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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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COUNCIL Elements for an EU strategy vis-à-vis Myanmar/Burma: A  
Special Partnership for Democracy, Peace and Prosperity

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Delegations will find attached document JOIN(2016) 24 final.

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HIGH REPRESENTATIVE  
OF THE UNION FOR  
FOREIGN AFFAIRS AND  
SECURITY POLICY

Brussels, 1.6.2016  
JOIN(2016) 24 final

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE  
COUNCIL**

**Elements for an EU strategy vis-à-vis Myanmar/Burma: A Special Partnership for  
Democracy, Peace and Prosperity**

## 1. MYANMAR/BURMA: THE EU'S ROLE IN A SUCCESSFUL DEMOCRATIC TRANSITION

**Myanmar/Burma has witnessed remarkable change since reforms began in 2011, and the arrival in office in April 2016 of a new, democratically elected government provides a historic opportunity. It is in the strategic interest of the European Union to lend its full support to a successful transition towards effective democratic governance and sustainable development and mobilise all relevant EU policies and instruments for this purpose.**

On 8 November 2015, the people of Myanmar/Burma overwhelmingly voted to leave military rule behind, providing the opposition National League for Democracy (NLD) with an absolute majority in Parliament. Aung San Suu Kyi's ally, Htin Kyaw was elected on 15 March 2016 as the country's first civilian president in more than five decades and she assumed the post of state counsellor, foreign minister and president's office minister.

The new administration, with limited governing experience, faces enormous challenges. These include consolidating democracy, promoting ethnic peace and reconciliation, advancing constitutional reforms, institution building and security sector reform, and promoting the rule of law and human rights. The NLD government will need to address the people's immense expectations to deliver higher incomes and quality basic services through economic growth and inclusive sustainable development.

### *The EU has played a crucial role in the country's transformation*

In the past five years, the EU has been at the forefront of the international community's re-engagement with Myanmar/Burma. In recognition of the previous government's reforms, the EU took a comprehensive approach to the country's complex transition through policy dialogue coupled with financial and other policy based instruments. The EU suspended sanctions and opened an office in 2012. In 2013 the EU lifted sanctions, opened a full EU Delegation and restored trade preferences under the Everything But Arms scheme. The same year, the EU defined its priorities in the so-called Comprehensive Framework,<sup>1</sup> which was specifically aimed at guiding EU policy in the run-up to the November 2015 elections, for which the EU deployed the largest international Election Observation Mission.

In 2012-2013, the EU increased its development support to the country with an initial package of EUR 150 million, while in December 2014 the Multiannual Indicative Programme 2014-2020 for Myanmar/Burma<sup>2</sup> under the Development Cooperation Instrument was adopted with an indicative allocation of EUR 688 million. To promote aid effectiveness, the EU and its Member States have since 2013 been engaged in joint programming of development cooperation<sup>3</sup> which is set to continue in close consultation with the new government to ensure a coherent EU response to the challenges identified.

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<sup>1</sup> [https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/138272.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138272.pdf)

<sup>2</sup> [http://eeas.europa.eu/delegations/myanmar/documents/eu\\_myanmar/eu-multi-annual-indicative-programme-2014-2020\\_en.pdf](http://eeas.europa.eu/delegations/myanmar/documents/eu_myanmar/eu-multi-annual-indicative-programme-2014-2020_en.pdf)

<sup>3</sup> [http://eeas.europa.eu/delegations/myanmar/documents/eu\\_myanmar/joint-eu-development-partners-transitional-strategy-for-myanmar-2014-2016\\_en.pdf](http://eeas.europa.eu/delegations/myanmar/documents/eu_myanmar/joint-eu-development-partners-transitional-strategy-for-myanmar-2014-2016_en.pdf)

***With the arrival of a new democratically elected government, the EU must step up its engagement***

Against the backdrop of democratisation and significant political change, expectations in the EU are high. The EU has taken a fresh look at its strategy to review its engagement on democracy and human rights, the peace process, the economy and sustainable development.

The EU also has an interest in working with the new government in a regional context, especially on ASEAN integration. A successful democratic transition in Myanmar/Burma will serve as a significant and positive example to the wider region.

It is clear that the EU must continue to play a distinct role in promoting what is a positive example of democratisation and reform in a strategically important country within South East Asia and the wider Asia Pacific region. Scaling up the EU's engagement in Myanmar/Burma and working closely with the government will also be the best way to advance inclusive socio-economic reforms and maximise opportunities for EU business, as the country advances on its reform path. In short, the EU has a big stake in the success of the on-going transition and an interest in helping to ensure its completion.

The purpose of this Joint Communication is to set out a coherent EU vision and concrete commitments in terms of political, security and development support and economic engagement for the years ahead.

## **2. AREAS OF ENGAGEMENT**

### **2.1. Democracy, rule of law and good governance:**

**To turn Myanmar/Burma into a sustainable democracy with full respect for the rule of law, the EU should help build effective institutions, support the reform of the security sector and engage more and differently with all of society – local governments, the justice sector, parliaments and civil society. The EU should also reach out to the military about their role in a modern democracy and support the modernisation and transformation of the police force.**

#### ***The political landscape after the November 2015 election***

Following its landslide victory in 2015 the National League for Democracy has benefited from unprecedented democratic legitimacy, providing it with a strong mandate for putting forward far-reaching reforms. Over 400 new members of parliament took up their seats on 1 February 2016 and need to get acquainted with all the aspects of a modern parliament.

The military continues to occupy 25 % of the parliamentary seats, has a veto on constitutional changes and retains three key ministerial posts (home, defence and border affairs). The new context calls for the military to redefine its role in a democratic society.

The EU Electoral Observation Mission hailed<sup>4</sup> the November 2015 polls as well-run and competitive but pointed out the need for further reforms. Disenfranchisement of former

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<sup>4</sup> [http://www.eucom.eu/files/dmfile/101115-ps-myanmar\\_en.pdf](http://www.eucom.eu/files/dmfile/101115-ps-myanmar_en.pdf)

temporary registration card holders — mostly from ethnic communities — was of particular concern<sup>5</sup>. EU electoral support for an efficient, independent, transparent and accountable election administration and improving people's ownership of the electoral process will continue based on the recommendations of the EU Election Observation Mission final report.<sup>6</sup>

The rule of law and good governance are top priorities for the new government. The challenges are many, and institutions often lack adequate staffing and expertise in legislative processes. Improvements in the rule of law will promote confidence in state institutions, bring about greater transparency, fight corruption and increase the role and independence of the judiciary. Security sector reform, including police reform, is an integral part of the process.

### *From a military-led institutional set-up to a sustainable democracy: the EU's role*

Constitutional reform remains central to consolidating democratic governance. The 2008 Constitution played a critical role in the transition process and further reforms are expected. The EU could share its wealth of experience in the transition from authoritarian rule to democracy, with an emphasis on multi-party parliamentary systems and increased involvement of civil society and the independent media.

The EU **police training project** (2013-2015) helped the Myanmar Police Force to work in a more professional way, in particular within their local communities. Simple but effective measures were taken to improve police work at community level and their relationship with the local population. Experienced police officers from EU Member States showed how to secure and protect the democratic rights of citizens to assemble. 4 000 police officers were trained in best international practices to crowd management. The project also addressed police relations with the media and civil society to encourage better mutual understanding.

The **MyJustice** (2015-2019) programme enhances access to justice for the poor, vulnerable and marginalised across the country. It equips communities, legal practitioners and justice institutions to use innovative approaches, such as community mediation and paralegal services. MyJustice adopts a people-centred approach to encourage learning, trust and collaboration among all actors. It empowers communities to deliver appropriate solutions to the justice challenges they face and have a lasting impact on the way in which disputes are resolved and justice is delivered.

The EU will work with **civil society** on implementing the EU Roadmap for Engagement with Civil Society launched in September 2015. Civil society organisations have traditionally played a crucial role in delivery of basic services, in particular in areas affected by conflict. They are also a central driving force in promoting and protecting democracy, including involvement in domestic election observation, human rights, and cultural diversity. Nonetheless, civil society still faces many restrictions.

#### Possible EU initiatives in this area include:

- Engaging in a **partnership with the government** to strengthen political dialogue and address emerging needs by providing policy dialogue and technical cooperation for

<sup>5</sup> These include unreasonable restrictions on the right to vote and the right to stand, as well as the independence of the Union Election Commission.

<sup>6</sup> [http://eeas.europa.eu/eucom/missions/2015/myanmar/index\\_en.htm](http://eeas.europa.eu/eucom/missions/2015/myanmar/index_en.htm)

government institutions as part of a state-building approach. The EU should work with a wide range of partners, — from grass-roots organisations to parliaments and from advocacy organisations to trade unions and the media — to support local democracy efforts;

- **Reaching out to the military** to share EU experience of democratic transition and the role of the military in a modern democracy, including promoting respect for human rights and the rule of law;
- Improving **access to justice and legal aid** for the poor and vulnerable, developing legal capacity of justice sector professionals and strengthening selected rule-of-law institutions to better fulfil their mandates;
- Expanding **support to the Myanmar Police Force** to transform it into a modern organisation serving the people and enjoying their trust, including increasing accountability in line with international best practices and respect for human rights and fundamental freedoms and continued efforts to strengthen its relations with the media and local communities;
- Working towards finalising and implementing a **Democracy Action Plan** together with the partner country;
- Advocating continued **inter-parliamentary cooperation** between the European Parliament (EP) and the Parliament of Myanmar in order to strengthen legislative capacities, government supervision and political parties through *inter alia* the EP's Comprehensive Democracy Support Approach.

## 2.2 The peace process

**The recently established peace in Myanmar/Burma is fragile. The EU, the only Western witness to the Nationwide Ceasefire Agreement, should work with all concerned to implement an inclusive peace architecture, disarm, demobilise and reintegrate former combatants. To sustain the peace, the EU will share its experience of federalism, and work on building confidence between the parties and fostering reconciliation.**

### *A milestone agreement to put an end to a troubled past*

Myanmar/Burma has been plagued by decades of armed conflict between the Myanmar Armed Forces (Tatmadaw) and ethnic groups with distinctive cultures living in remote border areas with abundant natural resources. Many of these territories have never been under the full control of the central government and enjoy various levels of self-administration. There are vested economic interests from illicit activities such as smuggling, the illegal jade and timber trade, opium production and drug trafficking. Around 100 000 people have been displaced since 2011 in Kachin and Northern Shan States, and ongoing clashes are still causing internal displacement and casualties. Some 106 000 mostly Karen and Karenni refugees live in camps on the Thai side of the border. Fighting has also resulted in human rights abuses. Continued serious violations of international humanitarian law have had a destabilising effect on the affected population.

In 2011 President Thein Sein made peace a key priority. On 15 October 2015 the government and eight ethnic armed groups concluded a Nationwide Ceasefire Agreement, which the EU signed as an international witness alongside the United Nations, China, Japan, India and Thailand. Some groups, including the Kachin, are not yet part of the Agreement. A national political dialogue dealing with important and sensitive topics was launched in January 2016.

The peace process is a top priority for the new government. Building confidence between stakeholders and maintaining their commitment will be essential. Ethnic minorities have high expectations of the National League for Democracy to work towards a democratic multi-ethnic federal union offering more equitable access to economic opportunities. Ultimately, a comprehensive peace agreement will also require amendments to the constitution.

### *Consolidating a lasting peace: the EU's contribution*

The EU, as one of the largest donors to the peace process, is well placed to continue contributing to a lasting peace. The Myanmar Peace Centre, which the EU supported since its establishment in 2012, played a crucial role in bringing the government and the ethnic armed organisations to the negotiating table and in providing expert advice to all the relevant parties. An inclusive and broad-based process, which includes the participation of civil society and women, will be key to continued success. Most EU support has benefitted ethnic constituencies. Activities focus on community development in conflict-affected areas, reconciliation, peacebuilding, implementing ceasefires and civilian ceasefire monitoring. Other projects are working to improve access to livelihoods, poverty reduction and development in ethnic areas. The EU has taken the lead in setting up the new multi-donor Joint Peace Fund to support the peace process in a more coordinated way.

The new **Joint Peace Fund** supports nationally-led efforts to achieve a lasting settlement of the ethnic armed conflict in a flexible, responsive and coherent manner. It will work together with the government, ethnic constituencies, civil society and academia and encourage the participation of women. Peacebuilding activities will serve to increase inclusion, trust and participation in the peace process and contribute to ensuring the safety and security of vulnerable communities. The Joint Peace Fund started operations in April 2016 with over USD 100 million pledged by the EU and nine other donors.

The EU is determined to ensure that all supported activities are conflict sensitive, following 'do-no-harm' principles, and implemented in an inclusive, impartial and transparent manner.

The EU also continues to provide humanitarian assistance in areas with restricted access affected by fighting and displacement. Unfettered humanitarian access to all conflict-affected populations is essential.

#### Possible initiatives in this area include:

- Providing strong political and financial support for an **inclusive peace architecture**, including implementing the Nationwide Ceasefire Agreement while encouraging efforts to include those groups to join who have not yet signed up;
- Engaging in **conflict prevention and peacebuilding activities** by supporting, for example, confidence-building measures, community empowerment, intercultural dialogue, the participation of women, inclusive development and improved livelihoods in ethnic areas, where necessary by linking relief, rehabilitation and development;
- Developing the capacities of all stakeholders to address the challenges of the process, including **security sector reform and disarmament, demobilisation and reintegration**;
- Supporting **mine awareness, mine clearance** and related activities;

- Contributing to the **debate** in Myanmar/Burma **over the devolution of executive powers and decentralisation**, on the basis of the experience from the various models practised in EU Member States;
- Providing comparative **examples of** both EU and third country experiences in **post-conflict national dialogues**.

### 2.3 Human rights

**Myanmar/Burma will need to address several human rights challenges, not least the situation in Rakhine State where Muslim minorities face various forms of discrimination. The EU should work with the government to combat hate speech and intolerance. Human rights resolutions should be implemented and legislation brought in line with international standards.**

*Although much progress has been achieved, human rights remain one of the country's main challenges*

The country's transition has undeniably brought about positive developments in terms of human rights. Steps were taken to release political prisoners, advance freedom of expression, assembly and association and address forced labour. The country has engaged in human rights dialogues with the EU, Japan and the United States, while expanding cooperation with the United Nations,<sup>7</sup> including the Special Rapporteur and the Office of the High Commissioner for Human Rights and the International Labour Organization.

Progress notwithstanding, activists, journalists and even ordinary citizens faced arbitrary arrest and detention when exercising their civil and political rights. Incitement to hatred and hate speech has been targeted against Muslim communities. Despite widespread international criticism, a set of discriminatory 'Protection of Race and Religion Bills' covering religious conversion, interfaith marriage, monogamy and population control was enacted in 2015.

Further progress is required in all fields, including accession to international human rights instruments, legal reform, institution and capacity building and raising awareness of general human rights. Given the legacy of the past, particular attention should be paid to improving the independence of the judiciary and access to justice, women's rights and gender equality, as well as the rights of the child, particularly in view of the continued use of child soldiers. The release of over 280 political prisoners by the new government in the first weeks in office sends a strong signal of commitment to fundamental freedoms.

The main human rights issue in Myanmar/Burma remains the situation in Rakhine State, where the largely stateless Muslim minority who identify themselves as Rohingya faces multiple forms of discrimination. They are denied the freedom of movement, and lack access to basic services and livelihoods. Some 120 000 Muslims remain confined to camps following intercommunal violence in 2012. Only a few have been allowed to return or relocate.

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<sup>7</sup> It signed the International Covenant on Economic, Social and Cultural Rights and the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict in 2015. Progress in the implementation of the 2012 Action Plan to end the recruitment and use of child soldiers by armed forces has resulted in the release of some 700 underage recruits since 2012.

Communities continue to live in segregation. Internally displaced persons and other vulnerable populations rely on humanitarian assistance, including from the EU.

The precariousness of the situation has forced tens of thousands to flee the country by sea or land, falling prey to smuggling and trafficking rings. The 2015 migration crisis in the Andaman Sea resulted in Thailand, Malaysia and Indonesia launching a regional initiative to find solutions. Bangladesh provides refuge for up to 500,000 Rohingya. The new government will need to demonstrate leadership by bringing inclusive development to the whole State and improving the human rights situation. If unresolved, the situation risks undermining the democratic transition and tarnishing the image of the new Myanmar/Burma.

***A key priority for the EU: action for real impact***

In addressing the complex challenges of Rakhine State, the EU follows a comprehensive approach by mobilising all the instruments at its disposal — political dialogue, humanitarian assistance and development cooperation, in close coordination with local authorities and communities.

The EU remains committed to improving the situation of human rights defenders, the rights of vulnerable groups and minorities and economic and social rights.

The active involvement of the EU Special Representative for Human Rights underlines the EU's strong commitment in assisting the country to advance its human rights record. The EU has tabled resolutions on the human rights situation in the UN General Assembly and Human Rights Council.

Possible initiatives in this area include:

- Working with the government on addressing the **human rights concerns** presented in UN General Assembly and Human Rights Council **resolutions**; on signing and ratifying key international human rights **conventions**; establishing an Office of the UN High Commissioner for Human Rights; and cooperating with UN Special Procedures and the International Labour Organization;
- Reaching out to the government and Parliament to bring **new and existing legislation** in line with international human rights standards and repeal outdated laws;
- Encouraging the government to **lead efforts to address poverty and inclusive development** in Rakhine State and other ethnic areas through a comprehensive approach. Restrictions on the freedom of movement and local orders discriminating against minorities should be lifted. Humanitarian and development actors should be given more access to populations of concern;
- Furthering general human rights awareness, including the advancement of economic, social and cultural rights, and the respect for **fundamental rights**, in particular freedoms of speech, expression, association and assembly; freedom of religion or belief; and sharing experience in **combating hate speech** and intolerance against minorities;
- Advocating the elimination of **statelessness** with equal rights for all citizens and the issuing of identification documents.

## 2.4. Poverty reduction and sustainable development

**Myanmar/Burma is one of the world's poorest countries. The transition paves the way for an intensification of EU development cooperation in areas such as education, rural development and governance, including through substantial budget support actions in 2016 and beyond. Targeted technical cooperation will also be expanded to support the achievement of the Sustainable Development Goals (SDGs) as well as opportunities under the Erasmus+ programme and the Horizon 2020 EU Research programme.**

### *A country in transition looking to break the poverty trap*

Myanmar/Burma is a Least Developed Country and ranks 148th out of 189 countries in the United Nations Development Programme's Human Development Index 2015. The poverty rate is estimated to be 37.5 %, <sup>8</sup> the highest in South East Asia. 60 % of its inhabitants live in rural areas where poverty is disproportionately concentrated. Per capita GDP is USD 1 204. <sup>9</sup> Myanmar/Burma has the lowest life expectancy and the second-highest rate of infant and child mortality of all the ASEAN countries. More than one-third of children are chronically malnourished. Less than one-third of the population has access to electricity.

The country is prone to natural disasters and is highly vulnerable to the impact of climate change. Due to the current low level of disaster preparedness, external shocks can have a major impact on the resilience of the population and on the economy.

The government's ambition is to achieve lasting peace and put the economy back on track in order to transform Myanmar/Burma into a middle income country. The new government is expected to focus its development efforts on poverty reduction, job creation, sustainability and inclusiveness by maintaining high growth rates, building human capital, enhancing social services, reducing environmental impacts and strengthening resilience. Rural development, including food and nutrition security, land reform, education and health are top priorities. Disaster risk reduction at all levels should be on the agenda. Strengthening land rights, in particular by addressing the injustice suffered through land confiscation will be another challenge for the new government.

### *The EU should lead the way with an ambitious and focused development cooperation agenda*

The EU is a leading partner in working with Myanmar/Burma towards the realisation of its sustainable development goals as defined in the *2030 Agenda for Sustainable Development*. <sup>10</sup> Through bilateral development cooperation under the Multiannual Indicative Programme 2014-2020 <sup>11</sup> (EUR 688 million), the EU continues to support the country's transformative agenda in four sectors: 1) rural development — agriculture — food and nutrition security; 2) education; 3) governance — rule of law — state capacity building; and 4) peacebuilding

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<sup>8</sup> [http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/WBG\\_SCD\\_Full\\_Report\\_English.pdf](http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/WBG_SCD_Full_Report_English.pdf)

<sup>9</sup> <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

<sup>10</sup> <https://sustainabledevelopment.un.org/post2015/transformingourworld>

<sup>11</sup> [http://eeas.europa.eu/delegations/myanmar/documents/eu\\_myanmar/eu-multi-annual-indicative-programme-2014-2020\\_en.pdf](http://eeas.europa.eu/delegations/myanmar/documents/eu_myanmar/eu-multi-annual-indicative-programme-2014-2020_en.pdf)

support.<sup>12</sup> The EU can provide additional flexible and targeted technical cooperation to the government on key policies. Effective donor coordination remains vital to avoid duplication and fragmentation of aid.

The multi-donor **Livelihoods and Food Security Trust Fund (LIFT)**<sup>13</sup> was set up to address the early recovery and rehabilitation needs in the aftermath of the devastating cyclone Nargis (2008). Over the years, LIFT has gradually expanded its scope of activities and adapted to the changes in Myanmar/Burma with the aim of improving the lives of smallholders and the landless rural poor. Some EUR 330 million, EUR 115 million of which is from the EU, has been committed to support more than three million people through 90 projects. LIFT projects contribute to better harvests and increased access to credit and markets. As a result, the income of targeted households has grown and nutrition and food security improved. LIFT is best practice for inclusive rural economic transformation.

A national Climate Change Strategy and Action Plan, supported by the EU's Global Climate Change Alliance+ through the Myanmar Climate Change Alliance, is being prepared to mainstream climate change adaptation into Myanmar/Burma's policy development and reform agenda and promote evidence-based planning and policy making. This will help to steer Myanmar/Burma towards a greener and more resilient economy.

Through blending (grants combined with additional non-grant resources) instruments, especially the Asia Investment Facility, the EU is making more strategic use of its grants to leverage and mobilise financing from European and other development banks and financial institutions, as well as the private sector to give investment projects greater development impact. The European Investment Bank signed a Framework Agreement with Myanmar/Burma in March 2015 and several investment projects are in the pipeline.

Possible initiatives in this area include:

- Boosting **aid effectiveness** through improved donor coordination and **budget support** as an expression of the EU's strong support for the new government;
- Developing a **new EU joint programming document** with Member States which aligns with the priorities of the new government;
- Promoting the opportunities offered under the **Erasmus+ programme**, particularly to exchange students, researchers and university staff, and enhancing cooperation with the line ministry and universities in order to help modernise higher education;
- Linking science, research and innovation to the county's development needs through the **Horizon 2020 EU Research programme** and nurturing research cooperation at regional level;
- Mainstreaming **climate change, gender and the Sustainable Development Goals** in all new development cooperation actions.

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<sup>12</sup>The EU's regional and thematic programmes and instruments complement this in areas including trade, infrastructure, environment, climate change, disaster risk reduction, private sector development and governance.

<sup>13</sup> [www.lift-fund.org](http://www.lift-fund.org)

## 2.5. Economic engagement

**If Myanmar/Burma can address the important remaining challenges, its transition can unlock vast economic and business opportunities. The EU is ideally placed to support this transition and help exploit these possibilities. The EU will seek to conclude the negotiations of the Investment Protection Agreement, help improve the regulatory framework and labour standards, and prepare for negotiations on a Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement (FLEGT VPA).**

### *A country full of economic potential, waiting to be realised*

Myanmar/Burma is strategically located between India and China. It is blessed with abundant natural resources (land, water, forests, fossil fuels, minerals and gems) and a young labour force (55 % of the population is under the age of 30). With a population of 51.5 million it constitutes a market of significant potential for EU exporters and investors. Myanmar/Burma is also a member of ASEAN, home to over 600 million people, and will benefit from the ambitious economic integration process. There are ample opportunities to modernise, diversify and liberalise the economy in virtually all sectors. The country is also the fastest growing tourism market in the region.

The attractiveness of Myanmar/Burma as an investment destination however presents a number of challenges. The country still ranks 167th out of 189 countries in the World Bank's ease of doing business index for 2016. Legal and regulatory aspects, particularly in the area of investor protection and contract enforcement, access to financial services and starting a business have been identified as challenges. The World Bank's Myanmar Investment Climate Assessment 2014 report considers access to finance, land, electricity, and skilled workers as key constraints for business operators.

Exports are dominated by natural resources, in particular gas (40 %), which provide limited scope for job creation and linkages to domestic sectors. Although labour costs are among the lowest in Asia<sup>14</sup> productivity is also very low. The dramatic pace of deforestation<sup>15</sup>, mainly due to illegal logging, is of particular environmental and economic concern. Finally the ongoing ethnic conflicts continue to significantly reduce the opportunity for sustainable economic development in large parts of the country.

Steps have been taken in the last two to three years to carry out market-based reforms and create a more enabling business environment, including fiscal and tax reforms, liberalising foreign exchange controls, removing export licence requirements for about 4 000 products, allowing for 100 % foreign ownership in some sectors and the establishing special economic zones. As a result of these initial reforms foreign direct investment rose from USD 3.2 billion in 2013/2014 to around USD 8 billion in 2014/2015 mainly driven by the gas sector, telecommunications and manufacturing. In 2014/2015 the economy grew by 8.5 % and annual growth for the next five years is forecast to be 7.9 %. The country is well placed to expand its low-skill, labour-intensive manufacturing sector, which is vital for job growth, whilst it could,

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<sup>14</sup> USD100 compared with USD181 per month for Vietnam according to the Asian Development Bank.

<sup>15</sup> Forest areas shrank from 59 % in 1992 to 48% in 2012 resulting in the loss of species-rich habitats such as mangrove forests, wetlands and grasslands, threatening wildlife and ecosystems.

as experienced in other Asian countries, liberalise trade in agricultural markets to accelerate poverty reduction.

***The EU promotes a framework for mutually-beneficial trade and investment opportunities that protects labour standards***

The EU and Myanmar/Burma have highly complementary economies. The EU played a vital role in stimulating the country's trade and economic development by removing sanctions<sup>16</sup> and reinstating trade preferences under the Everything But Arms scheme in 2013. Bilateral trade reached EUR 1.2 billion in 2015 up from EUR 404 million in 2012. Exports to the EU quadrupled between 2012 and 2015, from EUR 165 million to EUR 675 million. Garments represent more than 60% of Myanmar/Burma exports to the EU. Machinery and electrical appliances constitute almost half of EU exports. As the country develops, it will require more capital goods for infrastructure and manufacturing, offering further opportunities for European companies. Since 2011 EU services exports to Myanmar/Burma have increased six-fold — though from a very low base. The services sector is likely to expand quickly.

According to the country's official statistics (as of January 2016), the EU was the 4th largest foreign investor in 2015 but with less than 10% of total investment it still lags behind China, Singapore and Hong Kong. The EU is working towards concluding an Investment Protection Agreement to enable European businesses to realise the full potential offered by the country's economy.

Negotiations on an **Investment Protection Agreement** were launched in March 2014. Once in force the Agreement will establish a level playing field for all EU investors and ensure the protection and fair treatment of investment from both sides, as well as promote transparency and good administrative behaviour for measures that impact investment. The Agreement also aims to protect workers' rights and the environment, as well as boost responsible business conduct. Together with other EU initiatives in governance, rule of law and state building, the Agreement will improve the legal certainty and predictability of investments, thus creating business opportunities and much-needed development. A Sustainability Impact Assessment<sup>17</sup> provides an in-depth analysis of the Agreement's potential economic, social, environmental and human rights impact.

The EU demonstrated its commitment to work with the government, the International Labour Organization and other partners (e.g. the United States and Japan) on labour rights and corporate social responsibility when joining the *Initiative to Promote Fundamental Labour Rights and Practices in Myanmar* in May 2015. Through the initiative, the EU aims to help ensure respect for fundamental labour rights and decent work, and foster strong relations between the government, businesses and workers and other stakeholders. It also creates opportunities for local businesses and helping to transform the country into an attractive trading and investment partner. Multi-stakeholder approaches such as the EU Garment Flagship Initiative may contribute to responsible business conduct in the garment sector. The EU also encourages the new government to put emphasis on land reform and improving labour rights, including the labour conditions of some two million migrant workers in Thailand, and combating forced labour. Myanmar/Burma is increasingly becoming part of

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<sup>16</sup> The EU maintains an embargo on arms and equipment that can be used for internal repression.

<sup>17</sup> <http://www.eu-myanmarsia.com/guide.php?id=6>

global supply chains which makes the promotion of decent work and safer workplaces more important than ever.

The EU will, through its specific support under the EU-ASEAN programmes for example, enhance its engagement in trade and private sector development to strengthen capacities with regard to value chains, trade reform, trade facilitation and promotion, export quality management and consumer protection and the production and dissemination of official statistics. The EU intends to become involved in vocational training to help respond to the needs of the labour market. The recently established Eurochamber can play an important role in representing EU business interests in the country.

Possible initiatives in this area include:

- Supporting reforms to improve the **legal and regulatory framework**, which will accelerate foreign direct investment and facilitate the country's integration in the ASEAN Economic Community;
- Concluding and implementing the **Investment Protection Agreement**, thereby improving the investment environment and strengthening the commitment to responsible investment and sustainable growth;
- Encouraging efforts in the liberalisation of the agricultural sector;
- Developing specific and effective **outreach initiatives** to foster collaboration between businesses;
- Supporting participation in **global supply chains** by promoting responsible business conduct, corporate social responsibility and decent work, as well as adherence to international labour and environmental conventions. This will contribute to an enabling environment and sustainable development;
- Improving the country's labour policies and administration through **labour law reform, capacity development and stakeholder consultation**, including through the *'Initiative to Promote Fundamental Labour Rights and Practices in Myanmar'*;
- Working with the government on developing a **vocational education and training (VET) system** with a view to giving the private sector a strong role;
- Preparing for possible engagement on a **FLEGT VPA** process for greater transparency and sustainability in the trade of timber products. Awareness-raising of forest governance and outreach activities to civil society and the private sector started in 2014. Progress will depend on the outcome of the peace process since vast forest areas are located in ethnic areas.

### 3. MYANMAR/BURMA IN ASEAN AND THE REGION

**The country's transition offers new opportunities for regional cooperation between the EU and ASEAN and between the EU and the Lower Mekong countries.**

*From isolation to an active regional player*

Myanmar/Burma has fast become a respected member of the international community as it progresses towards democracy and re-engages with the world. It joined ASEAN in July 1997 and successfully assumed the chairmanship in 2014. During the decades of isolation, ASEAN provided an important platform for contacts with regional peers and other external powers.

The formal establishment of the ASEAN Community in 2015 has the potential to help further the country's economic development and regional integration.

The opening up of the country has already brought about a re-balancing of its foreign relations with the overall effect of diversification in its crucial relations with China and India. It is expected that the new government will give further impetus to the re-orientation of the country in a fast changing wider Asia Pacific landscape, seizing opportunities while safeguarding its national interests and autonomy and maintaining good relations with neighbouring countries.

***A closer partnership will help advance the EU's strategic interests in the Asia Pacific region***

The EU will work towards implementing the ASEAN Economic Community Blueprint 2025 with a new EU-ASEAN flagship programme, ARISE+, focusing on trade facilitation, standards, customs and transport, civil aviation, intellectual property rights, statistics and integration monitoring. The EU actively supports cooperation among Lower Mekong countries through policy dialogue and development cooperation, particularly on the sustainable management of natural resources and the food security-energy-water nexus.

Myanmar/Burma and the EU are members of the ASEAN Regional Forum (ARF), which offers the opportunity for fuller engagement on broad security and defence-related matters in the Asia Pacific region. The EU and Myanmar/Burma co-chaired the ARF Inter-sessional Support Group Meeting on Confidence Building Measures and Preventive Diplomacy and the Defence Officials Dialogue in December 2013 in Yangon and in April 2014 in Brussels. This provided a good opportunity to work with the country's diplomatic leadership as well as defence officials, paving the way for further engagement. The Asia-Europe Meeting (ASEM) is the other multilateral forum where the EU and Myanmar/Burma cooperate. Both sides will have ample opportunity to enhance their cooperation in the future, particularly in view of the country's decision to host the 13th ASEM Foreign Ministerial Meeting in 2017.

The further repositioning of Myanmar/Burma under the new government inside ASEAN and beyond will offer good opportunities for deeper cooperation with the EU. There is for instance ample scope for the country to play a more active role in strengthening EU-ASEAN cooperation in priority areas and by raising its profile and strategic significance.

A stable and prosperous Myanmar/Burma will also serve as an encouraging example of successful political transition and further strengthen ASEAN's integration process, in line with the priorities set out in the 2015 EU Joint Communication on EU-ASEAN relations<sup>18</sup> and in the ensuing Council conclusions<sup>19</sup> and the EU's strategic priorities in the Asia Pacific region.

Possible initiatives in this area include:

- Engaging Myanmar/Burma on jointly working on the substance of a possible **EU-ASEAN strategic partnership**, including a greater role for the EU in all ASEAN-led regional fora;

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<sup>18</sup> 'The EU and ASEAN: a partnership with a strategic purpose', JOIN(2015)22 of 18.05.2015

<sup>19</sup> <http://www.consilium.europa.eu/en/press/press-releases/2015/06/22-fac-asean-conclusions/>

- Continuing robust support for ASEAN integration which will contribute to further economic growth and development in Myanmar/Burma with a special focus on **closing the internal ASEAN gap involving Lower Mekong countries**, including natural resources management.

#### 4. CONCLUSION

This Joint Communication sets out clear priorities and key elements for an ambitious and forward-looking EU engagement with Myanmar/Burma in order to continue effective support for the new democratically elected government as it seeks to consolidate democracy, transform the economy and strengthen social justice. The EU should make full use of all the instruments at its disposal to address the remaining challenges of the transition process including statelessness, discrimination and human rights violations which, if ignored, could put progress in jeopardy. New areas of engagement include working directly with the government on reform and policy formulation through state building initiatives. The EU intends to reach out to the military, which remains an influential political player, by sharing experience in democratic transition and the role of the military in a modern democracy. As part of the peace process, the national political dialogue offers the opportunity to engage with all stakeholders on the issues of federalism, devolution of executive powers and decentralisation. There will be no lasting peace without an agreement on these principles. Its support of peace, through the Joint Peace Fund, will enable the EU to work concurrently with the government and ethnic representatives to address the needs of communities affected by conflict, including on new issues such as security sector reform. The conclusion of the EU-Myanmar/Burma Investment Protection Agreement will stimulate European business interest in a strategic region and contribute to inclusive and sustainable growth. A democratic and successful Myanmar/Burma will strengthen ASEAN integration and further the EU's strategic role in the Asia Pacific region.

The High Representative and the Commission call on the Council and the European Parliament to endorse the initiatives presented in this Joint Communication and to work together to reinforce EU engagement in Myanmar/Burma's historic democratic transition.