An unsteady suppporter of Aung San Suu Kyi's National League for Democracy in her Kawhmu electorate. (Photo: Brendan Nicholson)

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Myanmar across the threshold

Aung San Suu Kyi's participation in by-elections for Myanmar's new parliament, her sweeping win, and the government's endorsement of the result have completed a sea-change in the country's politics – and as a result, its relations with the Western world including Australia.

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Events have moved quickly since President Thein Sein, a former army general and prime minister in the previous military regime, moved quickly to show his bona fides after taking office last April in the aftermath of tightly controlled elections:

- Thein Sein's direct dialogue with Suu Kyi drew her into political participation under the constitution she had earlier rejected.
- Truces were negotiated with many of the 11 armed ethnic insurgent groups, culminating in this month's visit to Yangon by leaders of the Karen National Union.
- The controversial Myitsone hydro-electric scheme being built by a Chinese-led consortium on the upper Irrawaddy was suspended.
- Large groups of political prisoners have been released, including leaders of the 1988 student uprising.
- A plan to open up the economy has seen the first major step with adoption of a market-based exchange rate.
- The April 1 by-elections have been judged free and fair, the wins by Suu Kyi and nearly all of the other National League for Democracy candidates ratified.

The simple paradigm of a revered democracy advocate holding out in her enforced isolation against a brutal, reform-resistant military now needs to be abandoned. The outside world must engage with a more complex political situation, judiciously supporting reformers and good policy in both government and opposition.

Only three days after the by-elections, the United States announced a substantial easing of its political and economic sanctions. It will send a new ambassador, expected to be President Obama's special Myanmar envoy Derek Mitchell, to fill a post left vacant in protest since the former military regime annulled the 1990 election won by the NLD.

America's $35 million aid program will be formalised and extended through a new office in the embassy and Washington will be more ready to approve World Bank and United Nations development projects. Government leaders and officials seen as positive reformers will be allowed to travel to the United States, and even invited.

The biggest impact will come from the lifting of barriers in the US financial system to clearance of transactions involving parties in Myanmar. These have not only blocked payments routed through American institutions or in US dollars, but inhibited third-country banks through fear of attracting US Treasury penalty.

As a result, visitors will be able to use their credit cards to pay for hotels, domestic air travel and other expenses inside Myanmar, avoiding the present need for large amounts of hard cash. Exports of commodities priced in US dollars will no longer need indirect payment through a third-country currency, which shaves up to 4 per cent off earnings.

The Americans are also selectively lifting their ban on investments in Myanmar. Tourism, agriculture, banking and telecommunications are favoured sectors, unlike extractive industries such as ruby mining and timber, which are beset with illegality and located in areas of ethnic conflict zones.

The European Union is expected to lift its sanctions by the end of April, with Britain going ahead to suspend its sanctions in a snap visit by Prime Minister David Cameron to Myanmar on April 13.

Australia has not had general trade or investment sanctions but a list of some 390 excluded former regime figures and their business connections. But with several former generals on Australia's list having morphed into civilian politicians, and perceived regime business "cronies" likely to be prime joint-venture partners for foreign investors, Australian officials see the sanctions as having done their work, at least on the civilian side.

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The listing of family members also looks somewhat vindictive – and counter-productive when the practice excludes young members of Myanmar's elite from exposure to democratic values, academic rigour and freedom of thought at Australian universities.

On April 15, Foreign Minister Bob Carr announced that about 260 people, including the president and other politicians, would have Australian travel and financial restrictions lifted – leaving 130 on the sanctions list, including senior members of the Burmese military and others suspected of human rights abuses. "I think the president is sincere, I think he deserves these rewards but of course it's always possible to resume these sanctions," Senator Carr said.

In general, Western powers are shrinking their sanctions down closer to the Australian system, leaving bans on transfers of military equipment and on dealings with individuals deemed, as one US official put it, "regressive elements, the corrupt elements, the elements that are not looking forward".

The Thein Sein government's enhanced international standing is reflected in visits by Western leaders, and less controversy about its membership of the Association of Southeast Asian Nations. Next year Myanmar hosts the Southeast Asian Games in the capital Naypyidaw and in 2014, the ASEAN summit with its attached meetings with other Asia-Pacific powers.

Already an impending investment boom is palpable, with many Western banks and companies already exploring opportunities. For its part, Myanmar's government made it clear, in the latest of Asialink's annual policy "Conversations" held in Yangon on February 3–4, that it wants to join the Asia-wide economic boom as quickly as possible and balance Myanmar's international linkages beyond the heavy China dependency created by sanctions.

Myanmar's central position between India, China and Southeast Asia, its former role as regional rice-bowl, extensive natural resources, and sizable population (nearly 60 million) make it a tantalising prospect.

"The new government is facing a historic opportunity to jump-start the development process and lift living standards," noted an International Monetary Fund mission to Yangon in January. "Myanmar has a high growth potential and could become the next economic frontier in Asia, if it can turn its rich natural resources, young labour force, and proximity to some of the most dynamic economies in the world, into its advantage."

But would-be investors quickly find that Chinese and other Asian counterparts are already present. They also discover poor transport, electricity supply, telecommunications, and a primitive, largely cash-based financial system. The legal framework for investment, covering such things as land-leasing and profit remittance, is still work in progress.

Most limiting of all is a deficit of trained talent. After the 1962 military takeover, Myanmar's once admired university system was progressively hobbled to forestall student protest, and the best teachers migrated while the bureaucracy was stripped of initiative. Local business tycoons, like Zaw Zaw of the Max Myanmar group, list shortage of skilled managers and technicians as a major constraint.

The "low-hanging fruit" for quick commercial returns is high-quality hotel accommodation for business travellers and tourists. Already Yangon's five or six top hotels are booked out at the peak October-March tourist season. Even a single daily direct flight from Europe, in addition to regional feeder routes, would strain capacity.

The investments that would spread prosperity most widely are rural credit schemes, farmer support programs, transport and communication linkages, and better supply chains to markets.

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Above: Thein Swe, who took part in the 1987–88 student protests and was subsequently arrested six times for his support of Aung San Suu Kyi, stood successfuly as an NLD candidate for the parliament's upper house from his Irrawaddy delta hometown Pyapon. (Photo: Hamish McDonald)

This will involve tackling vested interests in the bureaucracy, suggesting partnerships between aid agencies and private contractors as the obvious approach.

For Australian business, the only way is up. Most recent figures show our imports from Myanmar at only $16 million, mostly in seafood, and exports at $81 million, mostly wheat and other food but also including specialised radio equipment cleared by the Defence Department.

A few investors have resisted criticism of dealings with the former regime, including the Clough family's Twinza Oil and the media entrepreneur Ross Dunkley, founder of the Myanmar Times weekly in Yangon. Tourism, transport, supply chain, communications, heritage conservation, and education and training suggest themselves as sectors where Australians could find opportunities, including with partners from other regional countries.

The Australian aid program for Myanmar, funded this year at $47.6 million, is shifting from a humanitarian focus, addressing severe poverty and appalling indicators in maternal and child health, towards longer-term development. This includes a new scholarship scheme which has seen ten postgraduate students enrol at Australian universities this year.

Western engagement will undoubtedly intensify, for both economic and strategic reasons. But the struggle for democracy is far from won, and politics need close watching.

The 2008 constitution gives the military an entrenched position controlling further change: it has 25 per cent of the legislative seats, and constitutional amendment requires a 75 per cent vote. Thein Sein has been quick to claim that Suu Kyi's entry confers more legitimacy on the parliament, even though she insists she will press for changes to the system.

The government and the military-linked majority party, the Union Solidarity and Development Party, will be hoping that political compromise will lessen Suu Kyi's popularity, and perhaps that her energy will start to flag (she turns 67 in June).

If her NLD is to wrest power in the next general elections, due in November 2015, Suu Kyi will need to refine policies and recruit a much broader swathe of talented candidates. Among the 43 who stood successfully in the by-elections is a clutch of the 1988 generation students, such as the new upper house MP Thein Swe, 45.

She needs to deepen ties with other impressive new voices, notably the 1988 figures Ko Ko Gyi, 50, and Min Ko Naing, 49, both freed in the January political prisoner releases after spending most of the last two decades in prison – a not unfamiliar political apprenticeship in Asia. The writer Thant Myint-U, grandson of the former foreign minister and UN secretary general U Thant, is another important interlocutor.

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Increasingly, Suu Kyi will be one of a broader range of non-government points of reference.

On the government side, ministers are already feeling the pressure to deliver tangible economic benefits. The parliament, at first seen as an obedient military Frankenstein, has shown more independent thinking and reformism – stirred in part by the ambitions of its speaker, retired general Shwe Mann.

The IMF forecasts real GDP growth rising to 6 per cent over the coming year from April, and analysts like Macquarie University's Sean Turnell see Myanmar's opening coming at a favourable point in global price cycles for its petroleum and food commodities.

But it may be too optimistic to expect economic results to arrive in time to turn voters away from the NLD by 2015. There remain many Myanmar observers, such as the Swedish writer Bertil Lintner, who doubt the military will ever allow power to slip away. Diplomats warn the by-elections may not necessarily be a pointer to official behaviour in 2015 when much more is at stake. Thus the real moment of democratic decision is yet to come.

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