

SEAN TURNELL

Myanmar in 2010

Doors Open, Doors Close

ABSTRACT

The dominant issue in Myanmar throughout 2010 was the elections finally held on November 7. These were the culmination of the ruling junta's roadmap toward "disciplined democracy" but were neither free nor fair. A major development the same month was the release from house arrest of Daw Aung San Suu Kyi, which drew worldwide attention. Myanmar's economy continued to underperform.

KEYWORDS: Myanmar, elections, economy, Constitution, minorities

LOOMING OVER ALL OTHER ISSUES in Myanmar in 2010 were the elections held on November 7. These elections installed a nominally civilian government, which, in practice, is mostly a "constitutionalized" façade for ongoing military rule. The elections were marred by widespread instances of intimidation, fraud, and other irregularities, as well as a low voter turnout (state media claimed a 76% voter turnout, but independent sources put it as low as 30%). More significant than the polls themselves, however, was a process leading up to them that excluded many individuals and parties from contesting the elections, disenfranchised ethnic minorities, and repressed freedom of speech and genuine campaigning.

Less than a week after the discredited elections, Myanmar's democracy icon and Nobel Peace Prize laureate, Aung San Suu Kyi, was released from house arrest—a development that delivered anxious excitement in Myanmar, and headlines just about everywhere else. Meanwhile, throughout 2010, Myanmar's economy continued to function below potential, and short of the performance necessary to deliver the people from the dire poverty that has long been their plight. Myanmar's international relations were frequently

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strained, even as the country consolidated its position as a significant exporter of energy to the region and to China.

MYANMAR'S 2010 ELECTIONS

The elections held on November 7 were for the Pyithu Hluttaw (People's Assembly or lower house) of 440 seats (110 of which were reserved for non-elected military representatives), the Amyotha Hluttaw (the upper House of Nationalities) of 224 seats (56 reserved for the military), as well as for 14 state and regional assemblies. Established under the auspices of Myanmar's new (2008) Constitution, the new national and regional parliaments are the centerpiece of the country's claimed return to civilian rule. Still, irrespective of the election results, this same Constitution greatly inhibits the creation of a genuine civilian government in Myanmar. One reason is the reservation of 25% of all seats in the national Parliament for military personnel, as noted. Another is the assigning of key ministerial portfolios such as Defense and Home Affairs exclusively to military representatives. Likewise, the Constitution grants extraordinary powers to an unelected "Commander in Chief of the Defense Services," who during a self-declared state of emergency may assume all legislative, executive, and judicial authority. Finally, constitutional amendments require the approval of over 75% of parliamentary members, effectively giving the military a veto over constitutional change.

Myanmar's 2010 elections were flawed by a number of irregularities on polling day, but their outcome was in any case a foregone conclusion. In the end, some 37 parties contested the elections, but a number of other parties (some genuinely independent, some representing ethnic minorities) as well as individuals were excluded. Among the latter were political prisoners, including the most famous, Daw Aung San Suu Kyi. Her exclusion and the ongoing imprisonment of over 400 fellow party members prompted the National League for Democracy (NLD), the party that won Myanmar's last elections 20 years ago but was barred from taking office, to boycott the polls. This forced the party's official dissolution on May 6. A splinter party, the National Democratic Front (NDF), subsequently did register and compete in a limited range of seats concentrated around Yangon. The NDF faced the obstacles that confronted most participants—high registration fees (around US\$300 per party and \$500 per candidate). Other impediments were the severe restrictions on freedom of speech and assembly (including

election-specific injunctions against criticism of the Constitution and the polling process), a lack of access to the media and an absence of free reporting, and a pervasive environment of fear and intimidation.

Two parties that faced few of the obstacles above were the principal regime-aligned parties, the Union Solidarity and Development Party (USDP) and the National Unity Party (NUP), including remnants of Ne Win's old party. The USDP was established in June via the conversion of the regime-supported "mass movement," the Union Solidarity Development Association (USDA). The USDP competed in nearly all of the 1,163 seats across the assemblies, while the NUP fielded around 1,000 candidates. In the end, the USDP captured around 80% of the seats in which it stood—notwithstanding counts at local polling stations that suggested otherwise—and amid widespread reports of ballot stuffing, voter intimidation, irregular advance voting, obstruction of opposition supporters, and other fraud. The NUP only won a few more seats than the few dozen or so gained by the NDF and other independent parties, and joined with them in raising a protest to Myanmar's Election Commission.

The USDP's choreographed sweep of Burma's November elections was translated into political office in February 2011 with the announcement of the leadership positions in the "new" government. Burma's new president, U Thein Sein (prime minister under the old regime), as well as the two new vice presidents, Thura U Tin Aung Myint Oo and Dr. Sai Mauk Hkam, were each elected to the Parliament as representatives of the USDP.

International reactions to Myanmar's 2010 elections followed the division of approaches to Myanmar that has characterized the West and Burma's neighbors in Asia. President Barack Obama asserted that the polls were "neither free nor fair . . . and demonstrated the regime's continued preference for repression and restriction over inclusion and transparency."¹ The EU likewise declared that the elections were "not compatible with internationally accepted standards," while U.N. Secretary-General Ban Ki-moon said the elections were "insufficiently inclusive, participatory, and transparent."² The responses of the Association of Southeast Asian Nations (ASEAN) and China, on the

1. "Statement by President Obama on Burma's November 7 Elections," White House, Office of the Press Secretary, November 8, 2010, <<http://www.whitehouse.gov/the-press-office/2010/11/07/statement-president-obama-burmas-november-7-elections>>, accessed November 8, 2010.

2. Council of the EU, "Declaration by the High Representative Catherine Ashton of the European Union on the Elections in Burma/Myanmar," Brussels, November 7, 2010, <http://www.europa.eu-un.org/articles/en/article_10339_en.htm>, accessed November 1, 2010; United Nations Office of the Secretary-General, "UN Chief Calls for Credible Transition to Democracy after Myanmar

other hand, were welcoming and nearly identical: the former welcoming the polls as a significant step, and the latter as a vital part, of Myanmar's "7-point Roadmap for Democracy."³

RELEASE OF AUNG SAN SUU KYI

On November 13, Aung San Suu Kyi was released from her third seven-year period of house arrest. Her release caused great excitement in Myanmar and was welcomed more or less unanimously around the world. The release came at the legal termination of her latest sentence, but the timing was fortuitous for the ruling regime in diverting attention from the controversies over the polls a week earlier.

A New Name and Flag

In October, Myanmar's government announced a new official name for the country and a new flag. The name change added the prefix "Republic" before "Union of Myanmar." The change in flag discarded the socialist era standard in favor of a flag featuring horizontal stripes of yellow, green, and red with a large white star in the center. The announcement of the changes was sudden, and was accompanied by instructions for simultaneous ceremonial raisings of the new flag at precisely 3:00 P.M. on Thursday, October 21, a time regarded by government numerologists as auspicious.

ECONOMIC CONDITIONS

In terms of conventional measures such as gross domestic product (GDP), Myanmar's economy grew moderately (around 3%) through 2010, and roughly on par with the average across the last five years or so. Such growth came mostly as a consequence of the positive contribution to net exports from Myanmar's supply of natural gas to Thailand. These exports brought in around \$3 billion in 2010 and boosted Myanmar's external reserves to around

Polls," New York, November 8, 2010, <<http://www.un.org/apps/news/story.asp?NewsID=36694&Cr=myanmar&Cr1=>>, accessed November 8, 2010.

3. "Statement by the Chair of ASEAN on the 7th November General Elections in Myanmar," Hanoi, November 8, 2010, <http://www.mofa.gov.vn/en/tt_baochi/pbfnf/nst01109091505>, accessed November 9, 2010; "China Welcomes Myanmar's Smooth General Election," Beijing, November 9, 2010, Xinhua, <http://news.xinhuanet.com/english2010/china/2010-11/09/c_13598575.htm>, accessed November 10, 2010.

\$6 billion by year's end. Revenues of this magnitude should be the game changer for Myanmar's economy, a windfall sufficient to finance the spending on health, education, and crucial infrastructure needed as a springboard for genuine transformational growth. Unfortunately, these revenues are not applied in such constructive ways, and through 2010 the government continued its long-standing practice of using the funds for arms and military infrastructure spending, while sequestering a major proportion of the revenues in overseas and local banks.

Discounting for the positive growth contributions of the gas exports, Myanmar's domestic economy almost certainly contracted through 2010. Data problems preclude certainty, but such an assessment is supported by other statistics suggesting falling energy consumption across the year. Per capita GDP, around \$450 at the market exchange rate (around \$2,000 at purchasing power parity), is the lowest in Southeast Asia. Meanwhile, economic policy making in Myanmar continued to be erratic, uninformed by expert input, and premised mostly on its utility in maintaining regime security. Myanmar continued to run a large fiscal deficit in 2010, primarily funded by printing money, which accordingly, fueled the region's highest inflation rate (around 20%).

The financial demands of the state have made Myanmar's monetary and financial system little more than a subset of its fiscal arrangements, and this, along with an array of inappropriate and antediluvian restrictions on banks, has greatly limited the system's role in the economy. In 2010 Myanmar's rural financial system was in especially poor shape, with the vast majority of farmers being unable to access formal financing of any kind. This forced them to go without funds (along with critical inputs such as fertilizer) or rely on informal moneylenders whose high interest rates drive an indebtedness cycle that has caused increasing landlessness. In 2010 four new private banks were granted licenses to operate in Myanmar. However, all four are subsidiaries of regime-connected conglomerates that already appear on various lists of sanctions imposed by the U.S., EU, and a number of other countries. The establishment of such institutions does not, accordingly, point to progress in Myanmar's economy, nor to a process of genuine reform.

Myanmar attracts little in the way of foreign direct investment (FDI) beyond that associated with resource extraction in its various forms (primarily, the construction of gas pipelines, mines, and hydroelectric dams). Fully 100% of officially declared FDI was in this form in 2010. Such FDI produces

only minimal technology or skill transfer, employs very few Myanmar citizens (Chinese FDI is noteworthy for its reliance on imported Chinese labor), and all too often spurs environmental and social damage through the projects it funds. The latter consequences are especially acute in Myanmar because much of the country's natural resources and energy-intensive river systems are located in regions in which ethnic minorities predominate.

Intrusion of the elections into Myanmar's economic circumstances and policy making was at its most prominent in the quasi-privatization of numerous state assets, mostly in the first half of the year. Altogether, nearly 300 entities were sold off, including ports, rice mills, textile factories, cinemas, hotels, an airline, fish and agricultural processing plants, and precious stone and gold mines—as well as dozens of government buildings in Yangon (the latter occasioned by the movement of most government ministries to the new capital of Naypyidaw since 2005). The buyers of these assets, in a program largely devoid of public tenders or transparency, were mostly prominent regime-connected conglomerates. The most likely motivation for the sell-off, given that it was unaccompanied by policies to increase competition or other liberal measures, was to create opportunities for economic rent-seeking by Myanmar's present leadership while (pre-election) they possessed the unequivocal coercive authority to do so.

INTERNATIONAL RELATIONS

As a critical step in the long touted “roadmap to democracy,” the November 7 elections were predicated at least partly on an effort to assuage international opinion and to change the conversation about a country otherwise chiefly known for political prisoners and human rights abuses. Given the conduct and outcome of the elections described above, the effort largely failed.

Beyond the elections, Myanmar's international relations were troubled on a number of fronts. Dealings with the U.S. continued to be strained, notwithstanding the September 2009 change in tone of U.S. policy when the Obama administration commenced “pragmatic engagement.” The outcome of a seven-month-long review, the policy included maintaining existing U.S. sanctions on Myanmar while seeking to engage its rulers in dialogue. Making manifest this change in tone were high profile visits to Myanmar in November 2009 and May 2010 by U.S. Assistant Secretary of State for East Asian Affairs Kurt Campbell. However, these U.S. initiatives did not

find a responsive interlocutor in Myanmar's government on the substantive issues, and, in September, Campbell told a meeting organized by the U.S. Institute of Peace (USIP) that "in almost every arena, we have been disappointed."⁴ Of course, the elections and their aftermath only added to the disillusionment.

Myanmar's relations with China came under strain in late 2009 when the State Peace and Development Council (SPDC) moved against a number of so-called ceasefire groups. These belonged to various ethnic minorities with strong Chinese historical and kinship ties (principally the Kokang, but the Wa, Kachin, and other groups were similarly put on notice). These operations came in response to efforts by the Myanmar government to convert ethnic militias into "border protection forces," but their effect drove an estimated 30,000 people from Myanmar into China's Yunnan Province. In 2010 the issue continued to simmer, with China attempting to rein in some of the support to such groups by Yunnan's provincial authorities. But Beijing otherwise hoped that Myanmar's elections would deliver some stability through the participation of the ethnic minorities. These hopes were dashed, however, when the Wa refused to allow elections to take place in areas under their control, and when the Myanmar government cancelled the polls in numerous ethnic minority areas. There appeared to be a growing backlash against Chinese investment and perceptions of economic depredations. The upshot of all of this was that the stability China regards as vital to its strategic and economic interests in Myanmar became increasingly fragile.

4. Kurt Campbell, "Next Steps in Engaging the Asia-Pacific Region," USIP, Washington, D.C., September 16, 2010, <<http://www.usip.org/events/assistant-secretary-state-kurt-campbell-next-steps-in-engaging-the-asia-pacific-region>>, accessed November 10, 2010.

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