

A Framework for Political and Economic Progress in Myanmar

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- Myanmar's post-election administration continues to face significant challenges in securing domestic and international legitimacy. Premature engagement may expose investors and partners to substantial political and operational risks.
- Future engagement should be tied to demonstrable progress in fulfilling critical political and economic conditions. A coordinated, conditional engagement framework offers the most credible pathway to national reconciliation, durable peace, good governance, and sustainable economic recovery in Myanmar.

Introduction

Myanmar's new administration continues to face significant challenges in securing both domestic and international legitimacy. Acceptance remains limited among large segments of the Myanmar population and within the regional community, including ASEAN. Premature political or economic engagement before the administration attains a meaningful degree of regional recognition may expose businesses and investors to substantial political, reputational, and operational risks.

Without a broader political settlement, or at least workable arrangements involving key stakeholders including resistance actors, Myanmar's investment environment will remain highly uncertain. Investments made under assumptions of political stability may later face challenges arising from changes in territorial control, governance structures, regulatory authority, or local acceptance. As a result, the current business environment remains vulnerable to sudden disruptions and should be approached with caution.

Future engagement should therefore be calibrated according to the extent to which the administration demonstrates progress in meeting at least the following key political, security, governance, and economic conditions.

1. Implementation of the ASEAN Consensus

A key benchmark for assessing the administration's

credibility and legitimacy is its commitment to implementing the ASEAN Five-Point Consensus agreed in April 2021.

First, cessation of violence. Meaningful progress requires an end to disproportionate or indiscriminate use of force, including aerial attacks and operations resulting in civilian casualties. Protection should be afforded to all civilians regardless of political affiliation, ethnicity, religion, or perceived loyalties.

Second, inclusive political dialogue. The administration should initiate a genuinely inclusive dialogue process involving all major stakeholders, including those aligned with and opposed to the authorities, without preconditions. To enhance transparency and confidence, selected international observers from ASEAN and other interested countries should also be invited.

Third, support for the ASEAN Special Envoy. Although ASEAN Chairs have appointed Special Envoys, their effectiveness has been limited by restricted access to key stakeholders. Granting broader access would demonstrate a genuine commitment to reconciliation.

Fourth, humanitarian assistance. Humanitarian aid should be delivered according to principles of neutrality, transparency, impartiality, and equitable access. Assistance should reach all affected populations, including those residing outside administration-controlled areas.

Fifth, engagement with all parties concerned. ASEAN

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Special Envoys should be allowed unrestricted access to all relevant stakeholders whose participation is necessary for a durable political settlement.

While some observers may view recent developments as partial progress, many of the most critical elements of the Five-Point Consensus remain unfulfilled. These unresolved issues are central to national reconciliation, political legitimacy, and sustainable peace.

2. Release of Political Prisoners

The release of political prisoners would represent one of the most important confidence-building measures demonstrating the administration's commitment to genuine reconciliation. While the administration has released a number of detainees, many individuals widely regarded as important participants in any meaningful reconciliation process remain incarcerated. Myanmar's previous political transition under President Thein Sein in 2011, following the 2010 general election showed that large-scale prisoner releases helped improve domestic confidence, facilitate political dialogue, and strengthen international acceptance.

If the new administration seeks legitimacy through the 2025–2026 electoral process, it will need to undertake reforms that extend beyond the conduct of elections. Releasing political prisoners, including prominent political leaders and activists, would signal goodwill and demonstrate a willingness to pursue inclusive dialogue and national reconciliation.

3. Economic and Governance Reforms

A high-level committee should be established to review policies and regulations that have weakened business confidence, investment attractiveness, trade competitiveness, and macroeconomic stability. Consultations should be conducted with domestic businesses, foreign investors, chambers of commerce, financial institutions, and other stakeholders. Priority reforms should include:

Exchange rate reform. The current foreign exchange regime should be replaced with a more transparent managed floating system supported by a market-based reference rate to reduce distortions and improve investor confidence.

Liberalization of foreign exchange transactions. Restrictions administered through the Foreign Exchange Supervisory Committee should be gradually removed, allowing businesses to access foreign currency through authorized banks for legitimate international transactions. Excessive controls that impede imports, production, and

investment should be phased out.

Macroeconomic stabilization. Fiscal and monetary policies should focus on restoring stability by reducing fiscal deficits, limiting reliance on central bank financing, and prioritizing public spending on education, healthcare, infrastructure, and other productive sectors.

Suspension of conscription policies. Compulsory military service has accelerated outward migration, contributed to labor shortages, and weakened Myanmar's human capital base. Suspending conscription would help retain skilled workers, improve labor market conditions, and support economic recovery.

Conditional Engagement Framework

Engagement with Myanmar requires a realistic assessment of political realities. Both the military establishment and any administration emerging from the 2025–2026 electoral process have demonstrated resilience in pursuing their own objectives despite decades of sanctions, diplomatic pressure, and international criticism. Experience suggests that rhetorical appeals alone are unlikely to produce meaningful change.

International partners should therefore adopt a conditional engagement approach based on a "take-and-give" framework, under which Myanmar first undertakes concrete and verifiable reforms before receiving significant political, economic, or diplomatic benefits. Such an approach is likely to be more effective than providing benefits in advance in the hope that reforms will follow.

The success of this strategy depends on the availability of meaningful incentives and credible leverage. While individual countries may possess limited influence, coordinated action among multiple international partners can significantly strengthen both leverage and incentives. By linking future benefits to measurable progress, partners can create a more coherent and persuasive framework for engagement.

The objective should be neither indefinite isolation nor unconditional engagement. Rather, international partners should establish a structured pathway through which concrete reforms, confidence-building measures, and progress toward national reconciliation are met with proportionate political and economic benefits. Such an approach would better balance the interests of all stakeholders while promoting long-term peace, stability, and economic development in Myanmar.

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