

The Missing link: Ethnic Conflict and Democratic Reform in Myanmar

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Myanmar is at war. Not with China, India, or any other of its neighbours, but with itself. For 60 years, Burma's army – known as the *Tatmadaw* – has fought ethnic rebels in Myanmar's northeast for territorial control. The armed ethnic groups demand greater autonomy from the centre, better regional administration, and more economic opportunities, which the government in Naypyidaw is both unwilling and unable to provide. Consequently, heavy fighting, punctuated by sometimes lengthy ceasefires, has been the norm. In recent months, conflict has once again intensified. In a great humanitarian drama, tens of thousands of civilians have been displaced, fleeing their homes for the safety of the nearby Chinese border. But apart from the threat to human life, on-going centre-periphery conflict poses a grave risk to Myanmar's economic development, now in full swing, and particularly to its fledgling democratic reforms.

The economic premise is straightforward. Wedged in between China and India, Burma's borderlands hold the key to its national development, as constructing infrastructural links between Asia's giants would undoubtedly bring prosperity to the middleman.¹ For reasons of geography, any such connections must run through the unstable ethnic uplands.

The political angle is more complex. It is tempting to believe that the future of Myanmar's political reforms hinges largely on the success (or failure) of opposition icon Aung San Suu Kyi's talks with the military-dominated government. There is some truth to this, but her negotiations enjoy little chance of (lasting) success if the larger problem of borderland conflict remains unresolved. In a nutshell, the Burmese army occupy the central role in both

the resolution of ethnic strife and progression of the country's democratic reforms. Critically, its experiences on the former much inform its attitude towards the latter. If the *Tatmadaw* perceive Burmese unity to be at stake, they may decide to halt – or even abort – the reform process. Additionally, if ethnic grievances are not genuinely and permanently addressed, they may burst forth again in the future, invoking a *Tatmadaw* response with potentially dramatic political consequences.

This article first explores the economic angle by reviewing how Myanmar's northern borderlands are emerging as central to its developmental prospects. The rest of the paper is devoted to dissecting the intricate links tying ethnic conflict to *Tatmadaw* action (and inaction), and its role in the political reforms. To this end, the political section begins by taking stock of the democratic reform process. Second, it will delve into the state of centre-periphery conflict in Myanmar and review the *Tatmadaw's* role in it, which has historically used military force as its strategy of choice. Third, we will examine the ethnic grievances generated by *Tatmadaw* violence and maladministration. These include the poorly regulated jade and illicit heroin trades, which cause negative sentiments that continue to fuel insurgency. Fourth, we tie the above strands together, and examine why a failure to provide better governance of ethnic territories in lieu of an exclusive reliance on military force may jeopardise Myanmar's democratisation process. Fifth, we will review the prospects for such policy change. Finally, some thoughts on the road ahead are offered.

Booming Burma

The economy of Myanmar, formerly known as

¹ On this point see Thant Myint-U, *Where China Meets India: Burma and the New Crossroads of Asia* (Faber & Faber, 2011).

Burma, will grow a projected 8.3% this year.² The United States, Japan, Thailand, Singapore, India and especially China all court the Myanmar government in Naypyidaw, offering tantalising investment dollars required to help the country fulfil its long-term economic potential. FDI flows are up tenfold compared to five years ago.³ The telecoms,⁴ tourism and resource sectors are burgeoning, a middle class is emerging, and new high-rises even begin to obscure sweeping views of Yangon's Shwedagon Pagoda, the country's most sacred Buddhist site.⁵

China, not the West, is the key link in Myanmar's economic scene. Of all foreign players, only China has a strong foothold in the country, and its investment record far exceeds that of all competitors. Not delimited by the moral and ethical concerns that restrict US investment,⁶ and buoyed by a 2000km shared border, China seeks not just markets, but geostrategic advantage and energy security, manifest in increased 'connectivity'⁷ with its neighbours. Exemplary of these objectives are the deep-water port and energy facilities that have risen up on tiny Ramree Island, near Kyaukpyu, on Burma's Bay of Bengal coastline. The complex sports two pipelines – oil and gas – that wind their way through Myanmar's plains

² 'Myanmar – Economy', Asian Development Bank, accessible at:

<http://www.adb.org/countries/myanmar/economy> (forecast accurate as of 25 April 2015).

³ D. Tweed and K. Thu, 'U.S. Companies Skirting Myanmar Sanctions Fuel Record Investment', *Bloomberg* (17 November 2014), online at

<http://www.bloomberg.com/news/articles/2014-11-17/u-s-companies-skirting-myanmar-sanctions-fuel-record-investment> (all online sources accessed last on 25 April 2015 unless otherwise stated).

⁴ P. Heijmans, 'Myanmar's Telecoms Sector Booms, but Challenges Remain', *BBC News* (25 September 2014), online at <http://www.bbc.co.uk/news/business-29329460>

⁵ M.N. Aye and T.Y. Htun, 'Limited High-rises under New Zoning Scheme', *Myanmar Times* (8 December 2013), online at

<http://www.mmtimes.com/index.php/business/property-news/8960-limited-high-rises-for-yangon-in-new-government-zoning-plan.html>

⁶ Tweed and Thu, 'U.S. Companies'.

⁷ 'Where All Silk Roads Lead', *The Economist* (11 April 2015), online at

<http://www.economist.com/news/china/21648039-through-fog-hazy-slogans-contours-chinas-vision-asia-emerge-where-all-silk-roads>

and unstable northeastern borderlands to Kunming, an energy-hungry city of 6.5 million central to China's 'rejuvenate the Southwest' development strategy.⁸ Plans exist to supplement these hard infrastructural links with a railway connection running parallel to the pipelines.⁹

Already, over 6% of China's gas needs are filled by the Kyaukpyu-Kunming pipeline.¹⁰ For China, the link means sending fewer Middle Eastern oil tankers round the Malayan peninsula, cutting several weeks – and thus expenses – off transit time. It also provides an alternate energy terminal in case the Malacca Straits are ever inaccessible in time of conflict, which would deny ships access to the Guangdong-Shanghai-Beijing seaboard. For Naypyidaw, oil and gas transit fees provide a handsome revenue stream, complemented by joint foreign-domestic exploration of the enormous offshore Shwe and Yadana gas fields.¹¹ Additionally, it represents a potential corridor of development that may jumpstart nationwide economic take-off.

But that is not all. Proposed railway upgrades are creeping down from China through Laos and Thailand to Myanmar's borders. In January 2015, Japan and Thailand made public tentative plans to jointly construct the link's western extension to Kanchanaburi, a Thai town some 150km east of Dawei.¹² China has vowed to

⁸ 'Stretching the Threads', *The Economist* (29 November 2014), online at

<http://www.economist.com/news/china/21635061-impooverished-south-west-china-seeks-become-economic-hub-stretching-threads>

⁹ 'China Says it has not Abandoned The Kunming-Kyaukpyu Railway', *Ramree.com* (31 July 2014), online at <http://www.ramree.com/2014/07/31/china-says-abandoned-kunming-kyaukpyu-railway/>

¹⁰ J.M. Watts, 'China Just Turned on its First Myanmar Gas Pipeline – Which won't do Much Good for Myanmar', *Quartz* (30 July 2013), online at <http://qz.com/109636/china-just-turned-on-its-first-myanmar-gas-pipeline-but-where-will-the-money-and-gas-actually-go/>

¹¹ G. Robinson and L. Barber, 'Myanmar to Reconsider Energy Contracts', *Financial Times* (11 April 2013), online at <http://www.ft.com/cms/s/0/97b175c6-a2b7-11e2-9b70-00144feabdc0.html#axzz3fF70Vr3W>

¹² P. Promchertchoo, 'Japan Locks in Mega-rail Project in Key Asian Link-up', *Channel NewsAsia* (29 January 2015), online at

connect Yunnan Province with Bangkok via Lao capital Vientiane. Out west, India, as part of its 'Look East' policy, aims to improve cross-border infrastructural links with its eastern neighbour of Myanmar.¹³ Japan has an active hand in the development of two deep water ports, the first at Thilawa,¹⁴ south of Yangon, which supplies the erstwhile capital, and the second at aforementioned Dawei, on the narrow strip of Burmese land on the Andaman Sea that abuts Thailand.¹⁵ The former is already Myanmar's largest container port; the latter is an ambitious project to construct from scratch an SEZ with port facilities that would connect Myanmar directly with its Thai hinterland.

Crucially, should these combined upgrades materialise as projected, then they make tantalisingly tangible the idea of Myanmar as a Southeast Asian Netherlands; a major goods (and energy) throughput hub for wares flowing to and from China's western provinces, fanning out to upper Indochina, and connecting the two giants of China and India via a long-elusive land route. Myanmar would be the hub in the wheel, the place that connects the spokes – with prosperity on the horizon.

But there is a catch. Between China and India lies not Yangon, the safe, erstwhile British colonial capital that formed the hub of Myanmar's historical commerce, but the Shan and Kachin States, mountainous, jungle-covered regions simmering with resentment due to exploitation, deprivation and ethnic tensions that have seen fighting between

<http://www.channelnewsasia.com/news/asiapacific/japan-locks-in-mega-rail/1624520.html>

¹³ T.S. Maini, 'India's "Look East" Policy Begins with Myanmar', *The Diplomat* (8 November 2014), online at <http://thediplomat.com/2014/11/indiass-look-east-policy-begins-with-myanmar/>

¹⁴ A. Obara, 'Myanmar Promoting Development of Thilawa Special Economic Zone', *Nikkei Asian Review* (25 June 2014), online at

<http://asia.nikkei.com/Politics-Economy/Economy/Myanmar-promoting-development-of-Thilawa-special-economic-zone>

¹⁵ J. Ferrie, 'Myanmar Turns to Japan, Thailand to Kick-start Stalled Dawei', *Reuters* (19 November 2013), online at

<http://www.reuters.com/article/2013/11/19/us-myanmar-industry-idUSBRE9AI0BP20131119>

Burma's central army and groups of insurgents for over 60 years. It is through these lands that Beijing's pipelines flow, that a motorway and railway link will run, and that goods from India, the Middle East, Europe and Southeast Asia will speed to China's hinterlands. As such, these ethnic rebels fighting for greater autonomy hold a de facto veto over Myanmar's development ambitions. More than that – whether peace is accomplished in Burma's northeast may well determine if its political reforms stand any chance of succeeding, or are doomed to fail.

Political Reform

For Asian investors, Myanmar's resource bounty and untapped consumer market are increasingly pushing towards the background the fundamental problems in Burma's evolving political system. Not so for the West. Guided by Washington's informal 'reform for investment dollars' policy, Myanmar's economic narrative takes a back seat in the Western media to the unfolding drama of democratisation, revolving around opposition leader Aung San Suu Kyi. This renewed Western interest in Myanmar stems from the country's political liberalisation that commenced in 2011. The junta policy reversal initiated by general-cum-president Thein Sein and the West's subsequent laudatory response and rapid engagement hardly require introduction. In the space of a year, Burma released hundreds of political prisoners, relaxed press censorship and permitted free by-elections. The Obama administration trumpets Myanmar's commitment to transform itself from a human rights-abusing pariah state to aspiring member of the democratic club as a prime foreign policy success.¹⁶

Fundamental obstacles to full Burmese democracy remain, of course. Aung San Suu Kyi is barred from taking up the presidency

¹⁶ D. Bandow, 'Myanmar Reforms Slip into Reverse: Can Burma's Democracy and Obama's Number One Foreign Policy Success be Saved?', *Forbes* (8 December 2014), online at <http://www.forbes.com/sites/dougbandow/2014/12/08/myanmar-reforms-slip-into-reverse-can-burmas-democracy-and-obamas-number-one-foreign-policy-success-be-saved>

under a law that forbids those with a foreign spouse or children to hold the country's highest office. Further, the military continues to reserve a quarter of parliamentary seats for itself, complicating constitutional change – which requires a 76% majority vote. There is no such thing as an impartial judiciary. The military, which runs a shadow economy that extends its tentacles into the country's most profitable industries, constitutes a formidable special interest group that requires careful accommodation in the political process. Indeed, it will ultimately require dismantling if Myanmar is to rise from its 156th position on global corruption rankings, on par with Zimbabwe.¹⁷

Entrenched military interests are risky to take on, but Naypyidaw continues to make the right noises. Responding to foreign and Suu Kyi's National League for Democracy (NLD) pressure, the military-dominated government signed off a law in mid-February that allows for a referendum on constitutional amendment.¹⁸ This helpfully creates an official pathway to political change. The military has emphasised continued support for the reform process, stating a coup d'état is 'not possible'.¹⁹ The critical test of these resolutions will come in late 2015, when general elections are planned in which Aung San Suu Kyi's NLD is expected to win a landslide victory. Subsequent politicking may make-or-break Myanmar's reforms.

But while the East concentrates on Myanmar's economic bounty and the West focuses on Naypyidaw's progress in accommodating Burmese opposition demands, both sides risk seeing their objectives undermined by continued instability in the northeast. One might be tempted to dismiss the intermittent, localised fighting between the Burmese army –

¹⁷ 'Corruption Perceptions Index 2014', *Transparency International*, online at

<http://www.transparency.org/cpi2014/>

¹⁸ J. Ferrie, 'Despite New Myanmar Law, Suu Kyi not Likely to Have a Shot at Presidency', *Reuters* (12 February 2015), online at

<http://www.reuters.com/article/2015/02/12/us-myanmar-referendum-idUSKBN0LG0WI20150212>

¹⁹ M. Wong, 'Myanmar Coup is "Not Possible": Army Chief', *Channel NewsAsia* (28 January 2015), online at <http://www.channelnewsasia.com/news/asiapacific/myanmar-coup-is-not/1612404.html>

known as the Tatmadaw – and the Kachin and Shan ethnic militias as insignificant to the project of national transformation and reform, a mere nuisance. Certainly, Thein Sein's government in Naypyidaw is eager to downplay the problem to prevent disruption of engagement with the West – a useful counterbalance to China's expanding role in the country.

Statements of insignificance, however, could not be further from the truth. In fact, unresolved conflict in Myanmar's borderlands threatens to not just discredit but also derail the Burmese transformation as a whole. This is partly economic – conflict holds back investment, and pipelines, for example, are vulnerable to sabotage²⁰ – but it is also political. To understand exactly why, we must examine the history and present state of ethnic conflict Myanmar, in which the Tatmadaw have historically stood at the forefront.

Centre-Periphery Conflict

Since pre-colonial times, Myanmar has been a story of centre and periphery. Ethnic Burmese, who populate Myanmar's central lowlands, have controlled the reins of national government since independence in 1948. The rugged, mountainous areas along the country's circumference are home to ethnic tribes historically but loosely affiliated with Yangon. Together, these ethnically Burmese 'divisions' and minority 'states' make up the Burmese Union.

Propelling over half a century of modern-era strained relations between centre and periphery is controversy over the 1947 Panglong Agreement, which granted minority groups regional autonomy as well as stipulating the right to secede from the Burmese Union. Neither, for a complex host of reasons,²¹ has ever materialised, sparking 60 years of armed rebellion that peaked in the 1980s and 90s and displaced and destroyed entire communities.

By the start of the new millennium, however, a

²⁰ 'The Uncertain Future of the Sino-Myanmar Pipeline', *Stratfor Global Intelligence* (5 August 2013).

²¹ See also: Thant Myint-U, *Where China Meets India*.

string of bilateral ceasefires had markedly reduced Tatmadaw-rebel armed clashes. As such, the time seemed ripe to pursue a national ceasefire, thereby collectively pacifying all ethnic regions. Such an agreement was slated for Union Day, February 12, this year. The treaty was to be the culmination of two decades of gradual trust-building between Tatmadaw and ethnic rebels that have markedly reduced conflict levels and combat deaths on both sides.

However, the ceasefire party was spoilt in advance when renewed fighting broke out between the Tatmadaw and two ethnic rebel groups: Shan State's Ta'ang National Liberation Army (TNLA) and the Myanmar National Democratic Alliance Army (MNDAA).²² Clashes between the Tatmadaw and Kachin Independence Army (KIA), the best-organised of the rebel armies,²³ also increased in intensity.²⁴ Undeterred, the government tried again in late March, propelled by an urgency to achieve stability before the fall's elections. This time, Naypyidaw and 16 armed ethnic groups agreed to a less ambitious draft ceasefire deal that skirts around stumbling-block contentious issues, reminiscent of China's 'easy steps first' treaty strategy towards Taiwan. Yet, all parties are yet to sign this new draft pending a discussion of its provisions between the ethnic armies themselves.²⁵

While the resumption of dialogue is beneficial

²² S.Y. Naing, 'Thousands Reportedly Cross into China to Flee Fighting, Airstrikes in Shan State', *The Irrawaddy* (11 February 2015), online at <http://www.irrawaddy.org/burma/thousands-reportedly-cross-china-flee-fighting-airstrikes-shan-state.html>

²³ A 17-year KIA-Tatmadaw ceasefire broke down in 2011.

²⁴ Due to widespread concerns over this renewed hostility, the national ceasefire initiative failed to gain traction – only four out of Myanmar's 16 major armed ethnic groups signed a hastily negotiated, comparatively insignificant commitment to work towards national pacification; a significant setback. See: 'Myanmar Marks Unity Day, but Peace Remains Elusive', *Channel NewsAsia* (13 February 2015), online at <http://www.channelnewsasia.com/news/asiapacific/myanmar-marks-unity-day/1655164.html>

²⁵ K. Kha, 'Fighting on 3 Fronts in Wake of Ceasefire Deal: Ethnic Armies', *The Irrawaddy* (8 April 2015), online at <http://www.irrawaddy.org/burma/fighting-on-3-fronts-in-wake-of-ceasefire-deal-ethnic-armies.html>

to mutual trust, the agreement offers no resolution of problems of territorial control, regional autonomy, troop deployments, disarmament, (il)licit economic activity and proceeds thereof, and so on.²⁶ Without solving such issues to the satisfaction of all belligerents, the deal's hollowness may make it a dead letter.²⁷ The potential for conflict thus remains under the new text.²⁸ In the meantime, KIA troops still skirmish with the Tatmadaw in central Kachin state,²⁹ and the MNDAA, not included in the accord, continues to trade casualties with the Burmese army in some of the worst fighting in the region.³⁰ In sum, while peace prospects with most signatories are increasingly substantial, an end to conflict with the KIA, TNLA and MNDAA – short of granting actual autonomy – is an uncertain prospect.³¹

²⁶ On April 23, Reuters reported that ethnic rebels of the Arakan Army, trained by the KIA in the northeast, have relocated to south-western Rakhine state (where the China-bound pipelines originate) and opened a new front against the Tatmadaw. See: H.Y. Zaw, 'Obscure Myanmar Ethnic Rebel Group Opens New Front on Western Frontier', *Reuters* (23 April 2015), online at <http://www.reuters.com/article/2015/04/23/us-myanmar-insurgency-idUSKBN0NE14320150423>

²⁷ See also: J. Carroll, 'Analyst Dismisses Myanmar's Draft Cease-fire Deal', *Anadolu Agency* (4 April 2015), online at <http://www.aa.com.tr/en/news/488481--analyst-dismisses-myanmar-s-draft-cease-fire-deal>

²⁸ It is yet questionable whether the TNLA and MNDAA possess the material and manpower to sustain long-term combat. The KIA most likely does.

²⁹ Kha, 'Fighting on 3 Fronts'

³⁰ L. Weng, 'Government, Kokang Insurgents Dispute Casualties in Latest Skirmish', *The Irrawaddy* (10 April 2015), <http://www.irrawaddy.org/burma/government-kokang-insurgents-dispute-casualties-in-latest-skirmish.html>

³¹ One might ask where China stands on the conflict, which takes place in its immediate backyard within miles of the border. The neighbouring giant could play power broker in this confrontation, and given how Yunnan-borne trade must flow through the borderlands, one would assume a direct Chinese interest in pacification. Yet its stance and motives are hard to read, even as it constitutes a critical link, at a minimum, in ending Tatmadaw-MNDAA fighting. In brief, MNDAA rebels are ethnically Chinese (Kokang), have used Yunnan as a staging base and sanctuary via its porous border with Myanmar, and flocked back fully-armed into Burmese territory only this year after a five-year absence. China has warned against stray shells landing in its border towns, but so far upheld its 'non-interference' principle, though the extent of its behind-the-scenes manoeuvring is unclear.

The Tatmadaw may believe that persistent military pressure will force intransigent ethnic armies to the negotiating table, and reason that even if no agreement is reached, attrition will wear these groups down and isolate them as a blanket of calm descends over other ethnic areas. Whether that is a valid assumption remains to be seen. However, if the past serves as a guideline, it is a strategy that, in isolation, is unlikely to bear the fruits of peace. To examine why this is so, we can unpick the case of the Kachin, whose history of military and administrative relations with the Tatmadaw and central government testifies to long-standing junta policy failures.

Limits to a Military Approach

The KIA is the largest, best-organised, and best-equipped of Burma's unpacified ethnic armies and militias.³² Admittedly, the territory under its control has shrunk over the decades – much of Kachin State was in their hands until the early 1990s;³³ now, it survives in a pocket surrounding Laiza, a town on the Chinese border. And yet, the group shows no signs of breaking. They survive for a multitude of reasons, some military, some administrative, several of which are worth highlighting here.

First, the KIA is a strong organisation, hardened by decades of combat, a legacy of Japanese wartime resistance, and even training by the OSS – the forerunner to the CIA.³⁴ Whereas a vast number of Myanmar's erstwhile rebel groups have long dissolved or lost their capacity to mount effective resistance, the KIA retains organisational integrity and strong institutional ethics. Second, the KIA's resilience is aided by the inhospitable, mountainous

jungle terrain that favours guerrilla tactics.³⁵ Despite the asymmetric nature of the conflict – the Tatmadaw boast helicopters and jet fighters armed with missiles whilst the insurgents rely on rusty AK-47's – Naypyidaw seems incapable of definitively subduing the insurgents. The terrain, which is reminiscent of Cold War conflict in Vietnam and Malaya,³⁶ cancels out the Tatmadaw's technological edge. As the history of warfare in South-East Asia demonstrates, raw firepower alone is poor at ending jungle and mountain-based guerrilla warfare.

Due to the complications of the terrain and rebel strategies, Tatmadaw military action fails to accomplish total rebel defeat while singularly crafting further Kachin mistrust of government. This mistrust points to a third reason for KIA survival: tacit support from the wider Kachin population group, or least a sizeable segment of it, which provides it with a stream of fresh recruits, means of state-wide infiltration, and additional revenue.³⁷ Much popular support for insurgency is of the Tatmadaw's own making, stemming from opportunism-driven bloodshed. For instance, in November 2014 the Tatmadaw shelled a KIA military academy without provocation, killing two dozen cadets.³⁸ In other instances, fighting is driven by greed (see below). Motivated by injustice, the Kachin feed their sons to the KIA insurgency machine, which in turn financially and logistically supports other rebel armies in the northern borderlands and perpetuates the instability.

One might expect Kachin reluctance to sit down at the negotiating table based on periodic military action alone. In fact, their resentment runs far deeper and is entwined with the dimension of governance. In the large Kachin areas under Naypyidaw control, ordinary

³² Estimates point to a KIA strength of some 10000 men plus reservists. The United Wa State Army, active in northern Shan State, is larger at an estimated 25-30000 men, but hostilities have ceased in their territories. The TNLA fields at least 1500 soldiers. MNDAA strength since its violent return from China is uncertain. For statistics, see: 'Stakeholders', *Myanmar Peace Monitor*, online at <http://www.mmpeacemonitor.org/stakeholders/stakeholders-overview>

³³ D. Seekins, *Historical Dictionary of Burma* (Scarecrow Press, 2006), p. 236.

³⁴ T. Sacquety, *The OSS in Burma: Jungle War against the Japanese* (University Press of Kansas, 2013).

³⁵ This irregularity also helps explain the survival and relative success of the TNLA and MNDAA.

³⁶ For Malaya, specifically the Malayan Emergency (see below).

³⁷ The KIA also generates revenue through logging, jade mining and the opium trade.

³⁸ M. Inkey, 'UNFC Condemns Burma Army Shelling of KIA Cadets', *Asian Correspondent* (23 November 2014), online at <http://asiancorrespondent.com/128459/unfc-condemns-burma-army-shelling-of-kia-cadets>

Kachin suffer from economic deprivation, military rapaciousness, and a heroin plague while government officials stand idly by, enriching themselves through corruption and exploitation. Yet salient as these administrative abuses are, they also point the way towards a different, non-exclusively military route of pacification.

Maladministration – Jade and Heroin

Nowhere is the broken compass of centre-periphery ties more apparent than in Kachin State, with Hpakant Township as the ultimate example. Hpakant is the locus of Myanmar's highly profitable and poorly regulated jade mining industry, and exemplary of the Myanmar's ethnic policy ills; a microcosm of Tatmadaw rapaciousness and neglect. Hpakant is said to produce the world's finest jade, much of which finds its way to hungry markets in China. Its mines appear bottomless – exports hit an estimated \$8 billion in 2011.³⁹ These treasures were sufficiently enticing that the junta launched an offensive to wrest control of Hpakant from the KIA in the 2011-2013 'Jade Wars'.⁴⁰

Tatmadaw cronies and Chinese businessmen collude to monopolise the extractive industries and jointly divide up the resource bounty.⁴¹ As such, little of the jade riches benefits the ordinary Kachin. Instead, ethnic labourers risk their lives deep underground to be paid but a trifle of the gem's true value, or smuggle out what they can. Unsurprisingly, this chewing up of resources by outsiders strongly predisposes Kachin minds against the Burmese lowlanders. Worse, such sentiments are strengthened by a connected, humanitarian problem: not just is Hpakant a mining hub, it is a heroin heartland.

That Burma's northern territories produce copious amounts of opium, second only to Afghanistan, is a well-established if unfortunate

truth.⁴² Perhaps less recognised is the damage that the substance wreaks inside Myanmar's northern territories, which has been likened to the opium curse that crippled China in the nineteenth century.⁴³ Burmese authorities have de facto legalised heroin in Kachin State, allowing it to be sold by local shopkeepers on the same shelves as regular agricultural produce. The drug is plentiful and cheap – a high sells for as little as \$1.⁴⁴

Many officials are actively complicit in the trade.⁴⁵ Soldiers and police in Hpakant Township tolerate heroin trafficking, sale and usage in return for a chunk of the proceeds. A bribe – a \$10,000 to \$30,000 USD fee, according to one report⁴⁶ – is exacted for permission to set up a heroin stall adjacent to the mines; trucking heroin into the territory similarly requires filling officials' wallets. Add to that revenues from custodianship of the jade trade, and officials jostle and compete to be posted to Hpakant. A year's service in the township nets kickbacks sufficient to buy a BMW, notes the same report – an unparalleled luxury in an otherwise radically impoverished country.

While at its most egregious in Hpakant, the heroin problem is not confined to it and extends throughout Burmese-controlled Kachin territory. The Kachin Baptist Convention estimates that roughly 80% of all Kachin youth across the state are addicted – a

³⁹ A. Marshall and M.Z. Oo, 'Special Report: Myanmar Old Guard Clings To \$8 Billion Jade Empire', *Reuters* (28 September 2013), online at

<http://www.reuters.com/article/2013/09/29/us-myanmar-jade-specialreport-idUSBRE98S00H20130929>

⁴⁰ Y. Sun, 'China, the United States and the Kachin Conflict', *The Stimson Center* (January 2014).

⁴¹ A. Marshall and M.Z. Oo, 'Special Report'.

⁴² 'Opium Poppy Cultivation in 'Golden Triangle' Hits New High in 2014 – UN Report', *UN News Centre* (no date), online at

http://www.un.org/apps/news/story.asp?NewsID=49540#.VSpJr_nF-A9

⁴³ P. Winn, 'How an Isolated Mountain Outpost Became One of the World's Most Heroin-Addled Places', *Business Insider* (30 December 2013), online at

<http://www.businessinsider.com/why-theres-so-much-heroin-use-in-mytikyina-myanmar-2013-12?IR=T>,

⁴⁴ P. Winn, 'Myanmar: Hell Hath no Fury like Hpakant', *Globalpost* (20 December 2013), online at <http://www.globalpost.com/dispatch/news/regions/asia-pacific/myanmar/131219/myanmar-hell-hath-no-fury-hpakant?page=0,3>,

⁴⁵ 'Burma Army Accused of Fuelling Drug "Crisis" in Kachin and Shan State', *Karen News* (9 October 2014), online at

<http://karennews.org/2014/10/burma-army-accused-of-fuelling-drug-crisis-in-kachin-and-shan-state.html>

⁴⁶ P. Winn, 'Isolated Mountain Outpost'.

figure that, as the report notes, 'defies belief'.⁴⁷ Even at the territory's university in state capital Myitkyina, some 110km removed from Hpakant, addiction rates are estimated at 33%⁴⁸ to over 50%.⁴⁹ The government administration does little to stem this heroin-induced haemorrhaging of talent; neglect that contrasts sharply with Naypyidaw's attitude to substance abuse in the southern Burmese heartlands, where it carries heavy legal punishment. But in Myitkyina, as in Hpakant, these laws are not enforced and amount to little more than window-dressing; a double-standard that is proving deadly.

The Kachin speak of a military conspiracy of enfeeblement by attempting to induce rot from the inside, hoping to break their armed resistance. As it stands, direct Tatmadaw control over large swaths of resource-rich, heroin-addicted Kachin territory serves a dual purpose: it denies the KIA important mineral revenue, while turning the rebels' pool of potential recruits into staggering wrecks. Sources close to Naypyidaw deny that any such official policy exists, and instead put Kachin suffering down to a 'toxic mix of police corruption and official apathy towards an armed and rebellion-prone minority group'.⁵⁰

This, in itself, is a remarkable statement; a full admission that good governance is not an objective in Kachin areas. Despite political liberalisation in the lowlands, a siege mentality still holds sway in the uplands. Given the combination of open warfare, resource exploitation, and a heroin epidemic that has been left to swell and now threatens to consume the Kachin, it is unsurprising that the KIA rejects dialogue with the government that permits this to happen.

If Naypyidaw is serious about national pacification, it must consider providing better governance in the Shan and Kachin territories it rules directly to improve its standing amongst the ethnic populace. Offensives spurred by officials hungry for land grabs and resource

riches should end, and the desire to perhaps achieve a military 'quick fix' to insurgency abandoned. Additionally, it is imperative to tackle the heroin-induced social destruction of ethnic minorities, and provide the Kachin, Shan and smaller minority groups a stake in these regions' economic activities.

The pacifying power of competent administration enjoys clear historical precedent across Asia.⁵¹ Should Naypyidaw indeed succeed in 'winning hearts and minds', then it will sap support for insurgency, lure ethnic armies (back) to the negotiating table, and perhaps negotiate a sustainable, collective peaceful solution. In this manner, Naypyidaw may hold its union together while minimising the risk that granting regional autonomy relapses into an armed struggle for independence.

The Pacification Imperative

We have seen how prospects for sustainable peace in the northeast remain dim; how a full military solution is unlikely to result in a lasting peace agreement, and how ethnic Shan and particularly Kachin grievances breed resentment that fuel the insurgency. There exists a clear humanitarian and developmental rationale for seeking peace in these regions. But why, as the introduction posited, is peace also necessary to protect Myanmar's democratic reforms? The answer has everything to do with the Tatmadaw and its institutional history, interest perception, and present political role.

⁵¹ Late colonial Malaya is an example. There, in the early 1950s, a jungle-based Communist insurgency euphemistically known as 'The Emergency' severely destabilised the Malayan peninsula, killing thousands including the highest-ranking British colonial officer in the country. That counterinsurgency efforts were ultimately successful was thanks to improved civil administration and public service provision – policies collectively known as 'Operation Service' – that were instrumental in building a modicum of trust between disaffected groups and the central government. Critically, the police and armed forces succeeded in transforming themselves from self-seeking officials preying upon the population to guardians of the public interest. In combination with clever use of coercive measures, these changes drained popular support for Communist guerrillas. See, for instance, R. Stubbs, *Hearts and Minds in Guerrilla Warfare* (Oxford University Press, 1989).

⁴⁷ Ibid.

⁴⁸ 'Burma Army Accused', *Karen News*.

⁴⁹ P. Winn, 'Isolated Mountain Outpost'.

⁵⁰ Ibid.

Since the days of Aung San, father of the Burmese state, the Tatmadaw have presented themselves as the only force capable of protecting the Burmese Union. Guaranteeing the non-integration of the union, which incorporates dozens of ethnic minority groupings that have traditionally existed on the fringes of the central state, is the Tatmadaw's *raison d'être*, deeply ingrained in its institutional fabric. Through its use of armed repression, the Tatmadaw have historically stood at the forefront of the Burmese state-building project, and assigned themselves a political predominance that has become interlinked with the preservation of national unity. Though the military is loosening its dictatorship, perhaps permitting full democracy to arise, it appears as yet unprepared to transfer custody of the Burmese nation to a political party. The political dangers of continued borderland conflict need to be viewed in this light.

In brief: ethnic strife and the spectre of national disintegration jeopardises the Tatmadaw's political exit, instead justifying their political centrality. The present quasi-civilian government, or any future fully civilian iteration, may desire a leashed and diminished Tatmadaw, but the Tatmadaw itself decides whether this will happen. To dismantle military predominance, conflict must cease, to be replaced by attempts at better governance as a means to minority pacification.

Alternatively, we can approach this question from the ethnic rebels' viewpoint. If not fully accommodated within the new political order, disaffected, poorly-pacified minorities may continue to mount armed challenges to the political centre against any future, democratically-elected government in a bid to win greater regional autonomy or even independence. With national unity again, or once again, at stake, the Tatmadaw may step back into politics, Thailand-style, to prevent fracturing of the country.

Thus, to get the military out of politics – and keep it there – ethnic insurgents need to be brought into mainstream politics, and kept there. Providing better administration and cooperation that translates to improved livelihoods is the best way of conveying that an

intact Burmese Union serves everybody's interests, including those of ethnic minorities. If this message is not broadcast successfully, any democratic deepening remains at risk of military disruption.

Signs of Change?

To those who believe that Myanmar may indeed be capable of changing to a 'better governance' course, subtle signs of policy deliberation are detectable. News agencies reported in early February on a meeting between Tatmadaw commander-in-chief Min Aung Hlaing and Singaporean ex-PM Goh Chok-Tong, in which Hlaing solicited Singaporean nation-building advice.⁵² Singapore has over the years been integral to the erstwhile junta's survival by providing much-needed banking services whilst global sanctions over its human rights record crippled its finances. That Naypyidaw is now drawing on another of Singapore's points of expertise – its historical success at crafting a unitary state out of conflict – is perhaps an indicator that alternative, non-military strategies are being considered. As it is, Singaporean ex-PM Goh from knows from experience how government performance – and economic growth in particular – can legitimise a quasi-democratic regime and appease its citizenry.

Internally, too, cautious adjustments to the administration of Kachin State in particular are evident. In the economic sphere, *The Economist* reported in January 2015 on the novel phenomenon of Kachin-Naypyidaw private-public partnerships that are helping to develop Kachin State's decrepit infrastructure.⁵³ It appears some space is opening up for greater Kachin input in regional economic affairs. In further positive developments, a new education law is on the cards (though police have cracked

⁵² M. Wong, 'Myanmar's Military Chief Seeks Advice from ES M Goh on Nation-building', *Channel NewsAsia* (3 January 2015), online at <http://www.channelnewsasia.com/news/singapore/myanmar-s-military-chief/1637444.html>

⁵³ 'Eager Mindsets', *The Economist* (3 January 2015), online at <http://www.economist.com/news/asia/21637448-kachins-are-grabbing-opportunities-change-reluctant-government-eager-mindsets>

down on protestors)⁵⁴ that enshrines the Kachin right to educate children in their native language – a long-term bone of contention. National education spending is increasing marginally.⁵⁵

However, it is difficult to marry these initiatives with present aggressive Burmese military action. Such contradictory policy signals lead one to wonder whether the Tatmadaw tail could be wagging the Naypyidaw dog. The Burmese government's internal dynamics are as opaque as those of any authoritarian state, and one must exercise caution in drawing conclusions from limited observations. Still, it is possible that regional elements of the administration are not subscribing to national-level attempts at reform and reconciliation. The Tatmadaw in particular may deliberately be initiating armed offensives in the ethnic north to preserve its predominance.⁵⁶

Losing grip on a disgruntled military establishment, still the most powerful unified force in the country, is undoubtedly the nightmare scenario for Thein Sein and his civilian(ised) allies. Perhaps because of this, military expenditure remains high (12% of the national budget)⁵⁷ and barely shrinks in real terms, preserving the armed forces' predominance and gobbling up 'good governance' resources.

The Road Ahead

Optimists hope that solving one problem – that of political transition to democracy – will also end the armed phase of Myanmar's 60-year civil strife. However, even if Suu Kyi became president in late 2015, formidable obstacles to national peace and political stability remain.

⁵⁴ L. Laccino, 'Myanmar Education Law Protest: Students "At Risk of Torture and Abuses"', *International Business Times* (11 March 2015), online at

<http://www.ibtimes.co.uk/myanmar-education-law-protest-students-risk-torture-abuses-1491479>,

⁵⁵ E.E.T. Lwin, 'Military Spending Still Dwarfs Education and Health', *Myanmar Times* (30 March 2014), online at <http://www.mmtimes.com/index.php/national-news/10000-military-spending-still-dwarfs-education-and-health.html>

⁵⁶ See also: M. Callahan, *Making Enemies: War and State Building in Burma* (Cornell University Press, 2005).

⁵⁷ Lwin, 'Military Spending'.

Much will depend on the degree of control the NLD manages to exercise over the military, and whether the NLD can induce the Tatmadaw to reform from a self-serving armed oppressor to protectors of the public good. The pursuit of an armed solution in combination with poor governance risks fuelling ethnic anti-Burmese sentiment rather than quelling it, and gives the Tatmadaw a pretext to defend its dominant position in the political system. Additionally, the sprawling military underground economy, which extends to virtually every profitable industry in the country, will require dismantling without invoking backlash, or even a coup. Hopefully the influence of neighbouring Thailand's is resisted, which has experienced a dozen military coups since 1932 – the latest in 2014.⁵⁸

Managing a military exit from politics and reducing the Tatmadaw's economic dominance is a formidable challenge even under conditions of national peace. If conflict in Myanmar's borderlands continues, and the spectre of the Burmese Union fracturing – real or imagined – endures, then persuading the Tatmadaw to permanently abandon its political role may well prove nigh-impossible. The consequences for Myanmar's development and democratisation process could prove grave. As such, armed conflict is not a solution to Myanmar's ethnic ills; it is the problem. In its stead, able governance in the 'states' would go a long way towards defusing minority hostility and unlocking the road to stability, prosperity, and perhaps true democracy.

⁵⁸ A. Taylor and A. Kaphe, 'Thailand's Army Just Announced a Coup. Here are 11 Other Thai Coups Since 1932', *Washington Post* (22 May 2014), online at <http://www.washingtonpost.com/blogs/worldviews/wp/2014/05/20/thailands-army-says-this-definitely-isnt-a-coup-heres-11-times-it-definitely-was>