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Murray Hiebert, Audrey Jackson, and Phuong Nguyen¹

Five months after Aung San Suu Kyi and her National League for Democracy (NLD) swept to power in Myanmar in April following their stunning landslide victory in the November 2015 national elections, the new government is still very much in transition. Although the military that ran the country for 50 years did its best not to turn over the top slot to Aung San Suu Kyi, the country's leading generals appear to be trying to prove they can play ball with the new largely civilian government.

It will now be up to Aung San Suu Kyi to push forward the reforms that former president Thein Sein launched in 2011. The Myanmar she is leading today is a better place than it was six years ago when the military freed her from house arrest, launched peace talks with ethnic armed groups, and mounted tentative economic reforms. It is a much freer country that has expanded its foreign ties far beyond its one-time patron China, which the military junta heavily depended on for investment and military equipment.

The Center for Strategic and International Studies (CSIS) between May 29 and June 4 organized a delegation to Myanmar to evaluate the country's political and economic transition, the peace process with the country's ethnic armed groups, the situation of Muslims in Rakhine State, the health care system, and role of the United States in supporting reform and development. CSIS's Southeast Asia Program and the Global Health Policy Center jointly organized the trip, which included several senior congressional staff.

The delegation visited Yangon, Naypyitaw, and Rakhine State, and met with senior Union government officials, parliamentarians, Rakhine State officials, internally displaced persons in camps near Sittwe, U.S. Embassy officials, international organizations, nongovernmental organizations, business representatives, journalists, and scholars and activists. This report is a summary of the group's observations and findings.

It was obvious to the group that the new government still faces daunting tasks on the road to democracy and its success is by no means assured. One of its biggest challenges is trying to

¹ Murray Hiebert is a senior adviser and deputy director of the Southeast Asia Program at the Center for Strategic and International Studies (CSIS) in Washington, D.C. Audrey Jackson is a senior fellow with the CSIS Global Health Policy Center. Phuong Nguyen is an associate fellow with the CSIS Southeast Asia Program.

hammer out a peace deal with the country's roughly two-dozen ethnic armed groups that have fought the central government since the 1950s.

Another challenge is achieving harmony between the country's majority Buddhists and minority Muslims, particularly in Rakhine State, and forging a nation from a patchwork of different ethnic and religious groups that never worked together before. The country's majority Burman population is highly enthusiastic that Aung San Suu Kyi has assumed power, and most ordinary Burmans seem convinced that she can somehow magically fix the country's longstanding challenges. Meanwhile, many among the ethnic minorities, who make up roughly a third of the population, are concerned that their grievances and interests will continue to be neglected under the new government.

A third task is promoting inclusive economic growth in a country where most of the wealth was long controlled by a small military-backed elite and the infrastructure is woefully dilapidated and overextended. A fourth is reducing the outsized role of the military in controlling the government and the economy.

Aung San Suu Kyi and her party are wildly popular, but because they have never run a government before, they are still figuring out how to craft and implement policies. All decisions seem to go to Aung San Suu Kyi, who assumed the newly created position of state counselor because her route to the presidency was blocked by the military-drafted 2008 constitution, which bars individuals with foreign family ties from the highest office. So far the newly minted leader tends to be a bit of a micromanager and not a great consulter, resulting in considerable gridlock across various government agencies. She also acts as her own spokesperson, which means the new government has been slow in effectively communicating and marketing its policies.

Aung San Suu Kyi's cabinet is a mix of technocrats, politicians, former political prisoners, and ethnic minority representatives. She had some trouble luring her top picks to serve as government ministers, and in the case of the Finance Ministry, for example, her first three choices reportedly turned down her offer. Government ministries spent much of the first months of the transition developing plans for their first 100 days in office, the goal of which is to encourage each agency to come up with and implement solutions for priority issues in ways that would best serve the public. In the early weeks of the new government, Parliament appeared to be playing a reduced role from the one it had in the early days of the reform, although it did begin to tackle laws that restricted civil liberties and overhaul investment laws.

The Generals and Aung San Suu Kyi

Much of the success of Aung San Suu Kyi and the NLD will depend on maintaining reasonably cordial working relations with the military. Relations appeared a bit tense immediately after the elections, particularly after Aung San Suu Kyi used the NLD's overwhelming majority in Parliament to push through a bill to appoint her state counselor, a move that military-appointed lawmakers protested as being unconstitutional.

The military has not made clear what redlines it might have in dealing with the new civilian government. Clearly, it blocked last-minute efforts in Parliament by the NLD before the transfer of power on April 1 to have the constitution revised to allow Aung San Suu Kyi to serve as president. Appointed military representatives fill fully one-quarter of the seats in Parliament, and since any constitutional amendments require a 75 percent majority vote, this means that constitutional changes are not possible without the support of the military.

The military also retains control of the powerful ministries in charge of defense, home affairs, and the country's border areas, where fighting with ethnic armies has long been centered. With the overwhelming defeat of the previous ruling party, the Union Solidarity and Development Party, military-appointed members are now the de facto opposition party in Parliament.

Commander-in-Chief Min Aung Hlaing, an active user of social media who seems to want to demonstrate that he is a positive player in the country's evolution to some form of democracy, has said in several press interviews that the military is subservient to the president. But the commander has also made clear that the army has no intention of abandoning its political role any time soon.² Min Aung Hlaing, who is currently serving a second five-year term, is famous for declaring that he will not allow Myanmar to end up "an Arab Spring failure."³

Military-appointed cabinet ministers say they now clear their talking points with the president's office and Aung San Suu Kyi before traveling abroad for meetings, and report back to them once they return home. Min Aung Hlaing joined Aung San Suu Kyi at her house in Yangon for the first time this year in commemorating Martyrs' Day, the July 19 holiday honoring her father, General Aung San, and seven other independence leaders assassinated in 1947.

Roughly 15 percent of the government's budget is reserved for the military. But with increasing spending on military modernization over the past three years and the rising costs of covering retirement benefits for retirees, the military is anxious about sustaining itself. Aung San Suu Kyi and the NLD have not raised the issue of cutting the military's budget, and analysts in Yangon warn that if that were to happen, it could set back political reform for years.

The peace talks with the country's ethnic armed groups will be a litmus test of how well the military can work with the new civilian government. The military and the government will need to agree on the terms of the peace process to ensure they are not working at cross-purposes. The ethnic groups often say they want a form of autonomy in their border regions under a decentralized federal system, while the military has long warned that the country would disintegrate under federalism. The peace process will also be complicated by the

² Aung Hla Tun, "Myanmar Army Chief Pushes against Quick Changes to Constitution," Reuters, February 23, 2016, <http://www.reuters.com/article/us-myanmar-politics-idUSKCN0VW0TY>.

³ Timothy McLaughlin and Simon Webb, "Amid Transition, Myanmar's Senior General Emerges from the Shadows," Reuters, February 24, 2016, <http://www.reuters.com/article/us-myanmar-politics-army-idUSKCN0VX2ZO>.

question of resource sharing in border regions where jade, timber, and other natural resources are located.

Fighting has erupted with some ethnic armed groups since a cease-fire was signed with eight groups in October 2015. Skirmishes have mostly taken place with groups that did not sign the agreement and that, according to the military, run their operations across the border from China and continue to expand their forces. "Sometimes I wish to build a wall," a senior military official told visitors recently, clearly borrowing a page from the playbook of U.S. presidential candidate Donald Trump.

The military this year announced it has taken tentative steps to address the controversy surrounding its human rights record. The Northeast Command, based in Shan State, said in July that the military has begun court martial proceedings to investigate and try soldiers found guilty of rights abuses.⁴ It remains unclear whether these measures will be implemented on a larger scale, or how long the military intends to carry them out. Observers believe that the military leadership may see value in tackling the thorny issue on its own terms, rather than being pressured to do so by an empowered and increasingly informed populace at a later time.

Simultaneously, the recognition among its leadership that the military has lost the respect of large swathes of the population as a result of its decades-long brutal rule is a critical driving force in the decision to launch political reforms. Efforts to investigate the conduct of soldiers in its own ranks may be driven by a desire within the military to slowly restore its public image.

New Government Moves Cautiously on Economic Reform

Aung San Suu Kyi in late July presented the NLD government's five-year, 12-point economic policy to a group of businesspeople, government officials, foreign diplomats, and donors. The document provided few concrete details about policy goals or implementation plans. It stresses, among other things, the importance of developing a market-oriented system "in all sectors" of the economy; a fair distribution of natural resources between states and divisions to promote national reconciliation and the building of a federal state; addressing infrastructure shortcomings; and reviving agriculture and boosting agricultural exports. The government is expected to issue a more detailed infrastructure policy in the coming months, and pass a series of legislative measures by the end of the year aimed at facilitating foreign investment.

In addition, economic advisers say the government will work to tackle endemic corruption, simplify trade tariffs and regulations, and reform state banks. The NLD wants to take advantage of the country's low-cost work force, abundant farmland, and strategic location at the crossroads between China, India, and Thailand to attract more investment. But foreign investors, many of whom were held back by a lack of clear policies and murky regulations,

⁴ Andrew R. C. Marshall and Wa Lone, "Myanmar's Military Investigates A 'War Crime' in an Era of Reform," Reuters, July 20, 2016, <http://www.reuters.com/article/us-myanmar-military-massacre-insight-idUSKCN0ZZ2EV>.

say the recently announced economic policies are still vague, preferring to wait until there are clearer investment laws.

The focus on Myanmar's agriculture sector, where two-thirds of the population eke out their livelihoods, is long overdue. One of the government's top goals is to create 2 million new jobs, many of which could be in agriculture if more investment were focused on this sector. When Myanmar gained independence in 1948, it was one of the world's largest exporters of rice. Today farmers are hurt by a lack of road networks to move their products to the market, poor-quality seeds, low-quality fertilizer (mainly imported from China), and limited investment in water control and irrigation. They also lack access to credit and are often forced to pay upwards of 100 percent per year interest to local loan sharks. The hardships facing farmers have prompted many in rural Myanmar to migrate to neighboring Thailand to work on fishing boats or in seafood processing plants.

One of the biggest economic challenges facing the new government is addressing the confiscation of hundreds of thousands of acres of land by the former military regime, which often turned the land over to crony companies. The NLD pledged to address the problem of land grabbing during the election campaign, and since taking office, has set up a taskforce aimed at resolving land disputes within 12 months.

Tackling corruption is a top priority. A banker said he is already seeing Aung San Suu Kyi's anti-corruption message to government officials trickle down. When his bank was recently audited, government auditors did not request gifts and meals when they arrived, as they had in the past. He also said the new governor of Yangon did not request donations from companies to support this year's New Year water festival as his predecessor had.

After decades of limited investment, upgrading Myanmar's infrastructure is critical for the country's development. The Asian Development Bank estimates that two-fifths of the population lack access to basic roads and 60 percent of the country's highways and railways are in poor condition.⁵ The bank forecasts that transport infrastructure will require investments of \$60 billion between 2016 and 2030.⁶

The shortage of electricity is one of the biggest challenges facing the economy. Only about a third of the population has access to electricity and, in the case of a major hospital in Mandalay, doctors and nurses reportedly often have to use their cellphones for light to conduct surgery. With the economy growing at about 8 percent a year, the electricity shortage will only get worse.

The country has a surplus of natural gas, but most of it is committed for export for the next 10 years through contracts with Thailand and China. Myanmar has immense hydropower potential, but the previous government's suspension of the Chinese construction of the Myitsone Dam in northern Kachin State in 2011 highlights the strong domestic opposition to hydropower projects. Representatives of the Chinese company that began work on the dam

⁵ Asian Development Bank (ADB), *Myanmar Transport Sector Policy Note: How to Reduce Transport Costs* (Manila: ADB, 2016), <http://www.adb.org/sites/default/files/publication/189075/mya-reduce-transport-costs.pdf>.

⁶ ADB, "Myanmar's Economic Growth to Recover, Inflation to Moderate in FY2016," news release, March 30, 2016, <http://www.adb.org/news/myanmar-s-economic-growth-recover-inflation-moderate-fy2016>.

say they have already spent \$800 million on the project and have suspended work on half a dozen other hydropower projects in the wake of the Myitsone shutdown.

The new government has opposed the construction of planned large-scale dams until further environmental assessments have been conducted. Myanmar officials say they will likely have to rely on a mix of gas imports, and building small hydropower projects, natural gas-fired power plants, and solar stations to help meet growing demand.

Aung San Suu Kyi has not said how she plans to address the continuing strong role of the military in the economy. A major challenge facing her government is that at least half the country's economy is off the books, and much of it is illegal. Global Witness, a transparency-promoting organization, estimated that \$31 billion of jade—roughly half of Myanmar's official gross domestic product—was mined in northern Myanmar in 2014 by companies close to the former military regime and ethnic armies that did not pay royalties to government coffers.

Illegal logging is also a big problem in northern Kachin State. Many of the logs are exploited by loggers from China and shipped on Chinese trucks to China where they become “legal,” according to economists in Myanmar. Local military officers and customs officials on both sides of the border protect these operations. Ethnic armed groups and government-aligned militias on the China-Myanmar border, meanwhile, have their own stakes in the timber business in territories they hold. In mid-2015, the outgoing government arrested some 150 illegal loggers from China, but they were quickly released. The NLD government announced that it will not issue new gem and mining permits until better laws regulating the industry have been put in place.

The new Parliament has already started work on the economy by streamlining some investment laws, getting rid of many cumbersome license requirements, and putting all trade regulations online. Meanwhile, civil society leaders, in partnership with some of Myanmar's foreign partners, have launched efforts to publicize the government's budget process online in an effort to boost government transparency and encourage the public to be part of the process. Past governments provided little information on how ministries were allocated their budgets, and only planned figures for government spending were made available. The process was even murkier with regards to the budget for the powerful military.

Building a New Peace Architecture

Aung San Suu Kyi calls achieving internal peace and national reconciliation the “first priority” of the NLD government. Lasting peace and a political framework that can deliver tangible results for all communities are necessary conditions for a country as fragmented as Myanmar to maintain domestic stability, pursue growth policies, and reform its institutions.

Shortly after taking office, Aung San Suu Kyi launched several important measures aimed at streamlining Myanmar's peace architecture. First, she announced the establishment of the National Reconciliation and Peace Center, to be in charge of peace talks and put it under the Ministry for the State Counselor's Office. The new body replaced the Myanmar Peace Center,

and will relocate its headquarters from Yangon to the capital Naypyitaw to help “fast-track” decisionmaking.

Second, Aung San Suu Kyi restructured the Union Peace Dialogue Joint Committee, the union-level body tasked with creating a framework for political dialogue, the next step after the signing of a nationwide cease-fire agreement between the previous government and eight ethnic armed groups in October 2015. The objective of the political dialogue is to work out terms between the central government and various ethnic stakeholders for building a democratic federal union in Myanmar. She excluded from the committee political parties with no elected representatives in Parliament, bringing its size down to 18 from the previous 54. Aung San Suu Kyi serves as the chair of the committee.

Third, she took an active leadership role in the preparations for the 21st-Century Panglong Conference in late August, the first major gathering of ethnic stakeholders and military and government representatives under the new government to discuss issues of national reconciliation. This conference is Aung San Suu Kyi’s signature effort to pick up the legacy of her father and Myanmar’s founding father, Aung San, when he convened with three of Myanmar’s major ethnic groups in Panglong near the China-Myanmar border in 1947 to discuss the formation of a federal union in a then-newly independent Myanmar.

Aung San Suu Kyi limited issues to be discussed among participants to only two areas: politics and security. The terms of the cease-fire agreement had laid out five areas for discussion at the next stage—politics, security, economics, social, and land and the environment. By doing this, the government chose to tackle two areas of concern for both the military and many of the armed groups that acceded to the cease-fire, but avoided thornier economic issues including resource sharing, economic development, taxation, and redistribution. Civil society organizations, which had participated directly in the peace process under the previous government, will lead a parallel track to provide suggestions on issues that do not fall under politics or security, but will not have a formal role in the new peace architecture.

More importantly, Aung San Suu Kyi has given the military and Min Aung Hlaing an increased role in the whole process. The military, which was accorded what many described as a secondary role in the peace dialogue structure under the previous government, was known for posing obstacles for the peace team at critical junctures. It has so far been more cooperative with the current government’s initiatives. Aung San Suu Kyi has made a point to hold regular meetings with the commander-in-chief, with the two jointly appearing in high-profile public events on several occasions. Officials involved in the new peace architecture have witnessed more cooperation from the ministries of Home Affairs, Defense, and Border Affairs—all three of which are under military control—an apparent sign that they were instructed to do so by their leaders, at least for the time being.

Aung San Suu Kyi wants to find ways to involve non-cessate-fire groups in the new process. Some of these groups, such as the Kachin Independence Army (KIA) and the United Wa State Army, are well-armed and more politically important than many of the smaller armed groups that signed the earlier cease-fire. In fact, they hold the key to achieving peace in Myanmar’s restive north. The military has long held that any armed groups wishing to take part in the

political dialogue must first sign on to the cease-fire agreement. Aung San Suu Kyi, on the other hand, wants an “open-door” peace process, in which non-cease-fire groups are invited to observe political talks between the government and the cease-fire groups, and have the option to accede to the cease-fire agreement at a later stage.

The military refuses to recognize three small but actively fighting armed groups on the China-Myanmar border, often referred to as “Kokang allies”—the Ta’ang National Liberation Army, the Myanmar National Democratic Alliance Army (or Kokang Army), and the Arakan Army—barring them from cease-fire talks under the previous government and demanding that they disarm before taking part in the peace process. Military leaders view these groups as proxies of the more powerful KIA and the United Wa State Army, rather than actors worth engaging in their own right, and have often accused them of being propped up by unknown actors from China.

The majority of armed clashes since the signing of the cease-fire agreement took place in northern Shan State between the military and the Kokang allies, and in Kachin State between the KIA and government troops. The military has continued to carry out offensives against these groups, and is seemingly prepared to keep on fighting them for the foreseeable future.

Meanwhile, active fighting has spread to Rakhine State, with sometimes-deadly clashes between the Arakan Army and government troops, including on the Myanmar-Bangladesh border, beginning in late 2015. The Arakan Army, founded by migrant Rakhine workers in Kachin State with help and training from the KIA, had until recently limited its activities only to areas in northern Myanmar. The military has hardened its position on the Arakan Army and is determined to deny it a stronghold in Rakhine State.

Many of the groups that negotiated the cease-fire under the previous government but refused to sign it in 2015 have insisted that the Kokang allies be included in the new peace dialogue as a prerequisite for their participation in any political talks.

Officials involved in the peace process believe that Aung San Suu Kyi and the military leadership hold similar views on how the political dialogue should be conducted. Aung San Suu Kyi’s decision to narrow the areas of discussion at the second Panglong conference, and streamline participation from civil society organizations and political parties may have won her leverage with the military.

A positive development in the peace process has been the military’s incrementally shifting attitude on the concept of “federalism.” Senior military officials for years considered discussions of federalism a taboo, associating it with threats of secessionism in ethnic-dominated border areas and the disintegration of the union. People familiar with the peace process say that senior military representatives have recently grown more comfortable with the idea of a federal state in Myanmar, partly as a result of study tours they took to observe other federal systems such as the ones in Germany and Switzerland.

While these developments present a flicker of hope, negotiating the terms for federalism to which all parties can agree will be an extremely challenging task during the political dialogue, which is mandated to conclude within the next three to five years. Issues such as resource

sharing, power sharing, and general administration of the country will be particularly contentious and touch on entrenched economic interests of both the military and the patchwork of ethnic armies and militias in the border areas of Myanmar. Leaders of ethnic political parties, civic organizations, and armed groups meanwhile remain deeply divided over the meaning of a federal state in Myanmar.

The military continues to justify its role in politics in Myanmar on the grounds that protracted conflicts in parts of the country remain unresolved. The commander-in-chief has made clear repeatedly that the military will hand over all power to civilians only when peace has been achieved with all of Myanmar's many armed groups. This process, according to him, might take 5 or 10 years.⁷ This means that the military has a vested interest in allowing the peace process to advance only at its own comfort level and on its own terms.

Rebuilding the Neglected Health Care System

As Myanmar emerges from decades of military rule, the country faces numerous challenges to rebuilding its health care system. About 60 years ago, Myanmar had among the best medical schools and health care workforce in the world. Under military rule, health was a low priority and the public health system was grossly underfunded.

Decades of neglect have resulted in a raft of obstacles to good quality medical and public health care, including inadequate clinics, hospitals, and other health care infrastructure; weak surveillance and information management systems; insufficient human resources for health; and disparities in health care service delivery throughout the country, particularly in ethnic minority areas.

The government of Myanmar has recently made a concerted effort to reconstruct the public-sector health care system through increased health financing and improved delivery of services. In 2013, the Ministry of Health began providing seven essential services and emergency care free of charge. Public spending on health increased from 0.2 percent of gross domestic product in 2009 to slightly over 1 percent in 2014. While many tout the five-fold increase in health spending, the current level of spending is still low by international standards.

The NLD National Health Network in March 2016 released a framework of health reforms geared toward achieving universal health coverage by 2030.⁸ Under this plan, the government will add new essential services while increasing health spending—including through the potential use of a "sin tax" on tobacco.

⁷ Jonah Fisher, "Myanmar's Strongman Gives Rare BBC Interview," BBC, July 20, 2015, <http://www.bbc.com/news/world-asia-33587800>.

⁸ National Health Network, "Programme of Health Reforms: A Roadmap towards Universal Health Coverage in Myanmar (2016-2030)," March 2016.

Out-of-pocket expenditure by patients has recently decreased to 65 percent from a high of 90 percent in 2013. Myanmar achieved lower-middle-income status in 2015,⁹ triggering a requirement from the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund) for a higher minimum level of domestic health spending.¹⁰ Through the institution of several reforms, government health spending is expected to increase over the next few years.

The new Minister for Health Myint Htwe began his term in April by outlining his goals and priorities to the staff of the Ministry of Health and Sports (MOHS).¹¹ He plans to build capacity in the ministry and at all levels of the health system, down to the township health department and rural health center. Much of his speech was devoted to setting high expectations for increased professionalism, collaboration, and communication and decreased bureaucracy in the functioning of the ministry. One short-term priority is to develop a new strategic National Health Plan with input from the grassroots community health level. Through their village health committee, ordinary citizens can highlight areas where reform is urgently needed.

In support of national goals to improve primary health care, the World Bank has committed \$100 million in loans through the Essential Health Services Access Project, with a particular focus on maternal, newborn, and child health.¹² The project objective is to strengthen service delivery and improve local operational function by directing funds through the MOHS to states and townships. Health system reforms will be further enabled by more granular data, gathered through both the 2014 census,¹³ supported by the UN Population Fund (UNFPA), and the country's first Demographic and Health Survey, supported by the U.S. Agency for International Development (USAID) and due to be released in January 2017.

Analysis of the 2014 census revealed that maternal and child mortality rates had been significantly underestimated, by as much as half. The maternal mortality rate (250 per 100,000), infant mortality rate (62 per 1,000 live births), and under-5 mortality rate (72 per 1,000 live births) all rank among the worst in the Asia-Pacific region.

Delivery of maternal and child health services relies on a volunteer work force of auxiliary midwives, who are trained for only six months but are increasingly called on to perform services beyond midwifery and have become front-line health workers. UNFPA, bilateral donors, and nongovernmental organizations (NGOs) such as Save the Children are working with the government to standardize responsibilities and improve training, supplies, and support for midwives. Shifting some of their tasks to other health workers will enable

⁹ World Bank, "WB update says 10 countries move up in income bracket," press release, July 1, 2015, <http://www.worldbank.org/en/news/press-release/2015/07/01/new-world-bank-update-shows-bangladesh-kenya-myanmar-and-tajikistan-as-middle-income-while-south-sudan-falls-back-to-low-income>.

¹⁰ The Global Fund to Fight AIDS, Tuberculosis, and Malaria, "The Global Fund Eligibility and Counterpart Financing Policy," November 2013, http://www.theglobalfund.org/documents/core/eligibility/Core_EligibilityAndCounterpartFinancing_Policy_en.

¹¹ Inaugural speech delivered by Union Minister Myint Htwe to health professionals of the Ministry of Health and officials of the Department of Sports and Physical Education, April 1, 2016, Ministry of Health, Naypyidaw.

¹² World Bank, "Essential Health Services Access Project of Myanmar," <http://www.worldbank.org/projects/P149960/?lang=en&tab=overview>.

¹³ Republic of the Union of Myanmar, "The 2014 Myanmar Population and Housing Census: The Union Report, Census Report Volume 2," May 2015, http://www.dop.gov.mm/moip/index.php?route=product/product&path=54_49&product_id=95.

midwives to focus on reproductive health, family planning, and initial emergency obstetric care.

U.S. government support for family planning and maternal and child health in Myanmar is modest.¹⁴ But Myanmar has recently been designated one of 25 priority countries under USAID's Ending Preventable Maternal and Child Deaths, an initiative supporting the global goals of reducing maternal and child mortality by 2035. Health experts hope this new priority will result in increased technical assistance and eventually increased resources.

Malaria and other infectious diseases impose a serious health toll on the people of Myanmar and can pose a health security risk to the rest of the world. Artemisinin, currently the most effective global malaria treatment, is in danger of being rendered ineffective by the emergence and spread of artemisinin-resistant malaria throughout the Greater Mekong Sub-region (Cambodia, Laos, Myanmar, Thailand, and Vietnam). Because Myanmar accounts for 80 percent of malaria cases and deaths in the sub-region,¹⁵ it is a focal point for preventing the spread of artemisinin-resistant malaria to the rest of Asia, Africa, and beyond.

In 2015, the World Health Organization (WHO) adopted a policy of malaria elimination from the Mekong region by 2030 as the only way to ensure that drug-resistant malaria does not spread beyond the region and reverse the significant global progress in malaria control over the past decade.

Malaria is a disease that affects diverse populations in Myanmar, including migrant populations across the Thailand-Myanmar border, ethnic minority groups in states along the periphery, and the military serving in conflict zones. It vividly illustrates the challenge of delivering health care services to ethnic minorities and others in remote regions, and in states where active fighting persists. Until a durable peace agreement can be reached, health services in these areas will not be delivered primarily by the Myanmar government, but by ethnic health organizations, supported by local and international NGOs, bilateral donors, and international funders. Despite these challenges, leaders across the government, military, ethnic health organizations, and civil society have all committed to work together to fight malaria because it is a threat that affects each of their constituencies.¹⁶

With support from the Global Fund, the U.S. President's Malaria Initiative,¹⁷ and other international donors, Myanmar has successfully reduced malaria case numbers and mortality over the last few years. But with fewer cases of malaria comes a lowered sense of urgency about malaria, although the threat posed by resistant malaria has not diminished. It is critical

¹⁴ USAID budget for FY2016 includes \$3 million for maternal and child health and \$2 million for family planning and reproductive health.

¹⁵ Eva Maria Christophel et al., *Joint Assessment of the Response to Artemisinin Resistance in the Greater Mekong Sub-Region: Summary Report* (Geneva: World Health Organization, April 2012), <http://files.givewell.org/files/DWDA%202009/PSI/120418-Artemisinin-Resistance-in-GMS-SummaryReport.pdf>.

¹⁶ CSIS, University of Maryland Institute for Global Health, and American Society of Tropical Medicine & Hygiene, "Working Together to Eliminate Malaria in Myanmar," conference statement, Washington, DC, August 3, 2015.

¹⁷ PMI is an interagency effort that includes USAID, the Department of State, the Department of Health and Human Services, and the Department of Defense. FY 2016 PMI funding for Myanmar is \$8 million.

for Myanmar and its international partners to continue malaria elimination efforts until the threat of resistant malaria is completely eliminated from the region.

The Global Fund's \$100 million Mekong regional grant ends in 2016, and it is currently considering grant awards for 2017 while undergoing a replenishment cycle to secure new pledges from donor governments. In an era of tightening resources, it remains to be seen what level of support the Global Fund and other international donors will direct towards malaria elimination in the Mekong.

Within Myanmar, representatives from federal and state governments, military, ethnic health organizations, and local NGOs are working side-by-side with international organizations and NGOs to deliver on the commitment made in 2015. With the WHO serving as the secretariat, the MOHS has convened a Malaria Technical Strategy Group to develop a new five-year malaria strategic plan for the country, due to be released in the coming months. While there have been logistical and administrative hurdles preventing representation of all stakeholders at each meeting, the Malaria group represents an example of how diverse groups in Myanmar can come together around a common national problem and work together to build communication and trust.

Addressing Communal Conflict in Rakhine

Two months after the NLD government took office, it embarked on a process to start addressing the plight of stateless Muslims in Rakhine State, one of the most intractable—and internationally contentious—challenges facing Myanmar. Approximately 1 million self-identified Muslim Rohingya live in the impoverished state. Aung San Suu Kyi has made addressing the situation in Rakhine part of the government's broader national reconciliation agenda. In a joint press conference with visiting U.S. secretary of state John Kerry in May, Aung San Suu Kyi asked that she be given "enough space" to tackle the problem.¹⁸

The government has since launched a 27-member Central Committee for the Implementation of Peace, Stability and Development of Rakhine State, chaired by Aung San Suu Kyi and including ministers at both the union and state levels. Seven members of the committee took their first inspection tour of Rakhine State in June to visit camps housing internally displaced persons, meet with community leaders, and take stock of the infrastructure and living conditions across the state.

Aung San Suu Kyi for the first time used the word "Rohingya" in public during the press conference with Kerry. She had been the target of human rights groups, which have long criticized the democracy icon for not coming out in support of the disenfranchised group. She also faced pressure from Buddhists in Myanmar, most of whom see the Muslim Rohingya as a threat to the country's mainstream identity and call them Bengalis, suggesting they descended from illegal migrants from neighboring Bangladesh.

Aung San Suu Kyi has told diplomats that her government recognizes the need to address the

¹⁸ U.S. Department of State, "Joint Press Availability with Burmese Foreign Minister Daw Aung San Suu Kyi," May 22, 2016, <http://www.state.gov/secretary/remarks/2016/05/257583.htm>.

problem of citizenship for Muslims in Rakhine, and to do so without forcing them to self-identify as “Bengali.” The previous government insisted that Rohingya do not exist in Myanmar, and it required undocumented Muslims in Rakhine State to identify themselves as Bengalis if they wanted to undergo citizenship verification or be counted in the national census.

The Ministry of Labor, Immigration, and Population in May resumed a process to verify citizenship criteria for Muslims living in Rakhine, this time without requiring applicants to identify as Bengali. As a first step, local authorities are in the process of registering internally displaced persons in resettlement camps across the state. The previous government’s pilot project to verify citizenship for Rakhine’s Muslim population, launched in 2014, quickly ran into trouble due to a backlash from the local Buddhist Rakhine community and was eventually suspended. The NLD government has preferred to keep the project low profile, while assuring the populace that it will be carried out in a transparent manner and in accordance with existing laws.

Yet, like its predecessor, the current government has refused to include the Muslims in Rakhine in its list of 135 official ethnic groups as laid out in the 1982 citizenship law. Not being listed as a national race means that people from a group have fewer rights and less access to government-provided services. After communal riots erupted in Rakhine in 2012, during which more than 100 people died, about 125,000 Muslims were forced out of their villages into tightly controlled camps, where they depend on international aid for food and health care. Rakhine Muslim communities have looked to Aung San Suu Kyi to improve their bleak situation by allowing them freedom to move and leave the camps for their old homes.

According to the country’s citizenship law, residents whose forefathers lived in Myanmar in 1824 qualify as full citizens if they are part of the 135 officially recognized ethnic groups. Those who came after 1824 qualify as associate citizens with fewer rights. Herein lies the controversy: while many Rohingya claim ancestry that dates back at least to a fifteenth-century kingdom in Rakhine, most of Myanmar’s Buddhists regard them as foreigners brought from Bangladesh when British colonial rule over parts of then-Burma began in 1824.

Rights groups have long called on Myanmar to amend its laws, which create different categories of citizenship and exclude groups like the Rakhine Muslims from citizenship. Aung San Suu Kyi’s government has not said whether it will try to amend the citizenship law and bring it more into line with international practice. A fair number of Muslims in Rakhine who had undergone citizenship verification under the previous government had trouble producing documentation dating back to 1824. The same problem is expected to confront the new government’s Rakhine efforts.

Aung San Suu Kyi’s call on both Buddhist and Muslim communities to look beyond terminology and focus instead on tackling pressing socioeconomic issues was quickly met with resistance from representatives of both communities. Hundreds of ethnic Rakhine and Rakhine Buddhist monks in June signed a letter to senior government and military leaders expressing their discontent with the phrase “Muslim community in Rakhine State” that is now sanctioned by the government, calling it “unacceptable” and asking the government to stick

to the term Bengali.¹⁹ In July, thousands of ethnic Rakhine took to the streets in the state capital Sittwe and nearby towns to protest the government's Rakhine policies and neutral terminology.²⁰

Many in the Rohingya community, meanwhile, view the new government designation as erasing their identity. A number of Muslim villagers have refused to be registered for the government's citizenship verification program unless they are allowed to mention their race and religion on the registration forms.²¹

Aung San Suu Kyi hopes to address the plight of local Muslims with what she calls a "practical resolution" that provides economic development in Rakhine. She has long emphasized the need to build a foundation for equitable development for both Buddhist and Muslim communities, and now has an opportunity to work with Myanmar's international partners to design a comprehensive development plan that is based on the principle of equity for all residents. The NLD government has allocated an initial \$5.9 million to develop and address communal tensions in Rakhine, and is expected to mobilize more resources for improving the situation of the state's residents.²²

Prioritizing the Rakhine issue is a laudable decision, and restarting the citizenship verification process is a critical long-term mission. But it is also important for the government to offer solutions to facilitate the freedom of movement for Rohingya Muslims who have been resettled from refugee camps but whose movement is still subject to restrictions. The government should also provide international aid organizations unhindered access to camps housing internally displaced persons. International nongovernmental organizations operating in Rakhine State have reported being blocked from refugee camps, sometimes by local Rakhine community groups.

Myanmar and the United States

The beginning of a democratically elected government in April officially ushered in a new chapter in bilateral U.S.-Myanmar relations. Shortly after the NLD's victory in November 2015, U.S. government agencies began discussing with and advising the NLD team on its policy platforms on health and the economy. Since the NLD government took office on April 1, senior U.S. government officials—including Secretary of State Kerry, USAID administrator Gayle Smith, Deputy National Security Adviser Ben Rhodes, and several House and Senate

¹⁹ "Rakhine Buddhists Roll Out Campaign against Myanmar Government's Wording for 'Rohingya,'" Radio Free Asia, July 1, 2016, <http://www.rfa.org/english/news/myanmar/rakhine-buddhists-roll-out-campaign-against-myanmar-governments-wording-for-rohingya-07012016151247.html>.

²⁰ AFP, "Mass Anti-Muslim Protests in Rakhine," *Straits Times*, July 4, 2016, <http://www.straitstimes.com/asia/mass-anti-muslim-protests-in-rakhine>.

²¹ "Muslim Villagers in Myanmar's Rakhine State Refuse to Participate in Census," Radio Free Asia, June 7, 2016, <http://www.rfa.org/english/news/myanmar/muslim-villagers-in-myanmars-rakhine-state-refuse-to-participate-in-census-06072016154906.html>.

²² "New Rakhine Committee Begins Tour of Western Myanmar's Troubled State," Radio Free Asia, June 1, 2016, <http://www.rfa.org/english/news/myanmar/new-rakhine-committee-begins-tour-of-western-myanmars-troubled-state-06012016152629.html>.

delegations—have visited Myanmar to meet with the country’s leaders and express continued U.S. support for the democratic transition.

Aung San Suu Kyi’s visit to the United States in September in her role as Myanmar’s de facto leader will serve to further cement the significant strides made by the two countries under the Barack Obama administration. It will also be an opportunity to begin laying the groundwork for a “new normal” in bilateral ties.

As long as reform continues, Myanmar is expected to occupy a prominent role in U.S. foreign policy and snare a more significant share of U.S. development resources. Total U.S. assistance for the country in 2015 reached \$96.7 million, an increase from \$38.6 million in 2010. Requested funding in U.S. support for Myanmar amounts to \$110.2 million in 2016 and \$114.7 million for 2017, with a focus on democracy and governance, health, economic development, peace and security, and humanitarian assistance.²³ Since Myanmar is still considered a “restrictive country” for the purpose of receiving U.S. foreign assistance,²⁴ government agencies are limited in the type of support and projects they pursue in the country.

In May, six weeks after Aung San Suu Kyi took office, the Obama administration took steps to further relax U.S. economic sanctions, but it did not fully lift them due to concerns about the continuing influence of the military over the government. These moves were intended to promote trade and make it easier for Americans to use banks doing business with Myanmar, but kept roughly 100 businessmen and companies that control a giant chunk of the economy on the Treasury Department’s Specially Designated Nationals (SDN) list.

Myanmar and U.S. companies have expressed frustration about the relatively minor tweak to the sanctions despite the election of a significantly more democratic government. Some on the SDN list complain that they had worked to do what U.S. officials had requested of them by improving their business practices and engaging in corporate social responsibility activities. One of them, Tay Za, was involved in providing training for new NLD parliamentarians early this year and is building a new headquarters for the NLD. Some say the remaining sanctions are benefiting companies not on the SDN list and are allowing new businesses to emerge, but others point out that the sanctioned firms still have many opportunities to do business with non-U.S. companies.

U.S. businessmen say that the remaining sanctions still make it too troublesome for U.S. companies to do business in Myanmar, especially small and medium-size companies for which the costs of legal fees to ensure they comply with U.S. rules can be prohibitive. These business representatives say that despite the easing of financial restrictions, it is still hard for Americans to transfer money in and out of the country, and that companies find it difficult to support their employees in Myanmar. Meanwhile, U.S. banks in the region prefer not to serve Americans and U.S. companies operating in Myanmar because it opens them up to being

²³ ForeignAssistance.gov, “Burma Foreign Assistance,” accessed August 13, 2016, <http://beta.foreignassistance.gov/explore/country/Burma>.

²⁴ Under the U.S. Foreign Assistance Framework, a “restrictive country” is defined as a state in or emerging from and rebuilding after internal and external conflict.

audited. Almost all foreign banks that were awarded licenses to operate in Myanmar are from neighboring Southeast Asian countries and Japan.

Discussions with Myanmar government officials, scholars, and youth leaders show that the United States enjoys considerable goodwill and favorable public opinion in most parts of Myanmar society—with the Rakhine situation being an exception.²⁵

Senior government officials, including military leaders, understand that only Washington can balance the steadily expanding Chinese economic and strategic footprint in the country, while at the same time are cautious about not elevating ties with Washington too quickly for fears of irritating Beijing. Youth and civil society leaders in general view the United States as a like-minded partner and supporter of the role that they play in advocating for democracy and human rights in Myanmar.

Considerable amounts of U.S. assistance to Myanmar over the past five years went into strengthening civil society and domestic watchdog organizations, in addition to helping prepare for the 2015 national elections. The American Center in Yangon, run by the U.S. Embassy, was for years a refuge of sorts for local activists and youth leaders longing to connect with the outside world during the decades of military rule and international isolation. The center is set to significantly expand its facility and operations in Yangon to serve growing demand among local youth.

However, there appears to be a growing tension between many within civil society, on the one hand, and Aung San Suu Kyi, on the other—both of whom the United States has strongly supported. For decades, civil society organizations functioned as a grassroots force in Myanmar politics, speaking up against military oppression and demanding greater transparency. With the democracy icon having won a popular mandate to govern and often taking the sole lead in shaping the civilian government's policies, a number of civil society leaders feel excluded, ironically as the country moves toward greater democracy.

This issue could pose a dilemma for the United States. Washington recognizes that Aung San Suu Kyi's leadership of the country provides it an unprecedented opportunity to buttress its engagement with a country in Southeast Asia that is strategically located and has the potential to emerge into an active geopolitical player if it continues to pursue reform. At the same time, the United States has an interest in seeing the democratic progress achieved in recent years transcend the current government and take a firm hold in Myanmar. Promoting civil society and supporting greater civil liberties both help achieve this larger goal. Senior U.S. officials have on occasions sought to communicate to Aung San Suu Kyi that people's voices and opinions still do matter even after the holding of elections.

Separately, Aung San Suu Kyi appears to be more supportive of Washington's engagement with Myanmar's military than she was in the past. Under the previous government,

²⁵ See Aung Kyaw Min, "Nationalists Rally against US Embassy's Use of Term 'Rohingya,'" *Myanmar Times*, April 29, 2016, <http://www.mmmtimes.com/index.php/national-news/yangon/20031-nationalists-rally-against-us-embassy-s-use-of-term-rohingya.html>; and Ye Mon and Aung Kyaw Min, "Nationalists Plan Another Rally Outside US Embassy," *Myanmar Times*, May 3, 2016, <http://www.mmmtimes.com/index.php/national-news/yangon/20076-nationalists-plan-another-rally-outside-us-embassy.html>.

Washington began limited engagement with the military by holding workshops for officers on issues concerning rule of law, human rights, and humanitarian assistance and disaster relief.

The state counselor earlier this year approved a U.S. proposal to conduct more structured courses under the U.S. Expanded International Military Training program, often dubbed E-IMET, that aim to foster understanding of and respect for the principle of civilian control of the military. The administration has since worked to convince Congress on the merits of this initiative. At least some members of Congress still believe Washington has moved more quickly than it should have to normalize its engagement with Naypyitaw, and may risk losing important leverage to press for additional reforms in the future, particularly with the military. U.S. officials, meanwhile, believe that engagement is the best tool to help influence the thinking and attitude of a powerful institution currently in transition.

In another sign of changing times, the U.S. military is considering beginning a small, customized English-language training program for the Myanmar military. Both sides have shown strong interest in this initiative, which, if it materializes, could help promote a culture of reform within Myanmar's armed forces and give its future leaders important tools to play a greater role in areas such as peacekeeping and regional security forums down the road.

Myanmar's military leaders say they are interested in developing closer ties with the U.S. military, which ended cooperation following the brutal 1988 crackdown that crushed pro-democracy demonstrations. After that, the Myanmar military turned increasingly to China for weapons and training. Now with improving relations with Washington, military leaders have again expressed interest in training opportunities in the United States for young officers. Counterterrorism training is another area in which the military is particularly interested in cooperating with Washington.

Myanmar's military leadership, which for decades harbored paranoia toward the United States, has gradually recognized the value in partnering with Washington amid the democratic transition and in ways that would assist the long-term professionalization of the military and gradually help reduce its dependence on China. At the same time, individuals who have had frequent interactions with senior military officials believe that the military's concern over whether continued engagement with the West, and the United States in particular, would prompt a broader debate about its human rights record far outweighs the armed forces' interest in a complete lifting of remaining U.S. economic sanctions on Myanmar.

Next Steps in U.S. Policy toward Myanmar

After the military's bloody crackdown against pro-democracy protestors in the 1980s, U.S. policy toward Myanmar centered mainly around sanctions and isolation of the ruling junta. Washington repeatedly ratcheted up sanctions against trade and investment, imposed diplomatic isolation, and opposed most assistance for Myanmar from international financial institutions.

When the military freed Aung San Suu Kyi from house arrest and released many of its political prisoners beginning in 2010, Washington began exploring increased engagement with Myanmar. The gradual reforms prompted then-secretary of state Hillary Clinton to visit in late 2011 and the easing of U.S. sanctions in May 2012, followed by the posting of a U.S. ambassador to Myanmar, the reopening of a USAID mission, and two separate visits by President Obama in 2012 and 2014.

Over the next three years, the entire U.S. government presence in Myanmar was dedicated to the support of democratic elections in November 2015, which resulted in the overwhelming victory for the NLD. But the elections were only the first chapter in the country's transition to democracy, and a more challenging and complex chapter of building a new democratic society still lies ahead. This will require full-throated backing from the United States, Japan, the European Union, and other democratic countries.

Some concrete recommendations for the United States include:

- ***Establish an annual political-security dialogue between U.S. and Myanmar officials.*** Aung San Suu Kyi's leadership of a democratically elected government provides a crucial opportunity for Washington to shape a "new normal" in bilateral U.S.-Myanmar relations. Although the United States moved to improve diplomatic relations with Naypyitaw in 2012, bilateral engagement over the next three years focused largely on testing the seriousness of the government toward reform, human rights, and democratic elections. It is important that the two governments now begin to lay the foundation for regular dialogue and engagement between the two countries, in addition to the annual human rights dialogue already being held. This is important since many current Myanmar government officials are part of the country's "missing middle," the generation that came of age during the years of military rule and had little exposure to the outside world. Regular channels for high-level dialogue would allow Washington an opportunity to boost mutual understanding between officials from both sides, and more importantly, engage with Myanmar's younger and rising civil servants early on.
- ***Boost U.S. technical assistance.*** The needs of the new government are overwhelming. Despite the global competition for resources, U.S. government agencies should continue seeking to promote capacity building for Myanmar government institutions and offer technical aid in such areas as trade and investment regulations, and advancing legal reforms and the building of an independent judiciary. The United States should consider opening a program akin to the hugely successful U.S. Fulbright Economics Teaching Program in Vietnam, which the U.S. government launched in the 1990s and is operated by Harvard University to educate mid-level Vietnamese officials on the functioning of a market-oriented economic system. The USAID mission in Yangon should use its new five-year strategy to help refine the NLD government's economic policies.
- ***Support aid programs on the principle of equitable development in Rakhine.*** The U.S. government should join others in the international community in providing economic and humanitarian aid to the poor, whether Muslim or Buddhist, in Rakhine

in a first step to address communal tensions in the state. Including poor Buddhists in the aid program could serve as a confidence-building measure to demonstrate that the international community does not pick one group over the other in the dispute. Washington should continue to privately urge Aung San Suu Kyi and her government to address the problem of citizenship verification for Muslims in Rakhine and do so without forcing them to self-identify as “Bengali,” even in the face of nationalist anti-Muslim protests.

- ***Take further steps to ease economic sanctions.*** Apart from the SDN list, the administration should work with Congress to modify the sanctions that continue to hobble investment and trade by U.S. companies in an effort to help create jobs and promote best business practices. Granting Myanmar access to the Generalized System of Preferences program could lead to investment in light industry and promote continued labor reforms as the government works with the International Labor Organization. With Aung San Suu Kyi heading the government, it is doubtful that the remaining sanctions provide any leverage over the military. In addition, the U.S. government should set realistic benchmarks that would make it possible for businesspersons who have reformed their business and social practices to graduate from the SDN list.
- ***Boost engagement with the military.*** Assuming the military continues to cooperate with the civilian government, the U.S. government should step up exchanges with the military amid the country’s transition to a democratic system. In close coordination with civilian leaders, the U.S. government should step up high-level contacts between senior U.S. and Myanmar military officers, and expand courses offered to Myanmar officers in such areas as civil-military relations, handling refugees, counterterrorism, and English-language training. This proposal is not a call for officer training under such programs as the International Military and Education Training program or selling weapons, which would be premature and are restricted by Congress. U.S. defense officials should encourage their Myanmar counterparts to increase the number of Myanmar officers being sent to the Asia Pacific Center for Security Studies in Hawaii, in order to help them further socialize with colleagues from the United States and other Asia-Pacific countries.
- ***Support delivery of health services to ethnic minority groups.*** The U.S. government should continue to work collaboratively with the government and NGOs in providing delivery of health services to ethnic minority areas, regardless of the state of the peace process. As Myanmar works toward a durable peace agreement and creation of a workable federal system of government, health services delivery can serve as a leading venue through which diverse stakeholders (such as union and state governments, the military, ethnic health organizations, and NGOs) can test models of coordination and integration. The United States should support these efforts, while continuing to assist minority populations in receiving adequate levels of health care services.

- ***Assist in acceleration of malaria elimination.*** Obama highlighted global malaria elimination as a goal of his administration in his 2016 State of the Union speech, and subsequently proposed \$200 million in additional funding for FY2017. The U.S. government should support Myanmar in accelerating efforts to eliminate malaria because it aligns with U.S. priorities for global health and national security. In an era of uncertain global health financing from other international donors, increased resources from the United States are even more critical to achieving the elimination of malaria.

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