



Myanmar's Reforms: The Challenges Ahead

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The recent release of many high-profile political prisoners by the Myanmar government has been hailed as a firm step on the country's path toward democracy. While the effects of many reforms have not yet trickled down tangibly to the masses and remain largely confined to major cities and Bamar-majority areas, noticeable changes have undeniably occurred.

Initial responses to the 2010 general election and subsequent developments were generally dismissive. Yet the Thein Sein administration has surprised many who had set the bar very low. However, it does not mean that Myanmar's transition to democracy will be an easy or simple task. First, fears of backlash from hardliners – those uncomfortable with the pace of reforms or the military-affiliated government rolling back reforms after they have got positive international responses – have remained unfounded. Second, there's a mélange of challenges that could hinder Myanmar's prolonged and precarious process of reintegrating the country and revitalizing the economy which requires re-establishing long-dormant ties with the West.

The Challenges

The most pressing challenge remains Myanmar's long-running civil war, which has taken on new dimensions. The Thein Sein administration needs to work carefully to achieve a lasting, mutually beneficial arrangement for an inclusive peace by meeting the various long-held grievances of the many ethnic minorities. Some have predicted that Aung San Suu Kyi might be given a crucial role in brokering peace and negotiations once she is elected into the Myanmar Parliament in the coming by-election.

The government has entered into regional ceasefire agreements with two major rebel groups: the Shan State Army (SSA) south and the Karen National Union (KNU). Discussions with these groups and others such as the United Wa State Army (UWSA), now focus on political, economic, and administrative integration – aspects noticeably absent in past dialogues. The top government negotiator had even optimistically announced that Myanmar would achieve 'everlasting peace' within three years.

The notable exception is the conflict with the Kachin Independence Army (KIA) in the resource-rich north, where government forces have suffered high casualties. Clashes

continue despite President Thein Sein's orders for an immediate cessation of hostilities. KIA supporters have also become strongly secessionist in their views, fuelled by growing ethnic and religious nationalism. Unlike the SSA and KNU, the KIA had been in a ceasefire agreement with the Myanmar government until relations broke down in 2008 after the KIA refused to integrate into the centrally controlled Border Guard Force and over Myanmar military presence around Chinese-backed infrastructure projects. These contentious points make it harder to rebuild trust between the government and the Kachins. However, the government and the KIA's political arm have held regular meetings since then to resume negotiations.

Internal Politics

The internal dynamics of the new government poses another obstacle. This challenge does not stem from the much-vaunted tug-of-war said to be occurring between reformists and hardliners. While there are hardliners who may be uncomfortable with the pace of reforms, they have so far stood behind the president. The two shadowy supra-governmental state and security councils have also not done much, if anything, to curtail the reform process. The national parliaments, although dominated by the military's proxy, the Union Solidarity and Development Party (USDP), have become scenes of lively debates and discussions, even between the military representatives. However, constitutional and institutional safeguards do not yet exist to prevent these actors from rolling back reforms, hence they cannot be discounted from any power equation.

The government sees the immediate internal challenge in the new power structure which is still in its infancy. Despite its flaws, the 2008 constitution gave rise to a relatively decentralized form of administration and decision making. As the authoritarian grip is gradually loosened, parliaments and parliamentary committees are exploring their new powers and testing their limits. These new parliamentary positions and committees may attract feet-dragging in the reform process, as some MPs attempt to carve out new niches of power. Another challenge is members of parliament discovering what a parliamentary position really entails, as Myanmar had not had a democratic legislature since 1962. MPs have been given crash courses in parliamentary procedures and are required to support their opinions with relevant information. Many were unprepared for the workload, prompting a few to relinquish their seats. The new uncertainties concerning power relations and inexperienced MPs could become an issue in the parliaments' proceedings on reform.

Financial Sector Obstacles

A major challenge is reform of the financial sector. Decades of isolationism and the cultivation of a crony and state-dominated capitalistic system, compounded by sanctions,

have ossified Myanmar's financial sector. Myanmar would have to hurriedly modernize its economic and financial sectors, particularly before the ASEAN Economic Community comes into existence in 2015. There are only a few private banks with a small bank credit operating in Myanmar and the economy remains largely cash-based. Even if crippling Western sanctions were immediately repealed, investors might not readily flock in as they wait for financial reforms to bring the economy up to speed. Should investors decide to enter Myanmar, they would find its financial system underequipped to handle many aspects. The International Monetary Fund has been invited to tackle the problem of four different exchange rates, while Parliament is drafting new investment laws.

Tip of the Iceberg

Yet this would only tackle the tip of the iceberg. Budgetary constraints, particularly as the military enjoys a quarter of government spending, could impede economic reforms and infrastructural projects badly needed to uplift Myanmar's economy. Increased environmental awareness translates into more opposition to large-scale projects such as the now-halted Myitsone dam in Kachin state, the trans-Myanmar Sino-Burmese pipeline, and the Dawei special economic zone in the south.

While the world reacts positively to the recent release of political prisoners and other reforms, Myanmar still faces daunting challenges. The two key fronts are promoting national unity and institutionalizing a constitutional form of government that strikes a balance between the civilian administration and the military even as it revitalizes the neglected economy.

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