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How to Invest in Myanmar

Doing Well by Doing Right

By Stanley A. Weiss and Tim Heinemann

JANUARY 17, 2014



A man unties timber in front of Myanmar International Terminals Thilawa, January 6, 2013. (Minzayar / Courtesy Reuters)

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For a nation that was frozen in place for half a century by a repressive military junta, it is ironic that the government of Myanmar (also called Burma) is charging that change is not happening fast enough. But that was the scene in November, when government officials seized a **multibillion-dollar industrial project** in the southern port town of Dawei for its owners' failure to attract foreign investors in a timely fashion. To restart the project, which had previously been run by a Thai company, Myanmar appealed to government officials and private investors in Japan. The first to bite was the Mitsubishi Corporation,

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which agreed to build a large, coal-fired plant to generate electricity and kick-start operations.

In the middle of the Dawei drama, a local human rights group, known as the Dawei Development Association, warned Japanese investors that they risked becoming complicit in **harming half a million minority residents in the area**. The group charged that Myanmar's government had forced thousands of poor farmers off their land **"without fair or equal compensation"** or "access to adequate housing or livelihoods after being displaced."

Dawei is far from an isolated case. As part of a yearlong study in southern Myanmar, the Karen Human Rights Group documented thousands of instances of **"abuse, destruction of property, pollution, theft, and confiscation of land"** between 2011 and 2012. In northwestern Myanmar, local activists and farmers have documented the illegal seizure of more than 7,800 acres from ethnic minorities to allow for the expansion of a Chinese-financed copper mine -- a case that sparked national outrage when police used deadly phosphorous on protesters. In central Myanmar, 8,000 villagers -- primarily from minority groups -- were **forcibly relocated onto barren land** to make way for an enormous hydroelectric dam that British, Swiss, and Chinese firms are building. And in the southeast, just 13 miles from Yangon, hundreds of local farmers received notices ordering them **to leave their land in 14 days** or face arrest. The fields were needed for the construction of another "special economic zone," known as Thilawa. Thus far, officials have confiscated **nearly 50,000 acres**.

In the West, it has become common to view the newly democratic Myanmar -- with its vast store of largely undeveloped natural resources, from timber and jade to oil to gas -- as **Asia's next rising star**. With 60 million potential consumers, a **generous new foreign investment law** that allows international firms up to 100 percent ownership of projects they fund in Myanmar, a five-year tax holiday, and 50-year land leases, companies from **Coca-Cola** to **Chevron** and **General Electric** are rushing to get a piece of the action. But cutting against Myanmar's potential is the fact that the country is home to the world's **longest ongoing civil war**, which has raged between the Burman-dominated government and many of Myanmar's 135 distinct ethnic groups since 1948. This brutal ethnic conflict has claimed an estimated **600,000 lives** and displaced **more than a million more** -- with some of the most horrific documented atrocities occurring in the past two years.

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The problem for investors is that the vast majority of Myanmar's most desirable natural resources are located in the ethnic-minority-dominated borderlands that surround the country **like a horseshoe**. Since its 2011 opening, Myanmar's government has negotiated cease-fires with **11 of the 12 major ethnic groups**, but absent political and military reform, that does not mean that fighting has stopped for good. Ethnic minorities are still seen as second-class citizens with few -- if any -- rights under Myanmar's constitution. In other words, by investing in Myanmar, the West will play a direct role in a slow-motion ethnic apartheid marked by continuing atrocities and discrimination.

LIMITED DEMOCRACY

“The cynic would say that [Myanmar]...does not exist, and never has, in the sense of being a peaceable homogenous whole,” the Myanmar scholar Justin Wintle writes in *Perfect Hostage*. Myanmar’s central core lies along the long, flat Irrawaddy Valley, home to the Burman majority that makes up an estimated **69 percent of the population**. To the east are the Shan Hills, the domain of the Buddhist Shan people. To the north and northwest are rugged mountains extending to the Himalayas and dominated by ethnic groups such as the Chin and Kachin, who are both Christian. To the west, on the border with Bangladesh, live the Muslim Rohingya -- perhaps Myanmar’s most persecuted minority. The Karen, which are Christian and Buddhist, inhabit the south and southeast hills bordering Thailand. All told, Myanmar’s ethnic minority groups comprise about **a third of the population and cover half of its total land area**.

Starting in the Middle Ages, one ethnic Burman kingdom ruled over the central valley of present-day Myanmar, while separate hill kingdoms -- the Karen, Karenni, Shan, Kachin, and Chin -- remained independent. For centuries, the independent kingdoms warred with the Burman capital, at various points grudgingly forging alliances with -- or paying tribute to -- Myanmar’s ruling kings. The British conquered Myanmar in 1885, only to see their colony collapse when the Japanese, seeking to control Myanmar’s oil and rubber and cut off overland access to China, invaded in 1942.

Burned by their British conquerors, the Burmans sided with the Japanese. The other ethnic groups allied with the United States and the United Kingdom. After the war, the hill tribes expected British Prime Minister Winston Churchill to reward their loyalty by making them independent territories. But Churchill lost a 1945 election to Clement Attlee, who invited the Burmese General Aung San to London and agreed to grant the whole region independence as a group instead, putting ethnic minorities at the mercy of the Burman majority.

Wanting to avoid the postwar violence of India, Aung San convened a meeting with the ethnic groups in the small Shan town of Panglong. There, he promised a power-sharing agreement and pledged that ethnic tribes could opt out of the union ten years after independence if the benefits failed to materialize. A few weeks later, though, Aung San was assassinated. The Panglong agreement never found its way into the new constitution, and the new country found itself in an ongoing civil war. Burman leaders convened another constitutional convention in 1962, proposing to assure equal representation to all ethnicities in national assemblies. The enraged military launched a coup, and with little relief since then, successive military juntas have waged an ethnic cleansing campaign deep in the jungles of Myanmar.

Although Myanmar has won praise for its recent move toward limited democracy, most of Myanmar’s 135 ethnic groups do not want democracy -- they want freedom. Democracy, they say, simply locks in a status quo that has repeatedly led to genocide, far beyond the eyes of Western journalists and corporations.

Last October, a Buddhist anti-Muslim mob killed five Rohingya in the western state of Rakhine, including **a 94-year-old grandmother** who was paralyzed from the waist down. A few weeks later, government soldiers **gang-raped a 15-year-old Kachin girl**. A week after that, the Myanmar army attacked a village and forced

2,000 to flee, joining the half a million refugees in Myanmar and across the border in Thailand.

As horrific as these atrocities are, they are merely symptoms of a broader problem: **a system of geographic apartheid**, whereby citizens on Myanmar's periphery are dehumanized on a daily basis. Consider that Rohingya infants are not issued birth certificates. When they grow up, they cannot marry without a sizeable bribe, or even travel outside their own villages. The government recently rejected a UN resolution **calling for Rohingya citizenship**, preferring to continue considering them "illegal immigrants" from Bangladesh, even though many have lived within Myanmar's borders for generations. Similarly, inhabitants of Chin State cannot build their own houses of worship and must travel out of the country to attend a university -- an obstacle that keeps **all but a handful from higher education**. Although Chin State is 86 percent Christian, Christians hold just **14 percent of state-level senior positions**. And ethnic minorities were excluded from the referendum that resulted in **the 2008 constitution**, while their enemy, the military, maintains **veto power over any constitutional changes**.

In response, Western investors could attempt to operate only in major cities and steer clear of the resource-rich ethnic areas. In fact, many U.S. companies reportedly remain cautious about making major investments in Myanmar's rural areas, fearful of poor infrastructure and "political instability." But even if they do tread carefully, it is virtually impossible to imagine Western businesses not becoming complicit in what the human rights advocate Tom Andrews calls **"the building blocks of genocide."**

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FRUITS OF FREEDOM

For all Myanmar's problems, there have also been encouraging signs of progress. Last November, the government and representatives of 18 rebel groups met for historic cease-fire talks that, although they ended without an agreement, established a measure of goodwill and set up a renewed round of negotiations **for this spring**.

One British diplomat told us that "everyone knows what the answer is -- federalism." Whereas some minority groups such as the Kachin still want outright independence, most hope for a system like the United States or, better yet, Switzerland, where ethnic cantons have autonomy within a federal structure. **"To this day, we wish for the Burmese government to honor the agreements made in 1947,"** a leader of the Kachin Independence Organization told a UN interviewer. In other words, they want the government to make good on the promise of Panglong.

Convincing the army to relax its stranglehold on the country will not be easy. "They have serious economic interests at stake as well as pride and animosity," the British diplomat told us, "it is their guys who have been fighting the ethnic groups for years." Still, countries from South Korea to Ghana have managed to transition successfully from military dictatorship to democracy, many with less

going for them than Myanmar has today. And as one European ambassador points out, “A lasting reconciliation with the minorities could be politically rewarding in 2015’s national election. That is why the president is trying very hard.”

Although there is no alternative to direct government engagement with Myanmar’s ethnic minorities, Western business has its own role to play. In a few cases, firms with significant interests at stake may intervene directly and productively in peace talks. Last year, for instance, Chinese investors appealed to Beijing to help arrange negotiation between Myanmar’s leaders and the Kachin Independence Organization in support of a Chinese-owned pipeline expected to carry natural gas from Kachin State back to China. Similarly, the Dawei Princess Company, which holds logging and mining concessions in Karen National Union–controlled areas, underwrote peace talks and arranged cease-fire discussions in Karen State, according to a 2012 International Crisis Group report.

More likely, Western investors can play a critical role in policing bad business behavior and ushering the ethnic minorities into the twenty-first-century economy. Morally responsible private-sector players can expose unscrupulous actors who exploit ethnic minorities, while taking pains themselves to operate in a transparent, accountable, and mutually beneficial manner. Mitsubishi, for instance, could review the existing environmental and social impact studies conducted at the Dawei development project and insist that any yawning irregularities be brought in line with globally accepted standards before construction begins.

Additionally, Western business leaders -- perhaps together with the U.S. Chamber of Commerce and other business associations -- can take a page from the European governments and nongovernmental organizations that taught capitalism to citizens of the former Soviet Union after the Berlin Wall fell and help develop ethnic minorities’ business savvy, educating them to compete in a globalized, free-market economy. After all, one of those former Soviet states, Latvia, has just become the latest country to adopt the euro.

“We know that one of the biggest incentives to find peace with ethnics is to get more foreign investment in,” David Tharckabaw, the Karen National Union’s foreign minister, has said. But, he continues, “We have to make sure that proper consultation is done with the civilians and everything is done in a sustainable manner which benefits the ethnic civilians, not just the government and foreign investors.” In short, well-meaning Westerners must step up and see Myanmar not as an unopened market but as an unrealized country.

Could Myanmar turn its Catch-22 to its advantage? Aung San once remarked that if the Burmese area got one kyat -- the Burmese currency -- the minorities would get one kyat as well. It was a mark of the man’s character that he could envision his country’s ethnic minorities as equals. Only when the government and ethnic minorities settle on an equitable, federalist solution, spurred by the interest and investment of the West, will they -- and the world -- enjoy the fruits of a Myanmar that is not just democratic but free.

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Myanmar

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I was wondering why the authors didn't mention about Rakhine kingdom/people, one of the major ethnic group in Myanmar, when talking about geopolitics, political history and ethnicity of Myanmar. The Rakhine state is very strategically located for many reasons. Instead the authors only mention Rohingya (Burmese called them Bengali) a few times. If one want to indicate how ethnic people were persecuted in Myanmar, you shouldn't left Rakhine people.

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