The Economic Development in Southern Myanmar: How Local Mestizos Create a Stable and Strong Economic Development under Obstacles

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"The Chao Pho (Patron) emerged during a period of rapid transformation in the countryside.” (James Oakley, 2000)

Introduction

As I walked into the Myeik Government office, I realized that this wooden building is very old and lack of maintenance. It was painted with red, yellow and green colours, so as most of the antique governmental buildings in Myanmar, since they are national official colours representing on Myanmar flag. The meeting hall which has wooden tables and plastic chairs prepared in U-shape can fit around sixty people. The meeting was carried out with an antique microphone and stereo. Bats were hanging themselves from the ceiling in toilets and some office rooms next to the meeting hall. The other parts of the building are more or less in the same condition, run down. It is certain that the place has no air condition. All departments working procedure is still a paper based. The city’s total trading figure, the annual budget, and other issues are all written by hand. I thought back and started to understand why we needed to contact the private sector people and set the appointment through them instead of the officials.

After that, the delegation and I were brought in a boat to one of the local men’s island. The island is practically belonged to him since he got a long term renting contract from the government in exchange to develop and urbanize it. He provided us rooms and also brought us for a site visit around the island. Over a decade, he has built up small factories, farms, a port, a school, and even a small power plant that produces electricity for the island.

In the evening, he prepared a small reception for the delegation. There were around 10-15 round tables in front of his office garden. Some high-ranking officers in town also joined the dinner. There were some traditional dancing shows by the children. These children are those who live in the island and go to the school that this local businessman built for them. He told us that there are many thousands people on the island. He himself provided them jobs at his processed seafood company. Most children who go to his school are employees’ children.

Many months later, I came to Myeik again with another delegation and happened to meet him again. This time he brought us to explore the newly built road that connects Myeik to the border of Thailand, Prachuap Khiri Khan province. The length of the road is 220 kilometres. The road construction project is divided into two parts: the local man’s company got half of the project and the government will be responsible for the other half. He also got the land along side the road. The right over the land and its products, woods, is granted in exchange with the obligation to plant palm oil trees because it is government’s policy of making Myeik ‘an oil bowl of Myanmar’.

In December 2015, the road was still under construction and even with four-wheeled jeep, the driver
could not exceed the limit of 60km per hour. After four hours, we stopped at the constructor’s company. Cold bottles of water and cool towels were served, all provided by the local boss’s private company. After that, we stopped again to observe the one-stop-service on Myanmar side. He introduced the delegation to the officials and facilitated the meeting. The man provided vehicles for the delegation on our way to the border and a boat on our way back into the city.

This time the delegation stayed in one of the newly opened hotel run by one of the Thai businessmen from Ranong province, Thailand, who has a good relationship with the local government. The hotel has been built for many years. Myeik, similarly to other part of provincial Myanmar, faces a lack of basic infrastructures. No good road made it difficult to deliver construction materials that were all imported. No clean water meant a lack of important composition for construction. Over years, the foreign constructor supplied what he needed to finish the project by himself.

I also saw the local market, one of his staffs told us that the land belong to his boss but he allows the small local shops to open and sell food and goods without paying any rent. The same staff said his boss is a social-oriented businessman who just wants to develop the city and increase a living standard of Myeik people. These local businessmen became strong men who gain loyalty to manage his people, not a coercion.

The economic and political landscape in Myanmar

External factors and main cities

After Myanmar government led by U Thein Sein has committed for a political and economic reform in 2011, Japan International Cooperation Agency (from now, ‘JICA’) started helping Myanmar. In fiscal year 2012, Myanmar receive 227,930 millions of Yens, considering 39% of the total figure in Southeast Asia, in a form of technical cooperation such as training, participants, experts, study terms, provision of equipment. Also, JICA started granting an ODA in 2013. (JICA, 2015)

More than that, the fact that Myanmar liberalized the economy and promised for a democratic transition have loosen the tension between itself and other international players. The international institutions welcome and have more activities with Myanmar more easily. The reduction of sanction from other countries means less trade restriction and more trading promotion including tax exemption. All these leads to a significant economic growth and a chance for Myanmar to catch up with other ASEAN countries before the ASEAN community starts at the end of this year. However, just like other developing nations, the growth concentrates on a few main cities.

Mandalay, the ancient capital city locating in the north of Myanmar, has its border connecting to the Southern part of China. Recently, the Chinese government has invested in the Kyaukpyu Special Economic Zone or Kyaukpyu SEZ focusing on the energy and petrol industry. Thus, Chinese government built the pipeline delivering gas to Yunan province. Also, The highway was built. This highway is the main linkage between China and northern part of Myanmar. Chinese capital and consumer products have been flowed to Mandalay. Recently, Mandalay is one of a few cities that are popular in investors’ eye.

While in Yangon, the previous capital city, is now a centre of investment. The city itself grows dramatically form both foreign and local capitals. Condominium advertisements are at every corner of the city. More international franchise hotels and some locals are under construction. The number of vehicles in the street rises more than ten folds of its own figure two years ago. Recently, Japanese government and a few Japanese multi-national companies have signed a contract on Thilawa Special Economic Zone or Thilawa SEZ development project. This means the Thilawa SEZ
which is only 25 kilometres from Yangon city centre will become a channel for international products mainly from Japan to flow into Yangon. The Thilawa SEZ also includes the industrial zone for Japanese electronic part companies. This guarantees Japanese influences in the near future.

The last main city is Nay Pyi Taw, the newly founded capital city. It is the heart of government office and official administrative. The cabinet meeting is held here and so as other international meetings and events such as SEA game in 2013 and ASEAN Summit in 2014. Nay Pyi Taw is a man made city and does not contain any national resource but the fact that it is the capital city in the government’s eye has brought it into a conversation when the annual budget is distributed. The national highway linking all these three cities, Mandalay, Nay Pyi Taw and Yangon, is a proof of their importance.

Other cities in the country are also flourished but in a much lower level. Southern part of Myanmar is no exception.

**ASEAN Linkages and economic corridors**

There are three main cities in Southern Myanmar; Dawei; Myeik; and Kawthaung. Although the city centres are at the west side, all of them can be connected to the border of Thailand. Dawei can be connected to Kanchanaburi province. Myeik can be linked to Prachuap khiri khan Province. And Kawthaung is the most southern province, which is closed to Ranong Province. All of these cities also have domestic airports.

These southern towns are located in Tanintharyi region. The region as a whole is much less developed than the three main cities, Yangon, Nay Pyi taw and Mandalay for a few reasons as followings:

Firstly, in terms of location, it is far from the capital city and ports so the national highway has not reached or expanded to this part of the country. The development fund usually aims for the priorities that normally concentrate in main cities. So, it is not surprising that in 2014, Myanmar received 6% of JICA’s total ODA figure it goes for the development of railway system between Mandalay-Yangon and a few other development projects (JICA, 2014). Next, unlike Mandalay, All three small cities are far from the influential nations like China.

Also, it is considered as Karen region which some parts of the region, especially the outskirt of Dawei where it connects to Thailand, is the Karenni Nation Union - KNU territory. The government has been keeping an eye on ethnic groups across the country. In other part of Myanmar, the tension between the central government and the ethnic groups still remains. In the area that is out of the government’s hand, there is another form of local bosses who runs illegal business that involves drugs and arms. This kind of boss emerges because of the central government’s suppression over minorities. Unequal development budget is one of the tactics to control over the unfriendly areas.

However, all three cities have interesting characters. Firstly, all have their west coast exposed to the ocean and their east side connected to Thailand but Dawei has turned to be one of the popular locations. The government has been trying to promote the foreign investment in Special Economic Zone (SEZ) has brought Dawei to foreign investor’s sight. The Dawei SEZ, which was already added to be a part of Southern Economic Corridor, is expected to be the one of the biggest deep sea port in ASEAN and the project is now the G2G agreement between Thai and Myanmar Government. Myanmar has done its first step by moving region office to Dawei while Thailand was enthusiastic in opening the permanent border gate in Aumphur Banpunumron in Kanchanaburi province to make a linkage with Tikiborder gate of Dawei.

Kawthaung is in the most southern part of all three cities. Kawthaung and Ranong province, Thailand, are connected and quite notable for their ports. These ports are one of Thailand’s main export channels, mostly construction materials like cement, to southern cities in Myanmar and
Yangon. Together with various ports, Kawthaung and Ranong province already obtained the status of being a permanent check point so the flow of goods from Ranong province to Myanmar has helped Kawthaung to flourish. On the other hand, Myeik is in a little more difficult position. The city itself does not have a potential to build an international deep-sea port. But after years of attempt to upgrade its temporary check point to be a permanent checkpoint. Thailand had already agreed to the proposal in order to facilitate the border trade in May 2015.

**The state of Myanmar**

Migdal (1988) has mentioned that

‘Differences among states have related to variation in certain attributes of “stateness” for which political have striven. First, leaders sim to hold a monopoly over the principal means of coercion in their societies by maintaining firm control over standing armies and police forces while eliminating nonstate controlled armies, militias, and gangs. Second, through state autonomy from domestic and outside forces state officials have sought to act upon their own preferences, making decisions that reshape, ignore, or circumvent the preferences of even the strongest social actors, Third, state leaders have aimed for significant differentiation of its components: thus, numerous agencies can take on the specialized, complex tasks of governing the details of people’s lives. And, fourth, state builders have sought these components to be explicitly coordinated, allowing a coherence of the parts of the state and shared purposes by those working in various agencies.’

In other developed societies, police and military are only responsible for security aspect and at the same time the government provides essential means to their citizens such as education and health welfare. In return, a proper taxation system will generate enough revenue back into the government’s budget before it is distributed in forms of infrastructure project.

The state in the context of Myanmar is a mixture between all four descriptions. There are central and local government. The military is not only responsible for national security but also governance as a whole.

The single military state took control over the country and detached Myanmar from the global economy in the 1970s which resulted in a significant drop in trading, manufacturing and all other economic activities (King, 2008). Many Scholars have agreed that the Myanmar military state in the 1980s has not only failed to develop the economy, but the restructuring policies at the time have weakened most institutions in the society. Political parties and politicians were suppressed. Bureaucracy and technocrats were undermined. Over years, Myanmar has frozen itself in every aspect while other surrounding countries’ economies have already kicked off. It took some years for the state to realize that it cannot avoid the influence from outside, nor it can bring prosperity by itself (Ibid). The space between the standard and the actual performance of the state has opened the opportunities for other players to fulfill such demands.

**The nature of clientelism in Myeik**

As Auyero (2000) stated that scholars and students might have a constrict view about clientelism that usually presents through medias. As a result, a narrow idea about local bosses has resisted them from discovering how it really works in each different place. Myanmar is one of those countries that have various groups of ethnics. The relationship between these minorities and the central government has created different kind of local powers across the country. These local powers function in different forms such as coercion, violence, and the one that practices in Myeik,
Clientelism.

King (2008) stated that in the 1970s and the early 1980s the military state was an ultimate barrier that obstructed the private sector from growing. It took some years for Myanmar economy to be partially liberalized, after the major riots in 1988 and Ne Win’s Resignation to be specifically (Ibid). The situation has eased in the 1990s; the private sector could find channels that allowed trading and some business activities.

Myanmar is rich of many kinds of national resources and southern myanmar is famous for its marine products. Patrons in Myeik, who started off with fishery, realized that there is a high demand for seafood in the international market. Most importantly, they know that lobsters can be sold at high price and getting lobsters in the southern sea is as equally easy as getting any other fish because they are all around.

Getting started with one boat, lobsters had given a good profit that they could buy more boats and established other related business such as dried shrimp and squid, frozen seafood, trash fish powder, boat-making and fixing business. Within a decade, they also started aquaculture business, for example, soft shell crab farm and pearl farm. It can be seen that they began with one business and expanded to all other related ones in the same cycle in ten years.

Having many small industries in their hands means thousands of employees to be taken care of. Good bosses care about their employees since the labour legislation has not stated the minimum wage nor any welfare that an employer should provide for an employee. Therefore, most of the time, the well-being of employee rely on his boss. This fits the patron-client relation definition stated by Scott (1972)

“an exchange relationship between roles -- may be defined as a special case of dyadic (two-person) ties involving a largely instrumental friendship in which an individual of higher socioeconomic status (patron) uses his own influence and resources to provide protection or benefit, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron”

In Myeik, a form of clientelism emerged when local bosses have filled up the gap that state cannot afford to provide. These Chinese mestizos give local people with what essential in every step of their lives. The relationship is daily cultivated as most people who are clients work for the patrons in one of their chain companies. Building a school and taking care of their employees and nearby villages. These children will be educated and nurtured until they finish the compulsory class then they are welcomed to work at one of the patron’s companies. If they wish to get married, the wedding ceremony will be prepared for them. Then, everything goes again in cycle as they have a baby.

How to expand the territory

It is well known that the basic infrastructure in Myanmar is scarce. According to JICA (2014), only 26% of the total household can access to the electricity. And only 8% can access to the piped water (JICA, 2015).

The government has been selling natural resources especially gas and petrol, in order to gain enough revenue for the budget year. Knowing that natural resource will run out, recently the government has tried to promote 36 industrial zones around the country to attract foreign investors. However, most of the industrial zones are small and still lack of basic infrastructure. Therefore, it is hard for foreign companies to invest in an industrial zone that does not have road connecting to ports or enough electricity to run factories.
Since the government has too many development projects in hands and the budget is limited, it seems that local businessmen are good choice. They have enough finance and labours to run big projects. With the connection and capacity, the government gives out land and resources that come with land in exchange with the project done. For example, the government usually grants road construction projects to private companies in exchange with the revenue from the road usage fee. In Myeik, the island was given in exchange to develop the property and create jobs. Also, the road concession is given in exchange with the land and all trees on the land which means another business is created, processed wood factory.

Scott (2008) also stated that ‘The modern institutions such as bureaucracies and political parties in Southeast Asia are often thoroughly penetrated by informal patron-client networks that undermine the formal structure of authority’. However, in this case local businessmen do not really undermine the authority since the formal channel does not fully function. They fulfill all the missing part that the official authority does not have the ability to accomplish while they still have a good relationship with high-ranking officers and always keep them informed of what happened in the city. For example, before the second visit, I got the email from him indicating that the Myeik government office was not ready or suitable for the business-matching event. Instead, he suggested the one of the newly built hotel. This might not be perceived as undermining the official structure but fulfilling and facilitating all the missing tasks of the officials. Sometimes, he does not have such facility but he knows where to find it and he turns himself to be a facilitator.

A comparative perspective: Thailand

Myanmar at this moment reflects Thailand in 1950s-1970s during its military era and re-democratization period. In the 1950s-1960s, Thailand was a military state. The national arm force decided which and where the budget should be spent. There were many Chinese mestizos businessmen at the time who could settled themselves firmly in the economic system through concessions and governments projects. The economic was just kicked off at the time and there were business opportunities everywhere. These businessmen, who already had some business in hands, tried to obtain the right for concessions from high ranking military officers. These concessions were not always involve infrastructures but could be an alcohol refinery or a military based camp. The main character of these concession rights is that only one or a few people could be granted. After granted a few projects, these people have settled. They know what kind of business and projects they are good at. More than that, they know whom should they go for to obtain such projects.

In the late 1970s, Thailand went through the political chaos. The government had faced the communist threat. After spending years to fight for the territory, the weak state could barely stand on its own, nor it had enough budgets to develop the country. The government realized that an adequate infrastructure and an improvement of living standard is the sustainable way to fight with the communist. At the same time, social institutions and people were also weak. The only sector in the society that is rich with resource was the private sector. At that time, the state gave out concessions to the some Chinese bourgeoisies. During that time, both state and bourgeoisies were highly dependent of each other; one wanted its people to accept its role while another wants to make some profits.

After that, these entrepreneurs usually shifted to a more settled business that could grow in the long run such as property business such as hotels and department store while some others settled themselves down to various business such as banking. Most of them owned many pieces of land and the property rights can be passed as a fortune from generation to generation. There were also some members of these families who decided to join the election and become politicians. For Myanmar, currently, the concept of democracy is theoretically settled in Myanmar but democratic institutions such as parliament, election and political parties are not firmly established. Thus, politicians and
brokers are not the channel that can authorize resources. Instead, the military and high-ranking officers are the one.

Myeik bosses are more or less the same pattern. After spending a decade of marine products industry, Myeik has been urbanized and the land price in the town has been increasing significantly. Plus, patrons’ influence in the town tends to increase, as it is a direct variation to their wealthiness (Ibid). They started to develop the land and real estate in town as Pongpaichit and Baker (2000) have mentioned about the ‘rough pattern’ of local business men that ‘Some new business leaders began as local rice millers and traders...Still others were involved in logging, mining, and fishing.... Finally, they pursued local opportunities born of rising prosperity, especially real estate, construction, hotels, resorts, and modern retailing.’

Looking forward

If Myanmar walks the same path as Thailand and other developing countries into a higher level of democratic state and more liberalized economy. It is possible that the resource channel might shift slowly to the parliament and political parties. If so, local bosses might face difficulties in order to sustain their interests.

If the current supply is drained out or shifted to other channels, the local patrons will have to find a new way to reserve the existing resources as well as to obtain new ones. The new groove might be politicians and their brokers. Or, patrons might also want to play a bigger game by joining the local and national elections. With the latter choice, they would be able to control the groove themselves. The similar example is the case of Banharn Silpa-archa, Thailand e previous prime minister. He is one of the local boss who become wealthy by running local business and supplying government contracts in Suphanburi province, gravel for road construction in particular (Ibid). He is also a Chinese mestizo who becomes a prime minister without graduating from the military academy.

Also, his cabinet during 1995-1996 was nicknamed ‘the contractors’ cabinet’ as he himself and other ministers become wealthy by granting the public projects. (Ibid)

The phrase ‘Queen Elizabeth Taylor,’ said during a visit of Queen Elizabeth II in 1996, was one of Banharn’s infamous moments when he was prime minister. Among many Thais, a lack of education, especially an inability to communicate in English, is seen as a ‘local’ character. Banharn is clearly a local politician who successfully linked himself to politics at national level. His politician career path began in 1976 as a member of the parliament before becoming the leader of Chart Thai party in 1994 and serving as prime minister from 1995-1996 (Nishizaki, 2006).

Banharn is a new kind of strongman who emerged and thrived from the political conditions after 1973. Some of a new generation of local businessmen tried to become politicians and thereby increase their social status and economic opportunities. Banharn is one of them. He started by being elected as a member of the parliament from Suphanburi, his hometown province. Later, he served as minister of different ministries where he started to arrange state funds for Suphanburi in particular. He also used his prestige to control development projects in Suphanburi as a fussy patron or ‘long ju’ (Ibid). As a result, a number of quality roads and schools were built, which have improved Suphanburians’ living standards. Banharn thereby has gained legitimacy from local people. However, accused of being involved in pork-barrel projects (Nishizaki 2007, 219), being a ‘Mr. ATM who dispenses dirty money under the table to anyone who needs it’ (Ibid., 268) and being a ‘slippery eel’ due to his will to cooperate with anyone who offers his party a chance to be a coalition government party, his reputation at the national level is not good. Nonetheless, he and his followers have been continuously elected in Suphanburi. Although Chart Thai party was put to its end and Banharn was banned from political activities since 2008, his son became a leader of the alternative party and Banharn still remains powerful in the province.
For local Myeik patrons, they have more chance to protect their existing business comparing to other foreign bourgeoisies in town. Even though these foreign investors do not seek political power in Myanmar, it will still be hard to maintain their status quo and/or expand the business in the future because of a few reasons. Firstly, These foreign entrepreneurs, who have great connections with the authorities and can obtain the right to construct and run some business like hotels and accommodations, cannot join the election or take part in politics in order to protect their interests. The fact that they solely rely on current official will put them in a hard situation if the formal structure is changed. The only alternative for them is making new connections. Secondly, they might have created jobs through the business but they cannot become local strong men who have loyal workers in their hands. The relationship between them and local people is limited at employers and employees. The tie has not been cultivated through other mode namely providing education, nursing, problem solving, and also prepare any other basic needs.

On the other hand, as long as the pipe is clear and resource is flowed, Myeik local patrons might not feel the need to join elections, even at the local level. Currently these local businessmen do not aim for political power through election like in Thailand that ‘for the individual Chao Pho, the attraction of a seat in parliament was obvious. It dramatized his role as a true ‘local boss’... it strengthened the linkages and contacts with the sources of economic and political power in Bangkok’ (Ibid). This is because Myeik bosses know exactly where the true power is held and how to exercise the string. The fact that the political institutions in Myanmar are not firmly settled yet made them think that political status is not crucial. The local man once said to the delegation that ‘they told my brother to join the local election, but we said no. We only do business here’

The local patrons, who are now making profits and becoming wealthy from the public projects, might not interested in becoming representatives but they surely try to enlarge their capital by investing in other business in town that are more sustainable and more secured. Currently they are developing some real estates by the side of the beach, next to one of the two-lane road in town. The local business man told the delegation that he was developing the land in front of the beach by dividing it into blocks, building weekend houses and selling and renting them out. This residence is only a few hundred metres from the only local department store in town, which is also his property. And it will surely become one of the best locations in town in the future. With a proper license, the patrons will become sleeping partners and enjoy the right to collect the rent. This should also become a heritage for their offspring as well since the death tax in Myanmar is not existed. Also, Patrons’offspring are most likely graduated with at least a bachelor’s degree from overseas universities (Ibid). In Myanmar context, the upper middle class usually sends their children off for education in Singapore, the United States and the United Kingdom. Most of them studied business and management courses. It is hard to notice that they come from the country that was underdeveloped for decades because most of them go to well known universities, speak English fluently, are rich of foreign connections and have management knowledge equally as the western entrepreneurs. By that, they are not only being able to preserve and protect the fortune of their fathers, but they will smoothly become a part of the world economic growth and therefore they expand business more rapidly and internationally.

Conclusion

The early part of the paper generates the economic and political landscape in Myanmar. It can be seen that that after Myanmar had promised for economic and political reform in 2012, it has been reengaged with the world. Many countries including international organizations have offered financial assistance and various trainings. However, the capital and foreign investors are concentrated within a few cities while other cities are second priorities. More than that, the tension between the central government and ethnic groups led to unequal development budget.
Apart from Dawei Special Economic Zone, Southern part of Myanmar is out of sight at the national and international level. However, Myeik has grown quite fast during the past decade in the hands of few people, local businessmen. They are Chinese mestizos who are success in seafood export business. They managed to develop the town as well as expand their business by getting public concession projects. These local men have thousands of workers in their hands. The businessmen cultivate the relationship between them and local people in a form of patron-client relationship. Also, the fact that they are tied to the society does not make them an enemy to the officials. Instead, they help the officials, fulfill and facilitate every procedure as possible. They keep good relationship with the high-ranking authorities and that always obtains them government development concessions.

The essay makes a comparison between the current situations in Myeik to Thailand during 1950s-1970s. It shows similarities and differences. Patrons in both countries were doing some business before they were granted a concession. But many patrons in Thailand who aim for a political status, currently Myeik patron only focuses on business. The paper expected that if democracy in Myanmar is more consolidated, the resource distribution power might move to parliament. The Myeik patrons probably join the election in order to protect their interest. Alternatively, they can invest in property and become landlord in the future. Moreover, the fact that they have children who are graduated from abroad can guarantee that the fortune will be passed to the next generation smoothly and will prosper along with the global economy.

References


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