



# Myanmar: Reforms and Road Bumps

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# Introduction

- **Land Area: 677,000 sq km.**
- **Population (July 2012): est. 60.4 million**
- **Multi-racial (8 major ethnic groups;135 dialects); multi-religious (Buddhist, Muslim, Hindu, Christian, Animist)**
- **Presidential/electoral (30 March 2011 --); military (1962-74; 1988-2011); parliamentary democracy (1948-1962); one-party Socialist (1974-1988)**



# Fuel & Energy

- **Crude oil prod. 18.6 thbbl/d (2010/11; cons. 37 thbbl/d (2010). Proven res. 50 Mbbl (Jan. 2011)**
- **Gas prod. 44.2 bcf/a (2010/11); X. 41 bcf/a (2010/11). Res, 10 tcf (US est. 2010), 15.5-19.3 tcf (Myan Govt. est., c. 2011).**
- **Uranium ore: mostly low grade (<0.1% U3O8) in 5 sites in Upper Myanmar**
- **Max. electric power supply 1.610 MWe (rainy season) & 1340 MWe (Summer) (est, c. 2012)**
- **Demand: 1,560 MWe (monsoon); 1,850 MWe (summer) (c. 2012)**



# Economy & Finance

- **Planned avg. real GDP growth rate (2011/12-2015/16): 7.7%**
- **ADB proj. growth rate (2011) 6% for 2012/13**
- **GDP in ppp (est. 2011): US\$ 82.7 billion; <1,400 per capita. ADB est. GDP growth 5.5% (2011), 6% (2012)**



## **Economy & Finance (Cont.)**

- **Central bank's F.E. reserves (est.) US\$ 7 billion**
- **External debt (Oct 2012): over US\$ 15 billion**
- **Domestic debt: Kyat (K) 9.99 trillion**
- **Budget deficit (2012 est.): 4.9% of GDP**
- **Tax/GDP: (2009 est.): 3.2%**
- **Currency circulation: K 6.2 trillion**
- **Exchange rate: US\$1 = K 850 (5 Nov 2012)**



# Trade & FDI

- Exports (FY 2011/12): US\$ 9.1 billion (gas >\$ 3 billion);
- Imports (FY 2011/12): US\$ 9 billion.
- Maj X (FY 2010/11): gas (28.5%), Jade (24.9%), pulses (10%), timber (6.6%), garment (4.3%)
- Maj. M (FY 2010/11): Pet. prod. (22.8%), machinery (13.6%), iron/steel const. mat. (6.7%), cooking oil (3.1%)



# Trade & FDI

- **Approved cumulative FDI (30 Apr 2012): US\$ 40.7 billion**
- **Sectors: Power (47%), O&G (35%), Mining (0.44%) H&T (0.26%)**
- **Actual/Approved total FDI (est. as at July 2011): 24%**



# **Elections**

## **(7 November 2010)**

- **29 million voters; turnout 77% for all 3 parliaments (73% in 1990)**
- **USDP (seen as pro-military party) won 76.5% overall**
  - **Lower House (L): 79.4% (NLD, 80.8% in 1990)**
  - **Lower House (U): 76.8%**
  - **Provincial Parliament (7 Regions & 7 States) (P): 74.9%**
- **Opposition accused USDP & authorities of rigging the elections using advance votes, payouts, public services, coercion**





## **Elections (Contd.)**

- **NUP (ruling party under Ne Win):**  
5.5% overall, 3.7% (L), 3% (U), 7% (P)
- **22 others:**  
4 national. (1.9% ); 18 ethnic ( 15.7%) + 6 indpndt.
- **Military 25% in all 3 parliaments**



# **Elections: Aaftermath**

- **Legitimacy deficit seen by opposition and West but now no longer an issue for the latter**
- **Constitution in effect from 31 January 2011**
- **Pluralism & multiple authority structures**



## Union Executive: No Longer Sole Authority

- **Redistributing power among ex-military and co-opted elites**
- **However, the President has considerable executive authority (in principle): espouses *good governance & clean government* (whetting the public appetite for change)**
- **2 Vice-Presidents; ethnic Shan (doctor; USDP MP) & ex. Navy C-in-C (non MP)**



# Union Executive: No Longer Sole Authority

- The President, V-Ps, all minister and dy. min must resign from MP as per Constitution)
- 30 ministers (35 ministries) [Now 36 Ministers in 30 ministries]
  - 26 USDP MPs (85% retd. milit.) [now 3 more civilian ministers incl. one female]
  - 3 C-in-C nominees (in service-army)
  - 1 non-MP (foreign affairs, ex-col.)
  
  - 39 deputy ministers (majority non-MPs; technocrats, civil servants, professionals) [Now around 60]
  - 4 C-in-C nominees (2 in defence)



# Provincial Executive (Chief Ministers)\* Diffused Authority?

- **Kachin State & Tanintharyi Region (civilian USDP)**
- **Karen State (B.G, milty.rep. MP)**
- **All other five states & six regions (USDP; ex-military.)**
  - **3 former ministers**
  - **3 former Lt. Generals**
  - **1 former B. G. & 4 former colonels.**

*\* Protocol order: behind Union Minister but same status*



# **Military's Continuing Role/Personalities**

- **Military's complete autonomy to manage own affairs; special fund for security**
- **Commander-in-Chief (C-in-C) as supreme commander of all armed forces**
- **President (P) leads the National Defence and Security Council comprising P, 2 Vice Ps. 2 Speakers of Parliament, C-in-C, Deputy C-in-C, Defence Minister; Foreign Minister, Home Minister, Border Areas Minister**



# Military's Continuing Role/Personalities

- **(Outgoing) C-in-C's nominees to 25 per cent of the seats in all national and regional parliaments (mainly junior officers)**
- **Nominees of the (outgoing) C-in-C as ministers and deputy ministers for defence, home affairs and border areas**
- **Executive President (former PM, SPDC), V-P (nominated from milty. rep.), LH Speaker (SPDC & JCS), UH Speaker (Min., BG) UEC Chair (SPDC), CJ (milty.), former Const Tribunal Ch. (JAG)**



# Selected Govt. Reforms/Initiatives

## ■ Politics/IR

- **ASSK allowed to travel abroad**
- **President meeting ASSK; call expatriates to return without fear**
- **Substantive dialogues bet. ASSK & liaison minister; free/fair by-elec. & NLD won 43 out of 44 contested seats (total 46)**
- **Allow Sp. Rapp. for H.R. to visit**
- **Myanmar NHRC formed**
- **Accept ranking legislators/officials from UN., US, UK & Europe**
- **Won bid for ASEAN Chair 2014**
- **Settled Bgd-M maritime boundary**





# Selected Govt. Reforms/Initiatives

## ■ Security

- Four amnesties ((sentence reduced). 14,578/55 political prisoners or pp. 16 May 11; 6.359/220 pp. 12 Oct. 11; 6656/36 pp, 4 Jan 12; 65/302pp 13 Jan 12; 80/25 pp, 3 July 12); 514/88 pp, 17 Sept 12.
- Peace overture to all armed groups (August 2011)
- Law allowing peaceful protest
- Visa on arrival at Ygn & Mdy airports
- Removed some 2,000 names from 'blacklist'



# **Selected Govt. Reforms/Initiatives**

## **■ Administration/public affairs**

- **Presidential advisory groups (econ., pol., & legal: 3 each)**
- **Natl. commission for social & economic affairs; technocrats, academics, NGO & business rep. High-level committees to manage ODA.**
- **Open discussion of problems & issues in forums/media**
- **PR system for professionals, investors, academics**
- **Media censorship requiring pre-print approval removed for print media**



# Selected Govt. Reforms/Initiatives

## ■ Economic

- Poverty reduction initiative (President); raised pensions to current levels
- Suspension of export tax (countering 30% \$ depreciation)
- Abolishing Trade Council
- Suspension of Myitsone Dam by President (PRC J.V. US\$3.6 B)
- Mining ban along 4 major rivers for env. Protection
- F.E. restrictions relaxed (private Banks as moneychangers); managed float of currency K820/\$ from fixed rate (SDR based) of K5.8/\$)
- Engagement with IMF on F.E. rate unification; Extractive Industries Transparency Initiative (EITI).
- 5 private banks allowed F. currency accounts



# Selected Govt. Reforms/Initiatives

## ■ Economic (Cont.)

- Visits by Nobel laureate J Stiglitz, Prof Hla Myint (LSE emeritus) & Prof R. Findlay (Columbia), P Collier (Oxford ) & George Soros
- National seminars/forums on economic reforms & development policy options; hosting WEF (Asia) next year
- Revised FDI law (max. period from 50 to 70 yr; max. tax holiday from 3 to 5 yr; lease private land)
- F.E. act under review; citizens allowed F. currency holding.
- Formulation of new land law (transfer, inherit, sale)
- Labour law (union; strike, dispute settlement);>80 unions to July
- Car imports restrictions removed
- Steps to liberalize ICT services



## **International Response to Reforms**

- **E.U. Increased humanitarian aid (H.A. up to US\$200M for 2 yrs) and removed visa ban on the President and 87 Myanmar officials, suspended sanctions for 1 year. Restoring GSP privileges**
- **U.S. Secty. of State Clinton visited Myanmar & met P in Siam Reap; waived sanctions on IFI's & US NGO/private engmt. and some trade & financial sanctions, allowing US business dealing & investments with safeguards;; eased visa ban; facilitated U Thein Sein's visit to US.**
- **UK opened trade office (Ygn); sent business mission**



# International Response to Reforms

- Japan ended ODA moratorium; promised increased H.A. and technical assistance; waived US\$3.7 billion debt Yen loans in 2013. Help develop Thilawa SEZ through ODA and FDI
- EU to give euro 78M in aid.
- Denmark doubled H.A. to US\$17M; U.K. additional aid of US\$15M.
- Norway, Denmark, Japan, Aust., U.K. & France engaged at ministerial level & UK PM, ROK President, India PM..
- Australia promised lifting sanctions & doubling aid in 3 years
- IMF, ADB consultations begin; IFI open offices in Ygn, WB grant US\$ 80M.
- ILO lifted restrictions linked to forced labour



# Economy: Challenges

- **Budget deficit (austerity measures starving ministries)**
- **Privatization or assets stripping? Land use disputes**
- **Currency crisis: xchg rate managed float (1 April) but still overvalued (By some 30%) & unprofitable for X. Holding foreign. currency (cash) illegal for citizens; K not fully convertible yet. Restriction on cashing X earnings**
- **No stock exchange yet (Tokyo St.Ex. Daiwa Sec. help, 2014?)**
- **Growth without adequate employment creation**
- **FDI heavily skewed to resource extraction**



# Economic: Challenges

- **Energy shortage and poor infrastructure: maintenance shortfalls**
- **Real estate bubble in major cities & near SEZs/IZs (govt. imposed 35% buyer tax to stop speculation); no strata title law for condo yet. Escalating hotel charges**
- **Very low ODA: \$7.5/cap/a; cf. Cambodia @ \$52, Laos @ \$69**
- **No bankruptcy laws yet**
- **Rules, regulations, procedures for new laws unsettled**
- **Banking system primitive; no credit card (VISA available in a few months); no consumer lending (introducing soon)**
- **SOE/SIE unprofitable mostly & lack investment**
- **Narrow tax base; tax evasion rampant**
- **Workers discontent over wages/work conditions (851 disputes in 2011; >80 protests Feb-June 2012); 2-3 million (mostly undoc.) workers in Thailand**



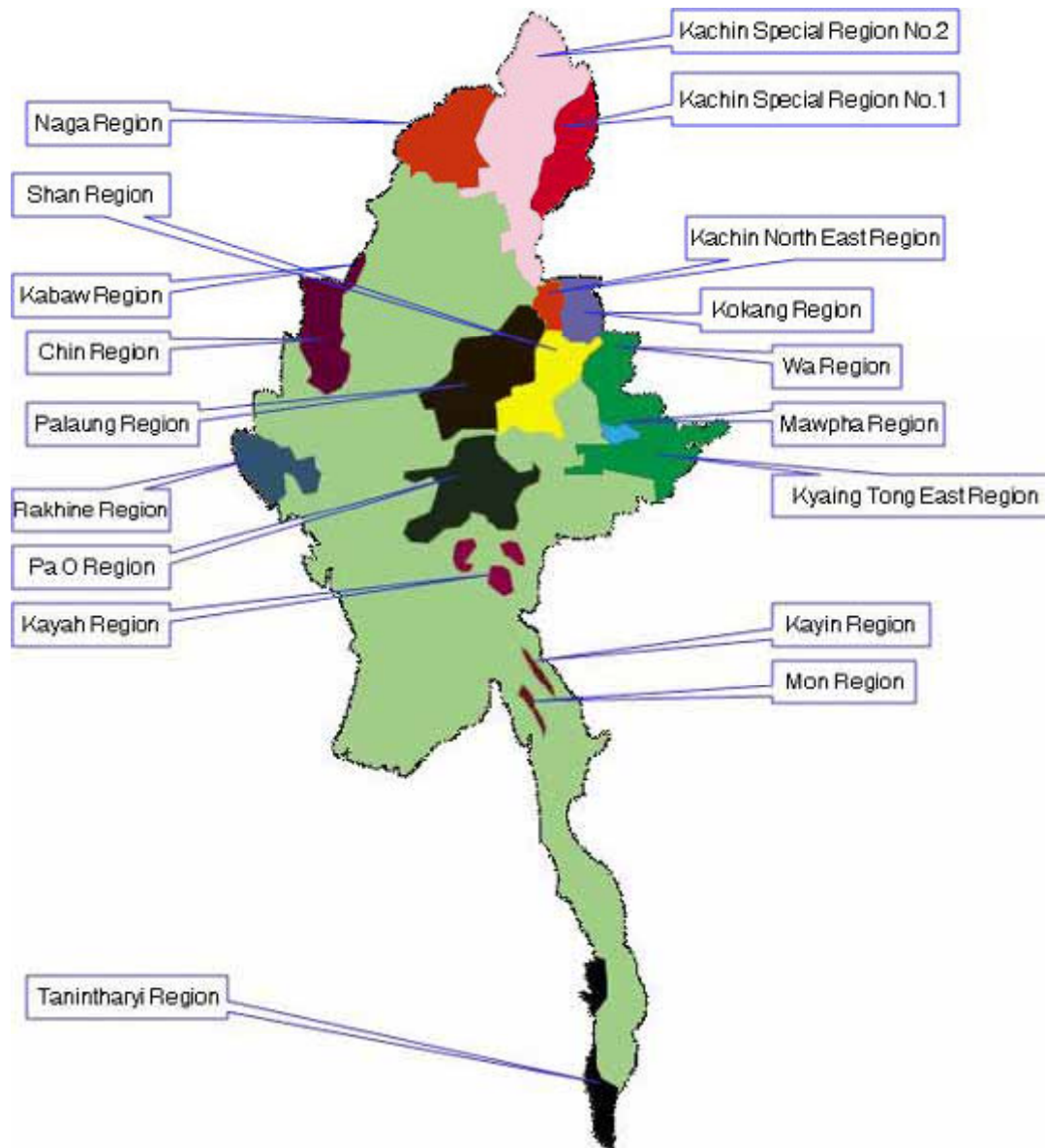


# New Complex Interactions

- **President & V.Ps**
- **President & Chief Ministers**
- **President & C-in-C**
- **President & NDSC**
- **Union Minister(s) & Region/State Minister(s)**
- **Region State/Ministers & State Agencies**
- **C-in-C & Defence minister**
- **Regional Commander(s) (RCs) & Chief Minister(s)**
- **Defence Minister & RC(s)**
- **Defence Minister & BSO Chief(s)**

**Regions where measures for the development of border areas and national races are being implemented**

In eighteen regions of the 7 States and 2 Divisions, measures for the development of border areas and national races are being implemented. The areas is nearly 83415.34 square





# Union Govt. Peace Offer

- As the first phase, those national race armed groups wishing to make pace through solutions to armed conflicts may contact the State or Region government concerned group-wise to launch preliminary programmes.
- Upon completion of the preliminary programmes, the government will form a team for peace talks. It is hereby announced that the government invites national race armed groups to peace talks
- Regional level talks; then Union level talks; next inclusive political dialogue (govt., parliament, ethnic groups)
- Presidential Peace Committee and high-level working committee (incl. milty leaders)



# Kachin Armed Ethnic Group Position

- Political dialogue before ceasefire
- Equality and self-determination
- A “genuine federal” Constitution
- A “federal” army of ethnic units



## Major Ethnic Ceasefire Groups (CFG)

### No to BGF proposal

- UWSA Wa (former BCP) (CF, Union Govt.; 28 Dec 11)
- NDAA Mongla (former B(CFCP)(CF, Union Govt., 29 Dec 11)
- MNDA Kokang (former BCP; subdued Aug. 2009)
- KIA/KIO Kachin (resisting MDS forays into its territory)
- NMSP/MNLA Mon (several thousands)(to start CF talks end Jan 12)
- SSA Brigade 1 (rouge SSA-North integrated with SSA-S)(CF status unknown)
- Some DKBA Battalions/Kayin units (CF, Provincial Govt., Dec. 11)

### Yes to BGF/Militia

- *NDA (K) Kachin former BCP (>1,000)*
- *DKBA Kayin (>5,000)*
- *SSA (North) Shan (> 2,000)*



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# BGF Proposal

- Register order of battle and inventory of weapons
- BGF btn: 18 officers & 308 other ranks
- IC and 2IC from CFG
- 30 are from MAF (3 out of 18 officers & 27 out of 110 NCOs)
  - 1 major (out of 3) admin
  - Adj & Qm (2 out of 5 captains)
  - WOII HQ supdt (out of 5)
  - CQ Sgt
  - 8 Sgt Clerks (all)
  - 6 Sgts (out of 16)
  - 9 Corporals (out of 44)
  - Medic (L corporal?)



# **Ethnic Conflicts: No to CF**

## **■ Holdout**

- Former CF group, Kachin Independence Organization (KIO)/Kachin Independence Army (KIA); several thousand troops. Fighting since June 2011**
- Over 70,000 IDP due to prolonged fighting**





# Communal Violence

- In Western Myanmar Rakhine State
- Two rounds of violence in June and October between (Buddhist) Rakhine & stateless Muslim community self-identified as “Rohingya” but regarded as illegal immigrant “Bengali” by both authorities & the public
- 139 deaths, >7,500 bldg burnt, > 93,000 IDP
- Independent Inquiry Commission to report findings



## **Internal Military/Executive Dynamics**

- **Transition process creates uncertainties/tensions**
- **Hierarchical structure remains with less authority?**
- **Consultative C-M relations? Some second guessing?**
- **The new leaders in Govt. & Military/ :**
  - **Erosion of absolute authority & impunity?**
  - **Diluted power and privileges**
  - **Frustrated aspirants?**
  - **Available resources vs. increasing demands?**



# ASSK in Parliament

## ■ Pros

- **NLD as a legal entity.**
- **Raise intensity & quality of parliamentary process**
- **Opportunity to represent people's wishes/concerns**
- **Opportunity to win over other parties (incl. military) in critical issues**
- **Raise profile of NLD for 2015 elections**
- **Claimed she's not there to quarrel & expressed amity towards the military**



# ASSK in Parliament

## ■ Cons

- **Accept 2008 Constitution and Govt.'s legitimacy**
- **Play by existing rules set by Govt. & associated constraints on freedom of movement speech & action**
- **A few months a yr. confined to NPT during parliamentary sessions**
- **Up against a solid majority by USDP & military reps.**
- **Only 6.4% of seats in Union (lower and upper houses combined) Assembly; need 20% for tabling amend. to Const. and get >75% for passing. For amend. impt. sections referendum must win >50% of eligible voters**
- **Election Commission's control**

# Known Known?(Naypyitaw, 19/09/ 2011)



**“important that they were not left behind entirely” (President)**

