 2015 election is the risk of marginalizing the members of the military that once made up the political elite within the previously ruling USDP.ⁱ Regardless of the outcome of the election, the military will still hold twenty-five percent of the legislative seats and will still have the power of veto over constitutional amendments under the present constitution. It is predicted, based on the results of the 1990 elections, when the NLD won sixty percent of the vote and eighty percent of the seats,ⁱⁱ that many of the current USDP officials that are holding legislative seats may lose them to NLD party members. However, that twenty-five percent still holds quite a lot of power, and if disagreements about legislation were to occur between those Members of Parliament (MPs) and the

i The USDP (Union Solidarity and Development Party) is the current ruling party that is lead by former military general Thein Sein.

ii These numbers come from an analytical report on the potential statistics for the 2015 election. These numbers do not guarantee statistics for the 2015 election results.

NLD party members, this could result in a legislature that would be forced to make concessions to the executive.¹

The NLD is to repeat history if it disregards the interests of minor political parties, namely those that represent ethnic minorities. In the 1948-1962 era of independence the interests of minority party leaders were largely ignored and the three elections predominantly focused around the central based political parties.ⁱⁱⁱ Over 200 minor ethnic political parties are divided because of current land, resource, and culture disputes. The lack of consolidation amongst these groups is a detriment to developing a legislature that should at least attempt to encompass the agendas of the minority groups, which comprise the majority of the Burmese population. Resolution of the ethnic tension between individual ethnic groups will assist in the overall inclusion of ethnic group's rights into Burmese legislature, which is vital to the success of democracy in Burma.^{iv 2}

The NLD has been exceptionally dismissive of other democratic political parties since the elections were held in 2010. These political parties represented in sum a large percentage of the population and by disregarding their objectives and agendas, and thus the objectives and agendas of the people they represent, the NLD is foregoing crucial strategic alliances to promote national reconciliation. The NLD is not the only party that has worked on developing a strategy to reduce many of the conflicts within the Burmese border. Consequently, the NLD is wasting this strategic development if it continues to not utilize the know-how of various other political parties. For example, the Democratic Party for New Society (DPNS) maintains many of the same objectives of the NLD and has put together a variety of different programs to achieve those objectives. If the NLD was more open to political collaboration then many of these democratic parties' similar interests could be realized.³

The '88 Generation began as a group of student activists that lead the 1988 rebellion^v against the Burmese govern-

iii This period was the first attempt at a democratic institution in Burma's history.

iv Looking back on Burmese history, the failure to include ethnic party agendas in legislature is attributed as the prominent cause for dissolution of democracy.

v In addition to the 1988 rebellion, the Saffron Revolution stands out as a prominent moment in Burmese history demonstrating the nation's strong desire for democracy.

ment that almost toppled the regime. The danger of marginalizing this group of people has most to do with their exceedingly strong grass roots support linked to Burmese civil society. The '88 Generation may garner enough support to counter balance the growing strength of the NLD.⁴ The '88 Generation would fit in nicely with the NLD political party but have not consolidated with them for a number of rumored reasons. Whether the NLD has not accepted their request to join forces or whether the '88 Generation has intentionally stayed independent is not known for certain. What is certain is that the Burmese people look to the '88 Generation for guidance as the country makes the transition from authoritarian to democratic. The NLD should be careful not to loosen ties with this influential group. The '88 Generation has created a strong relationship with ruling party leader Thein Sein and is criticized for this by NLD member and international communities. The '88 Generation maintains that so long as Thein Sein continues down the path towards reform that he will have their support. If the USDP and '88 Generation were to become any more closely tied the NLD would have a lot to be concerned about, as the two unlikely allies would make a formidable opposition.⁵

- Implement U.S. support for newly elected NLD Regional and District leaders as they take their posts after the 2015 elections.

Many of the members of the NLD are lacking in critical governing skills when it comes to transitioning from an authoritarian country into a democracy. These leaders lack experience working within a democratic political system that encompasses many diverse groups of people. When the election and voting process begins there is a concern that the population will vote for any leader that is under the banner of the NLD. This is because the country of Burma and the West has an obvious favorite, Aung San Suu Kyi, the leader of the NLD. Regional and District leaders may be elected based on their political party associations alone, and not on personal merit or experience. The new government cannot only be built around leadership at the top; there must be strong leadership within districts and regions to ensure a strong government foundation. To avoid a top heavy government the regional and district leaders will need to have the same amount of democratic governing expertise as the main leaders of their party, such as Suu Kyi and her advisors. The NLD has a long experience as a democratic movement but it should be questioned if they are capable of leading Burma during this demanding time of transition. The NLD is experienced in being a democratic movement, but not in being a democratic party.

- Maintain awareness of former USDP and military political elite who still control twenty-five percent of influential

legislative power as they adjust to a new democratic dominated party system.

An emphasis on the needs of the nation over the political aspirations of the NLD has not always been Aung San Suu Kyi's first priority. However, recent evidence has proven that this fact may be changing. Suu Kyi made the decision to bring the NLD into the formal political process with the ruling party, the USDP, by registering the political party and winning and accepting seats in the ruling national legislature. The NLD had won 43 seats in a by-election in 2012 and proceeded to be registered under the administration of the USDP. These are steps that demonstrate an attempt to work with the USDP to achieve political stability for Burma. This decision made by Suu Kyi to register the NLD under the current administration went against many of her party members advisement and showed willingness on her part to do what is best for the country instead of what was best for the NLD. In addition to showing a desire for stability within the Burmese government, Suu Kyi has also fostered a close relationship with former USDP party member and former Lower House Speaker, Shwe Mann. The relationship between Suu Kyi and Shwe Mann^{vi} is indicative of Aung San Suu Kyi's willingness to work with leaders from outside her own political party. Legislative partnership between the two parties is critical to the reform process and to reducing the authoritarian power of the executive and the military.⁶

- USAID should increase Democracy and Governance funding to the necessary sectors such as law and legislation education systems to avoid post-election fallout.

Proportional Representation

There are several clear ways that marginalization of former political elites; ethnic minority parties, other democratic parties and the '88 generation can be avoided. The first solution is through the implementation of Proportional Representation^{vii} (PR) legislative system. Currently, Burma is operating under a winner-take-all Plurality system of legislative seat election. An alternative option to the current zero sum system argues for all groups participating in the election to be awarded the amount of seats that are proportionate to their popularity within the country as defined by the votes. This runs counter to the majority winner taking control over all of the seats and subsequently would reduce the risk of marginalizing other democratic politi-

vi Shwe Mann was removed from the Lower House Speaker position. This is not in anyway connected to his political relationship with Aung San Suu Kyi.

vii PR is seen as the best way to avoid corruption within political parties because it disallows donors to become primary stakeholders.

cal parties and ethnic minority parties. There must be changes made to the current constitution to accommodate the PR system. This could be achieved though the United States providing technical assistance to the Union Election Commission. The Union Election Commission is a group of eighteen members appointed by the military government in 2010 and they are responsible for overseeing and organizing elections in Burma.⁷ The change that is necessary would be to rework the electoral system from the status quo to instead needing a seventy five percent vote in favor of constitutional amendments and a simple majority rules system for the National Referendum. The Burmese constitution will need to be adjusted to accommodate the PR system and this is the primary reason that the military based political parties are opposed. If the constitution is opened up for adjustment in this sense then there is nothing preventing the amenders from changing the law stipulating that the military has a mandatory twenty five percent of the legislative seats. In addition to that, such constitutional changes would be hard to accomplish before the 2015 elections. The reasons listed above demonstrate why the PR system is not a plausible option for United States support.

Party Coalition

The second way to avoid marginalization of political parties outside of the NLD is through a Party Coalition (PC). This entails an agreement between political parties not to have candidates from their party run in regional and district elections depending on the ethnic ratios within the area. The NLD is strongly against this solution because they believe that it restricts the voter's choice. The NLD welcomes the landslide effect that is to ensue in many regions within Burma during the 2015 elections and PC would stifle this effect. The NLD is however willing to make some compromise on this front. They are willing to only have candidates run in the Upper House in ethnic areas instead of in the Lower House.^{viii} This will allow for ethnic minority politicians to take these Lower House posts while the NLD still has most of the influential power. PC is nevertheless something that can be considered for improving the democratic transition but there is not enough internal support from the multiple parties who would make up this coalition, namely the NLD, for the United States to fully back this recommendation.⁸

Strengthening Ties

The last option to avoid the fallout associated with the NLD winning a landslide election and marginalizing other opponents is to strengthen its relationship with other party leaders and ensure them that their political objectives and social interests are still relevant and important, regardless of the elec-
^{viii} With ethnic representatives holding Lower House positions it is less likely that ethnic agendas be heard and advocated for in the Upper House.

tion outcome. It is important that building these relationships begin prior to the election. If the NLD is to utilize this option they need to prioritize this relationship over the next two years. The United States should fully support any attempts from any of the stakeholder parties to improve relations and strengthen ties with opposing political parties. This tie strengthening could be achieved by stipulating that USAID Democracy and Governance funding only be allocated if multiparty participation in political training and workshops is guaranteed. The NLD should be strongly encouraged to create and strengthen diplomatic ties with the USDP, the ethnic minority parties, the other democratic parties, and the '88 Generation.

Placing contingencies on funding from USAID can largely incentivize tie strengthening between the various stakeholders. One of the goals of USAID funding, aside from the goals of supporting healthcare and microfinance, is to support the growth of a system in which journalists and writers gain the skills to report un-biasedly the current events occurring within the country so that the voting population is informed of all perspectives and goals of their leaders before elections. This is the way in which U.S. funding is making the most impact to support the democratization of the country's government and society. The three main ways in which USAID funding will go to improving Burma's chance at maintaining a democratic government will be first through the implementing of electoral administration support. The second is through an assessment of the "Rule of law" practices within the country to ensure their accountability and transparency. The third will be through the U.S. - Burma agreement to continue anti-trafficking by having a consistent dialogue about TIP (Trafficking in Persons) issues. With the USAID funding all of these different forms of infrastructure, regardless of which party holds control of the government after the elections, there will be enough infrastructural support to avoid any regression into un-democratic ways.⁹

Conclusion

There are many different avenues that are available to be used to ensure stability in the transition of the Burmese government from authoritarian to democratic. However, the only avenue that can be utilized at this time, due to political party complications and constitutional hold-ups is tie strengthening. After closely analyzing all of the options that the United States could support, it can now be said with absolute certainty that encouraging the NLD to build diplomatic relationships with opposing political forces is the best option for stability in Burma and the U.S. - Burma relationship. When looking at how to strategize U.S. Democracy and Governance funding, solely supporting the NLD would not be strategically prudent for the United States because of the many risks addressed above.

Constitutional Reform and the Changing Role of the USDP

Stephen Lee

Background

The United States has invested greatly in the NLD in the upcoming 2015 elections and as a partner in the economic, social and political development of Burma. The NLD and its leader Aung San Suu Kyi have many positive and negative attributes that must be fully assessed before designing the USAID Democracy and Governance assistance solely around the NLD. Burma is positioned to be a foothold for U.S. interests in Southeast Asia. If Burma is to be a strong ally to the United States then it must first have sustainable internal stability. A closer look at the potential fallout that may occur should the NLD win in what is believed to be a landslide election is critical to avoid furthering conflict and instability within the country.

Policy Recommendations

- Ensure a continuous and inclusive discourse between all front-running parties, ethnic and democratic, by reducing U.S. support of the NLD prior to the 2015 election. Any outreach from the NLD to these political parties after the election will be ineffective.

The fundamental tenets of the Burmese constitution have sustained ethnic tensions for decades. The absence of ethnic minority rights remains a post-colonial crisis dating back to the 1940s. Lasting national reconciliation will only result when ethnic minorities receive some degree of political autonomy and provision within the current constitution. If President Thein Sein's statements at the U.N. General Assembly last year of "irreversible" reforms and change are to be taken seriously, then Burmese reformists must be prepared to address constitutional reform at a level acceptable to the ethnic minorities.¹⁰

U.S. policy makers must be reminded that the current constitution is a document that guarantees the supremacy of the *Tatmadaw*, excludes ethnic minority rights, and fails to provide a platform for a legitimate democratic judicial and legislative system. Expecting significant reforms to these deficiencies in the 2008 Constitution is sure to be a slow process and must be approached delicately. Fast tracking democratization while marginalizing ethnic minorities, political elites, and the military, jeopardizes the stability of the country. To demonstrate the complexity of the process, reformists will have to untangle a Gordian knot

between ethnic tensions, military roles, divisions within parliament, judicial reform and legislative reform, compounded by severely limited Burmese human and technical resources. U.S. policy makers must emphasize peace and stability as their primary short-term goals complementing a long-term strategy for constitutional reform. Ultimately, national reconciliation and participation of ethnic minorities in the process of constitutional reform will be among the first stepping stones toward a lasting democracy.

- Continue the normalization process with the Burmese government under President Obama's 'action for action' policy. Constitutional reform is a long-term goal and providing incentive and rewarding the Burmese government to make real progress on ethnic tensions and human rights will provide the stability required for constitutional reform.

The primary cause for the constitutional deficiencies as well as the rise of military authoritarian rule must be historically referenced to ethnic minority groups dating back to British colonial rule. With respect to space, a critical moment that ethnic minority groups still hold on to is the failure of the first civilian government in 1947 to follow-up on promises to give ethnic minority groups autonomy through a federalist constitution.¹¹ Followed by the assassination of Aung San and five of his colleagues, and shortly after, the split of the Burmese armed forces, fighting had erupted between Karen dominated forces and the Burma Army. In response to the threat of rebel groups, General Ne Win launched a massive military expansion—the birth of the *Tatmadaw* and junta rule until 2011. The 2008 Constitution is a legacy of this history and must undergo significant reform to address fundamental ethnic minority concerns. The ethnic minority conflict begins with constitutional failures, and if it is to end, the current Burmese reforms must look toward a constitutional solution.

Before Thein Sein's reforms, experts were convinced that the 2008 constitution was a document that simply served to continue military rule under a veneer of a civilian government.¹² Although it is too soon to discredit those claims, none could have predicted the reforms that have come out of the new Burmese government in the last two years. We have seen the first passage of laws that require elected officials to look at budget al-

location in a multi-party parliament since 1962, the release of most political prisoners, the relaxation of press censorship, and the 2012 by-elections that were considered free and fair.¹³ Additionally, as the importance of peacebuilding has expanded from a top international priority to a top Burmese national priority (at least in rhetoric), federalism has become an open topic among Members of Parliament (MPs). There are reasons for hope in seeing a stable democratic Burma, however as one expert on legal reform in Burma states, “Burma has only taken a handful of steps down a thousand mile journey.”¹⁴

Institutional limitations to constitutional reform and the rule of law

The first challenge to constitutional reform is the potency of the military’s control over legislation. Under the 2008 constitution, the military is to “*Participate in the National political leadership role of the State...safeguard the non-disintegration of the Union, the non-disintegration of National solidarity and the perpetuation of sovereignty...safeguard the Constitution [and] safeguard the Union against all internal and external dangers.*”¹⁵

The *Tatmadaw* holds twenty-five percent of the seats in parliament and to pass any constitutional amendment the proposed amendment must win more than seventy-five percent of all the representatives of parliament. Therefore the *Tatmadaw* holds the power to veto any amendment it finds threatening. The constitution is intentionally vague in many sections concerning the delineation of powers between branches of government and the military and must be undergo a long process of reform to clarify the role of each branch and limit the privileged role of the military. Although the opinions of the military on the current reforms are not yet defined, it is important to see that the army’s engagement with civilian agencies has increased and are responsive to incentives addressing concerns by the international community.¹⁶ The United States must engage the Burmese military with cautious optimism; educating military officers of their role in a civilian government.

Secondly, the judiciary lacks independence and impartiality to uphold the rule of law. As the executive and military have significant influence in appointing judges, this fundamentally undermines the independence and impartiality to conduct constitutional review. What we see on the ground in Burma is that elected officials are still figuring out how “separation of powers” should be implemented under the new constitutional government. Within the current legal structure, Article 11(a) of the 2008 Constitution states, “*The three branches of sovereign power, namely legislative power, executive power and judicial power are separated, to the extent possible, and exert reciprocal control, check and balance among themselves.*”

Despite encouraging signs from high-ranking officials currently

considering the implications of checks and balances, the mere concept remains new for Burma.¹⁷ Many elected officials who have served official positions during military junta rule, have only experienced governance through authoritarian control. To further complicate the matter, in a clash between the Constitutional Tribunal and the Parliament, the Lower House MPs threatened to impeach the 9-member tribunal, and against the executive, passed a resolution to “curb the powers” of the Constitutional Tribunal.¹⁸ Although MP actions indicate that balances of power between branches are being negotiated, removing the independence of the judiciary will make constitutional reform an even longer process.

- Encourage philanthropic foundations to fund legal technical assistance as capacity building aid for Burmese legislature and judicial reform.

Limitations to legal reform

Due in large part to the Burmese government understands that it must go through substantial law reform efforts to receive international aid, MPs have been dedicating much of their limited resources to legal reform and a legislative review.¹⁹ Therefore we have seen an influx of law reform being proposed and passed within parliament.²⁰ Unfortunately this brings a number of challenges. First, law reform has for decades come from the top-down and still is driven by only a few key members. Being pushed through by narrow elites, there has been a clear disconnect between parliament and their constituencies.²¹ Compounded by the demand from almost every sector for legislative change, MPs are facing too much legislation and a serious lack of capacity to prioritize them. There must be initiatives that encourage MPs to reconnect with their constituencies to begin the process of creating a bottom-up reform structure.

Another problem is the old legislations itself. New reform legislation is being passed where old repressive legislation is already on the books. The United States must be committed to assisting a comprehensive legislative review that “clears the underbrush of repressive old laws,” and educates Burmese officials on the public function of parliament and legislative body in a democratic system.²² If we expect to see reforms that address the complex and urgent ethnic concerns, then there must be a parliament that has the capacity to do so.

Some ministries have been actively seeking international expert assistance on legal affairs, but even then, legal experts are finding the ability for certain ministries to absorb the basic training and assistance are highly limited. This problem is amplified within civil society and minority parties, as many lack the ability to engage in legal dialogue.²³ During military rule, law schools were closed, resulting in an absence of a modern univer-

sity system. Burma now suffers from a severe shortage of individuals capable of drafting laws.²⁴ Today, Burma's judicial system is the least politically developed institution beginning reforms will be like starting completely from scratch. U.S. aid should be prepared to provide accommodating levels of support and training that encompasses multiple layers of capacity building, while simultaneously educating the new parliament of their function in legislature and judicial review in a fully transparent and representative government.

Changing Role of USDP toward reform

Following taking office on 30 March 2011, President Thein Sein faced a Burma that was at the bottom of all international indexes on human rights civil and political rights, corruption, and economic freedom. Through liberal reforms that appear to make the Union Solidarity and Development Party (USDP) more willing to democratize, the international community has responded in the easing of sanctions and reopening high level diplomatic relations. Thein Sein has reshuffled his cabinet to bring aboard new reform oriented deputy ministers, as well as appointing his most trusted cabinet members in to a group many call "super ministers" that have a broad range of authority in government.²⁵ However, President Thein Sein has not yet delivered fundamental legislative and institutional reforms toward genuine democracy that is in line with international standards.

U.S. policy makers must be reminded that the legislature is dominated by the USDP and reforms are primarily being pushed by a growing, but still very narrow, elite. Moving forward any significant legal reform toward democracy will be a difficult road. This is especially so as it is clear that Thein Sein is met with resistance within his own party. This is indicative of the passing of a constitutional tribunal law that disables the constitutional tribunal to act independently of parliament. Whether we should interpret this as Thein Sein losing support within his own party or not, it is clear that he is being challenged by members within the incumbent Hluttaw that would make passing substantive legal reforms more difficult. However US policy makers can identify a few optimistic trends within Burma that suggest the political will toward reform.

1. Thein Sein's reforms are genuine. This has been reported by 'close observers to key players, including Thein Sein himself,' as well as a shared view by Aung San Suu Kyi.²⁶
2. MPs are responsive to incentive provided by U.S. - Burma rapprochement. This is supported by the increase in legislative proposals that works to liberalize civilian rule as Joseph Yun outlined in his testimony to the Senate in April 2012.
3. MPs are open to assistance and aid from U.S. experts for capacity building.²⁷

4. Resolving the ethnic border conflicts is a top priority in parliament. Lower houses of parliament unanimously called for ceasefire in Kachin State, signaling lawmakers' and USDP's desire to finally answer international calls for peace.²⁸
5. General atmosphere, even among ex-military MPs to move Burma away from its past authoritarian image.

Conclusion

There is still a long way to go for Burma to achieve a transparent and representative government with a healthy respect for the rule of law. However we have seen a shift in strategy or at least a liberal deviation from the Burmese government. Constitutional reform is a long term-goal, but as long as international pressure and incentives continue, the influx of law reform being proposed by the USDP and other members of parliament will continue. The United States should focus their resources toward unilateral capacity building to assist a legislature to provide the ability for officials to conduct a comprehensive judicial review. This means maintaining a policy that supports reform and key actors that champion it.²⁹

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Chapter 2: Civil Society

L.L. Kronebusch, David Siegel

Introduction

This chapter makes recommendations on how the United States government can engage civil society organizations (CSOs) in leading Burma's transition from the ground up; the second chapter stresses the importance of educational reform in increasing Burma's human capital and in challenging military dominance at the level of society. Civil society in Burma not only survived oppression under military rule but it continued to burgeon. What has come out of oppression under the junta, cease-fire agreements in the ethnic conflict zones and the devastation of Cyclone Nargis is a civil society willing and ready to take part in the peace and nation-building process. Broad education reform can also engage civil society and Burma's society in general by increasing the ability of Burma's people to participate in the reform process, to equip themselves for economic integration into the ASEAN economic community and to challenge military dominance in politics and society.

Policy Considerations

Continued progress toward the stabilization of a transparent, civilian government can ride on the backs of Burma's strong and diverse civil society. The United States can promote political and ethnic peace and stability by recommending both top-down reforms via Burma's political system and ground-up reforms via Burma's civil society. Some CSOs are already well equipped to take on the responsibilities of conflict mediation, for example, and strengthening civil society is the United States' chance to allow the people of Burma to participate directly in the transition. Education, on the other hand, has a place in achieving the overarching U.S. policy goals, namely stability and cooperation, and improvements to the livelihood of the Burmese people, benefits which will ultimately be reflected in increased civic participation and a more capable workforce.

Policy Recommendations

- With the aid of the NDI and IRI, encourage CSOs to remain politically active as formal election monitors and resources for voter education leading up to the 2015 General Elections

- With the capacity-building and networking capabilities of the Shalom Foundation and AUSAID's Paung Ku Project, encourage CSOs to take the lead role in advocacy against and prevention of human rights violations in Burma.
- Establish a USAID-led research commission based in Burma to ensure the responsible allocation of [foreign] aid and resources by CSOs and their supporting networks.
- Aid in rebalancing Burma's backward domestic budget, as Burma is the only country in ASEAN that spends more on the military than on healthcare and education combined.
- Ensure Burma can meet the constitutional objectives laid out in the Basic Education Law (1973), and oversee Burma conforms to the Child Law (1993) to the standards of the 2008 constitution and the 1991 Convention on the Rights of the Child, of which Burma is a signatory.

Bridging the Gap Between Civil Society, Government and the International Community

L.L. Kronebusch

Background

The role of the United States in the continued development of Burma's civil society should be more passive than active. The growth of a politically-oriented civil society does not require that the United States pump funds into the creation of more civil society organizations (CSOs). The United States should instead continue supporting President Thein Sein's push for federalism while guaranteeing CSOs a formal and politically potent role in the reform process. Prior to Burma's reopening in 2011, CSOs' activities operated to a limited extent under government restrictions.ⁱ However, a more open political environment in Burma means CSOs can now realize their potential to participate in the political process.

The emergence of a politically-oriented civil society – to exclude for the moment CSOs not focused on political activity – in Burma was vital in the transition to a transparent civilian government under Thein Sein. A complex and diverse civil society survived military rule using many strategies, chief among them the clandestine building of large CSO support networks that have helped CSOs “[take] the initiative to create new spaces for themselves.”ⁱⁱ In approaching Burma's resilient civil society, the United States should assume it to be a strong force for change in the country, a force that will adapt to the changing political sphere when necessary in order to ensure its place in it. The United States should not underestimate the desire of civil society to be a part of the political process or its desire to affect reforms in the country with or without foreign financial aid.

In the wake of Cyclone Nargis, civil society reacted immediately by addressing the needs of local communities in the absence of government aid and has been an important non-state actor ever since. International donor support for Burma's civil society also increased after Cyclone Nargis, which is arguably a seminal moment for the whole of Burmese civil society. Formal and informal organizations were established just for the purpose of distributing aid in the cyclone's wake.ⁱⁱⁱ Burma's civil society flourished in the disaster's wake.

i From Tom Kramer's TNI report: “It was a citizens' response to one of the largest natural disasters in Burmese history. These citizens did not wait for permission from the government but responded with emergency aid, creating new formal and informal organizations. Civil society further expanded after this” (3).

The United States must appreciate the diversity of civil society while backing those with the greatest capacity for building relationships with local communities in need of aid and mediators (in the case of the conflict zones, for example). Figure 1 (see Appendix) demonstrates the overarching goal of U.S.-Burmese civil society engagement: support the continued interaction between CSOs and the government, and increase the involvement of the international community in CSO capacity building. Though the civil society sphere is already overlapping with the government (as exhibited by the registration of CSOs with the government and Thein Sein's vow to involve CSOs more in the peace- and reform-building processes), the overlap between civil society, the national government and the international community needs to be greatly increased.

An important distinction should be drawn between democracy and civil society in order to understand civil society's role in the reform process. Civil society in the context of this report refers to national ground-level activism occupying the space between the family and the state; civil society in this context excludes political parties, and journalists and the media space, for example.^{iv} As Michael Lidauer, research assistant at research associate at the Peace Research Institute Frankfurt, writes in his essay for the *Journal of Current South-east Asian Affairs*, “The relationship between civil society and democracy is not inherent, but complex.”^v Figure 1 shows that overlap as being larger in the beginning of the capacity building process; the international community's involvement in the beginning will also help ensure the continued interaction between government and civil society in reformed Burma.

It is important not to simplify Burma's civil society. What allows national CSOs to thrive and to be as effective at distributing aid and connecting with local communities as they have been for years is their diversity.^{vi} In the realm

ii This definition is somewhat altered from the one Lidauer provides in his report. He includes the media space as a part of civil society.

iii Even when the British outlawed political activity during their occupation of the country, CSOs that hid nationalist agendas thrived beneath religious missions, like Young Men's Buddhist

of civil society, ethnic minorities have expressed their desire for political and cultural equality since the late 19th century. The Karen National Association, for example, was founded in 1881 and aimed “to promote Karen identity, leadership, education and writing, and to bring about the social and economic advancement of the Karen peoples.”⁶ Outside the government regulated sangha, Burma’s official Buddhist order, individual Buddhist organizations and monasteries provide key social services such as primary education to their communities.⁷ Still other CSOs have led a “mass lay meditation movement” in Burma.⁸

In conclusion, civil society is diverse and resilient in Burma, and the United States should devote resources to ensuring civil society’s place in what might be a democratic transition, and it should provide the support to bridge the historical gap between the state and Burma’s civil society actors. From national humanitarian-aid organizations to local human rights organizations, financial and capacity-building support for these complex networks will demonstrate the United States recognizes the important role civil society has played in the past for Burma and the monumental role it will play in a stable future Burma.

Policy Recommendations

- Encourage politically-oriented civil society groups to remain politically active as formal election monitors and resources for voter education before the 2015 elections.

Civil society experienced a paradigm shift leading up to the 2010 and 2012 elections. Under authoritarian rule, civil society was largely restrained from formal participation in the political space. The ability of CSOs to campaign, to seek funding from abroad, and to generally marshal support was also severely curtailed by the military government.⁹ In addition, the aid environment in Burma has changed substantially, from international donors seeing Burma as “dominated ... by a repressive and aid-hostile government” to emphasizing the need for more money to flow into Burma and to reach more remote populations.^{iv10}

Before the 2010 general elections, civil society was restricted by the previous regime, forcing CSOs to create an alternative space for themselves in society and in the political sphere, and to network underground with other CSOs in order that in-

dividual CSOs continue their work. However, CSOs still built complex support networks and already have the experience of campaigning for foreign aid. They have linked to one another to form a complex, strong web. With the advent of mobile communication and Internet technology in the country, CSOs became better equipped to communicate with one another, which virtually fortified all of civil society.¹¹ By using these networks as they have before, CSOs will take their place in the country’s transition with or without fiscal and administrative support from the international community and the Burmese government.

The ability of CSOs to engage in national, regional and international dialogues is defined by their ability to maintain a strong connection with the national government as well as developing their own methods of political participation outside of becoming political parties. The United States should ensure through talks with the Burma government that CSOs already involved in the political process will be formal election monitors and voter educators in 2015. Many CSOs already have the skills to do this as they took on the same role in the 2010 elections, some acting clandestinely to avoid the scrutiny of the Burmese government. Those groups which have voter education and monitoring experience should be the first to be mobilized in the same capacity during the 2015 elections.

Thein Sein has publicly vowed support for civil society and has encouraged it to take a more active role in both the peace- and state-building processes. Thein Sein also announced in January 2013 that his government is committed to easing restrictions on the registration and work of groups in Burma. During the same month, the president held what was considered to be a landmark meeting with about 90 CSOs and invited those unable to attend the meeting to connect with his administration later.¹² The president’s support of civil society’s participation in politics and his long-term goal of easing restrictions on their activities will mean the United States already has much of the domestic support it needs to carry out the recommendation. The United States working in cooperation with the Burma government to provide CSOs a formal space in which to operate will not only strengthen ties with Burma, but the cooperation will also show the international community and Burma society that the United States is committed to supporting civil society as it has previously stated. However, the United States will eagerly await formal measures to put Thein Sein’s vow of support into action.

Before the 2012 by-elections in Burma, the United States asked the National Democratic Institute (NDI) and International Republican Institute (IRI) to bring representatives to Burma to lead the election monitoring effort.¹³ The United States was prompted to do this by Burma’s government. If Thein Sein is more open in 2015 to having CSOs participate in the political reform process as he has indicated, having the United

Association.

iv The UK Department for International Aid, for example, engaged with Burma’s civil society as part of their aid distribution and implementation programs. Despite a government partly hostile to the non-state sector, DFID networked CSOs and co-opted their knowledge and help in implementing the programs. The United States in working with national CSO networks and foreign aid organizations should learn from this model of national engagement in the aid process.

States partner with the NDI and IRI again in the 2015 elections could provide the opportunity for those institutes to work one-on-one with a more open government and with CSOs wanting to be formal election monitors.

- Encourage CSOs to take the lead role in putting an end to human rights violations in Burma by accessing international funds and working through a strong Burmese CSO network to be mediators in the conflict zone, public health advocates and humanitarian aid distributors.

Two decades ago, when the Burmese government concludes multiple ceasefire agreements with armed ethnic groups, local organizations burgeoned in the same scene. The agreements provided the opportunity for new CSOs to form and for new community-based programs to begin in former war zones. The Shalom Myanmar Foundation (SF) in Kachin State has been participating in the peace-building and mediation process in Burma since its founding in 2000.¹⁴ The SF can serve as the link between ethnic minority CSOs, other humanitarian- and politically-oriented CSOs and the peace process. As the point institution, the SF will need to serve as a training center for CSOs. While some CSOs have closer ties to their communities and can leverage those close ties to support the role of mediators between the government and ethnic minorities in the conflict zones, other CSOs will need the resources to expand their staffs and to establish administrative offices.

Small-scale monetary support through other international financial institutions (IFIs) would be necessary if CSOs are to use the SF as the point-institution during the peace process.¹⁵ If the United States encourages other IFIs to support the SF, it could form a multinational partnership not only to guarantee CSOs a place in the peace building process but also to ensure that process is accountable and transparent by forming a partnership between the Burmese government and the IFIs. This recommendation parallels the goal of U.S. H.R. 6431, P.L. 112-192 which states that it is in the United States' interests to encourage IFIs to support Burma's ongoing reforms.¹⁶

- Establish a research commission to determine which CSOs and CSO networks have the capacity to mediate in the conflict zones and to responsibly use the IFI resources provided to them.

Though the number of local organizations in Burma has increased in the past 10 years, civil society organizations still face structural issues such as top-down management that could

impede their capability to be successful mediators.^{17v} Capacity building should involve several elements. Many CSOs within Burma are not fully equipped to work with international donors. Some CSOs will not be able to ensure on their own the safe and transparent transfer of aid money from donors to the CSO.

The Paung Ku project, lead by the Australian Agency of International Development (AUSAID), has provided 160 grants since 2011 to civil society strengthening projects in Burma and devotes aid to a broad range of projects including public health and environmental awareness campaigns.¹⁸ One of the Paung Ku project's main objectives is to help CSOs design more and better programs, to help CSOs raise funds for those programs and to increase the number of and strengthen connections between CSOs.¹⁹ Paung Ku acknowledges and understands the challenges faced by CSOs and is equipped with its own project monitoring staff and should regularly send reports back to CSOs it works with and to the State Department on each project's progress. Co-opting the project to work with CSOs interested in becoming conflict mediators, humanitarian aid distributors and public health educators, for example, will offer the U.S. State Department more credibility and more on-the-ground knowledge and support when it pursues its own mission to strengthen civil society in Burma.

Prior to the capacity building process, a USAID-led, locally-based research commission should first be formed to determine the ability of particular CSOs to become mediators, humanitarian aid distributors and public health advocates. The challenge for the United States and for the IFIs which will work to support CSO networks will be to ensure CSOs can commit to the capacity building and aid projects in the long term. The research commission should consult the SF, AUSAID and Paung Ku project leaders and produce a report as to the ability of the Paung Ku consortium and of the SF to carry out project proposals already set out and to draft new project goals in line with what national CSOs in Burma want to commit to. This will ensure the responsible and effective use of IFI funds and will emphasize a ground-up approach utilizing CSOs' unique capacities rather than instituting top-down government reforms to offer aid and conflict resolution where it is most needed.

Conclusion

v Tom Kramer's report on Burma's civil society for the Transnational Institute and Burma Center Netherlands elaborates adeptly on the subject: "The structure and management of these organisations is often a mirror of society, and they are often top-down and undemocratic. Furthermore, while 'civil society' has become the new buzz-word in Burma, there is a danger of placing too much hope and unrealistic expectations on what civil society can deliver." (3)

Because civil society is already diverse and strong in Burma, the United States should focus its efforts and resources on identifying those CSOs which are willing and most capable of participating in Burma's on-going peace- and nation-building processes. The United States can utilize the CSO networks and resources of the SF and AUSAID's Paung Ku Project in establishing and funding CSO capacity-building. These two organizations fulfill different CSOs' needs, with SF focusing on CSOs as conflict mediators and the Paung Ku Project focusing on a diverse set of missions, including environmental and public health capacity. Civil society can and will participate in the reform process with or without U.S. support; however, CSOs can more efficiently and effectively participate in the process with support from the United States.

Education Reform: Building an Inclusive Society

David Siegel

Background

If President Thein Sein and Aung San Suu Kyi's vision of an inclusive society is to become a reality, Burma's education system must first undergo serious reform. As Burma renews its relations with the rest of the world, Burmese political figures from across the spectrum have united in walking the path of inclusion. However, the Ministry of Education suffers from the same inadequacies as before the transition process, and a serious platform for reform does not yet exist, which is where international partners can step in to advise and design goalposts. Constraints in reforming the education system are not only institutional but also political. The transition process has yet to yield much progress in the realm of education, and responsibility must lie with political actors, of which the majority is still tied to the old regime. The United States must be careful not to further empower the *Tatmadaw* while providing incentive for partnership in producing real education reforms. Therefore, military actors must be moved towards partnership if these intransigencies are to be overcome. Encouraged by a culture where scholarly learning is rooted in monastic tradition, Burma has made marked improvements in literacy, across genders, even before the current political transition. Therefore, education's destabilizing nature on the political system may be overlooked by current elites, giving reformers the chance to push their agenda. Ultimately, there have been some promising steps towards reform, including placing competent technocrats to head the Ministry of Education,

in adopting educational best practices.

The Ministry of Education remains grossly underfunded at five percent of GDP, the lowest in Southeast Asia, while outdated legacy institutions of British and Socialist-eras remain at the core of the current system.²⁰ Reformers in the bureaucracy and the parliamentary are outnumbered and lack the political power to implement the catalyzing reforms for a total reorganization of the education system.²¹

Burma's current budgetary allocation rewards the junta-era political forces, which designed the budget and has yet to distribute more funding to institutions of inclusion, such the Ministry of Education, which is tied to the livelihood of the Burmese people, one of the major U.S. policy goals in Burma.²² The military is grossly overfunded, at twenty-one percent of GDP, more than four times that of the education system.²³ U.S. and international humanitarian organizations are stepping in to fill in the gap, but from the U.S. perspective, this is not a self-sustainable policy when funds are being misallocated to the *Tatmadaw*. Including the *Tatmadaw*, eighty-nine percent of the legislative body is tied to the old regime, a privileged body even in current transition current system. Therefore, the introduction of mass education, which reorganizes power structures, will punish the beneficiaries of a current system.²⁴ Steps are already being made; however, progress is ongoing and slow. Furthermore, there are fears that an empowered mass might punish Junta-era legacies and grievances.²⁵

Intensive education reform would require a reworking of budgetary allocation away from the traditional power structures, including the *Tatmadaw*. A balancing of the budget to reflect the interests of society is necessary for Burma's long-term competitive viability and integration into the world economy.²⁶ However, despite the rhetoric of reform, the likelihood for short-term, substantive educational reform remains hostage to a bureaucracy both concrete in its flexibility for such changes, and tied to the old power structure.²⁷

For the *Tatmadaw*, which dominates "participatory institutions" such as parliament and the cabinet, educational reform entails inherent power reallocation, by moving funds away from the *Tatmadaw* and toward the Ministry of Education. Secondly, it means building a society where power is vested in human capital, rather than with military might. Human capital implies many societal changes, and forms of self-empowerment,

Policy Recommendations

- Aid in rebalancing Burma's backward domestic budget by including hardliners and the *Tatmadaw* as a committed partner for education reform.

Education is a foundational component of inclusion. Within the education system itself, there are promising avenues to move forward. But like the broader transition, there are winners and losers, and education has been only one of the more recent systems being looked at for reform by the newly elected constitutional government. Thein Sein is already engaging with ASEAN in a show of willingness to open up to regional partners

including communication and technology. History has shown that investment in education creates a virtuous cycle, strengthening society, and moving power from extractive elites and towards the masses.²⁸ So far, the *Tatmadaw* has been open to other reform, but until Burma is able to achieve a budget that rewards an inclusive society, no real education reform is possible. Historically, investment in human capital promotes inclusive forces that reshuffle power structures away from the entrenched elites and towards the masses, driving reform, stability and capitalism.

As for the general structure of the bureaucracy itself, education is proving more mutable due to the general education is political, in that the military, which is still the majority power structure in Burma wants centrally planned, slow progress.²⁹ Even anti-reform hardliners connected to Than Shwe share Thein Sein's goal of chairing the 2014 ASEAN conference, to increase Burma's, and ultimately their influence and national prestige. Therefore, ASEAN leadership must be made contingent on achieving educational milestones, which will drive internal reform.

Demographically Burma has an advantage moving forward in education reform. In 2011, Burma had a 95.8 percent literacy rate, an improvement from 91.8 percent in 2001, showing investments in literacy were being made even before the political transitions began.³⁰ Moving forward, these strengths can be harnessed. If Burma's reforms are to be taken seriously, budgetary allocation has been a chronic roadblock to empowering reform, as allocations irrelevant to reform and tending to massive military allocations can be only understood as a show of strength from the traditional military power structures that vie to maintain them.³¹ The military still represents twenty-one percent of all government spending for 2011-2012, without constitutionally provided transparency or power to reign in restructuring.³² Burma is the only country in ASEAN that spends more on the military than on healthcare and education combined.

Ultimately, education reform is a political action that has political consequences. The partnership of hardliners and *Tatmadaw* political actors, who retain significant political power in Burma is necessary to move forward. The United States' blanket prohibitions on aid to Burma restrict all aid, making it hard to provide direct incentives. However, dissatisfaction within the army is high, especially relating to performance failures in the Kachin conflict.³³ The *Tatmadaw* wants to see a stronger Burma, and even military hardliners connected to Than Shwe have been pushing for educational opportunities for *Tatmadaw* officers in the United States. Although this is unrealistic, educational opportunities in Burma can be created and extended to training a better military.³⁴

- Ensure Burma can meet the constitutional objectives laid out in the Basic Education Law (1973), and oversee Burma conforms to the Child Law (1993) to the standards of the 2008 constitution and the 1991 Convention on the Rights of the Child, of which Burma is a signatory.

Burma's education system has yet to provide basic coverage to its citizens. Basic opportunity falls alongside socioeconomic lines, which spurs ethnic conflict and sovereignty issues. Therefore, by providing a more universal encapsulation definition of youth by raising the age standard to eighteen, and expanding on rights of the child, education in rural and other disaffected areas can be better reached, and access to legitimate development assistance increased. This will be increased by increased stability through child welfare and a stronger domestic market.

According to USAID's education plan for Burma, an effective education system promotes, "democratic rights, transparent governance, economic growth, food security, and the health and livelihoods of the people of Burma," all necessary factors for Burma's long-term stability. Many youth drop education for low-wage jobs, many of which are now being allocated in the free market to tourism, due to the end of international isolation. The reforms in the rights of the child will limit childhood access to the workforce, allowing them to get proper education.³⁵³⁶ However, this will require enforcement in a society without the tools to provide that, especially in rural areas. Moving children from low-wage jobs in mostly dangerous conditions will improve healthcare, and Burmese livelihood, all U.S. policy objectives.³⁷ A strong education system provides an inclusive system, which moves the market towards opportunity based on merit and a system of capitalism.

Conclusion

Human capital is one of the most powerful forces of development, and for Burma to realize its potential a strong education system must head the new society. Burma's already boasts a high literacy rates even in a society that lacks an adequate education system. Education is already proving itself a usual tool for cross-regional collaboration in ASEAN, and is an important goodwill diplomacy, but also regional competitiveness. Focusing on providing broader outreach and grassroots society building. U.S. policy should include education reform as a necessary link to international acceptance, regional integration, and domestic stability.

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Ethnic Peace

Brennan Jones, Carl Taylor, Benjamin C. Lee

Introduction

The United States has long followed the sectarian strife between Muslims and Buddhists in Rakhine State and the Kachin war for political autonomy in Burma. Recent developments in each region, namely a surge of violence between the Rohingya and Buddhists and failed ceasefires in Kachin State, have prompted the United States to urge for the protection of civil liberties and human rights. The second Obama Administration frequently cites these ethnic conflicts as areas the Burmese government should stabilize through reforms and fair legislation.

Policy Considerations

Through President Obama's "action for action" policy, the United States stands prepared to recognize strides towards peace and fair governance in Burma but in the complex situations of ethnic conflict, the United States must also exert diplomatic pressure in order to see positive changes. The extreme sensitivity of both conflicts demand careful U.S. action. The promotion of sustainable development and an increase in humanitarian aid to both Rakhine and Kachin regions represent critical components of ongoing U.S. support for stability in Burma.

Policy Recommendations

- Urge the Bangladeshi government to grant all NGOs access to the population of undocumented refugees living on the periphery of refugee camps.
- Pressure the Burmese government to adapt the discriminatory citizenship law by legitimizing the Rohingya as an official ethnic group of Burma.
- Collaborate with the Burmese government and development-oriented agencies to promote the restoration of infrastructure and economy throughout the deeply impoverished Rakhine state.

- Send senior-level State Department officials to participate in the future political dialogue taking place among the Kachin Independence Army's General Gun Maw, Burmese government's Aung Min and Chinese Foreign Ministry's Luo Zhaohui.
- Encourage NLD chairperson Aung San Suu Kyi to participate in Kachin political dialogue.
- Persuade China to pressure the Burmese military to send the *Tatmadaw's* representative.
- Participate as a neutral observatory group witnessing the implementation of the agreements, especially with those regarding the de-escalation of the war.
- Continue to fund U.N. agencies, such as UNWFP, UNHCR, UNICEF, for humanitarian assistance to the Kachin area, capitalizing on the recent decision by the Burmese government allowing such aid to be distributed to the Kachin.
- Petition China unconditional access for international humanitarian organizations to the Yunnan Province, narrowly limited to the area bordering the Kachin state where the majority of Kachin refugees reside.
- Provide funding for local grassroots organizations such as the METTA foundation, which have been developing the Kachin region in a sustainable way, providing economic opportunities for the Kachin people.

Integrating the Rohingya

Brennan Jones

Background

The escalating human rights crisis involving the conflict between Muslim and Buddhist communities in Rakhine state constitutes a critical issue that the United States monitors closely. Rohingya statelessness extends back to laws passed under the Ne Win regime and the situation has since only increased in complexity. The sensitivity of each community's interests must be considered by the United States, while the second Obama Administration should continue to prioritize forward-thinking steps like legislative reform regarding Rohingya citizenship and development of industries in Rakhine state in the coming months.

Policy Recommendations

- Urge the Bangladeshi government to grant all NGOs access to the population of undocumented refugees living on the periphery of refugee camps.

A large community of Muslims self-identify as the Rohingyaⁱ ethnicity and reside in Northern Rakhine State near the Burma-Bangladesh border. Between 200,00 and 500,000 unregistered Rohingya reside on the periphery of Bangladeshi refugee camps mainly in the Cox's Bazar district.¹ In 1982, the Ne Win regime in Burma passed the Citizenship Law, which rendered the Rohingya stateless and has since resulted in mass movement of Rohingya into Bangladesh. For decades the Rohingya fled to escape persecution from NaSaKa and other Burmese security forces, and this group continues to seek asylum today. Following a surge of violence in Northern Rakhine State in June 2012, the Bangladeshi government refused NGOsⁱⁱ access to a steady stream of undocumented Rohingya in need of humanitarian assistance.² In 1992 the government ended registration of all future refugees. The refusal to acknowledge hundreds of thousands of Rohingya refugees results in their inability to access much need-

i Not all Muslims in Rakhine state and elsewhere in Myanmar subscribe to the term "Rohingya" but the author adopts it throughout the text as the majority of the stateless Muslim people in Northern Rakhine State identify this way.

ii On 7 August 2012, the Bangladeshi government banned Médecins Sans Frontières, Action Contre La Faim and Muslim Aid UK from offering humanitarian assistance to unregistered Rohingya in Bangladesh and the ban continues today.

ed services.³ Until the Burmese government addresses Rohingya citizenship, the United States should encourage the Bangladeshi government to allow all NGOs access to unregistered Rohingya refugees that desperately need attention.

- Pressure the Burmese government to adapt the discriminatory citizenship law by legitimizing the Rohingya as an official ethnic group of Burma.

In Chapter II of the 1982 Citizenship Law, the Burmese government indicates the qualifications ethnic groups must meet for Burmese citizenship, which includes their permanent settlement in Burma prior to 1823.⁴ Since the 1970s, successive Burmese governments have maintained that the Rohingya arrived during or after the British occupation of Myanmar beginning in 1824 and on this basis, deny the group citizenship rights.⁵ Besides denial of citizenship, the Rohingya face restrictions on movement, marriage, education, and employment.⁶ President Thein Sein recently made strides toward addressing ethnic violence by establishing an investigative commission to report on the violence in Rakhine State⁷ and through his support of the EU-funded MPC, Myanmar Peace Centre.⁸ The United States should commend this focus on Northern Rakhine State and ethnic peace but continue to pressure President Thein Sein and the Parliament to act on the issue of Rohingya statelessness through legislation. Aside from maintaining discourse with Burmese officials, the United States remains limited in its capacity to actually influence legislative reform. The United States should emphasize its commitment to making policy changes that directly benefit Burma through President Obama's action for action approach in an attempt to further incentivize a change in the dismissive attitude towards Rohingya citizenship.

- Collaborate with the Burmese government and development-oriented agencies to promote the restoration of infrastructure and economy throughout the deeply impoverished Rakhine State.

Since 2012, U.S. humanitarian assistance to Rakhine State has increased to \$7.28 million and a top official in the U.S. State Department asserts that the total aid to Myanmar should double in the next fiscal year.⁹ The UN also pledged \$41 million to provide humanitarian assistance to the region, and both USAID

and the UN claim that their support extends to all communities affected by the sectarian violence in the region.¹⁰¹¹ Although agencies attempt to equally distribute aid, resentment continues to fester among Akran Buddhists who feel Rohingya have long received the bulk of international support.¹³

a movement towards peace in Rakhine State by encouraging the Bangladeshi and Burmese governments to make reforms that positively affect the northern Burmese communities in conflict. Efforts to stabilize the Rakhine region through the development of industries and the resulting creation of jobs should also be U.S. priorities.

2010 Poverty Levels in Rakhine State¹²	
Poverty Level Indicators	% of population
Access to Quality Roofing	19.6
Access to Safe Drinking Water	49.5
Access to Improved Sanitation	54.3
Access to Electricity	26.4
Proportion of 1 Year Olds Fully Immunized Against Measles	68.2

Arakan Communities depend heavily on assistance, as Rakhine State remains the second-poorest state in Burma in spite of its abundance in natural resources.¹⁴ Staggeringly terrible statisticsⁱⁱⁱ for the availability of healthcare, education, food, and shelter prove that the development of this region is crucial. The extraction and processing of natural resources will present opportunities for employment and increased self-sufficiency, but the development of these industries must first take place. The United States should partner with agencies that have the capacity and knowledge to develop industries in a region that lacks infrastructure. The Burmese government already pledged its commitment to developing Rakhine State in a September 2012 announcement, and the United States should join its efforts to increase the region's capacity to offer employment and sustainable livelihoods for both Buddhist and Muslim communities in Rakhine State.

Conclusion

Sectarian violence and unrest in Rakhine State will take considerable time and concentrated effort to solve, and the United States must continue to identify the instability in Rakhine State as a key issue that requires prompt and thoughtful action by the Burmese government. The United States should support

iii The United Nations Development Programme in Myanmar released statistics regarding poverty levels in the Integrated Household Living Conditions Survey, 2009-2010. Some of these statistics are shown in the chart above.

History of Kachin State pre-1994

Carl Taylor

Background

The State Department must review the history of the Kachin State before making any diplomatic decision with regards to how to act towards the Burmese government on the subject of the current Kachin conflict. The current conflict was started for political and economic reasons. Historically, Kachin communities had political autonomy from Burmese rule before and during British colonialism.¹⁵ It is important to note that the Kachin consider themselves separate but equal to the Burmese—without this understanding peace cannot be achieved. Kachin demands for political recognition in a federal government with the autonomy agreed upon by the Panglong agreement¹⁶ must be kept in mind.^{iv17}

The Kachin, a largely Christian ethnic group had political autonomy under British rule.¹⁸ This connection to Christianity and British rule has designated the Kachin as enemies of the state.^{v19} The Panglong Agreement, signed in 1947, was the framework for an integrated Kachin autonomous state within Burma. Seeing no subsequent actions to the Panglong Agreement the Kachin formed the Kachin Independence Organization (KIO) in 1961²⁰ in response to U Nu's attempt to make Buddhism the national religion. The KIO quickly became one of the most successful and best organized of all the armed opposition movements in Burma.²¹ After a failed peace parley in 1964, due to Ne Win's "Burmese way to Socialism,"²² the KIO reached out to Western powers and Thailand. During the Cold War the KIO expanded its operation to fight the Communist Party of Burma (CPB) as well,^{vi} signing a cease-fire with the CPB in 1976. The end of the Cold War diminished international support for

insurgency and helped pressure the KIO to seek a 1994 cease-fire. The KIO claims to have sought a cease-fire then a political solution while the National Democratic Front (NDF) and the Democratic Alliance of Burma (DAB) sought a political solution then a cease-fire, this subsequently led to a rift between the KIO and its ejection from the NDF.^{vii23} The KIO cites the 1994 ceasefire and the Panglong agreement as evidence of their desire for peace and as evidence of their betrayal by Tatmadaw.²⁴ Therefore, the U.S. government must acknowledge both the 1994 ceasefire and Panglong^{viii} in some fashion before any U.S. action is taken.²⁵

iv Articles I-IV of Panglong Agreement (1947) promise political representation of the Kachin within the Burmese government while Articles V and VI dictate that a separate and autonomous Kachin State is desirable. Recognition of the Panglong Agreement is a vocalized demand of General Gun Maw of the KIA. Although, scholars such as Mary Callahan argue that the Panglong Agreement does not represent a singular, linear "truth," the fact that Kachin leaders such as Gun Maw believe in the indisputable nature of the Panglong Agreement means that sensitivity to demands in relation to the Panglong Agreement must be used.

v Being Christian and working with colonial powers pegged the Kachin among the likes of the Karen in the framework of the colonial armory the "Three M's:" missionaries, merchants and military.

vi As of this day the KIO claims to have helped to prevent Burma from falling prey to Communism..

vii This confusion over the peace talk process is a major issue according to local advocates such as Daw Seng Raw. To create a successful peace process Daw Seng Raw calls for a comprehensive peace process with defined steps.

viii For those who are experts on Kachin history, such recognition is widely considered a necessary, but not sufficient, condition for peace building.

Continuing War in the Kachin State

Benjamin C. Lee

Background

The 1994 ceasefire agreement between the Kachin and the Burmese government ended in 2011 due to both political and economic reasons. In April 2009, the State Peace and Development Council (SPDC), without addressing Kachin Independence Organization (KIO)'s political demands, announced that the Kachin Independence Army (KIA) would have to transform into a Border Guard Force (BGF) under the *Tatmadaw*'s direct control.²⁶²⁷ The KIO rejected the proposal and demanded a political solution to precede the transformation of the KIA.²⁸ In addition, before the general election of 2010, the National Election Committee rejected the application of Kachin State Progressive Party,²⁹ which subsequently disenfranchised Kachin constituencies with the removal of Kachin electoral candidates from the ballots.³⁰ The KIO perceived Burmese government's heavy-handed approach to expand Burmese influence on the KIA as an encroachment upon the political rights that were guaranteed by the 1994 KIO ceasefire agreement.

Economically, the Kachin suffered from China's recent plundering of the Kachin resources and the influence of crony capitalism.³¹ Despite the 1994 ceasefire agreement, which stipulated that the Burmese government expand humanitarian assistance and development in the area,³² the Burmese government neglected to develop the Kachin region. Accordingly, Chinese corporations usurped this development role by plundering Kachin's resources, providing no return to the Kachin people. Most notably, when the Myitstone dam project on the Irrawaddy River began as joint-venture between the Chinese Power Investment Corporation (CPI Group) and the Burmese government, the Burmese government displaced all the Kachin people living in the area and the CPI used Chinese laborers instead of the local Kachin population.³³ In addition, the *Tatmadaw*-owned agricultural and commercial companies have confiscated the farmers' ancestral lands without any compensation.³⁴ As a result, the KIO realized that the ceasefire only benefitted the Burmese government and the outside business interests and failed to benefit the local people.³⁵

This tenuous environment, compounded by the political and economic strife, came to a head in 2011 when a dispute between the Burmese army and the KIA transpired over a prisoner exchange.³⁶ The KIA accused the Burmese military for torturing a Kachin soldier to death. When the KIA destroyed

several bridges to obstruct supply lines, the Burmese army broke the ceasefire and attacked key KIA positions along the Taiping River.³⁷ The conflict escalated when the Burmese troops advanced toward the Laiza, the KIA headquarters.³⁸ The 17 year ceasefire agreement had come to an end.

Policy Recommendations

- Send senior-level State Department officials to participate in the future political dialogue taking place among the Kachin Independence Army's General Gun Maw, Burmese government's Aung Min and Chinese Foreign Ministry's Luo Zhaohui.

Domestically, the Kachin conflict is composed of four key actors: the KIO's General Gun Maw, Burmese government's President Thein Sein, the Commander in Chief of Burmese armed forces, Min Aung Hlaing and the NLD's Aung San Suu Kyi. These four leaders all have different position regarding the Kachin conflict. As of now, Aung San Suu Kyi has yet to participate in the dialogue despite relentless petitions from the Kachin community leaders³⁹ and the Min Aung Hlaing and the *Tatmadaw* has not sent a representative to participate the current political dialogue taking place in Ruili, China.⁴⁰ Unless these four domestic representatives participate in the multilateral dialogue, any verbal agreement will face obstacles during the implementation of ceasefire agreement after 2015.

The KIO demands a political dialogue to precede with the ceasefire agreement⁴¹ because the KIO has experienced the failed promise of political dialogue that never materialized since the ceasefire agreement in 1994. Within this political dialogue, the KIO demands political representation,⁴² federal autonomy, and enshrining the rights of the ethnic minority people⁴³ in the new constitution. Eventually, the KIO would like to have another meeting to take place where the Burmese government will guarantee the Kachin people's right for self-determination and equal rights.⁴⁴ Unless the KIO's demands are met, the prospects for a ceasefire in Kachin state remain bleak.

As a response to the KIO's demands, President Thein Sein's representative Aung Min has agreed to hold political dialogue regarding the ceasefire agreement.⁴⁵ Thein Sein's position, however, is compromised. Although he recognizes that

the ethnic minorities in Burma have been “going through the hell of untold miseries,”⁴⁶ Thein Sein also made clear commitments to national unity in his inaugural address.⁴⁷ As a result, the current political dialogue has made minimal progress, only promising reduction of military tensions, preparation for the next meeting and amassing groups and people who may attend as observers at the next meeting.⁴⁸ Although the Burmese government representative Aung Min has taken a conciliatory approach, President Thein Sein’s commitment to national unity and the KIO’s overwhelming demands require cautious optimism.

In the midst of this political dialogue between the KIO and the Burmese government, the Burmese military has remained absent. This proves problematic because the Burmese government does not necessarily have full control over the Burmese Armed Forces. In December 2011, President Thein Sein sent an open letter to army Chief of Staff and the military commanders in Kachin state to act only in self-defense, but contrary to President Thein Sein’s open letter,⁴⁹ in January 2013 the Burmese armed forces used airpower to fight the KIA.⁵⁰ If the Burmese military disapproves Burmese government’s peace agreements with the KIA, the Burmese military could refuse to implement the agreement and escalate the conflict. Acknowledging this divide between the Burmese armed forces and the Burmese government, the United States should request China to use its diplomatic influence over the Burmese armed forces to send representatives to the current political dialogue.

- Encourage NLD chairperson Aung San Suu Kyi to participate in Kachin political dialogue.

A final actor that needs to participate in the current political dialogue is Aung San Suu Kyi. Her participation is necessary because involving the NLD in the political dialogue will give the NLD a chance to develop their capacity to deal with the KIO if they assume power in 2015. Recently, Aung San Suu Kyi has evolved on the Kachin issue. Back in January 2013, Aung San Suu Kyi urged for an immediate ceasefire and an end to violence but remained reluctant to participate in the political dialogue, explaining her reluctance to interfere with the Parliament’s ethnic committee of which she is not a member.⁵¹ However, in the month after, Aung San Suu Kyi mentioned her willingness to take part in the peace process if asked to participate.⁵² Since Aung San Suu Kyi is now demonstrating a willingness to participate in the political dialogue, the United States should request that she take part in the peace process if asked to participate. Without the NLD’s participation, any agreement that comes out of the current political dialogue has the potential to disintegrate after the 2015 election if the NLD assumes power.

- Persuade China to pressure the Burmese military to send the *Tatmadaw*’s representative.

The United States has been unwilling to pressure the Burmese government about the Burmese military’s atrocities in the Kachin state because such pressure could endanger the U.S. – Burma relationship. The U.S. Embassy in Rangoon issued a press statement declaring that the United States strongly condemns the ongoing fighting in Kachin state yet the United States has failed to facilitate the political dialogue necessary to bring stability in the region.⁵³ The United States treads carefully around the Kachin conflict, perhaps because of the NLD’s Aung San Suu Kyi’s inclination to stay out of the Kachin-*Tatmadaw* war. Furthermore, the United States may be concerned that criticizing the Burmese government for Burmese military’s atrocities in the Kachin state could upset the U.S. relationship with the current reformist government and even impede further reforms.

It is important to note that the Chinese government has recently taken an active role in solving the Kachin issue by holding political dialogue in Ruili and also sending a Chinese representative, Luo Zhaohui, to attend as witness to the meeting. This is unusual for China because one of China’s five principles of diplomacy is mutual respect for sovereignty.⁵⁴ Considering this, China’s current active involvement in the Kachin issue explains the extent to which China is concerned about the instability in the Kachin. China has massive investments in the double oil and gas pipeline that links the Bay of Bengal with the Yunnan Province.⁵⁵ As instability in the Kachin state continues, China is concerned with its potential negative effects on the pipeline’s success.⁵⁶ With the double oil and gas pipeline projects scheduled to complete around May 2013, the Chinese government has taken an active role to pressure the Burmese military and the KIO to reach a ceasefire agreement.⁵⁷ The Chinese government also worries that the Kachin refugees will continue to cross the Sino-Burmese border and spread the instability to China’s Yunnan Province.⁵⁸ As a result, while the Chinese government recognizes that pressuring the Burmese government could further endanger Sino-Burmese relationship, China prioritizes stability in the Kachin state and the protection of China’s economic interests.

With China taking an active role in the political dialogue between the Burmese government and the KIO, the United States must also assume an active role in facilitating the political dialogue through Sino-American bilateral cooperation. The United States is now able to take a more active role than before, because the Burmese government has agreed to hold a political dialogue before a ceasefire agreement, and Aung San Suu Kyi has expressed her willingness to participate in the political dialogue. To become involved in this process, the United States

must cooperate with China. The United States must explain to China that stability in the Kachin is a positive interest for both the United States and China. The United States must emphasize that settling the dispute in the Kachin state will not only secure China's oil and gas pipelines but also allow the Kachin refugees in Yunnan province to return to the Kachin region. Sino-American bilateral cooperation is also necessary because China has diplomatic influence to persuade the Burmese armed forces to send military representatives to the political dialogue,⁵⁹ and the United States can use its diplomatic ties to persuade Aung San Suu Kyi to attend the dialogue. Sino-American bilateral cooperation has the potential to persuade the two currently absent domestic parties to participate in the political dialogue and to facilitate the peace process.

- Participate as a neutral observatory group witnessing the implementation of the agreements, especially with those regarding the de-escalation of the war.

A final important component to this process involves the United States sending a representative to the future political dialogue to attend as a witness and to also participate in an observing group that oversees the implementation of the agreements. This will not be easy because China does not want the United States to be involved in Kachin issue under any circumstance.⁶⁰ However, besides persuading China, the United States can also pressure China by giving them two scenarios: China can accept a U.S. representative in the talks taking place in Ruili or the United States can send a representative to the peace talks between the United Nationalities Federal Council (UNFC) and the Burmese government, funded by the Japanese Nippon Foundation. The second scenario will not only demonstrate U.S. support for peace talks in Chiang Mai but also help Japan establish a place for itself in the Kachin. Faced with these two options, the Chinese government will need to gain U.S. support for the peace talks in order to diminish potential Japanese influence in Kachin. Thus, China will be pressured to accept a U.S. representative in Ruili. U.S. presence will balance the Chinese influence in the political dialogue and facilitate future dialogues if the NLD assumes power after the election in 2015. If the United States participates in the observers group, the United States will be able to monitor the de-escalation of the war and moderate the peace process according to the agreements from the political dialogue.

Conclusion

Four domestic parties, the Burmese government, the

Burmese military, the KIA and the NLD should be present in the future political dialogue regarding Kachin demands for political autonomy. The Burmese armed forces need to participate in order to reduce military tensions in the Kachin state. Aung San Suu Kyi must participate in order to make sure that the KIO and the Burmese government can continue to engage in the political dialogue and implement the agreements after the 2015 election. A U.S. representative should be present for these deliberations to assert U.S. interests. The United States must seize the opportunity to engage with China on the issue of Kachin instability as China's recent actions have shown a growing concern for this situation.

Kachin IDPs and Refugees

Benjamin C. Lee

Background

The ongoing civil war in the Kachin has seen the creation of approximately 90,000 internally displaced persons (IDPs) in Kachin State and 60,000 refugees along the border with China's Yunnan Province.⁶¹ In addition to wartime crimes such as rape, forced labor and child conscription, IDPs and refugees continue to be the beneficiaries of minimal humanitarian assistance from local humanitarian organizations due to lack of access from international aid organizations. Despite the dire humanitarian situation in the Kachin state and the Yunnan region, the Burmese government has denied humanitarian access for INGOs until February 5th 2013,⁶² and the Chinese government continues to deny UN agencies' access to the Yunnan region.

Policy Recommendations

- Continue to fund U.N. agencies, such as UNWFP, UNHCR, UNICEF, for humanitarian assistance to the Kachin area, capitalizing on the recent decision by the Burmese government allowing such aid to be distributed to the Kachin.

Until recently, the Burmese government has downplayed the scale of the IDPs and their need for humanitarian assistance.⁶³ In August 2011, when more than 20,000 Kachin IDPs fled to other areas, the Burmese Information minister claimed that within Kachin only 4,000 IDPs have left and more than two thirds of the IDPs were associated with the KIO.⁶⁴ Internationally, the Burmese government has expressed concerns about U.N.'s humanitarian aid reaching the KIA and thus restricted U.N. agencies' access to the Kachin region.⁶⁵ The Burmese government's concerns, however, are veiled excuses to exclude the international observers out of the Kachin conflict.⁶⁶ Due to international pressure (from whom specifically), the Burmese government on December 12th 2011 allowed the U.N. delegation to make a small delivery of aid.⁶⁷ After this visit, the Burmese government only allowed three more successive delivery of small aid, consisting of a one month's supply of food for about 3,500 people in 2012.⁶⁸ Only in February 5th 2013, President Thein Sein's Spokesperson Ye Htut mentioned that

"the President agreed to let INGOs provide aid."⁶⁹ Due to this, the UN aid groups arrived in Kachin's Hpakant Township on February 15th 2013, providing humanitarian assistance to 5,000 displaced Kachin civilians.

As a participant in the future political dialogue, the United States should support the Burmese government's shift regarding humanitarian aid while pushing for further de-escalation of the war. Further de-escalation of the war will ensure the security of aid workers and broaden INGO's access to the Kachin state. Also, in pushing for de-escalation of the war, the United States should request an end to war crimes and human rights violation. Both the Burmese and the KIA are responsible for the atrocities taking place in the IDP camps, which include torture, forced child conscription and extrajudicial killings.⁷⁰ All of these atrocities violate international law and destabilize the Kachin region.⁷¹ Furthermore, in requesting the Burmese government for unrestricted access for the INGOs and the U.N. agencies, the United States must emphasize that humanitarian assistance is an apolitical matter that needs to be addressed for the IDPs and the civilians before a long-term agreement in the political dialogue. In this vein, U.S. strategy to continue to fund the U.N. agencies would stabilize the Kachin region and accelerate the peace process.⁷²

Once the Burmese government grants unrestricted access to the Kachin region for the INGOs, the INGOs should begin with providing food for the IDPs (see Figure 2 in Appendix). For the past few years, the ongoing civil war has diminished crop yields and Burmese government's restriction on the INGO's access to the Kachin state has resulted in food shortages for Kachin IDPs.⁷³ As the figure above shows, both the U.N. agencies and the INGOs have provided extremely limited amount of food for Kachin IDPs. The most vulnerable IDPs residing on the rural areas along the Sino-Burmese border have not received any international aid at all.⁷⁴ As a result, in one camp, eleven percent of [IDPs'] children under the age of five were severely or moderately malnourished, requiring supplementary feeding programs according to WHO standards.⁷⁵ Until now, local organizations were the sole providers of food for the IDPs, but once the U.N. agencies gain unconditional access, they must provide the necessary food for the Kachin people suffering from both food shortage and insecurity.

- Petition China unconditional access for international humanitarian organizations to the Yunnan Province, narrowly limited to the area bordering the Kachin state where the majority of Kachin refugees reside.

Unlike the Burmese government, which has recently provided humanitarian access to Kachin, the Chinese government continues to deny humanitarian access to the Yunnan region. China is a party to both the 1951 Convention relating to the Status of Refugees and its 1967 protocol, which obligates China to provide humanitarian assistance to refugees.⁷⁶ Furthermore, as a member of the Executive Committee of the UNHCR, the Chinese government has verbally expressed that China has “interest in and devotion to the solution of the refugee problems.”⁷⁷ Despite the Chinese government’s international obligations and its devotion to the refugee problem, China does not have domestic laws that define and grant refugee status.⁷⁸ Instead, the Chinese government perceives the Kachin refugees as “border residents...who come to visit friends and relatives.”⁷⁹ By not granting refugee status to the Kachin refugees, China is denying basic humanitarian assistance to Kachin refugees.⁸⁰

Furthermore, as a result of this perception, the Chinese government has forcibly returned the Kachin refugees, violating international law of non-refoulement enshrined in the 1951 Convention and 1967 protocol.⁸¹ The principle of non-refoulement prohibits all nations from forcibly returning the refugees to their country of origin of which they may face further persecution.⁸² Furthermore, the principle of non-refoulement applies to all asylum seekers regardless of a country’s decision to grant refugee status or not. Ultimately “non-refoulement is the cornerstone of refugee protection.”⁸³ China, however, has disregarded this protection law and forcibly returned at least 1,000 Kachin refugees to Burma for fear that the Kachin refugees will contribute to the instability in China’s Yunnan province.⁸⁴ On August 2012, when the New York Times reported this forcible return of Kachin refugees, the Chinese Foreign Ministry released a statement saying that the refugees were returning because tensions in the Kachin state subsided.⁸⁵ However, contrary to the Chinese foreign Ministry’s argument, tensions in the Kachin state have gradually escalated, culminating in Burmese military’s use of air power in 2013.⁸⁶

In dealing with the Chinese government’s violation of its international obligations, the United States must acknowledge that it has limited capacity to influence China’s policy on Kachin refugees. The United States must also understand that pressuring the Chinese government could endanger the prospects for bilateral cooperation necessary to advance the political dialogue. Thus, instead of pressuring the Chinese government to abide by its obligations, the United States must request China

unconditional access to Yunnan province, narrowly limited to areas bordering the Kachin region. In persuading China, the United States must explain that unrestricted access to the Yunnan’s borders with Kachin and international humanitarian organizations’ assistance is capable of stabilizing the region. Once China grants unconditional access to the limited region in Yunnan province, humanitarian organization will be able to provide food assistance to the refugees and also restrain China’s human rights violations on Kachin refugees, such as the forcible repatriation of refugees along the Sino-Burmese border and forced labor practices on Kachin refugees.

- Provide funding for local grassroots organizations such as the METTA foundation, which have been developing the Kachin region in a sustainable way, providing economic opportunities for the Kachin people.

While the UN provides immediate humanitarian assistance to the IDPs and the Kachin refugees in Yunnan, the United States must fund local organizations, such as the METTA foundation, to support long-term economic development in Kachin. Historically, since the ceasefire agreement in 1994, the relative stability in the Kachin created a ‘ceasefire economy’ where Chinese companies and Burmese government exploited Kachin’s resources from Burma’s borderlands.⁸⁷ Massive logging and mining not only damaged the environment which adversely affected Kachin livelihoods, eradicating Kachin people’s job opportunities and providing no return for the local economy.⁸⁸ In some cases, FDIs in ethnic areas have even led to military conflict between foreign investors and the ethnic communities that lost resources. While FDIs from diverse countries may be an option to diversify Burma’s foreign reliance on China, FDIs could exclude local stakeholders and fail to bring any local development.⁸⁹ Only foreign investors will exploit Kachin’s resources, resulting in the same economic strife that could lead up to another conflict.

Acknowledging the limits of FDIs, the United States must fund local organizations, such as the METTA foundation to ensure that economic development guarantees participation of the local people and benefits the Kachin region. Local organizations, such as the METTA foundation, have worked extensively in the Kachin region, providing assistance to local Kachin communities. These organizations understand the need for local participation in economic development. For example, the METTA foundation conducts local workshops so that the Kachin people can participate, implement and evaluate the local projects.⁹⁰ Furthermore, unlike FDIs driven by profit, the METTA foundation uses ninety percent of its funds to local projects.⁹¹ Local organizations directly benefit local household

economies and have the potential to stabilize the Kachin region in the long-term. While immediate humanitarian assistance to the Kachin is necessary for solving the short-term humanitarian situation, the United States must fund the local organizations in Kachin to bring economic development that benefits the local Kachin people in the future.

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Regional Stability

Benjamin C. Lee, David Siegel, Carl Peterson, Carl Taylor

Introduction

During the period of U.S. sanctions on Burma, the United States refrained from all investment in Burma, and China seized the opportunity by monopolizing control of Burmese natural resources in northern Burma. Chinese presence in the region grew along with profits, while many Kachin relied on precarious narcotics production. As U.S.-Burma relations improve, the United States must recognize the need to encourage economic stability in the Kachin region as well as the importance of participating in military to military training with the Burmese military.

Policy Considerations

The United States remains concerned about the lack of sustainable development in Kachin state coupled by the threat of growing Chinese control of Burmese industries. As the United States continues to strengthen its relationship with Burma, U.S. support for economic stability and diversification in Kachin state, including an end to locals' reliance on narcotic production, constitute key approaches to stabilizing northern Burma. The second Obama Administration should support a strong, diversified economy in Kachin state as well as to reinstall a U.S.-led military to military training program for the Burmese military, the latter particularly important in regards to the ambiguous Burmese-North Korean relationship.

Policy Recommendations

- Recognize the need to diminish Chinese economic influence in Burma, which has plundered Burma's natural resources over the past few decades.
- Promote fair economic competition in Burma by encouraging Japan and India to invest more in Burma.

- Advise Japan and India to continue FDIs in ways that economic development return benefits to the local communities.
- Establish strategic International Military Exchange Training programs, with a focus on professionalizing the Burmese military, especially the Burmese officer corps. Professionalization involves greater respect for human rights, the laws of armed conflict, and respect for the authority of a civilian government.
- Continue to integrate the Burmese military into, and expand its participation in, joint international military exercises.
- Address and confront the barriers to a successful strategic military to military engagement between the U.S. and Burmese militaries.
- Pressure the Burmese government to reform laws such as the Vacant Fallow Virgin Land Law so that the average farmer has more secure access to a better-established local economy.
- Require any U.S. investments in northern Burma to contract work from local citizens and not foreign to promote local economic development while promoting “alternative development” through locally established NGOs.

Chinese Economic Interests and Political Rebalancing in Burma

Benjamin C. Lee, David Siegel

Background

Before the gradual lifting of sanctions, the West and the United States could not invest in Burma. This increased Burma's reliance on China¹ and allowed China to monopolize Burma's resources. In Burma, Chinese economic interests are made of mainly three components: dual oil and gas pipelines, hydroelectric dams, and natural resources such as timber and mining.² As there has been minimal competition in the past, profit-driven Chinese economic development caused environmental, social and economic problems for the local people. In dealing with China's economic influence in Burma, the United States must recognize that while containment of China may be unnecessary, diminishing Chinese influence in Burma's economy is important for a stable democracy based on a strong middle class. At the same time, however, considering China's increasing suspicions on U.S. policy toward Burma, the United States must avoid direct confrontation with China and encourage regional partners to take a greater role in Burma. The United States should aim for a geopolitical rebalancing in Burma, encouraging a greater role for Japan and India so that the Burmese government can diversify Chinese economic influence.

Policy Recommendations

- Recognize the need to diminish Chinese economic influence in Burma, which has plundered Burma's natural resources over the past few decades.

Oil and Gas Pipelines and Geopolitical Implications

One of the most important Chinese economic interests in Burma is the construction of the dual oil and gas pipeline, which is of China's "national strategic importance."³ From an economic point of view, the oil pipelines that link Sittwe and Kunming will not only cut the shipping distance by 1,200 km⁴ but also reduce the time for oil shipment from Middle East and Africa.⁵ Gas pipelines will make China the main recipient of Myanmar's natural gas in Shwe fields, replacing Thailand as the largest consumer of Burmese gas.⁶ Strategically, the oil pipelines will diversify oil import routes and thus alleviate Chinese government's "Malacca dilemma."⁷ Currently, more than four fifths of China's oil imports pass through the Strait of Malacca and the People's Liberation Army (PLA) does not

have the naval capacity to secure the region.⁸ In the future, if conflict breaks out over Taiwan and the U.S. decides to block the Strait of Malacca, the Chinese government will confront energy insecurity.⁹ Acknowledging this heavy reliance on the Strait of Malacca for oil imports, the Chinese government plans to use the oil pipelines to reduce its dependence on the Strait of Malacca. Furthermore, by gaining access to the Indian Ocean through Burmese ports, the Chinese government will be able to pursue its "two oceans strategy," using both the Pacific and the Indian Ocean as backbone for further economic development.¹⁰ By gaining access to the Indian Ocean, the Chinese government will be able to bring economic development to the underdeveloped Yunnan region and reduce the development gap between China's eastern coastal region and the interior western region.¹¹

Hydroelectric Dams

Burmese hydropower provides not only an inexpensive source of energy to China's increasing demand for electricity but also an alternative source of energy not reliant on coal. Coal burning provides approximately provides seventy-eight percent of China's energy.¹² Chinese government acknowledges that burning coal has huge environmental consequences and understands that an alternative source of energy is necessary for a sustainable economic development.¹³ For China, Burma's undammed rivers and loose regulations on foreign investment provided an opportunity to acquire the alternative source of energy. As a result, the hydroelectric dams in Burma will export more than 90% of its electricity to China and Thailand instead of providing electricity to the local population.¹⁴ Understanding that Burmese hydroelectric dams can provide China both sustainable and cheap electricity, the Chinese government has invested 1.2 billion in Burma's hydroelectric sector.¹⁵

Natural Resources: Timber and Mining

Following the ceasefire in Kachin state in 1994, China has engaged in illegal timber trading with the KIO.¹⁶ After a new Chinese law that prohibited domestic logging took effect, the Chinese demand for timber trade soared from 300,000 cubic meters in 1997 to 1.6 million cubic meters in 2005.¹⁷ While the Chinese government took measures to close the Sino-Burmese border and end practice in illegal timber trading in 2008, illegal timber trading continued after a temporary respite and reached

500,000 cubic meters in mid-2012.¹⁸ This resulted in a massive deforestation in Burma, where eighteen percent of its forests disappeared between 1990 and 2005.¹⁹

In addition to timber, China also has vested interest in Burma's mining industry. Since China's rapid industrialization, China became the biggest consumer of nonferrous metal in 1995 and of copper and aluminum in 2003.²⁰ Despite its vast territory, China does not have enough domestic mining supplies to meet its domestic demands for minerals.²¹ Thus, since Chinese Vice Premier Wu Yi's visit in 2001, both the Chinese government and the Burmese government signed a memorandum of cooperation to work together on the "exploration, mining, and the utilization of mineral sources."²²

Problems in Chinese Economic Investments

While Chinese government's economic and strategic interests in Burma itself is not a problem, China's monopoly over Burma's natural resources over the few decades has engendered several economic and environmental problems that culminated in social unrest and anti-Chinese sentiment in Burma. Economically, although China is the top investor of FDIs in Burma, China has exploited Burma's chaotic economic reality as an opportunity to plunder Burma's resources.²³ Once Chinese firms invest in Burma, they often use Chinese laborers and do not provide economic opportunities for the local Burmese people.²⁴ In the case of the Myitstone Dam, the Burmese government replaced 20,000 local residents and Chinese Power Investment began building the dam only to benefit itself. Besides not returning benefits to the local people, the entire process of Chinese economic investment is "conducted in secrecy"²⁵ and with "a total absence of public participation."²⁶ Furthermore, no evidence shows that there has been adequate social impact assessment or environmental assessment on the hydroelectric dams.²⁷ Even when the Burmese government displaced the local residents for Chinese construction, Chinese companies have only provided minimal compensation for the local population.

As a result of Chinese extraction of local resources, the Burmese people protested against China and anti-Chinese sentiments soared. Many local residents believe that "the Chinese companies to not know and do not care about Corporate Social Responsibility (CSR)."²⁸ In the case of the Myitstone Dam, some of the local Kachin people have expressed their discontent over Chinese investment by bombing the construction site.²⁹ Eventually, President Thein Sein's suspended the Myitstone dam's construction until 2015, saying such construction was "against the will of the people."³⁰ Despite the cancellation of the Myitstone dam, anti-Chinese sentiment continues in Burma. In the case of Monywa copper mine, another joint cooperation between Burmese government and a Chinese firm, the Burmese

people have formed a similar anti-construction campaign to halt the expansion of the copper mine.³¹ In the midst of these increasing anti-Chinese sentiments in Burma, experts in China still do not realize the limitations of profit-driven Chinese economic investments and instead argue that the West, and most notably the U.S., is orchestrating such anti-Chinese sentiments in Burma.³²

- Promote fair economic competition in Burma by encouraging Japan and India to invest more in Burma and advise Japan and India to continue FDIs in ways that economic development return benefits to the local communities.

Japan's Role in Burma

Japan is interested in Burma for both economic and geopolitical reasons. Geopolitically, Japan is wary of increasing Chinese influence in Southeast Asia and thus understands the need to counter the rise of China.³³ Furthermore, as a result of territorial disputes over the Diaoyu Islands, known as Senkaku in Japan, Sino-Japanese trade relationship has strained and increased Japan's need to find alternative economic partners.³⁴ Understanding this economic and geopolitical need, Japanese Prime Minister Abe Shinzo is pursuing the Abe Doctrine, prioritizing economic interests in Southeast Asia and strengthening ties with nations that share democratic values.³⁵ During his first visit to Southeast Asia, he addressed the need for Japan to increase ties with Southeast Asian countries. He stated that Southeast Asia a huge potential for growth, which in turn could provide Japan economic opportunities.³⁶ Abe's favorable stance toward Southeast Asia culminated in Burma where he chose the Japanese Finance Minister, Aso Taro, to visit Burma as the first overseas country.³⁷

Besides containing China, Japan has taken significant measures in Burma to provide economic assistance and investment. In April 2012, the Japanese government waived Burma's \$3.7 billion dollars of debt.³⁸ By end of March 2013, Japan will provide loans "with an interest rate below 1 percent payable over 50 years, with no payments for the first 10 years."³⁹ Due to these Japanese assistances, the Burmese government was able to clear off its debt from Asian Development Bank and the World Bank.⁴⁰ These Japan government measures have also triggered Japanese private investment in Burma.⁴¹ With the Japanese Ministry of International Trade and Industry taking the leading role, Japanese conglomerates, Mitsubishi, Marubeni, and Sumitomo have increased their investment in Burma. These conglomerates are eager to take advantage of Burma's cheap labor force and expand its factory lines.⁴² If these trends continue, Japan in the future may even replace China as the top FDI provider, which currently takes about 50 % of Burmese FDIs.⁴³

Recognizing the increasing Japanese economic influence and Sino-Japanese economic competition in Burma, the United States should coordinate economic aid and investment with Japan. While the United States and Japan do not share the same geopolitical value of containing China, they share the value of promoting democracy and fair competition in Burma. The U.S. must advise the Japanese government to make sure that investments and assistance provide direct economic benefits for the local people. This in turn will make Japanese firms more attractive and competitive in Burma as opposed to the Chinese firms. Fair competition in Burma means reducing Chinese monopoly over Burma's resources and Japan should take a more active role in Burma to diversify Chinese influence.

India's Role in Burma

Historically, India's interest in Burma has had two conflicting elements: securing India's geopolitical interests in Southeast Asia and promoting democratization in Burma.⁴⁴ Before 1993, India oriented its policy on Burma to promote democratization. In 1988, India, as the world's largest democracy, supported Burma's democratic movements. India also took a leading role in condemning the military junta's attacks on peaceful protests.⁴⁵ However, the Indian government's pressure did not result in democratization of Burma, instead such criticism from the Indian government and Western sanctions only increased Burma's reliance on China.⁴⁶ This became a dilemma for India. While India wanted to support Burma's democratic transition and isolate the military junta, further isolation of Burma would lead to closer ties between Burmese military regime and China. Thus, in 1993, India shifted its policy on Burma from isolation to engagement under the "Look East Policy" in order to secure its political role in Southeast Asia. While promoting democracy and securing its geopolitical role in Southeast Asia are both of India's interest, India prioritized securing its influence in Southeast Asia because of its concerns over China's expansion in the Bay of Bengal and a potential for Chinese naval presence in Burmese ports.

After Burma began its democratic transition in 2011, India no longer needed to confront the dilemma between promoting democracy and securing its geopolitical interest.⁴⁷ Along with democratic transition, the Burmese military junta gradually lost influence and India could further engage with a democratic Burmese government. After 2011, supporting the democratic forces in Burmese government meant securing India's geopolitical interest in Burma. Freed from its dilemma, for the first time in 25 years, the Indian Prime Minister, Manmohan Singh visited Burma and held a meeting with the Burmese President Thein Sein. They agreed on "border area development, air services, cultural exchanges, a \$500m credit line between India's Export-

Import Bank and Myanmar [Burma] Foreign Trade bank, and establishment of a joint trade and investment forum."⁴⁸ Besides economic cooperation, the Indian Prime Minister also promised to assist Burma in democratic transition.

In terms of U.S. policy towards Burma, India will be an important regional partner that can bring economic competition with China. Furthermore, if the NLD wins the election in 2015, Indo-Burmese relationship will experience significant improvements due to Aung San Suu Kyi's personal relationship with India.⁴⁹ Recognizing the huge potential for India to become a major player in Burma, United States must advise India continue with FDIs in ways that return benefits to the local Burmese people. As in the same case for Japan, returning benefits to the local Burmese people will make Indian FDIs more attractive and competitive in Burma. Once geopolitical rebalancing is possible in Burma between China and India, Burma will be able to diversify its reliance on China and benefit from the fruits of its democratic transition.

For the United States, India and Japan are reliable partners in Burma because they share democratic values and support democratic transition in Burma. While United States may disagree on the policy on containing China, history of Chinese economic plundering of Burma's resources suggest that diversifying Burma's foreign influence and encouraging fair competition are necessary steps for Burma's economic development. Furthermore, as India and Japan take a more active role, the United States will be able to focus on political cooperation in the Kachin state and diminish China's suspicions on U.S. foreign policy in Asia.

Military to Military Cooperation

Carl Peterson

Background

With the normalizing of relations between the United States and Burma the United States has an opportunity to influence the Burmese military to become a more professional force. If the United States can establish a positive military to military relationship with the Burmese military it can create a more professional military force that respects human rights and the laws of armed conflict. This would help move influence the Burmese military to act in a manner that is more in line with U.S. policy for the region.

Policy Recommendations

- Establish strategic International Military Exchange Training programs (IMET), with a focus on professionalizing the Burmese military, especially the Burmese officer corps. Professionalization involves greater respect for human rights, the laws of armed conflict, and respect for the authority of a civilian government.

The U.S. military and Burmese militaries have a history of working together and before 1989 more Burmese military officers had trained with the U.S. military than they had with any other military worldwide.⁵⁰ However, by 1989 the United States ended its military to military engagement programs with Burma because of the military-junta's suppression of peaceful protests against the government. After 1989 the majority of Burmese officers received training from China and Russia. In fact, many present Burmese military officers have never met an American military officer, as a result of the dissolution of the IMET program. The IMET program met U.S. foreign policy objectives by allowing interoperability between the U.S. and Burmese militaries, promoting democracy abroad, promoting the internal defense of other nations and combatting the spread communism.⁵¹ When Burmese military officers traveled to the United States, the experience involved the opportunity to train with the U.S. military and to learn tactics, techniques, procedures and doctrine. Perhaps the most significant benefit of this program was the opportunity to engage in cultural exchange and the influence on Burmese officers to support a civilian-led democratic government and to respect human rights.⁵² The present lack of a military to military training program has left the

United States without any real influence over the Burmese officer corps or Burmese military as a whole. This lack of influence has affected U.S. ability to promote military professionalism, democratization and respect for human rights in Burma.⁵³

- Continue to integrate the Burmese military into, and expand its participation in, joint international military exercises.

The U.S. and Burmese militaries have recently increased their military to military cooperation following the gradual normalization of relations between the United States and Burma. A key example is the Burmese military's participation as an observer in the 2013 Cobra Gold multi-national military exercise. Cobra Gold is a military exercise organized by Thailand and the United States that focuses on interoperability between the participating militaries and the conduct of humanitarian and disaster relief operations.⁵⁴ The participants are from ASEAN or have interest in regional stability.⁵⁵ The Burmese military participated as part of the Coalition Observer Liaison Team (COLT) and observed the planning process during a staff exercise and a humanitarian and civic assistance project.⁵⁶ Some felt that the U.S. offer to attend the exercise was premature due to ongoing ethnic conflicts in Burma; the majority of these critics is opposed to President Thein Sein or are human rights campaigners.⁵⁷ However, the Burmese military representatives were observing planning and humanitarian operations, the focus of the exercises was on fostering the participants' abilities to plan strategically and to perform humanitarian operations.

- Address and confront the barriers to a successful strategic military to military engagement between the U.S. and Burmese militaries.

Barriers exist to the increase of strategic military to military cooperation between the United States and Burma. The primary barrier to closer military to military relations between the United States and Burma is Burma's relationship with North Korea. The United States must first understand the extent of Burma's relationship with North Korea before it can make real inroads to a stronger military to military relationship with Burma. Once the United States resolves this issue it will be able to truly consider improving military to military relations with Burma.⁵⁸ An additional barrier involves political opposition to a stronger military to military relationship between the United

States and Burma from human rights groups and critics of the current regime. However, if the United States decides that it can move forward without the support of these groups, this barrier will not prevent reimplementation of the IMET model. A final potential barrier consists of Burmese government and military resistance to participation in a military to military training program. However, as indicated by Burmese participation in Cobra Gold, it appears that Burma will welcome closer military to military relations with the United States.

Conclusion

After nearly a quarter century of isolated relations with Burma, the United States must regain legitimacy with the policies of the Burmese government and military. Strategic military to military engagement between the U.S. and Burmese militaries will provide an important medium for influencing the Burmese military, specifically on policy. With increased participation in exercises and the reestablishment of an IMET, the United States can have influence over the actions and ideals of Burmese military officers. While this influence is not direct, the cultural exchange and professionalization that an IMET program and engagement in exercises furthers is important for the normalization of relations between the United States and Burma.

Political and Economic Drivers of Narcotics in Northern Burma

Carl Taylor

Background

Narcotic production has increased in northern Burma despite the greater control of narcotic land by Burmese military officials and the increased economic investment in the region by Burma and China. There is a clear linkage between the Burma/China monopolized legal economy and the augmented illegal economy.⁵⁹ The major drivers behind the recent narcotic production increase in northern Burma are Burmese/Chinese monopolized markets in the region, Chinese consumption of narcotics and its opium replacement program in the region.

Burma was the world's largest illicit opium producer until the early 1990's, when Afghanistan replaced Burma's position. Opium production in Burma has been rising since 2006⁶⁰ with a new focus on Kachin and southern Shan state. The long lasting conflict in Kachin state is firmly linked with the narcotic issue.⁶¹ Due to the failure of strict enforcement of narcotics, the narcotic trade in northern Burma should be addressed as a public health issue by the United States and Burma. There should be no eradication or strict implementation unless viable and sustainable livelihoods are in place.⁶² Aid should not be dependent on drug eradication but on progressive human development. Unless foreign-direct investment is people-centered, it is likely that disparity in northern Burma will grow.⁶³ To achieve this goal the U.S. government should coerce the Burmese government to implement "alternative development" with economic incentives to replace Chinese "opium replacement programs".⁶⁴ Chinese opium replacement programs only serve Chinese interests and hinder local economic and societal development. "Alternative development" addresses the cultural sensitivity of the area while replacing the international-in-demand-cash-crops of China's replacement program with local in-demand-products, thus creating a more sustainable society by letting the residents of northern Burma benefit from the riches of its environment while limiting dominate Burmese/Chinese cash-crop investments.

With few economic options due to sanctions and Chinese/Burmese monopolies many northern Burmese are left with no option but to grow opium — making opium production the main source of income for thousands of citizens. Opium in Burma was originally produced for local consumption.⁶⁵ After Kuomintang (KMT) troops fled from China into northern Burma in 1949 they, with the help of America, in the way of the

Office of Strategic Services (OSS) and the front-organization Air America, developed a successful opium trade.⁶⁶ Shan and Wa states have traditionally been the notorious producers of opium in Burma, but recently Kachin state has augmented production, imbedding narcotics into Kachin society. Once the leader in opium production, Burma is now second only to Afghanistan. Opium and methamphetamines, largely sold to China through Yunnan province, are a major business for armed militia groups. Ethnic conflict and multinational sanctions promote the \$U.S. 1-2 billion-a-year narcotic industry.⁶⁷ Although, government officials claim to be making great strides in narcotic prevention and aim to eliminate opium by 2014⁶⁸ⁱ, the opulent displays of wealth among local officials and military personal clearly indicates the likely involvement of government, at least at the level of township and other local officialdom.⁶⁹ Therefore, complete and immediate drug eradication is unfeasible.

The Kachin Conflict

With no access to the Chinese/Burmese monopolized legal trade and business the Kachin have had to begin to rely on illegal economic activities, such as opium production.⁷⁰ Kachin rebels are fighting for political recognition and to be a part of a more federal government. The conflict began by the Kachin rebelling against what was seen as a politically dominant tatmadaw working with China to control their natural resources. The level of motivation from the Burmese government to achieve real lasting peace versus simple military and economic domination remains disputed^{ii, 71}

China's Role/Interests

Chinese abusive economic exploitation of northern Burma and Chinese consumption of Burmese narcotics are major reasons for the recent narcotic boom in northern Burma and the current Kachin conflict and will only aid in lengthening the conflict and strengthening the narcotic economy. China is the main consumer of Burmese narcotics⁷², consuming up to three fourths of all Burmese narcotics.⁷³ To combat opium production

i It is a shared view amongst many experts on narcotics in Burma that this date is completely unrealistic.

ii Martin Smith advocates that the Burmese government only cares about Kachin's economic potential and sights the unusually intense force used by the Burmese army against the Kachin.

China has claimed to promote “alternative development”⁷⁴, but Chinese economic roles in northern Burma have been focused on an “opium replacement program”⁷⁵ China’s opium replacement program encourages cash-crop production, such as rubber and sugar, with Chinese investment and Chinese workers with China as the ultimate market. This system creates a plantation system that takes advantage of uninformed citizens and only benefits a few elite Chinese.⁷⁶ As Tom Kramer and Kevin Woods reports: “The Chinese approach in addressing opium cultivation in northern Burma focuses on dealing with local authorities instead of directly with affected communities, with the result of strengthening the former at the expense of the latter.”⁷⁷ China needs to be reminded that if it wishes to continue promoting “harmonious” regional cooperation between Yunnan Province and Burma and to keep Burma as a “backdoor” or “road” in their “Two-Ocean” strategy,⁷⁸ as it has viewed Burma in the past, it must aid in the stabilization of the country.

Health Risks

The spread of HIV/AIDS by Heroin injection is one of the major causes of drug related deaths in Burma and the world.⁷⁹ One study has found that 91% of males over the age of fifteen in a Palaung village are addicted to drugs.⁸⁰ AIDS/HIV, Hepatitis B and C and tuberculosis infection rates among injecting drug users in Burma is one of the highest instances of infection in the world.⁸¹

Policy Recommendations

- Pressure the Burmese government to reform laws such as the Vacant Fallow Virgin Land Law so that the average farmer has more secure access to a better-established local economy.

Chinese and Burmese extraction of northern Burma’s resources has destabilized the region and unintentionally promoted narcotic trade, thus an alternative to a Burma/Chinese dominated economy is needed. Since the mid-2000s the Burmese government has redefined what counts as an extractable resource in the country. The Burmese government now sees land as a source for investment instead of as social and economic equitable development. This shift in land ideology can be traced to the Burmese government’s shift away from Socialist tendencies.⁸² An example of new land ideology is the Vacant Fallow Virgin Land Law that dictates that if the Burmese government considers a land to be underutilized they have the right to confiscate it and sell it for private use.⁸³ These types of laws destabilize and prevent local economic development by viewing agriculture in a monoculture capitalist intensive manner instead of in a local de-

mand manner.⁸⁴ An opium replacement program that sees land as a resource and not as a form of social and economic equitable development will not work.

- Require any U.S. investments in northern Burma to contract work from local citizens and not foreign to promote local economic development while promoting “alternative development” through locally established NGOs.

“Alternative development” is the investment in local economies and not in policies that mainly support global-demand-driven monocultures, such as rubber or sugar. Although large-scale crop substitution has had some temporary successes in places like South America, they are usually ineffective in achieving their intended aims.⁸⁵ Alternative development should be based on a market driven approach with a focus on local consumption and rural economy models so as to strengthen local markets.⁸⁶ In other words, instead of company-to-company approach, a farmer-to-farmer approach needs to be implemented.⁸⁷ An example of successful alternative development is the work of the Metta foundation. Instead of promoting cash crops the Metta foundation promotes a “seed for seed” program that simply holds classes to teach more affective farming methods and offers help to local farmers, if so desired. The seed for seed program stands to double yields and provides a gathering place to develop and promote the local community.⁸⁸

The U.S. government can encourage rural economic development by continuing its “action for action” policy. As a first step, the United States should provide economic aid in infrastructure development and support locally established NGO’s such as the Metta foundation in northern Burma. Furthermore, any U.S. investment should be required to contract local citizens so as to actively engage local residents and undermine Chinese domination of the work force so as to eventually reduce poppy production and provide a stable environment for peace’.

Conclusion

Peace in Burma, and U.S. presence in Asia, will be more secure if the narcotic economy in northern Burma is replaced with a legal, local-based economy. Narcotic production is positively correlated with conflict duration.⁸⁹ Control of the narcotic trade is essential to both military and political control of Bur-

iii The KIO promoted a similar policy in a letter to the Agriculture and Forest Conservation Department in 2010.

iv Daw Seng Raw, founder of the Metta foundation, in a conversation with the author, emphasized the importance of local gatherings in the peace process and development of the rural economy.

v This idea is based off an interview with Kevin Woods.

mese territory.⁹⁰ Eventual eradication of northern Burmese narcotics will aid in the recent rapprochement. A peaceful northern Burma has enormous economic potential for all of Burma. If successful, the quailing of northern Burmese-based narcotics will improve the image of the U.S. War on Drugs campaign that has been tarnished by interventions in South America in the name of narcotics. By supporting “alternative development” through local NGOs, rather than Chinese “opium replacement” the United States can help satisfy ethnic groups such as the Kachin. Rural economic development will also lower Chinese influence and a major economic incentive to rebel: de-stabilized areas are profit regions for narcotics. If northern Burma can achieve peace and reconciliation with the new government, Burma’s transition to democracy will likely be faster and more successful. If the United States aids Burma in a successful democratic transition, U.S. presence in Asia will become more secure.

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Domestic Economic Reform

Matthew Kawatani, Devon Ridley

Introduction

Longstanding sanctions on Burma have resulted in the United States becoming completely uninvolved in the lives of the people of Burma. Sanctions are being suspended and the Obama Administration has made it a priority to encourage reform in Burma to affect not only the top of Burmese society, but also those who form Burma's foundation in order to ensure stability. The establishment of an official USAID mission in Burma has demonstrated the dedication the Administration has for these goals.

Policy Considerations

U.S. investment and aid can have a significant impact on the political, economic and social structure of Burma. The United States must encourage cautious investment from the private sector that supports sustainable development, while also utilizing all ready existing frameworks between NGOs and Burma to provide aid. Focus on sustainable industries; such as agriculture and tourism, as opposed to extractive industries, will also be key as the United States seeks to develop Burma's ability to become a stable economic partner.

Policy Recommendations

- Base all developmental policy decision in the agriculture industry on the rights of small landholding farmers and the importance of securing their livelihoods.
- Pressure President Thein Sein and other key political figures to revise the Wasteland Act so that the difference between fallow land and "waste" land is recognized and lands are reclassified.
- Fund exposure tours for key parliamentarians, Ministry of Agriculture officials, Burmese Agribusinesses and agriculture-oriented NGO staff to countries that are undergoing land reform or have undergone land reforms that supported small farmer development or contract agriculture.
- Provide funding for NGOs to educate and assists small landholders on land registration with the Settlement and Land Records Department of the Ministry of Agriculture

and the Forest Department of the Ministry of Forestry.

- Implement regulations on U.S. agribusiness companies who invested in the Agriculture Sector in Burma, whereby placing a system of check and balances that include provisions for small landholding farmers.
- Restrict U.S. Agribusiness from acquiring Burmese land, unless they use contract farming.
- Send an economic mission of U.S. experts to Rangoon to aid the newly elected government in re-drafting and tightening the 2012 investment code, in order to ensure Burma's economic stability.
- Utilize soft power and sanction reduction in helping to reform Burma's infant economy and ensure long-term stability.
- Adopt a partnership role in building economic infrastructure and cooperation.
- Ensure a foothold for future U.S. economic interests by first building goodwill with the Burmese people through humanitarian aid, microfinance, investment, and capacity building.
- Begin a widespread government funded micro-finance project in Burma through a public-private partnership with Grameen Bank in order to increase U.S. economic and public goodwill in the region.
- Utilize already existing microfinance framework and capabilities by directing U.S.-branded microfinance loans through the Grameen Bank the Asian Development Bank, and the United Nations Development Bank.
- Target funds toward grassroots infrastructure development essential to future economic integration and change-makers to in rural Burma, to raise the middle class and help alleviate poverty.
- Begin a USAID funded feasibility study of opening up Burma's southern islands for sustainable tourism development, to help ensure future economic stability
- Partner with the new government in 2015 to invest in sustainable domestic tourism infrastructure to offer mutual economic gain.
- Encourage the re-purposing of ex-junta officials to secure new regions for tourism development

Securing Livelihoods: Rural Agriculture Development

Matthew Kawatani

Background

Burma at one time was called the rice bowl of Asia; it was the largest exporter of rice in the world and demonstrated immense potential in the agriculture sector as a whole. Burma's potential to once again be one of Asia's agricultural leaders is not an improbable prospect. What is puzzling however is that Burma's neighbors have continued to make gains in agricultural production while Burma's output has declined, on a per capita and yield basis.¹ The Burmese Minister of Agriculture and Irrigation, U Myint Hlaing has envisioned the agriculture industry being reformed into an industrialized system with agribusinesses being the predominant producers in the industry. This report believes however, that large-scale agribusinesses will only cause more social and economic problems in Burma. The United States should therefore, help to empower small landholding farmers as well as provide them with economic and infrastructural assistance. Assistance in these areas will allow small landholding farmers to be productive again and raise the overall production of the agriculture sector, without creating the problems that would be a result of agribusiness take over.

Policy Recommendations

- Base all developmental policy decision in the agriculture industry on the rights of small landholding farmers and the importance of securing their livelihoods.

Land tenure security is perhaps the next big political and social issue that Burma will face; land grabs within Burma have been highly publicized, with much opposition to foreign countries who have acquired possession of previously tenured land. Current political developments within Burma on the issue of land reform and agricultural development have been conflicting and varying. Economic advisors to President Thein Sein, such as Myint U, have advocated for sustainable pro-poor development that would include secure land rights for smallholder farmers; U Myint Hlaing, the Minister of Agriculture and Irrigation in Burma, in contrast to these advisors, has envisioned the development of the agriculture industry in Burma to be high-input, high yield, commercialized and large scale, leaving little room for smallholder farmers.² U Myint Hlaing's view of agriculture development and poverty alleviation is in contrast to the reality of

the current situation in Burma. There is no clear evidence to the underlying notion that large-scale farms are more economically productive.³ While there is evidence that asserts that agribusiness has lead to land encroachment, which has been identified by some farmers in the uplands as the most important problem, as loss of access to land is potentially the largest driver to poverty in these areas.⁴⁵

The loss of access to land tenure for smallholder farmers has lead to an undue amount of stress placed on their household livelihoods. In many cases these families will turn to the forest for provision, thus depleting them of their natural resources. If the people are still unable to provide for their families they will then migrate to other industries such as jade, gem or mining. These industries contribute to social problems such as drug addiction, the spread of HIV/AIDS and human trafficking. None of these outcomes are in the interest of Burma or the United States and will only create more obstacles for the economic and social development of Burma. What makes the problem even more potentially explosive is that 75% of the population in Burma is considered smallholder farmers.⁶ Thus, in order to develop the agriculture industry, promote the growth of a stable middle class, and prevent social and political upheaval, the United States must base agricultural policy decisions on empowering smallholder farmers.

- Pressure President Thein Sein and the parliament other key political figures to revise the Wasteland Act so that the difference between fallow land and "waste" land is recognized and lands are reclassified.

In 1989 Burma underwent a campaign for privatization and a move towards a market economy. The result has been large-scale agribusinesses taking hold of land in upper Burma. This agribusiness take over has intensified recently, with the political changes within the country as Burma is seen as the "last great frontier of Asia."⁷

Many tracts of land given to these agribusinesses were classified as "wasteland" or "virgin land" but are in fact important parts of the shifting agriculture system in the uplands. In order for the land rights of smallholder farmers to be recognized, these systems need to be taken into account when classifying land. In the uplands shifting cultivation systems, rotate pieces of land be-

tween cultivation and fallow. These rotations, lead to a complex system of land classification in traditional tenure institutions.ⁱ If the land is not being cultivated there are typically three types of land classifications in the customary law:

- 1) 'protection' forest surrounding the village
- 2) forest fallows
- 3) primary forests or forests used for purposes such as hunting or gathering.⁸

These classifications of land demonstrate that while land in a village may not be used currently in production of agriculture products, all land within the village is used for the purpose of agricultural production and meeting the livelihoods of the villagers. These classifications are a part of traditional law and are not recognized by statutory law within Burma.ⁱⁱ The Burmese government classifies land as either agriculture or forestry land, ignoring the interrelated aspects of forestry, agriculture and fallow land⁹ It is because of the lack of understanding on the part of the Burmese government, that fallow land is classified as wasteland and is open to private allocation or investment.

The granting of these fallow lands to foreign interests leads to a decrease in the size of the farms held by small landholder farmers. Because the sizes of the farms are decreasing farmers are forced to produce more on smaller portions of land, leading to the breaking down of the fallow system and environmental degradation. The United States needs to therefore pressure the Burmese government to integrate the traditional land tenure institutions with the current statutory system in order to protect the livelihoods and production of small landholder farmers.

- Fund exposure tours to countries that are undergoing land reform or have undergone land reforms that supported small farmer development or contract agriculture, to key parliamentarians, Ministry of Agriculture officials, Burmese Agribusinesses and agriculture-oriented NGO staff.

The previous section of this report established that one of the main reasons for land reallocation is the conflicting nature of traditional law and statutory law. The recognition of traditional tenure institution and farming methods will provide small landholding farmers the secure land rights that are needed in order for them to retain their livelihoods and contribute to agricultural production. It is clear however that the United States cannot change the agricultural policy of Burma

i This report uses traditional land tenure/traditional law interchangeably with customary land tenure/customary law.

ii The contrast in land institutions is an affect of British Colonial rule as ethnic areas were given their own administration system separate from lower Burma until 1949.

itself. The United States can only take steps to encourage the implementation of pro-small landholding farmers' policies. A good sign for the U.S. is that Burmese parliamentary members have been extremely open to listening and considering U.S. opinions.¹⁰ Funding exposure tours for key parliamentarians, Ministry of Agriculture officials, Burmese Agribusinesses and agriculture-oriented NGO staff would provide an actionable way for the U.S. to promote small landholding farmer development in the agriculture industry. It would also allow, key officials to see more than just the numbers that are provided in reports. Small landholding farms in Vietnam, in particular, could be potential sites for exposure visits as Vietnam has made significant progress in the agriculture sector while promoting the development of small landholding farmersⁱⁱⁱ (See Figure 3 in Appendix).

- Provide funding for NGOs that educates and assists small landholders on land registration with the Settlement and Land Records Department of the Ministry of Agriculture or the Forest Department of the Ministry of Forestry.

Laws in Burma have been used to take land away from small landholding farms due to the lack of integration between traditional tenure systems and statutory law, which is currently used by the Burmese government in land allocation. However the laws that are used to allocate land can also be seen as an opportunity for small landholding farmers to secure their land rights and livelihoods. There are two policies in particular that can be used for the benefit of small landholding farmers. The first is the privatization policy, held by the Burmese government and the second is the Damaukya. What prevents many small landholding farmers from formally registering their land is a lack of understanding the registration process.

The privatization policy states that all Burmese citizens are eligible to apply for land use rights under the same mechanisms as large agribusinesses.¹¹ This policy provides a way for farmers to apply for official recognition of their land rights under statutory law.^{iv} While Burma needs to revise their land allocation laws in order to incorporate traditional land tenure systems, this privatization policy provides a way for farmers to gain land rights while playing within the system.

The Damaukya Policy is a traditional tenure practice of "the one who clears the land owns it." This practice has been recognized under traditional land tenure and under certain condi-

iii Mentioned in conversation with Mary Callahan.

iv One contingency attached to applying for land use rights is that farmers must be able to generate capital for development. This contingency must be changed as fallow lands should not be considered in need of development. This contingency also limits many small landholding farmers due to their lack of access to credit, which will be discussed later in this report.

tions, was also recognized under British colonial rule.

The Damaukya land policy was officially abolished in 1953, as private land ownership was no longer recognized. The Damaukya Policy however is still used by the Land Management Committee in determining land use rights and its concept is mirrored in the Farmer's Land Protection Act.¹²

While these policies can be utilized by NGOs to secure the land rights of small landholding farmers, there are obstacles as well as constraints to utilizing the opportunities presented by these policies. The first obstacle is that many small landholding farmers do not understand land registration; many of them have lived under the system of traditional tenure and do not understand that statutory tenure is what the government primarily uses to allocate land. Small landholding farmers also oppose registration because it means having to pay taxes on the land they are allocated. This is why funding should be provided not only to assist in registration, but also in educating small landholding farmers on the benefits of land registration. Another constraint is that the rule of law in Burma needs to receive greater respect.^v There has been much change in Burma but much of it can only be seen in the cities, as the daily lives of many Burmese who live in the uplands remain the same and corruption is still present.¹³ The fear associated with this corruption is that land registrations will not matter and that government officials will still reallocate registered land. This fear while still present is mitigated by the fact that the Burmese government has recently taken serious steps to enforce the rule of law and crack down on corruption.¹⁴

Providing funds for NGOs to educate and assist small landholding farmers on land registration will provide the U.S. with a multi-faceted policy. This policy will work within the current Burmese system, while at the same time, work to change the system.

- Implement regulations on U.S. agribusiness companies who invested in the Agriculture Sector in Burma, whereby a placing a system of check and balances that include provisions for small landholding farmers.
- Restrict U.S. Agribusiness from acquiring Burmese land, unless they use contract farming.

The United States has made poverty alleviation, food security and land rights some of their top priorities in aiding the development and reemergence of Burma.¹⁵ The Obama Administration has suspended most sanctions while also stating that

^v In 2012 Burma ranked 172/176 countries in a corruption index by Transparency International.
<http://www.transparency.org/country#MMR>

the United States would demand a high level of corporate responsibility from U.S. companies seeking to invest in Burma.¹⁶ The United States must however not only trust U.S. companies to act responsibly because of high standards of transparency. But must also set specific regulations on companies that promote the rights of small landholder farmers in Burma. As empowering small landholding farmers will lead to sustainable growth in the agriculture industry while also securing the livelihoods of the Burmese people.

While a comparison between agribusiness companies in the U.S. and agribusinesses from other countries may not be a fair comparison. This report would like to highlight agribusiness investments in Burma in order to demonstrate that the private sector and foreign direct investment (FDI) should not be considered as catalysts for sustainable economic development. There is a need for regulations on these foreign investments in Burma. New agribusiness investments in Burma predominantly come from China, India, Malaysia, Thailand and Vietnam. The majority of the investments focus on processing rubber and palm oils. The processing of these crops uses land that is taken away from small landholder farmers and transformed into plantations. On top of the reallocation of land from small farmers to agribusiness, palm oils and rubber production is extremely detrimental to the environment and involves relatively small labor forces.¹⁷ The labor forces are also in some cases not consisted of Burmese laborers but of laborers from the country of the investing agribusiness.¹⁸ The reallocating of small landholding farmer land from farmers to foreign agribusinesses, takes away the livelihoods of these small landholding farmers and creates a strain in the relations of the investing country and the Burmese people.^{vi}

While the Burmese government currently does not poses sufficient regulations on foreign agribusinesses, the U.S. has the responsibility to regulate their own companies in order to promote the livelihoods of small landholders and sustainable development in Burma while promoting closer ties with the Burmese government and its people. Restrictions on U.S. agribusinesses in Burma will not prevent other foreign agribusinesses from continuing to buy land use rights in Burma, but it will demonstrate that the U.S. is serious about pro-poor reform in Burma and also prevent the U.S. from straining relations with the people of Burma and particularly those in the ethnic areas. Restricting U.S. agribusiness activity in Burma to contract farming in particular will allow U.S. companies to take advantage of

^{vi} One Burmese commented on Chinese investment in the uplands saying, "Our people have a negative feeling to Chinese investment. People feel business is monopolized by the Chinese. In northern Shan State I saw workers, all of whom were Chinese. Why not Burmese Laborers? And are these Chinese Laborers coming here officially? Will they go back? This is what people are worrying about." TNI Report

the opportunity presented by Burma's reemergence and match them with local insight into the industry, while at the same time forcing U.S. companies to act in accordance with U.S. policy of supporting small landholding farmers.^{vii}

Conclusion

Securing the livelihoods of Burmese citizens has been one of the top priorities of U.S. policy in Burma. What the United States must recognize is that one of the greatest threats to Burmese livelihoods has been a lack of secure land tenure rights. These land rights have been threatened by a lack of understanding of what tenure means to small landholding farmers as well as by conflicting policies on Burmese agriculture policy. The Burmese government must recognize that secure land rights, livelihoods and agriculture are all intertwined. The lack of secure land rights for small landholding farmers has contributed to the decrease in agricultural production and livelihoods. Thus, small landholding farmers must be empowered and given secure land rights.

The United States can do a number of things to assist small landholding farmers in securing their tenure rights and also encourage the development of Burmese agriculture policy to ensure these rights. But it must also be recognized, that in order to revitalize the agriculture sector in Burma and secure land rights for small landholding farmers there must also be efforts made in terms of debt reduction, infrastructure, research, access to finance and markets, acquirement of modern machinery and the freedom to choose what crops to plant.^{viii} This section of the report does not directly address these issues because it is believed by the report that the United States has identified these issues, in terms of the agriculture sector, and is taking steps to address them. These issues, however, are still addressed in this report in terms of the general economic development of Burma.

vii The Food and Agriculture Organization of the United Nations (FOA) describe contract Farming as "agriculture production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products." Contract farming would be especially beneficial in the case of small landholding farmers in Burma because it allows them keep tenure of their land and matches them with a company that would assist them in acquiring inputs. The contracting company would also be responsible for marketing and distribution.

<http://www.fao.org/ag/ags/contract-farming/faq/en/>

viii Cambodia can be seen as an example of the privatization of land without the necessary reforms to secure the rights of small landholding farmers, which lead to sales under duress.

Tightening the 2012 Burmese Investment Code

Devon Ridley

Background

While the United States has interests in seeing Burma continue to re-integrate into the international community on an economic level, it also has an interest on a political level in ensuring that this process does not threaten the country's still fragile political stability. A destabilized, even democratically elected, government in Burma would threaten long-term economic and political initiatives in the region. Likewise macroeconomic instability in Burma would allow greater economic, and by extension, political influence from neighboring countries. For these reasons U.S. political interests toward the economic stability of Burma must take precedence over shorter-term economic interests.

Policy Recommendations

- Adopt a partnership role in building economic infrastructure and cooperation.

In the pre-colonial days, “the structure of the economy of Burma under Burmese kings was akin to the mercantilist philosophy.”¹⁹ Protectionism ensured that, “trade never flourished due to the Kings who not only prohibited the export of precious metals, but also of natural products like teak and rice.”²⁰ Defining pre-colonial history, this protectionist policy was maintained by the Burmese and ensured that they remained ‘masters of their own household.’²¹ This was true until the British annexation [of Burma beginning in 1852] making the application of the mercantilist philosophy of the kings no longer possible. Instead, the country was thrown open to development and to a certain extent the principles of free trade as practiced in England were applied, and economic forces were given full play.²² This forced liberalization was met with much animosity on the part of the Burmese people.

The opening of markets to the outside world did not benefit the majority of Burmese because while “Lower Burma as an economic unit became more productive and prosperous, it was the case of a few getting wealthier while the average man in the street faced a lower standard of living.”²³ While the British happily, ‘disposed of the Burmese Kings and their mercantilist philosophy of economic controls, including institutions of state trading, price fixation, and internal trade barriers’ the Burmese

people and their rulers came to view economic liberalism and trade with the outside world as synonymous with the humiliation they suffered under British imperialism. This period of humiliation influenced later Burmese leaders to look inward economically, contributing to Burma's forty years of isolation.

It can thus be drawn from Burma's history that sustainable reform in terms of Burma's investment code should be made, but also that Burma has a history of a forced liberalization that was detrimental to the people of Burma. It is therefore essential that the United States proceed in a manner so that the liberalization does not seem forced, this can be done by assuming ‘less of a parental and more of a partnership role in dealing with the Burma Government.’²⁴

- Send an economic mission of U.S. experts to Rangoon to aid and advise the newly elected government in re-drafting and tightening the 2012 investment code, in order to ensure Burma's economic stability.

Previously cut off from international markets by U.S. sanctions, Burma is now open to seeking U.S. and other foreign investments, as evidenced by Thein Sein's liberalization of the country's investment code, finally ratified by parliament in late 2012. The newly adopted open door policy embedded in the 2012 investment code has attracted massive investment from both private investors and the international community. This economic opening is all ready being viewed as an opportunity for U.S. business interests as the State Department continues its dual-track approach to aiding stable political development while beginning to ease sanctions and trade restrictions. A lack of regulation in newly opened markets however, poses dangers to domestic market stability. Given the breadth and intensity of recent investments flowing into Burma's infant economy there is a fear of creating economic instability. Mounting investments from regional neighbors, especially China, Japan and Singapore, could easily stunt the country's ability to maintain economic sovereignty over its capitalistic factors of production ‘land, labor, resources and industry’²⁵ The United State should therefore send an economic mission of U.S. experts to Rangoon to aid in the redrafting and tightening of the 2012 investment code, so that these factors are taken into consideration.

- Utilize soft power^{ix} and sanction reduction in helping to reform Burma's infant economy and ensure long-term stability.

While the United States has no direct power in reforming Burma's economic policies, the United States can exert soft power through policy guidance and government-to-government meetings to discuss policy reforms, in exchange for lifting remaining economic sanctions. Pushing Burma toward economic reform that is case sensitive; by recognizing their unique need to safeguard non-renewable natural resources while respecting Thien Sien and Parliament's desire to attract foreign investment in key sectors such as domestic energy, communications and primary infrastructure. Furthermore development in these industries is both foundational and timely for continued development going forward. Leveraging remaining U.S. sanctions ensures that responsible and sustainable economic policies are put in place to curb an ensuing land and resource grab that is now threatening economic sovereignty and political stability.

ix Joseph Nye defines soft power as non-military: cultural, political and diplomatic influence exerted on another country.

Goodwill Building Through U.S. Microfinance Programs

Devon Ridley

Background

Because economic campaigns are shown to be more successful than political campaigns in capturing 'hearts and minds' the U.S. should focus on ways to garner social goodwill through humanitarian aid, infrastructure investment and micro-finance programs. These programs should remain a broad based aim at minimizing inequality by targeting Burma's emerging middle class for microfinance loans up to \$100,000. Also by targeting humanitarian aid toward small-scale infrastructure investments bringing impoverished areas access to electricity, water, and expertise and microfinance credit. The following recommendations reflect this overall goal of building good will between the United States and Burma. It focuses however, on the logistics of who should receive the most support and how these goodwill programs should be implemented.

Policy Recommendations

- Begin developing a public-private micro-finance program with Grameen bank. Funds should be targeted toward grassroots infrastructure development essential to future economic integration and change-makers in rural Burma, to raise the middle class and help alleviate poverty.

As a result of long-standing economic sanctions the United States has remained uninvolved in the economic and political landscape of Burma as well as absent in the lives of everyday Burmese. This absence means that the recent reforms in Burma leave the United States without the credible social goodwill, necessary to be successful in accomplishing future U.S. economic objectives such as expanding influence in the Burmese domestic market, capturing domestic market share against regional neighbors and increasing business and investment ties.

In 2008 President Bush and First Lady Laura Bush separately renewed their condemnation of Burma's regime less than forty-eight hours after Cyclone Nargis had struck,²⁶ killing over 130,000 people, and crippling the already impoverished economy in the Irrawaddy delta region. While long-standing U.S. sanctions have only compounded Burma's economic woes. A second round of sanctions in 2007, put a complete ban on investment by U.S. companies to Burma, including barring any currency flows between the U.S. and Burma. Ineffective in the short term at reforming the military Junta government or encouraging free

markets, economic sanctions served only to shatter Burma's economic relationship with the United States as the everyday Burmese citizen was the primary victim of these sanctions. In order to build good will, the United States must implement programs that will empower the average Burmese. A micro-finance program that is coupled with the Grameen Bank would achieve this goal.

- Utilize already existing microfinance framework and capabilities by directing U.S.-branded microfinance loans through the Grameen Bank, the Asian Development Bank, and the United Nations Development Bank.

In order to reach the fifty-sixty million Burmese, who are now beginning to exercise influence over the new constitutionally elected government^x, the U.S. should immediately begin a widespread government funded microfinance project through public-private partnerships with existing development banks to increase U.S. goodwill in Burma. Because of the infrastructure and network intensive reality of microfinance programs, the USAID should begin utilizing already existing frameworks and capabilities through partnerships with the Grameen Bank, Asian Development Banks (ADB) and UN Development Bank (UNDB) and others. By directing U.S. branded microfinance loans through these organizations the United States can immediately begin directing funds towards grassroots development projects and local community/thought leaders in Burma to help ensure future economic integration, a rising consumer-class and goodwill towards to United States.

^x Evidenced by Burma's rejection of China's Myotome Dam project.

Planning for an Emerging Tourism Industry

Devon Ridley

Background

Burma, rich in natural resources, currently lacks the infrastructure necessary to develop sustainable industries that would help to ensure economic stability. Given the exploitative investments by Burma's regional neighbors, the country currently lacks the needed investment in its emerging tourism industry. Hotels in Rangoon remained booked nearly year round while the government lacks essential capacity to provide infrastructure for emerging sustainable industries, leaving Burma vulnerable to a land and resource grab that would weaken the country economically and lead to further internal instability. Without feasible alternatives to oil and gas extraction by foreign multinationals, Burma needs to further develop its tourism industry for sustainable development.

Policy Recommendations

- Begin a USAID funded feasibility study of opening up Burma's southern Islands for sustainable tourism development, to help ensure future economic stability

With the new USAID mission in Rangoon and State Department plans to double the operating budget to over 60 million²⁷ by next year, the vehicle for investment within the country is all ready in place. A preliminary feasibility study for the Burma government could allow important insight for them in terms of economic development and incentivize a quicker transition to peace because of its economic potential vis-via a rising tourism profits. This also represents a new market for U.S. investments in Burma as a springboard for small-scale domestic investments. Tourism would also provide sustainable development for the Burmese economy, in contrast to extraction industries.

The United States should therefore, fund a feasibility study for introducing sustainable tourism into Burma. The opening up the southern Islands near the Thai-Burma boarder should be given special attention. In compiling and presenting this data to Burmese officials, the United States would encourage the new government in 2015 to invest broadly in sustainable domestic tourism and infrastructure in major tourist destinations such as Rangoon, Mandalay, Bagan and the area surrounding Inle Lake.

- Encourage the re-purposing of ex-junta officials to secure new regions for tourism development

The United States should encourage the government of Burma to mobilize military generals toward securing the emerging tourism sector, thereby incentivizing a quicker transition to a political and economic peace. This would also allow for a refocusing of ex-junta and military officials toward the tourism industry. A refocusing of ex-junta and military officials would provide a secure environment that is a prerequisite for large-scale tourism development in the southern islands, which would be a great asset in an emerging tourism industry.

- Partner with the new government in 2015 to invest in sustainable domestic tourism infrastructure.

Tourism in Burma has grown almost exponentially since the countries recent re-opening, and while many Americans cannot place the country on a map of Southeast Asia, increased relations will be met with a precipitous rise in international tourism. This increase represents an enormous incentive for Burmese interests to bridge the gap to other nations, through cruise-line and other international tourism. This opening also represents an opportunity for focused U.S. economic interests in building the infrastructure necessary for Burma to take full advantage of its emerging tourism industry. The building of infrastructure would provide an opportunity for the United States and Burma to partner in a way in which both parties would reap economic rewards. The building of infrastructure to support tourism would also ensure political and economic stability. By investing in sustainable tourism development in Burma, the U.S. can help ensure a higher level of connectivity between Burma and its regional neighbors thus incentivizing internal stability.

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International Economic Reform

Brennan Jones, Ariella Fish

Introduction

Burma has operated for years now in isolation as sanctions and a lack of international engagement has taken its toll. The past isolation of Burma has resulted in a fractured currency, inadequate infrastructure and widespread poverty. The lack of economic integration has inhibited investment and economic growth within Burma to address these problems – problems to be prioritized as Burma is set to chair ASEAN in 2014.

Policy Considerations

An action for action reduction in sanctions coupled with a cautious increase in investments from the private sector will help to revitalize Burma's integration into the global economy. It is important that the United States not only facilitate trade and investment between the United States and Burma but also between Burma and its neighbors, specifically other members of the ASEAN community. In order to achieve this greater regional and global integration the United States and Burma must acquire reliable data to make informed policy decisions, adapt regional business practices and incentivize the building of sustainable infrastructure to increase physical integration between Burma and the rest of Asia. A globally integrated Burma will be less likely to slide back into isolation and will possess a diversified set of economic relations to draw upon.

Policy Recommendations

- Match positive political developments in Burma with the short-term release of relevant U.S. sanctions that support the democratization process.
- Commission a joint team of U.S. – Burma researchers to compile reliable statistics on Burma's exchange rate reforms process, in creating a framework to monitor the careful stabilization of the Myanmar Kyat as well as assist in developing monetary policy in

line with ASEAN and global integration.

- Advise the Burmese government to take gradual steps towards exchange rate reform
- Encourage the deconstruction of legacy import-substitution policies and further barriers to trade between Burma and the rest of the world. This should be done by first formulating a feasible timeline and then a slow and careful implementation of changes based on research and recommendations from the IMF, World Bank, Asia Development Bank, and U.S. advisors.
- Assist Burma in creating a “national window” that is integrated into ASEAN’s “single window” through incentivizing sustainable U.S and foreign investment in Burma to help improve the economic infrastructure with transparent policies.

Lifting Sanctions

Brennan Jones

Background

Beginning in 1988, the United States imposed sanctions on Burma because of concerns regarding human rights and civil liberties violations of the Burmese population by the ruling military junta.¹ Since then, a number of sanctions in the form of federal laws and presidential executive orders have been enacted to punish behavior that the United States deemed unacceptable.² The majority of sanctions involved restrictions of U.S. economic involvement with Burma. Top U.S. officials consider the damaging impact of those sanctions on Burma's economy as a possible reason for the government's recent reforms.³ However, while the sanctions successfully isolated Burma, their crippling effects disproportionately fell on civilians. Extreme U.S. sanctions failed to influence the military junta to protect the civil liberties and human rights of the Burmese people. President Obama ended a legacy of isolation and contempt towards Burma by advocating an action for action approach that recognizes positive political developments by easing U.S. policies towards Burma, such as the lifting of sanctions.⁴

sider easing more sanctions with the involvement of the State Department. The United States expects further progress in Burma, namely in the areas of human rights, ethnic reconciliation, and government transparency, and those areas of issue will require clear commitment and action by the Burmese government. The U.S. government should continue to weigh positive developments in Burma and to waive, instead of removing, related U.S. sanctions. The actual removal of existing sanctions will be complicated due to overlapping provisions and redundant sanctions. Moreover, the short-term easing of sanctions, subject to annual renewal, will help to incentivize the Burmese government to continue the reform process. The United States should abstain from the complete removal of sanctions against Burma, pending 2015 elections and sustained efforts to reconcile ethnic divisions.

Policy Recommendations

- Match positive political developments in Burma with the short-term release of relevant U.S. sanctions that support the democratization process.

After fair by-elections in April 2012, the Obama administration commended Burma's progress and emphasized U.S. commitment to supporting positive developments within Burma.⁵ Three days after these elections, former SOS Hillary Clinton announced five crucial steps the United States would undertake to foster reforms in Burma, which included reestablishment of a USAID mission and the delegation of U.S. ambassador to Burma.⁶ In November 2012 the State and Treasury Departments, due to a delegation of authority by President Obama, enacted General License No. 18, which waived restrictions on Burmese imports to the United States.⁷ The U.S. Constitution allows the president to assign responsibility for certain matters, including the handling of sanctions, to government officials that can act on the President's behalf.⁸

Assuming the Burmese government continues to make democratic strides, the second Obama administration will con-

Exchange Rate Reform

Ariella Fish

Background

The official exchange rate in Burma is undergoing unprecedented reform. For decades Burma's economy operated under multiple unofficial exchange rates in addition to the official one. The exchange rate in Myanmar is pegged to the Special Drawing Rights (SDR), but the reality is a complicated mixture of multiple authorized rates and the curbside market rate.⁹ Between 2001 and 2012, the official government exchange rate was held constant at approximately 6.4 kyat for every U.S. dollar, while the black market rate was closer to 800 kyat per dollar.¹⁰ On April 1, 2012 however, the kyat was floated against the dollar to allow for a more accurate exchange rate. Although the currency float is a positive sign, it will still be a slow process to unite all ten or so unofficial exchange rates throughout Burma. Such instability and uncertainty in the economic sector has broader implications for trade and investment in and out of Burma.

The United States would like to see Burma establish a unified and accurate national exchange rate in order to further facilitate stable economic growth and regional economic integration while helping to increase American investments and trade in Burma. Since the beginning of the currency float in April 2012, foreign business interests can exchange dollars for kyat freely but only in denominations of up to \$2000.¹¹ This is a problem because it limits foreign investors bringing much needed capital and infrastructure, into Burma. Therefore, the United States should encourage further commence collecting reliable data and continue to aid the economic reform process in Burma.

Policy Recommendations

- Commission a joint team of U.S. – Burma researchers to compile reliable statistics on Burma's exchange rate reforms process, in creating a framework to monitor the careful stabilization of the Myanmar Kyat as well as assist in developing monetary policy in line with ASEAN and global integration.

The United States should focus joint U.S.-Burma research on the following foundations:

1. Helping to establish the stability and credibility of the Kyat in the international market.

2. Assisting with the sustainable development of the Central Bank of Burma and other key financial institutions.ⁱ
3. Examining and possibly aiding in redrafting Burma's Foreign Exchange Regulation Act (FERA) with improvements aimed at long-term stability in mind.

The United States should support Burma's exchange rate reform, financial sector reform, central bank reform and monetary policy reform,ⁱⁱ by commissioning the collection of reliable data to be used in the planned overhaul of Burma's economic system. By commissioning foundational research on Burma's fiscal and monetary system, the U.S. can aid in building the foundation for a stable economic integration, economic compatibility and eventually foster a strong trading partnership with the United States. This research in order to be effective must comprise a joint team of U.S.-Burma researchers focusing on bringing Burma's monetary policy into line with neighboring ASEAN member states.

- Advise the Burmese government to take gradual steps towards exchange rate reform.

Since April 2012, the Central Bank of Myanmar (CBM) has clearly shown Burma's commitment to exchange rate reform. The CBM begun posting of the 'official daily rate on its website and allowing the exchange rate to move in line with market forces' a key part of 'a broader agenda of economic reforms that will improve the responsiveness of the government to the needs of the people.'¹² By taking these and other steps toward reforming the financial sector and the exchange rate Burma shows encouraging signs of moving towards becoming more compatible with the United States and the international trade community.

Although the government of Burma is very willing to move quickly in the direction of currency and exchange rate reform, some experts at the IMF and World Bank believe that moving too quickly could be detrimental to sustainable

ⁱ With the help of the Southeast Asian Central Banks (SEACEN)

ⁱⁱ As outlined in Burma's December 2012 Memorandum of Economic and Financial Policies to the IMF.

economic growth in Burma. Sudden increases in capital flows present significant challenges, given Burma's underdeveloped financial sector and weak macroeconomic policies.¹³ The chief for Burmese exchange rate reform is the readiness of the Central Bank of Burma (CBM) to respond to sudden inflows of capitalⁱⁱⁱ. The CBM is quite small and may not be capable of handling immediate inflow of large investment and capital.¹⁴ Reform should thus be gradual.

iii According to the May 2012 IMF Country Report No.12/104, IMF economists believe that reforms on a large scale could result in unintended consequences, and could actually be harmful to the general population.

Towards Regional Economic Integration & ASEAN Economic Community

Ariella Fish

Background

Before Burma assumes its leadership role in the ASEAN community as chair in 2014, it has much to do in terms of preparation. Burma is one of ASEAN's poorest member states and has long struggled with poverty and corruption compounded by misguided economic policies.¹⁵

Furthermore, progress towards ASEAN integration has been slow and Burma has been seen as an 'albatross', holding the economic organization back.¹⁶ Thus, as Burma prepares to chair ASEAN for the first time in 2014, ASEAN member states and the international community will look for Burma to demonstrate a genuine commitment to regional solidarity. The United States should support Burma as it prepares to chair ASEAN in 2014 by facilitating international acceptance of Burma as it undergoes historic reforms and transition to an open and more liberal regime. This underlying goal is recognized in the following recommendations.

Policy Recommendations

- Encourage the deconstruction of legacy import-substitution policies and further barriers to trade between Burma and the rest of the world. This should be done by first formulating a feasible timeline and then a slow and careful implementation of changes based on research and recommendations from the IMF, World Bank, Asia Development Bank, and U.S. advisors.

In order to aid Burma's successful transition and economic integration into the ASEAN Economic Community (AEC) sanctions and barriers to trade must be removed or reduced. The United States must therefore, encourage the reduction of legacy import-substitution policies. Burma has recognized this need as seen by the liberalization of its investment code and President Thein Sein's appeal for the reduction in sanctions to increase foreign direct investments.¹⁷ While a reduction in trade barriers is needed, there are fears from international observers concerning the smooth integration of Burma into the international market.

One concern is the potentially negative impact of rapid FDI inflows into Burma. That is, the infrastructure and government of Burma may not be prepared to handle a rapid FDI inflow.¹⁸ Thus, a carefully scheduled reduction of sanctions is essential in order to ease the investment process.¹⁹ In order to ensure a smooth integration and economic transition, a panel of advisors from the IMF and Asia Development Bank (ADB) should monitor the FDI inflow.

- Assist Burma in creating a "national window" that is integrated into ASEAN's "single window" through incentivizing sustainable U.S. and foreign investment in Burma to help improve the economic infrastructure with transparent policies.

The 2007 ASEAN Economic Community Blueprint describes the ASEAN "single window" as the process of "implementation of measures of simplifying, harmonizing and standardizing trade and customs, processes, procedures and the application of ICT [Information and Communication Technology]" so that goods and services can pass from one country to another smoothly and efficiently, minimizing transaction costs.²⁰ According to this plan each ASEAN country should work to improve its own "national window" and then connect it to the ASEAN Single Window.²¹ This is important because if such standards for harmonization can be achieved, U.S. and other foreign investors will likely feel more comfortable making substantial investments in Burma. This integration between Burma's "National window" and ASEAN's "single window" can be achieved through incentivizing sustainable U.S. and foreign investment towards economic infrastructure with transparent policies.

One of the biggest hindrances to economic reform in Burma and to Burma's successful integration into the AEC is a nationwide lack of economic infrastructure. As it prepares for the AEC in 2015, Burma's government must take seriously the need to reform and to increase transparency for the sake of gaining international trust.^{iv} Burma is in desperate need of economic infrastructure in the form of an improved financial system and national banking system, as ways for foreign investors to store

^{iv} In an interview from February 5, 2013, PDAS Joseph Yun stated, "Burma has enormous potential, anyone can see that, but they need to... reform certain aspects and increase transparency in order to match what foreign investors expect."

and spend capital. Infrastructure is particularly vital in the development of Burma's new capital of Napaideyaw. Burma will need help to develop the necessary infrastructure to facilitate

the smooth passage of professionals, skilled laborers, goods and services, and capital engaged in cross-border trade and investments in the newly integrated marketplace. Burma also lacks the infrastructure necessary to managing the anticipated increase in labor and capital flow between Burma and other ASEAN countries after the 2015 establishment of the ASEAN Economic Community. Therefore, the United States should support Burma's infrastructure development process and facilitate international acceptance of Burma, as the ASEAN region is of high strategic importance to U.S. interests.

Conclusion

In the long run, the goal of the United States is to ensure stability through improving economic mechanisms and to develop markets and international trade partnerships with other countries. As Secretary of State John Kerry said in his February 20, 2013 speech at the University of Virginia, "Eleven of our top 15 trading partners used to be the beneficiaries of U.S. foreign assistance. That's because our goal isn't to keep a nation dependent on us forever. It's precisely to create these markets, to open these opportunities, to establish rule of law. Our goal is to use assistance and development to help nations realize their own potential, develop their own ability to govern and become our economic partners."²² The economic development of Burma will only increase with ASEAN and global integration, which is why the United States should take the previously expressed recommendations.

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Conclusion

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The recommendations highlighted within this report are actionable steps the U.S. State Department should pursue as U.S. – Burma relations continue to grow closer in the coming years. These recommendations come in the wake of great reforms in Burma that have captured the imaginations and hearts of the international community.

The United States has been a committed partner as Burma pursues the path of reform towards peace, stability and democracy. Burma is on that path – the will is there but the capacity is limited. Despite a general consensus that further change must happen, the scope and pace of that change is still an ongoing debate to which the United States must remain an influential actor. At this tenuous moment in history it is crucial that Burma is reassured of continued commitment from the United States.

This report reflects important policy considerations regarding Burma's future governance, civil society, ethnic peace, regional stability, and domestic and international economic reform. After years of isolation, Burma has nearly entirely gutted itself of an education and governance system, along with incredible economic potential. The recommendations of this report encompass a holistic approach to reform that the United States should support going forward, both for the Burmese and for U.S. interests.

It has been said that Burma is the missing piece of Asia. It is a country where American values and interests intersect at a very tangible level. Burma is a place that is at war with itself, is brimming with refugees, and suffers a myriad of health and narcotic risks. These issues bridge borders which have real systemic effects on regional stability. Consequently, Burma is at the very core of U.S. national security, economic and political interests.

These interests will only be realized if the greater question of

ethnic minorities is to be addressed. The ethnic reconciliation question is the defining issue of the country, more so than democracy. How the country engages that question is essential to how reform will hold. This will include a concerted effort in the promotion of human rights, national reconciliation and a society which is inclusive of all its political parties where minorities are represented and can participate freely.

The United States would be remiss in its responsibility to not robustly invest and engage Burma at this moment in time. There is no certainty to the future—and the United States must add to the momentum of reform and encourage the Burmese people to feel that tomorrow will be better than today, that there is hope for the future and that they have the interests and support of the international community as they deal with sensitive issues internally.

List of Recommendations

Governance

- Ensure a continuous and inclusive discourse between all front-running parties, ethnic and democratic, by reducing U.S. support of the NLD prior to the 2015 election. Any outreach from the NLD to these political parties after the election will be ineffective.
- Implement U.S. support for newly elected NLD Regional and District leaders as they take their posts after the 2015 elections.
- The State Department should maintain awareness of former USDP and military political elite who still control twenty-five percent of influential legislative power as they adjust to a new democratic dominated party system.
- USAID should increase Democracy and Governance funding to the necessary sectors such as law and legislation education systems to avoid post-election fallout.
- Continue the normalization process with the Burmese government under President Obama's 'action for action' policy. Constitutional reform is a long-term goal and providing incentive and rewarding the Burmese government to make real progress on ethnic tensions and human rights will provide the stability required for constitutional reform.
- Encourage philanthropic foundations to fund legal technical assistance as capacity building aid for Burmese legislature and judicial reform.

Civil Society

- With the aid of the NDI and IRI, encourage CSOs to remain politically active as formal election monitors and resources for voter education leading up to the 2015 General Elections.
- With the capacity building and networking capabilities of the Shalom Foundation and AUSAID's Paung Ku Project, encourage CSOs to take the lead role in advocacy against and prevention of human rights violations in Burma.
- Establish a USAID-led research commission based in Burma to ensure the responsible allocation of [foreign] aid and resources by CSOs and their supporting networks.
- Aid in rebalancing Burma's backward domestic budget, as Burma is the only country in ASEAN that spends more on the military than on healthcare and education combined.
- Ensure Burma can meet the constitutional objectives laid out in the Basic Education Law (1973), and oversee Burma conforms to the Child Law (1993) to the standards of the 2008 constitution and the 1991 Convention on the Rights of the Child, of which Burma is a signatory (2,3 UNESCO-IBE).

Ethnic Peace

- Urge the Bangladeshi government to grant all NGOs access to the population of undocumented refugees living on the periphery of refugee camps.
- Pressure the Burmese government to adapt the discriminatory citizenship law by legitimizing the Rohingya as an official ethnic group of Burma.
- Collaborate with the Burmese government and development-oriented agencies to promote the restoration of infrastructure and economy throughout the deeply impoverished Rakhine state.
- Send senior-level State Department officials to participate in the future political dialogue taking place among the Kachin Independence Army's General Gun Maw, Burmese government's Aung Min and Chinese Foreign Ministry's Luo Zhaohui.
- Encourage NLD chairperson Aung San Suu Kyi to participate in Kachin political dialogue.
- Persuade China to pressure the Burmese military to send the *Tatmadaw's* representative.

- Participate as a neutral observatory group witnessing the implementation of the agreements, especially with those regarding the de-escalation of the war.
- Continue to fund U.N. agencies, such as UNWFP, UNHCR, UNICEF, for humanitarian assistance to the Kachin area, capitalizing on the recent decision by the Burmese government allowing such aid to be distributed to the Kachin.
- Petition China unconditional access for international humanitarian organizations to the Yunnan Province, narrowly limited to the area bordering the Kachin state where the majority of Kachin refugees reside.
- Provide funding for local grassroots organizations such as the METTA foundation, which have been developing the Kachin region in a sustainable way, providing economic opportunities for the Kachin people.

Regional Stability

- Recognize the need to diminish Chinese economic influence in Burma, which has plundered Burma's natural resources in the past few decades.
- Promote fair economic competition in Burma by encouraging Japan and India to invest more in Burma.
- Advise Japan and India to continue FDIs in ways that economic development return benefits to the local communities.
- Establish strategic International Military Exchange Training programs, with a focus on professionalizing the Burmese military, especially the Burmese officer corps. Professionalization involves greater respect for human rights, the laws of armed conflict, and respect for the authority of a civilian government.
- Continue to integrate the Burmese military into, and expand its participation in, joint international military exercises.
- Address and confront the barriers to a successful strategic military to military engagement between the U.S. and Burmese militaries.
- Pressure the Burmese government to reform laws such as the Vacant Fallow Virgin Land Law so that the average farmer has more secure access to a better-established local economy.
- Require any U.S. investments in northern Burma to contract work from local citizens and not foreign to promote local economic development while promoting "alternative development" through locally established NGOs.

Domestic Economic Reform

- Base all developmental policy decision in the agriculture industry on the rights of small landholding farmers and the importance of securing their livelihoods.
- Pressure President Thein Sein and other key political figures to revise the Wasteland Act so that the difference between fallow land and "waste" land is recognized and lands are reclassified.
- Fund exposure tours for key parliamentarians, Ministry of Agriculture officials, Burmese Agribusinesses and agriculture-oriented NGO staff to countries that are undergoing land reform or have undergone land reforms that supported small farmer development or contract agriculture.
- Provide funding for NGOs to educate and assists small landholders on land registration with the Settlement and Land Records Department of the Ministry of Agriculture and the Forest Department of the Ministry of Forestry.
- Implement regulations on U.S. agribusiness companies who invested in the Agriculture Sector in Burma, whereby a placing a system of check and balances that include provisions for small landholding farmers.
- Restrict U.S. Agribusiness from acquiring Burmese land, unless they use contract farming.
- Send an economic mission of U.S. experts to Rangoon to aid the newly elected government in re-drafting and tightening the 2012 investment code, in order to ensure Burma's economic stability.
- Adopt a partnership role in building economic infrastructure and cooperation.
- Utilize soft power and policy reductions as a reward for investment code reform.
- Ensure a foothold for future U.S. economic interests by first building goodwill with the Burmese people through humanitarian aid, microfinance, investment, and capacity building.
- Begin a widespread government funded micro-finance project in Burma through a public-private partnership with Grameen Bank in order to increase U.S. economic and public goodwill in the region.

- Utilize already existing microfinance framework and capabilities by directing U.S.-branded microfinance loans through the Grameen Bank the Asian Development Bank, and the United Nations Development Bank.
- Target funds toward grassroots infrastructure development essential to future economic integration and change-makers to in rural Burma, to raise the middle class and help alleviate poverty.
- Begin a USAID funded feasibility study of opening up Burma's southern islands for sustainable tourism development, to help ensure future economic stability
- Partner with the new government in 2015 to invest in sustainable domestic tourism infrastructure to offer mutual economic gain.
- Encourage the re-purposing of ex-junta officials to secure new regions for tourism development

International Economic Reform

- Match positive political developments in Burma with the short-term release of relevant U.S. sanctions that support the democratization process.
- Commission a joint team of U.S. – Burma researchers to compile reliable statistics on Burma's exchange rate reforms process, in creating a framework to monitor the careful stabilization of the Myanmar Kyat as well as assist in developing monetary policy in line with ASEAN and global integration.
- Advise the Burmese government to take gradual steps towards exchange rate reform
- Encourage the deconstruction of legacy import-substitution policies and further barriers to trade between Burma and the rest of the world. This should be done by first formulating a feasible timeline and then a slow and careful implementation of changes based on research and recommendations from the IMF, World Bank, Asia Development Bank, and U.S. advisors.
- Assist Burma in creating a “national window” that is integrated into ASEAN's “single window” through incentivizing sustainable U.S and foreign investment in Burma to help improve the economic infrastructure with transparent policies.

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Appendix

Timeline of Recent U.S. - Burma Rapprochement

2003

August 30, 2003 - General Khin Nyunt announced Burma needed to democratize, a 7-step process formulated by the regime. Real reforms, however, have yet to occur.

2008

April 30, 2008 - President Bush signed Executive Order 13464 that further expanded sanctions to permit asset freezes against designated Myanmar entities.

May 2, 2008 - Cyclone Nargis made landfall on Myanmar, causing destruction and mass casualties along the Irrawaddy delta and the southern parts of the country.

May 6, 2008 - President Bush signed into law H.R. 4286 that “award[s] a congressional gold medal to Daw Aung San Suu Kyi in recognition of her courageous and unwavering commitment to peace, nonviolence, human rights, and democracy in Burma.

May 10, 2008 - Myanmar held constitutional referendum to foster a “discipline-flourishing democracy” and prepare for multi-party elections in 2010.

July 15, 2008 - Barrack Obama’s “A New Strategy for a New World” speech, in which he aimed to rebuild America’s alliances and offered cooperation to countries like Burma if they reform, democratize, and open up to the rest of the world.

July 31, 2008 - The US Congress enacted the Block Burmese JADE (Junta’s Anti-Democratic Efforts) Bill that bans the import of rubies and jadeite and expands the categories of individuals and entities subject to travel restrictions and asset freezes.

2009

March 2009 - Stephen Blake from the US State Department visits Myanmar signaling a possible break in the past US policy towards Myanmar.

May 2009 - The EU extends the 2006 sanctions for another year, with the provision for review at the end of the year if Burma moves towards democracy.

August 17, 2009 - In August, Senator Jim Webb of Virginia became the first member of the US Congress to visit Myanmar in ten years. He meets Myanmar’s President Thein Sein and requested the release of Aung San Suu Kyi.

September 30, 2009 - The administration of President Barack Obama concluded a comprehensive review of America’s Myanmar policy in September, opting for a balance between economic sanctions and “pragmatic engagement” and for augmenting contacts with the higher levels of the Myanmar military.

October 2009 - Aung San Suu Kyi begins talks with Myanmar's military leaders. The talks conclude with her being allowed to meet with foreign nationals.

2010

June 3, 2010 - Chinese Premier Wen Jiabao meets Senior General Than Shwe and signs 15 economic agreements. In response, US senator Jim Webb cancels his planned visit to Myanmar.

June 12, 2010 - KNLA kill 12 troops

August 18, 2010 - President Barack Obama asked the Burma's military leadership to set all political prisoners free.

November 7, 2010 - General Election held in Burma accordance with the new constitution which was approved in 2008. USDP won 883 seats out of 1154 total seats.

November 13, 2010 - Aung San Suu Kyi released from house arrest.

2011

March 30, 2011 - Than Shwe officially resigns from his position as Head of State. Thus marking the extinction of State Peace and Development Council (SPDC).

June 1, 2011 - US Senator John McCain visits Myanmar on a fact finding mission and urges quicker reform from the military junta.

June 9, 2011 - Fighting erupts between Kachin Independence Army and Myanmar Army troops.

September 5, 2011 - Formation of Myanmar National Human Rights Commission.

October 2, 2011 - Derek J. Mitchell appointed Special Representative and Policy Coordinator for Burma.

December 1, 2011 - Hillary makes historic visit to Burma

August 19, 2011 - President Thein Sein invited Aung San Suu Kyi for their first meeting.

2012

January 13, 2012 - 651 political prisoners released under presidential pardon.

April 1, 2012 - Aung San Suu Kyi wins a seat in Parliament in by-elections.

April 4, 2012 - Secretary Hillary Clinton re-establishes the USAID mission in Burma.

Furthermore Obama administration announces that it will nominate an ambassador to the country and ease some travel and finance restrictions.

June 8, 2012 - Rhakine State riots

June 29, 2012 - Derek J. Mitchell is confirmed by the U.S. Senate to be the new United States Ambassador to Burma.

July 25, 2012 - U.S. Eases Economic Sanctions on Burma in Response to Reforms

July 30, 2012 - Than Shwe Presents his credentials to President Barack Obama as Myanmar's new Ambassador to the United States.

August 15, 2012 - Ambassador Derek Mitchell takes part in AmCham Singapore Business Delegation to Burma.

August 22, 2012 - Officially there have been 88 casualties in Rhakine conflict and an estimated 90,000 peoples that have been displaced due to the violence.

August 29, 2012 - Chris Milligan is sworn in as USAID's Mission Director to Burma.

October 18, 2012 - Deputy Secretary of State William J. Burns visits Naypyitaw for meetings with senior government officials and parliamentarians.

September 7-10, 2012 - Hillary Clinton sends a delegation led by Joseph Yun and Derek Mitchell to Burma to address the situation in Burma's Rakhine State.

September 25, 2012 - Bill H.R. 6431 (112th) signed by President Barack Obama.

October 15, 2012- Thein Sein went back on an agreement to allow the Organization of Islamic Co-operation (OIC) to open an office in Yangon.

October 19, 2012 - Ambassador Derek Mitchel announced an addition \$2.73 million in humanitarian assistance for displaced populations in Rakhine State.

November 18, 2012 - United States-Myanmar Joint Plan on Trafficking in Persons.

November 19, 2012 - President Obama visits Burma and1 speaks at the University of Yangon.

December 20, 2012 - US provided \$5 million in assistance to IDPS in Kachin State: food, water and sanitation, shelter, psycho-social trauma counseling and protection and empowerment training.

2013

January 9, 2013 - Thein Sein established a nine-member anti-corruption team in his latest reform for the country's newly liberalized economy named the Action Committee Against Corruption.

Regional, Political and Economic Stability Chart Analysis

Category 1: Regional Stability

Risks	Risk Rating	Risk Description	Policy Supporters	Impediments	Policy Recommendations
Chinese and North Korean Influence in Burma	Probability: LOW Impact on US Interests: HIGH	Economic and Military Ties with China and North Korea could prove dangerous in terms of regional stability, weapons proliferation and U.S. Burma relations going forward.	ASEAN, U.N., E.U.	U.S. Economic Sanctions,	<ul style="list-style-type: none"> - Monetary Reform - Investment into Infrastructure - Sanctions Reduction - Regional Integration
Possible Chinese naval presence in Bay of Bengal	Probability: MEDIUM Impact: HIGH	China gaining access to a naval base on the Indian Ocean would allow China to bypass the U.S. controlled straits of Malacca and allow China a two sea naval presence.	India, ASEAN community especially Singapore, U.S. military interests	Strong Chinese Interest and long-standing relationship with Burma, Limited U.S. Capabilities	<ul style="list-style-type: none"> - Assume a partnership role with China - Utilize soft power influence through the ASEAN Framework - Increase Political and Economic Goodwill with Burma
Failure within the ASEAN Framework	Probability: LOW Impact: MEDIUM	A failure within the ASEAN network given Burmese chairmanship in 2014 would cause regional destabilization and increased Burmese reliance on China as a regional ally and trading partner	European Union, Australia, New Zealand, etc.	China, India, Japan	<ul style="list-style-type: none"> - Sanctions Reductions toward liberalization. - Tightening of the 2012 Burmese investment code - Maintain support for sustainable regional and international integration

Category 2: Political Stability

Risks	Risk Rating	Risk Description	Policy Supporters	Impediments	Policy Recommendations
Backsliding on political reforms	Probability: MEDIUM - Decreasing Impact: HIGH	Burma's political reform is still fragile, any backward steps could prove disastrous to the overall reform process.	Thein Sein, ASEAN	Historical Instability, weak civil society, Divergent internal stakeholder interest	<ul style="list-style-type: none"> - Intensive support for CSO groups prior to 2015 general election - Sustained support at strengthening civil society.
Increasing Ethnic Tensions	Probability: MEDIUM Impact: HIGH	Kachin, Rahkine and other ethnic tensions along the Burmese boarder regions have the potential to sabotage civil society/governmental reform efforts	Rohingya minority, group, China, U.N., E.U.	Long-Standing Ethnic Tension,	<ul style="list-style-type: none"> - Pressure Bangladesh to grant NGO's access to aid Refugees - Pressure Burma to adopt comprehensive citizenship laws - Secure assistance from neighboring countries, China, India, Bangladesh, and Thailand.
Weakening of Civil Society	Probability: LOW Impact: MEDIUM	A strengthening of the current nebulous civil society networks is essential to both the political reform process and overall political stability	Burmese CSO's, NLD, ASEAN Neighbors, E.U., UN.	Informal civil society networks, Inadequate Legal System,	<ul style="list-style-type: none"> - Support Civil Society Networks - Garner international support thorough IFI's
Constitutional Gridlock	Probability: LOW Impact: MEDIUM	The 25% Tatmandaw held votes in Parliament could potentially gridlock important constitutional amendments and block future political reform	Limited Burmese CSO's, ASEAN, UN.	Entrenched ex-junta officials,	<ul style="list-style-type: none"> - Re-instate Military-to-military training with Burma in order to professionalize the military - Support proportional parliamentary representation

Category 3: Economic Stability

Risks	Risk Rating	Risk Description	Policy Supporters	Impediments	Policy Recommendations
Backsliding on economic reforms	Probability: HIGH Impact: MEDIUM	Incredible economic reform in terms of opening markets, reducing barriers to trade and business and integrating into the international community remain fragile for Burma.	European Union, Australia, New Zealand, Japan, India, Thailand, Philippines, etc.	Long standing policies of Economic Nationalism, International Economic Sanctions, Weak political will.	<ul style="list-style-type: none"> - Reform exchange rate - Support full compatibility with and integration into international markets
Unequal Economic Development	Probability: MEDIUM Impact: MEDIUM	Resource extraction, black market trade, and narcotics have created a small upper class in Burma. If this trend is to continue it presents a very real danger to Burma's economic solvency and democratic transition	Burmese CSO's, NLD and democracy groups, US/foreign Business Interests	Select current and ex-military Junta Officials, Extractive Industries i.e. (Oil, Natural Gas, Timber), Weak Legal System	<ul style="list-style-type: none"> - Develop sustainable infrastructure in the Agriculture and Tourism sector - Assist in developing the education system in Burma - Fund micro-finance programs to empower the Burmese people - Development of Human Capital - Shift from extractive industries to sustainable industries - Provide rights for the empowerment of the Burmese people

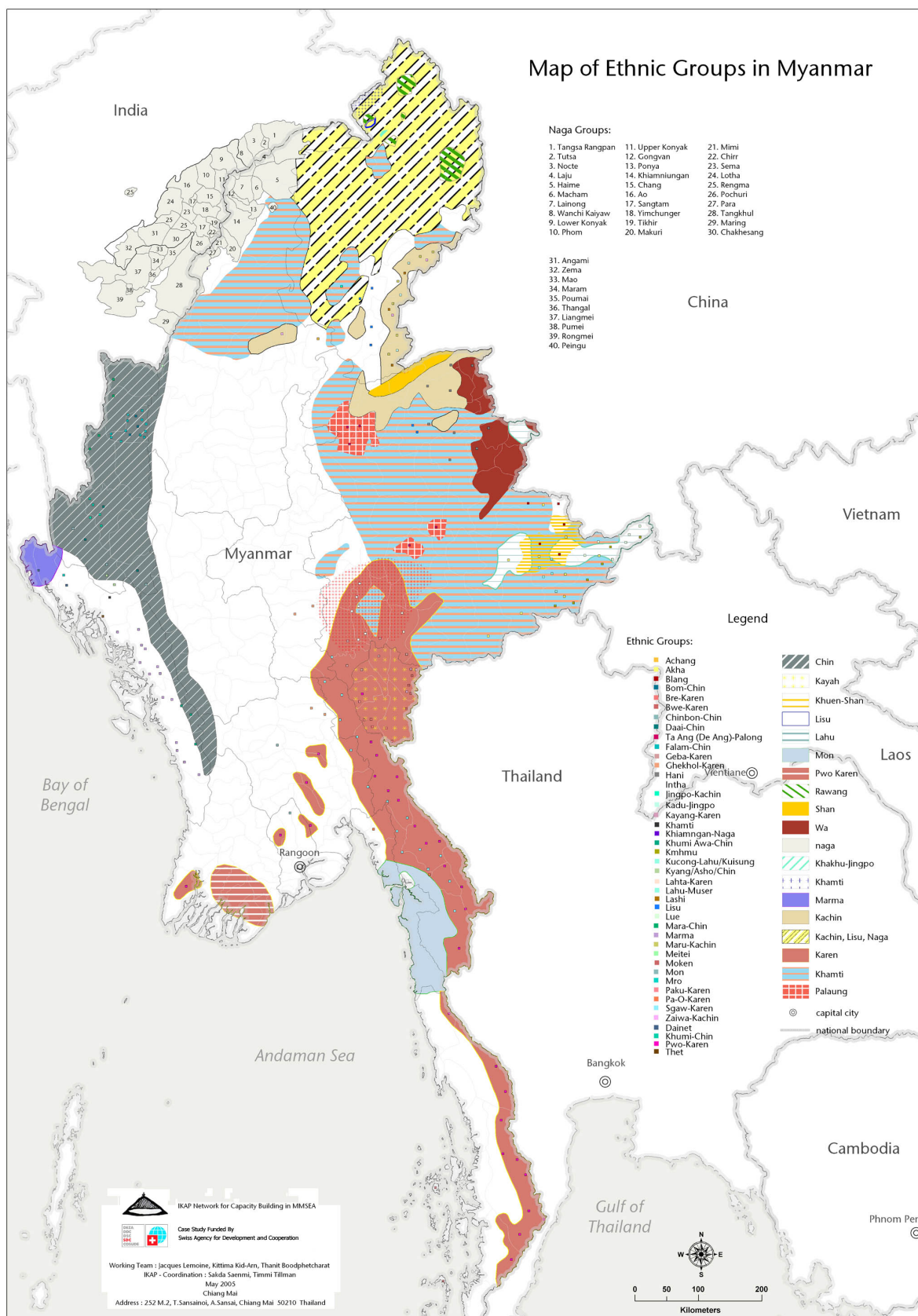
Maps of Burma



“Myanmar: Map of Major Cities” Trails of Indochina, Accessed March 3, 2013, http://www.trailsofindochina.com/userfiles/image/destination/1328609267_Myanmar.jpg

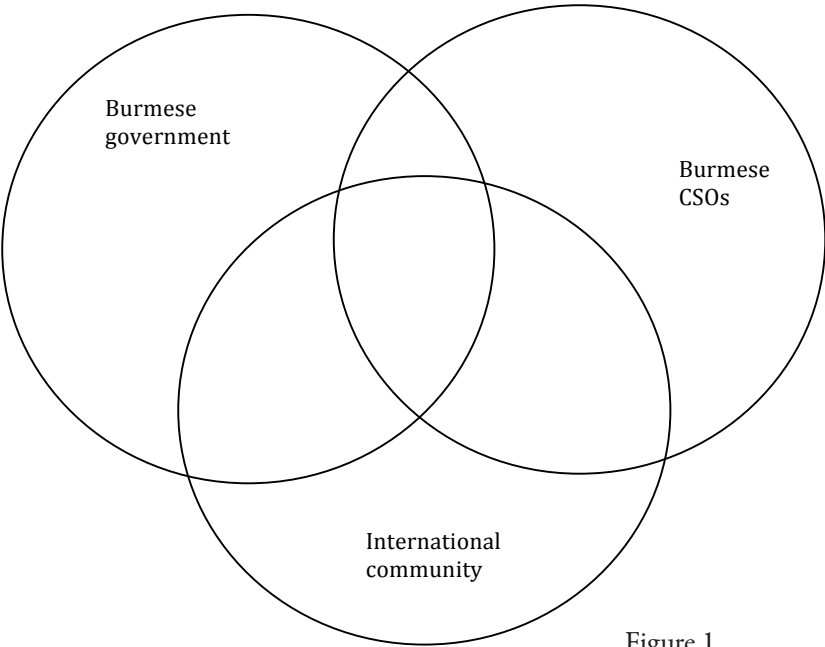


“Burma Administrative Map” Wikipedia Commons



“Map of Ethnic Groups in Myanmar” Indigenous Knowledge and Peoples (IKAP) Network Accessed March 3, 2013.
<http://www.ikapmmsea.org/images/ethnimapmyanmarburma.jpg>

Charts and Tables



Actors invovled in building Burmese civil society

Key Political Figures on Land Reform:

- President Thein Sein – The Land Nationalization law stipulates that only the President or authorities appointed to operate on the Presidents behalf are responsible for regulating use of agricultural lands. Therefore, the President is one of the key figures the U.S. should target.
- U Myint Hlaing – Minister of the Agriculture and Irrigation Ministry, currently opposes small-landholder reform. Some have stipulated that it could be because he has a personal financial stake in reform. U Myint Hlaing has a hybrid seed company that he can forcibly promote.
- U Tin Htut Oo – Burmese political figure, said to be a close friend of U Myint Hlaing, could be used to present evidence of the drawbacks of industrializing the agriculture industry and benefits of developing the small landholder farmers in the agriculture industry.

Key point on two new land laws recently passed in Burma

- Farmland Law and the Vacant, Fallow and Virgin Land Management Law
 - Government still owns the land, farmers are allowed to cultivate but only in accordance with government rules
 - Opportunity: Establishes the right of farmers to cultivate
 - Risk: Keeps in place the ability of the government to enforce national crop campaigns. These campaigns force farmers to grow crops that may not be suitable for their region and allows the government to reallocate land if quotas are not met.
 - Land rights can now be transferred and used to mortgage loans
 - Opportunity: Allow farmers to take out greater loans and acquire more financing, as their land will be taken into account.
 - Risk: Do not know the extent land will be taken into account when seeking finances. If farmers do not receive holistic assistance that includes modern and up kept infrastructure, research support and sufficient access to financing, they are more susceptible to transfer under duress.
 - Establishment of the Central Farmland Management Body (CFMB) formerly known as the Land Management Committee, which is in charge of ensuring compliance with new regulations. The body can transfer or revoke the right to work farmland, and provide land evaluation for various purposes, extends from the region/state to village levels.
 - Opportunity: an official body has been created that could be more efficient in terms of registration than previous systems of land governance.
 - Risk: The risks associated with this aspect of the bill is huge, it essentially allows the government to reallocate any land they see fit. While the majority of the Ministry of Agriculture and Irrigation in Burma supports Smallholder farm development, checks/reform NEED to be taken on this aspect of the bill.

Figure 3

Related Pictures



Aung San Suu Kyi and Thein Sein: “Myanmar Thein Sein,” photograph, 2011, AP Images.

Myanmar’s democracy icon Aung San Suu Kyi, left, and President Thein Sein pose for photos before their meeting at the presidential office on Friday, Aug. 19, 2011 in Naypyitaw, Myanmar’s administrative capital.

Suu Kyi in Kachin dress: Khin Maung Win, “Myanmar politics,” photograph, 2012, AP Images (Khin Maung Win).

Clad in Kachin traditional dress, Myanmar pro-democracy leader Aung San Suu Kyi speaks to supporters in Manaw festival ground during her campaign trip in Myitkyina, Kachin State, Myanmar, Friday, Feb. 24, 2012. Suu Kyi has campaigned in restive Kachin state in northern Myanmar with a message of reconciliation.





Rohingya: “Malaysia Myanmar Refugees,” photograph, 2008, AP Images (Lai Seng Sin).

Burmese Rohingya refugees are seen on a bus as they arrive for demonstration outside the office of the UNHCR in Kuala Lumpur, Malaysia, Wednesday, Dec. 3, 2008. Some 150 Burmese Rohingya refugees gathered outside the UNHCR office to express their firm stand to ensure the basic and fundamental rights of Rohingya refugees in order to find permanent solution to their long standing problem.

“Myanmar Drug Exodus,” photograph, 2000, AP Images (Apichart Weerawong).

Myanmar soldiers and villagers use stick to chop down opium poppies while eradicating illegal poppy at Lwe San Sone range in Myanmar’s Shan state, northeast of Yangon Saturday, Jan. 15, 2000. Myanmar’s government said that more than 1,000 acres (about 350 hectares) of opium field have been destroyed this year.



ASEAN: Achmad Ibrahim, “Indonesia ASEAN Summit,” photograph, 2011, AP Images (Achmad Ibrahim).

Heads of states and governments of the Association of Southeast Asia Nations. Myanmar’s President Thein Sein poses for a group shot during the opening ceremony of the 18th ASEAN Summit in Jakarta, Indonesia, Saturday, May 7, 2011.



