



BRIEFING PAPER

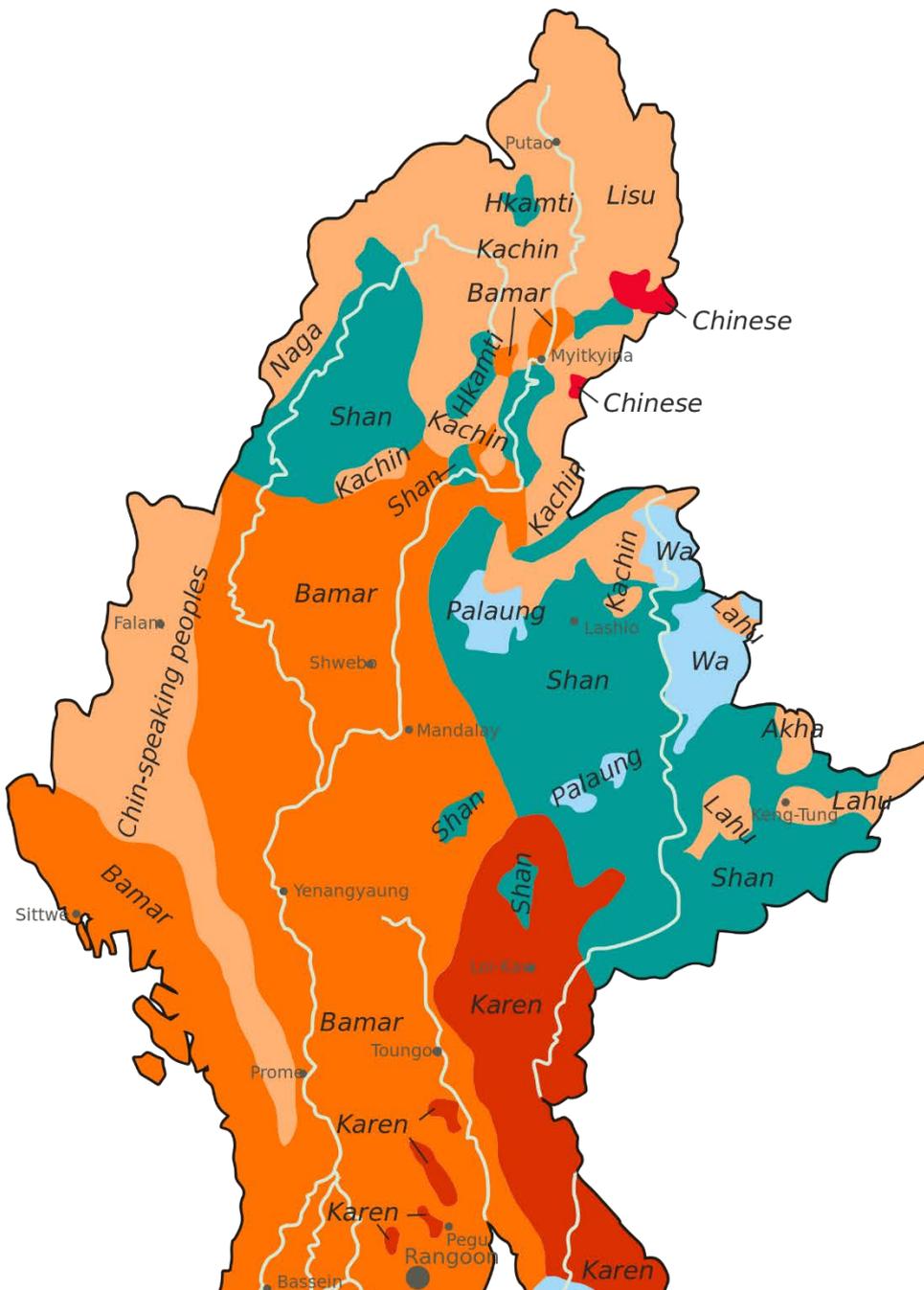
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Burma: January 2018 update

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Summary

Many hoped that the November 2015 general election, in which the National League for Democracy (NLD), led by Aung San Suu Kyi, won an unexpectedly overwhelming victory, would be a tipping-point in Burma's 'democratic transition', which began in 2011. The new government took office in April 2016 in an atmosphere of hope – but the honeymoon has turned out to be brief.

The Rohingya crisis

The first few months in office were relatively – and deceptively – calm for the NLD. But it all began to change in October 2016, when Rohingya who had organised themselves into an armed group carried out small-scale attacks against the Burmese security forces near the border with Bangladesh in northern Rakhine State. During 2017, these forces have become better known as the Arakan Rohingya Salvation Army (ARSA).

These attacks provoked strong counter-action by the military under army chief General Min Aung Hlaing, over which Aung San Suu Kyi has only [limited control](#), triggering a renewed wave of displacement. Human rights groups accused the military of further serious human rights abuses against Rohingya communities. As was the case in the past when violence escalated in Rakhine State, significant numbers of Rohingya fled into Bangladesh. In February 2017, the UN published a report which claimed that the security forces had acted with "[devastating cruelty](#)" towards the Rohingya since October 2016.

Although tensions remained high, there was a relative lull in the situation in northern Rakhine State for several months during mid-2017. But many analysts [assessed](#) that it was only a matter of time before there was another upsurge in violence – and so it proved.

On 25 August 2017 ARSA launched another round of attacks on police posts in Rakhine State, as well as one on an army base. Earlier in the month, it had warned the army to demilitarise northern Rakhine State. The army [responded](#) with massive military force, launching 'clearance operations', which rapidly escalated into systematic burnings of villages and abuses against civilians both by its own personnel and by Rakhine Buddhist vigilante groups. This triggered an unprecedented wave of displaced Rohingya, most of whom crossed the border into Bangladesh. By the end of September, the number of new Rohingya refugees that had arrived in Bangladesh since late-August had reached over 500,000.

Senior UN and US officials have declared what has happened 'ethnic cleansing'. There have also been [claims](#) that it might amount to genocide. Aung San Suu Kyi has [rejected](#) claims that ethnic cleansing was taking place, insisting that army operations had concluded in early-September.

On 23 November 2017 Burma and Bangladesh [agreed](#) an 'Arrangement on the Return of Displaced Myanmar Persons Sheltered in Bangladesh', reducing tensions between the two countries over the Rohingya crisis,

at least in the short-term. But many have argued that expecting Rohingya refugees to return voluntarily is unrealistic for some time to come. There are fears amongst many that 'resettlement' might turn out to mean *de facto* internment in military-run camps.

In recent weeks, some have argued that there is growing evidence that the Burmese army did not simply respond to ARSA's renewed attacks in late-August 2017, but that it had been [preparing](#) for a brutal and disproportionate assault on Rohingya in northern Rakhine State during the months beforehand – for example, by mobilising and arming local Buddhist Rakhine militia.

The latest total for the number of Rohingya refugees that have fled Rakhine State into Bangladesh since August 2017 is 655,000. Combined with those who were already there as a result of previous outbreaks of violence, there are now well over one million Rohingya refugees in Bangladesh. In mid-December 2017, the humanitarian group Médecins sans frontières [said](#) that more than 6,700 Rohingya had been killed during the first month of violence from late-August 2017.

International action on the Rohingya crisis has begun to step up since September 2017– although critics argue that it remains insufficient. There is a real prospect that Western sanctions may be reintroduced. Aung San Suu Kyi's reputation has been badly damaged around the world. The UK Government has been criticised by the Foreign Affairs Committee for not taking a clear or strong enough position on "atrocious crimes" – genocide, crimes against humanity and ethnic cleansing.

21st Century Panglong Union Peace Conference

Despite the Rohingya crisis absorbing much of its time and energy, the NLD Government has sought to keep the peace process with ethnic minority armed groups moving forward through what is called the '[21st Century Panglong Union Peace Conference](#)'.

A 'National Ceasefire Agreement' (NCA) was signed in October 2015, just before elections in the following month, by the then military-led government under Thein Sein, but a significant number of ethnic armed groups did not put their names to it.

Two sessions of the conference have been held since August 2016. A third is scheduled for later this month. While participants have agreed some general principles, there have not yet been any new signatories to the NCA. Few expect the 21st Century Panglong Union Peace Conference to [quickly produce peace](#). Some fear that it [lost momentum](#) during 2017.

Economy

Economic growth has been strong since 2011 but there are growing fears that it may now begin to slow. While the Rohingya crisis may well deter investment (particularly if sanctions are re-imposed), such a slowdown will also reflect structural economic weaknesses – not least, the country's poor infrastructure.

Note: For more on Bangladesh's actions and perspectives on the Rohingya crisis, see our briefing [Bangladesh: October 2017 update](#).

1. The Rohingya crisis gravely damages the reputation of Aung San Suu Kyi and the NLD Government

Many hoped that the November 2015 general election would be a tipping-point in Burma's 'democratic transition', which began in 2011.

The National League for Democracy (NLD) won an unexpectedly overwhelming victory, taking 79% of the elected seats in parliament. The persistence of an unelected military bloc of members was not enough to deny the NLD a majority in both the lower and upper houses.

There were concerns about the fact that some sections of the population were unable or unwilling to vote – for example, the Muslim Rohingya and ethnic minorities in conflict-affected areas of the country. But overall the elections exceeded international expectations.

The NLD Government took office on 1 April 2016. Some wondered at the time how far it was taking power. As required by the current Constitution, key ministries – home affairs, defence and border affairs – were filled by army representatives.

The Constitution also prohibited Aung San Suu Kyi from standing for the presidency. U Htin Kyaw, a longstanding ally of Aung San Suu Kyi was instead elected president of Burma – the first civilian to hold the post for over 50 years. However, parliament subsequently approved the creation of a new role for her, [State Counsellor](#), giving her the power to advise both the executive and legislative branches of government. Military parliamentarians unsuccessfully opposed the move.

The new government began its time in office amidst an atmosphere of hope, if not euphoria. But the honeymoon has turned out to be brief.

1.1 The first few months in office: calm before the storm

The first few months in office were relatively – and deceptively – calm for the NLD. Many, if not all, political prisoners were [released](#) and work began to scrap or amend laws that had been used against political opponents under military rule. But some observers complained that [arrests](#) of activists continued and some legislative moves [fell short](#) of what was required in a genuine democracy. These concerns remain today.

In terms of the peace process, Aung San Suu Kyi announced that she would take personal charge of it and called for a more [inclusive](#) conference within a few months. With fighting continuing in Rakhine, Shan and Kachin states, concerns were expressed that the Government still has little control over the army under its chief, General Min Aung Hlaing.

“Democratization need not yield liberalization: it depends on the social forces to which it gives vent.”

Lee Jones, [‘The political economy of Myanmar’s transition’](#) (2013)

The proposed conference was called the '[21st Century Panglong Conference](#)', after a 1947 conference of the same name which built peace for the first fifteen years of independence.

In May 2016 there was controversy when, following calls by Buddhist nationalists on the international community to cease using the term 'Rohingya', Aung San Suu Kyi called the use of the term "[emotive](#)" (she said the same of the term 'Bengali'). She again failed to use the term when [speaking](#) at the UN in September. However, the Government established a new committee for peace and development in Rakhine State, with Aung San Suu Kyi as its chair.

In August 2016, Aung San Suu Kyi also created a joint national-international Advisory Commission to find solutions to the crisis in Rakhine State. Former UN Secretary-General Kofi Annan was appointed to chair the commission. The involvement of internationals was met with protests from some within the military and Buddhist groups, but the NLD Government refused to back-track.

1.2 October 2016: renewed upsurge in violence in northern Rakhine State

According to the [International Crisis Group](#), in October 2016 Rohingya who had organised themselves into an armed group initially known as *Harakah al Yakin* carried out small-scale attacks against the Burmese security forces near the border with Bangladesh in northern Rakhine State. It also targeted alleged 'collaborators' with the Burmese authorities within Rohingya communities. During 2017, these forces have become better known as the Arakan Rohingya Salvation Army (ARSA).

These attacks provoked strong counter-action by the military, over which Aung San Suu Kyi had only [limited control](#), triggering a renewed wave of displacement. At least forty people died in the initial clashes but after that the clampdown continued. Human rights groups accused the military of further serious human rights abuses against Rohingya communities.

As was the case in the past when violence escalated in Rakhine State, significant numbers of Rohingya fled into Bangladesh. The Bangladesh authorities have traditionally viewed them as [unwelcome](#) and have refused to recognise them as refugees.

Box 1: Who are the Rohingya?

Human Rights Watch has [answered](#) this question as follows:

"The Rohingya are an ethnic Muslim minority who practice a Sufi-inflected variation of Sunni Islam. A majority of the estimated one million Rohingya in Myanmar reside in Rakhine State, where they account for nearly a third of the population. They differ from Myanmar's dominant Buddhist groups ethnically, linguistically, and religiously.

The Rohingya trace their origins in the region to the fifteenth century, when thousands of Muslims came to the former [Arakan Kingdom](#). Many others arrived during the nineteenth and early twentieth centuries, when Rakhine was governed by colonial rule as part of British India. Since independence in 1948, successive governments in Burma, renamed Myanmar in 1989, have refuted the Rohingya's historical claims and denied the group recognition as one of the country's [135 ethnic groups](#). The

Rohingya are largely considered illegal immigrants from Bangladesh, even though many trace their roots in Myanmar back centuries.

Neither the central government nor Rakhine's dominant ethnic Buddhist group, known as the Rakhine, recognize the label "Rohingya," a [self-identifying term](#) that surfaced in the 1950s, which experts say provides the group with a collective political identity. Though the etymological root of the word is disputed, the most widely accepted theory is that *Rohang* derives from the word "Arakan" in the Rohingya dialect and *ga* or *gya* means "from." By identifying as Rohingya, the ethnic Muslim group asserts its ties to land that was once under the control of the Arakan Kingdom, according to Chris Lewa, director of the Arakan Project, a Thailand-based advocacy group."

It is important to note that not all Burmese Muslims self-identify as Rohingya – including in Rakhine State.

As retired British diplomat Derek Tonkin and others have acknowledged, the fact that the identity of 'Rohingya' is historically contested and has only been widely used since the 1950s, does not mean that it should not be considered a ['reality'](#) today.

The UN Security Council discussed the situation in November 2016. In December the UN High Commissioner for Human Rights, Zeid Ra'ad Al Hussein, accused the Burmese authorities of a "callous" approach to the crisis. On 30 December, 11 Nobel Peace Prize Winners [urged](#) the UN Security Council to take action, accusing Burma of "ethnic cleansing and crimes against humanity". In early January 2017 UN agencies [said](#) that military operations in northern Rakhine State were causing widespread hunger and malnutrition. The NLD Government contested these claims.

On 29 January 2017, in what some initially feared was a worrying sign that the crisis in northern Rakhine State might be translating onto the national political stage, a senior NLD advisor, U Ko Ni, a member of the country's Muslim minority, was [shot dead](#) outside Yangon International Airport on his return from a visit abroad. Today, most people believe that the assassination was unconnected with the crisis in northern Rakhine State and was more to do with U Ko Ni's campaigning to remove the privileges accorded to the army in the Constitution. Four suspects are on trial, but a key suspect, former army colonel Aung Win Khaing, remains at large.

In February 2017, the UN published a report which claimed that the security forces had acted with "[devastating cruelty](#)" towards the Rohingya since October 2016. Aung San Suu Kyi said that the Government was deeply concerned about the allegations outlined in the report. UN officials said that more than 1000 Rohingya might have been killed since October 2016. The Burmese authorities insisted that the number was under 100.

1.3 August 2017: another upsurge in violence

Although tensions remained high, there was a relative lull in the situation in northern Rakhine State for several months during mid-2017. But many analysts [assessed](#) that it was only a matter of time before there was another upsurge in violence – and so it proved.

On 23 August, Kofi Annan submitted the [final report](#) of his Commission, which included recommendations for ending the violence. Its core message was that the Burmese authorities must scrap restrictions on movement and citizenship for its persecuted

Muslim [Rohingya](#) minority if it wants to avoid fuelling extremism and bring peace to Rakhine state. At the same time, the Commission stressed that the Buddhist Rakhine people in the state also have legitimate grievances that must be addressed.

The Government had promised beforehand that it would implement the Commission's recommendations. However, two days afterwards, ARSA launched another round of attacks on police posts in Rakhine State, as well as one on an army base. Earlier in the month, it had warned the army to demilitarise northern Rakhine State.

The army [responded](#) with massive military force, launching 'clearance operations', which rapidly escalated into systematic burnings of villages and abuses against civilians both by its own personnel and by Rakhine Buddhist vigilante groups. This triggered an unprecedented wave of displaced Rohingya, most of whom crossed the border into Bangladesh. By the end of September, the number of new Rohingya refugees that had arrived in Bangladesh since late-August had reached over 500,000.

On 13 September the UN Security Council issued its first [statement](#) on Burma in nine years, calling for an end to violence. On 28 September it held its first public meeting on Burma for eight years.

Aung San Suu Kyi [rejected](#) claims that ethnic cleansing was taking place, insisting that army operations had concluded in early-September. However, human rights groups have said that satellite images [show](#) further attacks on villages during October and November.

Refugees continued to cross into Bangladesh during October. By the end of the month, over 600,000 new Rohingya refugees had arrived in Bangladesh – over half of the total Rohingya population in Burma. Amidst mounting evidence of extremely poor conditions and a growing threat from [disease](#), a donor conference on 23 October countries pledged \$360 million in support of a UN response plan to assist refugees and host communities in Bangladesh. There were also reports of dire conditions in affected areas of Rakhine State, but the Burmese authorities continued to obstruct humanitarian access.

During November, international action on the Rohingya crisis was further stepped up – although critics argued that it was still insufficient. For example, the UN Security Council issued a presidential statement on 6 November. Senior UN and US officials declared what had happened 'ethnic cleansing'. There also began to be [claims](#) that it might amount to genocide (see below).

The Burmese Government response to such claims predominantly remained one of denial and impunity. Once again, the military carried out its own investigations and found itself innocent of all charges. Extreme Buddhist nationalists, including monks linked with the Association for the Protection of Race and Religion (MaBaTha), have expressed Islamophobic views that some say amount to hate speech. For some of these extremists, Aung San Suu Kyi and the NLD have been weak on the Rohingya issue and, indeed, pose a [threat](#) to Burma's Buddhist identity.

The Pope made a long-scheduled [visit](#) to Burma at the end of November and addressed the crisis in meetings – but he did not use the word ‘Rohingya’ while he was in the country. Meanwhile, while most observers acknowledged that Burma’s generals, headed by Commander-in-Chief Min Aung Hlaing, bore primary responsibility for events in Rakhine State, there were also increasing [moves](#) around the world to remove titles and awards previously bestowed on Aung San Suu Kyi.

Box 2: What explains Aung San Suu Kyi’s stance?

A range of explanations have been put forward, including:

- ***Aung San Suu Kyi is unable to control the army and has little influence over its operations***

There is plenty of evidence to support this view. There have long been apprehensions that the nature of Burma’s democratic transition has serious built-in limitations, with the army continuing to control the defence and interior ministries and retaining a ‘blocking minority’ of seats in parliament.

She seems to have little influence over the day-to-day operations of the army, leaving her reacting to developments. Her relationship with army chief General Min Aung Hlaing is reported to be [poor](#).

- ***Aung San Suu Kyi fears that to strongly identify with the plight of the Rohingya could damage domestic support for her and the NLD Government***

This is a plausible argument that cannot be dismissed. Many ordinary Burmans have little sympathy for the Rohingya. Equally important, Buddhist monks are a powerful force within Burmese society and many of their leaders are virulently hostile to those they insist are ‘Bengalis’. Relations between Aung San Suu Kyi and these leaders are characterised by mistrust but she and the NLD hesitate to challenge them head-on.

This circumspection, some fear, could fatally undermine the country’s ‘democratic transition’. However, others contend that, by failing to take robust action on the Rohingya crisis, she has played into the hands of extremist Buddhist nationalists and seriously weakened that transition anyway. The Burma Campaign UK has also claimed that fears of a military coup are [exaggerated](#) – the present state of affairs, with Aung San Suu Kyi in office but not always in power, suits the army very well.

- ***Aung San Suu Kyi is herself at some level a Buddhist nationalist***

Some believe that, as a member of the Burman majority, she is emotionally attached to the idea of Burma as a Buddhist country and, as a result, sometimes deaf to the grievances of non-Buddhist minority groups. Some fear that she may even share the view of most Burmans that the Rohingya are not indigenous to the country but are instead ‘immigrants’. Those who espouse this view can and do point to her unwillingness to use the term ‘Rohingya’.

She would undoubtedly deny such claims. A biographer of Aung San Suu Kyi, Peter Popham, thinks that this explanation is implausible and instead highlights the ‘faustian bargain’ that she has struck with the military, which he sees as her [“fatal error”](#). He believes that her only option now is to stand down.

As Lee Jones [asserted](#) in his recent evidence to the Foreign Affairs Committee’s [inquiry](#) into the violence in Rakhine State, beyond the character and motivations of Aung San Suu Kyi lie deep historical, political and socio-economic forces, some of which stretch back into the British colonial period. These must also be understood if the Rohingya crisis is to be addressed effectively.

In addition, the International Crisis Group and others have [cautioned](#) that temptations to demonise the local Buddhist population of Rakhine State should be resisted. It argues, endorsing the August 2017 conclusions of Kofi Annan’s commission, that any solution to the crisis should also address genuine Buddhist Rakhine grievances – pointing out that, while in the majority within Rakhine State, they have long also been marginalised within Burma as a whole.

On 23 November, Burma and Bangladesh [agreed](#) an ‘Arrangement on the Return of Displaced Myanmar Persons Sheltered in Bangladesh’,

reducing tensions between the two countries over the Rohingya crisis, at least in the short-term. Under the Arrangement, returns are due to begin within two months. But a delay looks highly likely. Indeed, many argue that expecting Rohingya refugees to return voluntarily is unrealistic for some time to come. There are fears amongst many refugees that 'resettlement' might turn out to mean *de facto* internment in military-run camps. Oxfam [reports](#) refugees as saying that will only voluntarily return if their safety and rights – including freedom of movement – can be guaranteed.

Others are [unsure](#) about how far Burma really wants to see a large-scale return. It would struggle to cope, yet it is reluctant to cooperate with the UNHCR. It has said that it will only accept those who can prove residency, which will rule out many. It has also said that it will not take back Rohingya who fled to Bangladesh before 2016. Bangladesh wants all Rohingya refugees to be repatriated. There are reports that tensions between the refugees and Bangladeshis are [on the increase](#) as food prices rise and local employers undercut wages by taking on cheaper refugee workers.

On the other hand, there are credible reports that ARSA has a [presence](#) in the camps in Bangladesh. Refugee camps can be valuable recruiting territory for insurgents. International terrorist groups are also increasingly featuring the Rohingya crisis in their propaganda and may seek to become directly involved in the not-too-distant future.

In recent weeks, some have argued that there is growing evidence that the Burmese army did not simply respond to ARSA's renewed attacks in late-August 2017, but that it had been preparing for a brutal and disproportionate assault on Rohingya in northern Rakhine State during the months beforehand – for example, by mobilising and arming local Buddhist Rakhine militia. BBC Panorama [interviewed](#) one refugee who said:

They were just like the army, they had the same kind of weapons [...] They were local boys, we knew them. When the army was burning our houses, torturing us, they were there.

In mid-December 2017, the Burmese authorities [arrested](#) and detained two local Reuters journalists on charges of receiving leaked police reports relating to alleged cases of violence against the Rohingya. It has been [reported](#) that the journalists had visited a village where a mass grave had been found. They are being held under the country's Official Secrets Act. Their trial is due to begin on 10 January 2018. 2017 saw a number of [arrests](#) of journalists in Burma.

Around the same time, the NLD Government [announced](#) the creation of a ten-member committee, comprised of international and local experts, to implement the recommendations in the August report of the Kofi Annan-led Advisory Commission. There are other, apparently similar, initiatives already in operation, raising concerns that there may be a lack of official coordination. Its chair, former Thai foreign minister Surakiart Sathirathai, has called for humanitarian workers and journalists to be given access to Rakhine State.

On 5 January 2018, the Arakan Rohingya Salvation Army (ARSA) ambushed an army vehicle, wounding several soldiers. This was its first significant operation since October 2017. ARSA issued a statement saying that it had [no choice](#) but to continue with its campaign against what it called state-sponsored terrorism.

According to the International Organization for Migration, at 19 December 2017 the [number of Rohingya refugees](#) that had fled Rakhine State into Cox's Bazar in Bangladesh since late-August 2017 was 655,000. Combined with those who were already there, there are now 867,000 Rohingya refugees in Cox's Bazar.

In mid-December 2017, the humanitarian group Médecins sans frontières [said](#) that more than 6,700 Rohingya had been killed during the first month of the violence that broke out in late-August 2017.

1.4 The '21st Century Panglong Conference': a slow start

Despite the Rohingya crisis absorbing much of its time and energy, the NLD Government has sought to keep the peace process with ethnic minority armed groups moving forward through what is called the '[21st Century Panglong Union Peace Conference](#)'.

The title revives the name of a 1947 conference which sought (unsuccessfully, following the assassination of Aung San Suu Kyi's father later in that year) to secure peace between all ethnic groups across the country following independence. UN Secretary-General Ban ki-Moon spoke during the inaugural session.

The collapse of the first Panglong conference led to many minority ethnic groups living along its northern, eastern and western borderlands – such the Karen, the Kachin the Shan and the Chin – waging insurgencies against an ethnic Burman (also known as Bamar) dominated central state over the decades that followed.

However, a 'National Ceasefire Agreement' (NCA) was signed in October 2015, just before elections in the following month, by the then military-led government under Thein Sein, but a significant number of ethnic armed groups did not put their names to it.

Few expect the 21st Century Panglong Union Peace Conference to [quickly produce peace](#). There has been talk of a 3-5 year time-frame. But some fear that it [lost momentum](#) during 2017. The participating armed groups are reportedly stockpiling weapons in case the peace process collapses.

The first session of the conference began in the capital, Naypitaw, on 31 August 2016. Then UN Secretary-General Ban ki-Moon attended. After numerous delays, the second session of the conference took place in May 2017.

Although participants reached some agreements at the end of the [second session](#) on many general principles, several issues remain unresolved. A major unresolved sticking-point amongst current

participants is over whether states within a federal union should have the constitutional right of [secession](#). The army is strongly opposed.

A third session of the conference is currently scheduled for later in January 2018.

Meanwhile, violent clashes have continued between the Burmese army and some of the armed groups outside the NCA, not least in Kachin and Northern Shan States. None of the armed groups currently outside the 2015 NCA – including those grouped together in two coalitions, the United Nationalities Federal Council and the Northern Alliance – have yet joined in the ceasefire.

It is widely acknowledged that, given that some of the armed groups operate in mountainous areas on the Chinese-Burmese border, China has a [direct interest](#) in the peace process (as a major investor in Burma, this involves economics as well as security). For example, it has been a supporter of the largest armed group outside the NCA, the United Wa State Army, estimated to have 30,000 soldiers, which leads a bloc of allied groups called the 'Federal Political Negotiation and Consultative Committee'.

China has played more of a '[good offices](#)' role since 2013. But there remain doubts about the depth of its commitment when it comes to those conflicts that are away from its own border. With the Rohingya crisis damaging Burma's relations with Western countries, the army has moved closer to China again, receiving increased support from its powerful neighbour.

Box 3: Challenges of building peace

Even if a comprehensive peace deal is eventually agreed, many challenges will remain in consolidating the peace in Burma's resource-rich (timber, minerals, oil and gas, hydropower) borderlands.

A complex Disarmament, Demobilisation and Reintegration (DDR) process will be required that will need to encompass an estimated 80-10000 fighters currently in ethnic armed groups and an even larger number of members of militias in the 'Border Guard Forces' – many of them former insurgents – that are under the command of the Burmese army.

The ethnic Burman-dominated army may be reluctant to incorporate too many of fighters into its ranks. This could be exacerbated by the fact that future governments could also be looking to reduce defence expenditure.

Economic activity should pick-up markedly under a comprehensive peace, creating viable and dignified alternative livelihoods for hundreds of thousands of demobilised fighters in these impoverished 'peripheries' will be an immense challenge. There is still a deep-rooted 'war economy' in these regions based on extra-legal taxation, smuggling, illicit natural resource extraction and drug cultivation.

A comprehensive peace will not automatically deliver 'fair and inclusive' development outcomes. As Lee Jones and others have [shown](#), foreign investment and previous 'ceasefire processes' have not done so in recent decades.

In addition, there may be an increase in social tensions if – as could happen – peace leads to an influx of ethnic Burman settlement into the borderlands. There will also be around 500,000 internally displaced people in the border areas to deal with – as well as about 100,000 refugees in Thailand.

Scholar Bobby Anderson recently [argued](#):

"Ethnic armed organisation (EAO) communities have been caught between a rock and a hard place. Panglong 21 offers them a chance to be relieved of the pervasive insecurity and occasional violence they have been subject to for generations. It offers many of those who represent them less: what we witness in the insurgent offensives that began in Shan in November 2016 may be the last gasp of certain smaller groups and the beginning of serious negotiations between larger entities and the

government. That process will see EAOs surrender some powers while retaining others: outlaws will legitimize, and a certain amount of post-conflict criminality from former militia and EAO structures will be tolerated as the price of peace. The peace process, if it works, will not be the end of an era of instability, but rather, the beginning of a different type of insecurity, and expectations must be managed. Transitional justice and other demands will prove to be illusory.”

2. International responses to the crisis

2.1 Sanctions

The EU lifted most of the restrictive measures then in force against individuals and entities in Burma in April 2013. Only the arms embargo remains in place. In June 2016 the EU published a proposed [new framework](#) for the relationship between it and Burma, calling it a “special partnership for peace, democracy and prosperity”.

The US also relaxed its sanctions significantly in the context of Burma’s ‘democratic transition’, although less extensively than the EU. [During 2015 it started to remove some individuals and entities](#) from its sanctions lists; it also made it easier to for American companies to get around sanctions that prohibit trading with blacklisted businesses.¹ In May 2016, the US renewed its sanctions regime but [further eased](#) some restrictions on trading with Burma – for example, removing more individuals and entities from its sanctions lists and raising of investment limits. Its arms embargo also remains in force.

After a meeting between Aung San Suu Kyi and President Barack Obama at the White House in September 2016, Obama [pledged](#) to end all US sanctions that were based on presidential Executive Orders “soon”. This would leave very few measures still in place. There was a [mixed reaction](#) to this announcement in Congress and [civil society](#) more widely. However, within a matter of weeks, the Rohingya crisis escalated once more, putting further relaxation measures on hold.

A year on, with the crisis showing few signs of abating, the only debate is about whether sanctions should be tightened up again.

According to the International Crisis Group, there have been [initial moves](#) in this direction. In September, the UK suspended training programme for the Burmese army. The EU decided in October to suspend visits of Burmese army officers to review all defence cooperation. It has said that it is prepared to consider more formal sanctions.

In the same month, the US announced it might re-impose restrictions on current and former senior army figures and cancelled aspects of its defence cooperation. In late-December, the US [imposed](#) an asset freeze on General Maung Maung Soe, who directly supervised military operations against the Rohingya in northern Rakhine State in August/September (he was transferred in November). US citizens are also banned from having any dealings with him. The measures have been imposed under a law passed in 2016 called the Global Magnitsky Human Rights Accountability Act.

¹ “Myanmar: country outlook”, *Economist Intelligence Unit*, 17 February 2016

US Secretary of State Rex Tillerson has declared that ethnic cleansing is taking place in Rakhine State, which potentially opens the way for further sanctions.

There is considerable support for stronger sanctions amongst international campaign groups. For example, the Burma Campaign UK is [calling](#) for a “global UN arms embargo” on Burma. This seems unlikely. However,

How effective would a new round of sanctions be in changing the behaviour of the Burmese army? There are plenty of sceptics. The International Crisis Group [says](#) that, while new sanctions seem “inevitable”:

[...] policy makers should be under illusions: sanctions are very unlikely to prompt positive change in Myanmar [...] Their most likely effect will thus to be to push the government, military and population even closer together and to reinforce current narratives in Myanmar that the West is a fickle friend and unreliable partner. Government leaders have explicitly warned that criticism and punitive actions from the West will only push them closer to China.

2.2 UN action

The UN Security Council is unlikely to be a forum for strong action against Burma, due to Russia and China’s likely willingness to wield a veto on any resolutions put before it. However, both did sign up to a [presidential statement](#) on 6 November – the first for a decade – condemning the violence in Rakhine State, calling for an independent investigation into human rights abuses there, and calling for humanitarian agencies to be given unimpeded access to those affected. The UN General Assembly also passed a resolution on Burma ten days later.

UN human rights mechanisms continue to be active. Even before the most recent upsurges in violence in Rakhine State, human rights groups worried that the international community was in too much of a hurry to relax its scrutiny. There were reports that the EU and other governments wanted to move Burma from an Item 4 situation at the Human Rights Council, which covers countries on which there is serious human rights concern, to an Item 10 situation, where concern is less and the main focus is on technical assistance to a country.² Pressure for this has now dissipated.

At the March-April 2017 session of the Human Rights Council, an EU and US-sponsored resolution was passed calling for an international fact-finding investigation into alleged human rights violations by the Burmese security forces. The NLD Government rejected the idea.

The UN Special Rapporteur on Human Rights in Myanmar, established by the UN Human Rights Council, has made several visits to the country. Yanghee Lee has been heavily critical of the Burmese authorities.³ Her

² “Keep up the pressure on rights in Burma”, Human Rights Watch, 11 March 2016

³ “UN Rapporteur slams rights abuses in Myanmar”, *Middle East and North Africa Financial Network*, 23 January 2017

most recent report to the UN Human Rights Council was published in [March 2017](#). In late-October, she [called](#) on the Security Council to pass a strong resolution on Burma.

The UN High Commissioner for Human Rights, Zeid Ra'ad Al Hussein has accused the Burmese authorities of carrying out 'ethnic cleansing' in Rakhine State and has said that they may also have committed genocide. In December 2017 he said:

[...] it wouldn't surprise me in the future if a court were to make such a finding on the basis of what we see.

For some, this has raised the [possibility](#) of Aung San Suu Kyi being amongst those officials charged with genocide at some point in the future.

In late-December 2017, the NLD Government [announced](#) that it would not allow Yanghee Lee to visit Burma in January. The UN General Assembly [passed](#) another resolution on 24 December; amongst other things, it criticised this decision and calling on the UN Secretary-General Antonio Guterres to appoint a special envoy to Myanmar. Russia and China were amongst voting against the resolution.

Meanwhile, the UN system in Myanmar has been experiencing great [instability](#) during 2017, with its resident coordinator, Renata Lok-Desallien being accused of downplaying human rights concerns in favour of a development-focused agenda. By the end of October, she had been reassigned to UN headquarters.

2.3 UK responses

Until recent months, successive UK governments had been upbeat about Burma's 'democratic transition'. There was a growing emphasis on the trade and business opportunities that Burma offered. Aung San Suu Kyi met with Prime Minister Theresa May in London in September 2016.

However, Burma has also remained a "priority country" on human rights for successive UK governments. Foreign Secretary Boris Johnson met with Aung San Suu Kyi during his visit to the country in late-January 2017. While he was positive about the country's progress since 2011, he acknowledged that Burma's transition to democracy was "[not yet complete](#)" and raised a range of human rights concerns, including about the Rohingya.

Since the second renewed upsurge of violence in northern Rakhine State in late-August 2017, the UK Government's tone on Burma has shifted markedly – although not enough to satisfy critics, including the Foreign Affairs Committee (see below). As the '[pen-holder](#)' on Burma in the UN Security Council, it has played an important role in facilitating UN action on the issue over recent months.

In September 2017, the MOD announced that it had suspended its educational training programme for the Burmese army in response to the violence.

A UK Government spokesperson [said](#) at the time:

In light of the ongoing violence in Burma's Rakhine State, the growing humanitarian crisis it has caused, and our deep concern about the human rights abuses that are taking place, we have decided to suspend the educational courses provided to the Burmese military until there is an acceptable resolution to the current situation. We call on the Burmese Armed Forces to take immediate steps to stop the violence in Rakhine and ensure the protection of all civilians, to allow full access for humanitarian aid and to facilitate the civilian government's implementation of the Rakhine Advisory Commission's recommendations in full.

The UK Government has given £59 million worth of aid to support Rohingya refugees in Bangladesh. Its most recent update on actions taken so far in response to the crisis was [came](#) in a speech by FCO Minister Mark Field on 28 November 2017 at the end of a Westminster Hall debate on Burma.

There have been numerous official statements of the UK Government's position. A recent one was [made](#) by FCO Minister of State Lord Ahmad at a special session of the Human Rights Council on Burma in early-December 2017:

The UK is committed to working with international partners to resolve the situation in Rakhine. At September's Council I called on Burmese security forces to stop committing human rights violations against the Rohingya. Today's session, together with the overwhelming vote in favour of the OIC-led resolution in the Third Committee and the United Nations – which the UK co-sponsored – reflects growing international outrage at these despicable atrocities.

I welcome the UN Security Council's adoption of the first Presidential Statement on Burma for ten years. This significant step sent a clear message: international pressure will not relent until the state authorities act to enable refugees to return to Rakhine voluntarily, with dignity and, importantly, in safety.

The authorities must grant full humanitarian access to Northern Rakhine so that affected communities can receive vital assistance. They must also cooperate fully with the UN's human rights system, including the Independent Fact Finding Mission established by this very Council.

The UK believes that supporting the civilian government is the best way to ensure fair treatment for the Rohingya and respect for human rights. UK Ministers have urged Aung San Suu Kyi and senior members of the civilian government to take the necessary steps.

Mr President, as the UK Prime Minister's Special Representative on Preventing Sexual Violence in Conflict I want to draw particular attention to the harrowing reports of rape, sexual abuse and brutality from refugees in Cox's Bazaar, indeed as we heard directly from Special Representative Patten who described this in graphic terms.

Last month, the Head of the UK's Preventing Sexual Violence in Conflict Initiative joined Ms Patten's visit to the refugee camps, and heard appalling accounts from survivors.

We have since deployed two civilian experts to Bangladesh. They will make recommendations to the UK government on further support to survivors of sexual violence, including support for the investigation and documentation of these abhorrent crimes.

The UK Government has expressed caution about plans to begin returning Rohingya refugees in Bangladesh to Burma (see above). On 12 December 2017, Ambassador Jonathan Allen, UK Deputy Permanent Representative to the UN, [said](#) at a Security Council briefing: "Today's conditions in the Rakhine state do not yet allow for the safe, voluntary, and dignified return of refugees to their homes."

A Foreign Affairs Committee [report](#) on the violence in Rakhine State on 11 December 2017 concluded that the UK Government had been too hesitant to describe the grave human rights abuses suffered by the Rohingya since late-August 2017 as "atrocities crimes" – that is, as genocide, crimes against humanity or 'ethnic cleansing':

The definition of the violence is important, because it can invoke the Responsibility to Protect, requiring states to act. The UK Government's equivocation over classifying this violence has therefore been frustratingly confusing. It has also failed to undertake its own legal analysis. This was not befitting its leading international role, and it should immediately investigate and conduct its own assessment of the situation.

At the time the Committee's report was published, the UK Government's [stance](#) on the issue of atrocities crimes was that "events in Rakhine look like ethnic cleansing".

The report went on to say:

International action has also been inadequate given the gravity of this charge, and as the 'penholder' on Burma in the UN Security Council, the UK bears some responsibility for failing to turn international outrage into tangible action and improvements on the ground. The Government achieved a surprisingly strong UN Presidential Statement, but this did not impose any measures or deadlines on Burma. It should not be further hamstrung by China's veto in the UNSC and should focus on regional forums and allies to achieve results. Although sanctions are an imperfect tool, it is wrong for the UK to continue engagement with Burma with no demonstration of censure. If substantial improvement is not achieved soon, the Government should pursue sanctions on senior military figures and businesses.

Commander in Chief of the Burmese security forces General Min Aung Hlaing bears ultimate responsibility for the violence. The UK Government has continued to support the Burmese civilian Government led by Aung San Suu Kyi, though the UK-Burma relationship does not seem to be a close one, and continued UK support seems in part because of a lack of alternatives. Aung San Suu Kyi is constrained by a lack of control over the military and strong domestic public opinion, but we were disappointed that the State Counsellor has not shown the leadership that was hoped for and needed. She remains a better option than the alternatives, and perhaps the only hope for the future, but she is now a compromised one.

The Committee's report was [debated](#) in the Commons on 14 December. The Government has not yet responded publicly to it.

For UK-Burma trade relations, see section 3.5 of this briefing.

3. The state of the economy

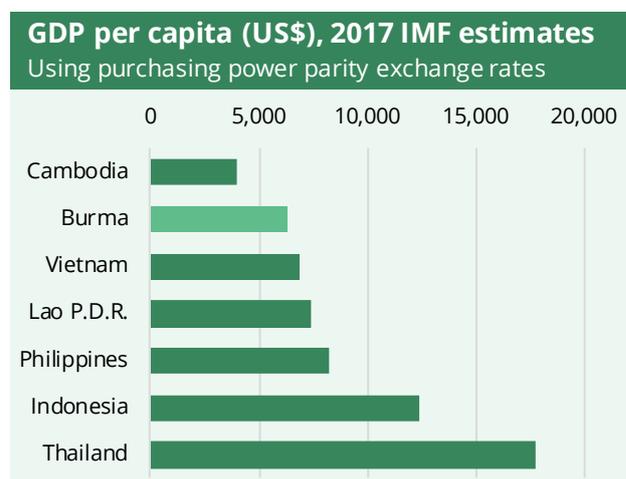
Burma's political transition is being accompanied by an economic one – from a centrally-planned, relatively isolated economy to a more market-oriented, open economy. The hope is that this will greatly improve economic growth and living standards. The country has large reserves of natural resources and is situated near areas of rapid growth (India, China and south-east Asia). The early stages of the reform agenda have led to strong economic growth, increasing trade activity and inflows of foreign investment. However, large challenges remain. The country is very poor, with weak institutions, high levels of corruption and poor infrastructure.

3.1 History and background

At the end of the 19th and early 20th centuries Burma was one of the most developed economies in Asia.⁴ It had developed strong trade links with the region and was a large exporter of commodities like timber, petroleum products and rice (it was once known as the 'rice bowl' being the top exporter of rice in the world).

Weak rice prices in the 1930s and then the devastation of the Second World War set Burma's development back. Military rule from 1962 was associated with isolation from the rest of the world, and economic and social development stagnated. Burma was thus left behind as most of its neighbours in south-east Asia saw rapid growth in their economies and in their standard of living.

Decades of mismanagement mean that Burma's transition from an authoritarian military system to democratic governance, and from a centrally-directed to a market-oriented economy (open to trade and investment), will be a long one. The chart opposite shows Burma's low living standards – as measured crudely by GDP per capita – in comparison with other selected south-east Asian countries. Burma's estimated GDP per capita of \$6,300 in 2017 ranked 132nd out of the 191 countries for which the IMF provides data.⁵



3.2 Recent economic performance

Economic growth remains strong. It slowed somewhat in recent years, from 8.4% in 2013/14 to 6.1% in 2016/17 but is anticipated to rebound in 2017/18.⁶ A return to normal weather has led to improved

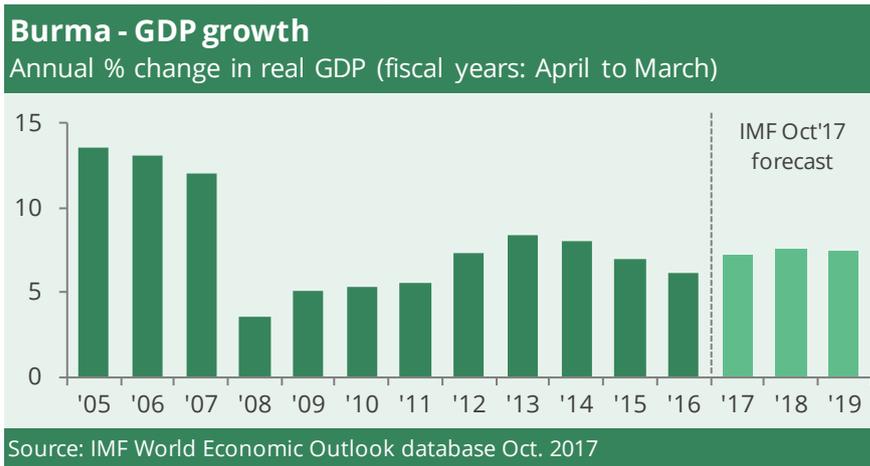
⁴ Historical information taken from McKinsey global institute, "[Myanmar's moment: Unique opportunities, major challenges](#)", June 2013, and [Europa World Plus Myanmar economic profile](#)

⁵ Based on purchasing power parity, source: IMF, [World Economic Outlook October 2017 database](#)

⁶ Data are for fiscal years, which begin in April and end the following March.

agricultural production following flooding in 2016, while investment growth accelerates. Rising incomes are also supporting a strong expansion in consumer spending.⁷

In November 2017, the IMF forecasted GDP growth of 6.7% for 2017/18, but noted that this is “moderately weaker” than it had previously expected due in part to the humanitarian crisis in Rakhine state.⁸ In particular, tourism – which has been growing strongly in Burma – and investor sentiment could be affected (see section below for more on the economic impact of the crisis).



Inflation rates have eased a little compared with recent years (a period of higher food prices) and are expected to average 5-6% for 2017/18, compared with 7% in 2016/17.⁹ Inflation is forecast to increase to between 6-8% in 2017/18 due to strong consumer spending growth, the central bank creating money to fund some of the government’s budget deficit, and rising energy prices.¹⁰

The government budget remains in deficit, at around 3% of GDP in 2016/17. Deficits of around 4% are expected in forthcoming years.¹¹ Burma’s tax revenues as a proportion of its economic activity is very low, reported by *The Economist* to be the lowest in south-east Asia at 7.5% of GDP.¹² Although this is up from 4% in 2011, it compares to 16% in Thailand and 14% in Cambodia. The government has committed to expanding the tax base and reducing corruption but the challenges here are large.

The current account – how much the country lends or borrows from the rest of the world – also remains in deficit, at around 4% of GDP in 2016/17. This is forecast to widen in 2017/18 as strong import growth (for example in consumer goods) outpaces export growth. This deficit is

⁷ Asian Development Bank, [Asian Development Outlook 2017 Update](#), September 2017, pp200-1

⁸ IMF, “[IMF Staff Completes 2017 Article IV Visit to Myanmar](#)”, 17 November 2017

⁹ World Bank, [Myanmar Economic Monitor](#), October 2017

¹⁰ Economist Intelligence Unit (EIU), Myanmar Country Report: briefing sheet, 1 December 2017

¹¹ IMF, “[IMF Staff Completes 2017 Article IV Visit to Myanmar](#)”, 17 November 2017

¹² “[Myanmar has one of the lowest tax takes in the world](#)”, *The Economist*, 16 November 2017

mainly financed by foreign direct investment, and this is expected to remain the case in forthcoming years as well.¹³

Impact of Rohingya crisis

The crisis in northern Rakhine State and recent actions and statements by the US and other countries (see above) raise the question of what effect this will have on Western foreign investment. Observers believe it unlikely that economic sanctions akin to those imposed prior to the start of the democratisation process will be reintroduced (the EU lifted them in 2013, while the US did so in 2016).¹⁴ Rather, targeted sanctions against individuals seem a more likely route.

Even so, Western companies may now potentially face risks if they invest in Burma. Hard evidence is difficult to come by but a Reuters report from September 2017 suggested that some European and US companies “are now wary of the reputational risks of investing in [Burma]”.¹⁵ An article in the Nikkei Asian Review, also from September 2017, stated that there are few examples of firms pulling out of investing in Burma, although many are wary of reputational risks.¹⁶

One firm consequence of the humanitarian crisis is the World Bank’s decision in October 2017 to freeze a recently-agreed \$200 million loan to assist in promoting economic stability and stable public finances.¹⁷ Other World Bank projects will continue.

In November 2017, the IMF’s Burma mission chief, Shanaka Peiris also noted the potential economic damage of the crisis:

The internal conflict and humanitarian crisis in northern Rakhine State could affect development finance and investor sentiment, although direct economic impact appears to have been largely localized.¹⁸

3.3 Long-term outlook

Potential

Although many significant challenges remain to be overcome (described below), Burma’s economic potential is considerable. It has abundant natural resources (including natural gas, oil, hydropower, and semi-precious stones), fertile lands to develop its untapped agricultural potential, and an ideal geographic location between China and India (as well as being in south-east Asia) to become a regional trading hub.

¹³ IMF, “[IMF Staff Completes 2017 Article IV Visit to Myanmar](#)”, 17 November 2017

¹⁴ Economist Intelligence Unit (EIU), Myanmar Country Report: briefing sheet, 1 December 2017; The Diplomat, “[Foreign Investors Jittery Amid Myanmar’s Rohingya Crisis](#)”, 21 October 2017

¹⁵ “[Rohingya crisis dents Myanmar hopes of Western investment boom](#)”, Reuters, 22 September 2017

¹⁶ “[Rakhine crisis blights Myanmar economic outlook](#)”, Nikkei Asian Review, 5 September 2017

¹⁷ World Bank, “[Myanmar and World Bank Sign Agreement for Budget Support to Accelerate Economic Changes Needed for Long-term Peace and Prosperity](#)”, 18 August 2017

¹⁸ “[IMF sees stronger growth in Myanmar, but Rohingya crisis may hurt investment](#)”, Reuters, 17 November 2017

The economy currently is still very dependent on agriculture, which is typically a sector with low productivity. Agriculture is estimated to contribute around 30% of GDP and more than 60% of total employment.¹⁹ Fast-growing developing economies tend to shift away from agriculture towards industry and services. However, the sector does have potential and it is hoped that reforms will be able to unlock this.

Burma's textile sector is attracting investment with the country's low labour costs and advantageous geographical location making it an alternative destination to China and Bangladesh for clothes manufactures.²⁰ Attracting further foreign investment could help develop this sector which is already growing fast, helped by strong global demand for garments.²¹

A number of large-scale projects backed by foreign money are planned or already under way. The oil and gas sector is a key sector attracting investment, as are telecommunications.²² Special economic zones have also been set up to attract foreign investors. A Chinese-led consortium is planning a nearly \$10 billion Kyaukpyu special economic zone in Rakhine State, including a deep sea port. This is one of many Chinese-backed projects in Burma. Others include a \$2.45 billion oil pipeline across Burma to south-west China.²³

In 2013, McKinsey, the consultancy, estimated that Burma has the potential to achieve GDP growth of 8% per year if it is able to fully develop the seven sectors it sees as vital to its future. These are manufacturing, agriculture, infrastructure, energy and mining, tourism, financial services, and telecommunications. It estimates that if this were achieved, GDP would quadruple from around \$50 billion in 2010 to \$200 billion in 2030.²⁴

Current estimates of the economy's medium-term growth rate are around 7% per year:

- In a November 2017 report, the World Bank estimates it at 6.8%.²⁵
- In November 2017, the IMF estimates medium term potential growth at 7.0-7.5%.²⁶

¹⁹ Asian Development Bank, "[What's the Fastest Growing Country in Asia? Surprise! It's Myanmar](#)", 14 April 2016

²⁰ Dun & Bradstreet, "Myanmar D&B Country Riskline Report", 13 December 2017

²¹ Asian Development Bank, "[Asian Development Outlook 2017 Update](#)", September 2017, p200

²² PWC, "[Myanmar business guide 2017](#)", October 2017, p10

²³ The Diplomat, "[Foreign Investors Jittery Amid Myanmar's Rohingya Crisis](#)", 21 October 2017

²⁴ McKinsey Global Institute, "[Myanmar's moment: Unique opportunities, major challenges](#)", June 2013

²⁵ World Bank, "[Myanmar economic monitor](#)", October 2017, p2

²⁶ IMF, "[IMF Staff Completes 2017 Article IV Visit to Myanmar](#)", 17 November 2017

- In December 2017, the Economist Intelligence Unit, a research group, forecasts GDP growth to average 7.3% from 2018/19 to 2022/23.²⁷

Challenges

There are a number of serious challenges facing the economy, the most important of which is simply the immense scale of the changes required. A report on the economy by IMF staff following a November 2017 visit to the country illustrates the massive range of areas that require reforms:

Reforms should be focused on agriculture, the banking system and gradual interest rate liberalization, infrastructure, trade, natural resource management and the legal framework, including further opening up the economy to joint foreign ventures (amendments to Companies Act). A well-sequenced second wave of reforms and greater public investment efficiency would help the economy further integrate with global value chains and foster inclusion.

There is a clear consensus among foreign investors and economists that Burma needs major reforms to modernise the economy and provide the institutional foundations for an improved business environment. At the moment, Burma ranks towards the bottom in international rankings of business competitiveness and corruption:

- The World Bank's *Doing Business* 2018 rankings put Burma 171st out of 190 countries for "ease of doing business" and well below other countries in the region.²⁸
- Transparency International ranks Burma 136th out of 176 countries for levels of transparency in public institutions in 2016.²⁹

The country's poor infrastructure is likely to constrain development for some time to come. Burma's infrastructure investment shortfall has been estimated at 6.8% of its GDP – higher than other countries in the region.³⁰

Ease of doing business, 2018 rank (out of 190)

Thailand	26
Vietnam	68
Indonesia	72
Philippines	113
Cambodia	135
Laos	141
Burma	171

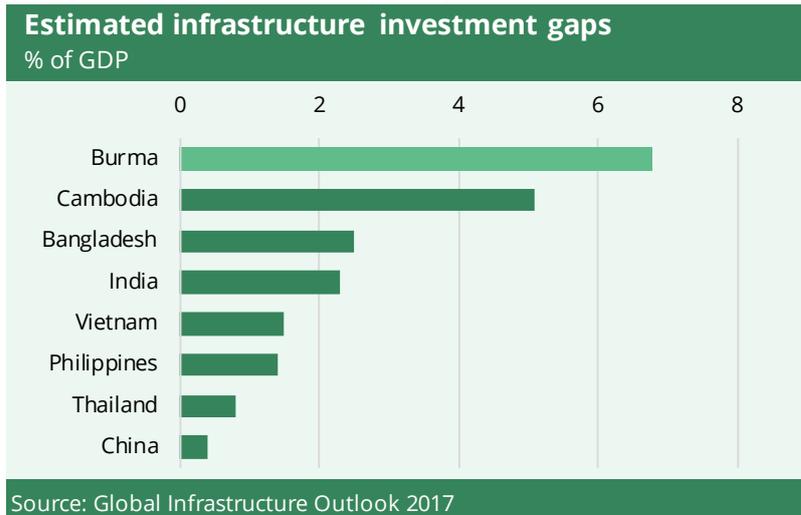
Source: World Bank, *Doing Business 2018*

²⁷ Economist Intelligence Unit (EIU), "Country Risk Service Myanmar Edition – Central Scenario for 2018-22: Economic growth", 1 December 2017

²⁸ World Bank, [Ease of Doing Business \(2018\) in Myanmar](#)

²⁹ Transparency International, [Corruption Perceptions Index 2016](#), January 2017

³⁰ Global Infrastructure Hub (2017) data via UN, [Economic and Social Survey of Asia and the Pacific 2017: Year-end Update](#), December 2017, page 39



One specific example is its highly-unreliable power sector, one of the least developed in south-east Asia, with only one-third of the population having access to electricity (mostly concentrated in the cities).³¹ The need for massive investment is clear, with the industrialisation process unlikely to advance as needed without it.³²

Reform agenda

The government has committed and enacted reforms in order to boost the country's economic prospects. For example, the Investment Law – which gives more protections to foreign investors among other things – has been cited as an important piece of the reform agenda (it came into effect in April 2017).

Another key legislative reform is the Companies Act which became law in December 2017. This will allow foreign companies to own up to 35% of Burmese companies and modernise corporate governance regulations, some of which currently date back to 1914.³³ By allowing local companies to be part-owned by foreigners and maintain their designation as a domestic company, it is hoped that much-needed foreign investment will be attracted into the economy. The law, however, is not expected to come into effect until August 2018 with the delay caused, according to authorities, by the need to prepare bylaws and update a company registry.³⁴

This delay has disappointed some investors who see it as symptomatic of the government's economic agenda more broadly not living up to expectations. Despite the passage of some notable reforms, the government has come in for criticism for not doing enough since it came to power in March 2016. The UK ambassador to Burma, Andrew Patrick, summed up this view in a March 2017 conference in Yangon (Rangoon):

³¹ International Institute for Environment and Development, "[Energy poverty in Myanmar: only 34% of the population have grid quality electricity](#)", 10 May 2016

³² Asian Development Bank [Asian Development Outlook 2014 – Myanmar](#), April 2014

³³ Economist Intelligence Unit (EIU), "Myanmar economy: Myanmar Companies Law: rules for the 21st century", 21 December 2017

³⁴ "[Exclusive: Myanmar to delay law that would have allowed more foreign investment](#)", Reuters, 11 December 2017

One of the things that people do say, which I think is a fair criticism of the government, is that it has not set out its economic policies clearly enough.

If people understood exactly what the playing field looked like it would be much easier for business to operate here.³⁵

In a November 2017 report, the World Bank described private investors “biding their time pending greater clarity from the government’s economic agenda” as a factor in the slowdown in FDI commitments in 2016/17 (\$6.6 billion compared with \$9.5 billion a year before).³⁶

The Economist Intelligence Unit (EIU) has also noted that while the Companies Law and is a welcome reform, more needs to be done if Burma’s economy is to see a large-scale improvement in its economic growth rate.³⁷ The EIU believes significant investment in physical infrastructure and human capital is needed.

3.4 Trade partners

Burma’s main trade partners are shown in the table below.³⁸ China is the country’s largest export market (41% of total exports), followed by Thailand (19%). Burma’s main export is petroleum gas (27% of exports).

The largest source of imports to Burma come from China (35% of all imports) followed by Singapore (14%) and Thailand (13%). The largest broad category of imported goods into Burma are machines (17% of imports) and transportation (16%).

Burma's main trading partners, 2016			
Exports		Imports	
	% of total		% of total
1 China	41	1 China	35
2 Thailand	19	2 Singapore	14
3 India	9	3 Thailand	13
4 Singapore	8	4 Japan	8
5 Japan	6	5 India	7

Source: MIT's Observatory of Economic Complexity (based on UN data)

3.5 UK-Burma trade relationship³⁹

Trade in goods

In 2016, the UK exported £32.3 million of goods to Burma and imported £147.2 million, resulting in a trade deficit of £114.9 million.

³⁵ Bloomberg, “[Myanmar’s New Struggle: Keeping Foreign Investors Happy](#)”, 16 March 2017

³⁶ World Bank, [Myanmar Economic Monitor](#), October 2017, p25 (FDI)

³⁷ Economist Intelligence Unit (EIU), “Myanmar economy: Myanmar Companies Law: rules for the 21st century”, 21 December 2017

³⁸ Data from MIT’s Observatory for Economic Complexity – [Burma data](#)

³⁹ Section written by Matthew Ward

The UK has recorded a trade deficit in goods with Burma in each of the last ten years, the largest being in 2016.

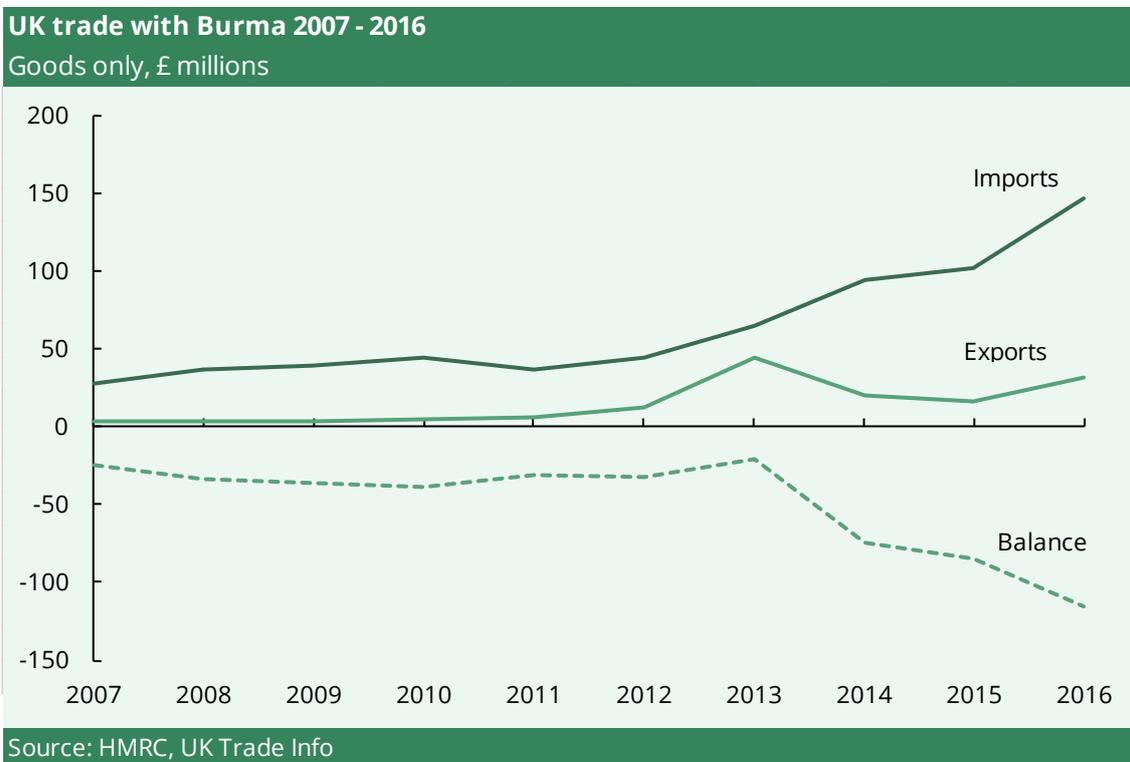
UK goods exports to Burma have increased dramatically in the last decade, peaking at £44.2 million in 2013. Overall, goods exports fell in 2014 and 2015 before increasing in 2016 – the value of exports almost doubled between 2015 and 2016.

UK goods imports from Burma have also increased dramatically since 2007, increasing almost five-fold between 2007 and 2016. Goods imports from Burma have now increased every year for the last five years, peaking at £147.2 million in 2016.

While UK trade with Burma has increased over the last 10 years, the overall value of trade between the two countries remains very small - UK goods exports to Burma represented 0.01% of all UK goods exports in 2016; imports from Burma represented 0.03% of all UK goods imports.⁴⁰

UK trade in goods with Burma, 2007 - 2016 (£ millions)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Exports	3.6	3.5	3.6	5.3	6.0	12.9	44.2	20.5	17.1	32.3
Imports	27.5	36.3	39.1	44.0	36.9	44.9	65.5	94.7	101.9	147.2
Balance	-23.9	-32.8	-35.5	-38.7	-30.8	-32.0	-21.2	-74.2	-84.8	-114.9

Source: HMRC, UK Trade Info



⁴⁰ All data from the HMRC database [UK Trade Info](#)

UK goods exports

Road vehicles were the UK's single largest export to Burma, valued at £17 million, comprising over half of all the UK's goods exports to Burma. The majority of this total was made up of exports of motor vehicles for the transport of goods.

Beverages (particularly whiskies) and medicinal and pharmaceutical products were also significant UK exports, making up 13% of UK goods exports to Burma in 2016.

UK trade in goods with Burma, 2016		
Exports	£ millions	% of total
Road vehicles	17.0	52.7%
Beverages	2.4	7.5%
Medicinal & pharmaceutical products	1.8	5.6%
Power generating machinery and equipment	1.7	5.2%
Professional, scientific and controlling instrument	1.4	4.2%
Essential oils & perfume materials; toilet preps et	1.2	3.6%
General industrial machinery and equipment.	1.2	3.6%
Machinery specialized for particular industries	0.9	2.7%
Electrical machinery and appliances	0.8	2.4%
Miscellaneous edible products and preparations	0.7	2.3%
Grand total	32.3	100%

Source: HMRC, UK Trade Info

UK goods imports

Clothing was the UK's single largest import from Burma, with imports worth £103.1 million, equal to 70% of all the UK's goods imports from Burma. Food products were also significant UK imports from Burma, including fish, vegetables and fruit and cereals – the combined value of these three products was £34 million, equal to 23% of all UK goods imports from Burma.

UK trade in goods with Burma, 2016		
Imports	£ millions	% of total
Articles of apparel & clothing accessories	103.1	70.0%
Fish, crustaceans, molluscs	23.1	15.7%
Vegetables & fruit	6.5	4.4%
Cereals & cereal preparations	4.4	3.0%
Footwear	3.0	2.1%
Miscellaneous manufactured articles n.e.s.	1.5	1.0%
Postal packages not classified according to kind	1.4	0.9%
Travel goods, handbags & similar containers	0.9	0.6%
Power generating machinery & equipment	0.6	0.4%
Other transport equipment	0.6	0.4%
Grand total	147.2	100%

Source: HMRC, UK Trade Info

Trade in services

In 2015, the UK exported £85 million of services to Burma (down from a record high of £210 million in 2014) and imported £4 million, resulting in a trade surplus in services of £81 million.

The overall value of trade in services between the UK and Burma remains very small - UK service exports to Burma represented 0.04% of all UK service exports in 2016; imports from Burma represented 0.003% of all UK service imports.⁴¹

⁴¹ Data taken from the Office for National Statistics [Pink Book](#)

Trade relations

On 22 April 2013, the European Union agreed to end trade sanctions with Burma, though an arms embargo remains in place.⁴²

Following the end of EU sanctions, the British government also suspended its own bilateral policy of discouraging trade and investment in Burma, while emphasising the need for responsible investment. In a 2013 speech, Alan Duncan, the then Minister of State for International Development announced the Department for International Development would provide £600,000 to establish a Responsible Investment Resource Centre in Rangoon in order to “strengthen responsible business practices for Burmese companies and those investing in the country.”⁴³

The British Embassy in Burma have also established a ‘Prosperity Team’, who work with the Burmese government and international organisations to help support the establishment of transparent and stable regulatory systems and the promotion of economic policies to help sustain balanced long term growth.

The Department for International Trade have published a guide for companies seeking to business in Burma, which describes Burma as “a challenging market” that is “catching up on decades of underdevelopment”, which represents “opportunities for British companies in a broad range of sectors.”⁴⁴ The Department for International Trade point to Burma’s strategic location, port access and membership of ASEAN (Association of South East Asian Nations) as evidence of its investment potential. This guide also highlights the oil and gas, telecoms, financial services, education, infrastructure and manufacturing sectors as having most potential for British companies.

A number of prominent British companies have a presence in Burma, including:

- Standard Chartered Bank, which has recently been appointed by the Burmese government as sovereign credit rating advisors
- Unilever have two manufacturing facilities in Burma

⁴² European Commission, [Myanmar/Burma](#) [accessed 9 January 2018]

⁴³ Foreign and Commonwealth Office [UK commits £600,000 to support responsible investment in Burma](#), March 2013.

⁴⁴ DIT, [Doing business in Burma: Burma trade and export guide](#), 22 September 2015

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