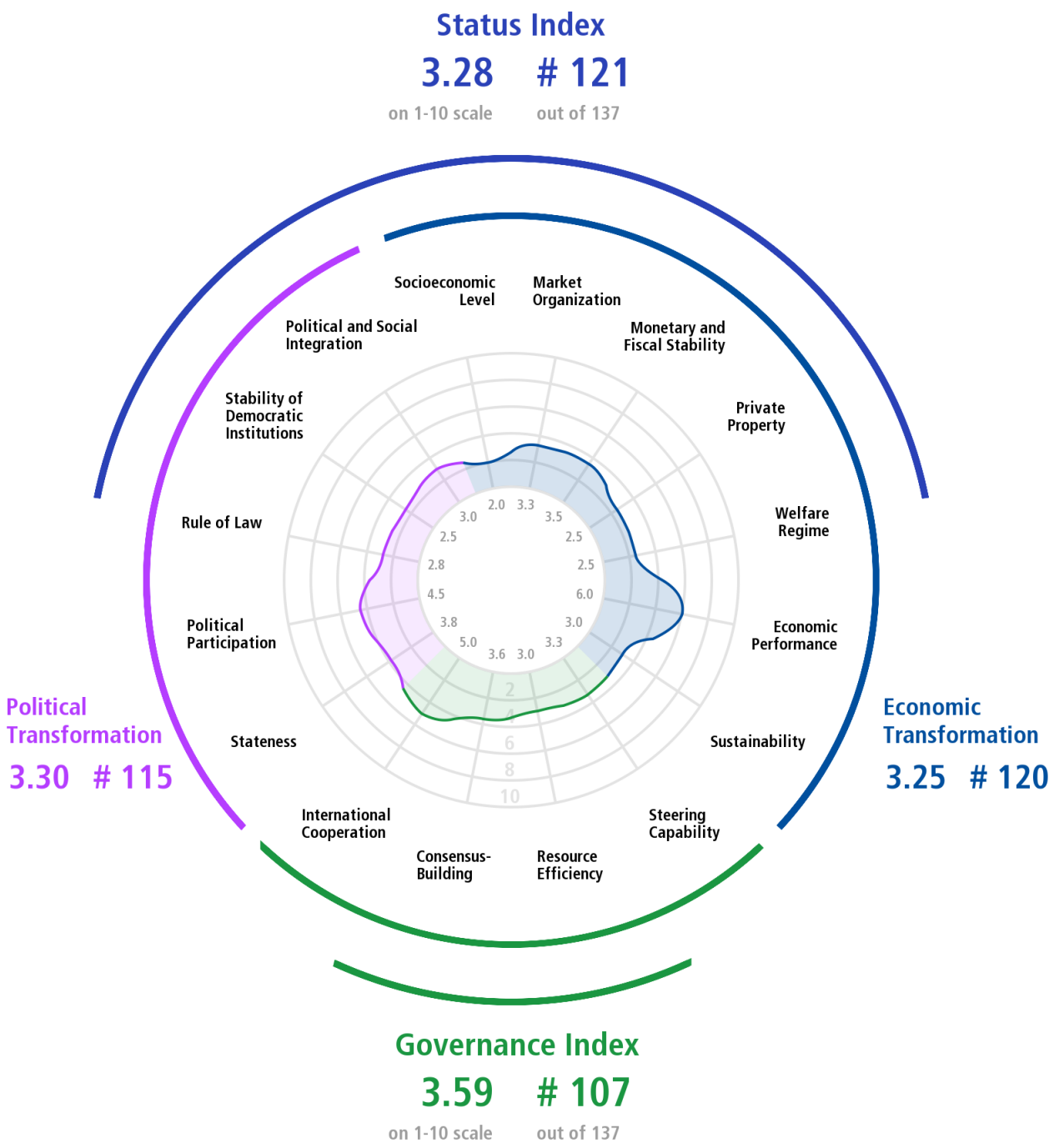
Flygtningenævnets baggrundsmateriale

Bilagsnr.:	**283**
Land:	Myanmar
Kilde:	Bertelsmann Stiftung
Titel:	BTI 2020 Country Report – Myanmar
Udgivet:	29. april 2020
Optaget på baggrundsmaterialet:	19. oktober 2020

BTI 2020 Country Report

Myanmar



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at https://www.bti-project.org.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report — Myanmar. Gütersloh: Bertelsmann Stiftung, 2020.

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner
Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann
Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz
Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp
Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	**53.7**	HDI	**0.584**	GDP p.c., PPP	$	**6662**
Pop. growth[1]	% p.a.	**0.6**	HDI rank of 189	**145**	Gini Index		**38.1**
Life expectancy	years	**66.6**	UN Education Index	**0.452**	Poverty[3]	%	**29.5**
Urban population	%	**30.6**	Gender inequality[2]	**0.459**	Aid per capita	$	**28.9**

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.20 a day at 2011 international prices.

Executive Summary

The 2017 to 2019 review period has seen the elected government under the leadership of Aung San Suu Kyi fall short of the population's high expectations. Aung San Suu Kyi controls a large share of the administration. Her position as state counsellor gives her the mandate to guide and direct government policy and coordinate parliament. In addition, she is foreign minister, president office minister and formally in charge of the peace process. Nevertheless, decision-making was often challenging, in part owing to the military's control over the ministries of interior, defense and border affairs as well as to its veto power in parliament. The military also de facto controls issues encompassing ethnic conflict, leaving the civilian share of the government with few means to influence such developments. Concurrently, Aung San Suu Kyi displayed a lack of initiative in policy areas under her control, including education, health and labor.

On the positive side, the government has brought the General Administration Department (GAD), previously within the military-controlled Ministry of the Interior, under the control of the President's Office, marking a further civilianization of the state apparatus. It has also eliminated some draconian laws (e.g., the State Emergency Act and State Provisions Act) and released some political prisoners.

On the negative side, the period from 2017 to 2019 has seen signs of democratic regression. The NLD-led government has used Art. 66(d) of the Telecommunications Law to stifle protest. In addition, press freedom has been restrained and civil society activists have been arrested for publicly criticizing the government. Some of these setbacks can be explained by the continued militarization of the government, others cannot.

The period also witnessed blatant human rights abuses against the Rohingya. The military responded to an attack by the Arakan Rohingya Salvation Army (ARSA) with disproportionate force: some 730,000 Rohingya fled to Bangladesh, villages were burned to the ground and women were raped. According to the U.N., the military atrocities committed against the Rohingya amount

to ethnic cleansing, possibly with genocidal intent. Rampant human rights abuses were also the reality in war areas in Kachin State and Shan State. While State Counsellor Aung San Suu Kyi lacked the political power to stop the military, she did not speak out for the victimized minorities nor criticized the military. Instead, she endorsed the army's operations against the Rohingya as necessary actions against local "terrorists," echoing the military's narrative of the violence.

The ongoing civil war in many ethnic-minority areas points to the increasing stagnation of the peace process, which officially constitutes one of Aung San Suu Kyi's main priorities. Ethnic minorities' readiness to trust the government has further eroded in recent years, exemplified in 2018 by the Karen National Union's and Restoration Council of Shan State's suspension of participation in the peace talks.

Over the review period, the NLD-led government began to implement its twelve-point economic manifesto and lay the legal foundations for a functioning economy. Several vital laws were enacted, including the new Companies Law and Patent Law. While the economy performed quite well in recent years, the Rohingya crisis in Rakhine State led to a decline in Foreign Direct Investment (FDI) and tourism. Account deficits have also been rising.

In terms of governance, Myanmar has not overcome many severe obstacles to a peaceful transformation. While the NLD-administration slightly reduced the influence of the (powerful) ultra-nationalist Buddhist monks in the Myanmar heartland, it did not even try to constrain the influence of the armed forces in matters relating to security and ethnic conflict.

History and Characteristics of Transformation

Myanmar's democratic period from 1948 to 1962 was characterized by political instability and growing ethnic conflicts, luring the army into politics. The Communist Party had gone underground in 1948, the Karen National Union (KNU) began fighting for independence in January 1949 and a few smaller armies followed suit in the early 1960s. In 1962, the military under General Ne Win staged a coup under the pretext that its rule was needed to keep the country together. The result was an intensification of the conflicts between the ethnic armies and the military; these have continued unabated in several parts of the country (e.g., Kachin State and Shan State). Following the 1962 coup, Myanmar was ruled by the military until 2011. The legacies of this authoritarian rule are entrenched and influence of the military remains pervasive.

After Ne Win seized power, he became the leader of the Revolutionary Council, which ruled the country by fiat until 1974. The Revolutionary Council implemented economic policies with disastrous consequences for the economy. Ne Win embarked on what he termed the "Burmese Way to Socialism," isolating Myanmar internationally and nationalizing all private enterprises. By the 1980s, the country had become one of the world's least developed. In 1988, growing economic turmoil and political grievances led to a nationwide nonviolent uprising. The military stepped in, imposing martial law and annulling the 1974 constitution. Approximately 3,000 people were killed

in a crackdown on September 18, 1988, and a new junta took over. The junta held free elections in 1990, which resulted in a landslide victory for the National League for Democracy (NLD) under the leadership of Aung San Suu Kyi. Despite the clear results, the military refused to hand over power.

The junta ruled the country with a heavy hand for over 20 years. The period witnessed the incarceration of more than 2,000 political prisoners and ongoing human rights violations, especially among ethnic minorities. The military began to liberalize the political system only after installing a system that guaranteed a strong economic and political role for the military over the long term. In 2008, a military appointed and controlled National Convention completed a new constitution that enshrines the military's role in politics. This constitution reserves 25% of parliamentary seats for members of the military, thereby giving the military veto power with regard to constitutional changes. It also stipulates that the ministries of interior, defense and border affairs are to be led by active military officers. Tightly controlled elections were held in November 2010, which the Union Solidarity and Development Party (USDP), the military's proxy, easily won. Many generals who had held leading positions under the junta officially retired from the military and joined the new party. The NLD boycotted the elections due to the unfairness of the election laws. After parliament convened in February 2011, Prime Minister Thein Sein, a leading member of the former military junta, became president.

President Thein Sein eased military repression and control. The new government initiated political, socioeconomic and administrative reforms, and released more than 1,000 political prisoners, including Aung San Suu Kyi, who had spent 16 years under house arrest. His government also began a reconciliation process with the NLD and Aung San Suu Kyi. In addition, prepublication censorship was ended and new laws were passed that extended associational freedom, enabling the formation of trade unions, among others. This led to relatively free elections in November 2015, in which the NLD won an absolute majority in both houses of parliaments. Since Aung San Suu Kyi was constitutionally barred from running for president, parliament created the position of state counsellor in 2016. This liberalization has allowed the country to recalibrate its foreign relations, with the United States and EU withdrawing most of their sanctions.

The Thein Sein government also initiated a peace process with armed ethnic minorities, which was continued by the Aung San Suu Kyi government. In the beginning, the process appeared to hold considerable potential for national reconciliation, as both the Thein Sein and Aung San Suu Kyi governments promised to establish an inclusive negotiating framework that would bring all ethnic parties to one table. However, the process soon stagnated owing to the military's refusal to accept far-ranging federal reforms.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question Score

Monopoly on the use of force

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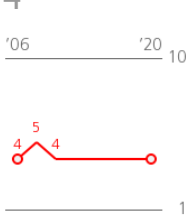


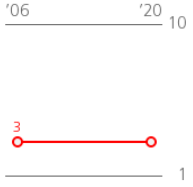
The state's monopoly on the use of force is established in most parts of central Myanmar as well as in some ethnic-minority areas; large ethnic-minority areas along the borders to China and Thailand remain contested terrain. According to a 2018 study by the Asia Foundation, around 118 of the 330 districts in the country, roughly one-quarter of the population, were impacted by the violence between various ethnic groups or between ethnic armies and the Tatmadaw (Myanmar armed forces) in 2017. The National Ceasefire Agreement (NCA) was signed in 2015 by eight ethnic armies, with the number increasing to ten in 2018. The signatories of the NCA have since been included in peace negotiations with the government; non-signatory parties have remained excluded from the peace process. Excluding the Karen National Union (KNU) and the Restoration Council of Shan State (RCSS), most of the ethnic parties that signed the NCA were militarily largely insignificant. The biggest ethnic armed organizations, which control significant terrain, have not signed the NCA and are excluded from the ongoing peace talks. This includes the United Wa State Army (UWSA), which has 20,000 soldiers and 10,000 militia fighters in the Wa region of Shan State, and the Kachin Independence Organization (KIO), which claims to have around 15,000 fighters in Kachin and Shan State. Both the UWSA and KIO have built up state-like structures.

The peace process is stagnating. Although Aung San Suu Kyi could convince two smaller armies to sign the NCA in 2018, seven of the most powerful armies, including UWSA and KIO, have formed the Federal Political Negotiation and Consultative Committee. They demand that the government and army initiate a substantially different kind of peace process. Moreover, they view the successful completion of political peace negotiations as a precondition for disarmament. In addition, in October 2018, the KNU and the RCSS, which had originally signed the NCA, suspended their participation in the peace talks.

The Myanmar army announced a general ceasefire with some of the fighting groups in December 2018 to give peace negotiations a renewed chance. At the same time, the Tatmadaw has increased its offensives against the Arakan Army in Rakhine State, which could gain ground throughout 2018.

The legitimacy of the nation-state is contested. National identity revolves around a core defined by the Burmese majority and includes the Buddhist religion, Burmese language and Burmese ethnicity. Many ethnic groups contest this conception of the Burmese state and fight for an acknowledgment of their history, language and customs. The Burmese (Bamar) make up approximately 60% of the population and mostly live in the Burmese lowland. The country's ethnic-minority groups are categorized into seven larger ethno-linguistic groups (i.e., Rakhine, Chin, Kachin, Karen, Mon, Kayin and Shan) and 135 sub-groups. Highly arbitrary, the latter distinction is based on British practices and only gained traction under the military regime of Ne Win. Many of these minorities live in the outer states bordering Thailand, India, Bangladesh and China. No state is mono-ethnic.

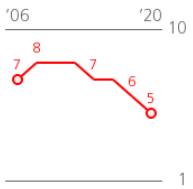
State identity



Citizenship is based on the 1982 Citizenship Law, which recognizes three kinds of citizens: full citizens, associate citizens and naturalized citizens. Full citizenship is given to those groups whose ancestors lived in the country before the British started to conquer the country (1823) or who are members of one of Myanmar's eight "major national ethnic races" (i.e., Bamar, Rakhine, Chin, Kachin, Karen, Mon, Kayin and Shan). Associate citizens are those citizens who gained citizenship before independence. Naturalization is only possible if at least one parent is a citizen. The Citizenship Law denies citizenship to groups who had not settled in the country by the time of independence. The Rohingya – a Muslim minority living in Rakhine State bordering Bangladesh – are denied citizenship as the government considers them relatively recent migrants from Bangladesh, though many Rohingya could trace their ancestry back to the period before independence or even before British colonization. Most of their documents were lost in waves of violence and expulsion. Violence against the Rohingya escalated in the 1990s, in July 2012, October 2016 and, especially, since October 2017, driving hundreds of thousands of Rohingya into Bangladesh.

Especially since 2011, Buddhist nationalist groups such as the 969 Movement and Patriotic Association of Myanmar (Ma Ba Tha) have become highly assertive. This has created a climate of fear for Myanmar's Muslims and contributed to the 2012 anti-Muslim pogroms in Rakhine State. In 2015, ultra-nationalist groups successfully pressured the Thein Sein government to pass the four so-called Race and Religion Protection Laws, which advanced an Anti-Muslim agenda. The NLD has begun a revision of these laws, but Ma Ba Tha is mobilizing against this move. In 2018, the government pushed the officially recognized Buddhist authority (MaHaNa) to sanction the Ma Ba Tha, which ultimately disbanded Ma Ba Tha. It, however, formed a successor organization under a new name. Overall, the government's actions against

No interference of religious dogmas



the ultra-nationalist Buddhist groups appear to be an uphill struggle, since these groups are extremely effective in their online agitations and have powerful connections to all major political parties and the military.

The administrative system only fully exists in the Myanmar heartland. It is weaker outside and typically nonexistent in the ethnic states, large parts of which are de facto self-governed by armed ethnic groups. Official tax authorities cannot reach many villages even in central Myanmar, and some of these villages lack basic infrastructure, communication, transportation, and do not have access to basic services, such as water, education and health care. An estimated 80% of the population is without access to sanitation facilities, and 81% is without access to safe drinking water. In many ethnic states, the situation is even worse. With financial and technical assistance of the International Community, the Burmese government has started to reform the bureaucracy and strengthen the weak public infrastructure since 2011. Additionally, local governments and regional parliaments have started to become more actively engaged in local administration. If properly implemented, the reform measures that are underway might help to build up the administrative backbone of the state.

Basic administration

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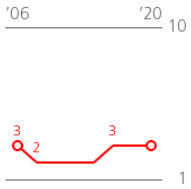

2 | Political Participation

Since the transition from direct military rule, Myanmar has had one general election; this November 2015 election was deemed relatively free and fair. By-elections were conducted in a relatively transparent and fair manner in 2017 and 2018. The main parties are already preparing for the next general election in 2020. Since the last election, however, there have been no reforms of the electoral framework. Election observers of the 2018 by-elections have criticized the lack of electoral reforms. Several challenges to electoral integrity remain, including the accuracy of voter lists, discrimination and disenfranchisement of Muslims, and an opaque process of advance voting, which was offered mostly for soldiers in 2015. Moreover, the campaign finance framework remains rudimentary.

Free and fair elections

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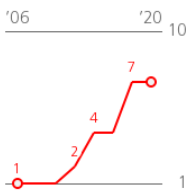

According to the 2008 constitution, the military is granted participation in the leadership of the state. The constitution limits the power of democratically elected officials, though the NLD has attempted to make some inroads into military bastions over the last two years. First, the military holds 25% of all seats in the country's national and regional parliaments – these are appointed by the Commander in Chief. Since the constitution can only be amended with a quorum of more than 75% of the legislature, this grants the military a veto power over any constitutional changes sought by elected politicians. The military used this power in 2015, when it vetoed a motion to lower the threshold for constitutional changes, which would have reduced its veto power. Second, all security-related ministries (i.e., the Ministry of Border Affairs, Ministry of Defense and Ministry of the Interior) are headed by active-duty

Effective power to govern

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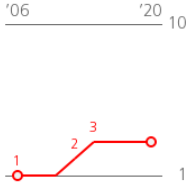

representatives of the military. The Interior Ministry is particularly notable, since until 2019 it controlled the General Administration Department (GAD), which oversees the state bureaucracy down to the village level and manages the appointment of civil servants. In January 2019, the NLD moved the GAD from the military-controlled Interior Ministry to the President's Office. In principle, this constitutes a step toward a democratization of the state apparatus. For the time being, however, the GAD remains dominated by military personnel, limiting the department's independence from the armed forces. Third, the military can use the National Defense and Security Council, in which it holds a majority, to steer both the border police and peace process. The council is also empowered to formulate policies regarding certain military and security policies. Moreover, it has the right to petition the president to declare a nationwide state of emergency. The 2008 constitution bars the NLD leader Aung San Suu Kyi from assuming the presidency. Following the 2015 election, the NLD majority in parliament passed a law that created the powerful position of the state counsellor in 2016, which was subsequently assumed by Aung San Suu Kyi. The military objected this move in parliament but did not prevent it. Since Aung San Suu Kyi took power, she has not reconvened the National Defense and Security Council (NDSC). Instead, she has appointed her own security advisers.

Association / assembly rights

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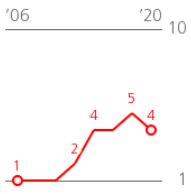

The 2008 constitution allows freedom of association and assembly, but only as long as the exercise of these freedoms does not contravene existing security laws. The authorities continue to make use of the colonial-era Unlawful Associations Act of 1908 to intimidate and arrest political activists. Particularly those civil society organizations with contacts to the Ethnic Armed Organizations (EAO) face the risk of being arrested. The Peaceful Assembly Law (PAL) allows for peaceful demonstrations, but only under strict conditions. Organizers must get the permission of the responsible authorities five days in advance and specify the time, place and reasons for their protest. The law carries a penalty of one year of imprisonment for staging protests without permission. Due to the pressure of democratic forces in parliament, the PAL was amended in March 2014. Public assemblies now require the consent of the authorities, which do not have the right to deny these permissions. The penalty has been reduced from one year to six months.

Local authorities continue to use the PAL and Unlawful Associations Act to arbitrarily arrest and detain individuals for exercising their rights to peaceful assembly and association. For example, in January 2018 local authorities violently dispersed a demonstration of 4,000 Rakhine nationalists who wanted to commemorate the end of the Arakan Empire; seven protestors died when the police tried to end the demonstrations. In May, three protestors demanding an end to the war in Kachin State were arrested. The Assistance Association of Political Prisoners (Burma) counts monthly 200 to 300 arrests since the NLD came into power.

Despite gains in media freedom in recent years, the media continues to be closely monitored by the government and laws dating back to the era of military and even colonial rule are used to stifle the media. For example, the Telecommunications Law and Official Secrets Act of 1932 (OSA) both carry prison sentences for those who disseminate information that can be considered a threat to national security, domestic tranquility or racial harmony. Given that the formulations of many legal restrictions are vague, they can be applied in a wide array of circumstances, including against reports on corruption and ethnic politics or that portray the military in a negative light. The government has used these powers to suspend press freedom in recent years. Criticism of the military, NLD ministers and the state counsellor are considered taboo. In general, the military and civilian parts of the government deny both domestic and foreign reporters' access to areas of armed ethnic conflict, and journalists are charged for interviewing members of the ethnic armed groups or traveling to areas under their control. In September 2018, two Reuters reporters investigating violence against the Rohingya in Rakhine State were sentenced to seven years in jail on the grounds that they had violated the OSA. In March 2018, a former child soldier was arrested and sentenced to two years in jail after he gave a radio interview describing his situation.

Freedom of expression

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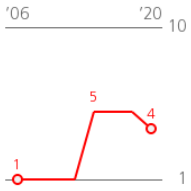

3 | Rule of Law

The 2008 constitution grants the executive broad powers, including the right to nominate most senior officials (e.g., Supreme Court justices, the attorney general and one-third of the members of the Constitutional Tribunal). Even so, executive institutions have undergone changes in recent years. Under Thein Sein, much power was held in the President's Office (sometimes causing tensions with the legislature). Under the NLD government, the locus of power has shifted to the new position of state counsellor. The president has become like a head of state and the state counsellor is now de facto head of government. This arrangement is temporary because the position of state counsellor is specific to Aung San Suu Kyi, who is not allowed to advance to the presidency. There is a formal separation between executive and legislature. Once appointed, the president and vice president must vacate their legislative seats. Also, the president and vice-president may not be active in their political parties.

Separation of powers

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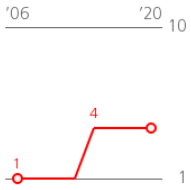

The Constitutional Tribunal is the first separate judicial institution in Myanmar to have the power to review statutes for unconstitutionality. The tribunal members are chosen by the president and the speakers of both houses of parliament. From 2011 until 2018, however, the court was only involved in 13 cases. This has brought about calls for the abolishment of the Constitutional Tribunal. Criticism toward the court relates to its low caseload, perceived capture by the President's Office and that it is not open to civil society.

The state is highly centralized. At the local level, the "chief ministers" of the country's (ethnic) states and (majority Bamar) regions are not selected by the local parliaments but appointed by the national executive. Importantly, the military is not subject to civilian oversight – neither from the parliament nor from the civilian executive. It thus exercises uncontrolled power over all matters of security (defense budget, border control, police and other internal security agencies). Moreover, it independently controls many ethnic-minority areas, a situation that has worsened with the stagnation of the peace process and the 2016/2017 Rohingya crisis. The NLD, which holds the majority in parliament, limits checks and balances within its own ranks through the application of strict party discipline.

Judicial independence and impartiality are formally enshrined in the 2008 constitution. However, Myanmar's judicial system was systematically eroded over decades of military rule. Today, the challenges are immense. The legal profession is not trained in independent and critical thinking after decades of top-down decision-making. The lack of facilities and resources as well as a legal education system neglected for decades have left their mark on the judicial system. The courts are not independent, with lawyers and judges continuing to experience threats, and with monitoring and harassment from state officials and powerful figures. The recent murder case of the NLD constitutional adviser and Muslim lawyer U Ko Ni has highlighted the intimidation of ruling judges. The judicial system is also fraught with corruption.

Independent judiciary

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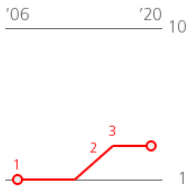

Although the NLD made the fight against corruption a top priority, the government only began undertaking noteworthy steps to ramp up the fight against corruption in 2018. First, the NLD amended the 2013 Anti-Corruption Law and gave the Anti-Corruption Commission broader powers to investigate. These extended powers also enable the commission to investigate on its own and open branch offices in the provinces. Second, some of the members of the Anti-Corruption Commission were replaced to give it more teeth. In one of his first meetings after taking office, President Win Myint urged commission members in April 2018 to act against corrupt officials regardless of their status and report any attempts to interfere in the commission's work. As a consequence, the Anti-Corruption Commission was able to bring down some high-level officials in the judiciary, including the attorney general and several judges in Yangon. Also, some ministries implicated in graft cases were mentioned in the press, though no legal actions were taken. Military officers and high-level politicians still appear to be out of reach for serious corruption investigations.

Prosecution of office abuse

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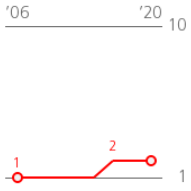

The human rights situation remains volatile. The Human Rights Commission is very close to the government. It has not investigated human rights breaches, including those committed by the military and those committed in ethnic minority areas. The 1982 Citizenship Law denies the Rohingya Muslim minority citizenship. The 2014 Race and Religion Protection Laws severely curtail the personal freedoms of Muslims as well as the right of women to choose their own faith and marriage partners. The military's atrocities in 2016 and 2017 have been referred to as acts of ethnic cleansing and genocide by representatives of the U.N. and other representatives of the international community.

Civil rights

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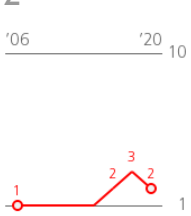


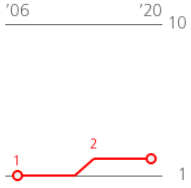
For the first time, the U.N. secretary-general named the Tatmadaw (Myanmar armed forces) in his 2016 report on sexual violence in the conflict areas of Rakhine State and Shan State. Women face discrimination: ethnic-minority women not only face barriers in participation, they are also denied property rights. Many are also forced into marriage or enslaved in sex work. There are also reports of Kachin women being trafficked into China. Although LGBT groups have managed to mobilize for the first time in decades, they often face discrimination and stigmatization.

4 | Stability of Democratic Institutions

With the general elections in November 2015, Myanmar has taken another step toward establishing a semi-democratic political system. The military exerts significant influence over political decisions at every level of the state apparatus, in both the executive and the legislature, both at the national and local levels. With a clear NLD majority in parliament, military lawmakers very often play the opposition role – highlighting diverging policy preferences; for example, criticizing the 2018 shift of the start of the fiscal year to October or simply shielding the military from criticism. Though moving the GAD from the military-controlled Interior Ministry to the President's Office may have reduced the military's influence over the state administration, its enormous influence continues to cast a shadow over the parliamentary system.

Performance of democratic institutions

2



Within the civilian government, power is concentrated in the hands of State Counsellor Aung San Suu Kyi and a few change agents in her cabinet who are attempting to push forward NLD's reform agenda. While the national-level bicameral legislature could act as an agent of change, NLD lawmakers are quite inexperienced. Scrutiny is minimal and brought to bear by only a handful of members of parliament. Similarly, the regional parliaments act largely as rubber-stamps for the regional government, signing off on budget request and bills, and ignoring widespread complaints about unpopular projects. The chief ministers (in the regions) are appointed by the president and are accountable predominantly to him rather than the regional legislatures.

Though the NLD has campaigned for the substantial democratization of the political order and attempted to limit the military's influence, the NLD government has used existing laws to stifle press freedom. Also, it is less open to the involvement of civil society than the previous, military-backed Thein Sein government. The internal decision-making processes within the NLD are highly hierarchical, and party leader Aung San Suu Kyi exercises a high level of control over the NLD members of parliament and other party members.

Commitment to democratic institutions

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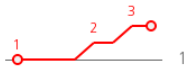

The military supports what it calls a "discipline-flourishing democracy." Seeing itself as the guardian of that political order, it blocked the NLD's motion in 2014 to reduce the military's role. Senior General Min Aung Hlaing has also made clear that the army's role will not be changed in the short term. In an interview with the Washington Post, he emphasized that a longer period of stability is a necessary precondition for the military's withdrawal from politics. The reluctance of the military to accept more extensive democratization is also reflected in the fact that it rejects the establishment of a genuine federal system and refuses to grant the country's ethnic minorities veritable political and cultural autonomy.

Other powerful spoilers of democracy include parts of the Buddhist religious order (sangha), including the group led by the ultra-nationalist Buddhist monk Wirathu (formerly Ma Ba Tha). These groups incite hatred against the Muslim minority and, to a lesser extent, against other religious minorities. They have also, at times, campaigned against the NLD and other representatives of the country's nascent democratic institutions.

5 | Political and Social Integration

Party system

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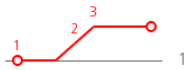
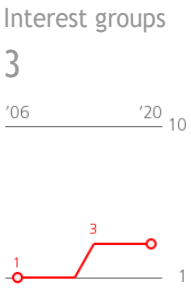


The party system is made up of the NLD and the Union Solidarity and Development Party (USDP), which largely draw their members from the Bamar Buddhist majority, and several smaller, mostly ethnic-minority parties. The NLD and USDP are active nationwide, drawing electoral support, membership and organizational support from around the country. Both parties have branch offices in most townships. The NLD won a landslide victory in the 2015 elections, securing a majority of seats in the House of Representatives and in most of the regional parliaments; the exceptions were Shan State and Rakhine State, where ethnic parties won most of the votes. The NLD is led by Aung San Suu Kyi with a firm hand and a personalist style. She selected the central committee of the party herself. Reportedly, she also personally selected the candidates for the 2015 elections. The USDP, which consists mainly of former military personnel, could only gain 30 seats in the House of Representatives in the 2015 elections. Since then, the USDP has attempted to rid its image of being a pure proxy party, but the ongoing nationalist rhetoric of the party and reliance on the military make a true reform difficult. Like the NLD, the USDP suffers from factionalism. In early 2019, former USDP leader Thura Shwe Mann formed his own

political party. While there are many smaller ethnic political parties, only a few won seats in the national parliament in 2015, or can be considered strong in the “states” or “special administrative zones” where their ethnic constituencies form a majority. The most successful ethnic parties in 2015 were the Arakan National Party (ANP) and Shan Nationalities League for Democracy (SNLD), which was historically affiliated with the NLD. It is generally expected that the ethnic parties will fare much better in the next general election due to the dissatisfaction with the NLD’s policies in the ethnic regions.

The range of interest groups has expanded since the country’s political opening. The state has been instrumental in creating business groups organized within the Union of Myanmar Federation of Chambers of Commerce and Industry. These groups, however, do not reach out to all businesses as they are dominated by big businesses, restricting representation. In addition, they often remain dominated by former cronies of the military regime. Traditional civil society organizations are often religious based and provide support for funerals and family/community emergencies. Professional organizations have been more active in recent years. Despite this growing pluralism, several sectors remain underrepresented. Though farmers, rural interest groups and community organizations have become more active, they struggle to make their voices heard.



Although there are no official statistics on the number of NGOs, some estimate they number beyond 10,000. However, these NGOs are often professional, donor-funded organizations that are run by members of the small, urban middle class. Consequently, the extent to which they truly represent the rural poor and other marginalized groups remains questionable. Moreover, the NGO sector and broader civil society remain fractured along ethnic and religious lines. Since 2011, ultra-nationalist Bamar Buddhist movements have become very active, posing a threat to multireligious and multiethnic civil society initiatives.

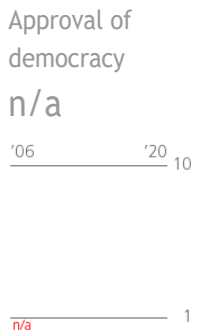
Under President Thein Sein, civil society organizations were active in policy advocacy and the peace process. They conducted peace-related trainings, organized consultations on the peace process and participated in ceasefire monitoring. Under the NLD government, civil society organizations complain of bureaucratic restrictions set up by the government. Apart from bureaucratic reporting procedures, they also face pressures to officially register. Moreover, civil society organizations have been sidelined in the peace process. On the local level, activists and NGOs still face repression from the authorities, since they often have contacts to the ethnic armed groups, which makes them suspicious in the eyes of the military.

NGOs also face challenges in terms of capacities and finances. The huge run of foreign donors on NGOs and their staff leads to bottlenecks. Also, there are numerous challenges for civil society in ethnic-minority areas. These include the legacy of military rule, which has influenced civil society’s willingness to engage directly in political arenas. There is a lack of communication and coordination between non-

state armed organizations and civil society. Also, there is tremendous mistrust among all stakeholders.

While the NGO sector has seen several alliances, business associations remain hesitant to work with NGOs. In addition, the government is currently in the process of developing a highly restrictive NGO law to regulate the foreign funding of domestic NGOs as well as the contacts that these NGOs have with international NGOs and foreign donors. If passed in its current form, this law would severely curtail the possibilities for foreign donors to support and cooperate with domestic NGOs that work on sensitive political issues and/or are critical of the government.

According to the first round of the 2015 Asian Barometer Survey (ABS), Myanmar's citizens strongly support the democratic system per se, but a majority do not hold the liberal values that reinforce such a system. Even so, nearly three-quarters of the respondents (72%) reported democratic systems as the most preferred. When asked whether democracy is the best form of government despite its problems, 90% of respondents agreed. Nearly as many (89%) reported that democracy is "capable of solving the problems of their society." The results of the 2015 elections were generally in line with the strong popular support for democracy indicated in the ABS, as Myanmar's citizens rejected continued rule by the military (represented in the electoral process by the USDP).



Despite this positive view on democracy as a political system, citizens have a weak trust in political institutions. ABS data revealed that respondents reported high trust in the president (53%) and military (46%), while the police (27%) and courts (32%) enjoyed the lowest levels of trust.

What is worrying is the lack of knowledge about the functioning of democratic institutions. According to a 2014 survey by the Asia Foundation, more than 80% have no knowledge of the structure and functions of various levels of government. 82% could not name any branches of government. This lack of knowledge is confirmed by the ABS findings.

At the same time, the ABS data highlights a tendency toward illiberalism, supported by a lack of understanding on how democracies work. For example, nearly three-quarters (72%) of the respondents did not want legislatures to place checks on the government. Moreover, respondents emphatically rejected the notion of a secular state, with 83% supporting a consultative role in lawmaking for religious leaders and 81% supporting a direct link between religion and citizenship.

Representative survey data by the People's Alliance for Credible Elections from January 2018 validate the findings of the ABS and Asia Foundation. According to these newer findings, interpersonal trust levels have decreased further under the NLD government and optimism toward future democratic development is decreasing.

Overall, there is a lack of reliable data on social capital and social trust. The 2014 Asia Foundation survey comes to the conclusion that social trust is especially low and political disagreements are deeply polarizing. 77% of all respondents believe that people cannot be trusted (71% in states and 80% in the regions). The picture improved when respondents were asked whether most people in their neighborhood could be trusted, with 56% agreeing strongly or somewhat, and 43% disagreeing. These survey results point to low social capital in a society that has experienced nearly 50 years of civil war between the Myanmar army and various ethnic groups. In addition, the liberalization process that started in 2011 has seen a flourishing of hate speech and religious intolerance toward Muslims, which reflects the lack of trust in the multireligious community.

Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Question Score

Socioeconomic barriers

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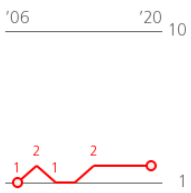

Due to the economic growth of the last few years, Myanmar has reached lower-middle-income status. Despite this recent success, poverty remains ingrained in large parts of the country and growth is not trickling down to the countryside. With a score of 0.578, Myanmar ranked 148 out of 189 on the HDI (based on data from 2017). Agriculture still makes up more than 50% of the labor force and attempts at industrialization have only recently begun in the industrial zones around Yangon. The national poverty rate is 29.8%. In rural areas, poverty is much higher, with the highest rates in Chin State (73%), Rakhine State (44%) and Shan State (33%). Since poverty is concentrated in ethnic-minority areas, it can be said that most ethnic groups are structurally excluded. This also has an important political dimension as all state institutions are dominated by the Bamar elite. Moreover, horizontal inequality (between ethnic groups) and vertical inequality (between members of the military elite and their civilian cronies, on the one hand, and the rest of the impoverished population, on the other hand) is presumably high, although reliable data is wanting. Since ethnic regions are haunted by decades of civil war, it is difficult to overcome the existing war economies. Gender equality has made some progress in recent years: visible in an increase in the number of girls enrolling in primary and secondary school, improved participation of women in the labor forces, better maternal health outcomes and enhanced social protections for women. At the same time, the political participation of women remains low and Myanmar ranks 106 out of 189 countries in the 2017 Gender Inequality Index.

Economic indicators		2015	2016	2017	**2018**
GDP	$ M	59687.4	63256.2	66719.1	**71214.8**
GDP growth	%	7.0	5.9	6.8	**6.2**
Inflation (CPI)	%	9.5	7.0	4.6	**6.9**
Unemployment	%	0.8	1.2	1.6	**1.6**
Foreign direct investment	% of GDP	6.8	5.2	6.0	**1.8**
Export growth	%	-	-	-	**-**
Import growth	%	-	-	-	**-**
Current account balance	$ M	-2837.7	-1776.1	-4503.7	**-2137.2**
Public debt	% of GDP	37.1	39.8	35.2	**38.2**
External debt	$ M	14291.4	14148.5	15011.7	**14935.8**
Total debt service	$ M	523.7	798.4	681.5	**842.6**
Net lending/borrowing	% of GDP	-4.3	-2.6	-5.7	**-**
Tax revenue	% of GDP	6.0	6.4	6.0	**-**
Government consumption	% of GDP	20.6	19.0	-	**-**
Public education spending	% of GDP	-	-	2.2	**-**
Public health spending	% of GDP	1.1	1	-	**-**
R&D expenditure	% of GDP	-	-	0.0	**-**
Military expenditure	% of GDP	4.1	3.7	3.2	**2.9**

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Myanmar lacks the foundational building blocks for a robust market economy. Persistent gaps include the weak rule of law, stifling bureaucracy, lack of a level playing field in the marketplace, and regulations and norms that discourage entrepreneurship. Particularly constraining are the close relationships between the military and crony businesses that dominate the private sector. The current political-economic structure is best characterized as an oligarchy.

Market organization

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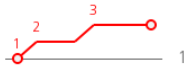

Since the opening up, new policies have been enacted that relax the previously strict trading rules by opening certain sectors up to foreign participation. Investment permits with corresponding incentives and benefits are also issued under the 2012 Myanmar Foreign Investment Law as well as under the 2014 Special Economic Zone (SEZ) Law. In 2017, the first Competition Law came into effect. A revised Foreign Investment Law came into force in 2016. A new Companies Law came into effect in 2018. All these laws have improved the regulatory environment for market participants.

According to the Heritage Foundation's Economic Freedom Index, Myanmar ranks 139 out of 180 and is thus classified as "mostly unfree." Significant obstacles for a free market economy remain. Market competition faces above all bureaucratic hurdles. Myanmar ranks 152 out of 190 countries in the starting a business category of the World Bank's Doing Business 2019 report. According to the report, it takes 12 procedures, 14 days and costs 24.8% of per capita income to start a business.

The informal economy is considered to be one of the largest in the world. Scholars estimated Myanmar's informal economy from 1999 to 2006 to be about 50.7%. Recent economic changes appear not to have altered this, although actual data on the size of the informal economy is lacking.

Competition policy

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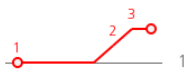

Following the Competition Law coming into force in 2017, Myanmar established the Competition Commission in 2018, which is a body of professionals and government officials rather than an independent entity. The Minister of Commerce also issued the necessary guidelines for implementing the law. The law prohibits anti-competitive agreements and introduces a merger control regime. However, no thresholds were introduced for merger control, indicating that little political importance is attached to this issue. The commission will begin its operations in 2019; it remains to be seen whether the Competition Law will be actively enforced. Persisting structures of crony capitalism are bound to hinder the implementation of the law.

Liberalization of foreign trade

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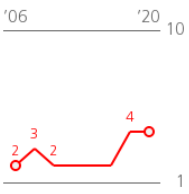

Myanmar has been a Member of the World Trade Organization (WTO) since 1995. At the same time, however, the country has been isolated from a large part of the global economy for many years. The government adopted measures to open up the economy only since 2011. Under President Thein Sein, the country has been revising trade-related legislation. Recognizing that the country needs foreign capital and technology for sustainable development in the future, the government started to liberalize its highly controlled economy.

The simple average of Myanmar's MFN tariff was 6.5% in 2017. However, Myanmar also applied several Non-Tariff Measure (NTM) to protect the domestic market. Nearly 100% of agricultural products (e.g., animals and vegetables) and minerals were protected by these measures. The non-tariff measure (NTM) coverage ratio for imports to Myanmar is 60.24% and the NTM frequency ratio is 38.44%. For exports, the NTM coverage ratio is 69.97% and the NTM frequency ratio is 29.75%.

According to the UNCTAD database, the most often-used non-tariff barriers were technical barriers (69% coverage) and licensing barriers (59% barriers). In 2017, foreign companies were allowed to trade specific classes of goods, including chemical fertilizers, seeds, pesticides, hospital equipment and construction material.

A significant step toward opening Myanmar's economy was introduced in 2018, when the Ministry of Commerce issued Notification No. 25/2018, which allows 100% foreign owned as well as foreign and domestic joint ventures to carry out trade throughout Myanmar. These steps mark progress, though a foreign company still must meet certain criteria to engage in trade, such as a minimum initial investment of goods of $5 million in wholesale trade and $3 million in retail trade.

Banking system

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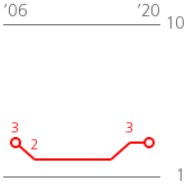

Myanmar did not have a functioning financial system during and in the immediate aftermath of military rule, and supervision rules are still underdeveloped and poorly enforced. Former President Thein Sein's reforms have put critical legislative foundations in place. Under the guidance of the International Monetary Fund (IMF), the World Bank and a number of bilateral donors, the government enacted a number of laws that have strengthened the banking system. A new managed floating exchange rate has been established and foreign exchange restrictions have been eased (with the Foreign Exchange Management Law 2012). The 2013 Central Bank Law has confirmed the independence of the central bank and thus broadened the scope of responsibility to include monetary and foreign exchange policies. The 2016 Financial Institutions Law established regulations in the sector and attempted to level the playing field between private and state-owned banks.

Despite the establishment of the legal framework, the banking system is still evolving. At the end of 2018, 28 banks were operating inside the country: the four state-owned banks, ten semi-official and 14 private banks. Moreover, foreign banks have been allowed to enter the market as well. 13 foreign banks are operating inside the country. However, they are limited in their operations to foreign investors and

domestic banks and are allowed to have one branch only. On the whole, the banking system remains small and unable to provide the required financing to support fast-paced economic growth. The bank capital to assets ratio is 4.8% according to World Bank data.

At the end of 2015, the Myanmar stock market opened, but by the end of 2018, only five companies had listed: First Myanmar Investment (FMI), Myanmar Thilawa Special Economic Zone Holdings (MTSH), Myanmar Citizens Bank (MCB), First Private Bank (FPB) and THM Telecom Public. Their shares have been shaky in the first years. Although a stock exchange is vital for economic development, the Yangon Stock Exchange has not met up to expectations.

Since the whole banking system is in its infancy, the banks have not been seriously exposed to non-performing loans (NPL).

8 | Monetary and fiscal stability

Monetary stability

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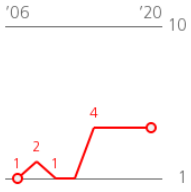

Since 2015, Myanmar has witnessed mounting signs of economic overheating and growing inflation. The government has narrowed the fiscal deficit and is relying less on the central bank to finance the shortfall, issuing bonds instead. That has helped to reduce inflation from 10% in 2015 to 6.5% in 2016. The kyat depreciated against the U.S. dollar in 2017 and 2018 (partly due to the strong U.S. dollar and partly due to decreasing fuel prices on the international markets). Inflation climbed to 8.8% in 2018/19 from 5.4% in 2017/18, well above the official 6% year-end target. In order to mitigate distortions resulting from the currency fluctuation, the central bank decided to float the kyat freely on the market (and remove the 0.8% trading band). Money changers were allowed to conduct forex transactions. These are first steps toward establishing a flexible exchange system and a sign of growing central bank maturity. The central bank is also phasing out the financing of deficits. Since becoming legally independent from the Ministry of Finance in 2012, the government has allowed the central bank greater independence. In 2018, it even reappointed the governor of the central bank – a junta era official – for another term in order to ensure continuity.

Fiscal stability

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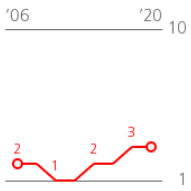

Myanmar is experiencing a record high budget deficit. Total earnings from taxes collected are MMK 20 trillion compared to total government spending of MMK 24.9 trillion, resulting in a budget deficit of MMK 4.9 trillion. This equals 4.94% of the GDP, approaching the 5% benchmark the government is attempting not to breach. In the past seven years, the deficit has fluctuated between 1.22% and 4.9%. These fluctuations result from higher deficits, but also changes in the U.S. dollar exchange rate. At the moment, the government borrows from the Central Bank of Myanmar (CBM), but according to the 2016 Medium-Term Debt Management Strategy it is committed to ending its reliance on central bank funding by 2018. Myanmar has a total external debt of over $9.1 billion – most of it borrowed before 1989. More than half of the debt is owed to China ($3.8 billion) and Japan ($2.1 billion). Based on

IMF statistics, Myanmar's external debt-to-GDP ratio has fluctuated between 15% and 16% over the last two years. Consequently, the IMF currently sees a relatively low level of debt distress. While the external debt stands at 16% of the GDP, the overall public debt level is currently at 37%. The 2016 Medium-Term Debt Management Strategy aims at limiting loans in order to not exceed the 30% of the GDP ceiling in foreign borrowing and 40% of the GDP in overall borrowing.

9 | Private Property

Property rights

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According to the state constitution, all land and natural resources are owned by the state (Article 37). Two new land laws were passed in 2012 (i.e., the Farmland Law, and the Virgin, Fallow and Vacant Land Management Law) that establish something like a private property system. This has been a step forward in a country where land confiscations, resource exploitation and forced evictions were major characteristics of decades of military rule. The total number of acres illegally confiscated in recent decades is unknown, but estimates are in the millions.

The Farmland Investigation Commission, a parliamentary commission set up to investigate the problem, recommended that land that had not been developed by the military be returned to farmers. By 2016, approximately 360,000 hectares of land had been returned. While tens of thousands of acres were released to the various ministries following the recommendation of the Farmland Investigation Commission, the actual return of land to small farmers and villagers has proven more complicated, leaving farmers and villagers in limbo. The process of returning land is ongoing. Concurrently, however, land grabbing by the military and powerful businessmen (often with links to the military) continues in many areas. Moreover, in September 2018, the government passed an amendment to the Virgin, Fallow and Vacant Land Management Law (VFV), which might further accelerate the expropriation of communal lands for large-scale private business purposes. Specifically, the law requires everyone farming or living on VFV land to apply for an official permit, a prerequisite that many uneducated local farmers are bound to be unable to fulfill. Approximately one-third of all land is considered VFV land and 75% of this land is located in ethnic states, where private businesses, such as Chinese plantation enterprises, are currently seeking to acquire huge areas of land for business purposes. Thus, the amendment to the VFV law bears the potential to aggravate existing ethnic conflicts.

Since coming into power, the NLD has attempted to revise the 2012 Farmland Law but met with criticism from civil society. Solving historic land confiscations and disputes will not be easy; the government, military and civil society groups would have to work together to resolve this chronic source of instability and grievance.

In 2018, Myanmar passed several laws that include a private property framework for international investors, including the Trademark Bill and the International Copyright Bill, which, if implemented, might strengthen private property in the long term.

The NLD government introduced a new Companies Law in 2018, which replaces the outdated 1914 Companies Act. The approximately 50,000 domestic and 7,000 foreign companies, which need to register again after the new law is implemented, will receive a solid legal foundation for operating in Myanmar. 99% of these are small- and medium-sized enterprises. There are also an additional 600,000 informal businesses. The promotion of small- and medium-sized enterprises is among the top priorities of many international donors. At the top of the pyramid is a handful of large conglomerates and state-owned enterprises engaged primarily in extractive, construction, banking and import/export industries. These are often owned by the same actors (military cronies and family members of influential military generals) that controlled large-scale economic activity before the liberalization. Although the NLD pledged the privatization of state-owned enterprises in its 12-point economic policy, it has not taken any steps toward far-reaching privatization. Discussions were under way to shutter some inefficient factories, but this met disapproval from both the opposition and inside the party. Discussions to privatize the electricity market and transport system are under way.

Private enterprise

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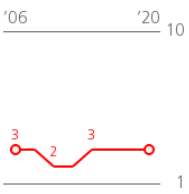

In 2011 and 2012, the Thein Sein government launched an opaque privatization process that transferred many formerly state-owned enterprises to former military personnel and military cronies, thereby entrenching structures of crony capitalism in the country. Moreover, many influential business federations, such as the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), which continues to act a central actor in the "privatization" process, are former organizations of the military regime.

10 | Welfare Regime

Until the recent reform period, the social safety net was thin and social protection coverage was very limited in terms of both legal and effective coverage. The country's social security system was built around two pillars. A pension scheme for civil servants and a social security scheme to cover formal employment in the private sector. While military companies provided social security for the soldiers, protection for the rest of the population was extremely spotty, with less than two million persons covered.

Social safety nets

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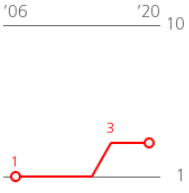

This changed under the Thein Sein government, which devised the Social Protection Strategic Plan to increase coverage among the population. The government passed a new Social Security Law in 2012, which came into effect in April 2014. This law provides for cash benefits of up to 60% of a worker's salary in cases of illness or maternity. In addition, money for funeral arrangements are increased by one to five times of a worker's salary. Under the new scheme, retirement benefits have also seen a boost.

At the top of the NLD government's health initiatives are ambitious plans to bring universal health coverage to the entire population by 2030 and an "essential package of health services" by 2020. Described by the 2017 to 2021 National Health Plan as "a path that is explicitly pro-poor," the new policies strive to address socioeconomic disparities in accessing health care by reducing the out-of-pocket costs. However, only 5.2% of the state budget was allocated to health in the 2017-2018 budget. In this budget, the share of health and education combined amounts to 13%, while military spending also total 13%.

Equal opportunity

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Despite a number of prominent female politicians and intellectuals in leadership positions, equality of opportunity is lacking. Female labor force participation is only 47.7% according to the 2015 ILO Labour Force Survey (compared to 78% male labor force participation). The literacy rate among women aged 15 to 24 of 84.4% is slightly lower than among men (85.1%). Women also less often attend university. Moreover, women are much more vulnerable in the war-torn ethnic areas; this is visible in the high rates of human trafficking, rape and forced prostitution. Compounding the challenge, Myanmar's traditional society does not openly discuss these issues. Though the government has launched the National Strategic Plan 2013 to 2022 to improve the situation of women, a shortage of gender statistics and research, a lack of awareness, and limited institutional capacity hinders the development and implementation of effective policies and programs for the empowerment of women.

Ethnic and religious minorities face severe de facto discrimination. For example, they have less access to higher education, particularly in engineering and medicine, since these universities are concentrated in Yangon. However, since 2014, ethnic-minority languages are taught in primary schools.

The Myanmar Race and Religion Protection Laws (2015) codify severe forms of discrimination against the wider Muslim minority, restricting their rights to choose whom to marry and to have children. While not currently implemented by the NLD government, they serve as tools for further discrimination against women and the wider Muslim minority. The most glaring case of discrimination is the legal and political discrimination of the Rohingya minority, who are denied citizenship. The military has in recent years waged an ethnic cleansing campaign that drove almost the entire Rohingya community (approximately 800,000 of the 1 to 1.2 million before 2016) out of the country. The approximately 200,000 members of the Rohingya community who remain inside Myanmar are confined in IDP camps in Rakhine State.

11 | Economic Performance

Output strength

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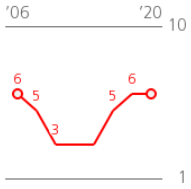

Myanmar's economic performance has been quite vibrant over the past few years. The country has climbed to the rank of lower-middle-income country. The economy grew by 5.9% in 2016/17 and is estimated to have grown by 6.4% in 2017/18. This growth has been driven by strong industrial performance, in particular in the garment and manufacturing sectors. However, if the EU decided to withdraw the GSP status from Myanmar in response to the Rohingya crisis, particularly the garment industry would be seriously damaged. Inflationary pressures have increased with economic growth, but the government has endeavored to keep it in check. Consequently, inflation has been reduced from 5.5% (2016) to 4.8% (2017). The growing economy has also benefited employment, particularly in the retail and manufacturing sectors. Since agricultural growth has stagnated (1%), there has not been enough economic spillover to the countryside.

The current account deficit declined from 5.5% of the GDP in 2016/17 to 2.6% in 2017/18, mainly due to an increase in garment exports and decreasing imports. Fiscal deficits remain prudent. The actual budget deficit in 2017/18 was 2.7% and is increasingly financed by treasury bills and bonds. Central bank financing has been reduced to below 19% against a target of 20% and is targeted to fall to zero by 2021 – reflecting the goal of limiting the growth of monetary aggregates. The 2018 budget projects an increase in the deficit to 6.0% of the GDP.

Due to a less favorable global environment given trade policies and the Rohingya crisis, we have seen a drop in FDIs in the past year. While FDIs increased in 2016/17, new FDIs significantly declined in 2017/18 (by 50% in the first half of 2018). The government has organized a major investment summit for early 2019 to attract new spending.

Significant progress has been made in modernizing tax administration and the tax policy framework. Nevertheless, Myanmar's revenues have stagnated at 6.4% of the GDP (2016), driven by tax base erosion, with income tax as a share of the GDP among the lowest in the world.

12 | Sustainability

Myanmar has heavily relied on natural resources to boost its economy. Forestry, agriculture, fisheries and mining, among others, have played critical roles in the depletion of natural resources and serious environmental degradation.

Environmental policy

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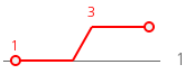

Myanmar ranks 138 out of 180 on the 2018 Environmental Performance Index, which ranks countries based on 22 performance indicators in policy categories such as air and water pollution next to impacts on agriculture, fisheries and forests. Myanmar is thus among the world's least developed countries with regard to environmental management and regulation.

The NLD government has enacted new legislation, including a comprehensive environmental policy (2016), which places environmental considerations at the center of efforts to promote economic and social developments, reduce poverty, adapt to climate change and mitigate natural disasters.

In reality, however, environmental regulations are rarely enforced and powerful business interests often prevail over environmental concerns. Environmental consciousness is only slowly beginning to take root. For example, Myanmar has one of the highest deforestation rates in the world, mainly due to illegal logging. The military as well as ethnic armed groups fund their organizations by giving out licenses to logging companies without taking conservation efforts into consideration. Rice fields and banana plantations (in the south also palm oil plantations) are being developed where once dense forests could be found. Should deforestation continue at the current alarming speed, Myanmar's forests will be gone by 2035.

Education policy / R&D

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Years of neglect under military rule almost completely destroyed the education system. It remains underfunded and not internationally competitive. In many parts of the country, school attendance remains low, teaching standards are poor and dropout rates are high. The Thein Sein government undertook the Comprehensive Education Sector Review (2012 – 2015) in order to create a framework for rebuilding the education sector. The NLD government, which made education the cornerstone of their election program, is focusing on nine key areas. These key areas include basic education as well as improvements in access and inclusion, curriculum, assessment, teacher training and management, alternative education programs, and technical and vocational education training. The benefits of these changes to the education system will take many years to be felt. There remain many challenges, including the integration of education systems in the ethnic regions and offering greater autonomy to universities.

Although both the Thein Sein and NLD governments have spent more on education in nominal terms, education spending has stagnated at 1.7% of the GDP. As a consequence, Myanmar performs among the lowest third in the UNDP Education index (with a score of 0.443), which captures the level of education by measuring the average years of schooling of adults. In the past half-decade, Myanmar has seen very little progress in this regard.

Governance

I. Level of Difficulty

The structural constraints are immense. These include chronic poverty in large parts of the country, especially within ethnic community areas, very low education levels and grossly insufficient infrastructure. Due to its location, Myanmar is prone to natural disasters such as earthquakes, floods and cyclones. In addition to a high vulnerability to these natural disasters, there is a lack of mitigation capacity. The prevalence of HIV infection among the population is approximately 1% to 2%, requiring a policy commitment to supporting those infected and reducing new infections. In addition, Myanmar continues to witness high incidences of malaria and tuberculosis.

Structural constraints

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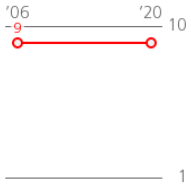

For decades, the military regime deliberately tried to prevent the emergence of an autonomous civil society. Space for civil society existed only in areas of limited state control (i.e., in education and health, where the state was too weak) or in ethnic-minority areas, where civil society was helping rural communities. In the wake of the 2008 Nargis cyclone, many local community organizations and NGOs have formed to address local social and economic grievances. Since 2011, there has been an immense growth in NGOs; these have begun to influence the policy-making process, are actively criticizing the government, and advocating political parties and parliamentary representation. In many sectors (e.g., education and environment), NGOs are active and now involved in various stages of policy-making. Some have begun to reach out into the states and provinces; civil society organizations have been formed to watchdog local politicians and bureaucrats. Notwithstanding a few outliers, most civil society actors lack coordination as their organizations are still working on their own development. Trust both between civil society actors and between civil society and the government remains a major challenge, especially in conflict areas and in ethnic-minority areas. Civil society remains very divided along ethnic, political and religious lines, making it very difficult to build social capital. Some civil society organizations (e.g., ethno-nationalist and orthodox Buddhist groups) provide services for their own communities but strongly discriminate – and sometimes engage in hate speech – against other ethnic and religious groups. Civil society, thus, also has significant "dark sides" that impact the country's democratization process in a highly negative way. Massive donor funding to NGOs with limited capacities to absorb these financial flows has also led to serious organizational distortions within the NGO sector.

Civil society traditions

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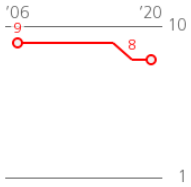
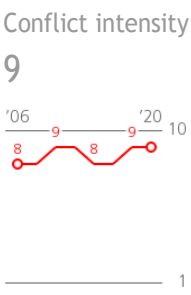


Since 1948, various armed ethnic groups have waged war against the government for autonomy in their ethnic areas. Although the military regime forged ceasefires with more than a dozen armies, no significant concessions to the ethnic groups were made under military rule. The ceasefires called by General Khin Nyunt in the 1990s were so-called "gentlemen's agreements" allowing the armed ethnic groups a certain control over their territory in exchange for ending open military confrontation. Between 2009 and 2011, the military ordered ethnic groups that had signed ceasefires to transform into border guard forces under the Myanmar military's control. While a handful of small and militarily rather weak ethnic groups accepted the border guard proposal, the largest groups refused to lay down their weapons, and many ceasefires collapsed, so that ethnic conflicts escalated. In 2011, the government of Thein Sein started a new peace initiative, which culminated in the signing of the NCA in October 2015. However, the NCA was only signed by eight out of 21 recognized Ethnic Armed Organizations. Most of these eight groups were rather small and lacked military capacity. The most powerful ethnic armed groups abstained. Aung San Suu Kyi and the NLD government have tried to bring the non-signatory ethnic armed groups into the peace process. As of the end of 2018, only two additional minor armies have agreed to sign the NCA, while two militarily significant NCA signatories (the KNU and RCSS) suspended their participation in the peace talks.



Since 2011, there has also been open armed conflict between the Myanmar army and the KIO/KIA in Kachin State and parts of Shan State. The Tatmadaw (Myanmar armed forces) announced a unilateral ceasefire in late 2018. In Rakhine State, however, the situation deteriorated further. Long-simmering religious conflicts between Buddhist Rakhine and Muslim Rakhine led to clashes in October 2012 that left almost 200 people dead and approximately 140,000 displaced. The Arakan Rohingya Salvation Army (ARSA) formed in late 2012 in order to fight against the long-standing repression of the Rohingya. Both in 2016 and 2017, ARSA launched attacks against Myanmar border guards along the country's border with Bangladesh. Both times, the army responded with a heavy-handed security operation. In 2016, over 70,000 members of the Rohingya fled to Bangladesh, followed by another 730,000 in 2017. Given that the number of Rohingya still living in Myanmar amounted to only 1 to 1.2 million before the military's operations in 2016, this means that the vast majority of this ethnic minority has now been displaced from Myanmar. Rohingya refugees in Bangladesh interviewed by the UN, human rights organizations and journalists reported severe and systematic human rights violations. Consequently, experts and representatives of the UN as well as several countries consider the military's atrocities to amount to acts of ethnic cleansing and possibly genocide. Overall, anti-Muslim sentiments and hate speech remain widespread in society, creating a social climate highly inimical to the democratization process.

In 2017, the ARSA stepped up fighting against the Myanmar army. The latter has excluded the ARSA from both its 2018 unilateral ceasefire and the NCA, instead deploying more troops into Rakhine State to resolve the conflict by force. State

Counselor Aung San Suu Kyi has backed the army's position that ethnic armed organizations (EAOs) must first sign the National Ceasefire Agreement before they can take part in the political dialog held under the Union Peace Conference-21st Century Panglong. Thus, almost all of the militarily powerful ethnic groups, which also control large swaths of territory and have established para-state structures (e.g., the UWSA and KIO), have remained outside the peace process. Three peace conference sessions have taken place since the NLD came to power – but major disagreements between the government and participating ethnic groups remain. In addition, Aung San Suu Kyi has been largely silent on the plight of the Rohingya so as to not strain relations with the military.

II. Governance Performance

14 | Steering Capability

Question Score

Prioritization

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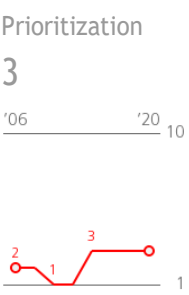

Aung San Suu Kyiv announced her priorities in her first address to the nation in April 2016: national reconciliation, internal peace, rule of law, constitutional reforms and further democratic development. The government has slowly developed plans in some additional policy areas, including the economy and education. In others, it has been rather inactive. The government rarely announces its goals and lacks the strategic capacity to organize its policy-making effectively. While Aung San Suu Kyi is enlisting national and international advisers for certain policies areas (e.g., the economy and peace), it is unclear whether she actually follows their advice. On the economy, the government is closely cooperating with international organizations and aware of the importance of foreign investment for future economic growth. In terms of democratic change, however, the government does not follow a clear path and decisions appear to be ad hoc. On the reforming of undemocratic laws, reformists maintain the upper hand in certain decisions, while the status quo prevails in others. There is no clear strategy for full democratization. When the NLD announced its plans to reform the constitution in January 2019, it appeared to be carrying out its 2015 election campaign promise. However, it did not approach the military for consultations beforehand, instead establishing an ad hoc committee to further discuss constitutional reforms. The military, which holds a veto over constitutional amendments, protested vehemently.

The composition of the executive, which includes the military, makes prioritization and policy-making extremely difficult. According to the 2008 constitution, the military controls the interior, defense and border affairs ministries. Consequently, these ministries often resist reform and the capacity of the elected, civilian part of the government to set priorities and affect changes in these areas is close to nil. In

addition, the fact that some ministries are under civilian leadership while others remain under military tutelage leads to a significant degree of fragmentation with regard to policy-making.

Implementation
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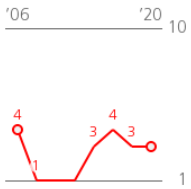

After two years in power, the NLD administration has a mixed scorecard. The NLD began freeing political prisoners and reforming some repressive laws (e.g., the State Protection Law and Emergency Provisions Act). This has led to a further democratization. It also downsized ministries and began to fight corruption. Simultaneously, it is also using existing repressive laws to jail opponents and curb press freedom. In order to modernize the economy, the government is slowly setting the legal foundations for improving economic conditions. In some policy areas, the NLD has achieved little success. Achieving peace remains an uphill struggle, owing especially to a military that rejects far-ranging federalism and acts as a veto player in the process. Installing the rule of law has proven difficult. A reform of the 2008 constitution, including a change in the provisions for the presidency and a further democratization of the state apparatus, has met resistance from the armed forces. Given that amendments to the 2008 constitution require a quorum of 75% in the parliament, where the military holds 25% of the seats, the armed forces have a veto power with regard to constitutional changes. Nevertheless, the NLD set up a committee at the end of 2018 to draft suggestions for a constitutional reform.

Additionally, the military can act as a veto player where it is in direct control (border areas, security and peace process). The civilian government has not attempted to move into these policy areas but rather appears to follow the leadership of the military (e.g., the Rohingya crisis and the civil war in Kachin State and Shan State).

In addition, the implementation capacity of the government and administration is poor, mainly due to technical incompetence and widespread corruption on all levels. The NLD government took over the bureaucrats of the former administration in order to guarantee job security. Ministers and top-level civil servants are chosen on the basis of seniority rather than expertise. Lower ranking officials are accustomed to top-down directives and rarely become active, which can be particularly problematic at a time of change. The concentration of power in the NLD leadership makes delegation problematic, since everyone waits for instructions from Aung San Suu Kyi.

Policy learning
4


The NLD government demonstrates a willingness and ability for policy learning in policy areas where it cooperates with international experts and organizations. Often the framework or standards for these innovations are provided by international organizations (e.g., the Extractive Industries Transparency Initiative, EITI). In policy areas dominated by the military and that have a national security importance, there is little to no interest in policy learning among the ministries.

One example of learning from international experience is the EITI process. Under President Thein Sein, Myanmar became a candidate country in 2016. The incoming

NLD administration failed to reconvene the multi-stakeholder group, threatening Myanmar's expulsion. The 2017 EITI report was delayed. Ultimately, the NLD recognized the importance of the EITI process and negotiated a delay of the report. In 2018, the second and third EITI reports were submitted to the EITI Secretariat. Under the NLD, the EITI process was imbedded and expanded to include the jade sector. Under the NLD's leadership, the EITI has also formed a taskforce on beneficial ownership disclosures.

On security-related challenges, however, there is no policy learning, knowledge exchange or consultation. The Rakhine crisis is a case in point. In 2016, Aung San Suu Kyi established the Advisory Commission on Rakhine State headed by former U.N. General-Secretary Kofi Annan. The Rakhine Commission's final report was released in August 2017 and called for several policy measures to improve the situation in Rakhine State, including improving infrastructure and the human rights situation of the Rohingya, and amending the 1982 Citizenship Law. The release of the final report coincided with the launch of attacks by the Arakan Rohingya Salvation Army (ARSA). The military responded with far-reaching operations. Under pressure from the U.N. and international community, the NLD government vowed to accept the recommendations of the commission. Under the direction of Aung San Suu Kyi, a new "independent commission of inquiry" was formed. In 2018, two prominent international members of the commission resigned describing this commission as "useless" or "fraudulent."

15 | Resource Efficiency

The NLD is only slowly learning to use the available resources efficiently. The budget posts dedicated to the military amounts to 13.9% of the entire budget in 2018 (roughly 3% of the GDP). The numbers do not diverge significantly from the past few years, in which the defense budget has accounted for 13% to 14% of the total budget during the fiscal year. Despite growing budgetary openness, there are a number of positions, particularly related to the military, which are not included. Additionally, there are often a number of budgetary positions of certain ministries that are not known (other accounts) and are not open to the public. This practice hampers transparency and efficiency in the use of public resources.

After coming to power, Aung San Suu Kyi substantially reduced the number of ministries/vice ministries by about one-third to improve efficiency and reduce costs. Concurrently, however, the selection process of personnel in the ministries often seems to be guided by personnel connections (to Aung San Suu Kyi) rather than personal capacities.

During the long period of military rule, policy coordination was poor. Since 2015, the government is fragmented between civilian- and military-controlled segments that do not communicate effectively. Given the long legacy of military rule and the ongoing, incomplete transformation process, the legal situation is characterized by overlapping and contradictory laws. Old colonial laws, laws dating back to the time of military rule and relatively modern laws exist side by side, impeding policy coordination. There are also overlapping responsibilities, redundancies and frictions between ministries. Overall, there is little communication between government agencies. When there is communication between the ministries, there is often a lack of consensus and ability to take decisions. Moreover, coordination between the military- and civilian-controlled ministries is obscure. Within the NLD, decision-making is highly centralized, with many top government officials waiting for Aung San Suu Kyi to take the initiative or give her approval on individual policies. This leads to a lack of action, coordination and initiative on the part of those ministries and other administrative units that are controlled by the civilian part of the government.

Policy coordination

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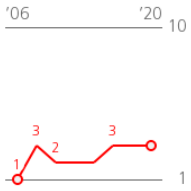

The NLD government has stepped up its campaign to combat corruption. The Anti-Corruption Law is in place since 2013. In addition, numerous laws on taxation, banking and finance, the 1923 Official Secrets Act, the 1959 Defense Services Act, the 1997 Fire Services Law, and the 2013 Civil Service Personnel Law contain clauses against bribery and corruption. The 2016 reform of the Anti-Corruption Law increased the autonomy of the Anti-Corruption Commission (established in 2014). President Win Myint has intensified the fight against corruption in the government. Two senior officials in the bureaucracy were suspended. President Win Myint also met with members of the Anti-Corruption Commission, which lacked teeth as it was seen as being too close to the government. He advised them to step up the fight against corruption.

Anti-corruption policy

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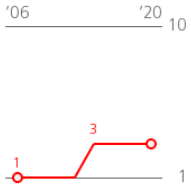

On June 21, 2018, the parliament enacted its fourth amendment to the 2013 Anti-Corruption Law, which extended the powers of the Anti-Corruption Commission. Even so, the Anti-Corruption Commission has no mandate to investigate corruption inside the armed forces.

16 | Consensus-Building

In spite of recent political reforms, the number of actors who want to establish a liberal democracy – with checks and balances, a free press and an elected government – is limited. The majority of political players see the importance of having an elected government. Yet, most support a powerful executive and limitations on rights. The NLD has officially committed itself to establishing a liberal democratic system. However, the party's hierarchical structure and authoritarian governance practices contradict this stated goal. The military initiated the current reform process, giving up direct control over several major policy areas, including the economy and social welfare. However, its long-term goal does not appear to be democracy. Instead, the

Consensus on goals

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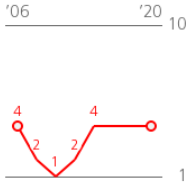

armed forces appear committed to their vision of a "guided" or "discipline-flourishing" democracy as enshrined in the 2008 constitution they crafted. In general, the military does not trust the civilian politicians and may choose to intervene to stop the reform process, if it perceives its corporate or core national security interests (e.g., national unity as defined by the military) as being at stake. The military has already announced that far-reaching constitutional changes that include a reduction of its own political role should not be expected in the short term.

The NLD and ethnic groups agree on a federal democracy as a long-term goal. At the moment, however, the NLD is very cautious not to antagonize the military. This creates suspicions among the ethnic-minority groups that the Burman ethnic majority may dominate the union and that ethnic identities may be curtailed even further. Ethnic groups have made the goal of a federal union a top priority, including the establishment of a federal army. This goal, however, is unacceptable to the military.

There is general consensus about the need for market reforms and to catch up economically. Even so, the concept of a market economy is less understood. The NLDs 12-point economic manifesto includes the establishment of a market economy, an increase in efficiency and a reduction in red tape. The NLD is aware of the need to implement these reforms to attract foreign investment. Often, however, this does not translate into policies. Domestic companies fear being sidelined by foreign competitors and thus work with the political parties to slow liberalization. Cronies of the former military regime, military conglomerates and private businesses controlled by former or active members of the military may also block further economic liberalization to preserve their dominant economic status.

Ultra-nationalist Buddhists (from Ma Ba Tha and its successor organizations) and the military (Tatmadaw) are currently the main anti-democratic actors in Myanmar.

Anti-democratic actors

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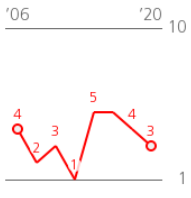

The NLD has attempted to limit the influence of the powerful ultra-nationalist Buddhist organizations. It successfully put pressure on the officially recognized Buddhist authority (MaHaNa) to ban Ma Ba Tha and limit the influence of the ultra-nationalist Buddhist monk Wirathu. However, since the influence of Ma Ba Tha reaches into all political parties, it is extremely difficult to control the organization and its monks. Even so, the NLD has increasingly tried to do so.

The NLD tried to appease the military in the first year of its administration. It strictly avoids interfering in what the military considers as security matters. Since 2018, however, it has taken steps to limit the military's influence over the state apparatus in some policy areas. For example, it removed the General Administration Department (GAD) from the military's control, placing it under the President's Office. Aung San Suu Kyi has also avoided convening the National Defense and Security Council, instead appointing her own security advisers. Even so, the NLD does not seek to establish civilian control over the military. Since the role of the army is enshrined in the 2008 constitution and the civilian segment of the government has only limited reform powers, the NLD faces an uphill struggle to fully neutralize the anti-democratic actors.

The new political leadership has attempted to bridge cleavage-based conflict and expand political consensus in some areas. Aung San Suu Kyi has made the peace process the priority of her government and tries to find an inclusive solution for all ethnic groups. However, she is herself increasingly seen as divisive and exploiting Bamar ethnic cleavages. In 2018, the NLD decision to name bridges after (Bamar) independence hero Aung San sparked resistance in some of the regions (Mon and Shan State). The NLD also took over the line of the army that joining the political peace negotiations is only possible after signing the National Ceasefire Agreement (NCA). This has also come under criticism. Due to these incidents, Aung San Suu Kyi and the NLD government are increasingly seen as representing the interests of the Burmese majority.

Cleavage / conflict management

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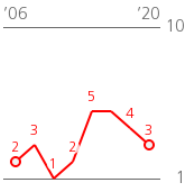

Another example: Aung San Suu Kyi has long refrained from publicly addressing the plight of the Rohingya and the wider Muslim minority to avoid losing the support of the Buddhist majority population, among whom anti-Muslim sentiments are widespread. Instead, she attempted to balance national, local (Rakhine) and international interests. In 2017, the military responded to ARSA attacks with a violent crackdown that targeted the local Rohingya population with massive human rights violations, and approx. 730,000 fled to neighboring Bangladesh. All this led to an outcry in the international community. The U.N. Human Rights Commissioner called this move a “textbook example of ethnic cleansing.” Aung San Suu Kyi remained silent and even criticized the West for distributing fake news. The commissions dealing with the Rakhine crisis set up by the government are not strong enough to punish those guilty of human rights violations. All this shows that Aung San Suu Kyi is exploiting existing cleavages – here with the intention to unite all Buddhists behind her.

However, one also has to stress that the military is part of the government, which limits the ability of Aung San Suu Kyi’s government to moderate cleavage-based ethnic and religious conflicts.

Civil society participation

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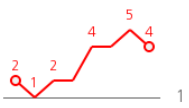

The current NLD government is much less inclined to work with civil society than the previous Thein Sein government. Under Thein Sein, civil society had an active role in the peace process and CSOs provided input for policy-making. The NLD government distrusts civil society and questions its legitimacy as a voice for the people. The government has reduced the role of civil society in the peace process, downgrading it to an observer. Moreover, several CSOs complain about ongoing repression by state authorities and the secret police. Since the government is actively using repressive laws (e.g., the Unlawful Associations Act and the Telecommunication Law), many NGOs see their room to move constrained. Many have not followed the 2014 order to register out of fear of the government. In addition, the government is currently developing a highly restrictive NGO law, which, if passed in its current form, would severely restrict foreign (financial and other) donor support to domestic NGOs.

Aung San Suu Kyi made clear in her 2016 inauguration address that national reconciliation is one of the main goals of the current NLD government. However, owing to the powerful position of the military, the prospects for transitional justice are bleak for the foreseeable future. Reconciliation will not take the form of truth commissions or trials where military actors are held accountable for past human rights violations. Aung San Suu Kyi has also repeatedly stressed that reconciliation first requires peace. Given the stagnation of the peace process, peace with the ethnic minorities remains largely elusive. Aung San Suu Kyi has defined national reconciliation as "healing past divisions, particularly between the military and the civilian populations and between supporters and opponents of the NLD" – a rather narrow understanding that does not include also reconciling the needs of the ethnic groups. She has repeatedly acted against the interests of ethnic-minority groups, including by naming bridges after her father.

Reconciliation

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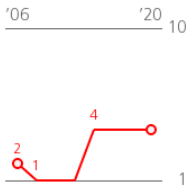

17 | International Cooperation

Since 2012, western donors have stepped up their aid to Myanmar. However, the amount of aid remains less than aid flows from Asian donors, including China, Korea and Japan. The current NLD government set up the Development Assistance Coordination Unit (DACU) under the leadership of Aung San Suu Kyi to more effectively manage international aid. Other funds are allocated into Multi-Donor Trust Funds (MDTFs). The Joint Peace Fund is funded by Australia, the EU and the United States; Norway, Switzerland and Italy also contribute. The funds provided more than $300 million for projects related to peace. Donor coordination has often been lacking, however, since the massive influx of foreign donors began in 2011 with the launch of the liberalization process of the formerly isolated country. This lack of coordination has been due both to a relatively high level of donor competition and a lack of policy and (administrative) coordinating capacities on the part of the Myanmar government. The strategic use of international support has also been curtailed by the government's limited capacities to develop a detailed and coherent development agenda.

Effective use of support

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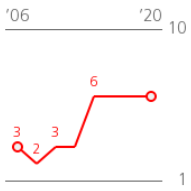

In 2015, the government of Aung San Suu Kyi enjoyed solid backing from the international community. While most nation states continue to support the current NLD government owing to the lack of democratic alternatives, the credibility and international reputation of Aung San Suu Kyi and her government have been significantly eroded by the Rohingya crisis. At the same time, the international community appears to have acknowledged that the Myanmar government has both a military and a civilian arm. The United States has imposed economic sanctions against the Tatmadaw (Myanmar armed forces) for what they view as the "ethnic cleansing" of the Rohingya and widespread human rights abuses in fights against other groups. The EU is considering withdrawing Myanmar's GSP status. The NLD government has criticized the international community for spreading what it asserts

Credibility

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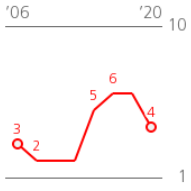
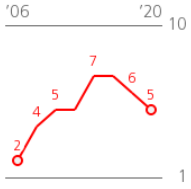


is fake news about Rakhine State. Army Chief Min Aung Hlaing has called the sanctions an insult to the nation's honor.

The Myanmar government thus far has not acted on promises relating to human rights, including signing major international human rights conventions (e.g., the Committee Against Torture, and International Covenant on Civil and Political Rights). The government has also restricted access to Rakhine State. It neither allowed an international fact-finding mission to collect data nor has it cooperated with the U.N.'s Human Rights Council. Humanitarian organizations on the ground complain about being restricted from moving into conflict areas.

Regional cooperation

5



The Myanmar government cooperates regularly and intensively with regional neighbors and international partners. However, the government is only reluctantly willing to accept rules that limit its own sovereignty. It only reluctantly engages in the policy agendas of certain U.N. organizations (e.g., Human Rights Council). The government has essentially refused to work with the UN and other international as well as regional partners on the Rohingya crisis.

Myanmar's most important external partners are China, Japan and India. China is supporting Myanmar's peace process and has extensive links to the ethnic armed groups living in the border areas. It also provides weapons and shields the country in the U.N., particularly on the Rohingya crisis. India and China provide important infrastructure, while Japan has become an important donor. Myanmar cooperates with these three states on the basis of good neighborly relations.

Myanmar is also a member of ASEAN and held the leadership of the organization in 2014. Periodically, Myanmar clashes with Indonesia and especially Malaysia over the Rohingya crisis. Even though ASEAN follows a policy of noninterference in internal matters, it has criticized Myanmar over the Rohingya crisis and is attempting to monitor the situation in Rakhine State. The Rohingya crisis is also poisoning relations with Bangladesh, which currently hosts approximately one million Rohingya refugees (refugees from the 2016 and 2017 crisis as well as Rohingya who fled during earlier waves of repression and communal unrest). The two countries signed an agreement to repatriate the Rohingya who fled Myanmar in 2017. The agreement has not been implemented, as the Rohingya fear a return to Myanmar and Bangladesh has not forced them to return.

Strategic Outlook

Myanmar has not made much progress in overcoming the deep structural constraints hindering a successful transformation. The peace process is stagnating, the army remains a powerful political veto player and chronic poverty endures. The NLD is endeavoring to reform the economy and build the legal foundations necessary for attracting FDIs and long-term growth. Given the weaknesses within the institutional framework, the lack of education and reform resistance within the bureaucracy, the government has done an amicable job. If the fight against corruption, which intensified in 2018, continues, Myanmar will remain on a trajectory to move ahead in the coming years.

One vital policy area in need of greater focus is education. Here, reforms are urgently needed, but the ministries have thus far not agreed on definitive plans to improve both basic education and higher education institutions.

Other essential components of democratic life have witnessed serious setbacks, including press freedom and civil liberties. Here, the ongoing influence of the military can be only partly blamed. The Aung San Suu Kyi government should step up its efforts to overcome the legacies of Myanmar's authoritarian past and show more openness. Additional reforms are needed to eradicate repressive laws of the past. The government should also refrain from passing the planned restrictions that severely limit the rights of civil society organizations to receive foreign funding and cooperate with international development partners.

While the government has taken a first step toward disempowering hardline ultra-nationalist Buddhist monks, it must do more to counter widespread anti-Muslim sentiments and, more generally, limit the detrimental impacts of identity politics. To bring lasting peace and gain support in ethnic-minority areas, the government must broadly engage with ethnic-minority groups – in parliament, civil society and the economy. Inclusive institutions are needed to build trust.

The military continues to act as a major spoiler in the peace process. There is significant evidence – collected by the U.N. and others – that it engaged in ethnic cleansing and possibly genocide against the Rohingya. Against this backdrop, most OECD countries have frozen fledgling military-to-military contacts that had been slowly (re)building since the 2015 elections – a necessary and adequate diplomatic response. Also, existing arms embargos against Myanmar should be maintained. In addition, the reinstallation of targeted sanctions against leading military officers and military-owned corporations should be considered. The EU should refrain, however, from withdrawing the GSP+ status from Myanmar, as this would hurt the general population and civilian share of the government much more than the military. The international community should continue to push the Aung San Suu Kyi government to speak out in favor of the Rohingya and, more generally, the Muslim minority. In addition, international aid organizations and members of the diplomatic community must continue to press for humanitarian access to areas of ethnic conflict.