

Myanmar: Opening its Links to the Region and the World

In Session One of the Myanmar Roundtable 2012, the Speakers were Mr Ye Min Aung, Secretary General, Myanmar Rice Industry Association (MRIA) / Central Executive Committee Member, Union of Myanmar Federation of Chambers of Commerce & Industries (UMFCCI) and Dr Bridget Welsh, Associate Professor of Political Science, Singapore Management University. Dato' Dr Mahani Zainal Abidin, Chief Executive, ISIS Malaysia, moderated the session. ISIS Analyst Shahnaz Sharifuddin reports.

Mr Ye Min Aung said in his presentation that since the present government came to power in the widely-criticized elections of 2010, it has moved rapidly to open up discussions to pursue peace with ethnic minorities, devolve power to the national and regional parliaments, and establish the independence of the legislative, executive and judiciary bodies.

Myanmar is still a very poor country, cut off from the outside world for many decades. It needs a settlement to conflicts, as well as national reconciliation. It is a long way from creating a modern and capable state sector, a competitive private sector and a political-economic system that reflects popular aspirations.

While the new government has undertaken or put forward many initiatives to reform the economy, its seriousness is underlined by the President's announcement of the National Roadmap for Poverty Alleviation; previously, the word 'poverty' itself was never used due to the government's sensitivities.

The new government's five-year plan aims for the following:

- 7.7 per cent annual GDP growth;
- Decreasing the contribution of the agricultural sector to the economy from 36-37 per cent to 29 per cent of GDP;
- Increasing the contribution of the industrial sector from 26 per cent to 32 per cent of GDP and that of the



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services sector from 37.6 per cent to 38.7 per cent of GDP;

- Increasing the per capita income by 170 per cent to 300 per cent (Myanmar aims to reduce its poverty level from the current 26 per cent to 16 per cent by 2015); and
- Ensuring equal opportunities for all states and regions.

Myanmar's economy grew 5.5 per cent in 2011 and 5.3 per cent in 2010, led by government spending. Its expected growth in 2012 is 6.2 per cent. Inflation declined to 4.2 per cent in 2011 from 7.7 per cent in 2010 and the central bank lending rate decreased from 12 per cent to 10 per cent. Still, Myanmar requires strong fiscal and monetary management, as well as large capacity-

building for the banking system, which is still very primitive; foreign investment is led by China, South Korea and Japan, particularly in the power, and oil & gas sub-sectors; the government believes it should promote foreign investment into the agricultural sector (currently less than 1 per cent); the current account deficit widened to 4.3 per cent of GDP in 2011 as volatile commodity prices and Kyat appreciation constrained exports (although the exchange rate has depreciated a little to 880-870 Kyat/US Dollar).



From left: Bridget Welsh and Mahani Zainal Abidin

Myanmar's Growth Commission's 7-point proposal includes creating the following:

- A stable macro-economy and a fairly valued exchange rate;
- A high level of savings and investments;
- Connections to the world economy via trade, capital flows and ideas;
- The use of markets to allocate most spending and investment;
- Effective and honest governance at all levels;

- Investments in health and education to create a high-quality labour force; and
- Equality of opportunity.

To that end, the government is making peace settlement and national reconciliation its top priorities. It is opportune then that Myanmar is gaining international recognition, sanctions are being lifted from it and diplomatic relations are being restored. At the same time, inclusive economic development promotes peace. As such, there is a need to continuously take development to the regions of the ethnic minorities. The government's inclusive economy agenda is focused on three areas: to institute new laws and regulations promoting the competitiveness of the private sector; to promote foreign investments; and to expand exports.

The government has also outlined five priority action areas: expanding productive capacity in energy, infrastructure and the private sector; agriculture and rural economy development; promoting trade; human and social development (education and training, capacity-building, water and sanitation, social welfare & protection); and good governance at all levels.

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The first priority action area involves a focus on the following:

- Increasing value addition in natural, resource-based industries;
- Increasing electricity output and expanding the grid to the rural areas, as well developing other rural infrastructure;
- Bridging the digital divide;
- Developing to a competitive-critical mass in the agricultural sector and a system that is resilient to market shocks; and
- Improving banking and insurance facilities for the private sector.

Generally, there is 'cautious optimism' about Myanmar's future as, although its progress to date is believed to be 'irreversible,' the future of its political processes requires a lot of support and recognition from the international community, which is currently very slow in coming.

Dr Bridget Welsh said that the changes in Myanmar are real and substantive. The transition in the discourse in political science is largely that of pact-making. The key turning point in present development occurred in August 2011, with the meetings between Aung San Su Kyi and President Thein Sein, seeking to reach an accommodation to work collaboratively towards the country's future. That is, the changes are at the elite-level, which throughout Myanmar's history has been where changes needed to occur.

These changes have their roots in the preceding changes that occurred over the last decade, during which time outside players played vital roles. One such player was Tan Sri Razali Ismail who, in the early 2000's, helped open up the country and Asean, in the Cyclone Nargis crisis.

On the ground, the most immediately apparent of the changes taking place is the greater degree of press freedom, although some points of censorship are still under review for lifting.

The diffusion of political power is also apparent, with a lot of the power that was previously centred about President Than Shwe now flowing towards the parliaments (national and regional) and government ministries.

It is also apparent that there is a gradual reduction in the role of the military, even if many of the members of the government come from the military (and this will be the case through the immediate future as the military is in the elite-strata of society).

Another change that is apparent on the ground is the broader political opposition in the legislature; even if they currently make up only a minority in the parliaments, their growing number is undeniable.

The engagement of Myanmar with the West is also increasing and they are openly discussing a wider variety of issues in public. Within Myanmar, the fear of having open discussions is clearly dissipating.

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The reform in Myanmar is a top-down process and the key individual in this process is President Thein Sein — he is seen as sincerely committed to the process and has gained the trust of the other actors. Myanmar's transition is a win-win and not a zero-sum liberalization process. However, the process has a complicated future when the trade-offs will result in some losers and some winners. The process cannot be reversed to its previous state, but it could take a different trajectory i.e. there may not be a continuous liberalization process — some autocratic episodes may intervene.

The opposition in Myanmar is much larger than just the NLD — two other important opposition groups are the Generation 88 and ethnic leaders. In many cases, the opposition have actually joined the reform process. On the other hand, opposition to changes in Myanmar is coming from those who are resistant to the pace of the changes, and those resistant to the nature of the changes — they are within the system, in the military and in the bureaucracy.

Myanmar is a democratizing country but is not yet a democracy (at least not until the next general elections scheduled for 2015). As such, it will have to — sooner or later — deal with issues such as holding people responsible for human rights abuses that occurred under the previous regime, displacement of the old elite, and corruption.

There are five conflicting currents and sources of contention in Myanmar.

One is corruption. While the government acknowledges it and is addressing it as a problem, it is endemic in Myanmar society. Another is power diffusion — decision-making still has to go through the president and he has a challenge getting others to follow his decisions. Furthermore, he has only one 10-year term as president. Therefore, he requires continued support as he goes further into his term. This is

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more so as the diversity of influential actors contending for power grows and the process of political reform becomes more fragmented.

Another conflicting area is that of dealing with ethnic minorities. While the government has had many successful initiatives within the past two years, especially in dealing with the Karins, problems do exist, especially in Rakhine State, and involve different communities i.e. the Buddhist Rakhine and the Muslim Rohingya.

There is also the issue of statelessness and a lot of tension on how to accommodate the different actors from the peripheral areas. In Kachin State, solving the problem will require a more holistic approach than a peace agreement. Generally, many members of parliament for the regions of ethnic minorities are not seen as truly representing the communities they come from. Therefore, broadening ethnic representation is a real challenge.

While many new reform laws have been passed or tabled, the real challenge is in fact in the implementing of those laws i.e. to instill in society and the bureaucracy an understanding of those laws, to get their buy-in.

There are challenges in governance — in meeting expectations, in prioritization, in building institutions, in strengthening the political will within the system and in moving the military into a more professional organization.



Participants at the Roundtable

There are also the challenges of personalities, which have been persistent throughout Myanmar's history. This means that the relationship between Aung San Su Kyi and Thein Sein is very important, as is that between the NLD and the government. In this regard, the West is a part of the problem in that their near-deification of Aung San Su Kyi is not helping the dynamics of the challenge of personalities.

Despite all the challenges, there is reason to remain cautiously optimistic about Myanmar's future, especially the political will that exists to push the reforms. Myanmar needs an imperative for international engagement because it cannot do it without help in the form of technocratic expertise. And while changes in Myanmar need to happen fast, everyone needs to have patience and to appreciate that there is a steep learning curve.