

Update Briefing

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Myanmar's Military: Back to the Barracks?

I. Overview

Myanmar's military, the Tatmadaw, has been the dominant institution in the country for most of its post-independence history. After decades of military rule, it began the shift to a semi-civilian government. A new generation of leaders in the military and in government pushed the transition far further and much faster than anyone could have imagined. Major questions remain, however, about the Tatmadaw's intentions, its ongoing involvement in politics and the economy, and whether and within what timeframe it will accept to be brought under civilian control. Transforming from an all-powerful military to one that accepts democratic constraints on its power will be an enormous challenge.

The Tatmadaw's institutional perspective is heavily influenced by its role in Myanmar's anti-colonial struggle – the leaders of which founded the military – and its early post-independence experience. The new country was almost torn apart by communist insurrection in the centre and ethnic insurgency in the periphery. The early years of parliamentary democracy were characterised by factionalism and infighting, which many in the Tatmadaw saw as driven by self-serving politicians having little regard for the national interest. The upshot is that many in the military remain distrustful of civilian politics. This, together with fears about instability at a time of major political change, mean that the Tatmadaw is not yet ready to give up constitutional prerogatives that ensure, through guaranteed legislative representation, that it has a veto on changes to the charter, as well as control of key security ministries, among other things.

Those guarantees, far from entrenching stasis, are what have given the Tatmadaw the confidence to allow – and in many cases support – a major liberalisation of politics and the economy, even when many of the changes impact on its interests. Its proportion of the government budget has been significantly reduced, the huge military-owned conglomerates have lost lucrative monopolies and other economic privileges, and the Tatmadaw is subject to increasing scrutiny, including from the recently unshackled media, on issues such as land confiscation and the way it operates in ethnic areas.

Many observers have assumed that the Tatmadaw would be a spoiler on issues of key interest such as the peace process and economic reform. Yet, this has generally not been the case – although the military's actions in Kachin State, including current deadly clashes, have been deeply troubling. The Tatmadaw's support for progress in these areas stems from its broader concerns about protecting Myanmar's sovereignty and geo-strategic interests. Military leaders were deeply concerned in recent years

by the country's growing reliance on China, both politically and economically, and were worried about how they would be able to balance the influence of their giant neighbour. They were also concerned that Myanmar was falling farther and farther behind the rest of the region economically, to them almost as an existential threat. They understood that rebooting the economy and building strategic relationships to balance China required engagement with the West that would only be possible if there were fundamental political reforms, as well as internal peace.

The fact that this is a planned, top-down transition is one of the reasons why it has been relatively untumultuous and may prove to be a sustained opening of the country. Yet, there are many possible future scenarios. Tatmadaw backing for the transition is indispensable, but by no means unproblematic. It too must undergo major internal reforms, to modernise and professionalise, and to transform the practices and institutional culture that give rise to abuses of civilians. More fundamentally, it will have to change how it is viewed by many ethnic communities, from the enemy to a national security force that defends the interests of all Myanmar's peoples. The new doctrine that the Tatmadaw is reportedly preparing may seek to address some of these issues, but little is known about the process of drafting it, nor its content. Much more will need to be done to address the military's legacy of abuse. If it can provide security for civilians rather than presenting a threat – as it has been more successful in doing, compared with the police, in its response to communal violence – its presence may even be welcomed.

The Tatmadaw's constitutional prerogatives were no doubt critical in giving it the confidence to embark on this transition, and the commander-in-chief, Senior General Min Aung Hlaing, and key members of the political establishment have said that they will be gradually reduced. There is a strong possibility, however, that the military will want to preserve its political role longer than is healthy. If such undemocratic provisions are in place for anything more than a short transitional period, they risk becoming entrenched, which would be deeply damaging to the country's future – by entrenching a political role for the Tatmadaw, leaving it permanently outside civilian control and able to privilege its institutional interests at the expense of the country.

II. Brief History of the Tatmadaw

A. Origins

The modern Myanmar military, known as the Tatmadaw in Burmese, emerged from the struggle against British colonialism and the Second World War.¹ In December 1941, a group of young nationalists known as the “Thirty Comrades”, who had received military training from the Japanese, founded the Burma Independence Army. They

¹ For a detailed account of the origins of the Tatmadaw, see Mary Callahan, *Making Enemies: War and State Building in Burma* (Cornell, 2003), chapter 2. For previous Crisis Group reporting on Myanmar since the present government took power, see Asia Briefings N°142, *Not a Rubber Stamp: Myanmar's Legislature in a Time of Transition*, 13 December 2013; N°140, *A Tentative Peace in Myanmar's Kachin Conflict*, 12 June 2013; N°136, *Reform in Myanmar: One Year On*, 11 April 2012; and N°127, *Myanmar: Major Reform Underway*, 22 September 2011; also Asia Reports N°251, *The Dark Side of Transition: Violence Against Muslims in Myanmar*, 1 October 2013; N°238, *Myanmar: Storm Clouds on the Horizon*, 12 November 2012; N°231, *Myanmar: The Politics of Economic Reform*, 27 July 2012; and N°214, *Myanmar: A New Peace Initiative*, 30 November 2011.

were led by Aung San (Aung San Suu Kyi's father) and followed the invading Japanese army into Burma in its short campaign to drive out the British administration.²

Over time, however, Burma Independence Army leaders became disillusioned with the Japanese, and began organising resistance, then revolted in March 1945 and began fighting with allied forces during their reoccupation of the country. This set the stage for the nationalists to return home as liberators, and bolstered them in their efforts to achieve independence.³

After the Japanese surrender in August 1945, and in consultation with Aung San and other nationalist leaders, the British hastily reconstructed a national army, the Patriotic Burmese Forces. It was an uncomfortable amalgamation of two "wings": one made up of nationalist Burman forces of the Burma Independence Army, and the other of non-Burman minority units from the old colonial army who had remained loyal to the British throughout the war.⁴ These two wings were not only antagonistic, they had very different military traditions and very different futures in mind for the country, which proved "almost fatal to the integrity of the army and independent Burma".⁵ To make matters worse, Aung San, who was to lead the post-independence government, was assassinated by a political rival in July 1947, along with most of his cabinet.

B. *Post-Independence Turbulence*

At independence in January 1948, the army consisted of only fifteen battalions, organised along ethnic lines – "Burma rifles" battalions made up of Burman soldiers, along with "Karen Rifles", "Kachin Rifles" and so on. Just a few months after independence, three Burma rifles battalions mutinied and joined a communist rebellion, and in early 1949 a Karen armed rebellion was launched. The army was reduced to six front-line battalions consisting of less than 3,000 troops, and it lost control of much of the country beyond Yangon.⁶ The army, and the state itself, virtually collapsed.

Slowly, however, the army managed to consolidate and expand its control, less by defeating the mutineers and insurgents, and more by co-opting or incorporating into its ranks local politically organised pocket armies, militias and bandits – who were loyal to the opposition Socialist Party or particular socialist politicians rather than to the Tatmadaw or the government as such.⁷

As this more consolidated army emerged, the nationalist independence fighters became dominant in the Tatmadaw leadership, sidelining British-trained officers. Ne Win, a member of the Thirty Comrades who had fought with Aung San, was appointed supreme commander of the defence services in 1949, replacing General Smith Dun (an ethnic Karen). Ne Win set about strengthening the power of himself and his old Patriotic Burmese Forces comrades through a series of reshuffles and purges, as well as an ambitious upgrading and expansion of the armed forces.⁸

Throughout the 1950s, civilian politics became increasingly fractious, with the party of Prime Minister Nu⁹ – the country's first post-independence elected leader –

² The Burma Independence Army was reconstituted a few months later as the Burma Defence Army, and subsequently in 1943 as the Burma National Army.

³ See Callahan, *Making Enemies*, op. cit., chapter 3.

⁴ Ibid, chapter 4.

⁵ Ibid, p. 96.

⁶ Andrew Selth, *Burma's Armed Forces: Power Without Glory* (EastBridge, 2001), chapter 7.

⁷ Callahan, *Making Enemies*, op. cit., chapter 5.

⁸ Ibid, chapter 6.

⁹ Like many people in Myanmar, he went by one name.

factionalised and upcountry politicians continuing to be backed by private armies. These tensions were heightened further when the ruling party split into two factions, each of which tried to rally the support of local militias across the country. The army was more sympathetic to one of these factions, and when the other faction – led by Nu – looked likely to win elections in 1958, a military “caretaker government” was appointed, headed by Ne Win, in what was essentially a coup d’état.¹⁰

C. *A Military Takeover*

The military had come to regard civilian politicians as corrupt, self-serving and incompetent, incapable of pursuing the national interest. The caretaker government assigned military officers to senior positions in the civil service and further expanded military institutions. It arrested many of Nu’s supporters and other critics, and curtailed press freedoms. At the same time, many people welcomed the more efficient and less corrupt government that the military provided, and the fact that it was able to reduce violent crime and restore a measure of law and order. After eighteen months in power, the caretaker government arranged multi-party elections in 1960, which took place in nearly all the country thanks to the improved security, returning Burma to civilian rule again under Prime Minister Nu. Most of the officers assigned to the civil service returned to the military. General Ne Win was lauded internationally for his democratic principles.¹¹

Civilian rule was not to last long, however. Many in the military were unhappy that Nu had returned to power, and their unease was amplified when he immediately set about dismantling many of the structures and reversing policies put in place by the caretaker government. After only a few weeks in office, his faction of the party split again, leaving him weakened and his government disorganised. At the same time, Ne Win embarked on a restructuring and strengthening of the Tatmadaw, creating a unified chain of command under his firm control.¹²

In 1962, against the backdrop of renewed political infighting, continued insurgency in the countryside and concerns that Shan State, in particular, might exercise its constitutional right to secession, the Tatmadaw staged another coup. It took over the key strategic locations in Yangon and other cities, and arrested the main government leaders. This time, there was to be no return to civilian rule. A “Revolutionary Council” was established to run the country, under the leadership of Ne Win. The constitution was abrogated and all legislative, executive and judicial power placed in Ne Win’s hands. Radical economic and social policies were instituted with the aim of creating a socialist state isolated from outside influences. A political party (the Burma Socialist Programme Party, BSPP) and mass peasant and worker organisations were created to promote socialist ideology.

The Revolutionary Council tackled the perceived failures of the democratic period by banning political parties (except the BSPP), taking control of all media, publishers and printers and curtailing civil liberties. It addressed its fears over the unity of the state by abolishing the limited autonomy and local government that some ethnic areas enjoyed. Ethnic rights were framed in terms of putative equality of all minorities within a unitary state.

¹⁰ Callahan, *Making Enemies*, op. cit., chapter 7.

¹¹ Ibid.

¹² Ibid.

These policies, far from containing insurgency and ethnic demands, only served to exacerbate them. Economic chaos resulting from a radical nationalisation policy made things worse. While the Tatmadaw was able to assert more control over the central plains, communist and ethnic insurgency spread rapidly in the rest of the country.¹³

D. *A Socialist One-Party State*

A new constitution was adopted in 1974. It established a socialist one-party state, with effectively no separation of powers – and certainly no right for ethnic states to secede. The unicameral legislature elected a small group of its members to a Council of State that ran the country, headed by a president that it selected from among its members. Elections were held the same year, with candidates drawn almost exclusively from the BSPP. Ne Win, who had already given up his military position, became president; many of the other military officers who made up the Revolutionary Council were appointed, as civilians, to the Council of State. Ne Win relinquished the presidency in 1981, but remained chairman of the BSPP.

The Tatmadaw consolidated its control of the central parts of Myanmar, by offering amnesties to insurgent groups operating there, and driving the rest into the borderlands, using the brutally effective “four-cuts” counter-insurgency strategy. The aim of this strategy was to deny insurgents the support from populations that they needed to survive, by cutting them off from food, funds, intelligence and recruits. The Tatmadaw would cordon off one area at a time, flood it with troops, relocate populations into “strategic villages” in areas under firm government control, control the food supply, and then repeat the process in the adjacent area.¹⁴

Having pacified the centre, the focus of military operations then shifted to the border areas. The four-cuts strategy was far less effective in this harsh and unfamiliar terrain, where ethnic insurgents could disappear in impenetrable jungle or use international borders as “back-door” supply lines and escape routes.¹⁵ The Tatmadaw fought to a deadlock, and there was a perception among combat soldiers that the remoteness of these new campaigns from the country’s political power centres meant that they received less attention from the government, and less resources.¹⁶ Throughout the 1970s and 1980s, much of the borderlands continued to be under the control of ethnic armies (in the north, these ethnic forces were organised into a powerful Chinese-backed communist insurgency); for its part, the 186,000-strong national army was regarded as poorly funded and poorly equipped.¹⁷

E. *A Failed Uprising*

In 1987, years of economic decline and increasing hardship eventually led to student protests, the trigger being the government’s decision to demonetise much of the currency without warning or compensation by invalidating high-denomination bank notes. The following year saw a near total collapse of law and order, with demonstrations across the country, violence increasing, and many state institutions ceasing to

¹³ See Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (Zed Books, 1999), 2nd edition, chapter 12.

¹⁴ Ibid, pp. 258-262; Selth, *Burma's Armed Forces*, op. cit., pp. 90-92; Callahan, *Making Enemies*, op. cit., pp. 210-214; and Maung Aung Myoe, *Building the Tatmadaw: Myanmar Armed Forces Since 1948* (Institute of Southeast Asian Studies, 2009), chapter 2.

¹⁵ Smith, op. cit., p. 261.

¹⁶ Callahan, *Making Enemies*, op. cit., p. 210.

¹⁷ Ibid.

function. Ne Win resigned as BSPP chairman in July, but this only increased popular demands for fundamental reform, something the BSPP seemed incapable of conceiving, much less implementing.

A nationwide strike on 8 August 1988 brought huge crowds onto the streets, efforts by the administration to control the situation failed, and the use of indiscriminate violence by the security forces led to thousands of deaths. On 18 September, the military seized power, swiftly and violently cleared demonstrators from the streets and established the State Law and Order Restoration Council (SLORC), a group of military officers under the leadership of General Saw Maung, to rule the country. It set about addressing what it saw as the major reasons behind the uprising: an economic crisis caused by a failed socialist system, and a leadership crisis characterised by the idiosyncratic decision-making of a disconnected autocrat. The BSPP was dissolved, the 1974 constitution was abrogated, and a nominally market-oriented economic policy announced. The SLORC held all executive, legislative and judicial powers. It committed itself to collective decision-making – although it was not to be long before a new dictator, General Than Shwe, consolidated control.

This group of younger military officers embarked on a rapid enlargement and modernisation of the Tatmadaw, and more vigorously pursued the goal of bringing the borderlands under central control to achieve “national reconsolidation”. This was carried out through a combination of more concerted military operations against ethnic areas and ceasefire deals with individual armed groups. The attitude of neighbouring countries also adapted to the new post-Cold War realities, and these countries began to place higher priority on good relations with Yangon, and put increasing pressure on ethnic armed groups to reach ceasefire agreements with the regime.

A key development occurred in 1989, when ethnic minority troops in the north east of the country mutinied against the largely Burman leadership of the Communist Party of Burma, causing it to collapse. The troops formed several new organisations along ethnic lines. The SLORC was quick to seize the opportunity, offering advantageous ceasefire agreements to the new groups, thereby neutralising its largest military threat. These initial ceasefires freed the Tatmadaw to increase the military pressure on other ethnic armed groups, and over the next few years, many agreed ceasefires.¹⁸ By 1999, the army had doubled in size to some 370,000 troops, and could call on an increasing range of more modern weapons systems.¹⁹

III. Architects of Reform?

A. *What the Military Wanted*

The SLORC claimed after the 1988 coup that it was a temporary government that would stabilise the political and security situation, then return power to civilian hands (at least partially). It held elections in 1990 that were probably intended to do so, but it was apparently shocked by the National League for Democracy's landslide, and the results were never implemented – instead, the military continued its dictatorial rule, keeping Aung San Suu Kyi under house arrest and imprisoning many other leaders of her party.²⁰

¹⁸ See Crisis Group Asia Report N°52, *Ethnic Minority Politics*, 7 May 2003.

¹⁹ Selth, *Burma's Armed Forces*, op. cit., p. 79.

²⁰ For analysis, see Crisis Group Asia Report N°11, *Burma/Myanmar: How Strong is the Military Regime?*, 21 December 2000.

Initial attempts to open the country up and reform the economy did not achieve much traction – due to a lack of political will to take some of the bold steps needed, a lack of capacity and vision, and a lack of international appetite for forging relations with a regime that had come to power by brutally suppressing peaceful demonstrations.²¹

Moves toward reform were also complicated by internal regime dynamics. Efforts to open up the country in the early 2000s were spearheaded by General Khin Nyunt, the powerful intelligence chief. However, they came to an abrupt end when he and his entire intelligence apparatus were purged in 2004 – ostensibly for corruption, but seemingly also out of fear that he was becoming too powerful. It was several more years before the regime reactivated its “roadmap to disciplined democracy”, adopting a new constitution in 2008 and holding elections in 2010 that brought the current reformist government to power.

With a new, younger generation of officers at the helm, the Tatmadaw allowed, supported and in some cases advocated major reforms – including those that impacted its economic interests.²² The reasons why the Tatmadaw would move the country toward reform and democratisation, after decades of control and oppression, remain somewhat uncertain. However, interviews with individuals closely connected to the reform process – at the time the new government took office, and subsequently – suggest that two key factors played a role:²³

- ❑ *The China factor.* Myanmar's political and economic isolation following the 1988 coup drove it into the arms of China – who provided political protection, including crucially in the UN Security Council, and was a key source of credit and investment. However, this unbalancing of Myanmar's external relations was of considerable concern to many in the political elite. Myanmar has traditionally been extremely concerned about being overwhelmed by its giant neighbour, and wanted a strategic counterbalance outside the region, a role that could only really be filled by the U.S. The military regime understood that it would not be possible to build a strategic relationship with the U.S. without major reform.
- ❑ *The economic-security factor.* By the time of the transition in 2011, it had become increasingly clear to the elites just how far Myanmar was falling behind the rest of the region economically. This ever-widening gap – not just with the richer countries in the region, but even the poorest²⁴ – was not only a source of shame and an indictment of the way the country was being run; it came to be seen as an existential threat. How could Myanmar ensure its security and sovereignty when it was so far behind the region technologically and economically? Yet, it was recognised that rebooting the economy required expertise and investment from the West, which would not be forthcoming without credible political and governance reforms.

These two factors appear to have been key in creating the recognition among a majority of Myanmar's military-political elites of the need for fundamental economic and political change. This meant that when the transition took place, there was considerable pent-up desire for reform, and a willingness within the military to give up

²¹ Ibid.

²² See Section III.C below.

²³ Crisis Group interviews, Myanmar individuals close to the reforms and to the military elites, 2011-2014.

²⁴ According to the International Monetary Fund, in 2010 Myanmar's gross domestic product (GDP) per capita was around half that of the next poorest countries in the Association of Southeast Asian Nations (ASEAN), Laos and Cambodia.

some benefits in the service of the economic health of the nation, which is also seen as a means to ensure its own longer-term security.²⁵

The Tatmadaw has had a key role in driving the recent political and economic reforms and the peace process, but there are also highly problematic aspects of its activities and engagement in these three areas.

B. *The Military's Political Role*

The transition from a military regime to a semi-civilian government has, almost by definition, required that the Tatmadaw cede considerable political authority to civilian institutions. It is no longer in charge of most aspects of day-to-day government, which represents a significant reduction in its political authority – both over government decision-making on everything from energy to foreign affairs to land policy, but also its control over and dominance within the civil service. It no longer has the same freedom to transfer military officers into senior civil service posts; such transfers have markedly declined since 2011.²⁶ This also has economic consequences, since the Tatmadaw no longer controls policy decisions that in the past gave it access to huge economic rents – control of trade policy and import licences, decisions over government contracts, and so on (see Section III.C below).

The situation at the national level is mirrored at the regional level. Previously, regional commanders wielded absolute authority in their areas, since they served simultaneously as military chiefs and heads of regional governments. They now play no role in local administration, other than on security matters, reducing their authority and access to economic rents.

At the same time, the Tatmadaw retains enormous constitutional and de facto political power. It has five of the eleven seats on the powerful National Defence and Security Council, which currently meets almost weekly and has peak decision-making authority over matters such as granting of amnesties, appointment of the commander-in-chief and states of emergency.²⁷ The Tatmadaw's 25 per cent bloc of legislative seats gives it the power to veto constitutional changes, and the ability to influence, but not determine, the outcome of legislative deliberations. It has considerable constitutional autonomy in deciding military and security matters, largely free from civilian oversight – the commander-in-chief is a military officer, not the president, and the ministers of defence, home affairs and border affairs are serving military officers appointed by the commander-in-chief. In addition to these formal powers, the size, strength and recent pre-eminence of the institution gives it major de facto authority wherever it chooses to assert it.

²⁵ For detailed analysis, see Crisis Group Report, *The Politics of Economic Reform*, op. cit., Section IV.B.

²⁶ There have been a small number of transfers from the military to the foreign ministry in recent months, and the transfer of several serving military officers to ambassadorships. A number of military officers have also been assigned as mid-level staff of the Union Election Commission. Previously such transfers to the civil service were the norm, but are now exceptional enough to be remarked on and stir some controversy. Crisis Group interviews, Myanmar think-tank analyst, and Myanmar individual with detailed knowledge of military affairs, Yangon, January 2014. See also Priscilla Clapp and Aung Din, "Myanmar's government appoints military to the election commission", *cogitASIA* (Center for Strategic and International Studies), 28 January 2014.

²⁷ As provided for in the constitution, the National Defence and Security Council consists of the president, the two vice presidents, the speakers of the two legislative chambers, the commander-in-chief and his deputy, and the ministers for defence, home affairs, border affairs and foreign affairs.

Most of these powers are in the form of guarantees to the Tatmadaw that its core functions will not be encroached on by civilian government, and that in extreme situations it has the power to ensure that its essential interests will not be threatened. They are undemocratic, but may have been considered by the architects of the constitution as necessary to ensure that the Tatmadaw would be confident to relinquish its other powers. If entrenched for anything more than a short transitional period, they could be deeply damaging to the future prospects of the country. It would perpetuate a political role for the Tatmadaw, leaving it permanently outside civilian control. This would enable it to privilege its institutional interests at the expense of the country, and it cannot be taken for granted that it would continue to support liberalisation in the future.

C. *The Military's Economic Role*

The Tatmadaw has long had a dominant economic role in Myanmar. This stems from two factors:²⁸

- ❑ The military regime presided over a licence-and-permit economy where key economic activities, including import and export, required permission from a policy body (the Trade Council) chaired by the army commander.²⁹ Similarly, decisions on government contracts were non-transparent and decided by the regime. This provided significant opportunities for obtaining economic rents, and for privileging the interests of Tatmadaw businesses.
- ❑ Economic decision-making more generally was under the control of the regime, rather than technocrats in the relevant ministries; economists and other experts – whether inside or outside government – rarely had significant input into policy-making. In particular, the most lucrative sectors of the economy were reserved for a Tatmadaw-owned holding company, the Union of Myanmar Economic Holdings Limited (UMEHL), which is headed by the adjutant general. Any other company, including foreign companies, wishing to enter these sectors was required to form a joint venture with UMEHL. The sectors in which UMEHL had effective monopolies included tobacco products, alcohol, the rice trade and imports of vehicles, refined petroleum products and edible oils.

The special economic role of the Tatmadaw and its holding companies has been significantly weakened as a result of both the economic and political reforms. The political reforms mean that the military no longer has control over key economic policy decisions. The Trade Council has been abolished, the system of licences that it administered is being rolled back, and decisions made in a more transparent way by technocrats. The Tatmadaw is out of day-to-day government, and so is no longer in a position to be gatekeeper of the economy.³⁰

Specific decisions have also been taken to try to level the economic playing field, and these have direct impact on the Tatmadaw's business interests. According to individuals close to the issue, the most significant immediate impact was from the decision, taken by the new government a few months after it took office in 2011, to revoke the tax-free status of the Tatmadaw's holding companies (UMEHL and the

²⁸ For more details, see Crisis Group Report, *Politics of Economic Reform*, op. cit.

²⁹ The Trade Council was chaired by General Maung Aye, who was the SPDC vice chairman and the army's commander-in-chief.

³⁰ Ibid.

Myanmar Economic Corporation, MEC). This applied not only to corporate tax, but also import and export taxes. Prior to this, many companies that were required to pay export taxes (at 10 per cent) would conduct their export activities through UMEHL, who would take a 5 per cent cut. The scale of this tax avoidance scheme was said to be huge. Thus, the ending of their tax exemption caused an immediate loss to UMEHL of a very lucrative revenue stream.³¹

The military conglomerates have also lost their monopolies. The first to go, a few weeks after the new government took power, was that on edible oil imports – a sector that UMEHL had controlled since 1999. An indication of the profit margins involved was that, within weeks, prices had dropped 30 per cent. Vehicle imports were opened up later in 2011, and there is now competition in all of the formerly monopolised sectors.³²

There are serious questions as to whether UMEHL can remain profitable without the political and economic advantages it previously enjoyed, or whether it could start to become a drain on the Tatmadaw's finances. It still has significant resources: huge land assets, factories, market access and distribution networks. This means that it will continue to have a sizeable footprint in the economy. But whether it can leverage these resources into huge profits is less clear. While its land holdings are greatly increasing in value, its enterprises are regarded as inefficient and poorly managed, and in the new environment, it would likely not be the preferred joint venture partner for most international enterprises. Further, it is already embroiled in a number of contractual disputes with international and local partners.³³

Why would the Tatmadaw accept to have its economic power curtailed in such a way? First, economic reform was seen as vital to the future of the Tatmadaw and the country by the military-political elites, and some loss of privilege was inevitable. Secondly, much of the revenue from military business does not flow to the Tatmadaw itself – UMEHL mostly finances its shareholders (in the main, retired senior military officers) and the military's pension fund. Thus, loss of revenue is not a big hit for the military budget; the cost is more to retired senior commanders, who are more of a political threat to the new commander-in-chief that he may want to weaken, rather than a core constituency. Thirdly, the military conglomerates risk becoming a loss-making burden in a new economic environment, and the commander-in-chief may prefer the predictability of national budget allocations. The Tatmadaw's budget has been declining as a proportion of the budget, but the total government budget, and hence the real-terms military allocation, can be expected to increase (see Section IV.D below). For all these reasons, the Tatmadaw has likely concluded that there is much to be gained from supporting economic reform.

D. *The Military's Role in the Peace Process*

In addition to the major political and economic transitions, the other far-reaching reform initiated by the current government has been the peace process with some sixteen ethnic armed groups. The aim is to bring to a close six decades of deadly conflict – the longest running civil war in the world – through ceasefires followed by

³¹ Ibid. Also, Crisis Group interview, Myanmar individual with detailed knowledge of military affairs, Yangon, January 2014.

³² Crisis Group Report, *Politics of Economic Reform*, op. cit.

³³ "Myanmar Economic Holdings in brewery contract dispute", *Democratic Voice of Burma*, 30 August 2013; and "Arbiter slams UMEHL over foul play", *Myanmar Times*, 17 March 2014.

political dialogue.³⁴ This process, particularly the ceasefires and associated security agreements, directly involves the Tatmadaw, and can provide good indications of how it sees its current and future role in the country.³⁵

The Tatmadaw has expressed public support for the peace process. The commander-in-chief endorsed the president's approach in his Armed Forces Day speech in March 2012, and again in 2013.³⁶ In his 27 March 2014 speech, he stressed that Myanmar could not develop as a country without peace, and highlighted the importance of achieving a nationwide ceasefire agreement, through which the armed groups "would be legalized".³⁷

The Tatmadaw has been actively involved in the peace negotiations. It has sent high-level representatives to the talks, whose role has generally been perceived as constructive, even if some armed group leaders find it difficult to have trust in the army's intentions and sincerity. The Tatmadaw was particularly engaged in the 9-10 March 2014 peace talks in Yangon that brought together representatives of the ethnic armed groups with those from the different branches of government and the military. Present at the meeting were five Tatmadaw generals, who were very well prepared and actively participated in the discussions – something ethnic leaders saw as indicating openness and solution-oriented thinking.³⁸ The same was true at the 5-6 April peace talks in Yangon. The Tatmadaw has apparently accepted the idea of some form of federalism as part of a solution to the conflicts, though it remains resistant to the use of the word in the nationwide ceasefire agreement. Previously, it had been vehemently opposed to any moves toward federalism, regarding them as a prelude to the break-up of the country.³⁹

The major concerns about the Tatmadaw's role in the peace process have focused on its conduct in Kachin and Shan States. In Kachin State, there has been fierce fighting with the Kachin Independence Organisation (KIO) over the last three years, even after the president called a unilateral halt to offensive actions.⁴⁰ Although an uneasy peace now prevails, there are occasional and sometimes serious clashes.⁴¹ Similarly, there are sporadic skirmishes between the Tatmadaw and armed groups in Shan State, not only with KIO troops in the north of the state, but also with the Shan State Progress Party (Shan State Army-North) and the Restoration Council for Shan State (Shan State Army-South).⁴²

³⁴ The Karen National Union, for example, has been fighting since 1949.

³⁵ For an early overview, see Crisis Group Report, *A New Peace Initiative*, op. cit.

³⁶ *New Light of Myanmar*, 28 March 2012, p. 1; and 28 March 2013, p. 1.

³⁷ *New Light of Myanmar*, 28 March 2014, p. 1; see also "Army chief says ethnic conflicts must end for Burma's development", *The Irrawaddy*, 27 March 2014.

³⁸ Crisis Group interviews, armed group leaders, Chiang Mai, December 2013 and Yangon, October 2013; member of the government peace team, January 2014; and individual present at the peace talks, March 2014.

³⁹ For a discussion of the Tatmadaw's earlier concerns, see Crisis Group Report, *New Peace Initiative*, op. cit., Section IV.E.

⁴⁰ For a detailed discussion of the Kachin conflict and the peace parley, see Crisis Group Briefing, *A Tentative Peace in Myanmar's Kachin Conflict*, op. cit.

⁴¹ See, for example, "Fighting dashes hopes of homecoming for displaced in Kachin", *The Irrawaddy*, 20 February 2014.

⁴² See, for example, "SSA-North writes to peace team over clashes", *Myanmar Times*, 7 August 2013; "Burma Army clashes with SSA-S, TNLA in Shan State", *Democratic Voice of Burma*, 26 February 2014. Sporadic clashes also take place in Shan State with the Ta'ang National Liberation Army, which has not yet entered into a ceasefire.

Such clashes have led some people to question the Tatmadaw's motives and its genuine commitment to the peace process. Indeed, attacks on KIO areas in late 2012 and early 2013 were of a scale and intensity that was inconsistent with the president's order to only take action in self-defence – even if it were the case, as the Tatmadaw claimed, that it was acting to protect its supply lines at a time when KIO ambushes were causing it mounting casualties. Yet, it is not clear that these attacks were aimed at undermining the chances of peace, as some have suggested. It should be noted that they took place at a time when ceasefire negotiations between the government and the KIO were stalled, and when the KIO had not stopped its own attacks on government forces.

In Shan State, the security situation is complex, and there can be many reasons for clashes, some of which may be the responsibility of the Tatmadaw, but others not. There are many armed groups moving in these areas, including criminal gangs involved in banditry and drug smuggling; it is often difficult to be sure who is who. Armed elements on both sides are often in close proximity without clear demarcation, creating a risk of clashes. In addition, different armed groups and the Tatmadaw engage in illegal income generation activities. This can lead to tensions and clashes over who has access to resources, or when the Tatmadaw attempts to crack down on such activity by others. The fact that the Shan State Army-South continues to be strongly supportive of the peace process is in part due to the fact that it recognises the sporadic clashes are a reflection of the complex situation on the ground.⁴³

What is clear is that if the Tatmadaw as an institution really wanted to undermine the peace process, it could easily do so in Kayah State or other areas where ceasefires are in place and holding. The fact that it has not done so, and indeed, that relations with these armed groups – most notably, the Karen National Union (KNU) – continue to be positive, indicates a commitment to ensuring that these ceasefires are maintained. The KNU leadership has been meeting on average every two months with the president and with the commander-in-chief, to discuss issues related to the ceasefire as well as the peace process more generally. These top-level meetings, together with more regular interactions at lower levels, have ensured that there are avenues to address problems with the ceasefire as they arise.

IV. The Tatmadaw in a Future Democratic Myanmar

A. Adapting to the New Realities

A major shift is taking place in the role that the Tatmadaw plays in the life of the country. In the transition from military regime to semi-civilian administration, the Tatmadaw has stepped back from running government, other than the key security sectors of defence, home affairs and border affairs. It has to adapt itself to a more democratic situation, where it still wields enormous power, but where there are new constraints on how it can exercise that power, and it is exposed to some degree of public and media scrutiny when it does so. To take one example, it is being criticised

⁴³ According to a spokesperson of the group, "as there was no specific demarcation, we continue to move about in the region normally, and at times we run into government army columns", he said. "Without clear boundaries and advance notice, mobilisation can lead to 'brief, pre-emptive clashes'", he added. "But we have not seen large-scale fighting taking place". Quoted in "Burma Army clashes with SSA-S, TNLA in Shan State", *Democratic Voice of Burma*, 26 February 2014.

in the domestic media for land grabs, protests by the dispossessed are widely covered, and the issue has been before a legislative committee.⁴⁴

This adaptation is gradual, and sometimes uncomfortable for military officers – even if there is general acceptance of the need for it. They can no longer order civilians to do their bidding in the same way that they were once able to, and the Tatmadaw has committed itself, for example, to a time-bound plan to end the practice of forced labour.⁴⁵ In the past, the military confiscated vast tracts of land, not only for army bases, but also prime agricultural land and land to be used for income generation activities or leased to developers. Now, it faces scrutiny for such past actions, and even demonstrations by the dispossessed, demanding restitution or compensation.⁴⁶ In total, the Tatmadaw has announced that it will return to the original owners over 150,000 acres of confiscated farmland – which gives some idea of the massive scale of past confiscations.⁴⁷

In the past, the Tatmadaw also played a major role in keeping dissent in check, with troops rather than police being generally deployed to crack down on demonstrations or deal with social unrest. In the new order, troops in central Myanmar have mostly withdrawn to the barracks, leaving the police – sometimes without the necessary training, equipment or experience – to deal with these issues. In line with the constitution, the military takes a direct role only if a state of emergency is declared, as it was in Rakhine State in 2012, for example.

However, there are indications that the Tatmadaw may be shifting to a somewhat more proactive stance. At the time of the three days of anti-Muslim violence in Meiktila in March 2013, many observers questioned why the military had not stepped in to quell the violence and restore order. Meiktila has a large military contingent, being home to Myanmar's main air force base as well as the 99th Light Infantry Division, a mobile "rapid reaction" force. The military played no role in tackling the incident until the president declared a state of emergency on the third day of violence.⁴⁸

On 26 March 2014, a Rakhine census boycott in Sittwe turned into two days of violence directed at international NGOs and the UN – leading to the destruction and looting of offices and the evacuation of most of their staff.⁴⁹ In his annual Armed Forces Day speech the following day, the commander-in-chief "called on all people to cooperate with the Tatmadaw as the armed forces are assisting the police in the enforcement of rule of law".⁵⁰ This was an indication that the military was ready to be much more proactive on public order issues than it had been in the recent past, while still framing it as "support to the police" since no state of emergency was declared. The army took up a visible presence on the streets of Sittwe and a top com-

⁴⁴ See, for example, "Commission to investigate Migyaungkan land grabbing", *Eleven Myanmar*, 9 April 2014; "Military involved in massive land grabs: Parliamentary report", *The Irrawaddy*, 5 March 2013.

⁴⁵ See "Developments concerning the question of the observance by the Government of Myanmar of the Forced Labour Convention, 1930 (No. 29)", ILO document GB.313/INS/6(Add.), 19 March 2012.

⁴⁶ See, for example, "Michaungkan villagers restart sit-in protest", *Democratic Voice of Burma*, 27 March 2014; "Tenasserim villagers protest military land grab", *Democratic Voice of Burma*, 21 February 2014; "Land protest leaves one dead, dozens injured", *The Irrawaddy*, 27 February 2013.

⁴⁷ See "Army to return 150,000 acres to original owners", *Myanmar Times*, 9 February 2014.

⁴⁸ See Crisis Group Report, *The Dark Side of Transition*, op. cit.

⁴⁹ "Humanitarian crisis looms in western Burma as foreign aid workers leave", Reuters, 1 April 2014.

⁵⁰ "Commander-in-chief says armed forces responsible for 'safeguarding constitution' as 69th Armed Forces Day is marked with parade", *New Light of Myanmar*, 28 March 2014, pp. 1, 3.

mander – General Hla Htay Win, the joint chief of staff and third-ranking officer in the Tatmadaw – was sent to oversee the security operation.⁵¹

The army also provided security in parts of Rakhine for the census enumeration that took place a few days later, and also – much more problematically – in Kachin State. There is a sense that this more proactive approach may be driven in part by that fact that the Tatmadaw has always prided itself on its capacity to restore and maintain security.⁵² During the state of emergency in Rakhine in 2012, the military was far more effective than the police had been in restoring order and protecting Muslim Rohingya villages, and those communities generally saw its role as positive.⁵³ In some instances, particularly Rakhine State, it may be the best option in the short term for preventing the situation escalating to widespread insecurity and violence.

The role of the Tatmadaw in Myanmar's borderlands is also shifting. The cease-fires in place in most of these areas mean that it has less need for patrols and security operations, and units are spending more time in barracks. The new political and security context implies a radical shift in the nature of its interactions with civilians in border areas – a shift that is far from being fully realised, with abuses still taking place. But ending abusive practices is only a part of the transition that the Tatmadaw must make. If Myanmar is to be successful in building a genuine union based on respect for diversity and greater autonomy, the Tatmadaw will have to find a way to change from being seen as the enemy by many ethnic communities (which it has been for multiple generations) to a national security force that reflects the diversity of the country and its peoples.

B. *A New Military Doctrine*

Improving the Tatmadaw's reputation in the country, particularly in ethnic communities, will be an enormous challenge. It requires a major effort to address abuses of civilians – which have been documented in detail over decades – including through training and changes in military culture, as well as steps to end impunity.⁵⁴ At a broader level, it must be addressed through the elaboration of a new military doctrine. Since independence, in developing its doctrine the Tatmadaw has felt the need to balance the competing demands of perceived external threats (which required heavy weapons systems for conventional operations) and active insurgencies (which required a large, lightly-equipped force).⁵⁵ The initial focus after independence was on the former, although the country lacked the resources necessary to follow this through. Given the large-scale insurgencies of the 1950s, when the military took power in 1962 it shifted focus mainly to the latter, in the form of a "people's war" concept – a counter-insurgency doctrine that involved the establishment of local militias and ultimately the brutal four-cuts strategy.

⁵¹ "General Hla Htay Win inspects riot-affected areas in Rakhine State", *New Light of Myanmar*, 29 March 2014, p. 3.

⁵² Crisis Group interview, international analyst who had recent discussions with the authorities on the issue, Yangon, April 2014.

⁵³ See Crisis Group Report, *Storm Clouds on the Horizon*, op. cit., Section I.E.

⁵⁴ These have included serious violations in the context of counter-insurgency operations, as well as more systemic abuses including forced labour, arbitrary detention, illegal taxation and sexual violence, among others.

⁵⁵ For detailed discussion, see Selth, *Burma's Armed Forces*, op. cit., Section 4.3; and Maung Aung Myoe, op. cit., chapter 2.

The third phase of military doctrine was developed after the 1988 military takeover, and involved a modernisation of the weapons systems, but also a rapid expansion in the number of troops with the aim of enhancing counter-insurgency operations. In addition to external and internal military threats, in light of the 1988 demonstrations this new doctrine also saw domestic political conflict as a threat.⁵⁶ This led to a major expansion of the military intelligence service. At a time of deep economic malaise, there was a lack of necessary resources to achieve this, and the army adopted a “self-reliance strategy” for units in the field. This resulted in large-scale abuses such as land confiscation, informal taxation and forced labour.⁵⁷

In a new sign of openness on defence matters, the defence ministry announced in the state media in February 2014 that it had established a new subcommittee that would take suggestions on defence matters from the public and invited such suggestions to be submitted through phone, fax and email channels that were provided in the notice.⁵⁸

The reform process and civilianisation of government has prompted the Tatmadaw to engage in its fourth phase of doctrinal development.⁵⁹ Little is known about the details. However, it is clear why the Tatmadaw would feel the need to update its doctrine. The new political environment gives the institution an opportunity to regain some of the respect it once had, at least in Burman circles.⁶⁰ The withdrawal of the military from government, the marked reduction in internal conflict as a result of the peace process, and the fact that it no longer has the leading role in public order and political intelligence gathering gives it the possibility to streamline, professionalise, and modernise. This can be seen in the major “green-to-blue” transfer of soldiers into the police force, the reduction in cadet intakes by the military academies, and efforts to end the recruitment of children.⁶¹

C. *The Military Budget*

The new political environment has also had financial implications for the Tatmadaw. Shifting budgetary priorities and a more transparent legislative process mean that the military no longer has first call on the exchequer. Since budgets were not published for many years under the military regime, it was never clear what share the military received; estimates for the 1990s ranged as high as 40 per cent (and even more if extra-budgetary sources were included), and closer to 20 per cent in the 1980s.⁶² Further-

⁵⁶ Ibid.

⁵⁷ See Richard Horsey, *Ending Forced Labour in Myanmar* (Routledge, 2011), p. 85.

⁵⁸ *New Light of Myanmar*, 16 February 2014, p. 16.

⁵⁹ Crisis Group interviews, Myanmar sources with direct knowledge of the issue, Yangon, January 2014. See also Mary Callahan, “The generals loosen their grip”, *Journal of Democracy*, vol. 23, no. 4 (October 2012).

⁶⁰ A recent public opinion poll conducted by the International Republican Institute across Myanmar suggests that the military may not be viewed as negatively as had been supposed. It was the second most favourably viewed institution (after the media), with one third of respondents “very favourable” and more than half “favourable” – putting it ahead of the opposition, government, legislature, police, courts and political parties. “Survey of Burma public opinion”, International Republican Institute, 2014.

⁶¹ See Andrew Selth, *Police Reform in Burma (Myanmar): Aims, Obstacles and Outcomes* (Griffith Asia Institute, 2013) and *Burma's Security Forces: Performing, Reforming or Transforming* (Griffith Asia Institute, 2013); and “Myanmar commits to child-free armed forces”, UN Press Release, 27 June 2012.

⁶² See Selth, *Burma's Armed Forces*, op. cit., chapter 6.

more, the Tatmadaw attempted to insulate itself from budgetary fluctuations and uncertainties by developing its own military enterprises to ensure cheap and uninterrupted supplies of essential commodities – such as steel, cement, rebar and vehicle tyres – that are now mostly controlled by its Myanmar Economic Corporation (MEC) conglomerate.⁶³

Under the present government, military spending has been cut significantly. In the current fiscal year (2014-2015), it stands at 12 per cent of the budget, following annual reductions from 19 per cent in the 2011 fiscal year.⁶⁴ It is still higher than health and education combined, however.

Although the Tatmadaw's proportion of government expenditure is reducing, the impact of this depends partly on economic performance and the government's ability to improve revenue collection. If the economy continues to grow and government spending to increase, the Tatmadaw may see its budget continue to increase in real terms.⁶⁵

D. *The Tatmadaw's Constitutional Role*

More fundamentally, the Tatmadaw must think through how it will transition to a future more democratic context where it will have to come increasingly under civilian control. It is clear that any such transition will be slow and cautious, but the Tatmadaw leadership also appears to view it as inevitable and possibly even as being in the long-term interests of the institution, provided that the reform process remains stable.

First, the transition to a more democratic, civilian-controlled military will be slow, because the Tatmadaw appears determined not to give up its considerable constitutional powers for the time being. The commander-in-chief has strongly signalled that he is not in favour now of changing the amendment procedures in the constitution.⁶⁶ The National League for Democracy and others are calling for the threshold for approving amendments to be reduced from three quarters to two thirds, so that the Tatmadaw's 25 per cent of legislative seats would no longer give it a veto.⁶⁷ Both the commander-in-chief and the president have recently said that the Tatmadaw still has an important role to play in the political transition.⁶⁸ Security sector reform in transitional and conflict-affected countries always takes a long time, and even more

⁶³ See Crisis Group Report, *Politics of Economic Reform*, op. cit.

⁶⁴ "Military spending still dwarfs education and health", *Myanmar Times*, 30 March 2014.

⁶⁵ Between 2011 and 2014, Myanmar's GDP increased by an estimated 7.5 per cent per annum, and defence expenditure, although proportionally less, increased in real terms. See "Myanmar: Second review under the staff-monitored program", IMF Country Report No. 14/91, 18 February 2014.

⁶⁶ See, for example, "Commander-in-chief says armed forces responsible for 'safeguarding constitution' as 69th Armed Forces Day is marked with parade", *New Light of Myanmar*, 28 March 2014, pp. 1, 3.

⁶⁷ See "Committee to target military veto", *Myanmar Times*, 24 February 2014; and "Constitution body takes military veto off the table", *Myanmar Times*, 14 March 2014.

⁶⁸ See "Army chief says ethnic conflicts must end for Burma's development", *The Irrawaddy*, 27 March 2014; and "President marks 3rd anniversary of the government with speech: Six-decade long civil war to end soon, but armed forces will continue to be included in negotiations to solve political issues", *New Light of Myanmar*, 27 March 2014, p. 1.

so in Myanmar given the pre-eminence of the Tatmadaw in the past, and the constitutional guarantees that it currently enjoys.⁶⁹

Secondly, the transition to a more democratic military is inevitable, because the Tatmadaw has given clear indications that it does not view its constitutional prerogatives as permanent, and other members of the political establishment have said they should be phased out as democracy takes root. In his 2014 Armed Forces Day speech, the commander-in-chief indicated the need for a “gradual reduction” in the Tatmadaw’s political role as the country “matures in democracy”.⁷⁰ He has also stated the need to bring the military progressively under civilian control in meetings with foreign diplomats.⁷¹ The president has given a similar message, saying that “we will be able to steadily reduce the role of our armed forces as we mature in democracy, and make progress in our peace building efforts”.⁷² The chairman of the election commission – formerly a senior military officer – stated that the military was in the legislature to facilitate negotiations, “because we don’t want a coup”.⁷³

With regard to long-term interests, the Tatmadaw has always wanted strategic military relations with the West, particularly the U.S., to balance China.⁷⁴ More concretely, it is keen to have access to the advanced weapons systems and modern training that many of its South-East Asian peers have. It understands that this is not possible without adapting to a future more democratic context.⁷⁵

V. Conclusion

The Tatmadaw has been the most prominent and powerful institution for much of Myanmar’s post-independence history. At the same time, in recent years many in the military-political elite have recognised that the Tatmadaw would have to step back from holding the reins of power in order to reboot the economy and balance China’s dominant influence on the country. This came to be seen as a geostrategic and security imperative.

This is why the Tatmadaw initiated the current transition, and has continued to be broadly supportive of it – even when it has reduced its economic privileges and political influence. At the same time, the constitution gives the Tatmadaw the power to protect its essential interests, through its control of key security ministries, freedom from civilian oversight and the legislative influence and veto on constitutional change provided by its 25 per cent bloc of seats.

It has signalled that it does not see these prerogatives as permanent, and that it is ready to contemplate them being gradually phased out as the new political system stabilises and matures. Yet, the indications are that it will move very cautiously, such that the Tatmadaw will have a significant role in the political life of the country for some time to come – even if it sees advantages to security sector reform, in terms of

⁶⁹ The need for sustained engagement in order to achieve clear progress in this area was underscored in the World Bank’s 2011 World Development Report, “Conflict, Security and Development”, particularly chapter 6.

⁷⁰ “Commander-in-chief says armed forces responsible for ‘safeguarding constitution’”, op. cit., pp. 1, 3.

⁷¹ Crisis Group interviews, several of these diplomats, Yangon, January-March 2014.

⁷² “President marks 3rd anniversary of the government with speech”, op. cit., p. 1.

⁷³ “Burma Election Commission to ban Suu Kyi’s campaign strategy”, *The Irrawaddy*, 9 April 2014.

⁷⁴ See Section III.A above.

⁷⁵ Crisis Group interviews, Myanmar sources close to the military, Yangon, January 2014.

reputation and the modernisation that would be facilitated by strategic partnerships with Western militaries.

Domestically, it must end ongoing rights abuses and change the way it interacts with civilians, particularly in the ethnic borderlands, in order to restore its damaged reputation, and transform itself into a professional institution that is reflective of – and serves to defend – Myanmar's ethnic and religious diversity.

Yangon/Brussels, 22 April 2014

Appendix A: Map of Myanmar



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