

COUNCIL *on* FOREIGN RELATIONS

POLICY INNOVATION MEMORANDUM NO. 11

Date: November 30, 2011
From: Joshua Kurlantzick
Re: Conditional Normalization with Myanmar

Over the past year, Myanmar, ruled for five decades by the military, has undergone its most dramatic reforms in decades. A new civilian government has begun opening the economy, freeing political prisoners, relaxing censorship, and allowing the opposition to reenter politics.

The reforms offer the best chance for change in Myanmar in fifty years and a rare window that American policymakers should not miss. To respond, the United States should launch a new conditional normalization that is far more comprehensive than the White House's current policy. Working with other industrialized democracies, the United States should be prepared to provide a large new aid package, upgrade relations, push for Myanmar's reentry into global organizations, and potentially end sanctions—if, in return, Myanmar continues to move toward holding free elections, ending its insurgencies, and demonstrating real transparency about its weapons programs. Through this policy shift, the United States could prevent instability that could spread to Thailand, India, and other partners; stop Myanmar's development of nuclear programs; and help promote democratization in one of the world's most repressive countries.

THE SITUATION

From 1962 until 2010, Myanmar was ruled by the military. In November 2010, the military held elections to create a new parliament. These elections were considered neither free nor fair: 25 percent of seats were reserved for the army, and army-backed parties dominated the election. Aung San Suu Kyi's party, the National League for Democracy, boycotted the election because of its unfairness.

Yet in 2011 the parliament has surprised everyone. Besides releasing prisoners and promoting an end to censorship, the government this month set the stage for new elections in which Suu Kyi will run, potentially putting her in parliament for the first time ever. The government has also vowed to end decades of insurgencies by ethnic minority militias in northern and northeastern Myanmar. One of the militias, the United Wa State Army, is considered among the most powerful narcotrafficking groups in the world. By ending the insurgencies, the government could restore central authority to these regions, making it easier to confront narcotrafficking.

Though some skepticism is warranted, there is significant reason to believe this glasnost is real. Observers who have met Myanmar's new president, Thein Sein, including Suu Kyi, describe him as genuinely dedicated to reform as no one from the regime has been in decades. He apparently understands how far Myanmar, with a per capita GDP of roughly \$3,000, has fallen behind once-comparable neighbors like Thailand, and he already has taken steps toward liberalization that will be hard to reverse. By boosting ties with the West, Thein Sein also would reduce Myanmar's strategic dependence on China. Just as important, liberalization through Thein Sein, rather than a democratic uprising, might allow senior generals to retire with their wealth intact.

THE STAKES

In the past five years, Myanmar has assumed greater strategic significance to the United States. Evidence has emerged of the regime importing nuclear and missile technology from North Korea. Military officials from North Korea appear to be working in underground facilities in Myanmar. Thailand and the United States have intercepted suspicious North Korean ships offloading machine tools with no use in Myanmar's civilian economy. In such an opaque environment, it is not hard to imagine nuclear technology slipping out of Myanmar and into the hands of terrorist groups.

Worse, continued repressive rule in Myanmar would prolong the ethnic minority insurgencies, which have made some areas ungovernable. Hundreds of thousands of refugees have fled ethnic minority regions, potentially destabilizing Thailand, India, and southwestern China. The refugee exodus has also created one of the worst HIV/AIDS crises in Asia. Finally, Myanmar and its offshore regions reportedly contain among the ten largest deposits of petroleum in the world.

Despite the country's growing importance, and the shift in the Myanmar government's actions, U.S. policy has changed only marginally in two decades. In 1997, responding to human rights abuses, Congress imposed sanctions, and it has renewed sanctions every year since. The Obama administration has attempted to alter policy cautiously, worried about being overruled by Congress. It has appointed a new special envoy and held out the prospect of further policy shifts following a "fact-finding" trip to the country by Secretary of State Hillary Clinton this week.

HOW TO PROCEED

Opportunity for liberalization in Myanmar is extremely rare; by engaging now, the United States can help prevent retrenchment by hard-liners, build relations with the country's future leaders, and significantly boost American influence at this most critical time. To take advantage of this opportunity, the United States should pursue a policy of conditional normalization that makes clear to the Myanmar leadership what it stands to gain if it makes substantial progress in achieving three goals: moving toward a free election in 2015, developing a solution to its insurgencies, and making its nuclear programs more transparent. To verify Myanmar is achieving these goals, the United States and its partners would follow Myanmar's progress in preparing for a free election, insist that independent inspectors be allowed in to observe and potentially dismantle Myanmar's nuclear program, and monitor the government's progress in achieving permanent written ceasefires.

Because the Myanmar leadership has been isolated for so long and is so unpredictable, Washington and its partners need to lay out this clear road map to Myanmar's government.

1. *Launch a Significant Aid Package.* The United States should immediately launch a new aid package, to be coordinated with the EU, Australia, and Japan. The Obama administration has made some small suggestions of new aid, but the United States now channels nearly all aid to groups working from outside Myanmar. Instead, the United States should use sanctions waivers to create a package totaling at least \$200 million. This money would be delivered inside the country and would include assistance to combat HIV/AIDS, support microfinance in rural areas, and rebuild the

country's devastated educational system, among other initiatives. To ensure the aid is not siphoned off by government ministries, American aid organizations would have to produce twice-yearly reports to Congress of how they are disbursing the aid.

2. *Upgrade Diplomatic Relations.* More than many other governments, Myanmar craves international prestige, perhaps because the country was isolated for so long. Beyond the Clinton visit, Washington should upgrade its embassy in Myanmar to include an ambassador—it is now run by a charge d'affaires—and push for Myanmar to be reintegrated into the World Bank, IMF, and other international institutions.
3. *Promote Accountability.* Realistically, Myanmar's senior generals are unlikely to allow reforms to be consolidated if they believe change will result in their prosecution. The country's political situation is so unstable that the United States and its partners should allow the generals to avoid international prosecution as long as they retire permanently. Although the White House is still backing a UN commission on war crimes in Myanmar, the United States should instead encourage a truth and reconciliation commission be set up inside Myanmar, possibly modeled on other Southeast Asian examples such as East Timor. However, for the generals to obtain this amnesty, the senior military leadership would have to formally retire and permanently cut its ties to any political parties.
4. *Remove Sanctions.* The last reward would be the most substantial: dropping all U.S. sanctions on investment in Myanmar and coordinating with the EU, Australia, and Japan to end their sanctions as well. Once the United States removes sanctions it would be difficult to reinstate them, so this should be the last of the four initiatives, taken only when Washington and its partners are convinced that progress toward peace, free elections, permanently dismantling any nuclear and missile programs, and ending insurgencies cannot be reversed.

BUILDING SUPPORT FOR NORMALIZATION

Although this strategy is far more ambitious than the White House's current plans, there is reason for optimism that the Obama administration could build support for it in Congress and among partners in Europe and Asia. Even in Congress, some leaders see the potential for a new relationship with Myanmar, given the United States' strategic interests and how Myanmar is changing rapidly. And up until the United States ends sanctions, any policy changes can be reversed, without damaging American prestige: the human rights situation in Myanmar is unlikely to get worse simply because Washington engaged and then reversed, while the United States would have shown Myanmar citizens, and America's Asian partners, that it tried its best to work with the regime. Already, American diplomats report that the EU, Australia, and possibly even India will be willing to follow the United States' lead on a new Myanmar policy.

Finally, there is room for considerable U.S.-China cooperation in addressing Myanmar's nuclear program and its internal conflicts. China does not consider Myanmar a "core interest" or a formal ally like North Korea, yet Myanmar's instability spills over China's borders, and Beijing is unable to address problems like refugees unilaterally. As long as the Obama administration shows this new normalization policy is not designed to replace China's influence in Myanmar, it will find many complementary interests with Beijing.

Joshua Kurlantzick is fellow for Southeast Asia at the Council on Foreign Relations.

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