Myanmar's generals plow a rich furrow

Brian McCartan, Asia Times, Bangkok, 19/12/09

Joseph Stiglitz, the American Nobel economics laureate, advised Myanmar's military-run regime this week that political reform is necessary if the generals hope to revitalize the country's stagnant, mostly agriculture-based economy. Any reform of the rural sector, which employs 70% of the workforce and accounts for nearly half of gross domestic product (GDP), will run up against the widespread and largely institutionalized corruption of the military.

Stiglitz, a former chief economist at the World Bank and Nobel Prize winner in 2001, is renowned for his sharp critiques of conventional free-market development policies, including those espoused by the World Bank and the International Monetary Fund. His comments came in the context of a forum arranged by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) at the invitation of the government of Myanmar. The forum in the capital, Naypyidaw, was attended by Myanmar Minister for Agriculture and Irrigation Major General Htay Oo and Minister for National Planning and Economic Development U Soe Tha and was aimed at exploring strategies for poverty alleviation and rural development. Both ministers are known to be close to Senior General Than Shwe, the reclusive authoritarian leader who is known to have the final say on all policy decisions.

The dialogue was the second in a planned series of events initiated with a visit to Myanmar in July by United Nations under secretary general and executive secretary of ESCAP, Noeleen Hezyer. The previous visit was at the invitation of Oo and, according to an ESCAP press release, was the "first step in a development partnership with the government of Myanmar to discuss its agriculture economy and policy". The Myanmar government has also requested the UN agency to assist in conducting an economic and social assessment of the country's rural economy in 2010. Talks during the UN visit explored the need for farmers to gain greater access to credit and UN concerns over state-mandated low prices for agricultural products that contribute to rural poverty.

When Myanmar achieved independence from colonial rule in 1948, its economic prospects looked good as the world's leading rice exporter. Years of civil war and gross economic mismanagement, magnified after the country came under military rule in 1962, have instead left the country stuck on the UN's list of least-developed countries since 1987. Despite its abundance of arable land and once storied reputation as the "rice bowl of Asia", malnutrition is now rampant, affecting over one-third of the country's children and ranking the country by the UN as one of the world's "hunger hotspots". The situation is aggravated by widespread corruption by local military commanders and civil servants. Transparency International ranked Myanmar 178th, or third from the bottom, of all surveyed countries in its most recent corruption perception listing.

Economists and exiled activists point to government policies that favor the military over other sectors. That includes government-imposed crop quotas, which require farmers to hand over without compensation a percentage of their yields. Although the policy was officially discontinued in 2004, it is still effectively implemented by military officers in rural areas that confiscate through the threat of force a share of farmers' crops. The extortion and confiscation of crops by corrupt military officials is the upshot of a 1998 Ministry of Defense directive that required military units to be self-sufficient for their food and other supplies. The order to effectively live off the land has never been rescinded, despite the extraordinary outlays that go towards the military, estimated by some as high as 40% of the national budget.
Since 2005, there has been an upsurge in demands by the military for farmers to produce cash crops such as rubber, corn and jatropha. Portions of the harvest, independent researchers say, must be handed over to the military and are then sold for a profit. The Karen Human Rights Group, a Thailand-based rights advocacy, has documented the widespread use of forced labor by military officers to grow and harvest crops, often on fields confiscated from villagers. Human-rights researchers who spoke to Asia Times Online say the practice means many Myanmar farmers are left with little time to work their own crops, which results in poor harvests. This is especially the case in the border areas with Thailand, where the army expropriates whatever it needs in terms of food and land in the name of counter-insurgency operations. It is also prevalent in the Irrawaddy Delta and the central plains.

Researchers in Myanmar's northern Shan State told Asia Times Online about a recent military scheme that forces local farmers to purchase genetically altered rice seeds from China as a part of a crop substitution program to reduce the cultivation of opium poppies. According to the researchers, yields have fallen because farmers cannot afford the high costs of the fertilizers necessary to grow the rice. The policy has raised uncertainty among agrarians and undermined what were already low local yields.

During his address, Stiglitz urged the government to promote greater access to financing, improve access to seeds and fertilizers and boost spending on public health and education. The economist also advocated stimulating local development and job creation through spending on rural infrastructure. Some say the discovery and exploitation of offshore natural gas deposits has contributed to the official neglect of the agriculture sector, which in the past was heavily relied on for export earnings. The junta has in recent years reaped multi-billion dollar profits from deals running gas pipelines to Thailand. Those revenues will flow stronger when gas fields off the country's western Arakan coast come on line for sale to China. Stiglitz called on the government to use oil and gas sale profits to stimulate other sectors of the economy, including agriculture. "Revenues from oil and gas can open up a new era, if used well," said Stiglitz. "If not, then valuable opportunities will be squandered."

Analysts believe that without significant political change there is little hope for Myanmar's rural economy. In a UN press release following Tuesday's forum, Stiglitz warned the generals that economics and politics cannot be separated if the country wishes to boost agricultural yields again. "For Myanmar to take a role on the world stage - and to achieve true stability and security - there must be widespread participation and inclusive processes," he said. "This is the only way forward for Myanmar."

Sean Turnell, an economist who specializes in Myanmar's economy, concurs. "This is because the principal problems stem directly from the nature of the regime itself - its insatiable demands, its turning loose of the Tatmadaw [Myanmar armed forces] in the countryside, the lack of property rights - both in a formal sense in terms of the ability to pledge land as collateral and in a more visceral sense that there are no rights to property - even over one's body - in a place where an army expropriates what it needs."

Few believe that the general elections slated for next year will change the situation, as the new constitution reserves a role for the military in government. As long as the army remains a powerful political actor, it will maintain influence over agricultural policies. Changing the system would entail a market-based system in which military officers would be required to pay for what they consume.

Myanmar maintains the second-largest standing army in Southeast Asia, after Vietnam, with about 350,000 foot soldiers. The majority of them are known to live off the land and the power of their station rather than from state-paid salaries. Although a high percentage of Myanmar's gross domestic product is annually dedicated to the military, security analysts say much of that goes towards buying frivolous new weapons systems rather than food and equipment for soldiers.
Calls by the UN and other multilateral organizations for reform and change in Myanmar’s failed agricultural policies are well-intentioned and well-timed. But as long as agriculture and politics remain so tightly intertwined in Myanmar, and the military dominates government, even prescriptions from a Nobel Prize winning economist will likely go unheeded.