


## Myanmar's Ethnic Diversity: Challenges for Transition



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**M**yanmar has been one of the most dynamic countries in the world for the past two and a half years. It was not only the rapid pace of economic and political reforms that the government of President Thein Sein instituted since it came to power in 2011 but its broad scope that riveted international attention. And, of course, its “frontier” status in investment and market expansion opportunities made countries near and far rush to Myanmar.

Political liberalization, which began with the release of political prisoners and expansion of press freedom, has now reached a point where the opposition leader Aung San Suu Kyi sits in the parliament and the senior government officials attend the commemoration ceremony of the 1988 pro-democratic uprising. On

the economic front, after successfully reforming the foreign exchange system and foreign investment law last year, reforms are moving into the financial sector. Two major important infrastructure tenders, mobile phone network licenses and the new airport project, have been recently granted. A throng of international businesses have opened shop and sought local partners for joint ventures. All together, the economic outlook of Myanmar is positive. In its most recent report, IMF strongly approved the country's economic performance and estimated that Myanmar's economy will grow at 5.5% in 2013/14 fiscal year.

However, the transition has brought to the fore the challenges posed by its complex ethnic and religious makeup. Myanmar is a country of exceptionally high ethnic diversity. It has 135 officially recognized ethnic groups and in addition to these "indigenous" groups, there are significant numbers of persons of Chinese and Indian descent with varying degrees of assimilation. It is also a religiously diverse country. Although Buddhism dominates the society, Christianity, Hinduism, and Islam are important parts of the country's religious landscape. The first challenge is to establish peace with ethnic armed groups in the border zones and come up with an institutional solution to establish "power sharing" arrangements with indigenous minority groups. This is essentially to end the half-century long ethnic insurgencies and to build a stable, and democratic, multiethnic country. The second challenge is to resolve the Rohingya/Muslim issues. This is an extremely complex issue and especially what has been happening in Rakhine State defies a simplistic approach. The communal violence in Rakhine state surprised many in the international community and the ethnic relations between Buddhists and Muslims in Myanmar have become increasingly tense.

For quite some time, scholars have debated whether ethnic diversity hinders democracy and economic growth. Although it has been suggested that ethnic heterogeneity on balance may undermine private investment, public goods provision, and democracy by creating civil war or reducing social capital, empirical evidence is so far inconclusive. Moreover, Myanmar's neighbors in Southeast Asia have certainly showed that a country can forge ahead despite complex ethnic and religious composition.

Yet in the short run, ethnic tensions potentially pose risks to reforms in three major ways. First, in a highly unlikely scenario, social chaos and political instability caused by ethnic strife, both involving ethnic armed groups and anti-Muslim violence, may be used by the military as pretext to return to power. Anyone familiar with Myanmar history would remember that the fear of the secession by ethnic states and associated political turmoil led to the military coup

in 1962 that launched the military dictatorship for the next five decades. Second, ethnic conflicts create an uncertain business climate for foreign as well as domestic investors by increasing political risks. Energy sectors are particularly vulnerable to the minority issue since most of Myanmar's natural gas, hydropower resources and mining riches are located in the minority areas. Communal violence may also have a chilling effect on economic activities across the wider society by introducing a sense of lawless and insecurity. This would be highly unfortunate given the fact that Myanmar just got a long-overdue chance to pursue economic development. Third, the continuing minority problems are likely to tarnish the legitimacy of the reforms in the eyes of the international community. This applies to both the ruling government and the democratic opposition, led by Aung San Suu Kyi. Myanmar's political leaders both enjoyed a tremendous political good will and tangible foreign relations benefits from the international community by pursuing (on the part of the opposition) and tolerating (on the part of the military-backed government) democracy and human rights. The deteriorating ethnic strife may lead to the end of that political dividend. The legitimacy risks may be higher for Myanmar's dealing with the West than its Asian neighbors, who have traditionally taken a more pragmatic, non-interference-based approach. Yet Myanmar's new foreign policy has been conducted on a principle that seeks to maintain a balance among international influences amid intense geostrategic competition by the US, China and India over Myanmar. This approach has been clear in Myanmar's external relations in security, business and foreign aid cooperation. Thus, it would be unfortunate if Myanmar loses such leverage over the ethnic minority and religious issues.

Because of its late transition, Myanmar has the advantage of learning lessons from the experiences accumulated over the two decades of transitions in Asia and other world regions. Such knowledge includes what could go wrong in political, social and economic reforms and what are policies and approaches better than others. Myanmar's new government has been willing to learn from its regional and external partners in economic development. Managing ethnic diversity should not be an exception. Indonesia, for instance, went through an explosion of local conflicts in the wake of the fall of the authoritarian Suharto regime. Yet its democracy survived and it managed to hold together the country. Certainly, every country is unique and Myanmar may find unattractive trade-offs in international experiences. Nonetheless, Myanmar should continue to look out for lessons from abroad. The government of Myanmar has already consulted Indonesia for launching its peace and reconciliation efforts. Such efforts can be intensified to include both strategies and pitfalls for nation-building in post-authoritarian and post-isolation world. **KIEP**