

# **Myanmar: The Dilemma of Stalled Reforms**

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## **About the Speaker**

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## **Myanmar: The Dilemma of Stalled Reforms**

### **Myanmar: An Introduction**

The official name for Myanmar, whose dynastic history can be traced back a millennium to the founding of Bagan (formerly Pagan) in the tenth century (AD), has undergone three changes since gaining independence from Britain in 1948. It was known as **Burma** during the colonial era until it became a sovereign nation-state on 4 January 1948. On gaining independence the country was christened the **Union of Burma**. When the one-party socialist state was established in March 1974, the country became **The Socialist Republic of the Union of Burma**. Finally, the State Law and Order Restoration Council (SLORC), that assumed power after a military coup on 18 September 1988 (in response to a widespread breakdown of government authority), changed the country's name to the **Union of Myanmar** on 18 June 1989.<sup>1</sup>

In a similar vein, the prevailing political system of Myanmar also changed four times during the twentieth century. In 1948 it changed from a colonial political system that allowed limited "home rule" to a parliamentary democracy system of majoritarian rule that mimicked the Westminster model. After the military coup of 2 March 1962, the country was ruled by decree under the military Revolutionary Council (RC). From January 1974 until the coup of 18 September 1988, a one-party socialist system, under the Burma Socialist Programme Party (BSPP) regime, that professed "democratic centralism" was in place. Thereafter, Myanmar's political system reverted back to one in which the military junta holds executive and legislative powers while devolving judicial authority to the courts of law after initially exercising martial law.

On the other hand, the legitimacy and the authority of the ruling junta have been contested, since its inception, not only by the domestic political opposition and a

constellation of illegal or unlawful organizations, insurgents, and expatriate groups but also by some Western states and non-governmental organizations (NGOs) as well.

In terms of geopolitics, Myanmar had stayed out of most blocs and regional groupings during the Cold War period observing strict neutrality.<sup>2</sup> It declined the offer to join the Association of Southeast Asian Nations (ASEAN) at its inception and became a member of the regional grouping only in July 1997.

### **Geography and Demography**

Myanmar shares over 6,000 km of contiguous land frontiers with five states and possesses a coastline stretching over 2,200 km.<sup>3</sup> Hemmed in between the two most populous states on earth (over 1.2 billion Chinese and 1 billion Indians) Myanmar's 49 million inhabitants were outnumbered by two other neighbours with the exception of Laos.<sup>4</sup> Until the 1990s, the frontier zones have been, more often than not, contested areas where drug-traffickers, warlords, and insurgent groups challenged the authority of the central state.

Myanmar's population grew at a rate of around 2 per cent in the 1990s. The population at the turn of the century stood at about 49 million. The percentage of urban population grew from 13.5 per cent in 1953 to nearly 25 per cent in 1983 (the year of the last census) and further increased to some 27 per cent in the late 1990s.

Myanmar is a multicultural, multiracial and multi-religious society. Officially, there are 135 national (racial) groups constituting eight broad ethnic categories. According to the 1983 Census Bamar constituted some 69 per cent of the country's inhabitants and the Shan was the largest ethnic minority group with 8.5 per cent of the population. The proportions for others are: Kayin, 6.2 per cent; Rakhine, 4.5 per cent; Mon, 2.4 per cent; Chin, 2.2 per cent; Kachin, 1.4 per cent; and Kayah 0.4 per cent.<sup>5</sup>

In terms of religious denomination, Buddhists comprised 89.4 per cent in 1983, while Christians were the second largest at 4.9 per cent. Others included: Muslims, 3.9 per cent, Hindus, 0.5 per cent; and animists and others, 1.3 per cent. Though there is freedom of religion in Myanmar, which has no professed state religion, Buddhism appeared to have enjoyed considerable personal support of the military leadership.

## **The Economy and Economic Reforms**

In essence, Myanmar is an agriculture-based transitional economy where a mixture of state economic enterprises (SEEs), private firms, and a small cooperative sector operate under a plethora of rules and regulations.<sup>6</sup> In 1997, nearly 63 per cent of the working population was in the agriculture sector with only 9 per cent in the processing and manufacturing sector. The contribution to the gross domestic product (GDP) for fiscal year 1999/2000 (in constant prices) by the private sector was 75.8 per cent, followed by the state sector with 22.3 percent and the cooperative sector with a marginal 1.9 per cent. In terms of GDP structure in constant process, there was not much change between fiscal years 1988/89 and 1999/2000: the share of goods increased marginally from 59.4 to 60.3 per cent; that of trade declined from 22.4 to 20.9 per cent; and services' share slightly increased from 18.2 to 18.8 per cent. For fiscal year 1999/2000, the agriculture sector's contribution was the largest with 34.3 per cent, followed in a descending order by trade with 20.9 per cent; manufacturing with 9.5 per cent; livestock and fisheries with 7.9 per cent; social and administrative services with 6.5 per cent; and the rest (9 sectors) less than 5 per cent each. According to official data, the growth rate of GDP in constant prices, has rebounded to an impressive 10.5 per cent in 1999/2000 after decelerating from 7.5 per cent in 1994/95 to 5.6 per cent in 1998/99 (Figure 1).

Since the mid-1990s, Myanmar's economy has been facing difficulties in the form of increasing trade deficits (Figure 2), soaring inflation, falling currency, a drastic reduction in FDI (Figure 3), balance of payments problems and an energy shortage. The much-needed FDI inflow was drastically affected by the East Asian Financial Crisis as the major investors were from the affected countries. So far, the tourism sector has failed to live up to expectations that envisaged 500,000 visitors before the end of the century (Figure 4). It seems that Myanmar's attempts to boost economic development are constrained by domestic political conditions which, in turn, have been linked to sanctions on trade, investment and aid imposed by Western Europe and the United States.

In late 1988, the military leaders in the junta broke away from the socialist proclivities of the past and announced an "open door" economic policy that was meant to attract FDI and transform the socialist command economy into a market economy. Up to the mid-1990s institutional, legal and administrative reforms were introduced (see



Table 2) to expand the private sector, reduce or dismantle state monopolies in production, trade and services, streamline taxation, improve financial and banking services, and privatize some state-owned enterprises. However, “persistent structural problems undermined” the economy’s further progress in the second-half of the 1990s.<sup>7</sup>

The ruling junta has stipulated four economic objectives:

- Development of Agriculture as a base and all-round development of other sectors as well.
- Proper evolution of the market-orientated economic system
- Development of the economy inviting participation in terms of technical know-how and investments from sources inside the country and abroad.
- The initiative to shape the economy must be kept in the hands of the State and the national peoples.

However, reforms have stopped short of redressing problems (see Table 3) such as: high inflation (over 30 per cent annually in the second half of the 1990s); persistent fiscal deficit largely financed by the central bank<sup>8</sup>; low saving rates (around 12 per cent of GDP); widening trade deficit<sup>9</sup>; chronic foreign exchange shortage; a drastic fall in foreign investment; a widening gap between official and free market exchange rates; inefficient SEEs; and low value-added production. There have also been some instances of back-sliding in the form of import restrictions, foreign exchange restrictions, and initiation of import-substituting industrial projects by SEEs. According to the Asian Development Bank “unless badly needed reforms are undertaken, the economy will continue to depend heavily on ad hoc policies rather than carefully considered and far reaching ones”.<sup>10</sup>

## **Government**

Myanmar is currently under direct military rule by a junta called the State Peace and Development Council (SPDC) which replaced the original junta (SLORC). It has promised to establish a multi-party democratic political system and it can be said that Myanmar is in the process of establishing the rules of the game for electoral politics in a multi-party democratic setting.

The SPDC, comprising 19 members, is currently the supreme body at the apex of executive authority. The Chairman is Senior General Than Shwe (68) who is also the Commander-in-Chief (C-in-C) of the Defence Services as well as the Prime Minister and

the Minister of Defence. The Vice-Chairman is General Maung Aye (63) who is the Deputy C-in-C of the Defence Services as well as the C-in-C (Army). There are three secretaries to the Council. Secretary-1 Lt. Gen. Khin Nyunt, who is the Director of the Directorate of Defence Services Intelligence (DDSI) and the Head of the Office of Strategic Studies (OSS) at the Ministry of Defence, is believed to be supervising the socio-cultural and political affairs of the state. Secretary-2 Lt. Gen. Tin Oo, who is Chief of Staff (Army) and Chief of the Bureau of Special Operations at the Ministry of Defence, is in charge of economic affairs. Secretary-3 is Lt. Gen. Win Myint who is the Adjutant-General. Other members are the two C-in-Cs for navy and air force and all commanders of the 12 military regions. Except for the Chairman all other SPDC members are not included in the Government which operates under the Cabinet system. Nevertheless, the five top leaders of the SPDC oversee all significant economic as well as non-economic projects of any significance that are carried out by various ministries.

The central organs of state power under the SPDC are the Cabinet, the Office of the Chief Justice, the Attorney General's Office, and the Auditor's General's Office. They represented the executive, judicial, legal, and regulatory authority respectively.

### *The Cabinet*

In mid-2000, the Government constitutes a Cabinet of 39 members, including three deputy prime ministers. One of the deputy prime ministers also holds the Ministry of Military Affairs portfolio. There are two ministers attached to the SPDC Chairman's Office (all military officers) and another three (two active and one retired military officers) attached to the Prime Minister's Office.

There are altogether 32 line ministries of which 20 have active military officers as ministers. Of the remaining 12 portfolios, the majority are retired military officers. Although the ministerial functions are well defined at the central level, the regional authorities exercise significant control over local resources and substantial influence in the operation of government agencies. Moreover, there are also the special projects which cut across ministerial and regional boundaries as well as occasional instructions by the SPDC Chairman, Vice Chairman, Secretary-1, and Secretary-2 on account of their tours and field trips to the countryside.

### *Public Administration and Civil Service*

Administratively, Myanmar is divided into 14 regions, comprising seven states (named after the major national group that inhabits the region) and seven divisions (generally areas with Bamar majority). Apart from the national capital Yangon, each state and division has a designated regional capital. In a descending order of administrative hierarchy, there were 64 districts, 324 townships, and 2471 wards as well as 13747 village tracts (grouping of villages) in 1997.

There is a hierarchy of regional and local peace and development councils (PDCs) that are responsible for public affairs throughout the country. In this scheme, there is a four-tier structure of PDCs below the junta: division or state level; district level; township level; and the ward or village level.

The chairmen of state and divisional PDCs are either commanders of the relevant military regions (who are also members of the SPDC) or senior military officers (usually colonel and above) appointed by the SPDC. Similarly, the district level PDCs are invariably chaired by field grade military officers (usually majors and above). At the township level, the PDCs are chaired by township officers from the General Administration Department (GAD) of the Ministry of Home Affairs. However, at the basic level of ward (urban) and village (rural) PDCs, the chairman and members are chosen from among the reputable persons in the locality by the respective township PDCs.

The civil service may be classified as comprising government employees who are in the administrative service (GAD staff) and those in the social, cultural and economic fields. Active and retired military officers are also seconded to or appointed at all levels of ministries as well as the departments, corporations and SEEs. Many of the chief executives of important government agencies are senior military officers.

### **The Military's Self-Perception and its Vision for Myanmar**

The genealogy of the Myanmar armed forces can be traced back to the national struggle for independence and its founding members were first and foremost nationalists of socialist persuasion. As the most powerful and enduring institution in independent Myanmar, it has played a dominant role in shaping the political contours of the state and has developed an ethos not dissimilar to the Praetorian tradition. As such, it has

conceived its role as safeguarding the state not only from military threats but also from the folly of inept and corrupt politicians. The Myanmar military has assumed a corporate identity as the guarantor as well as the embodiment of state authority. It entails that the military be not only an instrument but also a determinant of state power.

This time around, a new generation of military leaders in the SPDC are endeavouring to institute a new political order, while at the same time attempting a smooth transition from a closed *dirigiste* economic system to an open market economy. However, the fundamental premise is that these broad and delicate political and economic reforms must not compromise the three principal “main national causes”; defined as “non-disintegration of the Union, non-disintegration of national [i.e. multi-racial] solidarity, and perpetuation of national sovereignty”. To the military, the 1988 “upheaval” was a never-to-be repeated blemish in Myanmar history.

A “firm” constitution and a “strong state” are deemed necessary for a stable multiparty political environment. Thus, the SPDC has taken on the task of fashioning a new political order in line with its own interpretation of Myanmar historical experiences in nation-building. As such, it is seeking a political configuration which would institutionalize the military’s role in “national politics” as a solution to the problem of dysfunctional “party politics”.

Moreover, it holds the conviction that “in order to become a functioning and discipline[d] democracy in the near future” the leaders “first will have to create a strong infrastructure in economic and security, enabling the emergence of a middle class.”<sup>11</sup> It envisaged a phased development towards elections after completion of the new Constitution and substantial economic development.

### **The Constitutional Process**

Myanmar currently has no constitution in place as the 1974 Socialist Constitution was obviated by the military coup. In fact, the basic principles for a new and “enduring” constitution to undergird the multi-party electoral system of democratic governance are being formulated by a state-sponsored body known as the National Convention.

### *The National Convention and the New Constitution*

The deliberations of the National Convention (NC) commenced on 9 January 1993. After several recesses it reached a conclusion regarding the fundamental outlines of the constitutional principles. The NC's objectives include instituting the military "to participate in the national political leadership role of the future state". They also entail the upholding of the trinity of "main national causes".<sup>12</sup>

Principles underlying state structure, administrative configuration, and political representation were subsequently distilled by the junta-appointed steering committee from the various proposals put forward during the proceedings. By September 1993, a detailed set of 104 "basic principles" endorsed by NCCC had been established as a basis for future deliberations. The essential points determined by this set can be classified under four categories:

#### State structure

- The state would be a secular republic based on seven "regions" and seven "states" having equal status.
- The territorial structure for administrative purposes would include the "Union" territories (under direct presidential administration) as well as a hierarchy consisting of region/state, district, township, and village/ward levels.
- Contingent local autonomy for "national races" in the form of "self-administered areas" consisting of "self-administered division" (organized from districts) or "self-administered zone" (organized from townships) would be established.

#### The legislature

- A bicameral parliament with a five-years tenure in the form of *Pyithu Hluttaw* (House of Representatives) and *Amyotha Hluttaw* (House of Nationalities) which together constitute the *Pyidaungsu Hluttaw* (Union Parliament) would be established.
- There would also be a *hluttaw* (provincial parliament) in each state or region.
- One-quarter of the seats in the legislature is reserved for military representatives nominated by the armed forces C-in-C.

#### The executive

- In the executive branch, there would be an executive presidency.
- The national cabinet which includes the attorney-general would be appointed by the president and ministers need not be elected representatives.
- The chief minister of region/state governments would also be a presidential appointee.
- There would be “leading bodies” for self-administered areas.

#### The military

- The military would enjoy complete autonomy with its C-in-C designated as the supreme commander.
- The assignment of military officers to leading bodies of self-administered areas would be determined the C-in-C.
- There would be a provision for the supreme commander to assume state power in a national emergency, i.e., when force, disturbances and violence are used to usurp state power or there is a danger of disintegration of the union and national solidarity as well as the loss of national sovereignty.

According to the proposed principles, the citizen president, whose parents must also be Union citizens, will play a crucial role in the governance of the Myanmar state. The requirements for future head of state consist of not only a minimum of 20 years continuous domicile in Myanmar but also stipulate that “The President of the Union himself, parents, spouse, children and their spouses owe allegiance to . . . be a subject of foreign power or citizen of a foreign country . . . [and] not be . . . entitled to the right and privileges of a subject or citizen of a foreign country.”<sup>13</sup> Another point which requires that the person be “well acquainted with the affairs of State such as political administrative, economics and military affairs” would rule out most political activists of the younger generation and seem to square mostly with establishment figures.

The presidential electoral college comprises three groups from the *Pyidaungsu Hluttaw*: equal numbers of elected representatives from regions and states; representatives “elected on the basis of population”; and military representatives nominated to it by the C-in-C. Each group shall elect one vice-president who need not be a *hluttaw* representative. The president will then be chosen from among these three nominees by the entire electoral college after scrutinization by a body composed of

leaders and deputy leaders of the two *hluttaws*. The unsuccessful candidates will assume the vice-presidencies for the five-years term of office.<sup>14</sup>

The wide-ranging powers of the president allow unprecedented control over the executive branch. On the other hand, minister/deputy-minister posts for defence, security/home affairs and border affairs are reserved for military personnel nominated by the armed forces C-in-C. Moreover, coordination with the armed forces C-in-C is required to appoint military personnel to any minister/deputy-minister post.

Therefore the president and the armed forces C-in-C, between them, wield considerable executive powers and all important executive positions in the national and provincial level are ultimately responsible to the president only. The political parties that win national and regional elections face a situation whereby the executive positions may be filled with personnel external to the body politic. Even when elected representatives are chosen to serve in the government they have to forego their party affiliations. It effectively de-links state power from political competition and representation of voting constituencies.

The NC is now in recess since April 1996 though the steering committee continued to sit frequently for deliberations. No official explanation was given but there have been hints that the inability to reach a consensus on the issue of autonomy for national races has been the main reason. It seems that the process is constrained by the sensitive issue of ethnic autonomy.

### **Political Dynamics**

The four political objectives enunciated by SLORC have been adopted by the SPDC as well. They entail:

- stability of the state, community peace and tranquillity, prevalence of law and order;
- national reconsolidation;
- emergence of a new enduring state constitution;
- building of a new modern developed nation in accordance with the new state constitution.

The realization of the fourth objective appears to have been premised upon the attainment of the first three goals. Thus, the political practice at the present stage should be subordinate to these four political objectives which represent higher “national

politics” in contrast what is perceived as narrow self-serving “party politics” that characterized political parties.

Asserting that it “represents no political ideology whatsoever” nor “any particular class of people”, and “does not represent any national group” or “any particular territory”, the military, citing its considerable political experience, purportedly “much greater than” that of “political parties”, has staked a claim for itself in national politics.<sup>15</sup> None the less, “the [military] Government” does not regard itself “as a political party but as a transitional government” that is “paving the way for Multi-Party Democracy”.<sup>16</sup>

### *The May 1990 Elections and its Aftermath*

After the coup, SLORC Chairman General Saw Maung stated that the military would not “cling to state power for a long period”. Subsequently, measures such as promulgating laws, rules and regulations for party registration and elections and slowly relaxing martial law restrictions throughout the country were taken to facilitate the electoral process. On the other hand SLORC Secretary 1, Major General Khin Nyunt declared on 12 April 1990 that “the military would remain in office after the elections until a new constitution was drafted and a ‘strong’ government was formed”.<sup>17</sup>

The military junta held a general election on 27 May 1990 which was free and fair. The NLD and its allied parties won nearly 90 per cent of the 485 seats with the former alone winning some 80 per cent of the total. While election results were being meticulously processed, the victorious parties led by NLD pressed for a prompt power transfer. SLORC, responded by announcing its Declaration No. 1/90 on 27 July 1990 that precluded immediate power transfer by stating that the elected representatives would only be responsible for drafting a national a new constitution.

Currently, there exist only 10 legal political parties, nine out of which seem to have accepted the *status quo* and devoted their political activities to participation in the NC. Only the NLD has taken on the regime and continues to play politics outside the parameters prescribed by the Government. By mid-2000, of the 485 elected representatives only 169 remained as “legal” representatives due to attrition through death, disqualification, and resignations.<sup>18</sup>



*The National League for Democracy: Against the Regime*

The National League for Democracy (NLD) seems to have assumed a role as an “opposition” party against the regime. Founded in September 1988, it has portrayed itself as the vanguard party for the popular democracy movement and the epitome of institutionalized opposition to authoritarian rule. The party became the embodiment of Secretary-General Daw Aung San Suu Kyi’s ideas and goals as the latter rapidly gained widespread popularity helped by the image of her father General Aung San, who was the hero of the independence movement and the “founding father” of the Myanmar armed forces. It took part in the NC while Daw Aung San Suu Kyi was under house arrest, from which she was released on 10 July 1995. The party’s delegates walked out of the convention in November 1995, ostensibly due to dissatisfaction with the conduct of the proceedings, and were subsequently expelled for breach of discipline. Thereafter, relations between the Government and the NLD’s leadership became fraught with difficulties thereby resulting in a political impasse that remains until the present day.

Thereafter, the NLD and its leadership appeared somewhat marginalized to most observers. In May 1998, the party congress celebrating the anniversary of the 1990 election victory, authorized the party Central Executive Committee (CEC) to act on behalf of party members and endorsed the demand that Parliament be convened with the elected representatives who had won seats in the May 1990 elections. Consequently, the CEC set 21 August as the deadline for convening the Parliament and conveyed its demand to the SPDC on 28 May 1998. The 21st August deadline given by the NLD passed without any major incident. However, the NLD leadership publicly expressed their determination to continue their challenge by convening a people’s parliament in the near future. Since then, the government has stepped up the psychological warfare against the NLD and its supporters at home and abroad by allowing a deluge of op-ed pieces in newspapers that ridiculed, belittled, berated, and condemned Daw Aung San Suu Kyi and the NLD leadership for their rash actions. The state-controlled media also published calls by outraged citizens for deportation, to bring upon her the full force of the prevailing laws, and to take action against the “trouble-maker”. It was repeatedly stressed the danger of chaos and anarchy — reminiscent of the 1988 upheaval — that would befall the state if confrontation and provocation were pursued by the opposition. The government warned that the illegal convening of a “national parliament” in the

absence of a “national constitution” would be tantamount to the NLD assuming the role of a parallel government “which no government in the world could accept”.<sup>19</sup>

The NLD then announced the formation of the “Committee Representing the People’s Parliament” (CRPP), chaired by NLD Chairman U Aung Shwe, on 16 September to act “on behalf of the Parliament until a parliamentary session attended by all the elected representatives is convened”. The CRPP, comprising ten members (mainly from the NLD Central Executive Committee), passed three resolutions: claiming the right to exercise political activities; parliamentary immunity for elected representatives from prosecution over their discharge of duties; and the immediate and unconditional release of all political prisoners (whose existence is constantly denied by the government). The CRPP also proclaimed that all laws, rules, procedural laws, orders and notifications passed after the military coup of 18 September 1988, except for those specifically endorsed by the CRPP, as well as some allegedly “repressive” laws dating from the parliamentary era, were deemed to have no legal authority. A cacophony of support from expatriate groups, NGOs and some ethnic organizations followed quickly but Daw Aung San Suu Kyi’s appeal to elected parliaments of the world to recognize the CRPP did not elicit any widespread response. Meanwhile, the CRPP had reiterated their determination to exercise their perceived political “rights” while Daw Aung San Suu Kyi had stated that she still looked forward to a meaningful dialogue with the regime.

At present, the top leadership of the NLD remained uncompromising in its challenge to the ruling SPDC, despite the fact that many of its township organizing committees had publicly declared their dissolution and individual members had resigned from the party; ostensibly over the confrontational stance and intransigent attitude of the party leadership. Tens of thousands of members had reportedly left the party and scores of townships executive committees had ceased to exist.

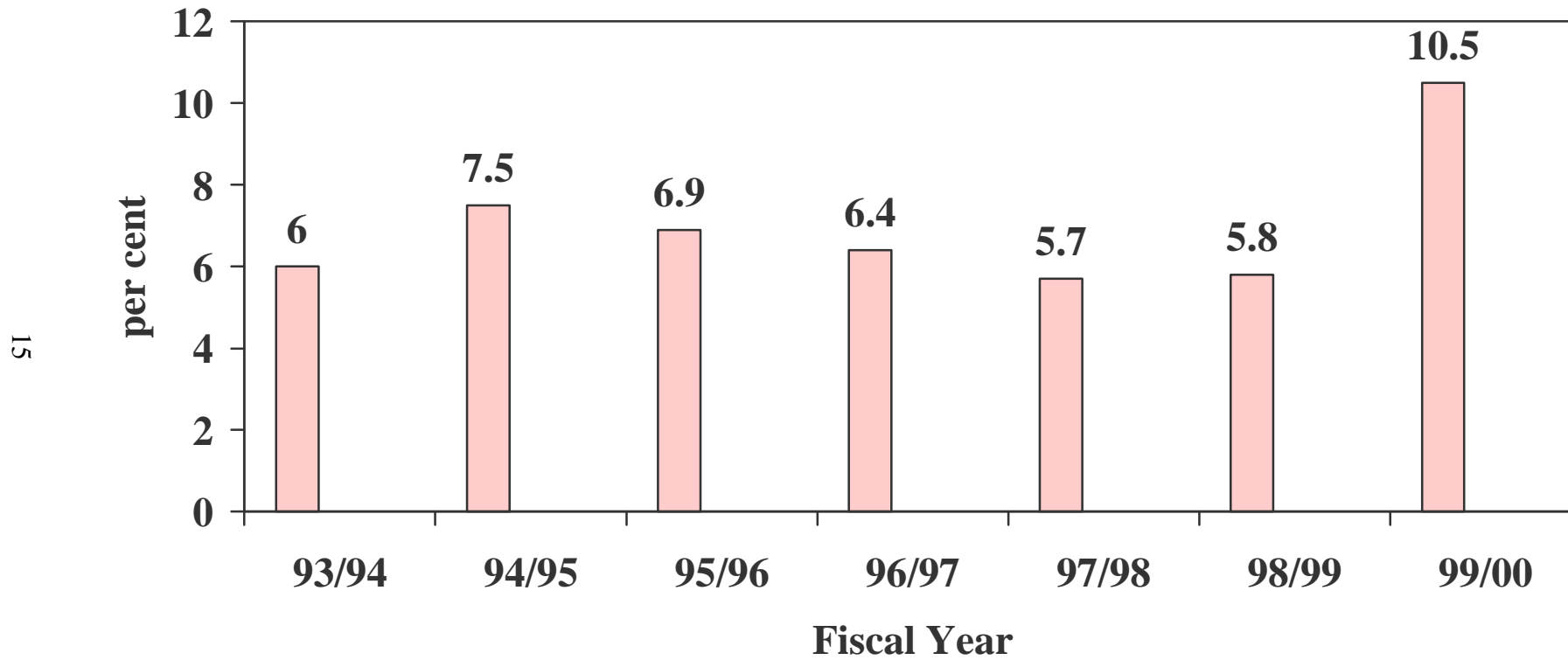
### **The Political Impasse: Obstacle to Reforms**

The NLD leadership probably perceives the Government’s stand on CRPP as setting an unacceptable pre-condition that would further marginalize its political role and remove, what is regarded as, the only anchor that tied it to its election victory. The Government, on the other hand, cannot accept what is perceived as an illegal body challenging its authority and legitimacy.

However, the desire for a change from the current stasis, preferably through dialogue, seemingly remains strong amongst the general populace and well-wishers abroad. The international media and interested foreigners have become impatient and seem to be clamoring for concessions on the part of the NLD. Even those who have been seemingly rooting for Daw Aung San Suu Kyi tend to push for “flexibility” and “compromise” on her part. They are also joined by some international organizations whose bureaucracies are driven by role expansion and execution of its functions. To them, asymmetric bargaining is irrelevant and the dialogue process is more important than the product. Some governments which have imposed censures against the Myanmar regime are also increasingly feeling the pinch of commercial lobbies, impatient constituencies, and aggravated third parties as well as weariness from lack of desired results in what is perceived to be an unending stalemate. They probably see dialogue between the two antagonists as a way out of the quagmire, whereby they could quickly declare moral victory and move on to the business of aid, trade and investment in a potentially lucrative emerging market.

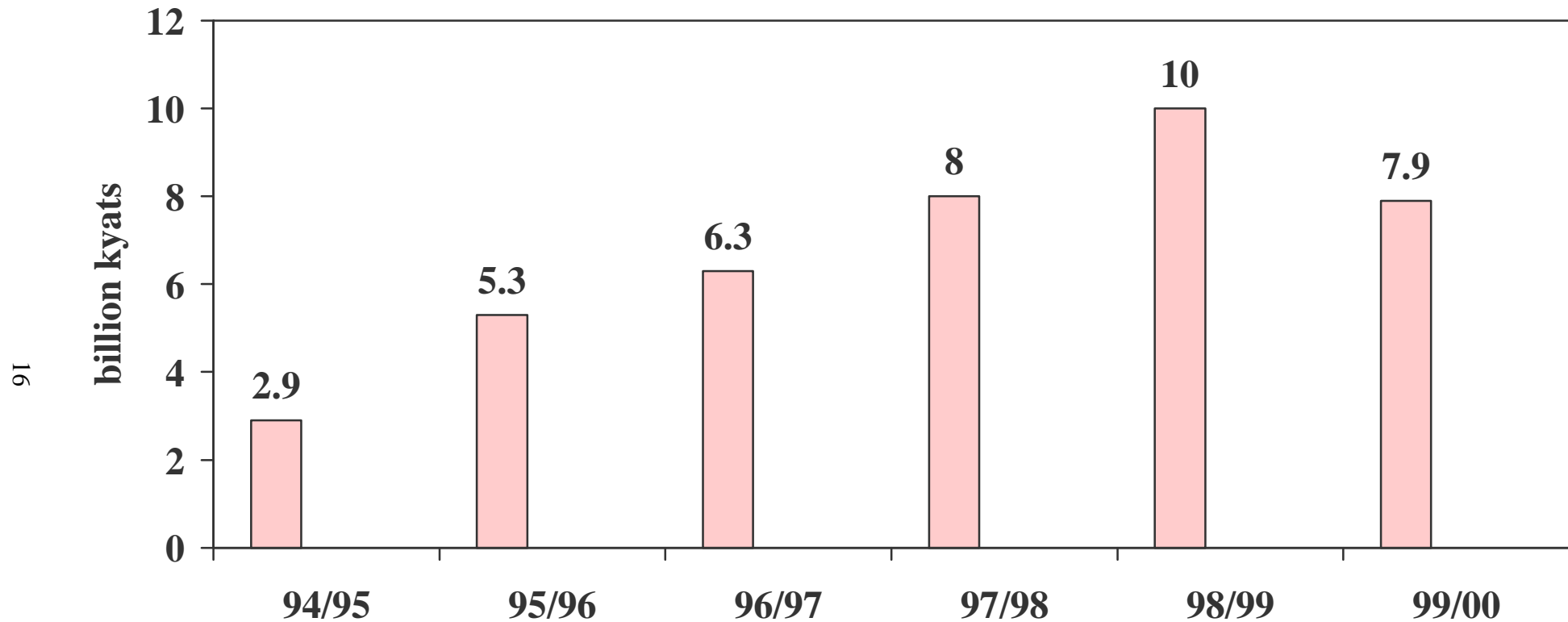
All the obstacles to Myanmar’s development seem to revolve around the question of reconciliation between the government and the domestic opposition led by Daw Aung San Suu Kyi, whose reinstatement as the Secretary-General of the National League for Democracy (after she was expelled by the party during her incarceration) is not recognized by the government. Although the present rulers seem to be prepared to push their agenda through regardless of the opposition, the path to the realization of Myanmar’s economic and political reforms will be unnecessarily tortuous and meandering, until and unless both sides find a way out of the impasse and engage in meaningful dialogue (see, for example, Table 4). Despite signs of frustration by both sides there is still hope in that neither has ruled out the possibility of resuming confidence-building measures. After all, it is better late than never.

**Figure 1**  
**GDP Growth Rate (constant prices)**



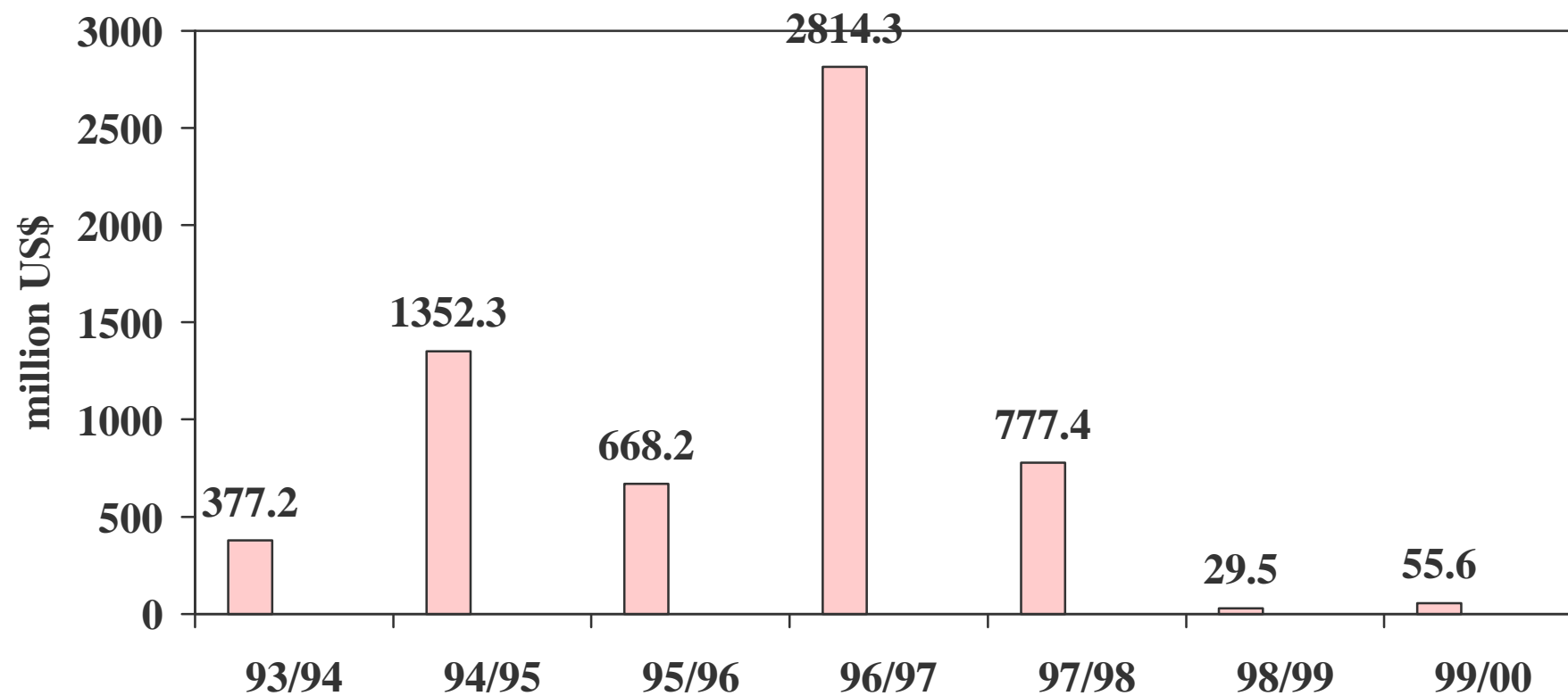
**Source: Ministry of National Planning and Economic Development**

**Figure 2**  
**Merchandise Trade Deficit**



**Source: Ministry of National Planning and Economic Development**

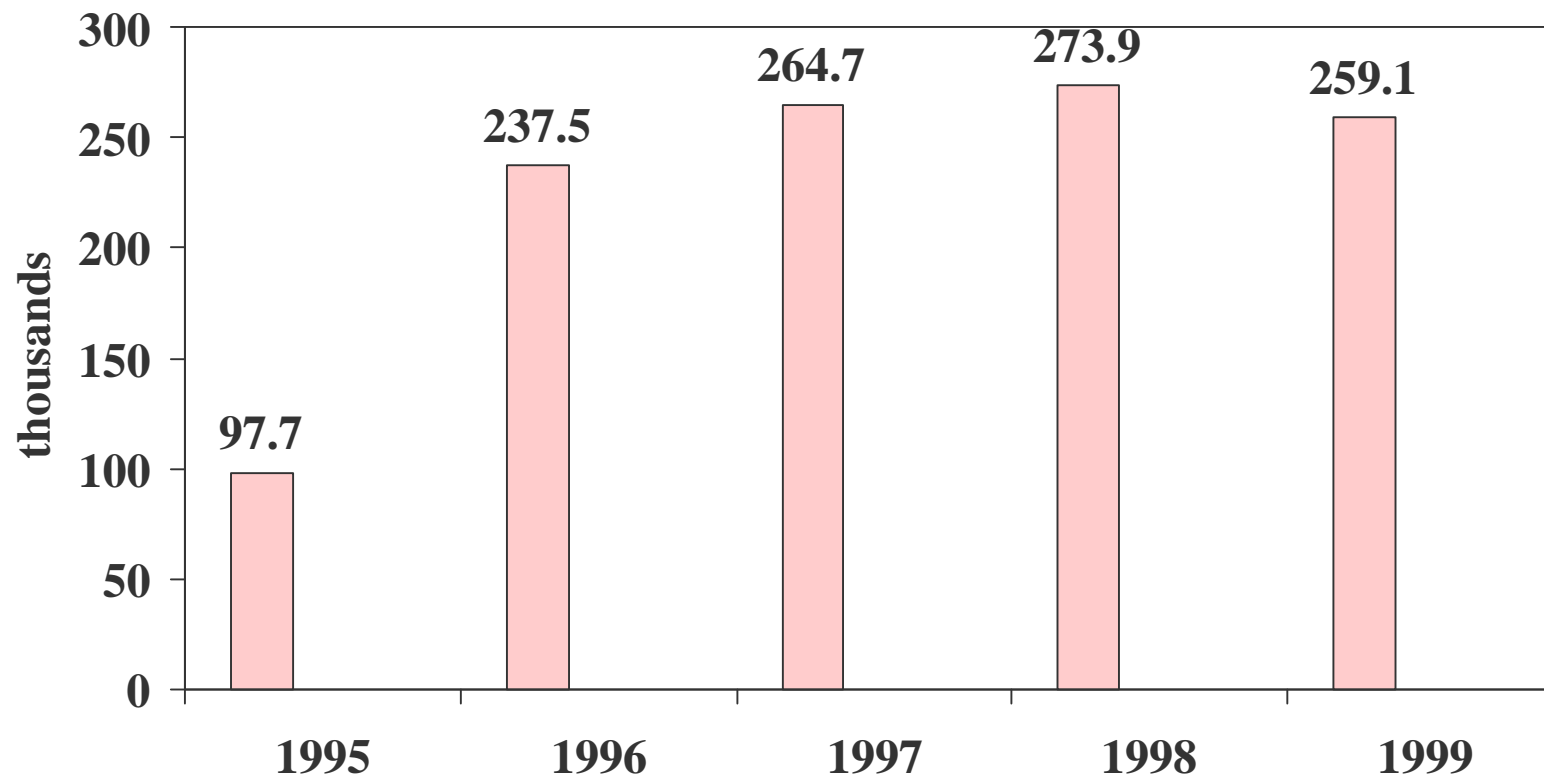
**Figure 3**  
**FDI Approvals**



**Source: Ministry of National Planning and Economic Development**

**Figure 4**

**Tourists Arrivals**



**Source: Ministry of National Planning and Economic Development**

Table 1

**Union of Myanmar: Selected Key Indicators**

<b>Land area</b>	676,577 sq km
<b>Population</b>	50 million (mid-year 2000)
<b>Currency</b>	Kyat (K); non-convertible; foreign currencies are not legal tender
<b>Exchange rate</b>	Official: US\$1 = K6.4 (mid-year 2000); pegged to SDR; Open market: US\$1 = K400 (August 2000)
<b>Budget year</b>	1 April to 31 March
<b>Irrigated area</b>	17 per cent (1999/2000)
<b>GDP per capita</b>	US\$1,200 (PPP; c. 1999); US\$ 6,800 (official rate; 1999/2000) US\$122 (free market rate; c. 2000)
<b>Budget deficit</b>	5.5-6 per cent of nominal GDP (1999/2000)
<b>Defence budget</b>	34 per cent of Central Government total budget (1999/2000)
<b>Education budget</b>	9.3 per cent of Central Government total budget (1999/2000)
<b>Health budget</b>	3.5 per cent of Central Government total budget (1999/2000)
<b>Foreign reserves</b>	US\$280 million (March 2000); approximately 1.5 months of imports (avg. 1999)
<b>Foreign Investment</b>	US\$7.2 billion approved (March 2000); 40% actualized
<b>External debt</b>	US\$5.9 billion (c.1999)
<b>Tourist arrivals</b>	259,000 (1999)
<b>CPI increase (for Yangon)</b>	9.3 per cent (between December 1998 and December 1999) 1079.6 per cent (between December 1989 to December 1999)
<b>Labour force</b>	Total 19.7 million; urban 4.4 million; civil servants 1.4 million (1997/98)
<b>Military manpower</b>	Army: 400,000; Navy: 15,000; Air Force: 15,000 (c. 1998)

Sources: *Asiaweek*; International Monetary Fund; World Bank; Ministry of National Planning and Economic Development (Myanmar); Maung Aung Myoe, *Building the Tatamada*; *The Organisational Development of the Armed Forces in Myanmar*. Working Paper No. 327, Canberra: ANU, 1998.



Table 2

### Significant Reform Measures in Myanmar

1988	*	introduction of Myanmar Investment Law
1989	*	decontrol of prices
	*	revocation of the 1965 law that established the socialist economic system
	*	regularization of border trade
	*	introduction of State-Owned Economic Enterprise law delineating the scope of the state sector
1990	*	introduction of Myanmar Tourism Law
	*	allowing 100 per cent retention of exports earnings
	*	introduction of Private Industrial Enterprise Law
	*	introduction of the Central Bank of Myanmar Law
	*	introduction of Financial Institutions of Myanmar Law
	*	introduction of Myanmar Agricultural and Rural Development Law
	*	introduction of Commercial Tax law
1991	*	initiation of industrial zones in Yangon
	*	announcement of the Central Bank of Myanmar Rules and Regulations
	*	introduction of Promotion of Cottage Industries Law
	*	reestablishment of Myanmar Chamber of Commerce and Industry
1992	*	announcement to lease inefficient state-owned factories
	*	announcement of denationalization of nationalized saw mills
	*	announcement of the establishment of four private banks
	*	introduction of Tariff Law
	*	introduction of Savings Bank Law
1993	*	introduction of US\$ denominated foreign exchange certificate (FEC)
	*	introduction of Myanmar Insurance Law
1994	*	introduction of Myanmar Citizens Investment Law
	*	licensing of representative offices of 11 foreign banks
	*	introduction of Science and Technology Development Law
1995	*	announcement of the formation of Privatization Committee
	*	announcement of permission to establish joint-venture banks between local private banks and foreign banks
	*	opening of the licensed foreign exchange centre for FEC trading in Yangon
1996	*	permission given to local private banks to conduct foreign exchange business and to pay interest on foreign currency deposit.
	*	establishment of the Myanmar Securities Exchange Centre Co. Ltd., a joint venture between Japan's Daiwa Securities and the state-owned Myanma Economic Bank
	*	introduction of law on development of computer knowledge
	*	official rate of exchange for levying custom duties changed to K100 per US\$ accompanied by reduction of tariffs to a fraction of previous values
1997	*	announcement of paddy procurement through a tender bid system; but it was never implemented.
1998	*	announcement of leasing of fallow and virgin land for paddy and cash-crop cultivation or livestock breeding by private entrepreneurs including foreigners
2000	*	across the board increase of public sector salaries by 5-6 times to be in line with private sector wages; but no official announcement was made.

Table 3

### Status of Economic Reforms in Myanmar (c. 2000)

#### Macroeconomic reforms

1. Fiscal reforms	Weak
<i>Tax reforms</i>	Existing system strengthened
<i>Modern tax system</i>	Several taxes and a narrow tax base; widespread evasion
<i>Subsidies reform</i>	Subsidies continues on a lesser scale; mainly for state employees
2. Monetary reform	Weak
<i>Interest rates liberalization</i>	Some adjustments but administered rates continue with negative real values; central bank rates reduced by 20% in April 1999
<i>Banking system</i>	Central bank under finance ministry; state banks and local private banks; the latter dominated by a few big players
<i>Capital market</i>	Practically non-existent
<i>Exchange rate</i>	Multiple rates exist; grossly over-valued official rate; quantitative controls imposed in 1998; foreign exchange license of private banks revoked in 1998
3. Trade reforms	Weak
<i>Export/imports controls</i>	Government monopoly of rice, teak and mineral exports; licensing system for private sector; foreign trade restrictions imposed in 1998
<i>Replacement of quantitative restrictions &amp; tariffs reduction</i>	Little action on the former but joined ASEAN's CEPT scheme

Table 3 (contd.)

**Microeconomic reforms**

1. Price reforms	Moderate adjustments since 1988; controlled prices for staples & raw materials; drastic increase in charges for public utilities, post & telecommunications
2. Agriculture reforms	Moderate; never collectivized; procurement quota reduced since 1988 but continues
3. Non-agri enterprise reforms	Weak
<i>Corporate governance</i>	Weak; low transparency; inadequate & out-of-date data
<i>Promotion of non-state enterprises</i>	Some progress since 1988 but uneven
<i>Privatization of small enterprises</i>	Ongoing; fairly widespread
4. Reforms of the legal framework	Moderate but piecemeal
<i>Corporate law</i>	Pre-War legacy; modified
<i>Property law</i>	Pre-War legacy; little action
<i>Bankruptcy law</i>	Pre-War legacy; little action
<i>Anti-monopoly law</i>	Little action
<i>Foreign investment law</i>	Since November 1988; no major revision
<i>Labour law</i>	Socialist legacy; law for overseas employment introduced but enforcement is weak.

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Source: Modified from Pradumna B. Rana and Wilhelmina Paz, "Economies in Transition: The Asian Experience", in Chung H Lee and Helmut Reisen, *From Reform to Growth: China and Other Countries in Transition in Asia and Central and Eastern Europe*. Paris: OECD, 1994, p. 129, Table 1.

Table 4

### Significant Developments of Political Nature (1988-2000)

1988	July-August	Widespread demonstrations, disturbances, rioting, and suppression by security forces in the capital and urban centres.
	September	The State Law and Order Restoration Council (SLORC) took power. US suspended aid.
		The National League for Democracy (NLD) was formed.
	November	Britain suspended aid.
1989	January	Japan suspended aid.
	March	The ex-communist ethnic Kokang group became the first of the 17 armed groups to make peace with the junta.
	April	US revoked Myanmar's GSP privilege.
	May	Election law promulgated.
	July	Daw Aung San Suu Kyi placed under house arrest.
1990	January	Daw Aung San Suu Kyi was disqualified from standing in elections.
	May	General elections held.;100 parties entered and turnout was 73%; NLD won 80% of seats and 60% of votes.
	July	SLORC issued Declaration No. 1/90 spelling out steps towards civilian rule that precluded transfer of power to the NLD. NLD demanded the right to convene parliament.
	December	The National Coalition Government of the Union of Burma (NCGUB) was formed in exile at a rebel camp on the Thai-Myanmar border.
1991	October	Daw Aung San Suu Kyi was awarded the Nobel Peace Prize
1992	April	Junta Chairman Sr. Gen. Saw Maung replaced by Gen. Than Shwe.
1993	January	SLORC convened the National Convention (NC) to draw up the principles for a new constitution.

Table 4 (contd.)

1995	July November December	Daw Aung San Suu Kyi was released from house arrest. NLD representatives walked out from the NC and were expelled. SLORC Chairman Sr. Gen. Than Shwe attended 5 <sup>th</sup> ASEAN summit in Bangkok.
1996	June  October  December	A law to protect the NC by prohibiting dissent and debate was promulgated; it stipulated harsh penalties. The US and the EU imposed visa restrictions on ranking Myanmar officials. Major universities and colleges closed after student demonstrated in some tertiary institutions.
1997	March  May  July August November	The EU removed Myanmar's GSP benefits for agricultural products. President Clinton issued an executive order banning new investments in Myanmar. Myanmar admitted into ASEAN. Canada removed Myanmar's GSP benefits . The State Peace and Development Council (SPDC) replaced SLORC as the ruling junta.
1998	July  August   September   December	Daw Aung San Suu Kyi made two attempts to travel outside Yangon but was thwarted by security forces at checkpoints. Daw Aung San Suu Kyi's latest attempt to travel outside Yangon ended after a 13-day standoff at a security checkpoint. NLD demanded that the parliament must be convened by the 21 <sup>st</sup> .  The ten-member Committee Representing the People's Parliament (CRPP) was formed by the NLD. The government initiated the practice of inviting NLD elected representatives and activists to "guest houses" for extended discussion sessions. The exodus of resignations by NLD members and the voluntary closure of NLD offices began; still continuing up to now. The NLD filed a complaint to the Supreme Court against the chief of intelligence, ministers for home affairs and information, and the chairman of the election commission for misuse of power.
1999	October	The NLD complaint was dismissed by the Supreme Court. The former appealed.

Table 4 (contd.)

2000	May	The EU announced a list of 150 Myanmar government officials to be denied visas by its member states. The NLD appeal against the dismissal of its complaint was unsuccessful
	June	The International Labour Conference adopted a resolution to impose sanctions on Myanmar for failure to address alleged forced labour practices.
	July	The final phase of re-opening the tertiary institutions (closed since December 1996) was completed.
	August	Daw Aung San Suu Kyi and some NLD members made an unsuccessful attempt to travel outside Yangon by car.
	September	The 9-day standoff at a roadside checkpoint ended when she and her group were “escorted” back to their residence. Outside contact with them was blocked for nearly two weeks The NLD headquarters was searched for evidence on foreign contacts and links with unlawful groups. In the face of condemnation by the West, the government claimed that the measures were undertaken to help investigation following the raid on the NLD headquarters. SPDC Secretary 1. Lt. Gen. Khin Nyunt met NLD Chairman U Aung Shwe, apparently, to clear the air.

## NOTES

1. Under the new nomenclature the word **Myanmar** connotes both the state, the official language spoken by the majority, and the people of the country (previously known as **Burmese**). The largest racial group (**Burman** in the old usage) is called **Bamar**. The capital city previously called **Rangoon** becomes **Yangon** and a host of place names and street names were changed to conform to the Myanmar pronunciation.
2. Myanmar even opted out of the Non-Aligned Movement (NAM) in 1979 because the latter was perceived to be straying from its initial objectives but rejoined NAM in 1992, after the Cold War had ended.
3. Bordering states are Bangladesh, India, China, Laos, and Thailand. The coastline is facing the Indian Ocean.
4. Bangladesh with nearly 123 million and Thailand with some 62 million.
5. The 135 sub-nationalities comprised: 12 for Kachin; 9 for Kayah; 11 for Kayin; 53 for Chin; 9 for Bamar; one for Mon; 7 for Rakhine; and 33 for Shan.
6. The government has imposed licensing requirements for both imports and exports. Foreign currency is strictly controlled and the local currency (the kyat) is not convertible under normal circumstances. There is believed to be a large informal sector that escapes the tax net and reputedly involving illegal transactions as well.
7. Asian Development Bank, *Asian Development Outlook 2000*. New York: Oxford University Press, p. 106.
8. According to the World Bank data, the volume of M1 in fiscal 1998/99 was 29.4 times that for 1988/89.
9. In fiscal year 1999/2000 the trade deficit was reduced by austerity measures.
10. Asian Development Bank, *op. cit.*, p. 106.
11. Lt. Col. Hla Min, *Political Situation of Myanmar and Its Role in the Region*, 17<sup>th</sup> edition, July 199, p. 59.
12. Address by Lt. Gen. Myo Nyunt, *New Light of Myanmar* (daily; hereafter *NLM*), 8 June 1993.

13. Speech, on 2 September 1994, by Chief Justice U Aung Toe at the National Convention (*NLM*, 3 September 1994). This precludes the possible candidature of Daw Aung San Suu Kyi, who was married to the late Michael Aris and had been living abroad, as well as those of any other expatriate Myanmar citizens returning after a stint abroad.
14. The president or vice-president elect must divest all other affiliations whether they be political party, civil service, or hluttaw membership. All those elected to positions in the national and provincial governments must also do the same.
15. Nawrahta, *Destiny of the Nation*. Yangon: News and Periodicals Enterprise, 1995, pp. 108, 110.
16. Hla MIn, *op. cit.*, pp. 28-29.
17. Robert H Taylor, "Myanmar in 1990: New Era or Old?", in *Southeast Asian Affairs 1991*. Singapore: Institute of Southeast Asian Studies, 1991, p. 201.
18. The number of remaining NLD representatives was 110. See U Pyay Kyaw, "Connection between the Crow and the Greater Coucal", *NLM*, 4 June 2000.
19. Myanmar Information Committee (Government of Myanmar), "Information Sheet No. A.0589(I)", 2 September 1998 (Internet edition).



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