

# The Three New Institutions in Myanmar

## : Institutional Arrangements since the Dawei-SEZ Development<sup>1</sup>

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### Abstract

From the beginning of the Dawei SEZ project, a dominant junta rule over Myanmar for a long time is changed. The paper argues that Myanmar has three new patterns of relations which are called institutional arrangements: a governing-the market institution, a democratic institution, and an ethnic institution. Firstly, the governing-market institution is tentatively moving toward economic liberalization, encouraging rapid economic development and foreign investments. This institution confines government to enforce new rule and procedure of political and economic system that called national reform. Secondly, the democratic institution wants to revise norm and value to bring democracy back in. The Dawei development changes political climate that is convenient to establish new political order as democratic system such as a constitutional amendment. Lastly, the ethnic institution sees the economic development project as a chance to demonstrate the autonomy of government and sharing power. The ethnic institution shapes recognition of ethnic groups who do not want only benefit from economic growth but they want capacity and autonomy of own government to deal with the union government.

**Keywords:** The Dawei-SEZ, the new institutionalism, governing-the market institution, democratic institution, and ethnic institution.

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## 1. Introduction

“*Myanmar has the potential to become Asia's rising star.*” This quote came from the Asian Development Bank (ADB, 2012) that reported fast-growing economies and changing in Myanmar since the foreign direct investment (FDI) bringing a lot of money into an area of development. Dawei-Special Economic Zone (SEZ) is the most important one because it has considerably large-scale value of economic and this area is not only linkage of Southeast Asia but South China as well. My question is to examine how Myanmar's developing institutions have democratized since Dawei- SEZ development in early 21st century. The paper argues that Myanmar has three new patterns of relations which are called institutional arrangements: governing-the market institution, democratic institution, and ethnic institution.

The classical theorists of democratization debate modernization and development. On the one hand, Seymour Martin Lipset (1959, p. 75) argues that main condition of democracy is economic development, which he called modernization, that consists of urbanization, industrialization and mass media expansion. On the other hand, Samuel P. Huntington (1968, p. 5) argues that the primary problem of politics is the lag in the development of political institutions behind social and economic changes. The creation of a legitimate public order from political institutions is more important than economic development. Debate centers on the issue of whether democratization should come from either economic development or institutionalization.

However, some scholars are still working to compromise theories on factors of democratization that economic development and political institutions are two independent variables having connection with democratization. This research is closer to Huntington than Lipset but institution was revised in more complexity by Marsh and Olsen (1989) work that “rediscover” institution to explain political life again. The paper uses the concept of new institutionalism. The meaning of institution is not only formal rule but it has informal rule also. Institution is the pattern of relation which consists of rule, norm and regulation around economic and political area. The new democracies, especially Myanmar, have to create institution to solve problems in the same way and every group of society accepts this institutional rules. The contribution of research tries to explain three new institutionalizations of Myanmar has arranged since Dawei-SEZ development. Larry Diamond (2012, p. 138) emphasized the transitional period of Myanmar have two types of contest: one is the substantive competition over power and policy outcomes that is minimum requirement of democracy and the other is the constitutional struggle to define rules and procedures to be the only game in town which determine winners and losers in the future. If Myanmar cannot establish one institutional relation in its political system, embedded democracy will not emerge that does not change persistence of political conflict.

Analyzing the impact of Dawei-SEZ with in Myanmar institutionalization has two parts. First, the study begins with the new institutionalism concept that is historical institutionalism. Second, a critical juncture of institutional arrangement of Dawei-SEZ is illustrated that have shaped three patterns of relation: *the governing-the market institution* is the relational of union government and foreign business that government is steering

investment. *The democratic institution* is the relation of National League for Democracy (NLD) and international civil society who move to the election, constitutional amendment and promoted political freedom. *The ethnic institution* is the interaction of politically ethnic group who is affected by economic development, especially Karen National Union (KNU) and Democratic Karen Buddhist Army (DKBA). These groups have capacity to create self-government and autonomous administration that they want from substantially changing after Myanmar open to the world. This article was inspired from Robert H. Taylor (2001, p. 3) who noted that, “The economy is clearly linked to the other leading issues of the country at this time – the political role of the military; the future roles of the NLD and its leader, Daw Sang Suu Kyi; the future of the ethnic insurgencies following their recent ceasefires; ... and Myanmar’s relations with its larger and more powerful neighbors.”

## 2. How do new institutions matter?

Institutionalism is the old concept that was used in pre-World War II period and it was decline after the war end. The old institutionalism approach emphasizes in the formal rule such as constitution, procedure and act. In 1950-60s, this approach was criticized and replaced by behavioralism and positivism what called behavioral revolution. However, the new institutionalism was emerging in 1980s that tried to bring traditional institutionalism to analysis the political life again. The meaning of “institution” in the new institutionalism is not only formal rule but it has informal rule also, including the interaction between institutions and individuals. Institution is *the pattern of relation* which consists of rules, norms and regulations. Unit of analysis does not just organization or law but an institution can explains in *the relation among variety actors* (March and Olsen, 2006, pp. 16-17; Hall and Taylor, 1996, p. 936).

Lowndes (2010: pp. 66-71) tries to separate the traditional and new institution that conclude in table 1. New institution is not only constitution, organization or actor but institution is rule and procedure among actors who play in strategic game. It is informal institution as value which changes all the time. Institution is meso-level that interacts between structure and agent. Structure or context can shape institution and each institution constrains agent decision-making. In addition, the new institutionalism explores the way in which political institutions are embedded in particular context.

**Table 1: Comparison of old and new institutionalism**

| Issues                        | Traditional institutionalism       | New institutionalism                 |
|-------------------------------|------------------------------------|--------------------------------------|
| Unit of analysis              | Organization or actor              | Rules among actors                   |
| Emphasizing                   | Formal institution                 | Informal institution                 |
| Characteristic of institution | Static                             | Dynamic                              |
| Value                         | Submerged values each organization | Value-critical stance around actors  |
| Level of analysis             | Holistic                           | Meso-level and differentiated actors |
| Institution and context       | Independence                       | Embeddedness                         |

The new institutionalism approach has various styles to analysis political phenomena<sup>3</sup>. **Historical institutional** which is used in this argument says that actors in policy arena are limited choices because each actor's preference is shaped by institution. No choice led to maximized utility but actors have to deal and contend with the others. Conflict of resources distribution and power sharing is inevitable. Not only private actors negotiate each other but state is involved also (Koeble, 1995, p. 223; Hall and Taylor, 1996, pp. 937-938). Historical institutionalism has four parts:

- 1) Historical institutionalism is the conceptualized relation between configuration and individual behavior.
- 2) Operational and development of institution is asymmetries of power.
- 3) Institutional arrangement come from path dependence and unintended consequences
- 4) Political analysis of institution includes several factors that related with political outcomes such as political thought, belief, etc.

According to Pierson and Skocpol (2002), historical institutionalism emphasizes *organizational configuration and consequence of critical juncture* that shape conjuncture and pattern of relation in long term process. The process analyzes how sets of organization and institution relate to each other and shape the interest of actors. Interaction between actors and context is examined by dynamic process and to take time seriously to analyze processes over a substantial stretch of years, maybe even many decades or centuries. Institutional arrangements are shaped feedback of phenomenon until the new pattern of relation is establishment.

To explain Myanmar, the historical institutionalism conceptualizes long period of military rule and political turmoil to a degree unprecedented in Myanmar recorded history. And then, Dawei-SEZ and economic development projects change all of situation and the new pattern of relation. New institution is not just 2008 Constitution or 2010 election, but it emerged before that. When historical institutionalism wants to explain tree, the approach have to look at forest. Similarly, recent Myanmar politics cannot understand if we do not understand era of development in early 21<sup>st</sup> century.

### **3. Critical juncture: Dawei SEZ development and the new pattern of relation**

Historical institutionalism analysis of critical juncture that is set of different development paths, different patterns of interaction between ongoing political and economic processes (Thelen, 1999, p. 388). Critical juncture outcomes generate feedback mechanisms that reinforce the recurrence of a pattern into the future. The new pattern of relation in Myanmar can be understood by critical juncture of history that is the Dawei SEZ development.

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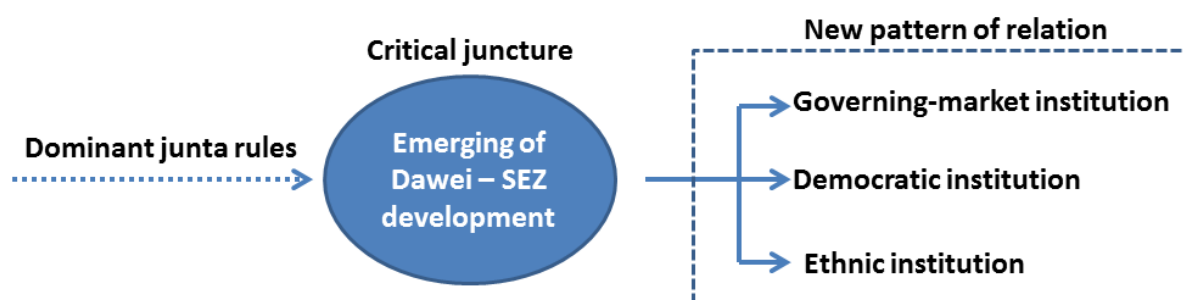
<sup>3</sup> The new institutional approach tried to bring "political institution" back in the political analysis. It was mixed by other fields of studies to be interdisciplinary concept: normative institutionalism, rational choice institutionalism, historical institutionalism, empirical institutionalism, international institutionalism, sociological institutionalism, network institutionalism, constructivist institutionalism, and feminist institutionalism (See also Lowndes, 2010: pp. 66-71)

Since 1989, Myanmar has begun open-market economy that Thai and Chinese businessmen and government is investment partner. However, the Dawei SEZ development is not interested in mineral, marine, gas resources or teakwood. Instead, the development want to change Myanmar become logistics and economic hub of region. The Dawei deep-seaport project was reengagement of economic and diplomatic relationship between Thailand and Myanmar in government level. In 2003, Thaksin government of Thailand and military government of Myanmar agreed to proceed Kanchanaburi road-link to Dawei port in Economic Cooperation Strategy Summit (ECS). Moreover, World Bank and ADB have master plan that is trilateral highway project from Thailand to India and Dawei port is the part of this plan. Myanmar government had drafted SEZ law since 2005. Thai government that had Abhisit as prime minister agreed to build land-bridge with the Italian-Thai Development Public Co. Ltd. (ITD) what called Dawei Memorandum of Understanding (Dawei-MOU) in 2008. Abhisitt government and Thai businessmen went to Naypyidaw to agree infrastructure and road-link project in 2010. In addition, Thai government included land-bridge to Dawei in Thailand's Draft 11<sup>th</sup> National Plan (2012-2016) that change framework of development from only private investment to governmental development project. Craig Steffensen, the ADB's Thailand country director, encourages Thai government to look at running a road or railway across the border to improve access to Dawei (Bangkok post, 30 August 2012).

However, the bilateral agreement between Myanmar and Thailand is not much enough to complete the whole process of development. This is why Myanmar had to seek new partners and allowed international investors both private and public sector, especially from Japan, to develop the Dawei SEZ. Although the Dawei SEZ is the huge project to connect Southeast Asia, Japan turned to focus on Thilawa SEZ, another economic zone away from Yangon 25 km., rather than Dawei because Thilawa SEZ is smaller than Dawei SEZ ten times that has a chance to success and lower risk to invest. Nowadays, the Dawei SEZ is under constructed infrastructures and the future of the Dawei SEZ still blurs.

In term of the Dawei SEZ, it consists of three phases of development. Firstly, the road-link construction from Kanchanaburi to Dawei total length 160 km. The next phase as the port establishes two-basin deep-sea channel and 25 docked ships of cargo-handling capacities almost 100 million tons per year. Lastly, the industrial estate constructs 250 square kilometers that consist of heavy, medium, and light industry, petroleum and chemical complex, and residential area. The Dawei SEA is the largest economic zone in Southeast Asia. Several laws and procedures have revised since 2003 to support the Dawei SEZ that is not only trade, financial, and economic law but it includes political reform of Myanmar. New era of Myanmar after Dawei project is risen that Chula Sukmanop, an expert on logistics at the Transport Ministry of Thailand, says "Political stability is one of the conditions for investors" (Bangkok post, 7 January 2012).

**Figure 1: Critical juncture and the new institution**



According to figure 1, the period of Dawei-SEZ development have arranged the three new patterns of relations which I called a governing-market institution, a democratic institution, and an ethnic institution. The new patterns are not only form of new political reform but all of social norm and value that interact to economic system. Table 2 illustrates the new institutions that include economic and political reasons:

**Table 2: The three institution in Myanmar since Dawei-SEZ development**

| Main issues                | Governing-market institution                                                                                                                                                                                                                                                                                         | Democratic institution                                                                                                                                                                                                                                                                             | Ethnic institution                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Economic prosperity</b> | <ul style="list-style-type: none"> <li>- The first priority of government</li> <li>- Dominated by international firm</li> <li>- Government steering incentives and facilities of investment</li> <li>- Highly organized and politically powerful union government</li> <li>- Financial and banking reform</li> </ul> | <ul style="list-style-type: none"> <li>- Necessary economic growth but not sufficiency</li> <li>- Social benefits as real prosperity</li> <li>- Economic reform alongside political reform</li> <li>- Pluralistic private businesses and groups</li> <li>- No democracy, no development</li> </ul> | <ul style="list-style-type: none"> <li>- Casted doubt economic prosperity and threat of human security</li> <li>- Opportunity of ethnic leaders to negotiate the union government</li> <li>- Opportunity of increasing personal incomes and self-repatriation</li> <li>- Good chance for local people to build facilities as school, training center, and hospital</li> </ul> |
| <b>Peace process</b>       | <ul style="list-style-type: none"> <li>- Necessary condition for economic development</li> <li>- Maybe not all process but emphasizing focus area</li> </ul>                                                                                                                                                         | <ul style="list-style-type: none"> <li>- Very important thing of fundamental democratic society without violence</li> <li>- Deliberative process rather than peace-talk only focus area</li> </ul>                                                                                                 | <ul style="list-style-type: none"> <li>- The first priority of ethnic groups</li> <li>- Peace process showing sincerity of the union government</li> <li>- Mutual benefits to concrete peace process</li> </ul>                                                                                                                                                               |
| <b>Form of government</b>  | <ul style="list-style-type: none"> <li>- Union government</li> <li>- Sovereignty power of nation-state</li> <li>- Non-disintegration of</li> </ul>                                                                                                                                                                   | <ul style="list-style-type: none"> <li>- Need political reform by constitutional amendment</li> <li>- Democratic and</li> </ul>                                                                                                                                                                    | <ul style="list-style-type: none"> <li>- Legally autonomous government</li> <li>- Multi-national ethnics</li> </ul>                                                                                                                                                                                                                                                           |

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|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | the Union and national solidarity                                                                                                               | elected government<br>- Liberal democracy<br>- Political participation and good governance                                                                                                                                                                           | - State-nations (one state and many nations)                                                                                                                                                                 |
| <b>Aspect to ethnicity</b>    | - Possible cooperation<br>- Peace-talk and ceasefire<br>- Divided ethnic groups and taking different reaction                                   | - Cooperative groups to reform political system and increasing freedom of expression<br>- Democracy in central political system making ethnicity benefits                                                                                                            | - Several own-nation<br>- Different lifestyle and religious<br>- Same purpose as autonomy but different means: engaging government, cooperation for economic development , or still against government       |
| <b>International relation</b> | - Engaging hegemonic power of international system<br>- Balance of power between U.S. and China<br>- Open system for international organization | - Welcome the West, especially U.S. and the East, especially Japan<br>- International community supporting people movement and democratization, including demilitarization<br>- Cooperation with international organization and civil society organization to reform | - Some ethnic groups, especially Christian ethnic groups, as friend but other groups seen bias of international community<br>- Understanding situation to catch up globalization and international community |

### 3.1 Governing-market institution: Military – Government

Since the end of World-War II and independence of Burma in 1948, Burma had ruled by Communist Party of Burma (1948-89) and military domination in the long period (1962-2010). Even if Burma was democratic society in short period (1988-90) that had an election, nationwide protests and an emerging of civil society, military ruled continuity after that. The Junta government who was called the *tatmadaw* in meaning of the Burmese armed forces violated and penetrated society. According to Mary P. Callahan (2004), *tatmadaw*-dominated regime is *War Fighters* who maintain the political order in Burma for a long time. Conflict between state coercion and society is warfare that has created “the conditions under which elites and social forces negotiate, create, revitalize, reorganize, and rethink the patterns and practice of governance” (ibid, p. 3). This argument like Charles Tilly (1985) demonstrates that war makes states because organized war and violence are necessary conditions of state-building. The military is the important actor to arrange an institution that comes from war-making and state building to managing resource and personal to extend functional institution of state. Military state makes institution, which is the reach of state over social and economic forces, not depend on its (Taylor, 1987, pp. 1-12). There are primary goals if the State Peace and Development Council (SPDC) and its predecessor, the State Law and Order Restoration Council (SLORC) which had governed Myanmar since September 1988.

However, new institution has been arranged to govern strategic industrial policy by the union government since Dawei-SEZ development. Economic reform is what Robert Wade (1990, pp. 24-29) called “governed market theory.” The government intervene market mechanism to operate system of incentives for investment. Institution of state is not strong but coordination with private sectors creates climate of high investment and competitive industries. The government’s role pursue with more consistency and effective economy.

First of all, the demilitarization of politics is necessary condition of open-system of economic development. A signpost of demilitarization and the rise of new institution were Than Shwe's retirement and the end of directly governing military rule in 2010. The armed forces step back and the union government come into politics as post-junta constitutional government who have to create atmosphere of the investment and limited contentious politics. However, demilitarization of Myanmar is not like concept of civil supremacy over the military as Alfred Stepan (1988, p. 138) called "politically led strategy toward the military, *Política Militar*" but the reform was operated by military-dominated forces to concentrate economic development rather than making internal enemy.

The government which was elected in 2010 and Union Solidarity and Development Party (USDP) won the majority of seats used moderated policies to negotiate with the opponents such as freed most political prisoners including Aung San Suu Kyi who had been arrested almost two previous decades. From this incident, international community well responded, especially the United States restored diplomatic relation and the EU eased investment and financial sanctions. The moderated policies of Myanmar government which is led by former general Thein Sein come from the regime's seven-step roadmap or the roadmap to "Discipline-flourishing Democracy" that announced in 2003. The plan set up the political system that run by a military-back dominant party to build constitutional framework and pursue economic development like the style of Malaysia or Singapore what the regime calls a "modern, developed, and democratic state" (Min Zin and Joseph, 2012, pp. 106-107). The main purpose of this plan tries to create a political situation to support an economic development that is Dawei-SEZ. The government knows that if they do not have successful macroeconomic policy reform, Myanmar will be a loser in the single-market when the ASEAN Economic Community (AEC) will exist in 2015. Consequently, economic prosperity is arranged in the essential role of government. The old "national" security that junta government must controlled society has been change to the "economic" security that government has to "governing the market." The institutional arrangement has three issues:

- 1) The structure changes in an economy from agriculture cultivation to undergo a process of industrialization and modernization. The union government changes a lot of economic structure to welcome foreign investment but government does not pay attention to agricultural sector that was important in Myanmar economy. Garry Porta, who is the humanitarian assistance program development specialist of U.S. Agency for international development (USAID) in Myanmar, says that Myanmar 's agriculture, especially rice production, is near Thai rice production capacity. Myanmar, Thailand and Vietnam have alike resource and land but Myanmar has low capacity because of technology of cultivation that unlike low-productive rice of Lao

and Cambodia is not because of low technology but they have lower labor, land and resource than Myanmar, Thailand and Vietnam. Myanmar should develop in agricultural sector rather than industrial sector (Interviewed 2012, November 21).

- 2) The government drafted and approved the new FDI law and the new law of SEZ to reshape opened economic system. The new law allowed foreign businessmen to invest either own companies 100 percent or set up a joint venture with Burmese citizens or government departments. Such joint ventures must involve at least 35 percent foreign capital. Moreover, foreign investors can also lease land, which is 30 years and extended to 15 years on each occasion, from the state or from private citizens who have permission to use land (Reuters, 2012).
- 3) The government reformed financial system in order to realize market-oriented economy and a private sector growth. Financial system and banks are governed by the Central Bank of Myanmar Law and Financial Institutions Law. Even if government try to reform financial law, the Central Bank of Myanmar is still controlled by government and no foreign bank operates in the country.

The union government enforces policies to stimulate domestic economic system. They still protect Burmese labor that foreign business must employ local labor at least 25 of the workforce in the first two years with necessary training and the percentage rises to at least 50 percent in the next two years and 75 percent in the third two-year period (Reuters, 2012; Mayer and Brown, 2012). In addition, Myanmar Investment Commission has too much discretion to rule the economy. Members of the commission are chosen by government and operate in secret area, not easy to check and balance (Economist, 10 November 2012).

Consequently, this institution has been established by government to change the role from governing the society with violation to govern the market with new economic policy and law. The government plays in economic area and alleviates political and social area. Dawei SEZ project is changing point of government to arrange new institution that governs the Myanmar economy.

### **3.2 Democratic institution: NLD and civil society**

Over four decades of military rule, democratic institution and society had not established because people did not allow participating political society and they feared to talk about politics as well. Christina Fink (2001, p. 5) makes the point that, “people in Burma are reluctant to speak up because they are living under the seemingly omnipresent surveillance of military intelligence personnel and informers.” Although creating the silence restricts their livelihood, the survivals depend on submitting to coercive forces that the silence is the essential part of their live to protect themselves and their families. Thus, people may criticize about military rule in private rather than to take action.

Democracy activists and international civil society groups have played essential role to bring democratization and promoted civil rights and liberty that Min Zin and Joseph (2012, p. 14) noted that "activists opened training centers, organized to make their voices heard on environmental issues, publicized human-rights violation, and demanded improvements in

labor standards. Democracy activists were also essential to the mass mobilization of support for Aung San Suu Kyi." Movements of democratic forces want to campaign demilitarization in political system and more space of expression.

Myanmar political system had opened since the Thai government and the ITD signed the MOU for Dawei project with Myanmar government. And then, new democratic institution emerged by three incidents:

1. Saffron revolution, Antigovernment and Buddhist monk demonstrations in 2007, told the junta government to know that they cannot use violation and armed forces to control the people anymore because of internationally attended close-watch and people movement after silent more than decade. In the end of movement, the government agreed to talk to the protesters and to use delicate way. This situation showed aspect of democratic society.
2. Constitutional Referendum in 2008 created new rules and procedures of political system. It has a part of democratic rule, although it is not all.
3. Cyclone Nargis was disaster that had more than 100,000 people deaths. The incident urged government to receive alms from international community and civil society used this situation to manipulate social and political sphere to bring democracy back in Myanmar.

Since new 2008 constitution, the end of military government and the rise of elected government led by President Thein Sein who focuses on the political reform and economic growth. Aung San Suu Kyi and NLD registered to competitive in 2012 election and win 43 of 46 seats. Furthermore, national reform brings civil society organizations (CSOs) and non-governmental organizations (NGOs) to involve. For example, Steve Marshall, liaison officer of International Labor Organization (ILO), says that before political reform his name marked in black-list of polices same as terrorist. Not only military government but ordinary people also feared ILO officer but the situation was changed after opened economy and polity. NGOs can do anything what they want to and not too much outstanding. They do not want economic growth. Proposal of NGOs is beyond ceasefire to peace agreement between government and the opponents (Interviewed 2012, November 22). The state has continued to take a major role in service provision and infrastructure development as it is facilitating increasing space for civil society.

However, a democratic institution is not advanced democracy but it is just hybrid system. The part of 2008 constitution has undemocratically. Such as article 44 (c) allow government to decree state of emergency when "could cause disintegration of the Union, disintegration of national solidarity and loss of sovereign power or attempts therefore by wrongful forcible means such as insurgency or violence, the Commander-in-Chief of the Defense Services has the right to take over and exercise State sovereign power in accord with the provisions of this Constitution." The democratic institution is the new norm and value to shape Burmese behavior in democratic society rather than to establish deepening democracy.

Lastly, Impact of national reform which involves NGOs action is not only education, press freedom, labor organizing, and internet access, but also macroeconomic policies as banking, exchange rates, capital, and landholding (Callahan, 2012, p. 122). Democratic institution is the two sides of coin between interaction of political and economic reform called as *no democracy, no development*. The future of institution building for a pluralistic democratic society will require concerted cooperation between the state, the private sector and civil society organization. The new norm of democratic institution is right and entitlement, both economic and politic. In the future, 2015 election will challenge democratic institution really strong or not.

### **3.3 Ethnic institution: Karen state**

Ethnic conflicts have been problem for a long period of history in consequence of the face that ancient Burma consists of several states. At the present of modern state, the struggle between union government and insurgent groups of ethnic states is the most priority that a government has to handle. The confrontation alongside borderland has made security problem which Hazel J. Lang (2002) notes that refugees are defined by the *fear* they flee from and the *sanctuary* they seek, Thai temporary shelters. Callahan (2007, p. xiii) also explains the complexity of and variation across Burma's ethnic-minority states that have "three patterns of relationships between the national state and locally-based, often non-state actors have emerged since 1988: near *devolution*, military *occupation*, and *coexistence*." Wa regions and Kokang territory in Shan State is near devolution of power to local elites. Rakhine State and the Kayah and Karen states in conflict which are controlled by KNU are dominated and oppressed by occupying state authorities. The parts of Mon States and Karen State area which belong to DKBA are coexistence with government (ibid, pp. 48-50).

However, The new relation of ethnic groups and union government have been institutionalized since emerging the Dawei SEZ projects Ethnic institution is shaped by context of economic development. The Dawei SEZ project causes re-engagement of union government and ethnic groups, especially in Karen State and Tenasserim Division. The government and ethnic groups faced in peace talk to manage conflict resolution. On the one hand, government wants only stable situation to build road-link from Thailand to Dawei. On the other hand, Ceasefire and resettlement is the first thing that ethnic group try to institutionalized dialogue rather than economic growth. The minority aims to revise constitution in order to reconsider of new political relation which has own sovereignty as states in federal system.

Ethnic groups see their leader and government in national-reconciliation process, not least for peace but for mutual trust as well. Peace-talk has to comprise dialogue and political bargaining to self-autonomy. They accept the national plan for economic development but the union government must protect the minority's rights, including the autonomy of local government. Reconciliation process is the building-institution process to establish free democratic choice. Dialogue has to consist of recognized ethnic group's right to their own language, culture, identity, and government.

The peace-talk of the government and KNU leaders made for ceasefire that was significant peace process. This situation is opportunity to build up a role of autonomous ethnic states. Although Naw Zipporah Sein, secretary general of the KNU, told that peace-talk is not enough and she do not trust Myanmar Peace Center (MPC) that belongs to government side, it is necessary fundamental of Myanmar's reconciliation. She thinks that Dawei development can bring benefit to local people not only incomes but other facilities as well such as school, training center and hospital that the union government sees local facilities less important than road-link. She also notes that bargaining of government and KNU is just start. The government has to know that KNU do not want Dawei project if local people do not receive benefits. KNU and local people fight not because their poor but they want the rights of decision in own way (Interviewed 2012, September 15).

Another ethnic group who is stakeholder in Dawei SEZ development as DKBA attempts to use economic and political reform to move for autonomous administration and government. Saw Kyi Linn, Minister of Electric Power and Industry of Karen government, says that Karen state have civilized norm and rule of law and tries to change step by step to economic and political development. ASEAN free trade will help significant Karen state growth by Hpa-an to be economic corridor and successful economy causing the autonomy of government (Interviewed 2012, November 18). The ethnic people think that development is opportunity of improving livelihood. And the ethnic leaders demonstrate political reform bringing to independent sovereignty like federal system. They suggest that peace process have to be established when constitution must amendment. This recent situation is just ceasefire but it is not peace. They need more systematic process in meaning of new relation between union government and ethnic states.

In area of development, ethnic groups have some difference between Buddhism and Christianity<sup>4</sup> but they have no different in peace and autonomy issue. Ethnic institution influences ethnic leaders to make a decision that is back to create mutual dialogue. Some leaders tell that they cannot totally trust NLD to help them and one of DKBA monk leader says that two persons who have noble prize but do not ever did in peace are Aung San Suu Kyi and Obama. They have not been involved peace process and ethnic dialogue in reality (Interviewed 2012, November 19). This is because ethnic and democratic institutions have different purpose. One wants to be autonomous state, another wants to change central political system to be democracy.

Overall, ethnic institution has been built to gather ethnic groups into a same purpose since Dawei development. They want autonomous government whatever any form of government is. In the near future, the interaction of ethnic groups and governing-market institution has to bargain extensively that may be muddle though. Because of necessarily

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<sup>4</sup> Monk Leader in Hpa-an says that he do not want peace funds supporting from Norwegian because Norway is just business. It is not humanitarian aids. It is only personal and takes side to Christianity (Interviewed 2012, November 19). This comment shows that recent local politics of ethnicity have some disagreement between Buddhism and Christianity. However, Dawei SEZ development is opportunity of both groups to make a dialogue to negotiate with union government.

undesirable development, the Dawei SEZ is fundamental condition to bring autonomy of the ethnic state which can share sovereignty power with the union.

#### **4. Conclusion**

From the beginning of Dawei SEZ project, a dominant junta rule over Myanmar for a long time is changed. The three new institutions were emerged. Firstly, the governing-market institution is tentatively moving toward economic liberalization, encouraging rapid economic development and foreign investments. This institution confines government to enforce new rule and procedure of political and economic system that called national reform. Secondly, the democratic institution wants to revise norm and value to bring democracy back in. The Dawei development changes political climate that is convenient to establish new political order as democratic system such as a constitutional amendment. Lastly, the ethnic institution sees the economic development project as a chance to demonstrate the autonomy of government and sharing power. The ethnic institution shape recognition of ethnic groups who do not want only benefit from economic growth but they want capacity and autonomy of own government to deal with the union government.

In upshot, the political and economic futures of Myanmar remain unresolved if they cannot create only one game in the town. This work tried to explain the new political relation after Dawei SEZ project. Three new institutions in Myanmar are three pathways of political development that have own purpose and each institution do not accept another different goal. There is one way to consolidate a political system that is a long time non-violent negotiation and bargaining. This situation also sees the light at the end of the tunnel. Consolidating democratic political system is a destination.

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### List of Interviews

| No | Date        | Type of interview | No. of informants | Position and Affiliated Organizations                                                                 |
|----|-------------|-------------------|-------------------|-------------------------------------------------------------------------------------------------------|
| 1  | 16-09-2012  | Individual        | 1                 | Secretary general of the KNU                                                                          |
| 2  | 18- 11-2012 | Individual        | 1                 | Ministry of Electric Power and Industry, Karen State                                                  |
| 3  | 18-11-2012  | Group             | About 10          | Ti Pu Kup Villagers, Hpa-an                                                                           |
| 4  | 18-11-2012  | Group             | About 10          | Mee Son Village, Hpa-an                                                                               |
| 5  | 19-11-2012  | Group             | About 5           | U Phyinyarthami and Taungalay Sayadaw, Taungalay Temple in Hpa-an                                     |
| 6  | 19-11-2012  | Group             | About 10          | Community-based organization at Karen Student Centre                                                  |
| 7  | 21-11-2012  | Group             | About 5           | USAID in Yangon                                                                                       |
| 8  | 21-11-2012  | Group             | About 10          | Youth volunteers network and civil society                                                            |
| 9  | 22-11-2012  | Individual        | 1                 | Paung Ku, civil society organization                                                                  |
| 10 | 22-11-2012  | Group             | About 5           | Scholars at Department of Commerce and Department of Applied Economics, Yangon Institute of Economics |
| 11 | 22-11-2012  | Group             | 2                 | ILO in Yangon                                                                                         |