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Myanmar's Transition: Economics or Politics? Which came first and why it matters

by Gwen Robinson

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Introduction

Myanmar's burst of reformist vigour in early 2011 initially drew astonishment and then acclaim from a cynical, wary West. Subsequently, euphoria gave way to disillusionment and ultimately, criticism over the pace and scope of reforms. Radical changes, once set in train, often acquire a momentum far exceeding their original parameters; expectations begin outstripping achievements and aspirations surpass realities. This is what happened in Myanmar and the resulting frustrations are further exacerbating tensions in the country today.

What led to Myanmar's remarkable transition? Did economic circumstances force political change, or vice versa? And what does this mean for the transition in the long run?

A common view is that international sanctions forced Myanmar's hardline military regime to launch tightly controlled reforms aimed primarily at rescuing a flailing economy. An alternative thesis favoured by some scholars is that the generals approached the transition from a "position of strength", choosing their timing and shaping the process to suit their interests.¹

Others dismiss such debate as an academic exercise with little bearing on current events. Yet, the question of why the generals opened up the country after decades of largely self-imposed isolation goes to the heart of the reform process.

More significant, understanding the motives for reform yields clues to the levers of power, both hidden and open, being wielded by various forces to temper or advance the country's transition. It also explains how the position of the military—still powerful although no longer in absolute terms—can make or break the reformist drive of President Thein Sein and also the post-2015 transition after the national elections.²

Within the growing community of Myanmar commentators and "experts", there is a widening gap in perceptions of reform per se—between those who gauge progress more through a political than an economic prism. To the former, the glass is half

empty and rapidly depleting; to the latter, it is half-full and rising. Those differences deepened towards mid-2014, amid renewed sectarian violence and conflict in different parts of the country, government crackdowns on local land protests and curbs on new media freedoms. Negative publicity over political developments, such as harsh legal action against journalists and the arrest of local protestors, eclipsed reports of continuing progress on the economic front.

While the West's attention focused on reported military abuses in Kachin state, the plight of stateless Muslim "Rohingya" in the country's west, and the exclusion of some Muslim and ethnic groups from Myanmar's controversial census in early 2014, the government stepped up reforms ranging from consumer protection laws to insurance industry deregulation, transparency in public tender processes, and the opening of banking and other business sectors.³

Against this sharply contrasting backdrop, old battle lines between pro- and anti-democratic forces are being redrawn as new rivalries emerge within and between executive and legislative branches. Traditional power centres have eroded or transformed, giving way to multiple forces and an emerging "new order" of leaders who will shape Myanmar's future.



The question of why the generals opened up the country, after decades of largely self-imposed isolation, goes to the heart of the reform process.

Background—Pre-2011 Context of Reform

After numerous false starts and reform charades over several decades, by the late 1990s Myanmar's military rulers were desperate to fix their ailing economy and reduce their overwhelming dependence on China for investment and external assistance. They wanted to convince the West to engage and later, to suspend its harsh curbs, and they wanted international acceptance—particularly by the Association of South East Asian Nations (Asean), which kept its doors closed to Myanmar up to 1997. In the last few years, leaders and senior officials, from President Thein Sein down, have spoken publicly of their concern from the 1980s onwards about the country's decline and its backwardness compared to neighbouring "tiger" economies. Nevertheless, progress up to 2011 remained slow.

In August 2003 the junta's leader, Senior General Than Shwe—widely reviled in the West—unveiled a seven-step "roadmap" to reform after feeble official responses to the country's 2002 banking crisis, fresh US sanctions on financial and trade relations, and the re-arrest of Aung San Suu Kyi in May 2003 (or, her placement in "protective custody", as the regime termed it) after her 2002 release.

Than Shwe presided as a shadowy force behind the crackdown on so-called "Saffron Revolution" protesters in 2007; as well as directing the hasty constitutional referendum as the country mourned an estimated 140,000 dead in the wake of Cyclone Nargis, and a much criticised general election in 2010, boycotted by Suu Kyi and her National League for Democracy (NLD). The pace and intensity of such events during that decade, driven largely by Than Shwe's resolve, made it all the more mystifying when he abruptly disappeared from public life in early 2011 after handing over to his anointed successor, Thein Sein.

Thein Sein, recalling the aftermath of Cyclone Nargis as the country's nadir, said: "There was an understanding that things could not go on the way they were, there was a need for this change."⁴

In his post-Nargis role overseeing liaison with aid agencies and governments, Thein Sein—then prime minister—bore the brunt of the international community's outrage when Than Shwe initially resisted offers of external assistance. By then he had a keen sense of how unpopular the policies and image of Than Shwe's State Peace and Development Council (SPDC) had become both internationally and domestically. As one of the SPDC's low-key but visible faces on the international circuit, including at Asean meetings, he also knew better than most of his colleagues about the urgency of tackling sanctions and kick-starting investment to halt the economy's downward slide.

Thein Sein carried that conviction through into his presidency, setting out sweeping goals for economic, political and social reform in his maiden speech to national parliament on 30 March, 2011.⁵ Few in the international community took notice of the mild-mannered former general, and those who did focused instead on his call for a strong military. In a subsequent interview in 2013, after sectarian violence by Buddhist activists against Muslims had left at least 50 dead and 1,500 homes destroyed in the central town of Meiktila, he told me: "Our first priority is to fight poverty...if people have jobs and income-generating opportunities, they will not resort to violence like in Meiktila; only when we have real economic progress

will the democratic process flourish... [for that] we need three things—capital, technological capacity, and human resources development. We have invited foreign investors and we have implemented a new investment law, but we still face difficulties over western sanctions.”⁶

Myanmar’s greatly diminished place among its regional counterparts had also bothered the generals—even more so after the country finally gained entry to Asean in 1997. For Thein Sein and numerous senior officials, regular attendance at Asean meetings in regional centres such as Singapore drove home their country’s pitiful state. From the start, Myanmar placed high priority on securing its turn at the helm of the 10-member bloc—an issue for some member states that had opposed Myanmar’s entry because of its human rights record.⁷ After the group agreed in 2011 to hand the 2014 rotating chairmanship to Myanmar, the country’s diplomatic agenda swung towards Asean developments, including the much coveted chairmanship, its host-role for the 2013 Southeast Asian Games, and the planned launch of the Asean Economic Community in late 2015.

While the Asean chairmanship was a precious symbol of international acceptance, a full place for Myanmar in the Asean Economic Community (AEC)—the regional trade and economic cooperation agreement due to launch in December 2015—offered the prospect of further economic development. As far back as 2007, when Asean members agreed on the notion of an economic community, wrote Mary Callahan, the generals knew that without significant and successful macroeconomic policy reforms Myanmar would “be a big loser” in the AEC’s single market.⁸

Within Myanmar’s shifting power centres, however, early euphoria started giving way to infighting and political rivalries—particularly after the April 2012 by-election which swept Aung San Suu Kyi into parliament. Despite challenges from various quarters including parliament, domestic business and opposition groups, Thein Sein managed to maintain his role as the central reformer, reaching out across the bureaucracy and civil society while overseeing numerous initiatives with the help of carefully selected advisers and ministers.

Speculation still focuses on whether Thein Sein, who rose steadily and almost inexplicably in Than Shwe’s SPDC, went much faster and further with the reform process than the old dictator ever envisaged. Some analysts contend it is all part of a strategy based on a secret, second “roadmap” to lure foreign investment, gain international acceptance, build a thriving economy and then rein in more liberal forces while reaffirming military supremacy. Even today, opinion is divided about the extent to which Than Shwe’s influence lingers, and about the scope of his protégée’s game plan.

Key to the post-junta power balance is the 2008 Constitution, a deceptively simple looking document drafted by a commission handpicked by Than Shwe. The checks and balances in the charter leave much open to interpretation but broadly ensure that no central power can unilaterally seize control. In 2012, in one of his first media interviews, Thein Sein told me: “...There was a need for this change to the [political] system, to the framework. The legacy of General Than Shwe was to establish and move us towards this new system. Now we are in this new era where this government and I are trying to lead things forward. [He] is not involved in any way in current governmental affairs, but he is someone who has been my boss in the past, someone I respect.”⁹

Economics and Politics Converge

Vital developments in Myanmar since early 2011 highlight the growing convergence of economic and political issues. Today, the old divisions between democratic and anti-democratic forces have given way to unprecedented alliances and political configurations—with populists and protectionists taking on liberals and free-marketeers, while religious chauvinists and ultra-nationalists target those espousing a more tolerant, inclusive approach.

Central to this shift is the fragmentation and transformation of old power centres: primarily the “iron triumvirate” of the military and the government in their decades-long junta formulation, with a close circle of “crony capitalists”, an elite clique of 20 to 25 business families or groups.

That cosy arrangement gave way, noted Priscilla Clapp, as leaders of the three main power centres—executive, legislative and military—“exercised and interpreted their constitutional powers to take the country in unanticipated directions and create a somewhat kaleidoscopic array of competing centres of power within the new government”.¹⁰

Myanmar’s armed forces, known as the Tatmadaw, retain institutionalised power, especially on national security and, with their critical hold on 25 per cent of all parliamentary seats, on constitutional changes. Any change to the charter requires a “super-majority” of 75 per cent of parliamentary votes as well as a simple majority in a national referendum. Despite such an entrenched hold, the military was forced to make significant compromises in order to open up the country—not least in relinquishing its central, albeit disastrous, role in economic policy and daily governance, as well as in reforming its own structures and budgets. The last has seen sharp cuts in the military’s lucrative business interests and overall headcount, and moves in parliament to curb military spending. All that, in turn, has fuelled new tensions within what was once seen as a largely monolithic institution, particularly concerning the old guard with its “junta mentality” of secrecy and lack of accountability. So, too, has the fraught process of peace negotiations with ethnic armed groups, which highlighted “old” and “new” attitudes as some top brass staunchly opposed concessions to armed groups while others showed willingness to come to the negotiating table from late 2013.

A sticking point in peace talks—as well as in critical fields of politics and government—is the growing push among various interest groups to change the constitution, for reasons ranging from ethnic empowerment under a proposed federal model to lifting current restrictions on eligibility for the presidency. But on many levels since early 2011, the reform process encouraged genuine openness, facilitating the emergence of an increasingly robust parliament and reinvigorating a range of opposition and civil society groups. Other newly influential forces include the first independent—i.e. non-state controlled—business association (the UMFCCL); independent media and a robust union movement.

Even so, political rather than economic developments have continued to dominate headlines from Myanmar. Indeed, from early 2013 it became increasingly common to hear critical voices claiming that “not much has changed”, particularly in rural areas. Ironically, such criticisms—voiced openly and loudly—resulted largely from reforms that both raised expectations and enabled people to air their views after decades of suppression. New

freedoms, including rights of assembly as well as speech, helped fuel grassroots activism among farmers and local activists over land and environment issues from 2012. The government, meanwhile, responding to decades of official neglect and pent-up demand for public services, went into overdrive—drawing up ambitious initiatives including sweeping plans for rural and urban development.

In the early phases of the post-junta government, many tangible aspects of Thein Sein's reform programme were urban focused—not least due to the urgent need to repair failing infrastructure and launch economic reforms in the main cities before tackling gaping shortfalls in utilities, public services and infrastructure in rural areas. By 2013, visible changes included upgrades to city infrastructure, new public buses, renovations of educational institutions and the spread of telecoms coverage.

In rural areas, signs of change have been more incremental. They range from school grants and modest improvements that could be seen within a year of the government's inauguration, including construction of concrete paths and roads to link villages for the first time, hasty repairs to ageing power plants and even the appearance of signboards in villages posting daily market prices for rice and other crops.

Driving various schemes to improve living standards has been the "quick win" strategy of the government, encapsulated in a series of economic reform blueprints, the most immediate one being the onerously named Framework for Economic and Social Reforms (FESR), a five-year programme laying out a wish list of schemes, projects and policies that was presented to the inaugural meeting of international donors in Naypyidaw in 2012.¹¹

From mid-2013, broader and longer term goals to spread the benefits began to take root, although specific programmes to achieve overarching aims such as industrial development, job creation and rural development initiatives were still in policy or draft stages in mid-2014.¹²

Like many aspects of Myanmar's reform drive, however, by mid-2013 it was apparent that some essential public services, including electricity supply, were set to worsen before they could improve—not least due to public expectations generated by the government's promises of rapid reform. A sharp increase in electricity prices on April 1, 2014, for example, followed advice from international financial institutions to the government to slash power and fuel subsidies. While resulting improvements in the government's budget management will take time to kick in (most likely under the next government) the move in the short term contributed to criticisms of the reform process.¹³

The government's vision for longer term economic reform also highlights a deeper political struggle, summed up by the more ambitious 25-year "national comprehensive development plan" (NCDP) and an accompanying "Myanmar comprehensive development vision" (MCDV). Both plans, which were designed to incorporate aspects of the five-year scheme, will lumber future administrations with ongoing projects. Unfortunately, perhaps, both risk being jettisoned or made hostage to political fortune.

For the large and growing community of aid donors as well as the government, the real task is to chart a course through this morass of development plans. Ultimately, as Rieffel and Fox conclude, the success of Myanmar's transition "will depend on mutually reinforcing reforms by the government and support by its development partners."¹⁴

Ultimately, the various development frameworks and visions can only be a starting point for urgently needed initiatives across a wide range of sectors. If they are to succeed, they will present a daunting reform challenge to the administrations that will succeed Thein Sein. Despite his government's numerous projects and policy pronouncements since 2012, the main planning documents remain the clearest guide to how government planners can be expected to deepen the reform process and extend it to new areas as Myanmar develops in fields such as capital markets and an internationalised banking sector. Only then, and only if future administrations are willing to continue that work, can the country start heading, as the government claimed in its FESR introduction, down "a path of restoring the glory and growth" of past eras.

Despite visible improvements to infrastructure, public and social services and other fields in various parts of the country, a growing number of critics stepped up their claims in 2014 that almost nothing had changed "beneath the surface," a position frequently espoused by Suu Kyi.

In a bleak account of their meeting in April 2014, Elliott Gerson of the Aspen Institute recounted: "She [Suu Kyi] told us bluntly that the political, social and economic reform had 'stopped', and indeed argued that all that had occurred until now, including elections, had been part of a 'seven point plan' by the former military government that was only intended to move the country enough to allow foreign investment, but not too far to allow the army to lose effective control. She said the current government had no intention of continuing the reforms except at the slowest possible pace consistent with its and the military's preservation of privilege and control."¹⁵

Whether Thein Sein's reform initiatives are sufficiently ingrained to survive the coming political transition, it is undoubtedly true that new power centres are exerting influence—both positive and negative—on the country's direction. How Myanmar's economic and political imperatives shape up throughout the reform process depends on how one sees the metamorphosis of old power centres and emergence of new ones—and how one categorises the winners and losers from the process.

The Grand Accommodation

Inherent in the rise of the post-junta government from 2011 was a discreet yet grand accommodation between military and civilian—or quasi-civilian—leaders. There is no formal, written document about the division of powers, according to government advisers. But the equation for this de facto “accommodation” is simple: the serving generals more or less agreed not to interfere in economic and social matters and the day-to-day business of government, while government leaders—themselves mostly former generals—agreed the military would run its own affairs and dictate security policy. The armed forces also retained the power of veto over constitutional changes and a firm grip on the uber-security body, the National Defense and Security Council, with five active officers in the elite 11-member body that comprises the president, the two vice presidents, the two speakers of national parliament, the commander-in-chief and his deputy, and ministers for defence, home affairs, border affairs and foreign affairs.

While power has been transferred to a pseudo-civilian body politic, Chapter XI of the constitution allows the NDSC to impose martial law, disband parliament and rule directly—but only if the president (who is also an NDSC member) declares a state of emergency. Under this artfully balanced configuration, the Tatmadaw would control state resources. Overall, as some analysts argue, the NDSC system as outlined in the constitution entrenches the military’s independence and influence over the cabinet and parliament. It also enshrines legal channels for a return to direct military rule, although only if the president deems it necessary.¹⁶ As Clapp notes: “While the constitution provides for the formation of the Council, it does not specify its responsibilities or functions, so these may well vary depending on relations among the top leaders and how they prefer to handle decision-making.”¹⁷

Indeed, the NDSC, which in the early stage of transition met frequently—even weekly for a period—is no longer the power centre it once was, and by mid-2014 was convened at most once a month. Its structure remains in place, however, reinforcing the view that the military has moved from a hegemonic to a veto player. Most important, it has retained control over the presidency and security matters—for now.

In practical terms, military members of parliament, who occupy 25 per cent of national, state and local legislatures, and the three active military officers in cabinet (Home Affairs, Defence and Border Affairs) as well as a range of senior to mid-level military officials in government, have been conspicuously silent in discussions over economic, social, and general matters, according to people close to the president’s office.¹⁸ The generals nevertheless have paid a price for opening the country. They have surrendered some economic as well as institutionalised power. Defence budgets have steadily declined as a proportion of the national budget, while overall troop strength is being reduced, with annual officer intake now slashed by nearly half from 2007 to fewer than 1,000 cadets in total entering the prestigious Defense Services Academy and other officer training institutions in 2014. There has also been a steady transfer of military personnel out of civilian-dominated bureaucracy.¹⁹ The military’s lucrative business interests, meanwhile, including its flagship companies Union of Myanmar Economic Holdings Ltd (UMEHL) and Myanmar Economic Corporation (MEC), have seen their

operations cut back, while the institutions have lost their hold on lucrative monopolies for items such as beer, tobacco, and construction materials. They have been forced to pay taxes and compete like regular companies for public contracts. Many of their “crony” business associates have also lost political power.

Matters of national security, defence policies and sensitive political issues are different, however, and on issues ranging from handling sectarian violence to local land protests and ceasefire negotiations, Thein Sein and his inner circle have struggled to strike a delicate balance between military and civilian demands.

As the International Crisis Group (ICG) observed in a 2014 report, the transition from a military regime to a semi-civilian government has, almost by definition, required that the Tatmadaw cede considerable political authority to civilian institutions: “It is no longer in charge of most aspects of day-to-day government, which represents a significant reduction in its political authority—both over government decision-making on everything from energy to foreign affairs to land policy, but also its control over and dominance within the civil service. It no longer has the same freedom to transfer military officers into senior civil service posts; such transfers have markedly declined since 2011. This also has economic consequences, since the Tatmadaw no longer controls policy decisions that in the past gave it access to huge economic rents such as control of trade policy and import licences, and decisions over government contracts.”²⁰

Despite the diminution of political and economic power, it is important to avoid overstating either the nature or likely durability of the military’s political shift. Callahan notes: “With their immunity protections, effective veto over radical constitutional changes, and old comrades looking out for institutional interests, the Defense Services seem to find the current set-up tolerable.”²¹ Neither the political compromise between Thein Sein and Suu Kyi which paved the way for her entry to mainstream politics, nor the emergence of a multcentred political realm, has sent the military back to barracks. But in practice, as Callahan concludes, there has been a “marked retrenchment” of the position of the armed forces as an institution in the day-to-day governance of the nation.²²

Three Key Shifts in the Transition

As the lines between economic and political fields in Myanmar become increasingly blurred, three fundamental shifts are shaping the country's transition.

1. Traditional centres of influence—from old crony networks and government monopolies to military structures—are transforming or breaking up. This is occurring as new power centres, led by parliament, civil society and business, gain momentum increasingly to drive the government's agenda and the reform process. This evolving dynamic will largely determine the outcome of key reform programmes. In addition, future political contests will revolve around the emergence of a new power configuration. Already the Union Parliament or Pyidaungsu Hluttaw—the combined houses of national parliament, a structure that did not exist before 2011—has become one of the country's most powerful institutions, alongside the government and the military.
2. The second shift is in the role of the military. Military leaders knew from the time they drafted their "roadmap" in the early 2000s that they would ultimately have to surrender some political and economic power. The final moment is still some way off but the power configuration has been steadily shifting. The Tatmadaw has without doubt lost political and economic ground—and, equally important—business clout after decades of virtually absolute rule. While it remains ingrained in government, bureaucracy and parliament, and holds the all-important veto power over constitutional amendments and key parliamentary votes, it is no longer the monolith it once appeared to be. The old, hardline leadership is steadily giving way to a new generation of military commanders with varying allegiances and increasingly, with some experience of participatory democracy, given frequent rotations of military personnel through parliamentary seats. Yet the military's entrenched position in government still raises questions about the extent to which top commanders will allow or support further liberalisation and more crucially, about how readily and effectively they could block future reforms.
3. The redrawing of battlegrounds between pro- and anti-democratic forces and the blurring of lines between traditionally opposing groups. While it highlights the progression of many issues from the purely political into the economic—or economic-political—arena, it also encompasses new and emotionally charged issues including sectarian unrest and associated violence—largely between Buddhists and Muslims, land ownership, and peace negotiations with armed ethnic groups. It also spills into the overarching debate over federalism, with its question of how much autonomy Myanmar's numerous ethnic groups could and should expect.

Given their grand scale and potential to undermine the country's fragile stability, these ostensibly political issues have huge bearing on the outcome of economic reforms and indeed, on the country's future.

In this emerging multipolar and "kaleidoscopic" configuration, old power centres such as the military-backed Union Solidarity and Development Party, the once all-mighty ruling party formed from a national association of civil servants and retired military to contest the 2010 elections, has seen its finances and influence steadily eroded. So, too, has the related network of so-called "crony capitalists" and military-backed monopolies. While the old power centres, the military and central government, are still pivotal, they are being challenged by a complex range of new forces, mainstream as well as unconventional, positive as well as negative.

Emerging Forces

The most significant new force in Myanmar politics, as mentioned above, is the Pyidaungsu Hluttaw, or bicameral Union Assembly, the sprawling national parliament in the eccentrically designed capital, Naypidaw, and its associated network of 14 state and regional parliaments. With its robust debates and increasingly active legislative agenda, parliament has become a formidable driver—and also an occasional brake—on reform.

In a single three-month period—the ninth session, held in the 2014 first quarter of 2014—national parliament passed 21 laws in fields including income tax, commercial law, and national budget planning, while amending others including communications laws, bringing to 98 the total number of laws passed since parliament’s inaugural session in early 2011. Reflecting the accelerating pace of proceedings, a record 50-plus draft laws were presented to the subsequent, 10th session from June, while the 11th session from September 11 focused on weighty matters including proposed constitutional amendments, a national budget bill and proposed changes to the voting system.²³

Despite the vibrant display of what a visiting Western lawmaker called “democracy in action”, the greatest irony in the growing influence of parliament is its overwhelming dominance by the very forces it is challenging, primarily the military bloc and the military-backed USDP.

The outcome has surprised even local analysts. These supposedly conservative forces—including on occasion the military MPs—sometimes vote across traditional lines, with military representatives having sided with opposition lawmakers, notably on political and civil rights issues such as political prisoner releases and labour reforms. More striking is the growing tendency for USDP parliamentarians to oppose initiatives or requests from the office of the president, particularly on matters that have aroused nationalist and protectionist sentiments, such as bills on foreign investment, telecoms deregulation and the role of financial institutions—as well as the ongoing issue over the division of powers between the executive and legislature.²⁴

This is in part due to the narrow agendas of a large proportion of MPs from the ruling party, the USDP. Coming, as most of them do, from business and other interest groups close to the former military regime, their natural instincts are to protect their own interests. The president has 14 days to promulgate approved bills or send them back to parliament with requested changes. Even then, the bill automatically becomes law whether parliament acts on the president’s requests or not. The growing trend from mid-2012 onwards for USDP members, led by the powerful speaker of the house Shwe Mann, to ignore the president’s requests for amendments also highlights deepening rifts within the once monolithic ruling party. Meanwhile, growing disunity—particularly between key players in government and parliament—suggests the USDP may well be one of the biggest casualties in the political landscape surrounding the 2015 elections.²⁵

The forthcoming national election, tentatively set for late 2015, has already generated widespread expectations of a strong victory for the opposition NLD, whether Suu Kyi is eligible for the presidency or not. In what many see as a coming new era of post-junta politics, the crucial outcome in a free and fair election will be the entry into parliament of

what could be called "genuine politicians". The winners will presumably have been forced to compete in a politically and ethnically diverse field of parties including the NLD (which boycotted the 2010 polls) as well as independent candidates. By mid-2014 more than 65 parties had registered to contest the elections, and were gearing up to test their machines in a by-election for nearly 35 parliamentary seats expected in late 2014. In early September however, former General Tin Aye, head of the Union Election Commission, abruptly announced cancellation of the by-elections, citing various reasons including the government's need to focus on its Asean chairmanship role.

The pervasive party machine that handed the USDP overwhelming victory in a climate of authoritarian rule in the 2010 election is contemplating the prospect of defeat in a free and fair poll. With this knowledge, ruling party MPs feel they do not have much to lose, a fact that both facilitated and hampered the emergence of Myanmar's new order in 2014, as some "old guard" elements moved to exploit their entrenched power and undermine reforms, while others gravitated towards rising centres of influence, helping in various ways to reinforce them.

The New Power Centres

Among the new, or newly transformed, forces in Myanmar, elements driving the challenge to old power centres include:

1. Parliament: state or regional and national legislatures; national parliamentary committees and commissions; and the speakers of both houses.²⁶ The bicameral national or union legislature, Pyidaungsu Hluttaw, has strong powers to shape and push through legislation, and even to override the president's requests to modify bills. Much of parliament's overall power rests with its committees and the influential speakers, particularly of the Lower House or Pyithu Hluttaw. The lower house, with its committees and commissions, wields the strongest power, frequently calling ministers and officials for questioning; altering legislation and often, ignoring the president's suggested changes to legislation.

Alongside about four standing committees in each chamber there are more than 40 ad hoc committees and commissions, with new committees being added nearly every session to respond to policy developments. These committees wield varying degrees of influence. As an example, in early 2014, the influential Banks and Financial Development Committee of the lower house moved into the frontline, with its concerted attempts to exert parliamentary influence over proposals by the Central Bank of Myanmar to allow foreign banks to commence operations in the country.

2. Opposition groups and parties: once banned, opposition groups now proliferate. In Myanmar's presidential system, the national legislature has increasingly behaved as a de facto opposition force, at least as a vivid counterweight to the executive, where power is centred in the office of the president. Inside the assemblies is a colourful spectrum of parties ready to speak up against the majority USDP, but also ready to join forces across party lines, as they have on numerous occasions. Smaller parties understand their role as either supplements or opposition to the majority. The "mainstream opposition", both inside and outside parliament, is dominated by the NLD, or primarily Suu Kyi, who carries inordinate political weight for the leader of a minority party with just 41 seats in the national parliament (37 in the Lower House, 4 in the Upper) out of a total 664 seats, plus two in state assemblies. Other minority parties include the much smaller National Democratic Front, born from a breakaway NLD faction, and various ethnic parties and independents. Under parliamentary rules and at the discretion of the speaker, small parties have representation across most committees and are generally involved in key discussions.
3. Business groups and individuals: the emerging new forces in business have usurped spheres of influence or in some cases replaced the entrenched position of the "traditional" cronies. At the same time, some "old-style" tycoons close to the former regime, for example Zaw Zaw of Max Myanmar; Tay Za of Htoo Group; Khin Shwe (now a member of Parliament's Upper House) of Zaykabar Construction; Chit Khaing of conglomerate Eden Group; Aik Htun of Olympic Construction Co; and Tun Myint Naing, better known as Steven Law, of Asia World, have tried to reinvent themselves, showing eagerness to play by the new rules and compete for contracts alongside foreign

and domestic companies. As a result, Law's Asia World has won some big public works contracts including in August 2013 a leading role through subsidiary Pioneer Aerodrome Services in expanding the existing Yangon International Airport.²⁷

There are now rising or established business groups across key sectors such as telecoms, agribusiness, construction, oil and gas, retail and hotels. While some critics have warned of an emerging "new crony class", it is doubtful that any newcomers will get nearly as far as the old tycoons amid the rapidly emerging regulatory framework and official push to crack down on corruption and nepotism, improve transparency and raise corporate governance standards.

Both government and parliament, keenly aware of Myanmar's international image—illustrated by the broad concern expressed over the country's perpetually low rankings in Transparency International's annual *Corruption Perceptions Index*—have made a concerted push on this front.²⁸ In early 2013 the government created a high-level anti-corruption committee; in August that year parliament passed an Anti-Corruption Law and in February 2014 set up an Anti-Corruption Commission to enforce the law through public reporting, fines and prison sentences. These checks and balances will make life hard for any business figure who tries to stay under the radar, evade taxes and behave like the cronies of yesteryear.

4. Business and economic organisations: a new-style business lobby (as opposed to the shadowy, "old style" crony networks) revolves around the umbrella business body the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI), which draws together more than 27,000 companies and individuals, dominated by myriad small and medium-sized companies. The body, formerly government-controlled, with office holders handpicked by the Minister for Commerce, held its first full election in mid-2013, won by the incumbent chairman U Win Aung, co-founder of one of the country's largest construction companies, Dagon International.

In a departure from its low profile under the former military regime, which dealt directly with so-called "crony capitalists", the UMFCCI is consulted frequently by government and parliament on business-related issues and laws, and plays host to international business groups and even foreign government representatives and trade organisations. Notably, business and government officials from the US and other Western countries have readily dealt directly with UMFCCI chief Win Aung, with many commenting that he—and various others—should no longer be on the US blacklist. Among crucial input into draft regulations and business-related bills, the UMFCCI has pushed for better corporate governance standards and investment procedures and, to the chagrin of many smaller members, has supported liberal positions on foreign investment and deregulation.

5. Civil society groups and unions: foremost among political activist groups is Generation 88, an association of former student leaders and political prisoners released under the Thein Sein government, which has rapidly developed its role as a hybrid non-government organisation-cum-political group, or even de facto party. In mid-2014, Generation 88 surprised some supporters by joining forces with the NLD to campaign for constitutional change, having previously maintained a respectful arm's-length relationship with the

NLD and its leader Suu Kyi. The group has a small base of direct members but also has a national network of supporters who have helped organise farmers, unions and assisted villagers in campaigns against land-grabbing and other local issues, including in trouble spots such as Letpadaung copper mine during a brutal crackdown by security forces in late 2012, and in response to military offensives in Kachin state. Also in this category are NGOs such as the influential Myanmar Egress, some of whose founders form part of Thein Sein's inner circle of advisers, and the agricultural NGO Proximity, which helps farmers with low-cost farming equipment and finance. In a model progression, Proximity in 2013 branched out to establish a microfinance operation.²⁹

A relatively new union movement has meanwhile gained traction in Myanmar's rapidly reviving industrial structure. From a complete ban on unions and industrial action in 2010 under the old regime, by mid-2014 there were more than 700 unions in a range of workplaces from factories to white-collar offices. In the same period labour unions and informal workers' groups launched more than 400 industrial actions or lobbying efforts for improved wages or conditions, the majority of them successful. In 2014, talks were ongoing between the government and union representatives, business groups and international organisations over government proposals to set a minimum wage and introduce further labour reforms.³⁰

6. Local (regional, state, and township) government structures: local government structures and regional assemblies were only created under the 2008 Constitution, before which all local affairs were controlled by central government through the General Administration Department (GAD) within the military-controlled home affairs ministry. Up to now the president has appointed chief ministers of each state, who remain accountable to him; the chief minister appoints his cabinet from local parliaments that comprise elected and appointed members, including active military officers. GAD still oversees local government and appoints bureaucrats. The Border Affairs Ministry, again military-controlled, also maintains a network of local administration offices in areas under its remit. But in recent years, the top-down and heavily centralised structure of local government has shifted and is gradually gaining more autonomy, including inputs into determining local budgets and spending priorities. Border Affairs has turned over municipal offices and its department of rural development to state and regional governments and other ministries, leaving a greatly reduced presence on ministry officials at the local level. Local assemblies, meanwhile, are becoming increasingly active in demanding accountability and action from both local bodies and national government. The Thein Sein government has made decentralisation a priority and announced five significant public administration initiatives to speed up the process. It also became more active in 2014 in dismissing local government officials for corruption and other misdeeds. Progress nevertheless remained slow, although the government indicated in mid-2014 it would put more resources into accelerating reforms.³¹
7. Informal and official advisory bodies and government-backed organisations: these include presidential advisory bodies and committees. Their influence stems from their sometimes substantial input into policies, draft legislation and the general reform process, and include the National Economic and Social Advisory Council (NESAC) a fluid group that comprises from 20 to more than 30 individuals who regularly advise the president; the

National Human Rights Commission, set up in late 2011 by presidential decree; Myanmar Development Resource Institute (MDRI), a part publicly-funded think tank which conducts independent research as well as advises the government on legal, political-security and economic issues; the government's Anti-Corruption Commission; and the Committee for Consumer Protection.

8. Independent media: Since the government dismantled censorship controls and allowed the first daily privately-owned newspapers in 2013, the industry has flourished, although from early 2014 faced new forms of government pressure and in some cases intimidation. From just two state-controlled newspapers previously, more than 30 organisations had by early 2014—amid a surge of new websites and magazines—gained permission to publish daily newspapers. While few have made money, and some have gone out of business, the independent media have become increasingly influential, in both positive and negative ways (due initially to lack of proper libel laws and media codes of conduct). Solid reporting of government plans, parliamentary deliberations and business developments are juxtaposed with more tabloid-style gossip and politically charged allegations—often unsubstantiated—of high-level corruption and personal scandals. Media and publishing laws passed in early 2014 reined in some new freedoms, imposing requirements for review of publishing licenses. More disturbingly, journalists have been prosecuted and even jailed on charges ranging from violating national security to trespassing. Broadly, the media field has become a battleground between conservative and progressive forces, notably with the arrest and subsequent sentencing in mid-2014 of five journalists for reporting on an alleged chemical weapons factory, and another journalist for allegedly “harassing” a government official.³²
9. Religious groups: The post-junta period has seen the growing politicisation of some religious groups and the rise of activist Buddhist monks such as U Wirathu, head of the “969” Buddhist ultra-nationalist movement. Ironically such groups, with their anti-Islam agendas, have acquired more influence thanks to the country's new freedoms of assembly and speech. Under the military regimes, mass meetings such as a gathering of more than 10,000 Buddhist monks in Mandalay in January 2014 were banned under laws of association and assembly. Suggesting further violence ahead, the monks discussed plans to drive out Muslims from the west of the country and to lobby to ban interfaith marriages—a proposal that emerged in mid-2014 at the heart of a hotly debated draft bill on religious issues.

Monks have played an anchor role in Myanmar's majority Buddhist society, mostly on the positive side, as what historian Michael Charney called “keepers of Burmese tradition and the core of Burmese intellectual life”.³³ But since early 2012, several extremist religious groups have emerged with the express aim of fanning sectarian violence against Muslims. Their more nationalist and chauvinistic style of Buddhism is reflected in campaigns targeted at the Muslim population, particularly stateless Rohingya, accusing them of undermining Buddhism and stealing jobs. This has been particularly marked in Rakhine State, where more than 140,000 mainly Rohingya Muslims—or “Bengalis” as they are officially labelled by the government—have been displaced and anything from 300 to 1,500 or more killed in sectarian violence since mid-2012. This is not only a challenge to the government and security forces, but also to the Sangha, the Buddhist order of monks,

where younger or more extreme elements are taking matters into their own hands, even defying calls for restraint from their seniors.

There are also pressures on the government from other quarters. In 2013, an influential group of monks formed the Organisation for the Protection of Race, Religion, and Belief, headed by monk Tilawaka Biwuntha. The group petitioned the president to propose legislation to curb religious conversion, control population growth, interfaith marriage and polygamy. Politically, Thein Sein has appeared to be striving for a middle course, promising reforms including accepting citizenship applications from “eligible” Bengali/Rohingya yet also proposing laws restricting interfaith marriage and religious conversion. His attempts to calm tensions in Rakhine state stalled amid renewed bouts of violence in 2013 and 2014, and in many cases since then, the government has capitulated to powerful nationalist forces, including demands from Buddhist Rakhine groups to exclude the Rohingya from participating in Myanmar’s 2014 national census.

10. **Police:** Alongside an accelerating reduction in the size of the military, there has been a steady push to modernise and expand police presence. In recent years, the force has grown rapidly and is now taking on an increasingly prominent role in community policing and other forms of security. From numbering little more than 50,000 in the early 1980s and acquiring a reputation as corrupt and inept, the force had by early 2014 nearly doubled in size as security priorities shifted from policing and monitoring communities to preserving law and order in townships and containing local protests over land and other issues, as well as dealing with outbreaks of sectarian violence. Since the police are not an intrinsic part of the military structure, foreign assistance for policing does not count in many countries as military contact or training, enabling governments and organisations such as the European Union previously curbed by sanctions to help police expansion and modernisation through funding and training programmes. The EU became the first western organisation to assist the Myanmar police in this way, when it launched community policing and crowd control training programmes in mid-2013.

The Future

With Suu Kyi and other critics of the government—including on occasion the house speaker Shwe Mann—jockeying for political influence ahead of the 2015 national elections, the increasingly combative dynamic between parliament and government highlights a discouraging paradox in the emerging power configuration: that no aspiring presidential candidate or subsequent administration will want to be seen taking over this government’s sweeping reform schemes, including numerous projects in Thein Sein’s multi-phase, 20-year development strategies.

Having steadily ratcheted up criticism of the “slow” pace of the Thein Sein administration and the reform process, the NLD and elements of the USDP appear to have locked themselves into a groove of negative rhetoric about government reforms, one which barely allows them to embrace even praiseworthy initiatives.

Ultimately, beyond the search for direct motives behind Myanmar’s historic opening, the most compelling question is: where is it leading now? Despite perceptions of political backsliding and the rise of sectarian violence alongside renewed conflict in some ethnic areas, even government critics agree it is almost impossible for society to return to the dark days under a repressive military junta. Many also agree that the overall thrust of reform is irreversible and that some changes already achieved have been remarkable. But the transition, led by a handful of reform-minded individuals, is fragile. Powerful forces continue to oppose reform. Backsliding has indeed occurred, mainly on a political level. More problems lie ahead, from the government’s seeming reluctance or inability to effectively tackle sectarian violence to back-peddling on media freedoms, unduly harsh repression of local protests over land and other issues, and slow action on the festering issue of property titles.

As for the overall impetus—economic or political—for the reform process, the truth lies between the extremes. Economics and politics are inseparable in any governance model, despite the best efforts of authoritarian regimes like China to prove that economic reform comes first. Interestingly, the middle way, exemplified

by Singapore's quasi-democratic model of "guided democracy", holds strong appeal for many of Myanmar's policymakers and officials. In this respect it is worth noting that Singapore has made steady inroads with Myanmar's new generation of policymakers, conducting training at its school for bureaucrats in Yangon, advising government entities, and sponsoring frequent visits by Myanmar officials to Singapore. Historically, Singapore also established close relations with previous military regimes through the crucial role of its banks in providing financial services refused by Western banks, including the storage of Myanmar's foreign reserves and underwriting trade transactions.

Whether Myanmar becomes a "mini-Singapore", turns Japanese, or follows the "American way", the reformers in Naypyidaw are charting their way through vast amounts of foreign "expertise" now being thrust at the government and policymakers.

Ultimately, it is clear that economic imperatives were fundamental in driving the opening in Myanmar. Resolving the country's ongoing political issues is, however, fundamental to economic development and Myanmar's external relations.

Not least is the way they are pushing forward development in the country's most desperate regions. But there is a more insidious element: the potential for poisonous politics to revive international condemnation and perhaps significantly slow the West's rapidly growing engagement with Myanmar.

As the US envoy Derek Mitchell warned in a speech in early 2014, sectarian violence is an issue that could potentially mar the newly revived US-Myanmar relationship.³⁴ Indeed, there were growing rumblings from US Congress from mid-2014 onwards about tightening conditions on US business dealings and imposing curbs on newly formed bilateral military relations, citing concerns about human rights violations in Rakhine state. At the same time the US administration suggested that further deepening of ties could depend on Myanmar's willingness to act on the issue.³⁵

Beyond the west's dual view of Myanmar, through political or economic prisms, the US stance on Myanmar is also increasingly divided along political lines. Even as some in congress, particularly in Republican circles, warned of re-imposing restrictions on US dealings with Myanmar, the American Chamber of Commerce launched a Myanmar chapter in late 2013. That was followed by the opening of the US Commerce Department's first international trade office in Myanmar in April, and a visit shortly after by the US Secretary of State John Kerry in mid-2014 ahead of the planned visit by President Barack Obama for the Asean summit in November 2014. All this suggested that the US administration, like US business, has been taking a pragmatic view. The rumblings on Capitol Hill persist, however, with Myanmar—or "Burma policy"—becoming more of a political football in the lead-up to the US presidential elections in 2016.

Meanwhile, growing expressions of concern in Western capitals over tensions in Rakhine state and other developments appear to vindicate the call by some elements in congress and the human rights lobby to preserve some "levers" of influence on Myanmar's regime. Indications that the country's constitution may not be amended in time for Aung San Suu Kyi to be eligible as a presidential candidate in the 2015 national elections have added to Western reservations.

Alongside the growing diplomatic challenge, the biggest tasks facing the government in its final phase will be to manage growing expectations stemming from its economic reforms and improving people's livelihoods while keeping political reforms on track; quelling extremist sectarian elements; and achieving an elusive peace deal with ethnic armed groups. Many groups and individuals across the domestic political spectrum have spoken resentfully of international interference in such sensitive issues.

Even as the rumblings by late 2014 grew louder both within and outside Myanmar about government "backsliding" on reform, Thein Sein tried to boost political reform momentum by convening an unprecedented meeting on Oct 31 in Naypyidaw of 14 political, ethnic and military leaders including Suu

Kyi and commander-in-chief Min Aung Hlaing. On the agenda were critical issues from broadening the reform process to bolstering peace efforts with ethnic armed groups and ensuring free and fair elections in 2015. Critics derided the meeting as “window dressing” just ahead of Myanmar’s hosting of the annual East Asian and Asean summits, a criticism bolstered by news that US President Barack Obama had telephoned both Aung San Suu Kyi and Thein Sein ahead of the meeting. Adding her own criticisms, Suu Kyi said the meeting had been too big for meaningful discussion of reform, and demanded narrower talks with just the president, the military and parliamentary leaders to press her case for amending the constitution. But the fact the meeting took place at all was an achievement in itself, as some diplomats and analysts noted. In Thein Sein’s words, it at least opened the way for more reforms, signifying the “start of a conversation” which would allow Myanmar to begin framing a common vision and a common path forward.

For Thein Sein and his administration however, the bottom line comes down to two factors: how much the government translates reform by late 2015 into tangible benefits for broad segments of society, in Burman-dominated regions and in ethnic states earlier plagued by armed unrest, and how much the government wants to keep relations with the West—and the hoped-for elimination of all sanctions—on track.

In weighing up the drivers of reform and whether economics or politics carries more weight, the growing threat from Myanmar’s extremist religious and ultra-nationalist forces, and even from within new power centres such as parliament and civil society, looms as a potent reminder that economic progress alone cannot carry the day.

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