

Myanmar

Status Index (Democracy: 1.65 / Market economy: 2.11)	1.88	Management Index	2.04
HDI	0.578	Population	49.5 Mio.
GDP p. c. (\$, PPP)	n/a	Population growth¹	1.8%
Unemployment rate	n/a	Women in Parliament	parliament not convened
UN-Education Index	0.76	Poverty²	n/a
		Gini-Index	n/a
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003).			

A. Executive summary

Myanmar today is still an authoritarian regime ruled by a military junta that suppresses all avenues of dissent, including the media and public protest. The regime leaves no room for independent civic organizations to develop, but uses vast resources to repress its citizens and deny all basic freedoms. Some 2000 political prisoners are still kept under arrest.

Some hopes were raised in 2002 that the regime would relax its control on the National League for Democracy (NLD), Myanmar's biggest opposition party, when it freed the opposition leader and Nobel Peace Prize recipient Aung San Suu Kyi from house arrest. Yet, these hopes were dashed again in May 2003, when the military ordered a clampdown against the opposition and the re-detention of Suu Kyi. The renewed house arrest for the opposition leader triggered widespread criticism from the international community. The military junta answered with the announcement of a roadmap to a "disciplined democracy" in September 2003, which also included plans for a new constitution, a popular referendum and fresh multiparty elections. The NLD was invited to participate in the proceedings but opted to boycott the National Convention after the military declined to free Suu Kyi. The National Convention convened for three months in 2004 and 2005. Participants were personally invited by the military junta, but not allowed to discuss the principles of the new constitution freely. The military determined the basic principles of the convention beforehand. With such measures, the military tries to secure its dominant position in a future political system which can at best be nominally democratic.

The economic transition initiated after 1988 has made only little progress. Already one of East Asia's weakest economies, Myanmar has been set back even further by the continuing international sanctions. The foundations of a functioning market economy are not in place, the banking system is still in its infancy, and there is no

state policy on competition and development with generally accepted rules. Policymaking is rather erratic and driven by the personal interests of the military junta. Despite market reforms since the end of the 1980s, large state enterprises still dominate the economy. The military junta also lacks the capability to steer the country out of further crises. Investment into education and health sectors are extremely low and reflect the lacking political will of the military leaders to initiate development. The rules for a sound economic management can only be established after a political transition has taken place and the international community has abolished their sanctions.

B. History and characteristics of transformation

Since 1962, when General Ne Win took power in a bloodless coup and ordered the arrest of the then Prime Minister U Nu, Myanmar has been a military dictatorship. Since the former colony won its independence from Britain in 1948, domestic unrest has stood in the way of its political and economic transformation. A few months after independence, ethnic minorities and communist groups rose up in violent revolt against the young republic and proclaimed independence of their respective settlement areas.

The military was able to prevent a permanent rift by the use of tremendous force, but even as of this writing it remains unable to find a political solution to the country's difficult minority problems. As soon as it took over power, the military dictatorship abolished democratic institutions and replaced them with the 17-member Revolutionary Council chaired by General Ne Win. The army led the country into isolation. It cut off all contacts to the outside world. As its official philosophy, the state adopted a mixture of Marxism and Buddhism. In 1974, the leaders proclaimed "the Socialist Republic of the Union of Burma", with Ne Win in the newly created office of President. Henceforth, a socialist planned economy and one-party rule of Ne Win's Burmese Socialist Program Party determined the country's economic and political development.

In 1981, Ne Win stepped down as president in the face of serious economic problems, and his confidant San Yu succeeded him in office. However, Ne Win remained chair of the country's only political party and continued to play a decisive role in the formulation of government policy. However the formal, merely personal change in leadership did not stop the economic decline. As a result, there were mass demonstrations in 1988, which the military junta tolerated for some months, then brutally repressed on August 8, killing several thousand people. Ne Win and San Yu were replaced by General Saw Maung. The new military junta promised the

opposition that free elections would be held as soon as possible. Those elections took place in May 1990, and they resulted in the overwhelming victory of the NLD, the country's largest opposition party, under the leadership of Suu Kyi, with more than 80% of the vote.

Nevertheless, the army has refused to recognize the election results to the present day, and it did not allow the newly elected Parliament to convene. The opposition leader Suu Kyi was placed under house arrest while the electoral campaign was under way. In 1995, she was released for the first time, but the authorities repeatedly prevented her from leaving the capital to undertake political activities elsewhere in the country. The opposition leader was placed under house arrest again in the end of the year 2000 and was only released 19 months later.

The release of Suu Kyi from house arrest in May 2002 under conditions that allowed the NLD to resume some political party activities initially seemed to provide another opportunity for political reconciliation. Yet, deep-seated disagreements continued to hamper dialogue between the two sides and escalating tensions eventually led to another clampdown on the NLD in May 2003 and the re-detention of Suu Kyi. The renewed house arrest for Suu Kyi triggered an outcry from the international community and renewed criticism.

In September 2003, the military junta announced a roadmap to democracy which should lead to a "disciplined democracy" in the near future. The government has since then re-convened the National Convention to draft a new constitution. The roadmap also includes plans for a popular referendum on the constitution and fresh multiparty elections. The NLD was invited to participate in the proceedings but after a period of intense negotiations, it opted to boycott the National Convention after the military declined to secure the release of Suu Kyi and the re-opening of party offices. The constitution drafting had thus become a very exclusive process, where only handpicked actors were involved.

The change of leadership in 1988 ushered in a new phase of economic transformation. In order to avoid becoming direct victims of the country's economic distress and the mass demonstrations it might trigger, the leaders implemented initial market reforms.

However, there are three main reasons why this change of strategy did not score significant success. Firstly, foreign investors hesitated to invest in the country because of the uncertain political situation there (violent minority conflicts, legal uncertainty) and because of concern for their public image (fear of boycotts because of human rights violations and repression of the democratic opposition in Myanmar).

Secondly, Myanmar did not receive the same level of international assistance with its reforms that comparable developing countries received, because the European Union and the United States had imposed comprehensive sanctions against the military junta, in response to its bloody repression of mass protests in 1988.

Thirdly, despite these obstacles, the military remained unwilling and partially unable to undertake reforms. The principle economic problems are prevailing corruption, the country's high inflation rate and the military leader's exploitation of state enterprises for personal enrichment. Policy-making seems all too erratic from time to time. Altogether, the military is doing little or nothing to correct these problems. Many observers therefore presume that in recent years Myanmar's population has become further impoverished.

C. Assessment

1. Democracy

Myanmar has made no meaningful progress toward political transformation. From time to time, the government relaxes its repression of the opposition and frees some political prisoners or allows party branches to open. However, the repression continues at significant levels and the effective political development of opposition forces remains nearly impossible. The military also arrests people for their political activities and prevents demonstrations. The military promised to negotiate a transfer of power to a civilian government with a roadmap to "disciplined democracy" in September 2003. However, this transition is proceeding at a glacial pace and the military is trying to secure its domination in this process.

1.1. Stateness

The state of Myanmar is not a functioning state with an effective monopoly on the use of force that extends throughout the country. Rather the monopoly on the use of force is established only in central parts of the country, whereas large parts of the outer provinces are under de facto control of powerful guerilla groups of ethnic minorities. These groups are fighting for their own state since 1948 when Burma gained independence from the British. Of the 25 groups that have armed men in the field, 17 groups have entered cease-fire agreements with the military since the end of the 1980s. The agreements allowed these groups considerable autonomy in managing

their own affairs (including control over natural resources and the narcotics trade) and promised the economic development of the outer regions. However, the ethnic minorities in the border areas today still lag behind in social and economic development. Ethnic minorities suffer systematic discrimination and to some extent physical persecution. Public order can only be maintained by the permanent threat of force. Disputes between the central government and rebel bands continue to result in armed conflict. All these developments indicate that no final agreement has been reached between the central government and the ethnic groups about the basis of the nation state. The state administration is not fully functional, it reaches only limited parts of the country and works at best ineffectively.

1.2. Political participation

The military has dominated the political and social system for the last 40 years. The last free elections took place in 1990, but the military junta refused to recognize the results. The military government was not elected by the people but rather took power in a coup d'état. It completely controls all domestic media and obstructs independent reporting by foreign journalists. The entire population is denied essential aspects of full citizenship and crippled in its political expression. The country's largest opposition party, the National League for Democracy (NLD) continues to suffer extreme repressive measures. Its leadership is being kept under house arrest and members are under permanent surveillance by the secret police. Thousands of party officials and supporters continue to serve sometimes even long prison sentences, on grounds of their political activity. Civil groups or associations are co-opted by the military and there is hardly any room to maneuver independent of the military. As part of its "roadmap to a disciplined democracy", the junta has called for the gathering of a National Convention to draft a new constitution. Members of the National Convention were approximately 1000 people that were handpicked by the military junta. They were denied the free discussion of general principles of the constitution and were told to ratify the ideas of the military government. After disunity came to the fore, the National Convention adjourned in March 2005.

1.3. Rule of law

There is no balance of power in Myanmar. The country has neither a constitution nor parliament. A constitution is being debated on by the National Convention, which is part of the "roadmap to a disciplined democracy". However, the opposition is not taking part in the process of drafting a new constitution. The judiciary is also directly dependent on the military leadership. Civil rights are not fundamentally guaranteed,

and indeed, they are systematically violated. Officeholders often exploit their position for private gains without fear of judicial or public consequences. According to the Corruption Perception Index, Myanmar's political and bureaucratic corruption is among the worst in the world.

1.4. Stability of democratic institutions

The military dictatorship can only maintain its institutions by the continual threat of physical violence. Important international actors such as the European Union, United States, the country's largest opposition party NLD and many secessionist movements in Myanmar do not recognize its legitimacy.

1.5. Political and social integration

Government repression has prevented the formation of a stable, moderate party system with roots in society. Except for the democratic opposition party, the NLD, civic organizations are present only at a very rudimentary level because people must count on being punished for any political or social opposition to the government. In addition, the NLD must conduct its political activities in the face of enormous organizational deficiencies. A shortage of financial resources and governmental repression (interdiction of travel, surveillance of communications) make it almost impossible for party headquarters to work together effectively with party offices elsewhere in the country.

Civic organizations are co-opted by the military government. All associations are controlled by members of the ruling junta; the wives of the generals often lead civic organizations. There are only a few grassroots organizations and they have only very limited room for maneuver.

After 40 years of uninterrupted military dictatorship, it is very difficult to estimate how positive the population feels about democracy and especially how much they know about it. The last free elections in 1990 brought an overwhelming victory for the opposition, which won more than 80 per cent of the vote. However, these results are more than 12 years old, and it is understood that they do not permit us to reliably conclude that the population continues to embrace democracy today.

2. Market economy

The transformation of Myanmar's economy in the last years has brought more setbacks than progress. Already one of East Asia's weakest economies, Myanmar has been set back further by continuing international sanctions, such as the import ban by the United States.

2.1. Level of socioeconomic development

Primary indicators suggest that Myanmar's level of development is stagnating, in some sectors even falling. Measured against the Human Development Index, the country's level of development is one of the lowest in the region. The degree of social exclusion due to poverty, lack of education or gender is also much higher than in neighboring countries. In particular, women and members of ethnic minorities are at a clear disadvantage.

Because the inflation rate is high and the economy is stagnating, it is safe to assume that poverty in Myanmar has become worse, and that income inequalities have widened. Because government statistics are not credible, often presenting falsified data, it is relatively difficult to precisely evaluate the level of the country's development.

2.2. Organization of the market and competition

In Myanmar, the foundations of competition in a functioning market economy have been abolished. Despite market reforms since the end of the 1980s, large state enterprises dominate key economic sectors such as energy and heavy industry. Because they reinforce the existing system and represent a lucrative source of income for those in power, these state enterprises enjoy competitive advantages and the special protection of the ruling military elite.

There is no state policy on competition and development with generally acknowledged rules. State banks are controlled by the military leaders and have special privileges not granted to the country's few private banks, which are not allowed to conduct business with foreign clients, for instance. Foreign banks in Myanmar, on the other hand, are only allowed to do business with foreign clients. The black market is twice as large as the legal one. Foreign trade is essentially limited to the export of natural gas and agricultural products.

2.3. Currency and price stability

During the reporting period the military junta, which controls the exchange rate, has not been able to implement effective measures to control the country's high rate of inflation. The high inflation also led to a further weakening of the local currency in the parallel market. In 2003-2004, the kyat, the country's official currency, was traded 980 kyat per U.S. dollar, about 150 times the official exchange rate of 6.6 kyat per U.S. dollar.

2.4. Private property

Independent regulation of the acquisition of private property is nearly impossible. At best, private companies are tolerated in the form of inclusive enclaves. Otherwise, the state dominates the economic life of the country. Because military leaders control the entire economy, they are able to arbitrarily alter property laws for their own benefit. There are no independent courts to protect property rights against the all-powerful state. Beginning in 1989, Myanmar slowly began to open its socialist planned economy to world markets. However, international sanctions against the military regime since 1988 have made it nearly impossible for these economic reforms to take any effect in some areas, including the area of private property.

2.5. Welfare regime

In Myanmar there are virtually no political or social provisions to guarantee inclusion or compensation for social inequalities. The state makes almost no effort to combat poverty, and those efforts that it makes are arbitrary. Large portions of the population have inadequate access to health care. The health care system is one in of the worst in the world. According to a U.N. survey, Myanmar ranks 190th, followed only by Sierra Leone. Society is strongly segmented; there are no institutions permitting the redress of extreme social inequalities, except perhaps through the army for a certain segment of the male population. The situation in the border areas is even worse than in the heartland.

2.6. Economic performance

The per capita growth of the GDP is extremely small compared to the economic boom that Myanmar's neighbors have enjoyed in the past 10 years. According to

independent figures, the country's economy grew at a rate of 3% to 4% during 2003-2004. Simultaneously, estimates indicate that the average of inflation stood at more than 40%. Other macroeconomic data are similarly ominous. The country is estimated to be running a fiscal deficit averaging between 4% and 5% of the GDP between 2000 and 2005, although revenue is steadily shown as increasing.

2.7. Sustainability

The state has not provided a social safety net for the alleviation of poverty and the absorption of social risks. Traditional family and clan structures continue to fulfill this function.

There are very few institutions for education, vocational training, and research and development. The military dictatorship spends only 0.2% on education annually. Thus only very few quantitative and qualitative investments in education, vocational training, and research and development are possible. In addition, there are no private institutions to speak of in Myanmar that could make up the deficit.

The health sector is confronted with the same problem of insufficient funding. Tuberculosis and malaria have become serious problems, AIDS has become epidemic in the last few years. About 1.3% of Myanmar's adults are believed to be infected with HIV and AIDS, making it one of the highest rates in Asia. Government response to the looming crisis has been slow. Yet, some achievements have been made during the period under review. The government has acknowledged its serious HIV and AIDS problem and has permitted health professionals, international organizations and donors to begin a coordinated dialogue. Although some obstacles have been removed, the regime's closed nature is preventing a rapid breakthrough. The regular government budget for HIV programs is still restricted to a few tens of thousands of dollars a year and no increase in expenditure during the period under review. The number of available staff has scarcely changed over the last several years. A few hundred poorly educated civil servants are employed by the ministry of health in the National AIDS Program. They are stationed in teams in about 40 key townships controlled by the central government. Altogether, the capacity within the bureaucracy to fight AIDS is very low and needs help from outside.

Economic growth completely subordinates environmental compatibility, which has no institutional expression. The alarming extent of Myanmar's deforestation is a vivid illustration of this. During the period under review, the military leaders awarded a great many licenses, especially to Chinese companies, which proceeded to clear forestland without concern for environmental sustainability. The military reacted to

diminishing productivity in the agricultural sector by extending rather than intensifying domestic agriculture and farming new agricultural land instead of achieving higher yields on existing land. This policy has serious destructive effects on the environment.

3. Management

3.1. Level of difficulty

Basic conditions in Myanmar were and continue to be extremely unfavorable for the transition to a functioning market economy and functioning democracy. The level of difficulty for transformation must therefore be considered very high. At no time have government and the opposition been united by a fundamental consensus concerning democracy and democratic rules. The same is true for a free market economy, rules that the military leaders in Myanmar continually break and pervert for their own benefit. An example is the reversal of the rice policy in early 2003. The people of Myanmar have almost no experience with civil society, democracy, a market economy or the rule of law, and they are gradually forgetting what experience they do have.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	<i>1</i>
1. Head of Government:	<i>General Than Shwe</i>	Cabinet duration:	<i>03/2001- 09/2003</i>
2. Head of Government:	<i>General Khin Nyunt</i>	Cabinet duration:	<i>09/2003- 10/2004</i>
3. Head of Government:	<i>General Soe Win</i>	Cabinet duration:	<i>10/2004- present</i>
		Number of ministries:	<i>24</i>
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

Recent years have provided no evidence that the military government possesses a strategy for economic reform and is determined to enact it. Individual measures primarily served to shore up the leadership's own power in the short term, and they came at high social costs such as inflation and the excessive squandering of natural and financial resources. Policy-making is erratic and influenced by personal interests of the military junta. The military leaders did nothing to establish reliability of expectations for domestic and especially foreign economic actors. They did not

coordinate their macroeconomic objectives or did so insufficiently. Although the government has been given much advice on how to reform the economy, without the participation of international financial institutions, including the provision of adequate resources, its ability to address macroeconomic issues, such as exchange rate rectification remains extremely limited.

The ruling elite does not acknowledge the creation of a market-based democracy as its goals. Other groups such as the democratic opposition have no influence on policy-making. The military junta issued its formula of a transition to a “disciplined democracy”, in which the military still wields lots of power through reserved seats and reserved ministries in the cabinet. The system to eventually come to the fore may then at best be called a softer form of authoritarianism.

3.3. Resource efficiency

The government uses the country’s resources to cement its own power, not in the service of transformational policies. A large portion of public funds goes to service the government’s own clients. Expensive weapons purchases are an example – around 30% of the budget is spent on the military. These funds are therefore unavailable for necessary investments in the achievement of transformational objectives. Public services, including education and health care, remain inadequate, and this inadequacy stands in the way of further developmental progress.

There is an urgent need for comprehensive deregulation in key economic sectors, especially in the lucrative energy sector, but such deregulation is unlikely to occur, because the skimming of profits from these sectors represents the financial backbone of the military junta. There is no campaign under way against corruption. On the contrary, the ruling elites consistently cultivate a system based on bribery in order to reinforce their power. There is no capable, independent judiciary that could remedy these abuses. The leadership does not make efficient use of the country’s cultural resources.

3.4. Consensus-building

Actors with anti-democratic veto powers have been defending their power by authoritarian means for more than 40 years. They vehemently rejected the road to democracy in 1988 and since then have not allowed major changes within the polity. The junta is eager to control all future developments and tries to manage a transition to a disciplined democracy. This would leave them in power and bind some social

forces in parliament, as well as in institutions with hardly any power. The military sees itself as the only force that can rule the country and keep it together. In order to gain international credibility, it tries to build a façade democracy. Opposition and ethnic groups, however, are not willing to play this game, and try to influence this process according to their viewpoints. Ethnic minority groups demand participation in the nation-building process, and attempt to influence the constitution drafting process. Yet again, the military tries to stifle all dissent and tries to monopolize the process, in order to stay in power.

In the border areas, the cessation of hostilities between the central government and the armies of around 20 ethnic groups since the late 1980s has increased communication and confidence among long-standing enemies. Nation-building efforts in this way made some progress. The ceasefire agreements, however, are primarily military accords concerned with troop movements and a temporary division of authority. While former insurgent groups have been accorded varying degrees of autonomy within ‘special regions’, no real progress has been made on resolving the underlying political issues and large areas, particularly in a ribbon along the Thai border, have remained mired in low-level armed conflict and subject to brutal counter-insurgency campaigns. Ongoing peace talks between the government and the Karen National Union (KNU), the largest of the remaining insurgent army, could pave the way for a halt to significant fighting across the country. Yet, the sustainability of this embryonic peace will remain open to question unless long-standing grievances of ethnic nationalists concerning local autonomy, economic equality and cultural rights are dealt with effectively.

The narcotic production and drug trade in the country in this context illustrates the complexities of consensus-building between authoritarian regime and ethnic minority groups. Drug production and trafficking is linked to the minority groups in the Shan State (the Wa and Kokaing groups). After the dissolution of the communist party in 1989, these groups have negotiated cease-fires with the central government, which allowed them virtual autonomy in local affairs, including the narcotic trade. The military has since then refrained from intervening in the narcotic trade. It has profited through direct participation and has shown disinclination to curb the activities of major drug producing syndicates, since it provided profitable rent seeking possibilities.

Since 2000, however, the military junta finally initiated a major drug eradication program. Under pressure from the international community, the military junta proclaimed the end of the opium production in 2005 – a target that can be achieved only with the help of the ethnic minority groups. For the peasants of the Shan State, the cultivation and the sale of opium are a question of poverty. Consequently,

alternative income ventures have to be initiated. Since foreign investments and trade are extremely restricted and government capacity to accelerate development is extremely limited, alternative methods are hard to evolve. Leaders of the Wa rebel group have already stated that they will return to the cultivation of opium if eradication efforts do not succeed. Consequently, the production of methamphetamine has grown considerably. The decline in opium production, thus, marks only a market shift from opiates to amphetamines (yaa ba or amphetamine type stimulants, ATS).

3.5. International cooperation

Myanmar's membership in ASEAN in 1997 was supposed to signal to the international community that the country was ready to work together with external actors. However, ASEAN's new member confronted the organization with enormous international difficulties. The United States and the European Union had explicitly opposed the country's admission to ASEAN, with the European Union in particular never abandoning its position. Thus in recent years the European Union, in an attempt to exclude the participation of Myanmar, declined a number of joint conferences with Myanmar.

After the renewed detention of Suu Kyi in May 2003, the United States enacted a boycott against goods from Myanmar and strengthened existing sanctions. Since Myanmar will take over the presidency of the ASEAN in 2006, there is enough room for criticism on ASEAN. Debates over a exclusion of Myanmar have already begun in certain circles of ASEAN, yet the non-interference principle stood in the way of further criticizing the regime in Yangon.

Regionally Myanmar is backed by China and increasingly by India and Thailand. These neighboring countries are increasingly interested in the stability of the multi-ethnic state and try to establish positive relations with the military junta.

4. Trend of development

4.1. Democratic development

Myanmar has made no progress toward democracy since 2000. A few regressive steps can be observed, since the Nobel Prize laureate Suu Kyi was put under house arrest again in May 2003, a move that triggered massive international criticism. To regain credibility within the international community the military government

announced a transition to a “disciplined democracy” in September 2003, which sought to include the drafting of a new state constitution, a popular referendum on the new constitution and fresh elections. The announcement was made by the new Prime Minister Khin Nyunt, who had the reputation of being rather liberal.

The National Convention convened together for the first time in late 2004 and tried to elaborate on a state constitution. Members of the National Convention were “invited” from the military representing eight officially designated groupings: major ethnic minority groups, peasants, workers, intellectuals, public service personnel and other invited groups (mainly from the 23 cease-fire groups). While government supporters hailed the National Convention as a historic milestone, detractors deplored the absence of the NLD and its ethnic allies and called the event a sham, pointing to restrictive regulations and top-down instructions guiding the process. In his opening speech, the chair, then second secretary of the ruling junta, made clear that the reconvened NC would continue with the 104 basic principles laid down in its previous session from 1993 to 1996. The 104 basic principles outline the basics of the future state constitution. The military wants to establish a presidential system with the president elected by a body filled with military men. Some ministers are to be appointed by the military, which is also provided with reserved seats in parliament. This is a package rejected by the opposition as undemocratic and heavily biased in favor of the military’s continued dominance.

The sudden and largely unexpected removal of Prime Minister General Khin Nyunt in October 2004 and his Military Intelligence coterie, as well as several prominent cabinet ministers identified with him, generated widespread speculation outside the country that the regime might turn inward again and abandon the political transition underway. That, however, has not been borne out by subsequent developments. The commitment by the military junta, known as the State Peace and Development Council (SPDC) to its political “roadmap” to constitutional government seems to remain firm, as do guarantees of cease-fires with major ethnic minority groups. The National Convention resumed work on February 17, 2005. In March 2005, it adjourned apparently due to “poor weather conditions”. According to rumors, there is considerable disagreement within the body over the political rights and autonomy of the minority groups.

The likelihood of a more open form of authoritarianism is quite high with the “roadmap to a disciplined democracy” and the incentives given by the presidency of ASEAN in late 2006. This, however, does not mean that a democratic system will be installed in the end, since the military is trying to secure its grip on power through constitutional means. The transformation will lead to a new form of authoritarianism, with probably more room for the political opposition. However, even this little step

needs some time and is not easy to take. Suu Kyi is likely to remain under house arrest, at least until the constitutional referendum has taken place. Whether she will be able to resurrect the NLD in time for a future national election is a moot point. The only real threat to the military regime, as has been the case for the past decade, is internal tensions. The recent changes in personnel and structure have provided the army, particularly its regional commanders, with even more autonomy in the administration of local affairs, without the oversight of central military intelligence.

The international implications of the political situation in Myanmar remain unchanged. The security and economic fundamentals that have shaped the policies of India and China toward their joint neighbor determine a continuation of their cooperation with the military government. While they may like to see significant reforms in economic policy and program implementation, they are unwilling to cooperate with each other to force change upon the regime. The member states of ASEAN, while they will continue publicly to express concern in regard to the lack of national reconciliation and particularly the detention of Suu Kyi, will do nothing substantial against the principle of non-interference in the domestic affairs of a member state as long as the SPDC sticks to its announced constitutional roadmap.

4.2. Market economy development

During the review period, the fundamental indicators of market economy development remained low. It is impossible to paint a complete picture of the actual condition, because of a lack of relevant information. There is only very limited statistical information about the current situation. The institutional framework conditions for market-based activity continue to be extremely inadequate. The state directly controls important industrial sectors such as mining and energy, and it retains command of the entire economy through secret ownership and access rights. The military junta has largely sealed off the economy from world markets. The sanctions of the United States and the European Union also have a negative impact on the economy. Trade cooperation, especially cooperation in infrastructure development and energy markets (power plants/hydroelectric dams), is increasingly taking place between Myanmar and China, but also with Thailand and India. Altogether, the rules for a sound economic management will have to be established after a political transition has taken place and the international community has abolished their policy of sanctions.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	6.2	3.0	5.0	4.0	N.A.
Export growth in %	34.0	35.2	9.8	3.0	N.A.
Import growth in %	-12.7	11.6	- 88	- 4.9	N.A.
Inflation in % (CPI)	-0,2	21.2	57.0	35.0	N.A.
Investment in % of GDP *	12.4	11.6	10.1	11.0	N.A.
Tax Revenue in % of GDP	N.A.	N.A.	N.A.	N.A.	N.A.
Unemployment in % *5	N.A.	N.A.	N.A.	N.A.	N.A.
Budget deficit in % of GDP	- 8.3	- 5.8	- 3.6	- 4.9	N.A.
Current account balance in billion \$	- 0.07	- 0.158	0.001	- 0.07	N.A.

Source: Asian Development Bank, Asian Development Outlook 2005.

D. Strategic perspective

In the transition to democracy and a market-based economy, Myanmar has taken more steps backward than forward in recent years. There must be fundamental changes in the baseline conditions before a credible process of transformation can even begin. Above all, the military would have to hand over power to civilians and civilian institutions that have received their legitimacy in elections that are free and fair. In their “roadmap toward a “disciplined democracy” the military has promised to hand over power and hold fresh elections. How are the prospects that the military government is going to keep its promise?

Myanmar is taking over the presidency of the ASEAN in 2006. American and European politicians and diplomats have already made it clear that they will not sit on the same table with Myanmar until it restores democracy. Within the ASEAN countries a discussion is already under way to skip Myanmar’s presidency. The presidency of ASEAN is therefore a major incentive for the military junta to continue its politics of the roadmap to democracy.

The road to “disciplined democracy” however is a rocky one. In March 2005 the National Convention adjourned due to internal discord over the issue of autonomy for the ethnic minorities. The military still clings to the idea of a unitary state whereas rebel groups demand far-reaching autonomy. The foundation for a compromise has not been laid yet. Further discussions have to take place and important decisions are to be made that might derail the whole process, until the work of the National Convention might be concluded in late 2005 or beginning of 2006. Suu Kyi is likely

to remain under house arrest, at least until the constitutional referendum has taken place. Whether she will be able to resurrect the NLD in time for a future national election is disputable.

One has to be rather skeptical whether the military is still planning to hold a referendum and fresh elections in 2006. It will do so only if it can be certain to secure its grip on power. To this end, the military has created the Union Solidarity and Development Association (USDA), which can be used as a vehicle of the military in the upcoming elections. The organization claims to have a membership of several million people. It is officially registered as a social organization; the association is extending its influence into the political sphere. It has organized mass rallies to support the roadmap and is supposed to become a legal political party to compete in future elections.

The basic current principles of the draft constitution also make it clear that the military will continue to play a decisive role in politics in the future. The road to a “disciplined democracy” in the end might lead to another form authoritarianism. In the end, every road chosen is bound to be a rocky one and the military might give up its plans. The prospects for a transition to democracy are rather negative. For this reason significant recovery of Myanmar’s failing economy is also extremely unlikely. The country can only hope that the Southeast Asian region will continue to recover from the effects of the Asian economic crisis, so that it can profit indirectly from that recovery. Without this regional economic revival, Myanmar’s fundamental economic deficiencies (inflation, budget and trade deficits) will probably worsen even further in the coming years.