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The Burmese military is the focal point of the nations' economy due to its privileged access and institutionalized structure. Furthermore, its current disposition - sitting astride the access to the most valuable resources for investment as well as the decision-making about whom gets selected - means that the distortion to the Burmese economy will remain in place until the military itself makes the decision to divest itself from the investment business. Because the civilian leadership is relatively weak and cautious, and because recent gains are so fragile, this change must come from within the Burmese military itself. China will remain a significant force within the country with whom any partner dealing with Burma must contend. However, the negative influences of China upon Burmese society, not to mention the near hegemony it enjoys within the military mean that there is all the more reason for the U.S. to seek avenues to engage the Burmese military directly. These tools should include specific training aimed at addressing the main points of contention with U.S. policy: human rights, rule of law, civil-military relations and civilian control of the military.

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**LUGE LESSONS IN RANGOON:  
WHY THE ENGAGING BURMESE MILITARY IS KEY TO THE NATION'S  
ECONOMIC FUTURE**

**by**

**Robert S. Mathers**

**Colonel, U.S. Army**

**A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.**

**The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.**

**Signature: \_\_\_\_\_ // xx// \_\_\_\_\_**

*30 October 2014*

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## **Paper Abstract**

The Burmese military is the focal point of the nation's economy due to its privileged access and institutionalized structure. Furthermore, its current disposition - sitting astride the access to the most valuable resources for investment as well as the decision-making about whom gets selected - means that the distortion to the Burmese economy will remain in place until the military itself makes the decision to divest itself from the investment business. Because the civilian leadership is relatively weak and cautious, and because recent gains are so fragile, this change must come from within the Burmese military itself. China will remain a significant force within the country with whom any partner dealing with Burma must contend. However, the negative influences of China upon Burmese society, not to mention the near hegemony it enjoys within the military mean that there is all the more reason for the U.S. to seek avenues to engage the Burmese military directly. These tools should include specific training aimed at addressing the main points of contention with U.S. policy: human rights, rule of law, civil-military relations and civilian control of the military.

## Introduction

Since the change in governmental structure in 2008 and throughout the remarkable years that have followed, Burma<sup>1</sup> has experienced what would have been considered unbelievable adjustments to its system of governance and economic development. The opening of relations with the United States in 2011 has heralded an optimism felt throughout US governmental agencies, private economic interests and regional observers. Yet despite these profound and fundamental changes, Burma has not been able to maximize the benefits it should have enjoyed. While economic liberalization, political dialogue and conflict resolution have all given positive indicators and relatively good results, the gains are fragile and core issues, especially those of the economy, remain entrenched from the military junta's rule. The military retains a stranglehold upon the critical levers of economic progress - the sectors attracting Foreign Domestic Investment (FDI). Continuing a 25-year tradition of appropriation and self-enrichment, the Burmese military has entrenched itself within both the investment and allocation decision-making bodies within the government, as well as being the executors of those projects. Through large privately-held but publicly-run firms, the Burmese military can both allocate and reap benefits from the billions of FDI dollars flowing into the country. Moreover, since a large portion of this FDI comes from China, this setup reinforces the already-strong position within the Burmese military China enjoys. Thus in order to affect real change for all of Burma, both for the benefit of the Burmese nation as well as the advancement of U.S. foreign policy

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<sup>1</sup> Throughout this paper I will use the official US Department of State name for the country - Burma. Although the country uses for itself the short name 'Myanmar,' that name will be used in the paper only when designating an official entity which uses it.

objectives, one of the largest obstacles to growth - the military's leverage over investment decisions and involvement in them - must be addressed directly.

### **The Heart of the Matter**

The Burmese military, also known as the Tatmadaw, is the center of gravity (COG) for economic reform efforts throughout Burma. And as a COG, it must be recognized by its functions and components, and attacked - or rather, engaged - directly. This paper's purpose is to explain why this is so and offers suggestions on how to do this engagement. A central assumption of this paper is as follows: in order to get the core of any difficult reform issue, especially one in which entrenched interests are involved, it's usually prudent to follow revenue streams. When obstacles to progress exist, usually it's because someone is gaining from a lucrative status quo; and in Burma, if one examines economic reform issues, the entrenched interest at present is the military. The key sectors of the Burmese economy, and thus the way forward in fully realizing Burmese economic prosperity, still lie firmly within the military's control. The military lies at or near the heart of problems affecting several of the major lines of effort of the United States, as well as entities like ASEAN and the World Bank. From addressing human rights, to improving the investment climate, to respect for rule of law and legal reform, the Tatmadaw sits at the convergence point.

This paper will first explain the interwoven structure that exists between the Burmese military (with its close affiliates) and the most important levers of the Burmese economy - especially those that affect the most lucrative areas like the extractive industries and the regulation/oversight of FDI. Until the military reduces its predominant place in the business business, continued Burmese economic growth will be hampered by their meddling and virtual stranglehold. Furthermore,

continued military control of key sectors of the Burmese economy has and will continue to benefit China's economic and regional geopolitical interests. This is due to the fact that the Chinese military has enjoyed exclusive and unfettered access to all echelons of the Burmese military hierarchy. Furthermore, the previous US exclusionary policy toward Burma has effectively shut out US commercial interests in lucrative investment opportunities, allowed continued Chinese predominance, and ultimately and paradoxically hurts US interests in both Burma and the region.

The first counter-argument to this theory of military truculence in self-reform posits that the Burmese reforms should be gradual and not meddled with by outside actors - it will evolve on its own. But the analysis of objective observers shows otherwise. The Burmese civilian government (the non-Tatmadaw) will not be able to curb its own military's influence without jeopardizing the recent reform successes. The 'target' of the Burmese military must be engaged directly, provided we hit the correct spots and properly address our legitimate human rights concerns. A second counter-argument is the notion that this economic hegemony by the military is too intertwined with human rights issues, and as such any military reform efforts would be at best weak in practice or worst antithetical to U.S. policy. I plan to show how the U.S. and partners can ensure the right engagement goes to the right people with out compromising or diluting our core interests. The final counter-argument is that the Chinese play such a large factor at present that any attempts to engage with the Burmese would be futile and/or counterproductive in a regional context. But the Burmese in fact want this military interaction<sup>2</sup>, however we must consider China's interests, both commercial and military. This is perhaps the riskiest portion of this proposed strategy, for the Chinese are way ahead in this game and could indeed be spoiler. Yet, the gains for pursuing such a strategy with the Burmese military by far

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<sup>2</sup> Mr. James Shea, Economics Affairs Officer, U.S. Embassy Rangoon, telephone call with author, 29 August 2014.



outweigh the risks, insofar as they address so many concerns from from several branches of our government, as well as the concerns of international institutions and regional partners.

Lastly, this paper will discuss methods of engagement for the Burmese military, both those available within the current strategic context with legal and policy constraints, as well as exploring the possibilities that might later unfold should initial efforts show promise. Direct US-Burmese military to military contact, theater engagement and professional development opportunities are the best methods for engaging the Burmese military, and hence addressing several core Burmese reform issues by striking at their main obstacle. By doing so, military (as the M in the DIME tool bag) can be the most effective instrument to promote US and partner interests in Burma, while at the same time improving the overall health of the Burmese economy.

### **The Tatmadaw Has the Spoils**

The fact that the position of Minister for Industrial Development is still held by a military officer<sup>3</sup> is a blatant reminder of the predominant position that the military still holds in Burmese economic affairs. Burma's uniformed meddling in economic affairs goes back as far as 1951, when the newly independent nation tried to create some services organizations for the troops. However, over time, the structure became a self-enriching enterprise. After the Tatmadaw's seizure of power in 1988, the military appropriated the most lucrative sectors of the economy, which effectively remains the same today. In addition to the national defense budget, the military with collusion from Tatmadaw-affiliated businesses privatized many state assets. This continued at an accelerating pace up until the 2010 elections that saw the Tatmadaw's monopoly on power end.<sup>4</sup>

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<sup>3</sup> Major-General Thein Htay

<sup>4</sup> Adam Simpson, *Energy Governance and Security in Thailand and Myanmar (Burma)*. (Surrey: Ashgate Publishing Ltd, 2014). p.78.

The State-Owned Economic Enterprises Law, enacted in March 1989 and still in effect today, also regulates certain investments and economic activities. Under this law, state-owned enterprises (SOEs) have the sole right to carry out several vital economic activities, such as the exploration, extraction, sale, and production of petroleum and natural gas, along with the exploration, extraction, and export of pearls, jade, and precious stones.<sup>5</sup> And it precisely these important sectors where the military-owned and affiliated corporate entities have entrenched themselves. To make matters worse, corporate governance of SOEs is not transparent, and they are not required by law to publicly release annual reports.<sup>6</sup> Thus SOEs, including the military-held ones, are able essentially to hide their operations from public scrutiny.

More recently, the 2012 Foreign Investment Law was a major step forward in improving the overall investment climate, and was welcomed as a positive sign of a new opening. Yet the powerful military-affiliated interests remain entrenched and astride the most lucrative sectors of the economy, most evidenced by the Myanmar Investment Commission (MIC). This entity, with membership based on close military affiliation, is the overseer of billions of FDI dollars and can thus direct them to areas it deems appropriate. Chaired by the Minister for Finance and Revenue, Win Shein (former Navy Commodore), the MIC "in the interest of the State," can make exceptions to the Foreign Investment Law,<sup>7</sup> and the wide discretion afforded to the MIC remains a serious concern. According to one analyst, "the iron glove of the military envelops the invisible hand of the private sector" through both state and individual interests.<sup>8</sup> According to the US Embassy Rangoon's own

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<sup>5</sup> U.S. Department of State, *Burma Investment Report*, (U.S. Embassy, Rangoon Burma, July 2014). <http://www.state.gov/documents/organization/227136.pdf>. Accessed August 24, 2014. p. 3.

<sup>6</sup> Ibid. p.13.

<sup>7</sup> Ibid. p. 4.

<sup>8</sup> Simpson, p. 78.

assessment, the Burmese military will remain a potent force in Burma's political landscape, supporting the president's reform agenda generally, but working to limit the erosion of their political and economic influence and avoid being held accountable for past crimes.<sup>9</sup> Based on this assessment, one can safely assume that the Tatmadaw has at present no inclination to release its grip on financial levers of power, especially if that pressure comes from within Burma.

Despite even the recent steps to increase transparency, the controlling hand of the MIC remains an issue to international observers and watchdog groups. One environmental watchdog group, Global Witness, has raised questions about the ownership of the companies recently awarded over 14 billion dollars for oil and gas exploration blocks, due to the fact that a majority of companies have failed to answer questions over who really owns them.<sup>10</sup> Moreover, the increasing FDI situation will only exacerbate the distortion the Tatmadaw has emplaced, if one looks at the outlook. After 2015/2016, Burmese GDP growth will be driven primarily by investment spending (including foreign direct investment), which is forecast to expand by 14.8% a year on average in 2015-2018 and will account for 26% of GDP by then.<sup>11</sup> As the FDI grows, the allocation-distortion will only amplify the economic damage.

Until the military reduces its predominant place in the business business, continued Burmese economic growth will be hampered by their meddling and virtual stranglehold. One of the best examples of this grip can be shown in its billion-dollar companies. Directly subordinated to the Defense Ministry are two powerful and influential economic entities: the Union of Myanmar Economic Holdings Ltd (UMEH) and the Myanmar Economic Corporation (MEC). Both were

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<sup>9</sup> U.S. Department of State, *Integrated Country Strategy: Burma FY 2015-2017* (U) (Rangoon: U.S. Embassy, July 2014), P. 5. The ICS is overall classified SBU/FOUO. Sub-components are not broken down by classification.

<sup>10</sup> Asia News Monitor, "MIC Approves More Firms for Onshore Oil and Gas Exploration." *Asia News Monitor*, Aug 19, 2014, accessed August 21, 2014. ProQuest.

<sup>11</sup> Economist Intelligence Unit, "Country Report - Myanmar," August 21, 2014. (London: Economist Ltd, 2014) p.7

formed on the basis of formerly government-owned enterprises. With asset holding values estimated to be about 1 billion dollars each, the corporate shares of these entities are distributed with 60 percent being held by active Tatmadaw members and veterans, and the remaining 40 percent being held by the MoD's Rear Services Directory.<sup>12</sup> The fact that these entities exist is not the cause of concern, but rather the types of industries in which they operate. Established in 1990, UMEH produces food and consumer goods, but more importantly, is extensively involved in the minerals-mining business. Its operations extracting rubies, sapphires and jade is both lucrative and a key earner of foreign currency. In all, it has over fifty joint ventures in such fields as manufacturing, banking, construction and real estate, cement production and cosmetics.<sup>13</sup> Formed in 1997, the MEC on the other hand, while still a considerable entity in its own right, is today a more traditional defense industry running mainly heavy industry enterprises to include steel works and defense armaments.<sup>14</sup> It operates directly under the Ministry of Defense. Most importantly, MEC was exempted from earlier legislation that reserved certain key economic sectors for state-owned enterprises, and thus it was able to get significant interests in natural gas and petroleum exploration, minerals and gem mining, banking and commodity trading, finance and insurance.<sup>15</sup> In addition to this, many senior military officers established themselves in these areas as well, capitalizing on their exclusive access and connections. If these factors in themselves weren't enough to warrant the need for reform, their operations in and of themselves might add more weight. That's because Burmese state-owned enterprises are inefficient and are unlikely to be able to compete with the private sector, especially foreign companies, on a level

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<sup>12</sup> Gleb Ivashentsov, "Myanmar: The Change of Yardsticks," *International Affairs*, No.2, 2014. p.122. <http://dlib.eastview.com/browse/doc/39777299>.

<sup>13</sup> Ian Brown, *Burma's Economy in the Twentieth Century*, (Cambridge, UK: University Printing House, 2013) P. 193.

<sup>14</sup> Ivashentsov, P.122.

<sup>15</sup> Brown, p. 193.

playing field.<sup>16</sup> With more foreign investors coming in but blocked from those key areas, the military monopoly on key sectors of the economy, while lucrative for a few, hurts the Burmese overall economy.

### **The China Syndrome**

By keeping its distance from the key military economic entities within Burma, the United States risks being left out of not only the tremendous economic potential of the region, but also by being sidelined by the Chinese hegemony over key levers of the Burmese economy. Nowhere is this more evidenced than the extractive sector (oil/gas and mining), where the aforementioned military-owned UMEH keeps a MIC-enforced monopoly. Since according to the 2012 Foreign Investment Law a foreign entity must joint with a local company for investment, and since the 1989 State-Owned Enterprise Law gives the government sole discretion in the extraction industries, the military-owned UMEH gets the spoils. This sector is precisely where the Chinese have concentrated their investment in Burma, estimated to be over 6 billion dollars just in 2010. Interestingly, overall FDI number for China are small, but there are a large number of hidden investments and business ventures, most of which are registered in the name of ethnic Chinese relatives who hold Burmese citizenship.<sup>17</sup>

The status quo with regard to the military's position in the economy isn't really all that concerning to China. For instance, the Chinese bullish outlook towards Burma's investment potential in the energy sector differs from those of Western analysis. Whereas the Chinese are concerned with adequate electrical infrastructure to sustain energy projects,<sup>18</sup> more objective western analysis sees the

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<sup>16</sup> U.S. Department of State, *Burma Investment Report*. p.13.

<sup>17</sup> Maung Aung Myoe. *In the Name of Pauk-Phaw: Myanmar's China Policy Since 1948*. (Singapore: Institute of Southeast Asian Studies, 2011). P. 158.

<sup>18</sup> China Weekly News, "Research and Markets; Myanmar Energy Outlook to 2018," (Aug 26, 2014): 150, accessed 21 August 2014, ProQuest.

military's role as a significant obstacle to overcoming FDI "challenges."<sup>19</sup> It is indeed the opinion of some Burma experts that the Chinese are deliberately attempting to keep the U.S. at a distance. Increased military contact between the U.S. and Burma may run counter to Chinese interests - both commercial and ideological - in that the Chinese are attempting to make the Burmese military in the image of the People's Liberation Army,<sup>20</sup> and such a structure has no place for what the U.S. is offering. How badly do the Chinese want to keep the U.S. away from the Tatmadaw? Indeed, another U.S. Embassy official even opined that the Chinese are perpetuating the ethnic-based conflicts in Burma's outer districts, with the logic being that a protracted ethnic-based conflict fuels the human-rights abuse narrative that would effectively keep out the U.S. and others.<sup>21</sup>

In addition, other players with regional aspirations for influence, like Russia, are seeing economic opportunities as the investment climate improves. Aside from the large present and potential arms market in Burma, Russian firms are also less-beholden to human rights-based policy concerns and are willing to deal with the present military/commercial paradigm.<sup>22</sup> Thus the sooner we work at inculcating our policy objective-based principles within the Tatmadaw, the less likely the environment there will remain fertile ground for entities whose policy concerns may be at odds with those of the U.S.

### **Why the Military Must Reform from Within (With Help)**

Is there an alternative to this direct engagement with the Burmese military? Some might argue that the reform process in recent years has gone to an extent that the military's control over key

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<sup>19</sup> Economist Intelligence Unit, p.5.

<sup>20</sup> Dr. Mieme-Byrd, Asia Pacific Center for Security Studies, telephone call with author 27 August 2014.

<sup>21</sup> James Shea. Telephone call with author, 29 August 2014

<sup>22</sup> Ivashentsov. Pp 125-127. Former Russian Ambassador to Burma Ivashentsov believes that since Russian investors are already behind in the commercial area, she can make up for this by 'doubling down' with the military due to the current arms market and the still-powerful position the Tatmadaw holds for the time being. However, this window of opportunity for them is closing.

sectors is ebbing, and their grip on economic levers (and the most promising prospects for Burmese economic growth) will come in due course. The previously-mentioned institutional grip the Tatmadaw retains on lucrative FDI projects has already been explained. But the military's constitutionally-given right to 25 percent of parliamentary seats along with >75% needed for veto power means that they are well dug-in. And if one is to assume that this constituency will continue, then why not engage with this bloc directly? What's more, attempts by progressive Burmese politicians to reign in the military's economic leverage might backfire and cause a reversal of recent gains. And it looks as if the military will not hold back on those who question its activities or challenge its authority."<sup>23</sup> As one expert testified:

“...the army is not uniformly supportive of the reforms themselves, but as long as President Thein Sean's policies restore Myanmar's respectability, increase domestic prosperity and maintain internal stability, the officer corps remains unlikely to oppose the President's policies overtly as long as the emerging, semi-democratic system does not attempt to take away the military's wealth and privileges.”<sup>24</sup>

The reforms of recent years are encouraging, yet they are also “fragile and reversible”<sup>25</sup> and thus we need to promote our policy objectives through the entity which will then take ownership of the policy - the military itself. While attempts to bring greater transparency to what had been notoriously opaque processes, like the awarding of contracts to and the shareholder composition of oil, gas and mining firms, are promising,<sup>26</sup> it is yet to be seen how much the military will tolerate

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<sup>23</sup> Economist Intelligence Unit, p.18.

<sup>24</sup> Adam J. Szubin, “Testimony” Senate, *U.S. Policy on Burma: Hearing Before the Subcommittee on East Asian and Pacific Affairs of the Committee on Foreign Relations* 112th Cong., 2nd Sess, 2012, accessed 4 September 2012, LexisNexis.

<sup>25</sup> Joseph Y. Yun, Senate, *US Policy on Burma*.

<sup>26</sup> The World Bank Group. “EITI Candidacy Approval is a Transparency Breakthrough for Myanmar.” July 14, 2014. <http://www.worldbank.org/en/news/feature/2014/07/14/eiti-candidacy-approval-is-a-transparency-breakthrough-for-myanmar/> Accessed: 29 August 2014.

when its most lucrative ventures, such as the UMEHL's operations, come under more intense scrutiny.

Despite Burmese administrative reform efforts, the business and regulatory environment will remain challenging. Inefficient state-owned enterprises and military holding companies “will continue to dominate swathes of the economy, and corruption will remain pervasive.”<sup>27</sup> And based on assessment of the current attitude within the Tatmadaw, the military is unlikely to voluntarily give up their privileged economic position unless something changes from within.<sup>28</sup> All of these assessments therefore point to the need affect the problem directly through the military, else the problem will only grow either more distorted, or possibly go in reverse.

### **Military Engagement and Human Rights**

Should we even be considering direct engagement, even training, with the Burmese military given their dubious human rights record? After all, it was the military's actions in counterinsurgency operations that led to the imposition of sanctions in the first place. According to the U.S. Embassy in Rangoon, indeed we should, since the values instilled get to the problem at the source:

The United States will seek to help reform the . . . military according to internationally accepted professional standards of conduct, adopting a step-by-step approach that is calibrated to these institutions' demonstrated commitment to transparency, accountability, civilian control, professionalization, and protection of human rights.<sup>29</sup>

Arguments for proceeding cautiously on military-to-military engagement with Burma are also coming from many leaders in Washington, D.C. The 2014 National Defense Reauthorization Act has a provision that requests the Department of Defense to patiently assess military-to-military engagement

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<sup>27</sup> Economist Intelligence Unit p.5.

<sup>28</sup> Simpson, p. 78.

<sup>29</sup> U.S. Department of State, *Integrated Country Strategy*, p.4.



with Burma and base engagement on the Burmese military's efforts to implement reforms, end impunity for human rights abuses and increase transparency and accountability.<sup>30</sup>

Painting the entire Burmese military with a broad brush is obtuse and ill-informed. With regard to the most egregious human right violators as specified by the U.S. government's Specially Designated Nationals (SDN) list, indeed those and some others would need to be excluded from any contact or training. The U.S. needs to do a bit of disaggregation (like counterinsurgency) to find out who are the bad actors and differentiate them from those who are the promising up and comers. All Burmese military recipients of training of any type would undergo strict vetting in accordance with Leahy Law<sup>31</sup> procedures. These methods have proven useful in ensuring we are indeed not rewarding or working in collusion with counterparts with tainted histories.

One of the most useful tools to implement this effort is the International Military Education and Training program (IMET), which allows foreign military students to attend training at U.S. institutions. Since it is U.S.-funded and driven, nominees can be screened by U.S. Embassy personnel, and the courses which they attend can be tailored to their specific needs, as determined by the country team. Thus the amount, type and level of training offered is determined by the U.S. side. No floodgates opened.

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<sup>30</sup> Trent Franks and Jim McGovern, "Keeping a Wary Eye on Burma's Military," *U.S. News and World Report*. Nov. 1, 2013. <http://www.usnews.com/opinion/articles/2013/11/01/obamas-pivot-to-asia-cant-ignore-burmas-human-rights-abuses>. Accessed 23 October 2014.

<sup>31</sup> The 1997 "Leahy Law" (22 U.S. Code § 2378d - Limitation on assistance to security forces) prohibits the U.S. Department of State and Department of Defense from providing military assistance to foreign military units that violate human rights with impunity.

## Avoiding Dragon Wrath

Because the country of Burma is such an important factor in China's commercial and military interests, there exists the possibility of inviting and adversarial Chinese response to U.S. overtures. After all, the Chinese through proximity and over time have developed longstanding good relations with Burma. A recent example of this was the 2011 signing of a Sino-Burmese "comprehensive strategic cooperative partnership" agreement in the waning days before the detente with the U.S. What's more, China has viewed the changed U.S. policy toward Burma as part of a planned containment of Chinese interests in the region,<sup>32</sup> There is even an assessment that Burma is now "great game" territory between China and the U.S., due to the U.S. efforts to apparently contain China's access to the resources it seeks.<sup>33</sup> And it is not just for the U.S., which has multifaceted relations with China, where a jealous China could cause problems but also within Burma itself. According to one external assessment, improving overall ties with the US could put a strain on Burma's relations with China.<sup>34</sup> And this is even pointed out as an 'assumption' by the U.S. Embassy in Burma, stating "China will seek to exert significant influence over Burma's policies and will view perceived increases in U.S. influence in Burma as coming at the expense of its interests with greater investment of time and energy."<sup>35</sup>

One might conclude then that the risk and/or costs of direct engagement with the Burmese military is too great since we are pushing into an area where we are neither welcome nor wanted. Furthermore, the collateral damage from such engagement with regard to China might be too great to

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<sup>32</sup> Yun,, Senate, *US Policy on Burma*.

<sup>33</sup> Ivashentsov, p. 126.

<sup>34</sup> Economist Intelligence Unit, p.5.

<sup>35</sup> U.S. Department of State, *Integrated Country Strategy*, p.5

both the Burmese and U.S. interests. However, assessments on the ground would indicate otherwise. Firstly, the regional partners of the Association of Southeast Asian Nations (ASEAN) has also been putting pressure on Burma to reform its inordinate military interference in the economy, and have agreed that the best method to approach the Burmese military is through the U.S. military.<sup>36</sup> Next, there is a growing resentment in Burma against Chinese hegemony in the Burmese economy. The greater political openness in Burma has led to popular protests against Chinese-invested mining and energy projects. Although China will remain an important trade and investment partner, Burma is looking for closer ties with countries like Japan and India in an effort to reduce its reliance on its northern neighbor.<sup>37</sup> In addition, President Thein recently halted a multi-billion dollar hydroelectric dam and projects due to a growing anti-Chinese sentiment in the country. As one U.S. Embassy official stated, with regards to sentiment in the country towards reform and the Chinese “the time is ripe” to engage with the Burmese military.<sup>38</sup>

### **Where Do We Go From Here?**

One might argue that this is just an American arrogant way of pushing ourselves into a place where we aren't wanted and our policies are too aggressive to make mil-to-mil contact effective. Yet the U.S. Embassy in Burma categorized this engagement as an “Opportunity”:

Burma's military seeks, above all, the validation that comes with military-to-military engagement with the United States. A patient, calibrated U.S. engagement policy that clearly spells out our expectations may increase commitment to professionalization according to international democratic standards, including civilian control of the military.<sup>39</sup>

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<sup>36</sup> James Shea. Telephone call with author, 29 August 2014

<sup>37</sup> Economist Intelligence Unit, p.5.

<sup>38</sup> Shea.

<sup>39</sup> U.S. Department of State, *Integrated Country Strategy*, p.6.

As a starting point, one approach is to determine the Burmese military's interests and seeing where we can match them and/or they overlap. Initial assessments of interests apparently includes military autonomy from civilian control, the unity of the state, and the importance of their interpretation of national sovereignty. Even under a market-oriented economy, which they ostensibly support, and greatly enhanced-foreign investment, the military's economic interests are highly important and influential though military-owned conglomerates that are not part of the public sector.<sup>40</sup>

Since this situation appears to remain entrenched for the near term, the mid-grade and senior officers are prime candidates for seeding the ideals espoused in U.S. foreign policy. By offering limited access to the U.S. military education system we would [and should] encourage reformist sentiments in the military elite by offering limited access to the U.S. military education system.<sup>41</sup> As previously mentioned direct military engagement and professional education opportunities like IMET are an important part of of our foreign policy toolkit. According to ADM Samuel Locklear, Commander of U.S. Pacific Command, IMET is “critical to demonstrating U.S. commitment to priority regional security concerns such as . . . providing professionalization opportunities in support of deeper partnerships with the United States and U.S. interests, including strengthening democratic values and human rights.”<sup>42</sup> It is worthwhile noting that this is not assistance per se, as much as it is relationship-and capacity building. By schooling select Burmese military members on matters pertaining to US policy like human rights, the rule of law, civilian control of the military and civil-military relations, we would be planting the seeds for both a movement towards US policy objectives

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<sup>40</sup> David Steinberg, Senate, *U.S. Policy on Burma*.

<sup>41</sup> Karl Jackson, Senate, *U.S. Policy on Burma*.

<sup>42</sup> ADM Samuel Locklear, “Testimony,” *U.S. Pacific Command Posture: Senate Committee On Armed Services*, 113Th Cong, Second Sess. 25 March 2014.

as well as improved relations at the senior level. Tradition has shown that a disproportionate majority of IMET graduates continue on to senior ranks. Since these senior military members then hold key positions in the government (either in our out of uniform), the target is appropriate since it targets a major hurdle to progress - the bureaucracy. As one expert testified, this is a military, top-down model of bureaucracy in which those who operate it don't fully know how to change. Furthermore, we should push for greater emphasis on rule of law programs, rather than the “ruler's law” programs that have dominated Burma for the last 20 years.”<sup>43</sup>

In addition to IMET, we have other tools at our disposal that can offer the Burmese military some developmental and educational opportunities in line with our goals. The Foreign Military Sales (FMS) program, which is jointly administered by the Departments of State and Defense, could work with Burmese military leadership to identify and purchase some transparency-enhancing systems - like those that increase logistics, financial and personnel accountability. Meanwhile we have other targeted, tailorable training opportunities, such as those available at the Asia-Pacific Center for Security Studies (APCSS), which has been and remains a uniquely effective executive outreach tool to convey U.S. strategic interests to multi-national audiences.<sup>44</sup> The APCSS can create specific training courses and seminars for select Burmese military and civilian officials on topics such as civil-military relations and rule of law. Another highly-valuable but little-known resource is the Center for Civil-Military Relations (CCMR), based at the Naval Postgraduate School. This team of experts, sometimes referred to as “the Pentagon’s consultants” work with defense ministries and general staffs to assist them in identifying best-practices and obstacles to increase efficiencies across several areas such as plans and budgeting, policy formulation, and - most applicable here- fiscal and personnel

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<sup>43</sup> Jackson, Senate, *U.S. Policy on Burma*.

<sup>44</sup> Locklear, Senate, *U.S. Pacific Command Posture*.

management. Another useful tool that should be initiated is including Burma in the State Partnership Program, wherein a U.S. State, along with its National Guard, team with a country to facilitate bilateral training and cooperation activities. These programs, in addition to numerous smaller programs that may become available based on funding authorization like counter-drug, counter-terrorism and counter-WMD programs, offer a chance for the Burmese military to see “what right looks like” as well as chance for the U.S. to engage problem issues at their source.

### **Conclusion: Summers in Rangoon, Luge Lessons . . .**

This paper has been an attempt to point out and support the assertion that the Burmese military is the focal point of the nations’ economy due to its privileged access and institutionalized structure. Furthermore, its current disposition - sitting astride the access to the most valuable resources for investment as well as the decision-making about whom gets selected - means that the distortion to the Burmese economy will remain in place until the military itself makes the decision to divest itself from the investment business. Because the civilian leadership is relatively weak and cautious, and because recent gains are so fragile, this change must come from within the Burmese military itself. China will remain a significant force within the country with whom any partner dealing with Burma must contend. However, the negative influences of China upon the Burmese economy, not to mention the near hegemony it enjoys within the military mean that there is all the more reason for the U.S. to seek avenues to engage the Burmese military directly. These tools should include specific training aimed at addressing the main points of contention with U.S. policy: human rights, rule of law, civil-military relations and civilian control of the military. With the U.S. Embassy in Burma, U.S. Pacific Command, and Regional Experts from Honolulu and Washington, D.C. all in

agreement on the need to engage directly with the Burmese military, the only major question remaining to be answered is, why aren't we doing this already?

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