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Internal and External Challenges to Unity in Myanmar

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This policy note was written by David Dapice (David_Dapice@harvard.edu) following trips to the region in January and July 2016. *The views expressed herein are the author's alone and do not necessarily reflect those of Proximity, the Government of the Union of Myanmar, or Harvard University. Issues discussed in this paper are aimed to facilitate dialogue among the citizens of Myanmar, who are ultimately responsible for making decisions regarding the country's policy choices.* This piece, along with other recent Ash-Proximity reports on Myanmar, is posted at <http://ash.harvard.edu/journal-articles> and www.ash.harvard.edu/myanmar-program

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Background

As the first anniversary of the national cease-fire is held, ethnic war and religious strife stubbornly remain. The military is still powerful and able to reverse many democratic gains. Ethnic groups who have not signed a cease-fire are suspicious of the new government and still at times in active conflict with the military. Disagreements on how to manage and share vast mineral and hydroelectric revenues, present and future, are barriers to unity. Drug production and drug use poison many areas and an alarming fraction of younger people are addicted, especially in ethnic areas. Religious conflict remains a serious burden and could invite external interference. Land has been taken from small farmers and communal areas under arbitrary circumstances and insecurity of tenure is a drag on agricultural progress. In foreign policy, a resurgent China has indicated that it intends to play an active role in settling conflicts along its border and perhaps further afield. Meanwhile, an expectant public looks for signs of progress from a new government that is still finding its way. How can any person or group or government juggle so many balls and not drop at least several of them? This paper argues that the internal and external challenges faced by Myanmar are linked and have to be seen as part of a single inter-related set of problems.

Need Foundational Idea of Citizenship - One Based on Law, not on Religion or Ethnicity

Some countries build their identity on a unitary religion or ethnic type. Others embrace a wider idea of citizenship in which any person who legally was born or becomes a citizen has the rights of a citizen, even if they are of various religious or ethnic groups. Nazi Germany embraced the first idea; the US and Indonesia the second. In a country like Pakistan, there is legal equality across religions and ethnicities, but there is a movement by religious extremists to narrow the definition of acceptable citizenship to one form of Islam, with others being arrested, bombed or burned out of their homes and businesses. In Sudan, the conflicts in Darfur were not mainly over religion but over ethnic groups, with widespread ethnic cleansing. In both cases, the results were disastrous.

The first Panglong agreement in 1947 was a product of its time and allowed the ethnic groups to choose a degree of self-government if they found a unitary state not acceptable. Since then, history has changed the setting in which the first Panglong was discussed and agreed to. China is more expansive and powerful. Infrastructure and technology have brought different regions and peoples closer together. The global economy has become more integrated. Myanmar needs to stay together to have any hope of remaining effectively independent. Small states defined by ethnic citizenship will not work, given the degree of internal migration that has already occurred. Kachin state, where less than half of the population is of Kachin ethnicity, is a case in point. For example, Shan state, could be allowed to run much of its own affairs (but not its currency or foreign policy) and have enough revenue to govern meaningfully. However, when someone from Mandalay moves to Shan state, they would be treated as a "citizen" of Shan state, with all the rights and privileges of Shan state. In the same way, if someone from Shan state were to move-

to Mandalay or Yangon, they would not be treated as a second class citizen in those cities. Relatively free movement of its citizens and legal residents within a nation is part of what makes it a nation. Because of a troubled history, the country's center (including the Army) and the states have to work out an understanding and policy concerning security, which recognizes the need for stability but avoids occupation by unwanted security forces.

If the Army and population of Myanmar elect to ethnically cleanse over a million Muslims in Rakhine state, driving them out through some combination of violence, starvation and misery – then that will define the type of state Myanmar is. It will have chosen a Pakistan-Sudan type of state over an Indonesian one. No ethnic group will rest secure. If Muslims in Rakhine can be liquidated, why not Christians elsewhere? If “Rohingya” can be denied legitimacy, why should other ethnic groups not also be subject to some later persecution, even if they are currently legal? If a Burman imperium or dominance is the goal, then Myanmar will fail as a nation. And current policies, including the peace process, point in that direction. Voluntary unity –rather than forced unity-- is needed for national unity to succeed and that requires an idea of citizenship at the central and state level which does not rely on religion or ethnicity. This approach is critically needed in many ethnic states where ethnic minorities not of the major ethnic group in that state (for instance, Shan ethnic groups residing in Kachin State) are concerned that they will be excluded by a state defined by one ethnicity. Compromise also requires some decentralization of revenue and government functions.

The graphic in Appendix C illustrates the different influential groups in Myanmar. Their priorities and interactions will determine if the ethnic groups remain in tension with the center; if religion remains a point of division; and if revenues from natural resources can be used for unity and development or are directed to powerful groups that do little for the nation. The only way forward is cooperation and negotiation. However, it is not clear that many of the important groups see this option as their preferred future. Most hope for complete one-sided victory.

Barriers to Unity - Conflict over Resources

While Myanmar's ethnic areas comprise half of the country's area and about a third of the population, they also contain a very large share of the mineral and water resources. The ongoing ethnic conflict originates in the failure to follow through on the original Panglong agreement, which potentially gave the ethnic states more latitude and control than a “one size fits all” approach emphasizing a unitary Burman state. Sorting out anew how those areas are governed and who should get what share of the natural resource revenues is fundamental to reaching a consensual agreement and real unity today. Thus far, the peace process has not addressed these core issues, nor has it truly addressed the land takings in areas with fewer mineral resources. Indeed, the “Peace Process” thus far has mainly managed the buy-in of ethnic groups with weaker military forces. It is still not negotiating over the important issues of revenue sharing of minerals; the process cannot succeed or proceed without including this vital piece of federalism. Military-

connected elites and well-armed ethnic groups benefit from a share of mineral revenues which are not fully accounted for in regular tax and spending accounts. For example, the lion's share of jade revenues, goes to Wa and Chinese businesses that finance the actual mining. These players will also need a seat at the table, since they can resist terms they regard as unfair or not favorable enough.

Regarding hydroelectricity, the contracts agreed to prior to 2011 were unequal and heavily favored China, compared to similar contracts made between India and Nepal, or Laos and Thailand.¹ These early contracts reflected the reliance of Myanmar on China for diplomatic support in the UN and other venues. However, these early contracts were made without full information and by an unelected government. They can be renegotiated with China or with other foreign investors. It is not only the fraction of revenues going to Myanmar that is important, but also the way the dams are approved. Local voices should be heard and at times a smaller dam in a given site will displace fewer people and have a more modest environmental impact. A new review process, such as that suggested by Norway, would allow a revisiting of the previous flawed agreements and a fuller incorporation of those living close to the affected areas. Here, China has taken a rigid approach. It wants to keep the old agreements in which (mainly Chinese) contractors get 85% of the revenue. China demands \$800 million if the contract is broken. The commission which was recently set up to investigate the Myitsone Dam claim may expedite a decision regarding Myitsone.

According to recent news reports, China has provided advanced armaments to both sides in the ethnic conflicts.² It has been rumored, if not proven, that PLA soldiers have been placed in northern Shan state to help fight the Myanmar military. It is certain that China intends to play a role in the peace process, since it has announced as much.³ China has an "opium substitution policy" where it subsidizes its state firms to acquire bordering land in Myanmar and plant other crops, aggravating ethnic tensions. China has also adopted a "one nation, two oceans" stance which indicates an interest in gaining a foothold on the Indian Ocean or Bay of Bengal.⁴ Kyauk Phyu is an excellent Myanmar port where Chinese pipelines come ashore on their way to Yunnan province. The suggested \$7 billion in investments there by China have no real commercial rationale and appear to be a way to gain extra-territorial control.

¹ See Appendix graphs showing the distribution of benefits under different contractual terms.

² <http://m.bangkokpost.com/opinion/1009561?refer=https%3A%2F%2Fnews.google.com%2F>

³ <http://www.stimson.org/content/china-enhance-its-role-myanmars-peace-process>

⁴ The Party to Party visit to China of U Aye Maung and other Arakan National Party leaders in April 2015 clearly indicates an interest by China in garnering influence in Rakhine state. More broadly, combining economic and military interests is seen by some analysts:

<http://www.css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse156-EN.pdf>

And Religion...

Finally, there is the upsurge in religious conflict in Rakhine state. Official news reports say that terrorists armed with machetes and spears are attacking police and army officers who are well armed and have artillery and helicopter gunship backup. These official reports say that the terrorists are burning their own villages to attract international attention. What is clear is that there are over one million desperately poor Muslims who have been denied citizenship or even the right to work within all of Rakhine state where many were born. Many have had their land taken and cannot find work for more than a few months per year. Malnutrition is severe and people are desperate. If ethnic cleansing becomes the *de facto* government policy and not just that of the Arakan National Party, there will be much less likelihood of a national political transition or economic development in Myanmar.

The recent violence in Rakhine state has led to international notice and some demands for access to closed areas. The strategic danger is that a long and porous border with Bangladesh will allow arms and trained terrorists to infiltrate and attack not only border areas but also further afield. Fanning anti-Muslim sentiment throughout Myanmar could result in very high costs for the nation. Conflict of any kind tends to reduce investments, especially non-extractive investments that can bring better jobs and help the economy.

This set of comprehensive interests and issues in Myanmar has to be carefully managed. It is in Myanmar's interests to use Chinese interest and money to unify the nation and create peace without coercion. Doing that without becoming a virtual satellite of China will be difficult. The support of other nations has to be used to balance China without threatening or offending the giant neighbor. It is a form of the "Great Game"⁵ but more complicated.

Sorting Things Out

Where to start with this entangled set of issues? Since jade sales are likely measured in the tens of billions of dollars per year in an economy with less than \$100 billion in output, the jade sector is a good place to start. Official revenues from jade, including royalties and taxes, are now less than \$0.5 billion. Global Witness estimated up to \$30 billion in jade sales in 2014 and in 2015, official physical jade production was running more than two times higher than 2014.⁶ Of course, there is fierce competition to control or at least informally tax this amount of wealth. ***A "Grand Bargain" can be struck between the Army, NLD government, the KIA and producers.*** In this new deal, the producers could pay half of revenues in taxes and the other groups would get pre-

⁵ The "Great Game" referred to the struggle between Great Britain and Russia for influence in the Indian sub-continent in the nineteenth century. In general, it refers to resisting expansion of influence.

⁶ For those who would deny the importance of jade, it is useful to consider that in one city in Guangdong, China, there are 200,000 jade processing workers with sales of more than \$16 billion from that city alone. Total jobs and output in all of China are much higher.

negotiated shares.⁷ A well negotiated bargain will provide billions of dollars a year for national investment and social services. Without such a new deal, conflict will continue and Myanmar will remain as it is – weak, poor, violent and divided – and subject to foreign pressure. Thus far, the “Peace Process” has avoided negotiating over this – one reason it has left out so many important ethnic groups.

If the jade sector can be sorted out, the renegotiation of hydropower contracts could be relatively easier internally, but may be complicated if China maintains a tough stance. Here, the introduction of a Norway-inspired advisory commission for all major hydro investments in which Chinese and other foreign investors are represented – and not just Myitsone – may be helpful. This independent commission would have no decision-making role, but would be able to gather information from local experts, potential investors, civil society organizations, and others. The commission could look into displacement, compensation and environmental issues. It could and should be predominantly made up of Myanmar citizens. By involving the Chinese in a dialog, they will know they are being fairly heard but also being compared to similar hydropower projects from other countries. Myanmar would likely end up with many competitive contracts to build dams and supply electricity, but the terms and process would be closer to international standards. Myanmar needs a good commercial relationship with China, but not one where China is dominating.

Myanmar’s land issues are much larger than the issue of relating to China – many local companies, officials or organizations have taken land with legal guidelines often hazy at best. Procedures have yet to be worked out to review these land takings. At the very least, where the land plots were taken for development yet no development has occurred, then the land should be taken back – for these are the terms under current laws. In Sagaing Division, some of this is already happening. Where there has been substantial investment on confiscated lands, then other forms of compensation are more appropriate. The difficulty of communal land will need to be worked out. In many cases, people fled conflict and did not have deeds to lands that their ethnic group had controlled and allocated for many years. These lands were declared “empty” and taken. That is one reason why millions of Myanmar workers are now in Thailand, aside from the higher wages. Allowing people to return to traditional farming areas is one way to resettle citizens, create stable and peaceful conditions, and avoid Myanmar becoming marked by landlessness, outmigration, and a super-landlord class.

If the mineral revenue sharing, hydro and land issues can be worked out, it should be much easier to reach agreement on what federalism functionally means in Myanmar. To be clear, it does not mean having many little states with only weak connections to the center. Rather, functioning federalism devolves many day-to-day tasks to a lower level of government. For example, there may be a national law stating that Burmese language must be taught in all schools, but that need not prevent other languages from also being taught. If there are fairly elected local governments

⁷ See, “A Grand Bargain: What It Is and Why It Is Needed” by Proximity/Harvard, 2016.

with real responsibilities and some revenue to implement local services, it is likely that the organic strength and solidarity of the nation will improve substantially, as is true in Indonesia. This would make armed resistance much less attractive and would reduce the influence of those who seek to perpetuate divisions.

With respect to Rakhine State, the status of Muslims living there is an almost intractable problem. The more tension and need for police and army, the less progress will be made. The major challenge is to find a way to get back to the previous way of life in which the two groups lived together peacefully side-by-side, and cooperated economically, but did not necessarily mix very much socially. Perhaps eventually, the two groups will find ways to move beyond that to real cooperation on a broader set of topics. However, the rise of radical Islam and militant Buddhism, the recent wave of anti-Muslim sentiments and actual violence following the rape and murder of a Rakhine Buddhist woman in 2012 allegedly by Rohingya men and the increasing violence in nearby Bangladesh and now within Rakhine itself, all suggest that just getting to the more modest goal of the previous way of life will be hard. Learning from Indonesia, which dealt with Muslim extremism by police work rather than the army, may hold lessons for lowering tensions.

One possibility is to allow registered Muslim residents to move more freely within the state. This would reduce poverty, help (mainly Buddhist) landowners get labor for their farms, and give the Buddhists an interest in helping the Muslims find work. Investing in irrigation in Rakhine state would increase the number of crops per acre and the labor needed. The decision to allow movement could be separated from their citizenship status – they could be considered as legal residents until the time is appropriate to settle the citizenship question. Workers could be given ID cards after being vetted both by the police and by the community. This would allow control of movements.⁸ Appendix B graphs the share of Muslim population in Burma/Myanmar since 1882 and shows how the fear of Muslim domination has no basis in fact – a point that could be made more strongly than it has been. Many believe that migration, birth rates and conversions are overwhelming Buddhism. This is simply not true.

With respect to China's proposed Rakhine investments, it might be wise to declare Kyauk Phyu an open port, but one owned and controlled by the Myanmar government. Ships from all countries would be welcome to call. However, unless a \$20 billion railroad is built to Yunnan, there will be only modest demand for international port services there since current trucking costs are high compared to the existing Yunnan-Haiphong railway. The Kyauk Phyu area is remote, with limited population and wealth. Industrial zones located in the area will struggle to compete with those in

⁸ Another, longer term, possibility is allowing movement throughout the country. While there have been fears expressed that any outflow of Muslims from Rakhine would create "empty spaces" that would be filled by Bengali migrants, the fact that real wages in Bangladesh have been rising rapidly and there are even reports of rural labor shortages there may make such fears less salient. Better border security would be a good idea in any case, but if there is little economic pressure, then the idea of large numbers moving from Bangladesh to a poor part of Myanmar is unlikely to materialize – although extremists are not guided by wage differences and oppression in Rakhine could attract unwanted movements of militants.

Yangon or further south. Most container ships will be small to medium in size and not need a very deep harborage. (The large tankers carrying oil will use the existing pipeline and not the other port facilities. Even so, the pipeline is well below capacity because the refinery project in Yunnan has been postponed due to low demand.) The port in Sittwe is better located and sized for realistic domestic traffic flows.

To the extent possible, no naval forces should be allowed to use ports in Rakhine state except perhaps for short visits or repairs. If China wishes to use Myanmar's location to create an outlet for Yunnan, then they should be allowed to invest in railroads, pipelines and ports that allow that province to have easier ocean access. As stated earlier, Yunnan already has a railroad to Haiphong (a Vietnamese port near Hanoi) that serves this purpose. These infrastructure investments will mainly benefit China and therefore would not need to involve Myanmar incurring debt or underwriting loans. It is likely that other nations or international lenders would help to develop Rakhine state infrastructure that is more useful and financially sensible. Getting multilateral support and keeping local control of Kyauk Phyu port is one way to balance China's legitimate interests⁹ and Myanmar's potential weaknesses.

A Gradual Path to Democracy

If the long-running ethnic and religious conflicts can be settled or at least quieted, it should be possible to have more economic and social progress. This tends to create a virtuous cycle in which efforts are directed at wealth-creating rather than wealth-taking activities. As elites see the need for better infrastructure, education, health and other investments for the country, the security forces can be resized and reduced so they are not unusually large relative to the nation and its realistic threats. The military in Indonesia, after the fall of Suharto, realized that continuing its "dual function" of being in charge of the country and its security was actually a threat to the military, since political and economic failures would be blamed on the army. So the Indonesian military decided to move out of its dual role and settled for a deal in which military budgets actually increased, but the army and other forces focused only on security. This allowed the system to become more democratic and less authoritarian. In contrast, Pakistan kept the military influence predominant and suffered from slow growth, instability and violence bordering on civil war.

The Myanmar military sees itself as the guardians of the nation. If the Tatmadaw can be persuaded that Myanmar as a nation will flourish with an inclusive strategy that shares benefits, it can gradually be more comfortable accepting a smaller force size with upgraded equipment and training as conflicts diminish. In Indonesia, increases in the official budget of the military offset many of its revenues lost from informal activities. Something similar can be negotiated in Myanmar if all sides could agree to a "grand bargain" or agreement. If, to the contrary, the military

⁹ The oil pipeline, for example, does little harm and pays tolls. Existing pipeline agreements should be honored. Likewise, any trade into or out of Yunnan should be allowed to move freely with little red tape.

holds on to their power in its current form, it is much more likely that Myanmar will follow a path blazed by Pakistan. In Pakistan, a dominant military has slowed economic growth, created political divisions and weakened civilian authority. Extremism, often covertly supported, has grown to become a threat. The country now is flailing if not failing and is a cautionary tale – even as China invests billions to cement its influence.¹⁰ Myanmar is much more susceptible to such influence and has more to fear if it cannot use politics to end its internal divisions and become strong enough to remain neutral.

There is another, even darker, possibility than Pakistan. If ethnic cleansing of a million Muslims proceeds, it is quite possible that Myanmar would become embroiled in Muslim conflicts in which it need have no part. Sudan is an example of a country that embraced ethnic cleansing in Darfur and elsewhere. The intensity of the resulting conflict and its prolonged duration, if repeated even mildly in Myanmar, would help to seal the fate of Myanmar as one of the poorest, most violent, and least developed countries in Asia if not the world.

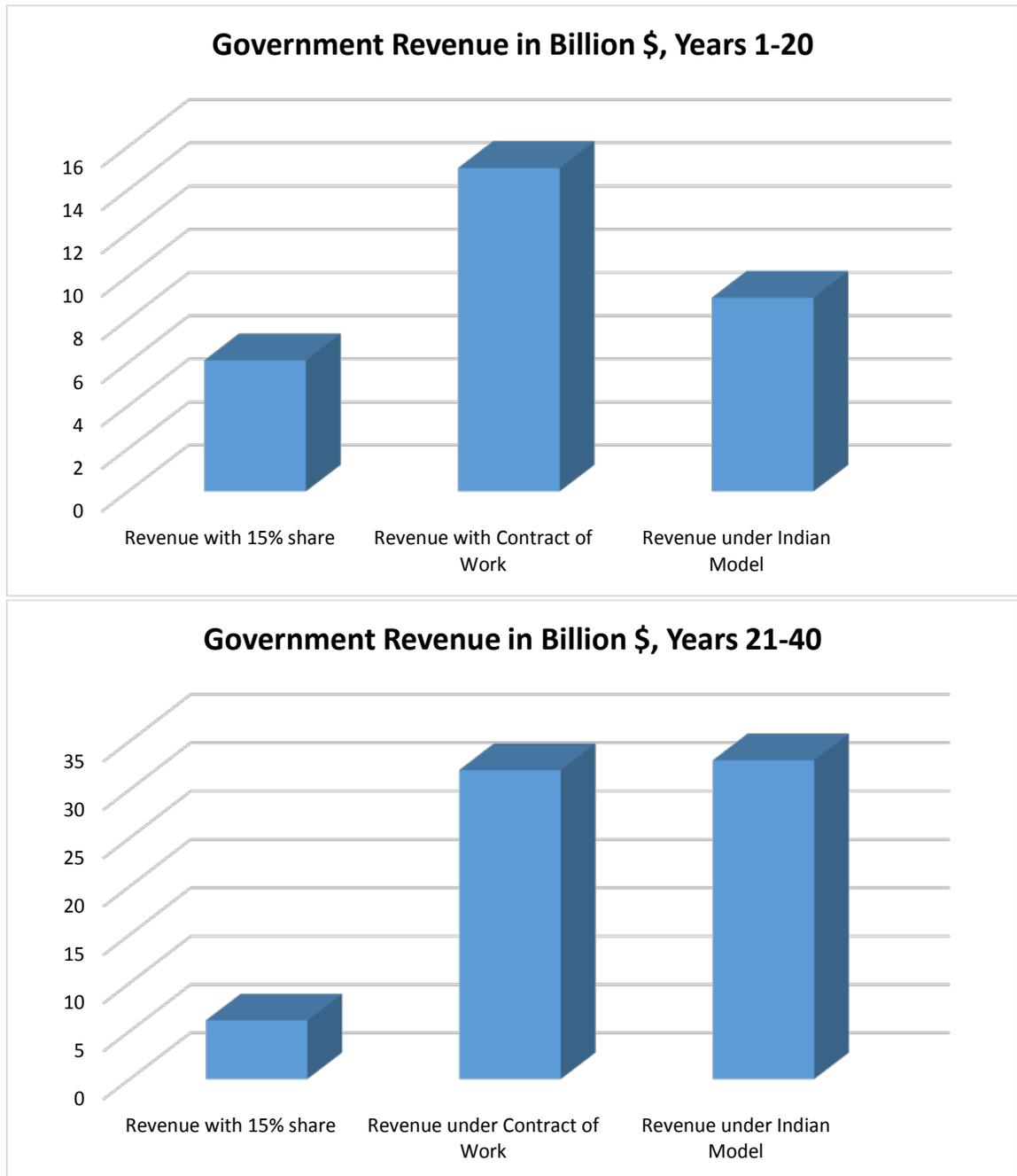
If the effective independence and unity of Myanmar is the goal, then the role of China needs to be integrated into policy. If continued extraction of jade and other resources remains in place, there is a risk of a “northern alliance” of ethnic groups that together, with some help from China, continue to resist central control.¹¹ Of course, China can be persuaded to back the government (and/or military) but at what cost? What contracts, access and influence will be needed to secure such support? This is the main external dilemma. Together, with some real negotiation, Myanmar can be strong and united enough to negotiate reasonably with China. Divided, it will be weak and open to domination. The various groups in Myanmar’s power structure need to decide what kind of future they want.

¹⁰ In the last ten years, Indonesian real per capita GDP growth has been twice as high as Pakistan’s – 4.3% a year compared to 2.1%. Indonesia scores higher on every social, governance and economic indicator.

¹¹ The expansive definition of who is Chinese, including those with Han ancestors but citizens of other countries, is discussed in a recent Economist article at:

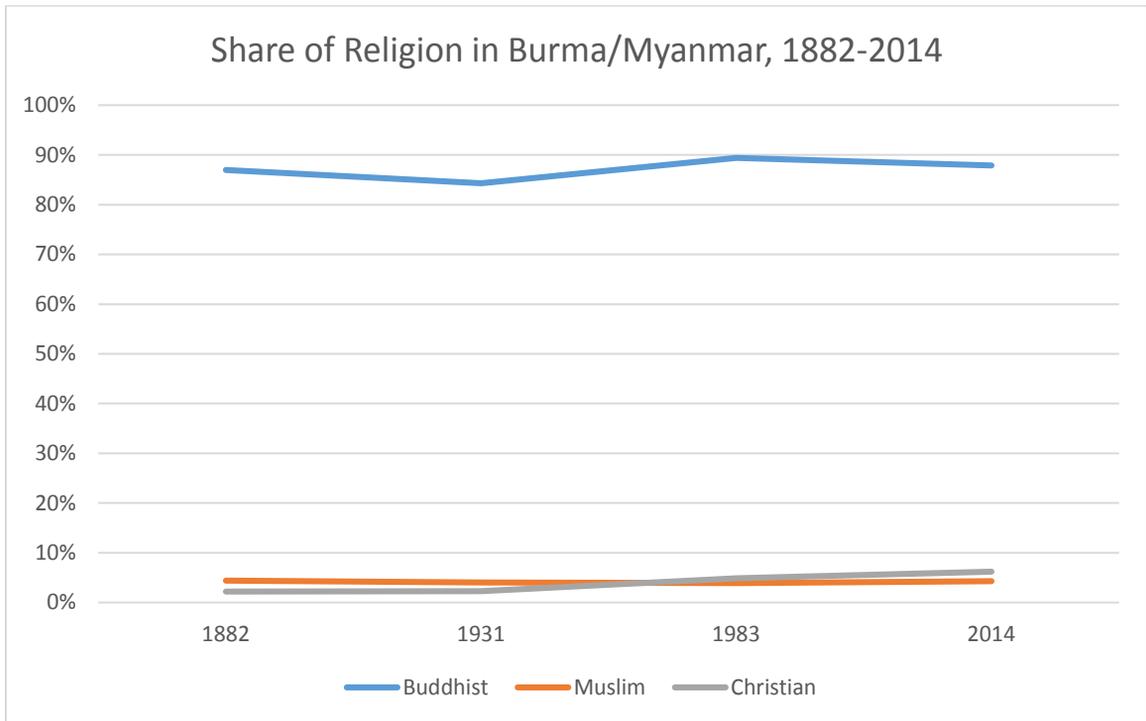
<http://www.economist.com/news/briefing/21710264-worlds-rising-superpower-has-particular-vision-ethnicity-and-nationhood-has> and provides a basis for aiding those whose “blood” is deemed Chinese.

Appendix A: Hydroelectric Revenues for Myanmar Under Three Scenarios - The High Cost of Poorly Negotiated Contracts



Assumes 7000 MW producing 4930 hours/year and electricity at six cents per kilowatt-hour; \$12 billion cost undiscounted (Tasang).

Appendix B: Share of Population by Religion in Burma/Myanmar Since 1882



Source: National Censuses in 1882, 1931, 1983 and 2014

The argument that some combination of migration, conversion, and high birth rates are shifting the balance of religions within Myanmar, especially towards Islam, is not true and has not been true for well over a century. Buddhism is overwhelmingly predominant and shows no sign of losing its supremacy, though Christianity has grown since 1983 according to the two last censuses. Data points are about fifty years apart, except for the latest census.

Appendix C: Myanmar's Political Landscape

