

Myanmar's military digs-in for long stay as West blinks

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Following a pattern set in 2014 by Thailand's military, Myanmar's military rulers have no intention of handing over power anytime soon. Six years after the military generals took over in Bangkok, they are still in charge, though now dressed in civilian clothes and as leaders/members of political parties. Myanmar's military leaders are likely to ultimately follow a similar path in Naypyitaw. The new Myanmar junta rightly believes that the US and EU have no real leverage over the regime and will continue to prioritize geopolitical stability in Asia over democracy. The US, India, China and Russia are each vying for geopolitical hegemony over Asia.

The coup de grace

On 1 Feb 2021, the Myanmar army staged a coup which toppled the State Counselor Aung San Suu Kyi's led National League of Democracy (NLD) government, resulting in her and many of the senior party officials being detained. The military stated that the reason for the coup was fraud in the November 2020 election which had resulted in the NLD to win a massive 396 out of the 476 seats available. Shortly afterwards the military commander Min Aung Hlaing called for calm and made five key pledges: a future election (within one year), getting business back on track, reopening schools, continuity in foreign policy, tackling the Covid-19 pandemic.

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Why this coup is different

1: Draconian Cyber Security Bill

Many thousands of demonstrators, particularly younger ones/Gen Z, have demonstrated on the streets, supported by various professional groups attending them. In the past demonstrations were arrested/killed and news were purged. Now Facebook and other social media platforms as relatively well built-up mobile phone telephony system are essential part of life for many people in Myanmar. And these digital tools keep the opposition flame alive. A new draft of Cyber Security Bill hints that the military had power of communication spread by digital. The new bill threatens to clamp down on online subversions and penalize people, companies and entities which do not follow the rules.

2: Mild US sanctions

On Feb 11, 2021 US Secretary of State Antony Blinken, the newly appointed Foreign Secretary released a communique stressing that, “do not target the economy or people of Burma, and we have gone to great lengths to ensure we do not add to the humanitarian plight of the Burmese people” and released following details: Designating 10 current and former military officials responsible for the February 1, 2021 coup or associated with the Burmese military regime. Six of these individuals are part of the National Defense and Security Council and were directly involved in the coup. These individuals are designated pursuant to the new E.O. for being foreign persons who are or were leaders or officials of the military or security forces of Burma:

- *Commander-in-Chief of the Burmese military forces Min Aung Hlaing. (Treasury previously designated Hlaing on December 10, 2019 pursuant to E.O. 13818 for his role as a leader or official of the Burmese military forces, an entity that engaged in or whose members have engaged in serious human rights abuse under his command)*
- *Deputy Commander-in-Chief of the Burmese military forces Soe Win. (US Treasury previously designated Win on December 10, 2019 pursuant to E.O. 13818 for being a leader or official of the Burmese military forces, an entity that engaged in, or whose members have engaged in, serious human rights abuse during his tenure)*
- *First Vice President and retired Lieutenant General Myint Swe*
- *Lieutenant General Sein Win*
- *Lieutenant General Soe Htut; and*
- *Lieutenant General Ye Aung*

Following the coup, on February 2, 2021, the Burmese military announced that the following four military officials would be members of the State Administration Council, among others. These individuals are designated pursuant to the new E.O. for being foreign persons who are or were leaders or officials of the military or security forces of Burma:

- *General Mya Tun Oo was appointed Minister of Defense;*
- *Admiral Tin Aung San was appointed as Minister for Transport and Communications;*
- *Lieutenant General Ye Win Oo was appointed Joint Secretary of the SAC; and*
- *Lieutenant General Aung Lin Dwe was appointed Secretary of the SAC.*

In addition to the individuals identified above, the following three Burmese entities, which are wholly owned subsidiaries of a large conglomerate in Burma, are being designated pursuant to the new E.O. for being foreign

persons that are owned or controlled by, or that have acted or purported to act for or on behalf of, directly or indirectly, the military or security forces of Burma:

- *Myanmar Ruby Enterprise;*
- *Myanmar Imperial Jade Co., LTD.; and*
- *Cancri (Gems and Jewelry) Co., LTD.*

This relative soft sanction bill reflects that Blinken during the Obama administration was one of the key architects of 'Asia Pivotal' (2013) which acknowledged to importance of Asia and particularly China's economic and geopolitical ascendance/threat. Former President Barack Obama and Former Secretary of State Hillary Clinton visited Myanmar as they realized the geopolitical importance of the country given it straddles between PRC and India and was vulnerable for the former's influence. And the newly elected President Biden continues to support the 'Free and Open Indo-Pacific strategy' which was established as foreign policy framework for the region in 2018. However the new Indo-Pac strategy devised by Trump had little economic backing, illustrated by the fact in 2020 US gave mere \$135m to nongovernmental and civil society organizations.

3: Soft EU response

On 9 Feb, 2021 Joseph Borrell, EU's foreign minister, said the bloc is reviewing all the options with three tools available which will be discussed at Foreign Affairs Council on Feb 22 :

First, consider additional targeted sanctions on individuals and on businesses owned by the military. Second, to review our development assistance. And third, to assess the use of the Everything but Arms (EBA) trade preferences. Borrell continued and stressed that, "at the same time, we should avoid rushing into measures that would adversely affect the most vulnerable part of the population. This often happens when you take restrictive measures. At the end, it is the poorest of the poor who pay the consequences." And added, "withdrawing [trade] preferences would damage the civilian garment sector, while leaving military businesses unscathed. 500,000 workers would be at risk - mostly women. So we cannot afford taking these kinds of measures."

West's rhetoric lacks economic leverage

Even if the West wanted to pursue a more a punitive foreign policy towards Myanmar it would be a toothless exercise for one simple reason: it lacks economic leverage. Basic data such trade and foreign direct investment back that assortment. Practically this is further underpinned by these three developments.

Firstly, Myanmar is a member of the RCEP (Regional Comprehensive Economic Partnership, Nov-20) which consists of 15 countries (China, 10-members of ASEAN/Southeast Asia nations, Japan, South Korea, Australia, New Zealand) which focus on tariff reductions and supply chain integration and less focus on concessions on labor rights, environmental and intellectual property protections and dispute resolution mechanisms. Whilst first hatched in 2012 by China to counterweight US interest in the region, it gained ground after President Trump withdrew the US from the Trans-Pacific Partnership in 2017. The TPP has been re-christened the Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP) and includes seven RCEP members but not the US or China. Notably, RCEP requires fewer political and economic concessions. RCEP's market size is almost five times bigger than that of the CPTPP, with almost double its annual trade value and combined GDP. Alas, Myanmar is a cog in the wheel of the Asian supply chain.

Secondly, Myanmar is part of Belt & Road Initiative. Myanmar and China signed a memorandum of understanding to jointly build the China-Myanmar Economic Corridor (CMEC) in 2018. Projects under CMEC include building a new railroad linking the Chinese border town of Ruili with Mandalay in Northern Myanmar, a China finance deep-sea port at Kyaukpuy on the Bay of Bengal (Indian Ocean), which is already acts as a terminus for oil and gas pipelines that cuts through Myanmar and ends in Yunnan, China. In addition to this, China is the major buyer of Myanmar jade which is an industry which was valued at \$31bn in a report published by Global in 2014, which obviously exempted from any Western-led sanctions.

Thirdly, there is no market in the West, rather all market impact from the coup was visible among rare earth companies listed in China (such as **China Northern Rare Earth, Shenghe Resources, China Minmetals Rare Earth, JL MAG Rare-Earth, Rare Earth Holdings**) as Myanmar is a large supplier of rare earth materials to China. The impact was also felt in Thailand, among infrastructure and consumer stocks which have sizeable presence in the country (**Amata Corporation, Osotspa, Carabao Group, Siam Global House, Mega Lifesciences, Siam Cement Group** and **Siam Makro**) and Singapore (**Yoma Strategic Holdings** and **Interra Resources**). Moreover, foreigners have been promised to trade/invest in pre-listing (pre-IPOs) in 260 companies under Myanmar Companies Act, of which only six are listed on the Yangon Stock Exchange (set up in 2013, 50:50 JV between Daiwa Securities of Japan and state-owned Myanmar Economic Bank) and most of the interest in those companies is coming from Asian investors. The Myanmar capital market is set to benefit from Central Bank of Myanmar which has ordered all the banks to meet IFRS (International Financial Reporting Standards) by the end of 2023. Of note, Asian governments have only aired criticism, and none has called for severe economic sanctions. The combination of the West's humanitarian-driven foreign policy doctrine and Myanmar's economic integration with Asia means that the coup-makers are probably in a much stronger position than Western pundits realize.

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