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Myanmar in 2012

Toward a Normal State

ABSTRACT

In 2012, Myanmar experienced another tumultuous year of reform. Executive, legislative, and civic institutions advanced, but public administration and the judiciary remained largely unchanged. While some ethnic relations improved, others descended into bitter conflict. Economic and social development was patchy. Links with the U.S. and its allies strengthened considerably.

KEYWORDS: Burma, ethnic relations, Myanmar, reform, transition

IN 2012, MYANMAR EXPERIENCED a tumultuous year of change as reforms launched by President Thein Sein the previous year pressed ahead. In January, leading political prisoners were released. In April, Aung San Suu Kyi's opposition party swept parliamentary by-elections, and Western states responded by suspending economic sanctions and boosting aid. In August, pre-publication press censorship was halted. In November, U.S. President Barack Obama became the latest high-profile visitor. Throughout the year, Thein Sein and Aung San Suu Kyi maintained regular contact, peace talks were held with minority ethnic groups, and links with the outside world multiplied.

At the same time, however, problems amassed during five decades of military misrule proved resistant to rapid resolution. National reconciliation with ethnic groups gained no purchase in Kachin State, and was severely damaged by violence in Rakhine State. Economic development prompted crony business leaders to make illegal land grabs but offered little to citizens living in poverty. Relations with other Asian states were sometimes difficult.

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By year-end, nobody really knew what might become the new normal in Myanmar: discipline-flourishing democracy focused on order and promoted by military leaders or liberal and federal democracy sought by opposition groups.

GOVERNANCE IN A TRANSITIONAL STATE

Behind the drama of major policy initiatives lay the sober reality of a state primed to dispense violence and enrich cronies but ill-equipped to undertake routine public administration. In 2012, governance reform thus became a key issue, with rampant official corruption publicly targeted by Thein Sein.

In the executive, conservative Vice President Tin Aung Myint Oo resigned in July and was replaced by political moderate and former navy chief Nyan Tun. In late August, Thein Sein reshuffled his cabinet, moving or removing nine ministers, selecting his first female minister, and appointing 16 technocratic deputy ministers. Hardliner Kyaw San moved from minister for information (overseeing the media) to minister for cooperatives (overseeing very little), and reformer Aung Kyi moved from minister of labor to take his place. Although ministerial positions in the President's Office were boosted from two to six, policy coordination remained messy. Tellingly, the top tier of government still lacked leading ethnic minority figures.

In the legislature, placement of parliamentarians in executive positions in 2011 triggered by-elections in 48 constituencies in 2012, though ongoing fighting in Kachin State meant that only 45 seats were actually contested on April 1. Campaigning dominated the early months of the year, and accusations of malpractice were leveled by opposition candidates. In the event, however, the military-backed Union Solidarity and Development Party, to which all departing legislators belonged, retained only one upper-house seat; the Shan Nationalities Democratic Party won another; and the opposition National League for Democracy (NLD) took 43 seats (37 in the lower house, four in the upper house, and two in provincial assemblies). Aung San Suu Kyi, whose first televised campaign speech was broadcast in March, was elected to the lower house from the rural Kawhmu constituency south of Yangon. A standoff over the oath of office delayed the arrival of opposition members of Parliament until the NLD climbed down. In September, Parliament flexed its muscles by forcing the resignation of all nine constitutional tribunal judges. Generally, political parties displayed limited discipline and coherence in the legislature.

Beyond the executive and legislative territory in the capital Nay Pyi Taw, governance structures were harder to change. Although the 2010 general election created decentralized assemblies in each of Myanmar's seven regions (mainly dominated by the majority Bamar ethnic group) and seven minority ethnic states, they struggled in 2012 to find their feet. The chief minister, appointed by the president, and the military commander remained the most important provincial officials. At local levels, reform was often hampered by unreconstructed political and administrative structures. Notwithstanding NLD calls for change, the judiciary was largely untouched by reform.

It was thus all the more important that civic institutions advance. In the media, pre-publication censorship imposed after the 1962 military coup was gradually rolled back and, in a context of journalistic activism, was eliminated on August 20. Although post-publication monitoring remained, Aung Kyi did consult key stakeholders about a new media law. Overall, the media environment improved, with exile groups opening Yangon offices and 200 weekly journals staking out ever greater political space, monitoring Parliament, and preparing to launch daily titles from April 1, 2013. On October 21, 2012, Thein Sein held his first press conference for local journalists. In December, the exile-run *Irrawaddy* magazine inaugurated distribution inside the country. No journalist was jailed during the year.

In civil society, 651 leading political prisoners were released on January 13, enabling the reconstituted 88 Generation Students, formed by individuals who rose to prominence during the 1988 mass uprising for democracy, to fight for civic education and pro-poor policies. Smaller numbers of political prisoners were released later in the year. In late August, a secret blacklist of 6,165 individuals was trimmed by 2,082 names (including some foreigners and some dead persons). In September, the government in exile, formed by members of the victorious NLD a few months after the abortive 1990 general election, was dissolved. On a piecemeal basis, licenses were returned to activist lawyers.

As 2012 progressed, there were many street demonstrations, notably against electricity shortages in major cities in May and media restrictions in Yangon in August. Land grabs in rural areas also provoked protests, notably against Letpadaung copper mine in Monywa, Sagaing Region, a joint venture between a military conglomerate and a Chinese company. Here, a violent pre-dawn government clampdown on November 29 left 70–100 activists with severe injuries. Many were Buddhist monks. Solidarity protests

in major cities persuaded the government quickly to appoint Aung San Suu Kyi to head an investigative commission and, on December 15, to issue a public apology for its repressive action.

ETHNIC ACCORD AND DISCORD

Standing somewhat apart from the main tranche of reform efforts was the critical domain of ethnic relations. In the opening months of 2012, the dominant theme was ethnic accord, symbolized above all by a January 12 ceasefire agreement signed by the pivotal Karen National Union, its first in more than 60 years of civil conflict. In May, Thein Sein followed up by forming and chairing an 11-member high-level peacemaking group, supported by a 52-member work committee. In June, the Myanmar Peace Centre was formed with European funding. In the second half of the year, however, ethnic discord became the decisive theme.

One flashpoint was Kachin State, where a 17-year ceasefire broke down on June 9, 2011, triggering fighting that lasted throughout 2012. Underlain by economic grievances focused particularly on large-scale Chinese investments, the conflict displaced tens of thousands of people internally and externally. In August, 5,000 refugees in China returned home, allegedly of their own accord following a lull in fighting. In late December, the government acknowledged using air strikes against Kachin rebels. Civil conflict also flared in northern Shan State. In zones of sporadic fighting, it was not clear whether the national army was fully under presidential control. In Karen State, a leadership split in October threatened to unravel the fragile ceasefire negotiated in January. External engagement also became controversial when a Norwegian peace initiative was criticized for insufficient grassroots input.

Still more worrying was an eruption of ethnic violence in Rakhine State, traced to a May 28 incident when a Rakhine Buddhist woman was reportedly raped and killed by three Muslim men. On June 3, a large group of Rakhine villagers stopped a bus and brutally killed 10 Muslim passengers. On June 8, thousands of Rohingya Muslims rioted. On June 10, Thein Sein declared his first state of emergency as waves of violence killed at least 80, razed Rohingya communities, displaced tens of thousands, and devastated inter-communal relations. His first substantive response, delivered to a senior U.N. official in July, was that the 800,000 Muslim Rohingya in Rakhine State posed a threat to national security and should be held in refugee camps to await transport to

third countries. This argument, trained on a minority group granted minimal rights in Myanmar, was amplified by irate journalists, bloggers, and opposition leaders. Even Aung San Suu Kyi adopted at best evasive positions, shifting from moral icon under house arrest to practical politician.

Subsequently, global outrage prompted an official rethink and, on August 17, Thein Sein created a broad-based 27-member investigative commission. On October 21, however, violence returned to Rakhine State, and again at least 80 were killed. The number of displaced persons, mostly Rohingya, climbed to 110,000. Muslims were also targeted elsewhere. While Buddhist monks led aggressive anti-Rohingya street protests, outsiders talked of genocide.

By year-end, Myanmar's ethnic issues had settled into three main categories. For most groups, ceasefires, reconciliation, and political dialogue were on the agenda, though no more than limited progress had been made. For the Kachin, the possibility of a military solution could not be ruled out. For the Rohingya, exclusion beyond the realm of national citizenship remained the official position. Only rarely did hints of constructive action surface.

ECONOMIC AND SOCIAL IMPERATIVES

As reform unfolded, an increasingly important preoccupation was delivering tangible benefits for ordinary people. Throughout the year, measures were thus taken to boost business activity, tackle corruption in government ministries, and enhance social progress.

In the economic sphere, a managed float of the kyat, implemented on April 1 at 818 to the U.S. dollar, eliminated multiple exchange rates ranging from 6.4 (official) to sometimes more than 1,000 (black market). In parallel, there was some reform of the banking system, and in big cities licensed exchange bureaus and ATMs began to appear, though unofficial trading continued to flourish. Plans were also announced to launch securities exchanges in Yangon and Mandalay in 2015 with help chiefly from Tokyo.

Major investment projects unveiled in previous years and developed in 2012 included oil and gas pipelines built by China, the multimodal Kaledan Gateway logistics project sponsored by India, and the Dawei deep-sea port and special economic zone project, led by a Thai investor. The suspension of Western sanctions enabled many global corporations to take a look at Myanmar, and some started to strike deals. General Electric, Pepsi, and

Coca-Cola were to the fore. However, although a reasonably liberal foreign direct investment law was finally passed in November, the regulatory environment remained opaque and deficient, and the infrastructure for business was very poor. Extraction was still dominant, and China remained the lead player with total investments of \$14 billion, out of \$40 billion accumulated since 1988. Despite positive growth forecasts, huge economic challenges lie ahead.

In the social sphere, a patchwork of reforms was implemented. Laws were passed to boost labor and women's rights, drawing in each case on stakeholder input. Strikes became possible, and around Chinese New Year a month-long dispute hit the Yangon footwear industry. Education was made a priority, and the Yangon and Mandalay Institutes of Technology admitted small cohorts of students following 24 years of closure. In November, an NLD-sponsored motion to revive undergraduate studies at the University of Yangon passed the lower house of Parliament. A pledge was made to eliminate forced labor by 2015, and the issue of child soldiers began to be tackled not only in the national army but also in ethnic militias. In September, the army took the symbolic step of publicly discharging 42 boys. On the streets of Yangon, glitzy shopping malls began to open, and across the land billboards advertising the "People's Desire" and calls for military discipline were finally removed. New Year's Eve witnessed the first ever public countdown in Yangon, with some 90,000 people present.

However, positive change was still a distant prospect for many people. Poverty remained endemic, consigning a quarter of the population to subsistence. In major cities, prices were rising, crime was on the increase, and gangs were taking to nighttime streets.

GLOBAL ENGAGEMENT AND INTERNATIONAL RELATIONS

Ongoing political reform inside Myanmar generated a significant reshaping of ties with the outside world. Most dramatic was the normalization of relations with the U.S., consummated by the July appointment of Derek Mitchell as the first full American ambassador in 22 years. In September, both Aung San Suu Kyi and Thein Sein made successful American trips, and the U.S. finally stopped vetoing the operation of international financial institutions in Myanmar. In October, an inaugural U.S.-Burma Human Rights Dialogue was launched in Nay Pyi Taw, with military delegates present on

both sides. Myanmar was also invited to send observers to the upcoming Cobra Gold multinational military exercise led by the U.S. and Thailand.

On November 19, newly reelected President Obama became the first sitting U.S. president ever to visit. Secretary of State Hillary Clinton accompanied him. The six-hour trip embraced major politicians and civil society leaders and heralded a deepening of American engagement through fresh aid disbursements. Speaking with Thein Sein, Obama departed from U.S. policy by referring to “Myanmar,” not “Burma.” At the University of Yangon, he delivered a 30-minute speech, broadcast live on television, praising freedom and extending the hand of friendship to proponents of inclusive political reform.

Reengagement went wider and deeper than this, however, as all Western states suspended economic sanctions, many countries boosted bilateral ties, leading global agencies launched programs, several airlines resumed direct flights, and corporate executives and aid workers besieged Yangon. For the first time, annual visitor arrivals topped one million. On November 1, the World Bank made its first grant to Myanmar in 25 years, pledging \$80 million from a planned \$245 million assistance package. In turn, the Myanmar government accredited international election observers; permitted external monitoring of conflict zones, nuclear sites, and prisons; and sent senior ministers on foreign visits. Enormous global interest focused on Aung San Suu Kyi’s first overseas trips since 1988 to Thailand in late April, Europe in June, the U.S. in mid-September, and India in November. In Oslo on June 16, the 1991 Nobel Peace Prize Laureate delivered her acceptance speech. In Washington on September 19, she received the Congressional Gold Medal.

Again, however, not all was positive. Thein Sein’s early handling of the Rohingya issue sparked outrage in the Muslim world, and in August drew a rebuke from 57 states assembled in the Organisation of Islamic Cooperation. Saudi King Abdullah reportedly donated \$50 million to relief efforts. Relations with the Association of Southeast Asian Nations, which Myanmar will chair in 2014, also became strained. U.S. Ambassador Mitchell noted that deep-seated intolerance infecting even the opposition movement made Myanmar a complex transitional case.

Last but not least, changing international relations had an impact on Myanmar’s most important bilateral linkage with China (and also generated a distancing from North Korea). In many ways, Myanmar’s outreach to the U.S. and its allies was a necessary correction of dangerously skewed global

ties. Nevertheless, China had reason to be concerned about its generally poor public image in Myanmar, the continuing instability in Kachin State (which borders both China and India), and energetic reengagement by the U.S. and its Asian allies led by Japan. Thein Sein was thus careful to visit Beijing immediately ahead of his September trip to New York.

CONCLUSION

Much changed in Myanmar in 2012, yet for ordinary people much remained the same as reform impacts were confined largely to elites. Although the critical project of national reconciliation advanced on several fronts, it suffered sharp and possibly decisive setbacks in Rakhine State, and faced major challenges in Kachin State. While governance became more pluralistic and social forces were unshackled, former general Thein Sein retained the political initiative. By the end of 2012, Myanmar's nascent democracy was increasingly fluid and even unstable. Discipline-flourishing elements nevertheless remained prominent.