Reforming Government-Business Relations in Myanmar

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History of Government-Business Relations in Myanmar

• Parliament period → crony capitalism → well-connected business people prospered
• Socialist period → government-business relations took place mainly at the local level → blackmarket, bribery and protection
• Post-Socialist period → connection, not transparent, rent-seeking and cronyism
• Government stronger than the business (policy making sector)
• Business community → weak and fragmented
Market-oriented approach

• Minimal approach
• Government → Provider of public goods
• Demand and Supply
• The autonomous and disciplined business
• Imperfect market still better than the government
• The government’s involvement in the market → collusion → rent-seeking activities → crony capitalism (Thailand, Indonesia and Asian Financial Crisis)
Governed Market or Statist Approach

• Insulated, strong state $\rightarrow$ meritocratic bureaucracy which is autonomous of the influence of the business

• Capable state $\rightarrow$ industrial policies, research and development and system of incentive for development $\rightarrow$ internationally competitive industries

• Too much state, too little society $\rightarrow$ out of touch with the reality in the field $\rightarrow$ information gap $\rightarrow$ policy failure
• Insulation without autonomy $\rightarrow$ too much society, too little state $\rightarrow$ rent seeking $\rightarrow$ clientelistic network (crony capitalism) $\rightarrow$ distributional, not welfare-oriented development

• Predatory state or captured state $\rightarrow$ instable society $\rightarrow$ economic crisis
Governed Interdependence

- Insulated bureaucracy + embedded government-business network + encompassing industrial
- The bureaucratic structure of coordination → high quality bureaucracy, in-house expertise, insulated pilot-agency and coordination (a super committee or agency, eg. Korea’s Economic Planning Board)
Governed Interdependence

- Embedded government-business network → government officials embedded in the business community but will not succumb to bribes → remain autonomous while interacting with business people
- Not collusion but collaboration
- Information exchange
- Reciprocity
- Credibility
- Trust
- Transparency, check and balance and accountability
• Encompassing industrial organizations
• An umbrella organization → business council that can represent the interests of various business sectors and clusters → must be formed of CEOs of major business enterprises and business leaders elected by their respective industries and clusters (must not be run by the people appointed by the government → to represent the business interest, not the government’s interest)
• Liberal corporatist state → regular meetings between government agencies and business organizations (sector)
• Macro level policies (meetings between major policy makers and business council)
• Information exchange, predictable business and policy environment → competitive industries → stability and growth
Governed Interdependence

- Disciplined support (reward those that deliver and discipline those that don’t deliver)
- Public risk absorption (e.g. over-valued exchange rate, investment in new risky business sectors)
- Private sector policy initiative (especially from the failing sectors: e.g. finish farming industry)
- Public-private innovative alliances → new technological policies or financial policies or improving the performance of the agricultural sector
Conclusion

• Strong State capacity
• Strong Societal capacity
• Introduction of liberal corporatist state-society relations mechanism
• Embedded autonomy, not insulation
• Incentive, not order or unfounded propaganda
• Interactions through governed interdependence