Responding to Strategies and Programmes of Myanmar's Military Regime: An Economic Viewpoint

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An Economic Viewpoint

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Introduction

The Myanmar military regime's harsh crackdown on popular demonstrations in September 2007 has generated intense international condemnation as well as other responses. Most of the criticisms and policy proposals offered in these responses, however, have focused upon political reform. Relatively little in the ways of proposals or even concern has dealt with economic reform, the lack of which was the main grievance of the demonstrations and protests. This article seeks to shed light on the roots of the current economic crisis while also analysing a number of measures taken by the post-1988 military regimes in order to find ways to remedy their difficult and indeed perennial economic problems. It will assess the rationale behind these varying measures and their impacts upon Myanmar citizens, the economy, and the regime's survival and future prospects. The article emphasizes the need for simultaneously devising new strategies to put pressure upon the Myanmar military regime to undertake economic reforms that not only address inefficiencies and mismanagements, but most particularly resonant with the needs of the majority of the population in Myanmar.

Aftermath of the September Demonstrations

The Myanmar Government came under intense international pressure when it severely repressed, in September 2007, the public protests and demonstrations

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organized in response to the raising of subsidized fuel prices. The majority of international demands that followed in the wake of this repression, however, have been aimed at political rather than economic reforms. Most prominent among these have been calls for the release of Daw Aung San Suu Kyi and other political prisoners, and an insistence upon opening dialogues among various ethnic opposition parties, the NLD (National League for Democracy), and the SPDC (State Peace and Development Council). Neither the government nor any of the international groups or actors, however, has managed to come up with concrete, workable, or sustainable plans to solve the economic crisis in ways that could or would address the needs of the country's various impoverished communities. Instead, the Myanmar government puts the blame on Western economic sanctions for the nation's economic woes. In fact, it expelled Charles Petrie, the head of the United Nations Development Programme in Myanmar and the UN's resident coordinator, for releasing a UN Country Team's statement on 24 October, which deplored the government's lack of attention to the growing humanitarian crisis.

There have been some international actions taken on the economic front, but these are either in the forms of tightening existing economic sanctions and withdrawing financial assistance, or *ad hoc* emergency responses to the humanitarian crisis. The assumption behind these punitive economic measures is that positive political developments are necessary for economic change, and therefore the Myanmar military regime must be required to implement some measures of democratic reform before sanctions are lifted and foreign aid and investment can return.

This by no means should be interpreted as saying that nothing has been done or proposed to address the urgent humanitarian crisis. The British government has recently announced its intention to increase its cross-border aid to internally displaced peoples and its support for pro-democracy and human rights projects. The French foreign minister suggested the creation of a trust fund, which will be administered by non-government organizations (NGOs) to help ordinary people set up businesses.[1] UN Special Envoy Ibrahim Gambari has proposed the establishment of a broad-based Poverty Alleviation Commission (rejected by the SPDC), and the IMF, World Bank, and Asian Development Bank reports on Myanmar have routinely provided an annual laundry list of "market-oriented" measures, as is their wont, that they believe should be instituted. The IMF's latest report in 2007 in fact recommended targeted subsidies to improve living standards. A long list of scholarly research and policy papers on the limitations of Myanmar's economy are available seemingly everywhere.

In addition, the Myanmar government, private businesses, and individuals have taken a variety of responses to deal with sudden adverse economic effects following the fuel hike. The government temporarily imposed a ban on rice export to keep prices down, and Myanmar Economic Holding Corporation, a military-controlled conglomerate, has been seen selling subsidized rice and cooking oil in poorer sections of residential areas in Yangon. Boycotts by customers in the neighbouring countries against Myanmar's seafood export have also driven down the prices of seafood, making them readily available to domestic consumers. Some private companies offer additional cash to their staff to help pay for increased transportation costs. Others try to cut transportation costs by letting their employees work and sleep over temporarily at the work place three days/nights in a row, who then take off the rest of the week. A few daily rated workers now rely on their employers for rice dole-outs, and many workers simply walk, sometimes for a couple of hours, to their workplaces.

These piecemeal and ad hoc responses to economic difficulties, however, are hardly the solution for Myanmar's long-standing economic problems. Tony Banbury, World Food Programme's (WFP) regional director for Asia, lamented that the outpouring of international sympathy for the people of Myanmar has not been translated into greater global support for humanitarian work in the country. In October 2007, the WFP announced it was still short of funds and could only deliver food to 300,000 people, a fraction of the five million (or 10 per cent of Myanmar's population) who do not have enough food.[2] The United States has so far contributed US$300,000 to the WFP, a rather low figure compared with the two top donors, Australia (US$5.1 million) and the European Union (EU) (US$2.4 million).[3] Again it should be pointed out that food aid is only a short-term solution. Myanmar certainly can grow enough food to feed its people, and this food crisis demonstrates the urgency of reconstructing the economic system.

The following sections discuss the roots of the current economic crisis and analyse a number of measures implemented by the post-1988 military regimes to address their growing budget deficit crisis and other problems. The economic issues discussed in this paper, quite obviously, cannot be comprehensive. The focus is mainly on what has been done on the country's economic front, why some actions have been chosen over the others, and the economic and political costs these measures have incurred and imposed.

"It is the Economy, Stupid!"[4]

Myanmar's failures must, however, be appreciated as both political and economic. An economically well-off population has less reason to go to the streets to protest against the government and generate countrywide support for demonstrations. General Ne Win's twenty-six-year rule of the country from 1962 until 1988 transformed the economy with a promising future into perhaps one of the least developed countries in the world. Its self-imposed mismanagement, isolationist policies, and distrust of foreigners all deprived the country of necessary skills, technology, and revenues. Those led to the protests in 1988 following the demonetization that had wiped out 60 to 80 per cent of the value of the money in circulation, the third to occur under General Ne Win's rule. The 2007 demonstrations were also a reflection of deep-seated economic discontent in the country. Myanmar, according to the UN, is now ranked as the world's twentieth poorest country where the majority of the population spent most of their income on food.[5] In 2000, Myanmar's health care system was ranked 190th out of 191 nations by the WHO (World Health Organization), evident in large and growing numbers of malaria, tuberculosis, and HIV/AIDS patients who do not have access to proper treatment.

Economic failures, of course, have deep political roots. From the beginning of his takeover of power in 1962, General Ne Win's Revolutionary Council had to confront multiple ethnic and communist insurgencies, which not only controlled significant parts of the country's territories but also denied it revenues from cross-border trade. Its predominant occupation with the need to keep the country intact contributed to excessive concentration of power and political repression. The military regime, which staged a coup in September 1988, was able to conclude ceasefire deals with major armed resistance groups and retook a considerable portion of the territories held by these ceasefire and non-ceasefire ethnic armed groups. It invited foreign investment in various ways and beefed up its coffers by exploiting the country's natural resources, particularly the timber, gas, and mining sectors. But the regime's preoccupation with its survival has resulted in disproportionate spending on the military (through the purchase of modern military technology, recruiting, oftentimes forcedly, more soldiers, and building and enhancing the resources of military educational institutions) at the expense of the social, economic, and health care sectors. Andrew Selth notes that Myanmar has been the only country in the entire Asia-Pacific region in which the armed forces, the best equipped in Myanmar's post-colonial history and the second largest in Southeast Asia, steadily continue to expand.[6]

Western economic sanctions, instituted because of the government's violations of human rights and lack of democratic progress, have also deprived the regime of foreign aid, investment, revenues, jobs, and technical know-how. Another major indication of the SPDC's predominant concern with its security and survival is the costly building of a new capital in Naypyitaw. Many reasons for the capital's construction have been suggested by Myanmar watchers, but the most cited causes are to isolate and prevent the government from another outbreak of mass protest and a potential U.S. invasion.[7] The construction is continuing, but this thirty-mile-wide city has already been adorned with all the monuments associated with a capital, such as a presidential house, city hall, golf estate, 9,000-square foot housings for ministers, and civil servants' flats. Although thirty-eight ministries had already been relocated to this city of around 40,000 people, only one-third of the public servants had reportedly been transferred. The majority of them had not yet been accompanied by their families. At present, housing and utilities for all public servants in Naypyitaw are subsidized, and there is 24-hour water utilities and electricity for everyone. However, there is some question as to whether there will be sufficient water and electricity supply after the rest of the two-thirds of the public servants and their families are relocated to the new city.

A few of these political roots of economic disaster — for example, disproportionate spending on the military, imposition of economic sanctions because of the lack any democratic evolution, and the costly transfer of the capital — have negatively affected the majority of the population a great deal. It is obvious that resources that could have been more usefully invested in various social, health, and education sectors have been diverted to these non-productive activities.

Measures to Improve the Economy

Over the past few years, Myanmar's economy has received a boost from the increased revenues yielded by the export of gas. Both Thai and Myanmar sources show that the gross income from the sales of gas increased to around US$2,021 million in 2007 (January–September only), compared with total gas revenues of US$1,578 million in the 2006 calendar year. However, these revenues apparently have not been large enough to offset Myanmar's growing budget crisis. In addition, the SPDC has only a 15 per cent stake in the sale of gas to Thailand, which amounted to only US$300 million in 2007. With the rise of crude oil prices around the world and with a total of nearly one million motor vehicles registered in the country, the Myanmar Government has to import some US$200 million worth of diesel fuel per year to meet local demand.[8]

Some senior members of the cabinet have ostensibly been fully aware of Myanmar's economic problems, and there are indications that they have been looking at a variety of economic development models. There have been a particular and growing interest in Vietnam and China as economic models among some members of the cabinet and a sign of seriousness in taking seemingly the suggestions offered by the World Bank/IMF authorities and by Myanmar economists associated with the Union of Myanmar Federation for Chambers of Commerce and Industry (UMFCCI).[9] A few examples of prominent areas that have been proposed for reform include curtailment of subsidies, liberalization of trade, privatization of state-owned enterprises, and banking and exchange rate reforms. A brief look at the current regime's policy towards a number of these issue areas and its current economic practices reveals that not all suggestions are taken seriously. Some have been discarded while others that were selectively chosen have been only partially implemented, depending on their perceived impacts on the regime's survival and security.

Subsidies Curtailment (Rice, Fuel, Electricity)

The first area targeted by the government for reform is the subsidy programme, which has been a major drain on state revenues under the present government. Generally speaking, successive military regimes in Myanmar have considered rice, the main staple food, to be the core ingredient for political stability and thereby have attempted to promote a low-priced and sufficient rice supply for the population; this can certainly be expected to forestall domestic unrest. Under Ne Win's Socialist government, urban populations and public servants were heavily subsidized through a mandatory procurement system that required farmers (approximately 70 per cent of the populations) to sell thirty to forty baskets per acre to the government at below-market prices. This practice, which squeezed farmers to a bare subsistence level and banned private rice trading, led inevitably to declines in production, productivity, and the quality of rice.

In 1988, the State Law and Order Restoration Council (SLORC) scaled back this procurement system by reducing the amount of rice it procured from the farmers to ten to twelve baskets per acre. The rice rationing policy was abolished for general consumers but maintained for public servants and military personnel.[10] Traders were allowed to engage in the domestic rice market, and restrictions on the marketing of rice over a wide area of the country were lifted.

The government has nevertheless retained monopoly control over rice exports in order to keep the price low and extract rents. The government's priority is to secure rice for rationing, and only the rice remaining in government hands after rationing is released for export. Consequently, an expert on Myanmar's agriculture notes that the domestic rice price was only 40 to 60 per cent of the international price throughout the 1990s.[11] In particular, transactions with some remote regions bordering neighbouring countries were restricted and closely monitored (the Shan, Chin, and Rahine states and Tennasserim division are the locations involved here) for fear that sizeable mounts of rice exports to neighbouring countries could drive up Myanmar's domestic rice price.[12] The government also launched a simultaneous campaign to force farmers to undertake multiple cropping (particularly the summer paddy programme) in order to increase rice production. This approach is less politically and economically costly for the military regime, since the costs have been borne by and spread among farmers, though the government itself spent considerable amount of money on constructing some major irrigation channels and dams during this period. All the same, this resulted in forced cultivation and crop failures, especially in the areas lacking access to irrigation facilities, low-interest cultivation loans, or not suited for summer paddies.[13]

In April 2003, the rice rationing system for public servants and the paddy procurement system were finally abolished. To compensate government employees for the loss of rationed rice, each person was given a payment of 5,000 kyat a month. In 2006, about one million government employees received large pay increases to help them adjust to the growing living expenses. The lowest-ranking state officials received a 500 per cent increase from 3,000 kyat (US$2.50) to 15,000 kyat (US$11.50) per month, while those at the top end of the scale received a 1,200 per cent increase from 16,000 kyat (US$12.50) to 200,000 kyat (US$155). The abolition of the procurement policy and lifting of restrictions on the domestic rice market have benefited Myanmar farmers and rice traders, but the government has had to incur additional costs by having to compensate public servants in cash payments while simultaneously foregoing revenues that would have otherwise been generated from the liberalization of rice exports. The government obviously would have registered gains financially had its initial plan in 2004 to tax rice exports of private traders been followed. But the manner in which rice marketing has been privatized and the government's decision to maintain its control over rice exports demonstrate its priority of maintaining low prices and a sufficient food supply — though all of this is inefficient and uneconomical for the government — so that any potential riots or unrest over the shortage of Myanmar's most important and staple food can be evaded or forestalled.

Fuel is another politically important commodity for the regime because of its immediate impacts on food and other living expenses. Gasoline and diesel have been rationed at below-market prices in Yangon since 1980, allowing each car a quota of 60 gallons per month. It became increasingly unfeasible for the regime to heavily subsidize fuel in the presence of growing petroleum prices in the world market. Myanmar has imported approximately US$150 to 250 million worth of oil annually over recent years, comparable with the amount the government has earned from its annual sale of gas to Thailand.

The government first attempted to generate the needed revenue by raising the prices of rationed diesel from 180 kyat (18 cents) to 1,500 kyat (US$1.50) per gallon in October 2005. Second, it developed a plan to modify all diesel-using vehicles to compressed natural gas (CNG) to take advantage of the availability of newly discovered offshore gas fields. Over the past few years, a total of 10,900 petrol or diesel motor vehicles operating in Yangon have been converted into CNG units, the majority of which are passenger buses, school buses, and taxis. The author's conversation with a number of car owners in Yangon reveals that it cost between 600,000 to 2,500,000 kyat (approximately US$600 to US$2,500) to make the conversion depending the type of automobile and the time the conversion was made.[14] These converted-automobile owners, however, have to face another hurdle with the government failing to provide sufficient CNG filling stations, resulting in long queues at these stations and delays in travel. The government also devised a plan to cultivate seven to eight million acres of jatropha (physic nuts) for biofeul as an alternative source.[15] The *Myanmar Times* reported that the seeds of physic nuts can be picked at the age of two years, and 1.5 tons of seeds an acre can produce 76 gallons of biofuel.[16] If all goes as planned, Myanmar will be able replace the estimated 50,000 barrels a day of diesel the regime has to minimally import with this nut-generated fuel. Similar to its past forced cultivation of summer paddy, it seems easier for the regime to implement such a strategy because the costs are spread out and borne by individuals rather than by the government. This practice however has led to forced cultivation and confiscation of lands. Many experts had warned of the potential negative impacts of physic nuts on the environment, health, and food supply, while others point out that the country lacks facilities to transport and process these plants into useable fuels. When these strategies failed to provide an immediate solution to the rising oil price, Myanmar's junta again raised the prices of diesel in August from 1,500 kyat (US$1.16) to 3,000 kyat (US$2.33) per gallon; gasoline from 1,500 kyat (US$1.16) to 2,500 kyat (US$1.94); and natural gas from 500 kyat (US$0.39) to 2,500 kyat (US$1.94) per canister (17 gallons).

Electricity, which has also been heavily subsidized under General Ne Win's rule, was raised tenfold from 2.50 kyat to 25 kyat per unit in 2005. Amounts of electricity bills for average individual households vary among different sections in Yangon. They range from 3,500 kyat (US$3) to 7,000 kyat (US$7) per household per month. As such, an electricity bill in Myanmar is still low by international standards, leading to some speculation about the potential increase in electricity rates in the near future. Thus far the government has dealt with the shortage of electricity in the dry season (when hydroelectricity decreases) by giving individual households a time allotment (like switching the power on every six hours and off every six hours) rather than increasing the rates. This is despite the official media's claims that the number of hydroelectricity plants has increased from fourteen to fifty since 1988.[17]

An evaluation of the government's policy reforms on subsidies reveals a continuing preoccupation with regime survival over economic efficiency. This not only has led reform processes being incremental (which may not necessarily be a bad thing) and ad hoc, but has also made it costly for the regime to compensate public servants and have forced it to forego some potential revenues that could have been generated from private sector rice exports. Efforts to cultivate summer paddy and physic nuts are obviously a less costly strategy for the regime, but these have oftentimes resulted in waste and inefficiencies of the kind usually associated with broad policy implementation that fails to account for specific local conditions. Some activities have been carried out inconsistently and half-heartedly, demonstrated by the government's failure or unwillingness to invest in needed infrastructure to service CNG-converted cars, to process physic nuts into useable fuels, and to carry out and contemplate project evaluations on the economic and environmental impacts on the nationwide cultivation of summer paddy and physic nuts. Some costly projects, such as the building of irrigation and hydroelectricity facilities, have been affected by waste, corruptions at different governmental levels, and lack of technical expertise or unwillingness to take the people into consideration.

Privatization of State-owned Enterprises

The second area targeted by the government as a partial solution to its mounting financial crisis is the privatization of highly inefficient and money-losing state-owned enterprises (SOEs). It began in the early 1990s with the leasing of SOEs to foreign private entrepreneurs and forming of joint ventures with the private sector.[18] However, a combination of factors has all made privatization processes slow and cumbersome. These include governing officials' wariness of foreign intrusion in the local economy, lack of infrastructure to support basic operations of industries, corruption and bureaucratic red tape, Asian economic crisis of 1997–98, Western economic sanctions, and concerns about unemployment affecting state workers. An example of the latter is found in the government's stipulation that buyers or leaseholders of SOEs are required to maintain the existing workforce; few takers can be interested with such conditions attached to a deal.[19]

Growing budget deficit crises of the past few years have prompted the government to resume this strategy, which had been slowing down towards the end of 2000. Particularly, the move to the new capital has not only left many state-owned buildings in the capital vacant, but also accentuates the need to generate revenues.[20] Official reports reveal that a total of 215 state-owned enterprises out of 288 proposed by ten ministries have been privatized in Myanmar as of January 2008. In the meantime, the government's Privatization Commission has come up with a longer list of factories for privatization, most of which are either losing money or those that are not strategically important.[21] Leading economists on Myanmar, however, are sceptical about this recent development. They argue that the government's policy to hold 51 per cent of shares of the ownership, the unpredictable regulatory environment, and capricious policy-making will make many potential investors reluctant to positively respond to this recent government's initiative.[22] Generally, privatization of state enterprises (which employ a small percentage of Myanmar's workforce) will have little negative economic effects on the majority populations and will invariably cut waste and increase state revenues. However, the SPDC's unwillingness to completely relinquish its control over the economy, failure to provide legal and infrastructure support, and its predatory and unpredictable policy towards private enterprises make it appear that very little development will take place in this area of reform.

Regularization of Border Trade and Reformulation of Tax and Corporate Procedures

There are a few issue areas which seem to have been implemented with relatively greater success. Once it gradually occupied many of the areas previously under the control of various ethnic insurgencies, the Myanmar military since 1990 has taken greater control over the border trade formerly operated by these ethnic armed groups, and established normal procedures to closely monitor business activities and impose taxes on goods that cross the border between Myanmar and its neighbouring countries. In 2006, it introduced more effective and systematic collection of corporate and personal income taxes and doubled the income tax rate for private companies and their employees from 10 per cent to 20 per cent. In 2007, a new action was launched to prevent tax evasion by private companies by investigating and arresting selected businessmen suspected of tax evasion and denying the biennial licences' renewal of businesses that fail to fully settle their outstanding tax bills on an annual basis. Anecdotes suggest however that companies close to senior members of the military regime have escaped investigations.

Dismantling the businesses and economic interests of rival personalities within the government has also been used as a strategy to boost income as well as to consolidate the power of a few prominent leaders. In 2004, for instance, the government overhauled Khin Nyunt's Directorate of the Defence Services Intelligence Unit and dismantled the overarching National Intelligence Bureau (NIB), which is 10,000-strong and revamped the Customs Department in an effort, ostensibly, to reduce corruption and maximize revenue collection. Immigration and custom officials are specifically targeted for corruption charges and investigations. Although many of these officials were charged with economic crimes and campaigns against them have been carried out under the slogan of introducing "clean government", not all high-ranking corrupt officers have seen actions taken against them. Armed ethnic ceasefire groups have made similar complaints about the military's crackdown or interference with many of their business opportunities and operations. The confiscation of cheaper, better serviced, and widely used China-made cellphones in the Kachin area, to cite an example, was seen as politically motivated, but it was also an attempt to consolidate a market monopoly for Myanmar Posts and Telecommunications.[23] The government's move to increase taxes on the owners of satellite from 6,000 to 1 million kyat in early January 2008 that eventually stalled has been interpreted by many as an effort to reduce access to foreign news coverage on Myanmar as well as a desperate attempt to augment its much-needed revenues.

Monetary Policies

Although private banks have been allowed to operate in Myanmar since the "liberalization" of economy in the late 1980s, banking and currency exchange are two domains the government has not reformed. Particularly in need of reform is the low interest rate ceiling on deposits and loans placed upon private banks. The government stipulates that the interest rates that banks must pay on savings and time deposits must not be less than 3 per cent below the Central Bank rate, and maximum interest rates on loans made must not be more than 6 per cent above the Central Bank rate. Thus the private banks now charge minimum and maximum deposit and lending rates of 9 and 18 per cent, respectively; rates that are far below the inflation rate, which has been running at about 35 per cent annually.[24] Two leading economists on Myanmar, in fact, have recommended the development of the financial sector as the most important reform measure for the Myanmar economy since it has potentially "the highest growth payoff".[25]

There may be a variety of reasons why very little has been done on monetary reform. First, unlike cutting subsidies or, for that matter, any clamping down on businesses that are not closely associated with the regime or rival groups, monetary reform cannot bring any immediate financial benefits to the regime. Second, reforms in this area are likely to have a negative impact on any client groups with access to cheap interest rate loans. The government's Myanmar Economic Bank, for instance, is the principal provider of finance to state-owned and "cooperative" enterprises, and it has provided interest-free housing loans to government employees as well as state-owned enterprises. Myanmar Agricultural Development Bank has also given out cultivation loans to farmers, although the percentage of borrowers (17 per cent of rural households), and the amount of loans had been small and insignificant.[26] Another leading economist on Myanmar attributes the desire to ease the debt burden of the regime's cronies as a major motivation behind the low-interest rate policy.[27]

The same logic probably applies to the currency exchange policy. The government has recognized the black market rate as the semi-official rate and all transactions between government ministries are now conducted at a value closer to the black market rate than to the official fixed rate. However, the official rate has been kept at 8.5085 kyat to the IMF's Special Drawing Rights, while the market rate fluctuates between 1,000 and 1,300 kyat to the dollar in recent years. Anecdotes suggest that maintaining this overvalued exchange rate has enabled officials, their associated businesses, and state-owned enterprises to pay for foreign and imported goods and machineries at underpriced values (paying in kyat at official exchange rate). It has also maintained the appearance of government's debt and the values of imported goods and military purchase small.[28] Thus, exchange rate reform seems to be an area in which the costs (political and financial) will be exclusively borne by the government and will negatively affect high-ranking officials and business associates rather than the general population.

Third, the government has also reaped benefits by maintaining overvalued and multiple exchange rates. They serve as a form of tax; for example, companies that want to do business or individuals who are earning foreign currencies and working for foreign companies are required to open accounts at the Myanmar

Foreign Trade Bank. Foreign currency earners are required to exchange a small portion of their income or investment money at the overvalued exchange rate. It thus appears that the government has manipulated this multiple exchange rates system as a political tool to reward loyalty, appease a small elite segment of the populations, and subtract a portion of income from private citizens who earn foreign currency.

Implications

There have been interests and efforts to introduce economic reform measures, but only those that are more likely to bring concrete financial benefits (normalizing border trade, increase the rate of income taxes, create facilities to collect taxes and to clamp down on tax evasion, or privatization of state enterprises), or are less economically costly (such as the cultivations of summer paddy and physic nuts), or, quite obviously, involve the penalization of adversaries and rewarding of loyal groups. These measures, however, are not (for the most part, at least) economically efficient nor feasible for the regime because of its overwhelming concern about regime security, political stability and protection of the interests of a small network of groups whose support the regime has relied upon. They resulted in subsidized rice prices, electricity, and fuel, cash payments to public servants, financial concessions to a small privileged clientele through low interest rate loans and overvalued exchange rate. The costs are also incurred by farmers and individual private citizens, many of whom lost money or had to forego better alternatives from forced implementation of summer paddy and physic nuts cultivations. Privatization of state-owned enterprises appears to be the quickest or less politically costly way of raising state revenues and cutting wastes, but so far the regime's half-hearted approach has made progress slow and cumbersome. Lack of willingness to take advice from experts and failure to provide supportive legal and infrastructural environments have made some projects that could have been successfully carried out too costly for both individual citizens and the SPDC government. A few examples include failure to provide sufficient CNG filling stations with assured electricity supply, to carry out cost-benefit analysis of massive irrigation and hydroelectric projects, summer paddy and physic nuts productions and inability or unwillingness to tackle the problems of mismanagement and corruptions.

Thus, the basic needs of the general population will less likely to be adequately addressed as long as the fundamental structure and operation of the economy is unchanged and as long as concerns over regime survival and political expediency (high spending on the military, costly capital building, and unwillingness to yield to economic sanctions that punish the government by depriving it of jobs, technology, and know-how) continue to influence policy responses.

Responding to Strategies and Programmes of Myanmar's Military Regime

In the meantime, measures to bring about political reforms can and should be carried out simultaneously with those to ensure economic reforms aimed at benefiting the ordinary population rather than the rather small privileged segment.

It appears that such efforts could begin with implementation of a "gas for food" strategy. Currently thirteen foreign oil companies, mainly from Australia, Britain, Canada, China, Indonesia, India, South Korea, Malaysia, Thailand and Russia, are operating thirty-three onshore and offshore projects in Myanmar. Very few of them have been under pressure from their home governments to withdraw their investments and supporting activities. The U.S. Government is the exception so far. A bill passed by the House of Representatives but still requiring approval by the Senate and the President could lead to denial of Chevron's tax credits. Demands can be placed upon several prominent companies to withhold a small portion of their payments to the government and use it for medicine and food for the general population. Banks holding accounts of military officials and their associated businesses could impose a tax on these accounts and repatriate them in the form of food or medicines for the needy. This is not unprecedented given the government itself has imposed a compulsory tax of 10 per cent on all foreign currency.[29]

Second, efforts must be sustained to convince the government to refrain from interfering with humanitarian activities or the existing programmemes carried out by INGOs (international non-government organizations) and NGOs (which hopefully can be expanded). The Myanmar military regime has imposed tighter restrictions on NGO activities with the apparent intention of controlling the flow of aid and co-opting aid programmes. It is unfortunately the case that, early this year, twenty-four NGOs were initially denied their licence renewal. The junta's highly restrictive practice has led to withdrawal of the Global Fund and Médecins Sans Frontières, and, further, has caused the International Committee of the Red Cross to suspend many of its field operations.

And though it must be carefully thought out and implemented, a demand platform must also be devised with goals for promoting informal channels of support to the civil society and the self-help organizations that are carrying out humanitarian works in the country. A number of programmes have already been run successfully within limited financial and personnel constraints. The UNDP's Millennium Fund programme, for instance, has provided US$40 per household to start small businesses. Since 1997, approximately 250,000 households from 4,000 villages in 22 townships had benefited from this programme. It is noteworthy that the UN Office for Project Services has hailed Myanmar as one of the top ten countries which have successfully run the UNDP's micro-finance programmes. The WFP has also instituted "Food for Work" and "Food for Education" programmes in which parents are given food in return for sending their children to school and in which rice is bought from farmers and then distributed as wages. Quite a few domestic and international NGOs are engaged in micro-finance programmes and other humanitarian activities that address education and health care needs among the poorest segments of the population. All these varying social and humanitarian activities can be expanded with international pressure and assistance for a wider reach. Recent government decision to grant WFP access to the several of the most marginalized areas of the country is indeed a positive development.[30]

Last but not least, China and Vietnam can intensify their efforts to help Myanmar implement some needed economic reforms. Various sources indicate that Chinese advisers are pushing the regime to privatize the country's state-owned enterprises and undertake other structural economic reforms, and Myanmar officials have sometimes sought Chinese suggestions and assistance on economic reforms. Vietnam, which managed to promote economic growth in the face of sanctions and an embargo, can provide valuable lessons for the Myanmar government as well. Thus far, China's current economic relationships with Myanmar have very little impact on broad-based economic development in Myanmar, except for sustaining the military regime.[31] For instance, about 70 per cent of Myanmar's export to China is unfurnished wood that does not create any downstream and value-added wood-based industries. In addition, China's economic operation and commercial loans have so far been geared towards massive construction of state-owned factories, which have the past record and potential of draining state resources.[32] China, in particular, must be persuaded to play a more active and constructive role in assisting Myanmar through this "economic transitional" phase.

There can be no assurances, of course, that such efforts directed at the Myanmar military regime to address the needs of its impoverished population and to tackle its economic problems in more efficient ways will succeed. The record of organizations and individuals committed to political reform is spotty at best; but this should not mean that one simply gives up. Neither is there a guarantee that economic growth would pave the way for political reform. If these proposals, which are by no means comprehensive, can be successfully carried out, they could nonetheless help alleviate the situation of the less privileged population of Myanmar, provide greater economic space and prosperity, and create conditions upon which the government will have less reason to rely on political repression as a source of maintaining normalcy and stability.

Notes

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[1] "Back to the past for Myanmar? No way", *Straits Times* (Singapore), 30 October 2007.

[2] "WFP Appeals for Myanmar Funding", Agence France Presse, 18 October 2007.

[3] A statement released by the UN World Food Programme, Yangon, 8 January 2008.

[4] Phrase widely used by President Bill Clinton in his successful 1992 presidential campaign against George H.W. Bush. The phrase refers to the notion that Clinton was a better candidate because of Bush's failure to address the economy, which was undergoing a recession at the time. It certainly addresses the concerns of this article.

[5] Quoted in Larry Jagan, "Burma's Economic Protests Turn Political and Now Threaten to Erupt into a Mass Movement Against the Regime", *Mizzima News*, 12 September 2007.

[6] Andrew Selth, *Burma's Armed Forces: Power Without Glory* (EastBridge: Norwalk, 2002), p. 253.

[7] Ardeth Maung Thawnghmung and Aung Myoe, "Myanmar in 2006: Another year of housekeeping?", *Asian Survey* XLVII no. 1 (2007): 194–99.

[8] Ardeth Maung Thawnghmung and Aung Myoe, "Myanmar in 2007: A turning point in the 'roadmap'?", *Asian Survey* XLVIII, no. 1 (2008): 13–19.

[9] Larry Jagan, *Mizzima News*, 12 September 2007.

[10] Ikuko Okamoto, "Transforming Myanmar's Rice Marketing", in *Myanmar: The State, Community, and the Environment*, edited by Monique Skidmore and Trevor Wilson (Canberra: Australian National University, 2007), p. 142.

[11] Ibid., p. 145.

[12] This practice resulted in higher prices of rice in these rice-deficit areas.

[13] Ardeth Thawnghmung, "The socio-economic impacts of rice policies implementation in rural Burma/Myanmar", *Sojourn* 18, no. 2 (October 2003): 299–321.

[14] Trucks and buses pay higher prices than small cars for the conversion, and it is cheaper to make conversion at present than in the past two years.

[15] Amy Kazmin, "Concern over Burma's leap of faith on biofuel", *Financial Times*, 23 November 2007.

[16] Wai Lin, "J Curcus: Behind the seeds", *Myanmar Times*, 20–26 February 2006, at <http://www.mmtimes.com>.

[17] *The Mirror*, 28 October 2007.

[18] Tin Maung Maung Than, *State Dominance in Myanmar: The Political Economy of Industrialization* (Singapore: Institute of Southeast Asian Studies, 2007).

[19] David Steinberg, "Burma/Myanmar: The role of the Military in the Economy", *Burma Economic Watch*, 1/2005, p. 67.

[20] "Myanmar to auction off national library", Xinhua, 7 January 2008.

[21] "Myanmar to Privatize 11 State-owned Enterprises", Xinhua General News Service, 23 June 2007.

[22] Mya Than and Myat Thein, "Transitional economy of Myanmar: Present status, developmental divide, and future prospects", *ASEAN Economic Bulletin* 24, no. 1 (April 2007): 98.

[23] "Junta Seizes Chinese Mobile Phones", *Mizzima News*, 19 November 2007.

[24] Sean Turnell. "Profiles of Burma's Banks", *Burma Economic Watch* (Online), 1/2006, p. 8.

[25] Mya Than and Myat Thein, "Transitional economy of Myanmar".

[26] Turnell, "Profiles of Burma's Banks", pp. 12–13.

[27] Personal communications, December 2007.

[28] Ibid.

[29] Turnell, "Profiles of Burma's Banks", p. 11, no. 12.

[30] UNWFP, 8 January 2008.

[31] Toshihiro Kudo, "Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?", Discussion Paper No. 66, Institute of Developing Economies, July 2006.

[32] Ibid.