

## Myanmar in 2011

### *Confounding Expectations*

#### ABSTRACT

Overall, 2011 was a year of significant change in Myanmar. By year-end, there was hope that political and economic reforms—incomplete and fragile—were at last underway. Myanmar continued to be an important regional exporter of energy and resources, but in other areas underperformed. Myanmar's international relations improved, and U.S. Secretary of State Hillary Clinton visited at the end of November.

**KEYWORDS:** Myanmar, reform, economy, minorities, international relations

CONTRARY TO THE EXPECTATIONS OF MOST observers, 2011 was a year of change in Myanmar. Much of this change was rhetorical and atmospheric, but enough of it was real to suggest that reform in a number of areas was at last underway. The new government that had emerged from the flawed elections of the previous year engaged in discussions with the country's opposition movement (including democracy icon and Nobel Laureate Aung San Suu Kyi). Officials lifted certain restrictions on press freedom and parliamentary debate; initiated limited economic reforms; released *some* political prisoners (including Daw Suu Kyi); and, perhaps most prominently in terms of the international attention it attracted, suspended construction of a vast China-sponsored dam on the basis that it was “against the will of the people.”

Yet, doubts remained. Ethnic conflict worsened, and human rights abuses in Myanmar persisted through 2011, while gaps were apparent between the reform narrative of the new government and concrete action on the ground. Likewise, and even accepting the sincerity of the new government, reforms remained incomplete, fragile, and capable of rapid reversal, against

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a constitutional and structural backdrop designed to further institutionalize the leading role of the country's military. In short, and amid great uncertainty, at the end of the year it was not yet possible to declare that political and economic reform and progress in Myanmar were firmly established or irreversible. However, for the first time in decades and probably since the coup in 1962 that instigated military rule, it became possible in 2011 to dare to hope that better times might be ahead.

#### MYANMAR'S NEW GOVERNMENT

On March 30, Myanmar's first nominally civilian government for nearly 50 years was inaugurated. Created out of the deeply flawed elections held in 2010, it was headed by a new president, Thein Sein, who had been prime minister in the previous SPDC (State Peace and Development Council) military regime. All leading figures in the government had likewise been members of the previous regime and members of its proxy political party, the USDP (Union Solidarity Development Party). Myanmar's 2008 Constitution allocated the military 25% of seats in the national Parliament, reserved critical cabinet ministries for military representatives, and granted the commander-in-chief of the armed forces extraordinary, self-activated reserve powers. With constitutional amendments requiring a greater than 75% majority vote in the Parliament, the structural barriers to reform in Myanmar were, and are, formidable.

Against this background, it was perhaps not surprising that expectations with respect to the reformist credentials of Myanmar's new government were not high, and in its initial months there were few indications that these hopes would be contradicted. During the first sitting of the new Parliament itself, members were restricted in terms of their movement; where they could stay in the new capital, Naypyidaw; the visitors they could receive; what they could carry into the new parliamentary building—and the questions they could ask. No debate was allowed over government appointments, while journalists (local and foreign) were banned. According to the instructions issued by the Speaker of the National Assembly (the upper house), "Parliament representatives . . . are to discuss any matters in unison. It is important not to have a sense of contradiction. . . . The Parliament should not be in a

debate-like situation.”<sup>1</sup> Meanwhile, across the country in 2011, ethnic tensions rose, press censorship increased, and questionable dealings with North Korea raised international concerns.

The emergence of a more hopeful political environment corresponded with the second sitting of the new Parliament in August, and increased activity by Aung San Suu Kyi, who that month embarked upon her first political trip outside Yangon since her release from house arrest the previous November. In August, her first meeting with the president took place, amid what became a series of meetings between the opposition leader and government ministers and officials. There followed a series of announcements that allowed for the turnaround in sentiment toward the new government. In September, long-standing bans on news websites were lifted, including those of human rights and exile media, and the government invited the International Monetary Fund (IMF) to send a team to advise on exchange rate reform. Foreshadowed were new laws allowing the formation of labor unions and the right to strike, and modifications to legislation that would enable the registration of Aung San Suu Kyi’s National League for Democracy as a political party, able to contest future elections. Commenting upon her negotiations with the government in October, Suu Kyi announced that there had been “a lot more substance to the talks” than those she had had with past military regimes, but that everything occurred “step by step.”<sup>2</sup>

By far the most noteworthy of the events suggesting possible change in Myanmar occurred with the announcement by President Thein Sein on September 30 that work on the Myitsone Dam would be suspended. This announcement, read to the Parliament, came in the wake of what had become a groundswell of opposition to the dam. Situated at the confluence of two smaller rivers feeding the Irrawaddy in Kachin State, the dam was a joint venture between China Power Investment Corporation and various Myanmar contractors. Over 90% of the hydroelectricity it produced was bound for China’s Yunnan Province. This latter aspect, plus the fact that the dam would flood an area the size of Singapore upon completion while displacing tens of thousands of people, became a focal point of criticism from environmental and civil society groups all over the world, including within Myanmar itself.

1. Wai Moe, “Burma’s 15 Minute Parliament,” *The Irrawaddy*, February 22, 2011, <[http://www.irrawaddy.org/article.php?art\\_id=20803](http://www.irrawaddy.org/article.php?art_id=20803)>, accessed November 2, 2011.

2. Aung San Suu Kyi, interview transcript, *Wall Street Journal*, October 24, 2011.

With the Myitsone Dam having become something of a lightning rod for rising disquiet over China's growing dominance over Myanmar's economy (an anxiety that extended to the senior ranks of the military), Thein Sein's decision to suspend construction was a popular one. To the extent that it seemed to represent a rebuff to Beijing, it was also a clever playing of the "China card" with respect to the president's efforts to sell the government as something demonstrably "new" to the international community. China's reaction was measured, though its Foreign Ministry later said it expected that Myanmar's government would "guarantee the lawful and legitimate rights and interests of Chinese companies."<sup>3</sup>

### POLITICAL PRISONERS

Hard on the heels of the decision to suspend construction of the Myitsone Dam came an announcement in October that there would be a substantial amnesty of prisoners. Given the growing reformist narrative, hopes were high that a significant proportion of Myanmar's estimated 2,000 political prisoners might be included in this. Such hopes were dashed, however, and of the roughly 6,000 prisoners released, only around 200 were prisoners of conscience. The released political prisoners included Myanmar's famous satirist and comedian U Zaganar (who said of his release that "nothing has changed here"), but the freed cohort included few other high-profile dissidents or activist leaders.

### ETHNIC CONFLICT

Running counter to the growing narrative of reform and positive change in Myanmar in 2011 was the escalation of the long-standing conflicts between the country's military and the armed forces (and ordinary people) of its ethnic nationality areas. The renewed intensity of these conflicts was triggered by offensives against ethnic armies in the Kachin, Karen, and Shan States; by year's end, the fighting had displaced tens of thousands of people within Myanmar and caused thousands more to flee across the country's borders. Various ceasefire talks took place throughout 2011, but these did little to

3. Francis Wade, "Burma VP to Talk Dam Fiasco with China," October 7, 2011, Democratic Voice of Burma, <<http://www.dvb.no/news/burma-vp-to-talk-dam-fiasco-with-china/18020>>, accessed November 3, 2011.

reduce the conflict on the ground. In October, the U.N. Special Rapporteur on Human Rights in Myanmar Tomas Quintana was permitted to visit; he subsequently declared that the renewed ethnic conflict continued “to engender serious human rights violations, including attacks on civilian populations, extrajudicial killings, sexual violence, arbitrary arrest and detention, internal displacement, land confiscations, the recruitment of child soldiers, as well as forced labor.”<sup>4</sup>

## ECONOMY

The first meeting between Aung San Suu Kyi and Thein Sein in August took place at the National Workshop on Reforms for Economic Development in Myanmar, convened by U Myint, the president’s chief economic adviser. An internationally renowned economist respected on all sides of the political divide, U Myint used these workshops (the one attended by Suu Kyi was the second in the series) to build momentum on economic reform and to expand the possibilities of allowable discussion. The latter aspect was perhaps best exemplified by U Myint’s own presentation at the workshop, which was focused on the hitherto taboo topic of corruption.

Concrete policy reforms in Myanmar in 2011 fell short of the game-changing rhetoric, and policy regression even took place in a number of areas (the most prominent examples of which included the reintroduction of petrol rationing, continuing restrictions and controls on rice exports, and a growing array of uncertain and prohibitive taxes). However, a limited number of policy reforms were implemented, most importantly simplification of rules regarding foreign investment, breaking up the state’s cooking-oil import monopoly, and granting the right to deal in foreign exchange to six of Myanmar’s private banks at the informal “market” exchange rate. In August, the Ministry of Finance and Revenue reduced the general export tax from 7% to 2%, and eliminated it altogether on a small range of Myanmar’s principal exports (albeit for just six months). In a related move, the tax levied on remittances of foreign earnings was reduced from 10% to 2%. Such reduction in Myanmar’s taxes on international earnings was consistent with the broader reform narrative, but the moves had a more immediate objective of alleviating

4. United Nations Office of the High Commissioner for Human Rights, “Statement of the Special Rapporteur on the Situation of Human Rights in Myanmar,” August 25, 2011, Yangon, <<http://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=11330&LangID=E>>.

the harm done to traders and others in Myanmar by the soaring value of the nation's currency, the kyat, against the U.S. dollar. Across 2011, the market rate of the kyat appreciated by around 25%, driven by rising commodity prices, increasing foreign direct investment from China in energy projects, the actions of speculators taking long positions in the currency, as well as the relative weakness of the U.S. dollar.

Myanmar's fiscal circumstances in 2011 remained poor, both in terms of the country's chronic budget deficit and the allocation of spending in socially unconstructive ways. Regarding the latter, data provided to the new Parliament revealed continuing vast allocations to the military (21% of all government spending) for 2011–12, expenditures that were constitutionally protected against parliamentary scrutiny. Allocations to health and education, at 1% and 5%, respectively, remained the lowest in Southeast Asia.

Beyond policy, the actual performance of Myanmar's economy more or less continued the dominant narrative of a decade or so—of a strong natural resource and energy export sector combined with dismal economic circumstances for the average cultivator, worker, and citizen. In 2011, Myanmar's largest source of foreign income remained its exports of natural gas to Thailand, but exports of gems (primarily jade to China) were almost as strong. Myanmar's exports of agricultural commodities were down on previous years, a function of restrictive policies and uncertainty with respect to rice exports, a collapsing market in India for Myanmar's hitherto lucrative exports of beans and pulses (following the removal of consumption subsidies in India), as well as the exchange rate problem.

## INTERNATIONAL RELATIONS

Myanmar's reform story through 2011 paid dividends in terms of the country's external relations. This was particularly the case with respect to the “West,” and countries hitherto critical of Myanmar's past military regime, most of which took up a stance that could perhaps best be categorized as “guarded optimism.” Such a stance was exemplified by the U.S., which has been most critical of the human rights abuses and other infractions by Myanmar's military regimes down the years. In August, the Obama administration announced the appointment of Derek Mitchell as special representative and policy coordinator for Myanmar, an office integral to the administration's “dual-track” approach of engagement *and* sanctions. Mitchell subsequently

made a series of visits to Myanmar through 2011, clearing the way for the most significant development in the improving relations, the visit in November of U.S. Secretary of State Hillary Clinton. The first such visit since 1955, it came in the light of what President Obama described as “flickers of progress” in Myanmar. The secretary met with President Thein Sein in Naypyidaw, and with Aung San Suu Kyi a day later in Rangoon, both of whom described the visit as “historic.”<sup>5</sup>

Notwithstanding the widely perceived success of Clinton’s visit to Myanmar, U.S. economic and financial sanctions on the country remained in place, any easing awaiting more concrete reforms, especially with respect to the release of political prisoners and the peaceful resolution of the ethnic conflicts. But Clinton’s visit concluded with the announcement of a number of modest concessions designed to encourage further reform. These included allowing enhanced cooperation between Myanmar and multilateral financial institutions such as the IMF and the World Bank; U.S. aid for health, microfinance, mine-clearing, and counter-narcotics programs; aid for academic and other exchanges, and (in cooperation with the Association of Southeast Asian Nations [ASEAN]) in support of English-language teaching initiatives.

On the surface, Myanmar’s one international relationship that seemed to sour somewhat in 2011 was with China. As noted earlier, the Myitsone Dam decision seemed to epitomize growing tensions between these erstwhile close partners and allies. Beyond the headlines, however, the two nations remained closely intertwined and, in Myanmar’s case, deeply dependent. Chinese-approved foreign direct investment (FDI) across 2010–11 came to nearly US\$20 billion, or as much as that from all countries in the preceding 20 years. Of course, some of this FDI will ultimately not be implemented, and all of it was concentrated in resource and energy extraction (greatly limiting its economic development potential). Nevertheless, and together with ongoing construction of the oil and gas pipelines that will connect Myanmar’s Arakan coast to China’s Yunnan Province, the two countries remained locked in a close economic embrace.

Myanmar’s relationship with its fellow members of the ASEAN in 2011 was colored by its efforts to secure the rotating chair of the organization in 2014. The problems that such a role might provoke for the bloc’s relationship

5. Ba Kaung, “Clinton Concludes Landmark Burma Trip,” *The Irrawaddy*, December 2, 2011, <[http://www.irrawaddy.org/article.php?art\\_id=22591](http://www.irrawaddy.org/article.php?art_id=22591)>.

with important interlocutors (the E.U. and the U.S. in particular) had caused Myanmar to “voluntarily” stand aside from the chair in 2006. In October 2011, Indonesian Foreign Minister Marty Natalegawa visited Myanmar in his role as the representative of his government (the current chair) and declared that he thought the reforms were “meant to be irreversible” and that he “did not get any indication that the process will stop.”<sup>6</sup> Natalegawa’s assessment was decisive, and in November the member countries of ASEAN awarded Myanmar the chair for 2014.

## CONCLUSION

In 2011 Myanmar made tentative steps toward a way out of the political stasis that has gripped the country for nearly 50 years. Limited political reforms were enacted, greater freedoms were allowed to the press, and some political prisoners were released. Some economic reforms were likewise undertaken, while others became allowable topics of discussion. Yet, against these positive moves was a degree of political repression (especially with respect to human rights abuses in ethnic conflict areas). Similarly, in a number of areas there remained a substantial gap between the reform narrative and real change on the ground. Nonetheless, the events of 2011 give grounds—if not for optimism—then at least for hope that better times for the people of Myanmar might be in prospect.

6. “Myanmar Reforms Irreversible, Says Indonesia,” Reuters, October 30, 2011, <<http://in.reuters.com/article/2011/10/31/idINIndia-60210420111031>>, accessed November 4, 2011.

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