

# Frontier Fridays: The Top Stories in Myanmar this Week

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**Welcome back to Frontier Fridays! This week the junta's Central Bank announced a new ban on foreign currencies, some signatories to the Nationwide Ceasefire Agreement have started pulling away, the United Wa State Army engaged in its first clashes since the coup, and China expressed full support for the regime.**

## The junta's new no-dollar policy causes a stir

On Sunday, the junta's Central Bank issued an announcement (published in [GNLM](#)) informing Myanmar citizens that they can no longer hold their foreign earnings for more than one day, in what seems like a desperate grab for foreign currency. The announcement said Myanmar citizens must send their foreign earnings back to the country via domestic banks that have an Authorized Dealer (AD) licence, and must exchange them into Myanmar kyat within one working day. The instruction also covers all foreign currency currently held in a foreign currency account, not just future earnings. The announcement basically means nobody will be able to hold US dollars and foreign currency will be changed at the reference rate, which, we presume, is 10-15 percent stronger than the market rate, meaning those holding foreign currency will lose out.

All foreign currency transfers from Myanmar to abroad will be scrutinised by the Foreign Exchange Supervisory Committee and must be conducted through AD banks only. In a separate [statement](#) issued on Tuesday, the Central Bank specified that some foreign currency may be kept if permitted by the Foreign Exchange Supervisory Committee, though no further details were offered. However, Tuesday's statement also specified that the junta's ministry is still checking whether they have received permission from the Myanmar Investment Commission. If the projects are given MIC approval, all of the money with the exception of the exempted cases, will be converted into local currency. The bank said anyone violating the instructions will be punished under the Foreign Exchange Management Law. In a separate [announcement](#), the CBM said the new measures will not affect accounts run by the government and its ministries - no surprise there.

Pushback to this new directive has erupted over the course of the week. Some social media users reported that the dollar facility on their mobile banking apps had already been wiped out. Local markets have also already started reacting to the intervention. Due to the change in the exchange rate and the requirement to quickly turn foreign earnings into local currency, many agricultural trading centres in commercial hubs in central Myanmar such as Mandalay, Monywa and Pakokku suspended their businesses. The [price](#) of beans plummeted within a day and trade to India and China screeched to a halt with sellers worried of losing money.

Outside the country, foreign governments and business organisations have also been quick to respond. A leaked letter, known as a third person notes or note verbale, was sent from the Japanese embassy in Myanmar to the junta's ministry of foreign affairs on Monday essentially begging the junta to allow its companies to be exempt from the no-dollar policy. In the notice, Japan stresses that

its companies operating in Myanmar “will face serious challenges in following this new regulation” and the policy will “be detrimental to the function of the Embassy of Japan and other Japanese official organisations”. The embassy urged the junta to grant an exemption to all Japanese companies and all Japanese official organisations in Myanmar. A similar letter was sent from the Singaporean embassy on Wednesday also addressed to the junta’s Ministry of Foreign Affairs. The letter notes that Singaporean companies “operating in Myanmar will face serious challenges under this new regulation”. We’re also told that quite a few other embassies have sent similar notes, but so far only the Japanese and Singaporean notes have leaked (as far as we’re aware). Today 12 business groups published a joint [statement](#) similarly expressing concern. Among the signatories are the French Myanmar Chamber of Commerce, EuroCham Myanmar, the British Chamber of Commerce in Myanmar, and the German Myanmar Business Chamber. The joint statement notes that section 61 of the Myanmar Investment Law “clearly defines the use of foreign currencies” to enable trade and finance operations, among other activities, and the ban “disconnects Myanmar from the global economy”.

### **Some NCA signatories pulling away**

Last week, eight signatories to the NCA held a conference in Chiang Mai where they pledged to [uphold](#) the ceasefire agreement and reform the Peace Process Steering Committee by including new members. The Karen National Union and Chin National Front were notably absent from the summit, raising questions surrounding the groups’ involvement. As we noted last week, KNU chair General Mutu Say Poe attended and spoke at the meeting but maintained that he was there only as a “special invitee” and “not in his capacity as [KNU] chair”.

Nai Aung Min, the vice chair of the New Mon State Party, was elected leader of the PPST, a position formerly held by RCSS chairperson Yawd Serk and before him by Mutu Say Poe. The RCSS chairperson resigned from the position last year due to a “busy schedule”. The new PPST team is composed of representatives from relatively small ethnic armed groups, including Khun Okkar from the Pa-O National Liberation Organization, Naw Kapaw Htoo from the KNU/KNLA-Peace Council and Khaing Soe Naing Aung from the Arakan Liberation Party.

On Monday, The Irrawaddy [published](#) an interesting article addressing the involvement (or lack thereof) of the KNU and the CDF, as well as the Restoration Council of Shan State in the PPST and NCA. While the RCSS attended the conference, Khun Okkar, the patron of the Pa-O National Liberation Organization, told the outlet that the group, along with the KNU would “have limited cooperation” with the signatory groups going forward, which was “based on their own requests”. Regarding the CNF, Khun Okkar noted that many signatory groups “do not accept the CNF’s official announcement to cooperate with the NUG”, though he didn’t specify which groups had expressed opposition or what exactly this would mean for its participation in the NCA.

KNU spokesperson Saw Taw Nee also directly addressed the KNU’s absence from the Chiang Mai conference in the The Irrawaddy report. He said that the KNU has been trying to leave the NCA since 2019 and, since the coup, its objectives compared to the other signatories have become “conspicuously more different”. The most notable difference seems to be the bloc’s willingness to continue to engage with the junta since the coup and not providing support to the Civil Disobedience Movement. The KNU, however, has repeatedly rejected the coup and any collaboration with the military while continuing to assist striking civil servants and other resistance groups. Saw Taw Nee said. “When our positions become very different, we just stop engaging. We did not attend the summit or send any delegates,” he said. He did not comment on future collaboration with the NUG nor state whether the KNU would formally pull out of the NCA, but it is sounding as though the group is looking to distance itself as much as possible from the agreement. Given that the KNU, along with the CNF, are the only two groups actively at war with the junta, it makes sense that they

would see the NCA as essentially worthless.

With regards to the RCSS, The Irrawaddy [published](#) another article on Tuesday where it included comments from Sai Leung, a senior official from the RCSS. The group chose not to have a representative on the newly reformed PPST, which is quite a shift in policy when you consider that RCSS leader Yawd Serk was chair of the PPST less than a year ago. Sai Leung told the outlet that his organisation wants to focus more on Shan State, rather than having to deal with the issues of the other signatories. "We will continue to uphold the principles of the NCA agreed in the PPST ... But we want to allocate our attention more on internal grievances within Shan State. That's why we reduced the level of our participation," he told The Irrawaddy.

### **UWSA involved in first clashes since coup**

In a pretty significant development, the United Wa State Army, the most powerful armed ethnic group in Myanmar, clashed with the Restoration Council of Shan State in southern Shan State on Tuesday morning, in the first known clashes involving the group since the coup. The fighting initially stopped after 30 minutes in the morning, but resumed later that same afternoon in Mong Hta town in Mongton Township in eastern Shan State, local outlet Shan Herald Agency for News [reported](#). Mong Hta is just 36 kilometres from the RCSS headquarters at Loi Tai Leng. The UWSA, while based in Pangkham (Panghsang) in the Wa Self Administered Division, also has troops stationed along Thai-Myanmar border in other townships including Mongton, in what's known as the Military Region 171.

Local media reported that five RCSS soldiers and one UWSA fighter were killed during the clashes. Unsurprisingly, both sides labeled the other as the "aggressor": Major Kham San of RCSS told Myanmar Now that the UWSA forces "attacked their positions" and "deliberately started the clashes", whereas Sam Pane, an officer from the UWSA's Military Region 171, said the "RCSS forces advanced beyond their territory" and were the "first to fire". Nyi Rang, a liaison officer with the UWSA from Lashio, [wrote](#) on his Facebook account that the RCSS soldiers entered into an area considered by both sides to be "a buffer zone" and started firing at UWSA forces. Nyi Rang also claimed that along with the death of the one soldier, two UWSA soldiers were also injured.

It's difficult to determine which side is telling the truth given that there isn't a clear demarcation between the operational areas of the RCSS and the UWSA's Military Region 171 in the southern part of the state. However, it's hard to see why the RCSS - which has been on the back foot for the past year in the face of joint Ta'ang National Liberation Army and Shan State Progress Party offensives in northern Shan State - would start a fight with a 30,000-strong rival. Since January, the UWSA has also been mobilising a large number of troops in Khaing Lone, not far from the RCSS headquarters. At the time the UWSA [reportedly vowed](#) that it was not preparing any kind of invasion, but would retaliate against any aggressor using force. The two groups previously clashed back in 2002 and 2005 in southern Shan State, but later agreed on an informal ceasefire, which seems to have held up until now. It's not yet clear whether the fighting will escalate - it could very well be an isolated incident, but only time will tell.

### **China tells junta it will 'always support' Myanmar**

The junta's foreign minister, Wunna Maung Lwin, went to China last week on a "working visit" at the invitation of state councilor and foreign affairs minister Wang Yi. The trip seems to have been a success for the military: it secured what sounds like unwavering support from Beijing. A [press release](#) China issued after the visit states that "[n]o matter how the situation changes, China will always support Myanmar in safeguarding sovereignty, independence and territorial integrity and exploring a development path." Maintaining friendly relations with China is a must for the junta, as

it needs both political and economic support from Beijing. But the relationship is hardly straightforward - China was angry at the coup, and the military has long been wary of China's designs in Myanmar - and has been fairly cool over the past year, with Myanmar turning instead to Russia for support. In recent months though there has been a shift from Beijing, which seems to have accepted that the military will remain in control of the country.

The press release also referred to relations between China and Myanmar as a "profound 'pauk-phaw' friendship". Pauk-phaw, which means compatriot or relative in Burmese, has been used for years to describe the close ties between the two countries - particularly business ties, as China is Myanmar's top trade partner. And on the topic of business, it sounds like China also said that it is "ready to strengthen coordination with Myanmar to overcome difficulties", as other foreign companies and countries have pulled out. Unsurprisingly, the meeting also touched on ASEAN's five-point consensus, with Wang Yi reportedly stating that member states should continue to "adhere to the ASEAN way", specifically pertaining to non-interference, and "work with Myanmar constructively". Similar language was used in the [write-up](#) in Saturday's GNLM, with the junta claiming it has made "achievements" on the five-point consensus. After the meeting, Wang Yi and Wunna Maung Lwin inaugurated the new "Myanmar" consulate in Chongqing as a sign of greater diplomatic cooperation between the junta and China. (Why the quotation marks? Well, we imagine the entire consulate will be junta-staffed and junta-run and therefore not really a Myanmar consulate but a military one).

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