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Nowadays many villagers face a lot of problems because the Burmese military junta, called the State Peace and Development Council (SPDC), systematically abuses human rights, especially when the Burmese army carries out offensives targeting villagers and their livelihoods. The SPDC also takes villagers’ land to set up military camps, particularly in rural areas. Villagers have many worries and face a very dangerous situation because of the actions of the SPDC. People want to have freedom to live their lives and to improve them through education or employment opportunities. But there is no freedom for them: movement is not free, education is not free and they cannot improve their lives. They always have to live in fear and worry.

This constant fear and worry that people feel because of the SPDC is not new. They have felt it their whole lives. Naw Htoo Say, a mother living in eastern Karen State in a temporary village near a SPDC army camp, talks about her life on the run and the fact that she has "always fled to the forest to hide with my family to save our lives".

"When I was a child, the military made the four cuts policy (see box for more information) and it made me very upset because my parents had difficulties feeding their children - we always ate potato, vegetable bamboo shoot with rice porridge," she said. "It was not enough for us".

By looking to Karen State, especially the rural areas, a lot of villages have been destroyed by the SPDC. The villagers cannot do anything to defend their homes or themselves from the SPDC, and many people have had to leave their farmlands and move to other places. After the people have fled to safety, the SPDC often builds more military camps and constructs new car roads for transportation. In Naw Htoo Say’s area after the SPDC came, they built a new car road between Toungoo and Muthraw districts. She said in the past villagers from Toungoo and Muthraw could easily travel and visit friends and family, but since the road was built, they could not cross it.

Most people who live in Toungoo and Muthraw Districts work in shifting cultivation. When the SPDC made the new car road and built more military camps for their soldiers they took the land that the villagers used for farming from them, without compensation. Naw Htoo Say and her family had their land taken. "I only know how to do farming and cultivation, but now there is no more land for cultivation because the military government built their camp close to my village and took our land," she said. As there was less land for the villagers, the area that was left for them to plant rice (the main food for villagers) was too small and did not produce enough food for the people to survive. "Sometime I didn’t have any food to eat, but I hoped the trouble would pass me as..."
Moreover the SPDC and armed opposition groups lay landmines, which means in areas where there are landmines people cannot use the land. To the villagers landmines are a kind of enemy. Some villagers that step on landmines die because there is no medicine to help them, and others have limbs amputated. People worry a lot about their relatives if they stand on landmines, as it will affect their future. As most areas where landmines are used are not marked, it will be a big problem in the future for villagers.

Animals, such as buffaloes and bulls, are also killed by landmines and the SPDC soldiers sometimes shoot the animals but do not eat them. Villagers use the animals to plough the farmland and also to earn extra income for their families. In the past people could raise animals and grow fruit or crops to sell, earning extra money for their families. This was only a small amount but it could cover their basic needs, for example if they sold one pig they could use the money for the whole year to cover their health care, clothes and other needs. Nowadays it is difficult because they do not have land to plant the crops or to raise the animals. So villagers always have to worry about how they will cover their basic needs.

This situation is made more difficult by the SPDC inhumane treatment of villagers. Military offensives and human rights abuses undermines people’s survival structures and livelihoods, leaving them very vulnerable, particularly to starvation. Naw Htoo Say said that in her life time she had always faced oppression such as forced labour, the Burmese army looting anything they wanted from her village, seeing other people being killed and having her village and rice barns destroyed. “I remember one experience, on March 20th 2003 at 4:30 PM when suddenly I heard guns sound around my house, and then I ran to escape. After that, my village was bunt by the SPDC, and some villager’s rice stores were burnt as well. At that time four villagers died because of the SPDC’s shooting,” Naw Htoo Say said.

Further making the situation worse is the health situation. Villagers suffer from illness such as malaria, fever, skin irritations and many other diseases. Some people should not die but they do because there is no medicine to buy and use. Naw Htoo Say said she had seen children get malaria because they had to hide from the SPDC troops in the jungle and there was no medicine to help them. Pregnant women also face problems because they cannot get health care and after they give birth, many mothers die and then the baby often dies as well. If the baby survives it is difficult for the family to take care of, because they have no milk for baby and no where to go.

Some community-based organisations based in Thailand are working to provide health care to villagers. However, only some villagers, at sometimes receive treatment because the area for the health workers is very large. Even if villagers get treatment they do not always know how to use the medicine properly. Villagers need educated people to give short trainings to help the grassroots people, for example adult literacy would help villagers use medicine properly because they could read the instructions.

In the past there were no schools or teachers in rural areas so people could not read or write. Naw Htoo Say never dreamed about education because there were no schools or teachers in her village. She cannot read or write Karen, her mother language, or any other languages and sometimes she is upset because of this. Naw Htoo Say wants to improve her skills and gain more knowledge, but does not have any opportunity to go to formal or non-formal trainings.

However, even if people cannot read or write they know that education is important for everyone. Naw Htoo Say worries about how to send her children to school because there is no school in her area. “I have heard that many school have been established on the Thai side of the border, but it would be difficult to send my children across the border,” she said. “Before we reach the border we would meet many problems like landmines and we would have to pass the Burmese military camps. I always see many villagers who have stepped on the landmines and sometimes I see people who have been shot by SPDC soldiers.”

Even if they manage to pass the military camps and cross the border, they have to worry about...
the cost of living while studying. For Naw Htoo Say when she thinks about the costs for her children to study for one whole year, she does not know how she can find the money for them. She worries a lot about this. “In the area where we are living is covered by the SPDC, so there is no way to find income,” she said. “For me, even if I can not read and write I do not worry because when I was growing up I never had a school in my area, but now if you do not have education you cannot do anything. Because of this I worry for my son and daughter.”

Naw Htoo Say explained that in her lifetime she always have been facing many problems and dangerous situations because of the SPDC offensives, more SPDC troop in the area, and human rights abuses. She said we do not have any opportunities and no freedom. The military junta took over power a long time ago, and they are still in control of the country. The junta’s rule has not helped people to develop; instead it brings more worry and poverty for the villagers.

“Sometime I don’t want to stay alive, but I think for my children and it makes me more upset because they don’t know freedom and we always have to flee to safe our lives. Civil war and ethnic conflict bring people a lot of stress,” Naw Htoo Say said. “We need help from other countries and organisations so that we can live without civil war, ethnic conflict and human rights abuses in Burma”.

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**INFLATION IN BURMA:**

**WHEN THE STATE BUDGET DEFICITS ARE FINANCED BY THE MONEY PRINTING MACHINE**

**BY F. BARTHASSAT**

On August 15th this year, Burma’s military regime, the State Peace and Development Council (SPDC), increased fuel prices massively without prior warning shocking the people of Burma. The price of compressed natural gas went up by 500 percent while diesel and petrol prices doubled.1 This was not the first time the people had experienced such hikes. In May 2006 the price of electricity increased ten times2 and in October 2005 the SPDC dropped certain subsidies on fuel, which led its price to rise nine fold.3

The hikes in state controlled prices are hitting the poorest part of the population hardest who are already facing very difficult living conditions. After the latest increase in fuel prices, bus and taxi fares in Rangoon and Mandalay doubled4 and a lot of people simply could not afford them anymore and had to walk.5 With rising transportation costs, commodity prices increased as well. Prior to the latest price increases people were already facing economic hardships. In May 2006, a single mother working in the private sector reported that her daily salary was 1300 Kyat (US $1). With that she was able to buy a small bag of rice for 500 Kyat and pay 400 Kyat for the bus to go between her home and her job. Afterwards she only had 400 Kyat left, to cover her family’s other basic expenses.6

Another example of an arbitrary measure with consequences on the national economy was
the decision by the SPDC in late March 2006 to raise the salaries of approximately 1 million civil servants between 500 and 1200 percent by April 1st 2006. The reasons why the military junta in Burma took such drastic decisions to raise prices and salaries are diverse and will not be explained here. However they draw the attention to a problem in Burma’s economy, which is the high inflation rate (see Box). Price and salary hikes of these proportions have a huge impact on the general price level. This can be seen if we look closer at the example of the salary increases in April 2006.

The radical salary increase affected the inflation rate two fold. Firstly, due to the wage-price spiral, an economic rule, if the salaries increase, prices will also rise. Similarly, if prices increase, people need more salary from their employers. Also, if salaries increase in one sector, employees of other sectors will require higher wages as well. All these factors further contribute to the wage-price spiral. The wage-price spiral phenomenon could be observed after the announcement of the salary increase by the SPDC. One of the immediate consequences was that commodity prices on the local markets rose. Economists estimated that in the 6 weeks following the announcement of the salary increase, prices of commodities had risen at least by 20 percent on average.

Secondly the way the salary increase was financed affected the inflation rate. Salary increases in the public sector of well functioning economies are normally financed by the ordinary government budget, meaning the taxpayer is paying for it. In Burma however the military regime faces problems in collecting regular taxes and even if this revenue system functioned well, they would still face problems to find the money to finance such a big increase.

Since it is doubtful that the SPDC had enough money to finance the salary hike, it would have to borrow money from somewhere. One possibility would have been to borrow it from commercial banks, another to issue government bonds and sell them to the public (see box). However, as the salary increase did not represent a sustainable investment for Burma’s economy, it would have been difficult to find any bank that would have given credit for that or persuade people to buy the bonds.

Given the unlikeliness of the SPDC receiving a loan through the public money market, the only possibility left was to borrow money from the Central Bank of Myanmar (see box for the role of Central Banks). By asking them for a loan, it means nothing else than asking the Central Bank to print more money. The SPDC had often used this method in the past to finance expenditures. Printing more money to cover state expenditures means boosting inflation rates and devaluing the national currency.

But why does inflation go up when the SPDC tells the Central Bank of Myanmar to print more money? Printing money to finance the increase in state expenditure means that more money is supplied to the economic system in Burma. Thus, the quantity of money in the country increases but the amount of goods (for example rice) remains the same. Since the amount of goods doesn’t change, their value stays the same. However the value of the money decreases, because there is more money available.

At the end of March 2006, after the announcement of the salary increase, the value national currency on the black market decreased immediately and hit an all-time low with a rate of 1450 Kyat for 1 US$. Meanwhile the financial authorities maintained the official exchange rate (official value) unchanged at around 6 Kyat for 1 US$.

Burma’s reliance on loans from the Central Bank to cover government spending has been the main reason for their double-digit inflation rate over the last few years. Burma Economic Watch, a University Institute based in Australia, estimates that for the fiscal year 2004/2005 only about 40 percent of the junta’s spending was covered by ordinary and legal tax incomes. The remaining 60 percent were covered by money lent from the Central Bank. This means that the SPDC is spending two and a half times more than its ordinary revenue and that huge government deficit is covered simply by printing more money.

The consequences of this practise can be seen when looking at Burma’s inflation rates. The Economist Intelligent Unit (EIU) estimates the inflation rate for the past twelve months (June 2006 – July 2007) to be about 30 percent, and outside the former capital it might even be higher. The official year by year inflation rates released by the SPDC for the period 2001 to 2005 vary between 3.8 (2004) and 58.1 percent (2002). However the official figures only seldom match the reality in the country. Economic experts like Sean Turnell from Burma Economic Watch qualify them as “notoriously un-
reliable” or even “deliberately misstated”.  

To encourage investment and ease generally economic activity in Burma, it would be essential to stabilise the inflation rates at a low level. The first step to this would be that the military regime stops borrowing money from the Central Bank of Myanmar to cover the huge deficits it produces. In order to do that the SPDC needs to reduce its budget deficit and to cover it through the ordinary money market.

State deficits are usually reduced via two ways. One is to increase ordinary revenues and the other to cut spending. To increase revenues, it would be necessary that the central government tries to increase effectiveness and compliance of the ordinary tax collect system. This would imply stopping the army raising arbitrary taxes on the local population. Spending could be reduced for example by prioritising investments for infrastructure project enhancing economic development rather than projects serving only military purposes.

By following certain basic and well proved economic rules would mean a change to some incrusted habits within the economic policies of the SPDC. However, it would be in their best interest to do so. If economic activity is allowed to develop properly and people can earn a minimum living, it also leads to a stronger internal position of the SPDC and money spend on security could be saved. Similarly, ruling a prosperous country also increases the revenue for their leaders. China is currently an example that authoritarian rule and economic development don’t exclude each other, at least not in the short term. We can only hope that people in the military elite of Burma will realize that opportunity in the near future so that the population will be freed at least from one heavy burden in their country.

Endnotes:
1 Bangkok Post, “Soaring petrol costs deepen woes”, August 20th 2007
2 Agence France Presse, “Myanmar hikes electricity rates 10-fold”, May 23rd, 2006
4 Bangkok Post, op.cit.
8 Agence France Presse, op.cit.
9 Sein Htay, op.cit. p. 58.
13 Sean Turnell, op.cit. p. 3.

**Terminology**

**Inflation** is an economic term that describes the phenomenon of persistent rise of the general price level. Inflation exists in every country. In good functioning economies it is at a level below 5%. If the inflation rate is low it allows a good functioning of the economic system. When inflation rates are very high, the money looses its value very fast and prices and wages rise constantly, making it more difficult for people to run economic activities.

**Government Bonds** are issued when governments want to raise money for example for an infrastructure project. They borrow money from the public and in exchange issue them an official document that is called a bond. The public receives a regular interest rate on its loan and this makes it an attractive investment. However, the public will only be keen on buying bonds, if they are confident that they will receive their money back. The more the people trust the government, the more they will be willing to buy its bonds.

A **Central Bank** is the national monetary authority of a country. The primary responsibility of a Central Bank is to maintain the stability of the national currency and to control the money supply to the national economy. This responsibility gives the Central Bank the authority to issue and recall the banknotes of the national currency. Consequently most economists believe that the Central Bank has to have a minimum degree of independence from the government of a state. Otherwise there is a risk that the Central Bank will follow the interest of the government in power, rather than what is in the best interest of the national economy. This is actually what is happening in Burma at the moment.
The Rohingyas are a Muslim ethnic minority group who are concentrated in the northern part of Rakhine State. The Rohingya population is mostly concentrated in three northern townships of Rakhine State: Maungdaw, Buthidaung and Rathedaung.

Whilst it is difficult to determine the exact number of Rohingyas living in Rakhine State, it estimated that of the approximately three million people living in Rakhine State, between 700,000 and 1.5 million of them are Muslims, the vast majority of which are Rohingyas from northern Rakhine State.

It is estimated that since Burmese independence in 1948 approximately 1.5 million Rohingyas have left Burma and are in-exile. They mostly live in Bangladesh, Pakistan and Saudi Arabia. A small number of Rohingyas are also located in United Arabs Emirates, Thailand and Malaysia.

The largest Rohingya exoduses from Burma occurred in 1972 and 1991/1992 when large numbers fled to Bangladesh, although outside of these times there has still been a steady flow of Rohingya out of Burma. Refugees International estimated that as at March 2003 there were 100,000 Rohingyas living illegally in Bangladesh. These individuals are in addition to the 21,902 individuals from Northern Rakhine State living in the two UNHCR refugee camps in the Cox’s Bazaar region of Bangladesh. Of these individuals, the UNHCR notes that 58% were under the age of 18 at the start of 2003. However, the numbers living in refugee camps in Bangladesh has declined significantly as thousands of Rohingyas have been returned to Burma under the auspices of a UNHCR repatriation program.

The Rohingyas have a distinct dialect and culture. They speak a Bengali dialect which is similar to that which is spoken in the Chittagong region of Bangladesh. Religion is particularly important to the Rohingyas.

End Notes:
Burma Issues was founded in 1990 as a private non-profit organisation devoted to peacefully addressing Burma’s struggle for human rights and democratic rule. Burma Issues operates under the umbrella of the Peace Way Foundation. The Peace Way Foundation was given legal status as a non-governmental organisation in 2002.

Our organisation believes that all ethnic groups within Burma have the right to equality in all areas of life and to live in a society free from ethnic chauvinism. Burma Issues’ bottom-up approach to building a grassroots movement plays a significant role in offering non-violent participatory solutions that come from the people inside Burma’s grassroots communities. The movement’s work directly confronts chauvinism by introducing sustainable, just alternatives to their situation.

Our aim:
To participate in building up a people’s movement of the marginalized people that is capable of carrying out the long-term struggle necessary to bring a true and lasting peace with justice to Burma.

Our objectives:
♦ To systematically document the events of the past and present them through a documentation centre, in order to do effective analysis and to create strategies for building a better future. This will focus on information for the internal movement and for external supportive campaigns.
♦ To build up activists who have a vision for true change in Burma, are responsible and disciplined and are clear in the nature of their commitment for the long-term struggle.
♦ To encourage grassroots people to lead the struggle for social, economic and political change in Burma.
♦ To build up international awareness and support for the struggle in Burma by acting as a bridge between the grassroots people and the international support community in such a way that the grassroots people help international support groups focus actions on the critical issues which prolong the country’s cycle of war.