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The End of the Obama Era in Asia

Edited by
Michelguglielmo Torri
and Nicola Mocci

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MYANMAR 2016: FROM ENTHUSIASM TO DISILLUSIONMENT

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2016 was the year when political change finally came to Myanmar. After a five-year transition from military rule to a (semi-)civilian government, the two electoral rounds of November 2015 (parliamentary) and March 2016 (presidential) ushered in a new phase of formally – if substantially constrained – democratic politics. The 2015 (direct) elections were the real watershed between two political eras, with the 2016 (indirect) ones representing the completion of NLD leader Aung San Suu Kyi's victory. This article reviews the events of 2016, and shows that the year can best be understood as a tale of two contrasting halves. Initially, the government laid out its priorities in domestic, economic and foreign policy. It identified peace-building as the first priority. The first part of the year proceeded relatively smoothly, without major mistakes by the government, whereas the second was marked by increasing tensions and incidents in Rakhine State in the south west. An attack in October by a Rohingya militant organization against border police sparked clashes that led to a crackdown by the army and a renewed flow of refugees into neighbouring Bangladesh. Criticism of the plight of the Rohingya community was growing outside the country. Myanmar's transition was clearly still very much a work-in-progress.

1. Introduction

After a five-year transition from military rule to a (semi-)civilian government, the two electoral rounds of November 2015 (parliamentary) and March 2016 (presidential) ushered in a new phase of formally democratic politics. The parliamentary ones were of greater symbolic, political and practical relevance as they were, really, a watershed between the older regime and a new one. Moreover, elections for the parliament were direct, whereas the presidential ones were indirect. For Myanmar, the jump from pariah state to the darling of the international community took less than five years.

Following the National League for Democracy's (NLD) landslide victory in the November 2015 parliamentary elections, the presidential elections held in March 2016 led to this position being held for the first time by a civilian, Htin Kyaw. Aung San Suu Kyi, apart from being chosen as foreign minister and the minister of the president's office, was also given the newly-created position of state counsellor, which made her the de facto prime minister. Popular enthusiasm and international support set expecta-

tions extremely high. This article reviews the events of 2016, and shows that the year can best be understood as a tale of two contrasting halves, the first marked by optimism and high expectations, and the second characterized by disillusionment. In the first part of the year the government laid out its priorities in domestic and foreign policy. The challenges confronting the new government were manifold and daunting, and ranged from economic issues to political ones. After a rather long post-election hangover, the government identified peace-building as its first priority.

Myanmar also embarked on diversification in its foreign policy. While claims that Nay Pyi Taw was distancing itself from China were far-fetched, Myanmar undoubtedly sought to capitalize on the renewed interest in the country shown by a wide range of international actors. In a way, Nay Pyi Taw's international rebalancing was particularly geared towards ensuring that foreign economic relations would bring in the much-needed development assistance and foreign direct investment, as well as expanding trade. The second part of the year was marked by increasing tensions and incidents in Rakhine State. Criticism of the plight of the local Rohingya community grew outside the country, while tensions inside remained high. The military continued to hold key veto powers, and consequently constrained the actions of Aung San Suu Kyi's government.

Myanmar's transition was clearly still very much a work-in-progress. Moreover, the high expectations and enthusiasm that accompanied and followed the long electoral round of 2015–2016 have quickly given way to disillusionment, even in international public opinion, which until very recently was so much in favour of Daw Suu («The Lady»), as Aung San Suu Kyi is commonly referred to in the country¹.

To anticipate the thrust of the argument, the article's contention is twofold. First, the difficulties encountered by the government as it struggled to cope with the extremely high expectations of the public and the international community are the result, among other things, of an incomplete state-building process. Second, and more broadly, the way the government is (not) handling the conflict in Rakhine State not only highlights how deep-seated are the grievances and tensions between communities, but also emphasizes the continuities between authoritarian and post-authoritarian Myanmar in terms of how the Tatmadaw (the armed forces) casts a shadow on the country's politics.

The article is structured as follows. The next section briefly reviews the results and significance of the November 2015 and March 2016 elections.² Next, the article focuses on the first steps of the new government,

1. 'Daw' is a female honorific used for relatively older women.

2. Pietro Masina, 'Myanmar 2015: Political Turning Point, Economic and Social Challenges', *Asia Maior 2015*, pp. 297-309. Youngmi Kim, 'The 2015 Parliamentary and 2016 Presidential Elections in Myanmar', *Electoral Studies*, Vol. 44, 2016, pp. 419-22.

paying special attention to the ‘Panglong21’ conference, which can be seen to epitomize the new government’s efforts at peace-building. The article then turns to foreign policy and the economy, two intertwined areas on which the new government has spent considerable time and resources. After this, the article returns to local politics, dealing with the conflict in Rakhine State, in principle an internal Myanmar problem but one that is now becoming trans-national.

2. Free elections return to Myanmar

Electoral politics, in a neutered form, never disappeared from military-ruled Myanmar. The 2010 round was not contested by the NLD, and the 1990 elections, won by the NLD, were held only for one of the two chambers. Between 2015 and 2016, over the space of four months, Myanmar held the first free elections for both chambers in more than five decades, and, for the first time in over fifty years elected a civilian to the post of president. Such events were nothing short of historic.

2.1. The November 2015 parliamentary elections

The 2015 elections were the first free elections since 1960. The NLD won the 2015 parliamentary elections by a landslide. The Myanmar parliament is a bicameral legislature, with a 224-member House of Nationalities (Amyotha Hluttaw) and a 440-member House of Representatives (Pyithu Hluttaw). At 80%, turnout was very high, reflecting the popular awareness of the symbolic as well as the practical significance of the electoral round.³ The NLD received twice as many votes as the Union Solidarity and Development Party (USDP), with 74% of contested seats, and it currently controls 59% of the seats, once the 25% of members appointed by the military are taken into account.

Several comments can be made about the results of the November elections. First, the NLD victory was, in itself, not surprising. What was certainly surprising was the magnitude of this victory and the extent of the party’s success even in the States, the administrative units in the periphery that are largely home to ethnic minority groups.⁴ Secondly, the ethnic parties performed rather poorly, with the exception of the Arakan National Party (ANP), based in Rakhine State,⁵ and the Shan National League for

3. For data on the latest elections, including turnout and seat distribution, see the website of the Union Elections Commission at <http://uecmyanmar.org>.

4. Youngmi Kim, ‘The 2015 Parliamentary and 2016 Presidential Elections’, p. 420.

5. Arakan is the old term for Rakhine, indicating both the ethnic group and the state (administrative unit).

Democracy (SNLD), with a base in Shan State.⁶ As argued by Walton, this in itself should not be read as a sign of the limited appeal of nationalism,⁷ but rather as the effect of a well-run electoral campaign by the NLD, whose message ('Time for change') was clear.⁸ This was a once-in-a-lifetime opportunity for millions of Myanmar citizens, and they took it. The outgoing government accepted the results, and so did the military. In December 2015 Daw Suu met with the Commander-in-Chief Ming Aung Hlaing and even with the former dictator Than Shwe. Although the content of the talks remained undisclosed, Than Shwe's reference to Daw Suu as the incoming new leader and the very fact that the meeting happened appeared to bode well for the transfer of power.⁹

2.2. *The 2016 presidential elections*

The presidential elections held in March 2016 led to the election of the first civilian president in over fifty years. The president has a five-year mandate and is formally the head of the government, as well as – naturally – the head of state. According to the current rules the president is not elected through popular vote but, in a rather convoluted procedure, by the Presidential Electoral College (PEC). The PEC consists of three colleges: the first and the second are, respectively, made up of elected representatives from the two houses (168 from the House of Nationalities and 330 from the House of Representatives); the third college is made up of the military representatives from both houses, who number 110 and 56, respectively. Each chamber votes for its nominees in a single-ballot single-round plurality vote. The three groups then meet and vote in a single-round secret ballot. The candidate with the most votes becomes president, while the two with the next highest numbers of votes become the first and second vice-presidents. According to Article 59(f) of the 2008 Constitution, only citizens of at least 40 years of age who have lived in Myanmar for at least 20 years are eligible as candidates. The candidates' immediate family members must also be citizens. This law was clearly made *ad personam* and had Aung San Suu Kyi as its target, because her late husband and two sons were British citizens. Changing this constitutional provision was discussed in the months that preceded the election, but this would have required a lengthy process of revision and would need the approval of a super-majority in the legislature

6. Su-Ann Oh, 'Making Sense of the Election Results in Myanmar's Rakhine and Shan States', *Trends in South-East Asia*, No. 1, Singapore: ISEAS, 2016.

7. Matthew J. Walton, 'The Post-election Future of Buddhist Nationalism in Myanmar', *East Asian Forum*, 15 November 2015.

8. 'Time for Change, says Opposition Leader Aung San Suu Kyi', *The Irrawaddy*, 21 August 2015.

9. 'Myanmar's Commander in Chief makes Overture to Suu Kyi Party after Poll', *Mizzima*, 12 November 2015; 'Former Dictator Than Shwe Tips Suu Kyi as «Future Leader»', *Mizzima*, 6 December 2015.

(75%) and confirmation in a referendum. Accordingly, the constitutional change was seen as technically unfeasible before the elections.¹⁰

Little was known about the actual contenders until immediately before the elections. Even former president Thein Sein had not ruled out running again. Eventually the NLD put forward two nominees: Htin Kyaw, son of a famous poet, a long-serving NLD member and a close confidant of Daw Suu, and Henry Van Thio, an ethnic Chin. The candidate put forward by the military was Myint Swe, a notoriously hard-line general.¹¹ Htin Kyaw and Myint Swe are ethnic Bamar, and are Buddhist. Henry Van Thio belongs to the Chin minority group (though was not previously involved in minority politics) and is Christian.

Htin Kyaw received 360 votes out of 652. He was elected president on 15 March. Myint Swe received 213 votes and became «vice-president 1»; Henry Van Thio received 79 votes and became «vice-president 2».¹² Htin Kyaw, as was repeatedly made clear during the 2015 election campaign, acted as Aung San Suu Kyi's proxy.¹³ Whether Myanmar can now be considered democratic is obviously debatable. There is no doubt that elections have been contested and that, overall, they have been free and fair. However the fact that the 2008 constitution reserves 25% of the parliamentary seats to the Tatmadaw and allows it to appoint three ministers (in charge of border affairs, home affairs, and defence) gives veto power to the military. Political liberalization has certainly occurred, but the road to full democracy still remains long and tortuous.

3. *New government, old challenges*

On 30 March the president formally took office and nominated the government, who were mostly NLD members but who included some technocrats. With a decision that many saw as a confirmation of earlier tendencies, Daw Suu concentrated decision-making in her own hands, signalling her deep-rooted difficulty with trusting others and delegating power.¹⁴ She held the posts of foreign minister, minister of the president's office, and, initially, education and electricity supply minister (two positions that she later relinquished). In addition, in a move that was rushed through the legislature with precious little debate, and courtesy of the strong NLD majority, a new position of «state counsellor», de facto equivalent to that of prime min-

10. 'Historic Vote gives Myanmar First Civilian President in Decades', *Mizzima*, 16 March 2016.

11. 'Myanmar's New Government: Finding its Feet?', *International Crisis Group*, Asia Report No. 282, Yangon/Brussels, 29 July 2016.

12. Youngmi Kim, 'The 2015 Parliamentary and 2016 Presidential Elections'.

13. 'Time for Change'.

14. 'Myanmar's New Government: Finding its Feet?'

ister, was created for her. The military was left disgruntled, but the bill was nonetheless passed by the legislature. Aung San Suu Kyi sought to reach out to the opposition USDP by nominating two of its members in her government, but they soon abandoned their positions. Some moves were symbolic and yet substantive, such as the release of all remaining political prisoners.

Popular enthusiasm and broad international support aside, the challenges confronting the new government were manifold and daunting, ranging from economic issues (reforming the economy and curbing corruption) to political ones.¹⁵ The country's state-building process has widely been seen as interrupted or incomplete, because, soon after independence, it was in fact hampered by a number of intractable conflicts in the periphery involving several of the ethnic groups that live in the mountainous border regions. Armed ethnic insurgencies meant that since 1948 Myanmar has never been at peace, and that multiple conflicts have been running at the same time.¹⁶ The government did not control some parts of the country, such as the «Wa State», a territory outside the central government's writ and de facto controlled by China. Understandably, the new government has made peace-building a priority for the country.¹⁷

Between 31 August and 3 September 2016 the new government convened a well-publicized meeting in the capital Nay Pyi Taw to revitalize the peace process (emphasising «unity in building a federal union») ¹⁸ and promote political dialogue. The event was called «Union Peace Conference – 21st Century Panglong», in reference to the (much cited and actually poorly understood) Panglong¹⁹ Agreement of 1947²⁰ when the leaders of the soon-to-be independent Burma²¹ laid out the terms for a federalist union (21 simply refers to the fact that the 2016 meeting was held in the twenty-first century). Over 750 «stakeholders» from the government, parlia-

15. For a recent history of Myanmar see Mary P. Callahan, *Making Enemies: War and State-Building in Burma*, Ithaca, NY: Cornell University Press, 2005; David I. Steinberg, *Burma: The State of Myanmar*, Washington, D.C.: Georgetown University, 2001; Matthew J. Walton, *Buddhism, Politics and Political Thought in Myanmar*, Cambridge: Cambridge University Press, 2016; Ian Holliday, *Burma Redux. Global Justice and the Quest for Political Reform in Myanmar*, New York: Columbia University Press, 2012; Nicholas Farrelly & Chit Win, 'Inside Myanmar's Turbulent Transformation', *Asia and the Pacific Policy Studies*, Vol. 3, No. 1, pp. 38-47, 2016.

16. Nick Cheesman & Nicholas Farrelly (eds.), *Conflict in Myanmar. War, Politics, Religion*, Singapore: ISEAS, 2016.

17. 'Myanmar's Peace Process: Getting to a Political Dialogue' *International Crisis Group*, Asia Briefing No. 149, Yangon/Brussels, 19 October 2016.

18. Nyein Nyein, '21st Century Panglong Conference kicks off in Nay Pyi Taw,' *The Irrawaddy*, 31 August 2016.

19. Panglong, where the original conference was held, is a town in Shan state.

20. Matthew J. Walton, 'Ethnicity, Conflict and History in Burma: The Myths of Panglong', *Asian Survey*, Vol. 48, Issue 6, pp. 889-910, 2008.

21. Not General Aung San, of course, who was assassinated in 1947, six months before Burma became independent.

ment, the army and 17 ethnic armed groups were in attendance.²² Lack of inclusion was as much an issue in 2016 as it was in 1947. Only three minority groups were invited to attend the 1947 meeting that led to the original Panglong Agreement²³. In 2016, the Myanmar government sought to be more inclusive by falling back on the stratagem of operating a distinction between the signatories of bilateral ceasefire agreements (who would be allowed to formally take part in the political negotiation) and the «attendees», non-signatories who were none the less allowed to attend the event.²⁴ That said, some groups (the Arakan Army; the Myanmar National Democratic Alliance Army, and the Tà'ang National Liberation Army) were excluded following the army's objection that they had refused to disarm. One, the United Wa State Party (on behalf of the Wa ethnic group), left prematurely, with other individual figures such as the chair of the Shan Nationalities League for Democracy boycotting the conference on the grounds that this was not fully inclusive (of all ethnic armed groups).²⁵ The 2016 meeting was more about process than substance, as it did not discuss the thorny issues of power-sharing or the extent to which power and resources would be devolved, and nor did it identify the areas for which the central government would keep the final say.²⁶

4. Navigating regional and global politics: The diversification in Myanmar's foreign policy

With regard to foreign policy, 2016 was a very busy year for Myanmar. The new government embarked on a number of high-profile visits abroad, such as those to Beijing in August and Washington in September (the sequence of those two visits kept many guessing in the preceding months).

22. Nyein Nyein, '21st Century Panglong Conference kicks off in Nay Pyi Taw,' *The Irrawaddy*, 31 August 2016

23. Only the Chin, Kachin and Shan groups were invited, reflecting the importance that those groups were ascribed in colonial times – and the hierarchy among ethnic groups. The Karen sent observers but did not participate formally. On this see Matthew J. Walton, 'Ethnicity, Conflict and History in Burma'.

24. International Crisis Group, *Myanmar Peace Process: Getting to Political Dialogue*, Asia Briefing 149, 19 October 2016, Brussels/Yangon. Incidentally, only eight groups had signed the nationwide ceasefire agreement with former President Thein Sein in 2015.

25. International Crisis Group, *Myanmar Peace Process: Getting to Political Dialogue*, Asia Briefing 149, 19 October 2016, Brussels/Yangon. For more on the peace process see the website of the Myanmar Peace Monitor available at <http://mmpeacemonitor.org>.

26. 'Myanmar's Peace Process. Getting to a Political Dialogue'. Mael Raynaud, '«Panglong Spirit» under the 2008 Constitution (Part I)', *Tea Circle*, 22 July 2016; Mael Raynaud, '«Panglong Spirit» under the 2008 Constitution (Part II)', *Tea Circle*, 16 August 2016.

The visit to China was aimed at restating the importance of the country for Myanmar, as both an economic partner (China being Myanmar's main trade partner and investor) and a security partner. Myanmar's political leadership is well aware that in order to make progress with the peace-building process China's support is needed, specifically to bring to an end the Kokang and Wa insurgencies in the eastern part of the country.

On 7 October, US President Obama signed an executive order lifting most of the remaining economic sanctions against Myanmar. Restrictions remain on doing business with the Tatmadaw and its associated economic conglomerates and industries. The political breakthrough has brought greater engagement from the western powers – former President Obama visited the country twice – as well as with Asian ones, with Japan boosting its presence,²⁷ South Korea deepening its economic ties,²⁸ and Thailand and India remaining important commercial partners. The EU's new global strategy, launched in June 2016, made an explicit reference to the country,²⁹ while a new EU strategy for Myanmar was also launched in the summer, paving the way to more sustained engagement and the provision of more resources. Political transition and openness to international engagements have brought about a diversification in Myanmar's foreign policy, but not a radical change. Although Myanmar's opening has been interpreted by some as an attempt to distance the country from China (a turning towards the west), what the post-2011 transition has meant is, in fact, a rebalancing of Myanmar's foreign policy, with an eye on enhancing partnerships, attracting investment and boosting trade, as well as development assistance.³⁰ Close ties with China are not going to disappear any time soon.³¹

27. Patrick Strefford, 'Japan's Bounty in Myanmar. Finally Reaping the Rewards of Its Long-term Investment' *Asian Survey*, Vol. 56, No. 3, 2016, pp. 488-511.

28. Matteo Fumagalli, 'The Making of a Global Economic Player? An Appraisal of South Korea's Role in Myanmar', *Korea Economic Institute, Academic Papers Series*, Washington DC, February 2017.

29. European Union, *Shared Vision, Common Action: A Stronger Europe: A Global Strategy for the European Union's Foreign and Security Policy*, Brussels, June 2016 (http://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf); European Commission, High Representative of the Union for Foreign Affairs and Security Policy, *Elements for an EU strategy vis-à-vis Myanmar/Burma: A Special Partnership for Democracy, Peace and Prosperity*, Brussels, 1 June 2016

(http://eeas.europa.eu/archives/docs/myanmar/docs/join_2016_24_f1_communication_from_commission_to_inst_en_v5_p1_849592.pdf).

30. Jonathan T. Chow & Leif-Eric Easley, 'Rebalancing not Pivoting: Myanmar's Reforms and Relations with Washington and Beijing', *CSIS*, 8 September 2016; Adam P. MacDonald, 'Myanmar's Ongoing Great Power Balancing Act', *East Asia Forum*, 30 November 2016, available at <http://www.eastasiaforum.org/2016/11/30/myanmars-ongoing-great-power-balancing-act/>.

31. Dai Yonghong & Zhang Guoxuan, 'No Sign of a Sea Change for Myanmar's Foreign Policy', *East Asia Forum*, 23 December 2016; Adam P. MacDonald, 'Myanmar's Ongoing Great Power Balancing Act'.

5. *The challenge of economic reform: With a little help from my friends?*

A cursory overview of Myanmar's economic data reveals a mixed picture. On the one hand, there are encouraging signs (sustained economic growth of around 8% GDP per year since 2011), a young (and cheap) labour force of 36 million, and an abundance of natural resources, from hydrocarbons in the Andaman Sea to minerals throughout the country and especially in the mountainous areas in the periphery.³² The reasons behind the overall strong growth are twofold: the economic liberalization set in place during the Thein Sein administration from 2011 onwards (which aimed at improving the ease of doing business in the country), and the very low development base, which left enormous scope for rapid improvement.³³ On the other hand, the country's GDP (which was \$284bn in 2015) and GDP per capita (at PPP) (which was \$5,500 in 2015), with 32.7% of the population below the poverty line in 2015, serve as sobering reminders that this is one of the region's poorest populations.³⁴ In 2016 the economy showed signs of slowing down and overheating, with GDP growth decelerating to 7.5%, inflation rising (to about 8.5%), and the currency (the kyat) remaining weak against the dollar (it lost some 25% of its value in 2015, with additional fluctuations in 2016). Budget and current account deficits widened further. The flow of investment began to slow down in the autumn of 2015.³⁵

Myanmar's very dysfunctional economy, whose growth in the first years of this century was primarily driven by the export of natural resources, is now in desperate need of an overhaul, something of which the new government is acutely aware. At the same time, the 12-point government document on economic policy published in July 2016³⁶ did not reveal any ground-breaking approach to tackling Myanmar's many structural flaws, and resembles an electoral manifesto more than a set of concrete policy proposals.³⁷ Crucially, the country remains exposed to a number of external and internal vulnerabilities, such as the volatility of global commodity

32. World Bank, *Myanmar Economic Monitor*, May 2016. World Bank, *Myanmar Economic Monitor*, December 2016.

33. Oxford Business Group, *The Report. Myanmar 2016: Economy*, London, 2016, available at <https://www.oxfordbusinessgroup.com/overview/future-facing-despite-some-short-term-challenges-economy-poised-continued-long-term-growth>.

34. Central Intelligence Agency, *Burma. The World Factbook*, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html>.

35. 'Myanmar's Economy Sluggish During the First 6 Months of New Government', *Myanmar Times*, 24 October 2016.

36. Government of the Republic of the Union of Myanmar, *Economy Policy of the Union of Myanmar*, July 2016, available at http://www.themimu.info/sites/themimu.info/files/documents/Statement_Economic_Policy_Aug2016.pdf. 'Govt Releases Economic Policy Outlines, Deferring Detail', *The Irrawaddy*, 29 July 2016.

37. Thomas Kean, 'How Aung San Suu Kyi is Wasting Myanmar's Economic Potential', *Southeast Asia Globe*, 4 January 2017.

prices for commodities that Myanmar exports and on which government coffers depend.

What the country could not secure domestically because of a limited production base, the presence of huge and dysfunctional state-owned enterprises (often colluding with the army), and limited institutional capacity, it sought to gain through more active foreign economic relations and the development and enhancement of international economic partnerships.³⁸ Myanmar has indeed become a ‘more crowded place’, with many more actors, and a new frontier for investors and the aid community. Apart from development assistance (which received a significant boost in the early 2010s, before slowing down in 2016),³⁹ trade and investment have dramatically increased in recent years. As table 1 below shows, Myanmar’s main partners are in Asia, with China, Singapore and Thailand largely overshadowing all others. In 2014 Myanmar’s main export destinations were China (40%), Thailand (30%) and India (5.1%). The main import partners were China (30%), Singapore (10%), and Thailand. Foreign direct investment accelerated when some of the sanctions began to be lifted in 2014. As chart 1 shows, the key investors in the country are Singapore (\$4.3bn) and China (\$3.3bn), with all others lagging far behind.

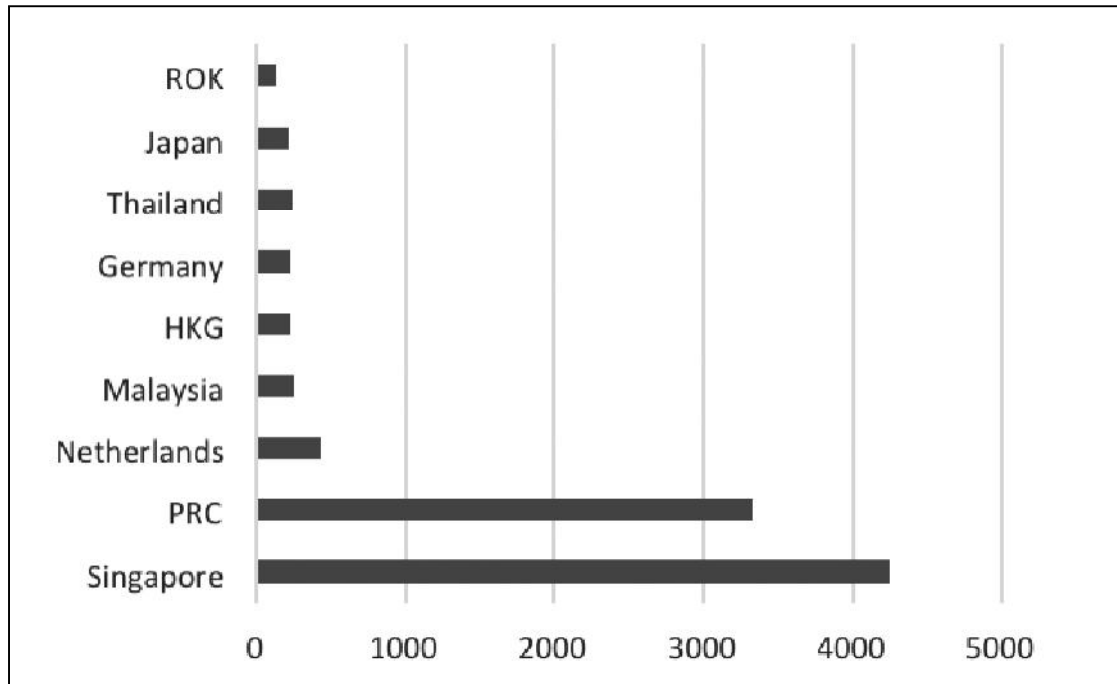
Table 1. Myanmar’s imports-exports (2014/15, in US\$ million)

Rank	Exports to country	Amount	Rank	Imports from country	Amount
1	China	4,225	1	China	4,537
2	Thailand	3,193	2	Singapore	3,720
3	India	533	3	Thailand	1,494
4	Singapore	461	4	Japan	1,602
5	Japan	455	5	Malaysia	703
6	South Korea	328	9	South Korea	422
	Total	10,420		Total	15,109

Source: Adapted from Park (Jang-Sik Park, ‘Korea–Myanmar Relations: A Long-awaited but Close Partnership’, in Choong-Lyol, Seok-Joon Hong & Dae-yeong Young (eds.), *ASEAN–Korea Relations. Twenty-five Years of Partnership and Friendship*, Seoul: Nulmin Books, 2015), p. 659, table 17.7, original data from the Central Statistical Organization of the Republic of the Union of Myanmar.

38. Matteo Fumagalli, ‘The Making of a Global Economic P(l)ayer?’.

39. *Nikkei Asian Review*, ‘Myanmar’s Foreign Direct Investment Rush Recedes’, 19 January 2017.

Chart 1: Approved investment by country (2015/16, in million US\$)

Source: Directorate of Investment and Company Administration of the Republic of the Union of Myanmar, available at http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/fdi_yearly_approved_amount_by_country.pdf

In brief, while the overall outlook for Myanmar's economy is positive, the country's structural vulnerabilities remain. Crucially, the living standards of ordinary citizens have not improved, and it is doubtful whether the NLD's key constituencies, the street vendors and those working in the rice paddies, have felt any of the benefits of recent economic developments.

6. Conflict in Rakhine State and the plight of the Rohingya community

The major escalation of violence in Rakhine State served as a stark reminder of how intractable some of the conflicts in Myanmar are, and how premature the enthusiasm for the transition has been.⁴⁰ Rakhine is one of the seven ethnically-defined units that administratively compose Myanmar.⁴¹ The 36,000 square kilometres making up Rakhine State forms 5% of

40. Rahul Mishra, 'Fighting Insurgency on the India–Myanmar Border', *East Asia Forum*, 21 April 2016; Melissa Crouch, 'Reining in Emergency Powers in Myanmar', *East Asia Forum*, 3 November 2016.

41. The administrative units into which the Republic of the Union of Myanmar is sub-divided are as follows: seven states (where minority groups are settled), seven regions, which are not ethnically defined but which are areas in the central part of the country with a majority Bamar population, one Union Territory (the capital Nay

Myanmar (and is about the size of Belgium). It is also home to around 5% of Myanmar's population, namely around 3 million, of whom 60% are settled in Manmaung township, adjacent to Bangladesh.⁴² Rakhine's inhabitants – who, as a rule, identify themselves as Rohingya – are Muslim and effectively stateless, as the government considers them to be illegal immigrants. The number of the Rohingyas living in Rakhine state is estimated at 1.3 million, but it is not known exactly and is also at the core of the dispute. The overwhelming majority of Rohingyas were not, in fact, counted in the 2014 census as they were considered to be not Burmese citizens but illegal Bangladeshi aliens. In fact, the problem of the denial of citizenship to the members of the Rohingya community is a long-standing one. The problem worsened in 2012, when violent riots between Buddhist Rakhine and Muslim Rohingyas (and later all Muslims from Rakhine State) spread across the state, especially in the Buthidaung and Maungdaw townships in the north, near the Bangladeshi border. The 2012 riots, which began in May and lasted until October, left about 100, mostly Rohingyas, dead, and over 100,000 Rohingyas displaced, internally or to camps in Bangladesh.⁴³ The conflict between the two religious communities has lingered on, with the occasional outbreak of violence here and also in other parts of the country, such as Mandalay in upper Myanmar. Tensions started to escalate again in May 2016, when 35 armed attackers stormed a security post near a Rohingya refugee camp in southern Bangladesh (the attackers, who were not only Myanmar nationals but also Bangladeshi nationals, were led by a Pakistani citizen). The situation seemed to take a turn for the worse in the autumn when, on 9 October, members of a Rohingya militant organization (Faith Movement, or *Harakah al-Yaqin*, HaY)⁴⁴ attacked three Myanmar Border Police posts. The assailants numbered around 400, and they mounted simultaneous morning attacks in Maungdaw and Rathedaung townships near the border with Bangladesh. Nine police officers were killed, and the attackers fled with guns and am-

Pyi Taw), five zones and one division (these last six also being closely associated with ethnic minorities). 'Myanmar: The Politics of Rakhine State', *International Crisis Group*, Report 261, 22 October 2014; 'The Dark Side of Transition: Violence Against Muslims in Myanmar', *International Crisis Group*, Report 251, 1 October 2013; Jasminder Singh & Muhammad Haziq Jani, *Myanmar's Rohingya Conflict: Foreign Jihadi Brewing*, RSIS Commentary, Singapore, Rajaratnam School of International Studies, October 2016.

42. Not all Muslims in Myanmar are ethnically Rohingya.

43. Others have sought refuge in Muslim-majority Malaysia and Indonesia, although their odyssey by boat and ambiguous welcome from those states has been almost as dramatic.

44. Initially the attackers were presumed to belong to the Rohingya Solidarity Organization, a movement active in the 1980s and 1990s and now virtually defunct. In the days following the attacks, however, a claim of responsibility was made by members of the new organization, raising awareness of the emergence of new groups, the radicalization of the local population and the trans-nationalization of the Rohingya issue as a result of greater involvement of foreign trainees, fighters and organizations and funding from abroad (Rohingyas based in Saudi Arabia).

munition. More attacks followed in the intervening days, accompanied by further deaths. As is customary in Myanmar, the authorities clamped down, with a curfew in the northern part of Rakhine State and the imposition of emergency rule. Again, on 12 November a senior army officer was killed. The rationale for the conflict remains the same and there are several factors behind it:

- The denial of citizenship to the Rohingya population, who the authorities regard as illegal immigrants from Bangladesh; these people moved to Myanmar either at the time of independence in 1948 or following the Bangladeshi independence war of 1971.
- Social and economic deprivation, which is caused from being confined to refugee camps like the Mingadar camp near Sittwe, the capital of Rakhine State, and the lack of basic services and education.
- The use of indiscriminate force by the military in its response.
- Restricted access by humanitarian organizations.

As noted in a recent report by Amnesty International,⁴⁵ the conflict seems to have morphed into something qualitatively different from its earlier incarnations, in that evidence has emerged of a new, well-organized, well-trained, and well-funded Rohingya insurgent organization. This is apparently led by émigré Rohingyas and commanded locally by militants who have received proper training in guerrilla warfare. The funding for this seems to have come from Saudi Arabia. While at present the organization does not seem to have a trans-national jihadi agenda, its actions seem to resonate with the population, and it is becoming increasingly popular; the local young people are showing signs of radicalization.⁴⁶ Apart from imposing emergency rule, the local authorities genuinely seem to be unable to come up with a solution to the problem. The issue in itself is complex, and while Aung San Suu Kyi has been rightly criticized for her silence on the question, it is also fair to note that, in spite of being state counsellor, she has no direct control of the military, which remains in charge of ‘handling’ the Rohingya problem and the conflict in Rakhine State.⁴⁷

While the roots of the conflict – and the groups involved – are local, the Rohingya conflict has to be placed against a backdrop of rising nationalism in the country. Radical Buddhist organizations like ‘969’ and the ‘Ma Ba Tha’ (The Association for the Protection of Race and Religion) have exploited the conflict in Rakhine State to stir up anti-Muslim sentiment across the country

45. ‘Myanmar: «We are at Breaking Point» – Rohingya: Persecuted in Myanmar, Neglected in Bangladesh’, *Amnesty International*, 19 December 2016.

46. Iftekhharul Bashar, ‘Myanmar’s Rohingya Plight Faces Jihadist Hijacking’, *East Asia Forum*, 10 January 2017.

47. ‘Rohingya Myanmar: Nobel Winners Urge Action over «Ethnic Cleansing»’, *BBC*, 30 December 2016. For a nuanced criticism see David Scott Mathieson, ‘The Lady and the Rohingya’, *New York Times*, 17 January 2017.

and to call for legislation more closely aligned to nationalist Buddhist ideology. In the aftermath of the October–November clashes, the radical nationalist monk U Wirathu called for the security forces to take all necessary steps to ‘protect the sovereignty of the nation and its citizens’.⁴⁸ However such calls, in contrast to what was previously the case, have not been without their critics. The chief minister of the Yangon region, Phyo Min Thein, has publicly criticized the Ma Ba Tha; the association was also criticized by an official organization called the ‘Sangha Maha Nayaka Committee’, which pointed out that the Ma Ba Tha holds no official Buddhist status. That said, the issue had an impact that stretched far beyond Myanmar’s borders, and amplified the general sense of insecurity about Islam and Islamic extremist threats in the country.⁴⁹ Although the use of stronger terms (such as genocide) is questionable,⁵⁰ the government appeared to be an accomplice in the military’s attempt at ethnic cleansing. Since Aung San Suu Kyi and her government kept silent, the image of both her and her country became increasingly tarnished.

7. Conclusion

It is difficult to underestimate the extent of either the changes occurring in Myanmar in the period under review or the speed at which those changes occurred. At the same time the transition was far from over and Myanmar could hardly be considered a fully-fledged democracy, with the military still holding a constitutionally protected veto power. In addition, the government might be new, but the challenges it confronted were predominantly old. Myanmar’s state-building process was widely seen as incomplete, as the country continued to be plagued with a large number of ethnic insurgencies. This being the situation, peace-building remained the first priority for the government. The one main new challenge was represented by the forced cohabitation between the NLD government and the military. A thorny issue, which marked the entire post-independence life of the country and resurfaced with particular violence in the early 2010s, was the tide of (occasionally violent) nationalism affecting both majority and minority groups.⁵¹ The rekindling of the conflict in Rakhine State and the overall lack of progress in the peace-building process (despite the hype

48. Dinith Adikari, ‘Is Ma Ba Tha really in decline?’, *New Mandala*, 11 January 2017.

49. Richard Horsey, ‘Myanmar Border Attacks Fuel Tensions with Rohingya Muslim Minority’, *International Crisis Group*, Commentary, 12 October 2016.

50. Azeem Ibrahim, *The Rohingyas. Inside Myanmar’s Hidden Genocide*. London: Hurst, 2016.

51. For some background on this see Matthew J. Walton, *Buddhism, Politics and Political Thought in Myanmar*; Nick Cheesman & Nicholas Farrelly (eds.), *Conflict in Myanmar. War, Politics, Religion*.

about the Panglong²¹ Conference of August–September 2016) were stark reminders that much remained to be done, and that the post-2011 political liberalization was just that, not the end of the journey (to democracy).

Much of what has happened over the past year in Myanmar would have been unthinkable a decade ago, and yet the year feels very long. In fact, it stands out as a tale of two very different halves: the first was marked by hope and enthusiasm, and the second should, at the very least, caution against facile – naïve – optimism about the country's immediate future. If the government appeared to avoid major errors, the October attack against the border police in Rakhine State and the authorities' crackdown that ensued served as a stark reminder of the grievances and tensions running deep throughout the country. Additionally, the balance of power between the NLD-led government and the military, and the central government and minority groups, remained precarious, and the situation was certainly volatile in some cases (Rakhine, Kachin).⁵² The government, and specifically State Counsellor Aung San Suu Kyi, will have to do much more to persuade the international community that Myanmar is now, indeed, a different country.

52. Marco Bünte, 'Myanmar's Protracted Transition. Arenas, Actors, and Outcomes', *Asian Survey*, Vol. 56, No. 2, 2016, pp. 369-91.