



# BULLETIN

No. 15 (468), 12 February 2013 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) ● Katarzyna Staniewska (Managing Editor)  
Jarosław Ćwiek-Karpowicz ● Beata Górka-Winter ● Artur Gradziuk ● Roderick Parkes ● Beata Wojna

## Transition in Myanmar and the International Response: Coming In from the Cold

Patryk Kugiel

*Democratic reforms are on track in Myanmar despite renewed ethnic conflicts and emerging new political and social challenges. As the international isolation of Myanmar is coming to an end the country emerges as a valuable partner for a growing number of states vying for influence and economic opportunities. The EU should use the momentum to end its sanction policy and offer full economic support to smoothen the transition process and increase its leverage on the government. This also offers an opportunity for Poland to expand its democratic transition assistance and explore options for stronger economic cooperation.*

**Fragile Transformation.** Unprecedented reforms initiated in 2011<sup>1</sup> continued throughout 2012 allowing for cautious optimism among international partners. A largely fair byelection to parliament held on 1 April 2012 gave a sweeping victory to the opposition National League of Democracy (NLD), which won 43 of 45 seats contested. NLD leader Aung San Suu Kyi, now a member of parliament, maintained a cooperative relationship with President Thein Sein, who late last year changed his cabinet lineup to include more reformists and technocrats. In a clear indication of progress, more political prisoners have been released, freedom of media has been expanded, a further 2,000 or so exiles have been allowed to return to the country, and a ban on public gatherings has been lifted. The parliament approved the first economic reforms, including a new foreign investment law, which, however, is viewed as too conservative to attract much capital. As a sign of returning to normalcy, Myanmar was flooded with foreign tourists and businessmen giving the government the much-needed foreign exchange.

Against this positive backdrop, however, there were some symptoms of possible setbacks. Inter-communal violence between the Buddhist majority and the Muslim minority in the state of Rakhine in June and November exposed the gravity of the ethnic problem. In December the army renewed its offensive against the Kachin rebels in the north, which poses a risk to internal stability and may well serve as a justification for the military's prolonged hold on power. In fact, under the country's constitution, which has been in effect since 2008, the army still controls the political system either through a pro-military majority in the parliament or the National Defence and Security Council, which can declare a state of emergency if it finds that necessary. Moreover, as the most violent suppression of public protests in two years in the Monywa copper mines in November shows, economic development and growing disparities may lead to more social unrest and growing confrontation with security forces. A weak legal framework, poor governance capacities and corruption may further hamper progress. It is also likely that, under the army-led transition to a "disciplined democracy," the new system will eventually emulate the Chinese model rather than the Western one.

<sup>1</sup> P. Kugiel, "Myanmar—Perspectives for Democratic Transformation," *PISM Bulletin*, no 11 (344), 2 February 2012, [http://www.pism.pl/files/?id\\_plik=9444](http://www.pism.pl/files/?id_plik=9444).

**The End of Diplomatic Isolation.** Recognising the importance of the ongoing transition in Myanmar, a number of countries, including the United States, Britain, Australia and Canada, have lifted or suspended their sanctions over 2012. A historical visit by the U.S. secretary of state to Myanmar in 2011 was followed by the visit of President Barack Obama in November 2012. This was the first ever visit by a sitting U.S. president to Myanmar. Many other countries from the region, including Japan and India, stepped up their cooperation with Myanmar, with an exchange of high-level visits and sound offers of assistance and investment. Importantly, the withdrawal of American restrictions and the restructuring of half of Myanmar's \$6 billion foreign debt allowed international financial institutions to resume assistance programmes to the country after a break of over two decades. As China's dominant position in Myanmar is being challenged by the arrival of new international players, Myanmar's strategic importance is expected to grow in the future. This resource-rich country also emerges as an attractive investment destination after decades of isolation.

The top-down reforms have also enabled a historical breakthrough in Myanmar's relations with the EU after the EU in April suspended all sanctions except an arms embargo for a trial period of one year. As political dialogue has been renewed, EU High Representative Catherine Ashton visited the country on April 28–30 and European Commission President José Manuel Barroso paid a visit on 3 November. On the other hand, NLD leader Aung San Suu Kyi toured several European countries in June. The EU office in Yangon, which opened in April, is due to be upgraded to embassy status in 2013. Moreover, in September, the European Commission initiated a procedure for reinstating Myanmar into the preferential trade scheme (GSP), a move that could significantly increase the EU's share in Myanmar's trade—from a mere 2% at the moment. Myanmar was suspended from the preferential trade scheme in 1997. The EU offered a new aid package of €150 million in support of transition for 2012–2013, to be invested mostly in health, education and agriculture, as well as in projects designed to facilitate peace processes with ethnic groups, and democratisation.

**Role for Poland.** With its recent history of a peaceful transition to democracy and successful market reforms, Poland seems to have valuable experiences to share with its partners in Myanmar. This was precisely the message that Polish Foreign Minister Radosław Sikorski brought to that country during his visit in May 2012. Several development projects organised by the Polish administration and NGOs, including training for 50 officials and activists and journalism workshops in 2012, proved that, despite a modest aid budget and limited expertise related to Myanmar, Poland can play a visible role in the transition taking place in that country. However, after a good beginning, Poland is scaling down its support as neither the International Solidarity Fund, established to support democratisation processes worldwide, nor the Polish Aid programme included Myanmar as a priority country for 2013. This was possibly the result of reassessing Poland's capacities in the context of cuts in spending on bilateral aid and refocusing on priority partners in the EU's neighbourhood. Limited interest among Polish companies in the distant market, in part because of the uncertain future of the EU sanctions, further bogged down the initial enthusiasm for stronger engagement. However, as other Visegrad Group countries (the Czech Republic and Hungary) become increasingly involved in Myanmar, Poland may re-evaluate its policy options.

**Conclusions.** Although the scope and pace of Myanmar's political transformation is impressive, it is far from complete, with more challenges on the way. A period before the general elections in 2015 may be decisive as discussions on amendments to the constitution and changes to electoral law may spark more tension between the opposition and the army. It is possible to assume that ex-generals will let the reform process continue as long as their political privileges and economic interests are not threatened. With renewed ethnic conflicts, limited capacity to manage reforms in the right way, and emerging frictions between different opposition groups, Myanmar will need more international support to navigate smoothly through this period.

After the release of most political prisoners and with political reforms well under way, there are reasons to put a definitive end to the restrictive policy of sanctions at the next review of the EU's position on Myanmar in April. Rather than wait for the transition to be "irreversible," the EU should establish normal economic and political cooperation with Myanmar in order to increase its leverage in that country. By speeding up the process of reinstating Myanmar into the GSP scheme, creating stable political conditions for European investment and strengthening development assistance, especially in support of the peace process and administration capacity building, the EU could best show the benefits of reforms and encourage extra efforts. Furthermore, the EU should engage in dialogue with other regional players (China, India, Japan) to support Myanmar's transition.

For Poland, the opening-up of Myanmar offers a good opportunity to expand its presence in Asia and prove its added value in democracy support. Continued development cooperation could help build a positive image of Poland and prepare the ground for economic cooperation in the long run. To this end, the government could consider adding Myanmar to a list of priority countries for Polish aid for the next few years, and it could also think of opening a liaison office in Yangon to coordinate aid projects and facilitate contacts with local partners. It is also in Poland's interest to support a lifting of EU sanctions as this could encourage more Polish firms to explore the business potential available in Myanmar. Poland should also make sure that the newly established European Endowment for Democracy pays special attention to supporting reforms in Myanmar.