

# BTI 2012 | Myanmar Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	48.0	HDI	0.483	GDP p.c.	\$	1950
Pop. growth <sup>1</sup>	% p.a.	0.8	HDI rank of 187	149	Gini Index		-
Life expectancy	years	64	UN Education Index	0.404	Poverty <sup>3</sup>	%	-
Urban population	%	33.9	Gender inequality <sup>2</sup>	0.492	Aid per capita	\$	7.1

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Myanmar (Burma) remains under military rule, although the government held its first elections in 20 years on 7 November 2010. The election process fell far short of representing a genuine transition to democracy, however. The military regime rejected the international community's call for more inclusiveness in the elections and instead restricted political participation by means of a set of manipulations. As in the 2008 constitutional referendum, the regime used large numbers of advanced votes, which were collected by force in front of the authorities, to tip the result in favor of the pro-military Union Solidarity and Development Party (USDP). As a result, the USDP won almost 80% of the seats up for election. Together with the 25% of seats reserved for the military, the military dominates the parliament, which is likely to serve as a rubber stamp for executive decisions. The first parliamentary session was convened on 31 January 2011, and the former prime minister, retired General Thein Sein, was elected as president. Thein Sein nominated just four civilians for cabinet positions, with retired senior military officers nominated for the remainder.

The main opposition party, the National League for Democracy (NLD) led by Aung San Suu Kyi, boycotted the elections, citing the lack of genuine democracy and unfair electoral laws. The party registration law stated that any party which has members who have served prison terms cannot register. This provision specifically targeted the NLD, as many of its leaders, including Aung San Suu Kyi, have been sentenced to imprisonment (or house arrest, in the case of Aung San Suu Kyi). The opposition party split over the issue, with a breakaway faction, the National Democratic Force (NDF), deciding to participate in the elections. After the elections, the NLD was deregistered, since the party registration law also stated that any party which did not run in the elections would cease to exist. The regime has responded harshly to the calls of Aung San Suu Kyi, who was freed from house arrest one week after the elections, to convene a conference

to discuss minority rights and for the continued need for Western sanctions. This has increased concerns about her personal safety. Meanwhile, around 2,000 political prisoners remain in jail.

Tensions between armed ethnic groups in the border regions have continued to rise due to the regime's pressure on ethnic groups that have agreed to a ceasefire to come under its control as border guard forces.

The regime has made little progress in the transformation to a genuine market economy. Although the regime launched a large-scale privatization project in 2009 – 2010, most of the enterprises involved were handed secretly to military conglomerates and cronies, who will continue to monopolize the economy under the new government. Thus, even after this privatization, much of the economy remains in the hands of the military's conglomerates or the cronies of the senior generals.

## History and Characteristics of Transformation

Myanmar has been a military dictatorship since 1962, when General Ne Win staged a coup against the democratically elected government led by Prime Minister U Nu, claiming the military was saving the country from disintegration. After independence from Britain in 1948, the Communist Party of Burma and various ethnic groups soon took up arms against the central government, despite the introduction of parliamentary democracy. The military has sought to achieve national unity, but has done so by coercion and without achieving a viable political solution to deeply rooted ethnic conflicts.

When the military took power, it abolished democratic institutions and replaced them with the Revolutionary Council, chaired by General Ne Win. The army led the country into isolation, cutting off all contacts with the outside world, driving foreign companies out of the country and nationalizing all private enterprises. In 1974, the junta pushed through a constitutional referendum to transition from direct military rule to indirect military rule. Thereafter, a socialist planned economy and one-party rule by Ne Win's Burma Socialist Program Party (BSPP) resulted in the resource-rich country becoming one of the world's least-developed countries.

When the country began experiencing serious economic problems, Ne Win stepped down as president and was succeeded in office by his confident, retired General San Yu. However, Ne Win remained chairman of the country's only political party, and continued to play a decisive behind-the-scenes role in formulating governmental policies. In 1988, continued economic problems led to country-wide demonstrations and the collapse of the ruling party. However, the military staged a coup on 18 September 1988, killing thousands of people. General Saw Maung, then commander-in-chief of the defense forces, led the military junta while Ne Win remained influential behind the scenes.

The new military junta promised to hold free elections, which took place in May 1990. The opposition leader, Aung San Suu Kyi, was placed under house arrest while the electoral campaign was underway. However, the elections resulted in her party, the National League for Democracy (NLD), winning more than 80% of the parliamentary seats. Despite this clear victory for the opposition, the army refused to recognize the election results and continued to rule the country.

On the economic front, the new junta formally embraced market economic principles, but in practice continued to control the economy with poorly managed policies. Foreign investors have hesitated to invest in the country because of the unstable political situation there (e.g., violent minority conflicts and legal uncertainty) and because of concerns about their public image (e.g., fear of boycotts associated with the regime's human rights violations and repression of the democratic opposition). Investments are primarily concentrated in the natural-resource extraction sectors, especially oil, gas, timber and gems, while other industries have received little attention. While Western countries have imposed sanctions on Myanmar for the regime's refusal to democratize and for its systematic human rights abuses, neighboring Asian countries (including Thailand, China and India) have invested heavily.

In 1995, Aung San Suu Kyi was released for the first time, but the authorities repeatedly prevented her from leaving the then-capital, Yangon (formerly Rangoon), to undertake political activities elsewhere in the country. The opposition leader was placed under house arrest again at the end of 2000 during her attempt to travel outside of Yangon, and was only released again 19 months later. Aung San Suu Kyi did not try to travel outside of Yangon for a year after her second release, waiting instead for the junta to accept her proposal for dialogue. When the regime did not respond to her requests, she began travelling to various parts of the country to revitalize her party, and large crowds of people, sometimes numbering in the thousands, gathered to see her wherever she went. The military attacked her motorcade in May 2003, killing dozens of NLD supporters and injuring dozens more. She was imprisoned for three months and then placed back under house arrest. The violent crackdown triggered another outcry of criticism from the international community. The United States imposed an embargo against imported goods from Myanmar, and the European Union expanded the number of people on the travel ban list and demanded that all political prisoners be released.

In response to international criticism, the military announced a roadmap to democracy in September 2003, which envisioned a "disciplined democracy" for the future. The government resurrected a constitution-drafting process that had begun in 1993 and come to a halt in 1996. The National Convention, which convened from 2004 to 2007 in order to draft a new constitution, was given detailed guidelines so as to safeguard the military's dominant position. In response to strong international criticism of the 2007 crackdown against monk-led demonstrations, in which more than 30 people were killed and several hundred arrested, the regime expedited the constitution-drafting process, announcing that the constitutional referendum would be held in 2008 and elections in 2010. In May 2008, the new constitution was

ratified with 92.4% support in a rigged referendum. The new constitution asserts that the head of state must have military experience, allows the military to select three key security ministers, and reserves 25% of all seats in the upper and lower houses of parliament and in the regional and state-level assemblies for the military. In addition, the military leadership is accorded the right to declare a state of emergency and to seize power at any time it deems necessary with the approval of the National Defense and Security Council.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question  
Score

The state's monopoly on the use of force is established in most parts of the country, although some territories in the mountainous ethnic states are still controlled by armed ethnic groups. Many areas previously in the hands of armed ethnic groups have gradually come under Myanmar army control as the result of large-scale military offensives and the brokering of ceasefire agreements. For instance, the Karen National Union, one of the largest ethnic armed resistance organizations, has lost much of its territory to Myanmar army offensives. Some smaller groups, such as the Palaung State Liberation Army and the Myanmar National Democratic Alliance Army (Kokang army), were forced to surrender or brought under the control of the Myanmar army, although larger groups, like the United Wa State Army and the Kachin Independence Organization, still maintain control over their territories.

Monopoly on the  
use of force

4

Many majority Burmese accept and support the official or dominant concept of the nation-state. In addition, some ethnic minorities living in the central part of the country, where there is a mixed population but the region is dominated by majority Burmese, have accepted or resigned themselves to the dominant concept of the nation-state. However most ethnic minorities living in the seven ethnic states, where various non-Burmese populations constitute the majority, do not accept the dominant concept. They not only feel that the state does not recognize their ethnic sociocultural identities, particularly their languages, but also that the central government has paid too little attention to their states' socioeconomic development. In areas controlled by the ethnic armies, the entire minority population openly rejects the official concept of the nation-state. They strongly believe that they have been severely oppressed and discriminated against by the state because of their ethnic identities.

State identity

3

Access to citizenship and naturalization is denied to particular groups on the basis of race rather than religion or other categories. For instance, the Rohingya, which the Myanmar government calls Bingali, have been denied citizenship. The Myanmar

government maintains that they are all relatively recent migrants from Bangladesh. However, the fact that they are Muslim is also a factor in their exclusion. Chinese and Indians have also been denied citizenship, even if they and their parents were born in Myanmar. Rather, they have been given a status similar to that of permanent resident, although by paying bribes, some recent Chinese immigrants have been able to obtain citizenship.

The state is officially secular but religious dogma influences some laws and practices. For instance, abortion is legally prohibited in Myanmar because of religious norms, although the law is not seriously enforced. Higher-level promotion in the Myanmar military is highly influenced in practice by whether one is a Buddhist or not, although it is not official doctrine. Most Christian and Muslim officers have not been promoted beyond the military's middle ranks. Moreover, the religious ministry in practice promotes only Buddhism, encouraging the construction of Buddhist pagodas in ethnic states where there are significant Christian populations and discouraging or obstructing the construction of new churches and mosques.

No interference  
of religious  
dogmas  
8

The state's administrative structures with respect to jurisdiction and law enforcement reach most areas in central Myanmar, but do not reach certain areas in the ethnic states. For example, during the 2010 elections, the government could not administer elections in four entire townships in the Wa area and in some 300 village-tracts spread across 32 townships in various ethnic states. Official tax authorities cannot reach many villages even in central Myanmar, although unofficial fees for military porters and conscription fees have been imposed on many ethnic villages affected by the civil war. Many villages even in central Myanmar lack services such as communications, transportation and basic infrastructure (water, education and health), as do large numbers of villages in the ethnic states.

Basic  
administration  
2

## 2 | Political Participation

Myanmar's first elections in 20 years took place on 7 November 2010. Elections were held in 1990, but the government did not transfer power when the main opposition party led by Aung San Suu Kyi won in a landslide. This time, all eligible voters, except about 1% of eligible ethnic minority voters in areas not controlled by the government, were allowed to vote by secret ballot. However, the regime-controlled election commission imposed many restrictions, which severely violated the principles of free elections, benefited the regime party (USDP) and prevented opposition parties from registering and fielding candidates on a nationwide basis. The opposition also faced serious financial hurdles, as parties were required to pay high registration fees. The pro-military party, the USDP, had the financial backing of the regime. Restrictions on campaigning were imposed as well: Candidates could campaign by using speakers and posters, and by handing out pamphlets no more than one month before the elections, but they could not hold rallies. The USDP had

Free and fair  
elections  
2

unlimited access to the state media, but opposition parties were allowed to give just a single 15 minute speech on state-controlled TV and radio broadcasts. Individual candidates were not allowed to access the state media at all.

On election day, procedures for vote counting and the verification of results were neither transparent nor impartial. For instance, the election commission allowed advanced votes, in which people were forced to mark their ballots in front of an official, to count. This body of votes tipped the results in favor of the pro-military party candidates. Electoral fraud was far less systematic and extensive in ethnic minority areas, enabling some ethnic parties to get a relatively high number of votes (in Arakan, Shan, Chin, Karen and Mon states, for example).

After the elections, electoral complaints were handled by the same election commission that had rigged the elections, not by an independent court. In addition, 25% of the seats in the national parliament and in state and regional assemblies were reserved for active military personnel, while three key security minister positions were filled by active military officers.

In early February 2011, the parliament elected Thein Sein, who had previously been serving as prime minister, as the new president. However, the president did not appear to have effective power over appointments of cabinet ministers and chief ministers for administrative divisions or states. Rather, senior General Than Shwe, the commander in chief of the armed forces, seemed already to have nominated these ministers and passed the list onto Thein Sein to announce. The military's 25% parliamentary block gives it veto power over any attempts to pass constitutional amendments, since amendments require the approval of more than 75% of parliamentarians.

The military will also have veto power over security affairs. These are to be determined by the State Defense and Security Council, on which the president is just one of 11 members, along with six active military officers including the commander in chief. Moreover, the council can constitutionally declare a state of emergency, under which executive, legislative and judicial powers are to be handed to the commander in chief. The council is also the only body which can appoint a new commander in chief, not the president. The executive, legislative and judicial branches lack power over the military itself as well, since the constitution allows the military the independent power to administer and adjudicate all military affairs. This includes military court systems and military business conglomerates.

The 2008 constitution, which came into effect on 31 January 2011, allows freedom of association and assembly, but only as long as the exercise of these rights does not contravene existing security and emergency laws. These laws have frequently been used to arrest political opponents, and there are more than 2,000 political prisoners being held today. Political gatherings of more than five people remain illegal. Dozens

Effective power  
to govern

2

Association /  
assembly rights

2



of peaceful demonstrators, including monks, were shot to death by the military during the 2007 monk-led demonstrations, in which protestors called for redress of economic hardships and for dialogue with the opposition. While the pro-military Union Solidarity and Development Association, which was transformed into a party a few months before the 2010 elections, has regularly organized mass rallies in support of the regime's agenda, the opposition was given only limited freedom to campaign. Civil society organizations' ability to monitor the elections was also heavily restricted. At least two local NGOs and a regional monitoring group conducted secret monitoring by sending volunteers to voting stations in few cities, but a number of foreign volunteers from the regional group were caught and deported.

Although the constitution ostensibly allows freedom of expression, this too is conditional and cannot contravene the state security and emergency laws. According to the 2010 report of the Committee to Protect Journalists, Myanmar has the fourth-highest number of imprisoned journalists in the world. A strict censorship law is in place, and the Press Scrutiny Board enforces the law widely and consistently against the private media. All journalists in the private media also practice self-censorship in order to avoid arrest. Journalists have been imprisoned for "exposing state secrets," "discrediting the state" and "contacting outlawed opposition groups outside of the country." Many private journals which published Aung San Suu Kyi's pictures and stories after her release in late 2010 were subsequently prohibited from publishing for a few weeks afterward. News of the demonstrations in Egypt was not reported in the government's newspapers, and the private media was warned not to publish lengthy stories on the issue, or to accompany them with pictures of the Egyptian demonstrations. The government media publishes only the government's view, and it is difficult for the country's private media to provide a plurality of opinions by including dissenting voices, since they are closely monitored by the government.

Freedom of  
expression

1

### 3 | Rule of Law

Until the end of January 2011, there was no formal separation of powers. The State Peace and Development Council (SPDC) exercised executive and legislative powers and controlled the courts. However, with the new constitution now in force, a formal separation of power between the executive, legislative and judicial branches has been created. Nevertheless, the executive branch has far more power than other branches, while the military still wields significant power through the National Defense and Security Council. Formally, a few parliamentary committees have some role in checking the power of the executive branch, but they are unlikely to be able to exercise this power in practice. The parliament and its committees are likely to hold sessions infrequently. Since all bodies are controlled by the pro-military USDP, parliament is likely to be a rubber stamp, as it was under the one-party socialist government prior to 1988. Although some opposition parliamentarians have tried to

Separation of  
powers

1

raise reform agendas in the parliament, including the release of political prisoners, their questions and proposals have to be submitted for consideration 10 days before the parliament meets. As of the time of writing, a number of questions on education, health, agriculture and ethnic literature and culture policies had been answered by the respective ministers. In each case, the ministers stated that everything was going well and no reforms were needed, and then asked the opposition parliamentarians to withdraw their proposals. If the legislators refused to do so, their proposals were voted on and rejected by the majority of parliamentarians. The judiciary too will lack independence, as the chief justice, who heads the Supreme Court, and the chairperson and members of the constitutional tribunal were nominated by the president, and approved without discussion by parliament in mid-February 2011.

Under the SPDC, the judiciary was not independent. Although the SPDC has now transferred power to the new government, judicial independence remains very limited. The chief justice cannot appoint judges on his own, but must jointly appoint them with the president. Although the constitution formally gives the judiciary an independent role in interpreting laws and the executive branch's activities, it may not be able to do so autonomously in reality, unless it is asked by the executive leadership to do so. Outgoing Deputy Chief of Justice Tun Tun Oo was nominated by the president and approved without any discussion by the parliament in mid-February 2011. The chairperson of the constitutional tribunal is no other than retired Major General Thein Soe, a former military judge advocate-general and deputy chief of justice, who was also chairman of the 2010 Election Commission.

Independent  
judiciary

1

There is hardly any prosecution of office abuse in Myanmar. However, a succession of top-ranking generals, including senior General Than Shwe, has used abuse of office, especially corruption, as an excuse to prosecute their rivals in the military. In fact, judges do not make decisions themselves on high-level corruption cases, but rather implement the orders of top generals. For example, when former prime minister and military intelligence chief General Khin Nyunt was arrested in 2004 and sentenced to 44 years in prison (later commuted to house arrest), this in reality represented Than Shwe's decision – not that of the courts – to punish his rival, even though it was the court that formally announced the decision. In fact, Than Shwe is apparently more corrupt than Khin Nyunt. Corruption and abuse of office are widespread, and usually carried out with impunity.

Prosecution of  
office abuse

1

State power is not formally limited by the rule of law in Myanmar. There has been no prohibition on the use of torture, and many political prisoners have been tortured by the authorities during their interrogations. Many people living in or near civil war areas have been treated cruelly and inhumanely, taken as porters (to carry heavy military loads) and even as human minesweepers during military offensives. Human rights reports document numerous instances of rape of ethnic minority women in civil war areas by Myanmar army troops. Such cases result in prosecution only very rarely. The International Labor Organization (ILO)'s attempts to make the government end

Civil rights

1

the use of forced labor have had some success in urban areas, where the incidence of forced labor has been significantly reduced. However, in many remote areas and particularly in civil war areas, forced labor remains a common practice. There is formal assurance of equality before the law, equal access to justice and due process under the rule of law, but these rights are not complied with in reality. Many courts have sentenced political activists to jail without allowing them legal representation.

#### 4 | Stability of Democratic Institutions

Until 31 January 2011, there were no formal democratic institutions in Myanmar, as it was under military rule. However, as of February 2011, there are elected chairmen and vice chairmen of the upper and lower houses of parliament and of the division/state-level assemblies, as well as a president and vice presidents elected by the parliament. Although it is still early to judge the performance of democratic institutions, early signs are not promising. The 2011 – 2012 state budget, which as in previous years allocated the largest share of expenditure to the military, was announced by the junta a few days before the parliament convened. In addition, the president's nominations for ministers, deputy ministers, chief ministers for the divisions and states, chief justice and chairperson of the constitutional tribunal were rubber-stamped by the parliament, which is dominated by pro-military party members and appointed military officers. Opposition parties and ethnic parties hold about 15% of the seats in the upper and lower houses. Although some ethnic parties won around 25% of the state assembly seats in the states of Arakan, Shan, Chin, Karen and Mon, they still hold less than half the seats in those bodies, as the combination of elected USDP members and appointed parliamentarians constitute the majority. State-level judicial officers nominated by the president and local chief ministers were mostly rubber-stamped by the state parliaments. Thus far, the USDP parliamentarians and the appointed military officers together seem determined to operate as though a single-party government system was in place, more or less similar to the one-party system in place before 1988. It has been difficult to raise dissenting points since any questions must be submitted 10 days before the parliament convenes and require the approval of the house speakers.

Many actors in the country, including the main NLD opposition party, do not accept the current parliament, the president or his cabinet as democratically and freely elected. They also openly rejected the 2008 pro-military constitution. The NLD declared the 2010 elections to be neither free nor fair, and it did not participate in the elections. Instead, the party called for a dialogue with the junta for reconciliation and is likely to take the same approach with the new government. However, some opposition figures, including a breakaway faction of the NLD, the National Democratic Force (NDF), and various ethnic minority parties, did run in the elections, hoping to benefit from the limited freedom they will be allowed in parliament and in

Performance of  
democratic  
institutions

1

Commitment to  
democratic  
institutions

1

the new local governments. They hope they can expand this space later and promote gradual change, although this prospect seems unlikely in the short term.

## 5 | Political and Social Integration

The party system is at a very nascent stage, with political restrictions and oppression under lengthy military rule having hindered its stable development. The pro-military Union Solidarity and Development Party dominates the party system. It was transformed from the regime's mass organization, the Union Solidarity and Development Association, into a political party now supposed to have 20 million members. The party itself is united by order, patron-client relations and a single idea, but does not allow for different ideas or encourage discussion or debates. Although the opposition parties have tried to reflect the suffering of the people, they have faced constraints in communicating with grassroots-level individuals, as the military does not allow mass meetings. Opposition parties are also fragmented, and became more polarized in the run-up to the 2010 elections. A sizeable splinter group from the NLD known as the National Democratic Force (NDF) ran in the 2010 elections, won a few seats, and is now represented by its elected members in parliament. Although some ethnic parties show internal cohesion and strong local support, especially the Shan Nationalities Democratic Party, their ethnic focus prevents them from developing wider appeal. No formal alliance among ethnic parties has yet been established.

Party system  
2

Social movement organizations such as students, workers and monks' unions are not allowed. However, many small community groups working on humanitarian issues have emerged, especially in the wake of Cyclone Nargis' devastation in 2008. Coordination between various community groups is still very poor, mostly due to worries that the authorities may crack down on activities if organizations become bigger or closely networked. However, a few loose networks linking local and international NGOs in Yangon (Yangon) have been created, with participants coordinating to a certain degree with one another on humanitarian support and human development programs. Nevertheless, their capacity to form a bridge between society and the political system is still very weak, since the government does not include such interest groups in its policy-making or implementation processes.

Interest groups  
1

The country remained under direct military rule until February 2011, despite people's desire for political change. According to interviews conducted by independent Myanmar media organizations outside the country, few people believe the new government will operate like a democratic government, given the rigging of the 2010 elections and the restrictions on the parliament. Instead, most people expect there will be continued indirect military rule, as in the period before 1988 when ex-military officers served as the country's top leaders, ministers and director-generals, and the military was the backbone of the government.

Approval of  
democracy  
n/a

There is a low level of trust within the population, though some level of trust exists within local communities. Local areas have seen the creation of many autonomous or self-organized religious and cultural organizations, including meditation groups, but these have not been able to coordinate with one another at the regional or state level. However, few autonomous or self-organized social groups exist in local areas, with those that do emerge largely filling roles such as funeral associations for the poor, as authorities inevitably seek to infiltrate or discourage these from growing. Many self-help assistance groups were formed spontaneously in response to the 2008 Nargis cyclone, but most faded away after one year because of financial difficulties.

Social capital  
2

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

Myanmar's socioeconomic indicators have continued to decline, and it remains one of the world's least developed countries. In the UNDP's 2010 Human Development Index (HDI) report, it was ranked 132nd out of 169 countries, with the lowest HDI value in Southeast Asia. The gap between the small number of wealthy people and the poor has been widening. According to the UNDP's 2010 figures, the national poverty rate is 32%, with a significant urban-rural gap and a much higher rate in rural areas. Myanmar is still an agricultural country, with about 70% of the population living in rural areas. Many farmers barely survive at very low income levels, and cannot access credit sufficient to significantly increase their agricultural inputs, thus improving their agricultural production. This situation worsened after Cyclone Nargis, as the storm hit the Irrawaddy Delta, the country's rice bowl. Surviving farmers lost their homes, their capital, their seeds and other agricultural inputs, while many of their fields and water sources were inundated by salty water.

Socioeconomic  
barriers  
1

The majority of people in Myanmar spend 70% of their income on food, with little left for health care and education for their children. More than 5 million people are living under the food poverty line (Food and Agricultural Organization, 2009). About 1/3 of children under five years of age are malnourished, as is 17% of the total population (UN World Food Program 2009). The under-five-year-old mortality rate is very high, with 122 deaths out of every 1000 births (World Health Organization, 2008). Since the government does not provide enough money to the schools, and the schools charge children many fees, many parents in rural areas cannot afford to send their children to school beyond the primary level. Although 85% of children attend primary school, over 40% do not go on to middle school (UNDP, 2010). The quality of higher-level education has also declined, especially since the government began encouraging university students to take distance-learning courses. This happened

following the 1996 student demonstrations, after which the regime wanted to prevent massive gatherings of students which might lead to further demonstrations.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	-	-	-	-
GDP growth	%	12.0	10.3	10.6	<b>10.4</b>
Inflation (CPI)	%	35.0	26.8	1.5	<b>7.7</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-3.1	-15.5	-2.0	<b>16.1</b>
Import growth	%	7.4	31.3	-18.9	<b>57.0</b>
Current account balance	\$ mn.	1851.4	1547.5	1086.5	<b>1526.9</b>
Public debt	% of GDP	49.6	42.4	44.5	<b>43.0</b>
External debt	\$ mn.	8241.3	8001.7	8185.9	<b>6351.8</b>
Total debt service	\$ mn.	53.7	33.3	28.8	<b>687.1</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.0	2.0	2.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

After the 1988 coup, the military regime officially abandoned socialist-era state-controlled economic system and announced it would introduce market-economic practices in order to improve the economic situation. In reality, the Myanmar economy remains highly controlled by the state, which restrains market-based

Market-based  
competition  
2

competition. Since 1989, the junta has initiated a series of privatizations, including a large-scale privatization in 2009 – 2010, when over 300 enterprises, including a major airline, ports, mines, factories, hotels, cinemas, gas stations, land and buildings were privatized. However, most of the formerly state-owned properties have been transferred directly into the hands of the regime's cronies or the military conglomerates that continue to monopolize the economy. According to the Heritage Foundation's 2011 Economic Freedom index, Myanmar is one of the world's 10 most repressive economies. Although the rice market was officially liberalized in 2003, the government has maintained significant interventions and restrictions in terms of permissible cultivation areas, production, transportation, export policy, and choice of crops. In addition, the export tax was increased arbitrarily to 10% in 2008, together with an additional withholding tax of 3% in 2010, making the export market uncompetitive compared to other countries. However, the government and military enterprises do not need to pay these taxes, and some of these have even received subsidies. Two military conglomerates, the Union of Myanmar Economic Holding Company (UMEH) and the Myanmar Economic Cooperation (MEC), the largest economic enterprises in the country, have dominated the economy.

Currency convertibility is also difficult, since the official exchange rate has been fixed at approximately six kyat per U.S. dollar, while the real market exchange rate has been around 1000 kyat to the dollar since 2009. In the domestic market, there is no market contestability at the level of large enterprises since market leaders are in the hands of the state, the military and a handful of cronies. Although the environment for middle-sized businesses shows better market contestability, market entry barriers for companies are still huge. For instance, it takes three months to register a company and bribes must be paid to various authorities throughout the process. Import/export licenses and approvals for foreign investments are totally controlled by the military-run Trade Council, and the investment commission is led by high-ranking military officials. Because of the system of multiple exchange rates, the military government's total control of large economic enterprises, and the plethora of government regulations, the informal economic sector has expanded. The informal economy allows the government to use the unofficial exchange rate when it converts U.S. dollars into kyat but to record the transaction at the official rate. In this way, most of the real income is hidden. The military government also doles out investment opportunities and import/export licenses to its cronies.

No antitrust or competition laws have been introduced in Myanmar. It is unlikely that such laws will be introduced in the current parliament, since two military conglomerates are allowed to enjoy virtual monopolies. Even if such laws were to be introduced in the parliament, enforcement would be unlikely, since general economic law enforcement measures have been weak in the context of weak rule of law.

Anti-monopoly  
policy  
1

Myanmar has been a World Trade Organization (WTO) member since 1995, but because of its extensively controlled economy, foreign trade has not been liberalized in reality. The country's trade openness ratio is the lowest among its Southeast Asian neighbors. Myanmar also has a large informal trade in arms, narcotics and forest products. Regarding official trade, revenue from gas exports today are much higher than revenue from the country's traditional exports of agricultural and forest products, gems and live animals. Gas exports are controlled by the state's own Myanmar Oil and Gas Enterprise which co-invests with foreign partners. The remainder of the country's trade is dominated by two military conglomerates, the UMEH and the MEC.

Liberalization of  
foreign trade  
2

As a WTO member, the official tariff figure is low on paper. It was 3.9% in 2007 and is likely to continue at more or less the same level. However, non-tariff measures appear to be significant, since import and export licenses are considered case by case, and huge corruption fees are involved in getting the licenses. Import and export taxes are also high, and if businesses don't want to pay them, they need to bribe custom officers instead. There are also import quotas for certain items, such as trucks, buses and certain types of cars. Certain export items are also limited; rice is one such product, for example, in order to stabilize the domestic rice market. Certain other safeguards exist to protect domestic industries such as plastic and food.

State-owned banks dominate the banking system and the central bank is directly under government control. There are more than a dozen private banks, but no proper capital market. Myanmar cannot establish a stock market, and has no real market for bonds, which are sold only to the banks. Banks in Myanmar operate under formal regulations, but with little supervision and enforcement and without transparency. This led to a banking crisis in 2003. During the crisis, there was a run on a few main private banks, and the central bank could not help in time. After the crisis, the central bank imposed additional restrictions on the banks' lending practices, seeking to prevent similar problems in the future. There are also interest rate caps lower than the inflation rate on deposits and loans, which discourage depositors and borrowers. All of these measures make it difficult for the private banks to return to the levels they had reached before the crisis. In addition, private banks cannot obtain capital from foreign banks since only the government's foreign trade bank is allowed to do so. The state-owned banks loan much more money to government projects and to the military's cronies than to the private sector, making it difficult for the private sector to grow too. There are many restrictions on providing loans to private citizens. For example, land used as collateral for bank loans cannot be undeveloped land, and must have a building on it.

Banking system  
2



## 8 | Currency and Price Stability

The central bank does not have a consistent or effective inflation control policy, or an appropriate foreign exchange policy. The government, which totally controls the central bank, has imposed arbitrary top-down policies such as printing money to solve budget deficits, leading to fluctuating inflation rates. The government has also made arbitrary decisions such as to increase salaries sharply and remove subsidies suddenly, as it did on fuel prices in 2007, which led to large demonstrations. Due to such arbitrary practices, the volatility of consumer price index (CPI) inflation has been very high, rising from 20% in 2006 to 35% in 2007, and then dropping to 26.8% in 2008 and 1.5% in 2009. According to a Myanmar central bank research officer, the inflation rate fluctuated even more seriously from 58.1% in 2002 – 2003 down to 24.9% in 2003 – 2004 and further down to 3.8% in 2004 – 2005. Overall, the inflation rate fluctuated between 57.1% and 1.5% over the years between 2001 and 2009. ([http://www.seacen.org/GUI/pdf/publications/research\\_proj/2010/rp78/mfChap5.pdf](http://www.seacen.org/GUI/pdf/publications/research_proj/2010/rp78/mfChap5.pdf)).

Anti-inflation /  
forex policy

1

The junta has also had a fixed exchange rate policy for many years, enabling it to hide foreign income and use it for massive extra-budget military spending or simply to let senior officers accumulate personal wealth. The official currency exchange rate has been fixed at around six kyat to a dollar, but the real market currency exchange rate has demonstrated high volatility, fluctuating between 650 kyat and 1450 kyat to a dollar over the past 10 years. In recent years, the real market exchange rate has stabilized somewhat, ranging from 1000 kyat to a dollar in 2009 to 980 kyat in 2010. The junta did not introduce any financial reforms in response to the recent global financial crisis.

Myanmar lacks consistent and sound fiscal and debt policies to support macroeconomic stability. Instead, its arbitrary fiscal and debt policies are motivated primarily by political concerns. Myanmar did not launch any fiscal stimulus in response to the global economic slowdown. Instead, in 2009, the authorities sold a number of government buildings and many confiscated items including unlicensed cars and motorcycles. The government also launched a selective privatization program of state industries, mostly into the hands of cronies. This arbitrary decision to launch such extraordinary selling seems to have been planned by Senior General Than Shwe as a way to move money from the market back into the hands of the government before the elections in 2010. Than Shwe may have wanted to do this in order to eliminate fiscal deficits and leave a fiscal surplus as his legacy as he transferred power to the new government led by President Thein Sein in 2011. However, such an arbitrary decision at a time of global economic slowdown could hurt the economy, since there will be less money in the market.

Macrostability

1

The deficit in the 2008 – 2009 fiscal year was 3.5% of GDP, which wasn't particularly high given the global economic recession. However, the government's

tendency to hide real foreign revenue by using a very low official exchange rate, enabling it to use the rest of the money for unproductive sectors like huge military spending and construction costs for the new capital, represents a source of macroeconomic instability. According to the International Monetary Fund (IMF) and Asian Development Bank (ADB), Myanmar's external debt was \$8.1 billion in 2009 – 2010, but the real debt amount could be higher, as the government has taken many friendly loans from China in recent years, including a \$4 billion interest-free loan in September 2010.

## 9 | Private Property

There is no effective protection of property rights, including intellectual property rights, in Myanmar. According to the 2008 constitution, the state ultimately owns all the land and natural resources, although it permits some exercise of private property rights. This means that citizens can own land, but that the state can confiscate the property if it so desires. In fact, most ordinary people do not have legal title to their land and other property. The state has confiscated many private plots for government projects, including the establishment of military camps and businesses, without providing compensation

Property rights  
1

To attract foreign investment, special economic zone laws include protection for foreign investors, but these are still conditional to the extent that they may not contradict existing laws. This gives leeway for the state to intervene. A wave of privatization of state assets and enterprises was performed suddenly in 2009 – 2010, and was not done in accordance with market principles. The process was neither transparent nor competitive, since the government sold the assets very quietly and quickly to a handful of enterprises with close military ties (Tay Za's Htoo Co., Tun Myint Naing's Asia World Co., Zaw Zaw's Max Myanmar Co., Chit Khine's Adin Group, etc.) and to two military conglomerates, UMEH and MEC.

Private  
enterprise  
2

## 10 | Welfare Regime

Myanmar has no official social safety nets, and poverty is widespread. However, family members, friends and religious organizations have traditionally provided a social safety-net function, especially in terms of helping with food, clothing and accommodation, although widespread poverty and the paucity of job opportunities in the country has weakened this over time. As a result, tens of thousands of young and middle-aged Myanmar have travelled to bordering countries including Thailand, Malaysia, China and India to work as migrant laborers. Many send remittances back to their family members, a factor increasingly becoming a primary source of financial support for those left inside the country. However, the amount of remittances seems

Social safety nets  
1

to have gone down in 2009 in the wake of the global economic slowdown, during which some migrant workers lost their jobs and went back home.

Formally, there is little discrimination based on gender, ethnicity or religion in Myanmar in terms of access to education, public office or employment. The most glaring exception is the Rohingya minority, members of which have not been granted citizenship and have seen their rights of movement severely restricted, making it very difficult for them to access even secondary education, let alone employment opportunities outside of their villages or towns. In addition, ethnic minority languages are not generally allowed to be taught at schools, although some groups are able to offer classes in their languages outside the normal school day. The engineering and medical universities accept significantly more men than women. In addition, Indian and Chinese children, who were born in Myanmar but granted but foreign resident cards instead of citizenship, are not allowed to attend any of the medical institutes.

Equal opportunity

1

Ethnic minorities living in the ethnic states have less access to higher-level education, particularly in the fields of medicine and engineering, since these universities are concentrated in central Myanmar. There is also a certain degree of traditional family practice, in which sons are given priority to daughters in terms of receiving higher education, although more women than men attend high school.

In terms of public office, some discrimination based on gender, ethnicity and religion exists, especially for access to senior positions, and particularly in the military. For example, there are few or no women in the leadership positions of the various political organizations or holding public office. Few ethnic minorities or non-Buddhist military officers have been promoted beyond the middle ranks. In terms of total employment, the number of men holding employment is nearly twice the number of women.

## 11 | Economic Performance

Economic performance is poor in reality. The available quantitative data are mostly unreliable since the government invents numbers to match the top generals' wishes. Although some international organizations have estimated Myanmar's GDP growth rate at an average of more than 10% over the past few years, this double-digit rate appears exaggerated, and does not correspond with many realities on the ground. The Economist Intelligence Unit's (EIU) January 2011 country report estimated the growth rate to have been 1.8% in 2009 and 3.1% in 2010, which seems to be closer to reality. The positive growth rate is largely due to a trade surplus driven by sales of

Output strength

3

natural gas, since the domestic economy has continued to stagnant. According to the Asian Development Bank, the country's trade surplus was over MMK 18 billion in 2009.

However, this trade surplus money would not significantly increase official revenue since the government would substantially under-record the revenue (as 18 billion kyat rather than 3 trillion kyat) by converting to local currency at the fixed official exchange rate of 6 kyat per dollar, rather than at the real market exchange rate of around 1000 kyat to the dollar. Due to this under-reported revenue, there appeared to be budget deficits, which the EIU estimated as -4.8% of GDP in 2009 and -5.2% in 2010. However, General Than Shwe reportedly said that he would like to use the earnings from the 2009 privatizations to ensure there was a budget surplus when he transferred power to the new government, since tax revenues are low. According to the Heritage Foundation's 2011 country report on Myanmar, tax revenues amount to only 3% of GDP. In part, this is due to widespread corruption among customs officers, who accept bribes in return for not collecting the official tax. This distortion of tax revenue is also one of the main sources of financial instability. In addition, if the government requires more money to achieve a budget surplus, it has a tendency to print money to close deficits, which can lead to higher inflation. Although the inflation rate dropped sharply to 1.5% in 2009, the 2011 January EIU report estimated that the rate went up to 8.5% in 2010 and then to 12.4% in 2011.

The external debt is over \$8 billion. While this is not high in absolute terms, the fact that the country is in arrears, as the regime has not paid its debts to international banks including the World Bank, creates risks for the economic environment. Foreign direct investment (FDI), which is concentrated in the energy and mineral extraction sectors such as gas and hydropower, has gone up and down over the past six years. There is also a huge gap between FDI approvals and actual investments. For example, FDI approval was over \$6 billion in 2004 – 2005, but less than \$300 million was actually invested. Between 2003 – 2004 and 2009 – 2010, FDI approvals fluctuated between over \$100 million and over \$6 billion, while actual investments fluctuated between over \$200 million and over \$900 million. Weak rule of law, the unpredictability of government intervention and international sanctions have created a high-risk environment and led to stagnant investment in the manufacturing and agricultural sectors.

## 12 | Sustainability

Environmental concerns are not yet seriously taken into account in either macro- or microeconomic terms. There is no environmental ministry, and environmental impact assessments (EIA) are not required either for domestic or foreign investment projects.

Environmental  
policy

1

To make matters worse, the government and various armed ethnic groups have both legally and illegally logged large tracts of forest in a competitive manner, particularly after 1988, seeking to increase their revenue. This has led to widespread and large-scale deforestation in many areas of Myanmar, especially in the border areas. Since 1988, the Myanmar government has relied primarily on the extraction of natural resources for foreign currency. There are reports of negative health impacts due to the use of toxic chemicals in the mining process without proper safeguards; for example, at gold mines in Kachin and Karen States and copper mines in upper Myanmar.

The government has not made the development of high-quality education a priority. Because anti-government demonstrations have often begun on university campuses, the regime has resorted to shutting down universities for years at a time (three years after the 1988 demonstrations and four years after demonstrations in 1996). After 1996, several campuses were moved outside Yangon to make student organizing more difficult. At the same time, the military has encouraged students to take distance education courses, which require little time on campus and provide fewer opportunities to develop networks and become politicized. This policy has also led to deterioration in the quality of education.

The regime has treated civilian education as relatively unimportant, while focusing on the development of military universities. Military medical and engineering universities have been established so that the military will have properly trained doctors and engineers. In recent years, more private schools have been allowed to open and more elites have sent their children there due to the poor quality of public schools.

Although the reported literacy rate is over 90%, school attendance beyond the primary level is low and at the tertiary level is very low. According to the government's Statistical Year Book (2006), university students still represent only 1 % of the total population. This is because many parents take their children out of school after they finish primary education, as they cannot afford the school fees. In addition, many people do not value university education much. In 2009 – 2010, only about 1% of GDP was budgeted for education, while the military budget was over 20% of GDP. For the 2011 – 2012 budget, the junta allocated 4.13% (\$350 million) of the state budget to education, and about 23.6% (\$2 billion) to defense. The regime has expressed little interest in investing in R&D. It rarely takes advice from technocrats with regard to policy-making.

Education policy  
/ R&D

1

## Transformation Management

### I. Level of Difficulty

Structural constraints are high. Poverty rates are high throughout the country, infrastructural development is still poor, education levels are very low, the educated workforce is small and the administrative capacity of the bureaucracy to tackle these problems is quite weak. The military government's lack of will to tackle these issues has aggravated these structural constraints over the last 20 years, despite the fact that Myanmar was previously one of the most promising countries in Asia, with rich natural resources and high numbers of educated people in the 1950s. Although Cyclone Nargis severely damaged the country's main area of rice production in 2008, such natural disasters are rare in the country, with the exception of the state of Arakan, which borders on Bangladesh. The rate of HIV prevalence among the population is approximately 1% to 2%, which requires commitment in managing and reducing, but is well below the scale of some of the hardest-hit countries in Africa. However, Myanmar still has high incidences of malaria and tuberculosis.

Structural  
constraints  
9

Myanmar civil society does not have strong roots. Although there was some civic engagement by student and labor unions under the democratic government in the 1950s, the government still tried to set up its own unions to control such movements. Since the military takeover in 1962, all independent civic organizations, including student and labor unions, have been outlawed, as has the independent media. The government has set up its own mass organizations (youth, workers, farmers, etc.) to promote its policies and prevent the emergence of other civic movements. However, some small religious organizations, which are not involved in any political activities, have been allowed to exist. Although many local community organizations and NGOs have been formed in recent years to address local social and economic problems, they are uncoordinated and are still working on their own organizational development. There is little social trust given that civil society organizations are closely monitored, discouraged and in some cases oppressed by the government in its efforts to keep society under control.

Civil society  
traditions  
9

The country has experienced two types of conflict. One is between the military regime and the opposition, which has prevailed since 1988 – 1990. The second type

Conflict intensity  
9

of conflict is between the military government and the country's various ethnic minorities. The country has faced civil war since independence in 1948. Various ethnic groups have waged armed struggle against the government for autonomy in their ethnic areas. Although the government has forged ceasefire agreements with more than a dozen ethnic armies, no significant political concessions were made. Tensions have been growing in the ceasefire areas since 2009, when the military ordered ethnic armies that were party to the ceasefire to be transformed into border guard forces under the Myanmar military's control. While some ethnic groups accepted the border guard proposal, the largest groups have so far refused to lay down their weapons. The government attacked the Myanmar National Democratic Alliance Army (Kokang army) in mid-2009 because Kokang leaders refused to transform their army into a border guard force. There is thus a serious risk of civil war breaking out again in some regions.

## II. Management Performance

### 14 | Steering Capability

The government's long-term, top strategic priorities are maintaining sovereignty and expanding this to the whole country. These priorities are manifested in the government's regular proclamation of "Our Three Main Aims," which are 1) non-disintegration of the union, 2) non-disintegration of national unity and 3) perpetuation of sovereignty. Although the government also discusses a set of economic and social objectives, they have been always subordinate to the political objectives. The slow response to the 2008 cyclone was an indicator of the regime's priorities, as carrying out the constitutional referendum, which was scheduled for the week after the cyclone, was considered to be more important than responding immediately to the suffering of the victims. The four political objectives are: 1) stability, peace and preservation of law/order, 2) national reconsolidation, 3) emergence of a new constitution and 4) building a new modern developed nation.

Moreover, the regime's economic objectives are vague and contradictory. These include: 1) economic development based on agricultural development, 2) the market economy, 3) attracting technological know-how and investment, and 4) perpetuation of the state-initiated or state-controlled economy. Clearly, the market economy and a state-initiated or state-controlled economy are contradictory. Stated social objectives are essentially elements of moral propaganda, with no specific targets. These include: 1) uplift morale, 2) uplift national prestige and preserve the national character, 3) uplift patriotism and 4) uplift health, fitness and education standards. The sets of economic and social objectives appear to be used more for

Question  
Score

Prioritization  
1

political propaganda than for genuine goal-setting, as no proper feedback mechanism for evidence-based policy-making has been established.

There is no debate or discussion about reform at top-level meetings; instead, senior General Than Shwe simply announces what he wants accomplished, and this is later written up as results in the government's official statistics. In such meetings, nobody dares to talk back to the top generals or to raise the country's real problems, which General Than Shwe does not want to hear. General Than Shwe also shows little effort to understand the country's real socioeconomic problems, and evidently wants to believe that the country is improving.

The government is not effective in achieving most of its stated priorities, although it may complete certain short-term objectives as planned, at least superficially. For example, the constitutional referendum was held as scheduled in all areas unaffected by the cyclone just a week after the storm. Many people had to vote in front of local authorities, or discovered that their ballots had been pre-marked in support of the constitution. As a result, there is no widespread feeling of ownership of the constitution, and many citizens hope it can be changed in the future. Similarly, the 2010 elections were held as planned, but many people witnessed how the results were rigged. Therefore, the newly elected government lacks popular legitimacy.

The government has only been able to control the opposition movement through oppression, not by winning the public's hearts and minds. In reality, there is significant popular frustration with the government, although fear has kept most people quiet. Although impossible to predict, unrest is possible, as demonstrated by the monk-led demonstrations in 2007. Similarly, through the use of force the military regime has been able to exert more control over territories formerly controlled by ethnic armed groups, but this is not the same thing as establishing an enduring peace or national unity. Rather, levels of tension and suspicion of the government have been growing among the ethnic minority population.

Although the government has constructed many dams and encouraged private companies to work toward agricultural development, the top priority among the government's stated economic objectives, there has been no significant improvement in agricultural output. With respect to the stated priority of increasing industrial development, the regime has set up industrial zones, but the lack of a regular supply of electricity has stymied progress. In fact, the regime has for many years also set targets for the provision of round-the-clock electricity, constructed hydropower plants intended to fulfill this goal, but electricity nevertheless remains in short supply. There has been some infrastructural development in the form of newly constructed roads and bridges, but in many cases, their quality is not particularly good except for the roads around the new capital. Likewise, more

Implementation

1



schools and hospitals have been built, but many of them lack qualified teachers and doctors, as well as teaching materials and medicine.

Poor implementation is mainly due to technical incompetence and widespread corruption at all levels. Ministers and top-level civil servants, especially managing directors, are chosen from the military ranks on the basis of loyalty rather than expertise. The technical capacity of civil servants at the middle and lower levels is also declining, since they have not been able to engage in proper advanced studies at home or attend in-depth training programs abroad, although a few have been sent abroad for short courses. Importantly, there have been no effective human development programs aimed at providing long-term benefits to the country. Ministers and top-level civil servants who implement policies appear to be more interested in deriving personal benefits from the projects than in achieving the objectives. In many cases, they can simply make up reports stating that the projects have been successful in order to satisfy the top generals.

The government learns and adapts to only a very minor extent. The government does little in the way of effective monitoring of its socioeconomic development programs, although some intelligence agency analyses of socioeconomic conditions as the cause of political unrest have been taken seriously. International actors, including China and various U.N. agencies, have since 1988 provided timely suggestions on how to reform the socioeconomic sector, but the military leadership has made little effort to implement these ideas. Nobel Prize-winning economist Joseph Stiglitz gave a talk in Myanmar in late 2009, advising that gas revenue be used to fight poverty by extending rural credit and investing more in education. However, this recommendation was not heeded by the government.

Policy learning

1

## 15 | Resource Efficiency

The government does not use available human, financial and organizational resources effectively. Instead, it has expanded the military in efforts to maintain its power, devoting huge amounts of resources to the military budget (over 20% of GDP in 2009 – 2010), in the process sacrificing other productive sectors such as agriculture, manufacturing and education. Top administrative personnel are selected not for their expertise, but for their loyalty to top military leaders. Many do not have relevant skills in the fields to which they are assigned. For example, former Lieutenant General Tin Aung Myint Oo was appointed to lead the Trade Council in 2007, despite having no basic economic knowledge, let alone economic expertise. There is no competitive civil servant selection process, as personal connections to the top generals and bribery are more important than personal capacity.

Efficient use of assets

1

The government has not made payments on its external debt to international financial institutions for many years. Government spending has exceeded revenues for many years, with budget deficits addressed by printing money, resulting in high inflation. Much of the country's foreign exchange earnings have been pocketed or put to unproductive uses. There has been no independent auditing. Processes of budget planning and implementation lack transparency, since the government has not publicly announced budget allocations and expenditures since 2005. Many civil servants are not well-trained, and are inefficient. There are a few well-trained civil servants, but these are rarely placed in important positions or given the authority to make important decisions. Civil servants are not provided with decent salaries, so many have to survive by engaging in corruption or taking outside jobs, giving little attention to their primary jobs. Governance has been highly centralized, and there is no plan for decentralization. There are no effective procedures and institutions in place to reform and modernize the public administration.

Policy coordination is generally poor in Myanmar. There is great secrecy between different ministries and little communication. Due to unclear responsibilities, redundancies and friction have emerged between the various ministries, as well as between the ministries and the regional military commands. Ministers separate into personal cliques, split particularly between hardliners and relative moderates, making interministerial coordination difficult. For example, there has been no coordination between the tourism minister, who wants to preserve forests for tourism, and the economic minister, who wants to increase revenues by logging. When the government forced poppy farmers in the Wa area to relocate as part of a drug eradication program, it was not well coordinated across the various ministries and agencies involved, resulting in severe malnutrition from hunger. However, in a few situations, the government has been able to establish effective horizontal forms of coordination among certain ministries and branches. For example, when a number of important border check points were opened, there was fairly good coordination between the defense, home, immigration and finance ministries.

Attempts to reduce corruption periodically emerge, but they have not been effective. There has been no independent auditing of state spending. There is no right to information, and no freedom of expression, and public procurement procedures lack transparency. When General Soe Win became prime minister in 2004, he established an anti-corruption committee and arrested some customs officers. After his death, his successor Thein Sein (the current president), did not follow through. In fact, corruption is widespread and deeply rooted in Myanmar today.

Policy  
coordination  
2

Anti-corruption  
policy  
1

## 16 | Consensus-Building

There is serious conflict over the nature of the country's political system between the government and the main opposition political party, the NLD, and between the government and many armed ethnic groups. The NLD's goal is to establish a liberal democracy and a genuine market economy. The armed ethnic groups' goal is to establish a federal union which provides greater autonomy for ethnic areas. The regime's long-term strategic goal is neither democracy nor a federal union, but to maintain its power. Although the main opposition party and many armed ethnic groups have called on the government to open a dialogue with an eye toward a negotiated democratic transition, the regime has refused to come to the table. Instead, the regime has begun unilaterally implementing its own seven-point roadmap to "disciplined democracy." This roadmap is aimed at legitimizing the military's power and guaranteeing a centralized state. The leading generals expect to continue on a course of crony capitalism, and will manipulate elections as necessary to maintain their power.

Consensus on goals  
2

Reformers have no control over anti-democratic actors as represented by military hardliners. The military hardliners have control of both government and the military. Although there are a few moderate generals who want to see a slow and gradual democratic transition, they have been marginalized within the armed forces. Democratic actors (opposition and ethnic parties) have been marginalized in the political process, since they hold just 15% of seats in the new parliament, which is dominated by the pro-military USDP.

Anti-democratic  
actors  
1

The regime has been unable to moderate the existing armed ethnic conflict, although it has struck ceasefire agreements with some armed ethnic groups. The regime has waged offensives against armed ethnic groups outside of the ceasefire agreements every year since 1988. After reaching tentative accords with some armed groups, the number of battles was significantly reduced, and tension diminished in the areas affected. However, there has been little in the way of confidence-building, and no political concessions were granted. Although several ethnic community leaders attended the constitution-drafting convention to try to find a political solution, they were ultimately frustrated, as none of their demands for ethnic autonomy were met. The regime does not want to provide greater ethnic autonomy, as it evidently worries that the ethnic groups will demand progressively more rights, and ultimately secede when they are strong enough to stand on their own. The regime also believes that federalism could lead to the disintegration of the country. Therefore, the regime has relied on a military solution in dealing with ethnic conflicts.

Cleavage /  
conflict  
management  
2

In 2004, the third-highest-ranking general, Khin Nyunt, who orchestrated the ceasefire agreements and was considered by ethnic groups to take a less hard line

than some of his peers, was removed from his position by the top two leaders of the junta and put under house arrest. Since then, relations between the government and the groups covered under the ceasefire have deteriorated, as military hardliners have pressure on the ethnic armies to surrender. Methods have included discontinuing business licenses and confiscating unlicensed cars. Since mid-2009, ethnic tensions in the ceasefire areas have been on the rise, following the regime's order that the ethnic armies be transformed into border guard forces under the national military's control. The regime also blocked the Kachin State Progressive Party, which was led by one of the main Kachin armed group's (Kachin Independence Organization) leaders, from registering for the 2010 elections. There seems to be little hope that the military leadership will manage cleavages through dialogue in the future.

The government does not allow civil society groups to take part in agenda setting, policy formulation and implementation, or performance monitoring. Instead, the government monitors community organizations and NGOs with the suspicion that they may one day challenge military power. Nevertheless, the government allows local community organizations and NGOs to engage in some local activities as long as they do not take part in political activities or criticize the government. Community workers who have criticized the government have been imprisoned. For example, a famous comedian, Zargana, was arrested and sentenced to imprisonment for several years for criticizing the government in the international media for not doing enough to help the Cyclone Nargis victims.

Civil society participation  
2

The government does not recognize that the country needs reconciliation after decades of political and ethnic conflict. Instead, it seeks to unify the country under government compulsion. In the 2008 constitution, the government included an amnesty provision for all government-controlled troops who committed human rights abuses in suppressing demonstrations and attacking ethnic minority troops and villagers in civil war areas. This was included to avoid the future prospect either of punishment or of reconciliation between perpetrators and victims.

Reconciliation  
1

## 17 | International Cooperation

The government would like to receive international assistance, but would like to manage such assistance in its own way, without international workers' involvement, monitoring or advice. Such suggestions are considered by the government to be foreign interference that will make the government look bad for not doing a good job. For example, right after Cyclone Nargis hit Myanmar, the government wanted material assistance but not the presence of foreign aid workers, so initially rejected volunteers' aid. The government finally bent to coordinated pressure from China, ASEAN, and the U.N. secretary general, and allowed

Effective use of support  
3

international workers in under the auspices of a tripartite core group comprised of the government, the United Nations and ASEAN.

The government has its own long-term plans for political and economic control, but does not want the international community to give any advice or try to influence these plans. When the government held its referendum in 2008 and elections in 2010, the international community, especially the United Nations and ASEAN, offered help in the form of elections monitoring. Not surprisingly, the government rejected this offer, saying that it had ample experience in conducting elections. Although the government has a step-by-step roadmap for its political objectives, it has not come up with an effective step-by-step economic or development roadmap. Instead, there are vague goals. The government does not have a sound economic policy. It receives significant levels of Chinese development assistance today, but generally hasn't used the money wisely. In addition, widespread and deeply rooted rent-seeking and corruption is pervasive throughout the country, hindering development.

Myanmar is a member of the Association of Southeast Asian Nations, which means that at least within ASEAN, the Burmese government can claim to be a somewhat reliable partner. It is also an important ally of the People's Republic of China, and has improved its relationships with India and Bangladesh in recent years. Outside the context of these relationships, however, the international community does not consider Myanmar to be a credible or reliable partner. Western countries have imposed economic sanctions on Myanmar because of its serious human rights abuses and foot-dragging on democratization. The United Nations has repeatedly asked Myanmar to improve its human rights record and to move towards reconciliation. Myanmar's lack of cooperation has led to frustration. The United States has changed its policy in order to engage with Myanmar, while retaining the sanctions it first imposed in 1997. The U.S. would like to see Myanmar cooperate with international demands, but it too has been frustrated by the lack of significant improvement in the areas of human rights and democratization. The European Union has provided humanitarian assistance, especially after Cyclone Nargis, in the hope that greater political space will open up in the future, but has criticized the lack of appreciable improvement in many areas including democracy and human rights. The EU has extended its common position, which includes annual visa bans for top officials and other restrictions on the Myanmar generals.

The Japanese government suspended its overseas development assistance to the country after the 2007 monk-led demonstrations, during which a Japanese journalist was shot to death at close range. Even China expressed frustration with the state's control over the economy and the crony capitalists' monopolies over key industries, which have prevented the implementation of substantial market reforms. The World Bank, the IMF and Asian Development Bank no longer provide direct loans to Myanmar, as it has not made debt payments in years, although the country does

Credibility  
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benefit from some regional multilateral assistance projects. Foreign investors, except for a few involved in the natural resource extraction sector, shun Myanmar for its risky and unpredictable business environment and because of Western economic sanctions. U.N. agencies including the International Labor Organization (ILO) as well as other international NGOs operating in the country face many restrictions, including on travel. The International Committee for Red Cross has not been able to make independent prison visits since 2005, and decided to close some of its offices in 2007.

Myanmar has generally tried to maintain good relations with neighboring countries, especially China, India and Thailand, by using resource diplomacy. All three neighbors together with South Korea and Malaysia are competing for gas and oil extraction rights in Myanmar. In return, China and India provide military equipment to Myanmar. China also provides political support in international forums, and has used its potential veto power in the U.N. Security Council to block the council's resolution calling for democratization. China additionally provides interest-free loans and development assistance to Myanmar. One reason is to prevent internal unrest, since that could affect China's border. However, China nevertheless considers Myanmar leadership to be rigid and conservative because of its resistance to implementing Chinese-style economic reforms.

Myanmar has tried to develop good relations with ASEAN since it became member in 1997, in order to secure itself some degree of protection in international forums. Although ASEAN has hoped that engagement with the regime might lead toward improvements in the country's political and economic situation, this hasn't happened. ASEAN members have been pleased that Myanmar has signed all ASEAN agreements, including a charter that contains provisions for the promotion of human rights and democracy, but have been disappointed in the comparative lack of implementation. Recently, ASEAN welcomed the elections as a significant step in the country's development, and urged the European Union and the United States to lift their sanctions

Regional  
cooperation  
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## Strategic Outlook

The Myanmar military government completed the final step of the roadmap to “disciplined democracy” by officially transferring power to the new civilian government led by retired military leader Thein Sein, the country’s new president. However, top military leader General Than Shwe has tried to maintain the status quo by controlling President Thein Sein from behind, through acts such as appointing serving ministers and retired senior military commanders to the national- and regional/state-level cabinets. Nevertheless, unless the new government begins at least a gradual program of political and economic liberalization, the situation in the country and its relationships with the international community are unlikely to improve.

As a first step, the government should come up with a plan to gradually release all political prisoners over the course of a year, while allowing opposition members both inside and outside of the parliament to speak freely. Along with the international community, all opposition parties in Myanmar, including the NLD and those with parliamentary representation, have prioritized the release of political prisoners as an important confidence-building measure that could pave the way for national reconciliation between the government and the opposition. In response, the opposition parties should be prepared to ask the international community to reduce sanctions and increase humanitarian assistance incrementally. Sweeping sanctions such as the U.S. import ban should be rescinded first, while targeted sanctions should be maintained until the negotiation process between the government and the opposition has taken irreversibly positive steps.

To reduce ethnic tensions, the new government should immediately reengage with ethnic groups who have signed ceasefire agreements, and should prepare to announce a nationwide ceasefire in three months in preparation for gradually providing enhanced ethnic rights and some degree of autonomy. The government should allow members of ethnic parties to serve in their local administrations, and should prepare a plan to gradually integrate members of ethnic armed groups into society. The government should also consider the armed ethnic groups’ concerns in its plan for integrating these groups into the national military. For example, the civil departments of the various ethnic armies should be integrated first.

With regard to economic policies, the government should develop an anti-poverty campaign, liberalize trade in reality, and move gradually toward a single foreign-exchange rate. Most revenues from gas exports should be used for the anti-poverty campaign, prioritizing the agricultural sector, local industries and businesses, health care, and education. The government’s agricultural bank should extend much more credit to farmers, and farmers should be allowed to use their farms as collateral for further loans from private banks. Rice prices and the rice trade should not be controlled by the government. The budget allocations for education and health should be significantly increased, so that they are comparable to those of many other ASEAN countries. To improve local industries and businesses, the government should provide a regular supply of electricity, improve the quality of physical infrastructure and telecommunications

services, and reduce the bureaucratic barriers associated with registering a new company. In the course of liberalizing trade, import and export taxes should be significantly reduced, as should permit requirements.