

# BURMA ECONOMIC REVIEW

2005 - 2006



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are inseparable. A bad  
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contributes to a bad  
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-- Daw Aung San Suu Kyi, (May 29, 2003)

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Program Coordinator / Researcher  
The Burma Fund  
National Coalition Government of the Union of  
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First published in **June 2007**  
Printed in Bangkok, Thailand  
**ISBN: 978 - 974 - 8349 - 14 - 5**

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## Abbreviations and Acronyms

ADB	Asian Development Bank
AIPMC	ASEAN Inter-Parliamentary Myanmar Caucus
AMC	Asian Migrant Center
AMHI	Average Monthly Household Income
AP	Associated Press
ASEAN	Association of Southeast Asian Nations
BSPP	Burma Socialist Programme Party
CBM	Central Bank of Myanmar
CIA	Central Intelligence Agency
CPI	Consumer Price Index
CSO	Central Statistical Organization
ECAFE	Economic Commission for Asia and the Far East
EIU	Economist Intelligent Unit
ESCAP	Economic and Social Commission for Asia and the Pacific (UN)
EU	European Union
FDI	Foreign Direct Investment
FEC	Foreign Exchange Certificate
GAIL	Gas Authority of India Limited
GDP	Gross Domestic Product
GNI	Gross National Income
GSP	Generalized System of Preferences
HIES	Household Income and Expenditure Survey
HDI	Human Development Index
HDIBS	Household Development Index Baseline Survey
HIV/AIDS	Human immunodeficiency virus/the Acquired Immune Deficiency Syndrome
HPI	Human Poverty Index
IDA	International Development Association
IDPs	Internally Displaced Persons
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization of Migration
LDC	Least Developed Country
MEB	Myanmar Economic Bank
MEC	Myanmar Economic Corporation
MOGE	Myanmar Oil and Gas Enterprise
NLD	National League for Democracy
OECD	Organization for Economic Cooperation and Development
OSH	Occupational Safety and Health
ONGC	Oil and Natural Gas Commission
PHI	Poverty Headcount Index
PPP	Purchasing Power Parity
RDA	Recommended Dietary Allowance
SDR	Special Drawing Rights
SEEs	State Economic Enterprises
SLORC	State Law and Order Restoration Council
SOEs	State-owned Enterprise
SPDC	State Peace and Development Council
TB	Tuberculosis
UMEHL	Union of Myanmar Economic Holding Limited
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WB	World Bank
WFP	World Food Program
WHO	World Health Organization

## Executive Summary

The State Peace and Development Council (SPDC) military junta claimed a 12.2 % growth in the Burmese economy in 2006 but international sources say differently; they forecast a slim growth of 2 to 3 % rise. Production and exploration in the oil and gas sector is active, but the rest of economy remains weak. Agriculture suffers from poor productivity, with output below potential. Manufacturing is constrained by inadequate quantity and quality of inputs, due to problems of imports and power shortages. Weak Gross Domestic Product (GDP) growth reflects poor prospects for consumption and investment.

In October 2005, the SPDC increased eight folds the state-subsidized petrol prices. This prompted higher prices for basic commodities. Inflation returned to double digit rates. Monetary policy has not addressed the inflationary pressures. Interest rates remain unchanged since 2001, despite high inflation. But the SPDC increased the interest rates by two per cent points to 12 per cent on 16 April 2006. Real rates are likely to be negative. Prices for important commodities soared in the wake of junta's decision to raise public-sector salaries in April 2006. Rice and fuel prices remain high. Official data do not reveal the full extent of inflation reaching 14.3 % in December 2005 and 11 % in early 2006. Based on the official data series, the Economist Intelligent Unit (EIU) estimates the annual inflation to average over 21 % in 2006. The true rate of inflation could be 50 %.

Strong growth in both narrow money supply (M1) and quasi-money (comprising time, savings and foreign exchange deposits) contributed to a 26.8 % year-on-year expansion in broad money supply (M2) at the end of May 2006. The junta demands credit from the Central Bank, which it uses to fund its budget deficit. Total outstanding credit of the junta was 2.5 trillion kyat (nearly US\$440 billion at the official exchange rate, or US\$1.9 billion at the free-market exchange rate) by May 2006, an increase of 28 %.

The state budget remained unbalanced with substantial deficits during much of the 1990s. Fiscal deficits are financed automatically by credit from the Central Bank, a source of domestic inflation and instability in the economy. The Junta's state expenditures are disproportionately allocated on items that deny sustainable development of the people or the nation. Defense, ceremonies and rituals, festivals, inspection tours, meetings and seminars, building physical infrastructure-roads, railways, bridges, dams, monuments, museums, shiny office complexes and fancy airports, represent wasteful consumption or constitute expensive capital outlays, undertaken without proper feasibility studies and environmental impact assessments, and unclear, uncertain and dubious returns on investment. Chronic state budget deficits contribute to rapid monetary growth and everspiraling inflation.

In order to recover the budget deficit, the junta-increased taxes and collected money and forced people to labor for developmental projects such as construction of roads, dams, and bridges. The junta continues to control, command, and centralize Burma's people and the economy. Exchange rate distortions favor a few at the expense of many. Fiscal deficit comes at the expense of social spending which has been reduced far below necessary levels. At the same time, financing the fiscal deficit through central bank credit is one underlying factor of persistent high inflation.

The nation's tax revenue remains buoyant, rising by 28.1 % year on year in nominal terms in the first 11 months of fiscal year 2005/06 (April-March). Total tax revenue reached 292 billion kyat during this period (around US\$50 billion at the inflated official exchange rate, or US\$225 million at free-market exchange rate). Although revenue is still rising, growth has slowed since 2004/05, when revenue expanded by 77 % year on year for the whole fiscal year. This in part reflects a correction after an increase in average import tariffs, imposed in mid-2004, brought a 424 % year-on-year surge in customs tax fell by 15.1 per cent year on year to 16.2 billion kyat. A clamp-down on corruption among customs officials in recent months may be part of an effort to boost revenue from customs tax. Other sources of tax revenue expanded in the first 11 months of 2005/06. Profit tax jumped by 49 per cent year on year, slightly ahead of commodities and services tax (which rose by 47 per cent) and income tax (11 per cent)<sup>1</sup>.



Total public-sector deficit reached 6 % of GDP for 2004/05. Heavy losses by the state-owned enterprises (SOE) typically accounted for over 60 % of the overall deficit. The SPDC's fiscal position is also weighted down by high off-budget spending on the country's huge armed forces. The budget position is unlikely to have improved in 2005/06 and 2006/07 (the current fiscal year), owing to the junta's expansionary fiscal policy. The junta's decision to relocate many government offices to a huge new administrative complex at Naypyidaw, 320 km north of Rangoon, imposed heavy costs. In addition, in April 2006 the junta raised salaries for around 1 million civil servants and military officers by between 500 and 1,200 per cent.

The black market is estimated to be as big if not bigger than the official economy. Published statistics on foreign trade are greatly understated because of the size of the black market and unofficial border trade. Burma's trade with Thailand, China, and India is rising. Though the Burmese government has good economic relations with its neighbors, better investment and business climates and an improved political situation are needed to promote foreign investment, exports, and tourism.

No new foreign direct investment projects have been approved in recent months. Foreign Direct Investment (FDI) approvals totaled a meager US\$35.7 million for the first 11 months of 2005/06, down from US\$158.3 million for the whole of 2004/05. It is possible that the data do not capture some small FDI flows, such as those by Thai and Chinese firms in small projects along the border with Burma. International tourist arrivals totaled 320,275 in 2005, up by 5 % year on year, according to data from the Central Statistical Organization (CSO). Although arrivals rose, the pace of growth slowed compared with 2004 (rose 11.6 per cent). The slowdown reflected a 5.6 % year on year drop in arrivals by air, to 145,959, around 46 % total arrivals.

Total international reserves reached US\$951 million at the end of June 2006, according to data from the IMF. Reserves increased sharply in the first quarter of the year, surpassing US\$900 million for the first time, before rising further in the second quarter. The main reason for the improvement in the overall balance-of-payments position and international reserves has been the rise in exports, which have been driven by strong growth in exports of natural gas.

The official kyat exchange rate remains artificially inflated. The exchange rate like the rest of the junta system does not reflect the reality of the monetary system. The free-market exchange rate of kyat to US\$ was 1,350:US\$1 in July-October 2006, having recovered from kyat 1,450:US\$1 at the end of April, which also put pressure on prices. There has been a mild appreciation of the kyat since then. The ratio of the parallel rate to the official rate is nearly 200:1. The kyat came under pressure earlier this year owing to fears that a pay rise for civil servants would sharply push up prices. However, strong gas exports have boosted international reserves, thereby helping the kyat to stabilize. The little-used official exchange rate is fixed against the International Monetary Fund's (IMF) special drawing rights (SDR) unit. The official rate held steady at around kyat 5.9:US\$1 by August 2006.

# I. Introduction

This paper provides critical analysis of the current economic and social conditions by studying data from Burma's official sources and from international financial institutions' sources on: (i) demographic characteristics; (ii) rate of GDP growth, structure of GDP and investment; (iii) foreign direct investment; (iv) inflation rate, external debt and exchange rate; (v) fiscal and monetary policy; (vi) foreign trade; and (vii) poverty. These are some of the more important aspects of the economy which explain the current Burmese economic situation. In order to understand the current social economic situation in Burma and to put it into a regional perspective, some social indicator comparisons are made with neighboring countries.

## Population

TABLE 1.1

### Population Characteristics, Burma, 1980-06

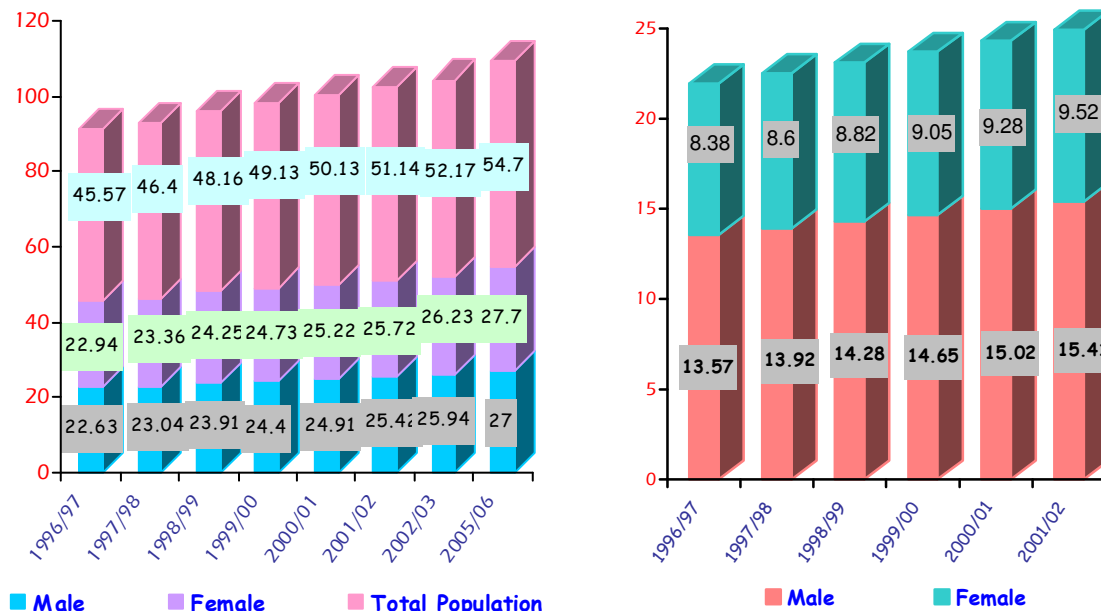
Particulars	1980	1990	1999	2002/03	2003/04	2005/06
Total population (million)	33.8	40.8	48.1	52.1	53.2	54.7
Population growth rate (%)	n.a	1.02	1.8	2.0	2.0	2.0
Urban population (as % of total population)	24.0	24.8	27.6	29.0	29.5	30.6
Crude birth rate (per 1,000 persons)	36.0	31.0	26.0	23.0	24.0	20.0
Crude death rate (per 1,000 persons)	14.0	13.0	10.0	12.0	11.0	10.0
Total fertility rate (birth per woman)	4.9	3.1	3.1	2.3	2.2	2.3
Infant mortality rate per 1,000 live births)	109.0	94.0	79.0	77.0	76.0	76.0
Age distribution (as % of total population)						
0-14	39.6	35.6	33.1	32.6	28.1	26.4
15-64	56.4	60.3	60.1	59.3	67.0	68.5
65+	4.0	4.1	6.8	8.1	4.9	5.1
Life expectancy at birth/years						
Female	54.0	58.0	61.0	60.0	63.0	64.0
Male	51.0	55.0	58.0	55.0	56.0	58.0

Sources: National Mortality Survey 1999, Statistical Yearbook 2002, CSO, Burma; ADB, Growth and Change in Asia and the Pacific, Key Indicators, 1999; Asian Development Outlook 2006; CIA-The World Fact book-Burma, 18 December 2003 and 29 June 2006; Human Development Report 2005.

The population of Burma in 2002/03 was estimated at 52.17 million [25.94 million male and 26.23 million female]. The total population in urban areas was 26.6 per cent and rural areas were 73.4 per cent. The population was composed of 32.68 per cent in the 0-14 age group, 59.27 per cent in the 15-59 age group and 8.05 per cent in the 60+ age group, indicating that at least 60 percent of the population can be considered as potential human resources for Burma's economic development.

The Burma Population Register estimated an increase of 1.03 million over the year 2001/02 population of 51.14 million, indicating a population growth rate of 2.02 per cent. The ethnic nationality composition of Burma (CIA, 2006) includes: 68 per cent Burman, Shan 9 per cent, Karen 7 per cent, Rakhine 4 per cent, Chin 2 per cent, Mon 2 per cent, Kachin 1 per cent, Wa 1 per cent, Chinese 3 per cent, Indian 2 per cent, and other 1 per cent. The majority of ethnic minorities (nationalities) live in the peripheral Border States and Regions. But, a sizable minority population also resides in the regions labeled as Burma Divisions and States where the majority are Burmans (Bamars). About 89 per cent of the population is Buddhist, 4 per cent are Christian (including large numbers of Karen, Karenni and Kachin), and another 4 per cent are Muslim, most heavily concentrated in Arakan State, animist 1 per cent and other 2 per cent. The total population of Burma in 2005/06 increased to 54.7 million (27 million male and 27.7 million female).

FIGURE 1.1  
Estimated Population and Labor Force by Sex, Burma, 1996-06  
(million)



Source: Handbook on Human Resources Development Indicators 2003, Department of Labor/UNFPA, Ministry of Labor, Union of Myanmar (February 2004, Yangon).

## Labor Force and Employment

In 1990/91, the labor force was 16.53 million [3.7 million (22.4 per cent) in urban areas, 12.83 million (77.65 per cent) in rural areas] increasing respectively to 23.7 million in 1999/00, and to 24.93 million in 2001/02. Total labor force was estimated to be 27.75 million in 2005/06 and sector wise (CIA, 2001) with 70 per cent of labor employed in agriculture, 7 per cent in industry, 23 per cent in services respectively. According to the author's estimates derived by projection method, total employment was 23.61 million in 2005/06 with 60 per cent in agriculture, 11 per cent in industry and 29 per cent in the services sector.

The lack of investment in education and the prolonged closure of public universities in recent years had a detrimental impact on the quality of the human resources and the labor force. Burma's total employment was 18.34 million in 1997/98. The 1990 labor force survey, estimated that unemployment rate was rising, from 4.8 per cent in 1990/91 to 6.3 per cent in 1995/96, 7 per cent in 1999/00, 5.1 per cent in 2001 and 5 per cent in 2005. The 1997 Household Income and Expenditure Survey (HIES) conducted by the CSO with the financial support of the United Nations Children's Fund (UNICEF), found that the average size of households in the Union of Burma was 5.25 (5.22 for urban and 5.32 for rural); and the average number of employed persons per household was 2.38 (2.01 urban and 2.54 rural). This means that almost every household in Burma has at least two employed persons.

**TABLE 1.2**  
**Burma: Labor Force and Employment by Sector, 1989-06**  
**(thousand workers)**

	1989/90	1995/96	1997/98	1999/00	2001/02	2005/06
Labor Force	16,530	18,766	19,435	23,700	24,930	27,750
Urban	4,550	4,199	4,418	4,686	4,970	5,592
Rural	12,830	14,567	15,325	19,014	19,960	22,158
Labor force annual change (%)	2.5	2.6	2.6	2.6	2.6	2.8
Female % of labor force	46	n.a	n.a	43	47.7	48.6
Agriculture	10,076	11,272	11,507	11,951	12,414	13,375
Livestock and fishery	365	388	397	406	417	437
Forestry	167	188	189	195	203	218
Mining	76	116	121	138	158	206
Processing & manufacturing	1,142	1,481	1,666	1,855	2,067	2,565
Electric power	15	19	26	30	35	48
Construction	167	354	400	513	658	1,088
Transport & communication	381	441	495	533	574	667
Social service	396	563	597	671	754	954
Administration & other services	563	776	888	1,011	1,152	1,355
Trade	1,400	1,715	1,781	1,907	2,043	2,342
Workers not elsewhere classified	472	274	292	306	320	352
Total Employment						
Employment in: Public sector	1,324	1,378	1,411	1,580	1,812	2,344
Private sector	13,897	16,209	16,948	17,936	18,983	21,263
Unemployed	1,309	1,179	1,076	4,184	4,135	4,143
Unemployment rate (%)	4.8	6.3	4.1	7.0	5.1	5.0

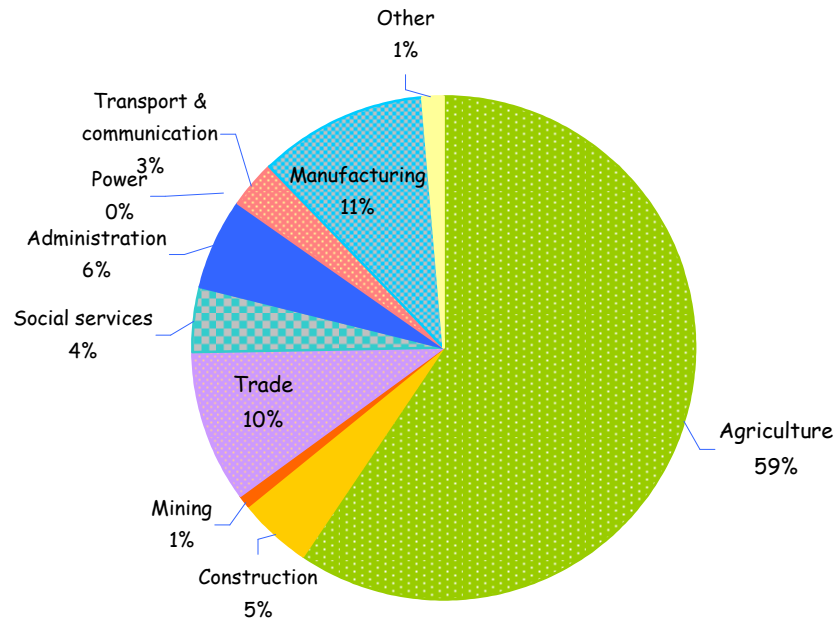
Note: Estimates data (1999/00 to 2005/06) are based on projection growth rate method by the author.

Sources: ADB, Growth and Change in Asia and the Pacific, Key Indicators, 2001, 2003; Asian Development Outlook 2006; World Development Report 2000/01, Attacking Poverty; The World Bank, "An Economic and Social Assessment", August, 1999.

The state accounted for 65 per cent of the value of construction work undertaken, in 1997/98 according to available data, having fallen from about 80 per cent in 1993/94. The state's role may be higher than these figures suggest, as the extent of government involvement is obscured by the use of uncompensated (for example, forced/conscripted) labor.

The United States Embassy estimated in July 1996, that the market value of forced labor employed by the junta on public works projects was 17.5 billion kyat in 1994/95, equivalent to 3.7 per cent of GDP. Since then, the junta has increasingly used the armed forces to build infrastructure. Forced labor remains common practice in parts of the country, especially in border areas. The International Labor Organization (ILO) has sharply criticized the military junta for the "widespread and systematic" use of forced labor in Burma.

FIGURE 1.2  
Burma: Distribution of Employment by Sector, 2005/06



Source: Estimates data of Table 1.2 are based on projection growth rate method.

## Wages and Salaries

According to the IMF Report (1999), Myanmar: Recent Economic Developments, the junta's wage bill remained static at around 8-9 billion kyat from 1995/96 to 1998/99, despite the price level almost tripling during this period. A range of subsidies supplement public sector wages, but incomes have been eroded in real terms. There is a legally prescribed 5-day, 35-hour workweek for employees in the public sector and a 6-day, 44-hour workweek for private and para-statal sector. Employees' minimum wage is insufficient to provide a decent standard of living. Wages continue to lag far behind inflation.

The minimum monthly salary in the public sector has been about 1,000 kyat since 1994, equivalent to US\$1.18 at current parallel exchange rates. In April 2000, the public sector minimum salary was increased to 5,000 kyat (US\$5.8—equals 0.19 cent/day). Many people resort to corruption to survive. Military personnel's minimum salary was increased to 10,000 kyat (US\$11.76—equals 0.39 cent/day) and the maximum wage was raised to 16,000 kyat/month (US\$18.82—0.63 cent/day).

The minimum wage in the private sector (Joint Venture Companies) is 4,500 kyat (US\$5.3—equals 0.18 cent/day) per month (free-market exchange rate, in May 2004). For comparison, the minimum wage of a Thai worker is 162 baht (roughly US\$4.15) (184 baht in March 2006) per day in Bangkok and 130-140 baht in other major cities. Minimum wages of people working in Joint Ventures were much lower than the international standard. Employees of Joint Venture are exploited for their labour. When Joint Ventures' foreign direct investment does exist, it is directed mainly at the exploitation of natural resources.

**TABLE 1.3**  
**Employees' Wages and Salaries, Burma, 2003/04 and 2006**

Civil service pay scale	Month		Private sector employees	Month (2003/04)	
	Old (2003/04) (kyat)	New (2006) (,000 kyat)		kyat	US\$
Daily rated laborer	100/day [0.12\$]	1/day [0.8\$]	Daily rated worker (unskilled)	400-500/day	0.5-0.6
Lowest salaried worker (office helper)/Private	3,000-100-3,500 [3.5-4.2\$]	15-1-20 [11.5-15.4\$]	Daily rated worker (skilled)	Over 1,000/day	1.2
Office Driver/Sec corporal	3,600-100-4,100 [4.3-4.8\$]	21-1-26 [16.2-20\$]			
Clerical officer (junior)/Corporal	4,200-100-4,700 [4.9-5.5\$]	27-1-32 [21-25\$]	Driver (private)	Over 2,000/day	2.4
Clerical officer (senior)/Sergeant	4,800-100-5,300 [5.7-6.3\$]	33-1-38 [25.4-29.2\$]	Driver (taxi)	Over 3,000-4,000/day	3.5-4.7
Dy Administrative officer/Tutor /secondary teacher/Sergeant major(CQ)	5,400-100-5,900 [6.4-6.9\$]	39-1-44 [30-33.9\$]	Minimum wage (JV)	4,500-5,000/m	5.3-5.9
Administrative officer/Sec Warrant officer	6,000-100-6,500 [7.1-7.7\$]	45-1-50 [35-39\$]			
Senior administrative officer / Lecturer/Warrant officer	7,500-200-8,500 [8.8-10\$]	80-2-90 [62-69.2\$]	Sale assistant	6,000	7.1
Dy Assistant Director/Second Lieutenant	8,700-200-9,700 [10.3-11.4\$]	100-2-110 [77-85\$]	Administrative / Secretary	Over 15,000	17.7
Assistant Director/Lieutenant	10,000-200-11,000 [11.8-12.9\$]	120-2-130 [85-100\$]	Executive/Manager /Technology Specialist	Over 25,000-30,000	29.4-35.3
Dy Director/Captain	11,500-200-12,500 [13.5-14.7\$]	140-2-150 [108-115\$]			
Director/professor/Major	13,000-200-14,000 [15.3-16.5\$]	160-2-170 [123-131\$]	General Manager	Over 30,000-40,000	35.3-47.1
Director General/Lt Colonel/Rector	15,000-200-16,000 [17.7-18.8\$]	190-2-200 [146-154\$]			
Colonel	18,000	200 [154\$]			
Brigadier General	20,000	300 [230.8\$]			
Major General	30,000	400 [308\$]			
Lieutenant General	40,000	600 [462\$]			
General	60,000	800 [615\$]			
Lieutenant Senior General	80,000	1,000 [770\$]			
Senior General	150,000	1,200 [920\$]			

Note: Old pay for 1US\$:850 kyat in May 2004, New pay for 1US\$ 1,300 kyat in April 2006.

Sources: Lokethar Pyithu Neizin Daily, various issues and new pay Notification No. 60/2006, Ministry of Finance and Revenue, Burma (March 24, 2006); Personal communication with private-sector individuals from Burma.

On April 1, 2006, the SPDC increased public sector salary from five to twelve times. The minimum wage was increased to 15,000 kyat/month and the maximum wage (Director General) was raised to 190,000 kyat/month (table 1.3). Although, the military pay scale was increased by the same level with civil pay scale from private to Lieutenant Colonel; the pay scale of Colonel and above ranks were increased at higher rates with the highest increase going to 1,200,000 kyat/month (Senior General). It is especially worthy of note that although the lowest pay scale had supposedly been increased by five times from 3,000 kyat to 15,000 kyat, the actual increase is much less as 5,000 kyat a former subsidy had been removed. In other words, the actual increase (from 8,000 kyat to 15,000 kyat) has been less than twice that of former take home pay. This represents an extreme regressive outcome. Compared with much higher increases in the salaries of civil servants who receive higher salaries including those who work for the military, the public sector is greatly disadvantaged.

Hardest hit are pensioners who bravely face inflation following the pay hike. Their monthly pension of around 3,000 kyat/per month (for higher paid ex-civil servants) is not enough for daily survival.

**Box 1: Labor unrest at Industrial Zones in Rangoon (May to August 2006)**

Huge salary raises for civil service personnel sparked an uncontrollable rise in commodity prices and the situation led to labor strikes at industrial zones in Rangoon with factory workers in the private sector demanding similar pay increases. Labor unrest was reported at factories under the Ministry of Industry 1, such as Myanmar Pharmaceutical Factory and No. 1 Plastic Factory (North Okkalapa Township), and the Penam JV Factory but the management turned down the demands and brought troops in to guard the factories and monitor the workers.

On May 2, 2006, more than 900 workers staged a protest at the Korean-owned *Myanmar Hae Wae Co. Ltd* garment factory when the owners refused to agree to a pay raise. The factory was closed down for the day and the workers were told to leave the compound.

The following morning, the workers returned and went on strike forcing the owner to negotiate with 16 supervisors and 48 worker representatives. The owners offered to add 15,000 kyats to the pay of the supervisors but the workers refused. Police were brought in to the factory after Factory Manager U Myo Win informed Township Police Commander U Soe Lwin and Chairman of the local peace and development council U Kyaw Shwe about the work stoppage. Since then, management has said the problem has been settled amicably.

Women workers at the SEGYE, a South Korean-owned textile factory near Htaukkyant, Rangoon, staged a protest at the factory on 1 June to demand a pay raise insisting that the 18,000-kyat salary was too low. The protest was called off the following day after an agreement was reached at the negotiations held between the workers and the owners.

On 3 June, a Daewoo owned garment factory near Segye where more than 2,000 workers are being employed also staged a protest in the factory compound over low wages and labor rights abuses. The workers demanded (1) a raise of 5,000 kyats over the current 18,000 kyats (2) the right to sick leave, (3) to reduce the daily working hours from 12 hours to an internationally accepted norm of 8 hours, to consider overtime payment for the hours worked beyond 8 hours, and (4) to designate Sunday as a day of rest and pay double wage to workers assigned to work on Sundays.

The owners said that the demands being made by the workers were already guaranteed their rights as part of the package since the factory was established, and their salaries were paid in US dollars. However, the regime, acting as a middle man, had taken away their dollars and instead paid the workers in Burmese currency. Hence, Daewoo said what was happening did not concern them but it understands the sentiments of the workers and their poor life condition and would be willing to offer each worker an increase of 3,000 kyats, which eventually would lead to Daewoo paying an extra 5.3 million kyats per month.

Although police was also brought in to the factory, no action was taken against the workers. The owner offered 4,000 kyats as an allowance to each worker instead of an increase in salary. There has been calm at the factory so far.

Workers from fourteen factories, including eight garment factories in Hlaingthaya Industrial Zone, staged protests for pay increases. There were work stoppages at several factories because workers refused to turn up for work. Labor officials tried to negotiate a deal peacefully and they succeeded in temporarily calming the workers by offering them small wage increases.

An owner of the three-story textile mill in Hlaingthaya quickly offered workers a 5,000 kyats increase in wages and ended a strike when he heard the workers were planning to hold one. A similar protest staged by workers at the KSS factory of Thaketa industrial zone also ended when a small raise was offered to the workers.

Workers demonstrated for pay raise at the electrical products factory owned by U Teza, a business tycoon who is close to the daughter of Senior General Than Shwe. The Labor Ministry authorities intervened and the demand of the workers was turned down.

Over 200 factory workers from Cho Cho Co., Ltd., at No. 69, Twinthin Atwinn Wun U Htun Nyo

Street, Hlaingthaya Industrial Zone 2, walked out off the factory on May 9, 2006 when the owner offered 8,000 kyats pay increase for each worker but stopped the Cost of Living Allowance of 2,000 kyats, 15 kilograms of rice, and one viss of cooking oil, and also suspended overtime pay. Authorities from the Labor Office, the township peace and development council, and police intervened when the workers submitted their complaint at the Labor Office. They helped negotiate the dispute between the owner and labor representatives, but the issue remained unresolved as the owner refused to accept workers' demand.

The MP Garment factory, which is producing "Now How" and "Top Country" labels, and located at No. 16, U Shwe Oh Street, Hlaingthaya Industrial Zone 2 was also another factory hit by labor unrest in May. No further details are available.

PW & GG Furniture Factory, a Malaysian joint venture Co., Ltd., with U Bo Kyaw of Indian descent as a partner, and located at No. 54/40, Rose Street, Myin Thar Quarter No 14, Rangoon, has had an ongoing salary dispute with workers since the past six months. The previous practice at the factory was to settle wages and perks once every ten days, but lately, the factory had been late in paying the wages. After civil service personnel received their pay increases, workers demanded that the factory settled their wages and overtime owed to them. The dispute remains unresolved.

Source: NCGUB

## Child Labor

Legislation prohibits or regulates (depending on age) child labor in factories or other places in the formal sector in Burma. However, there are many working children in Burma, mainly because adult household members earn too little to meet minimal subsistence needs. In cities, working children are highly visible. 1.2 million children below the age of 14 were not in school in mid-1990s, most of them from poor families. According to the World Bank, children are typically engaged in many of the same occupations as their parents. Vending and construction work were the most frequently mentioned types of activity. An estimated one in four children between the ages of 10 and 14 were working in Burma in 1990s and the rapid expansion of the army was achieved in part by conscripting children (Selth, 1995).

TABLE 1.4  
Participation Rates, Child Labor Force: A Comparative Perspective  
(Percentage)

Country	Share of 10-14 year olds
Burma	24
Cambodia	24
China	10
Indonesia	9
Lao PDR	26
Malaysia	3
Philippines	7
Thailand	15

Source: World Bank (1999).

One would expect rates of child labor to have risen as a result of recent financial and economic crisis. Many spend their nights on the street. They are hired at lower rates than adults for the same kinds of work, and economic pressure forces them to work not only for their survival, but also to support their families. Therefore, the Burmese women and men need to obtain decent and productive work in conditions of freedom, equity, security and human dignity and child labor which still exists for family survival should be done away with. The military junta's employment policies do not promote human resources development and employment strategies for improving skill and training, social security and labor industrial relations. There exist no institutional means and channels for social protection and dialogue for and with the vulnerable groups. No social safety nets exist for the poor groups. Victims of the worst forms of neglect and rampant exploitation are the working children and workers living with HIV/AIDS.



## Refugee and Migration

*The Guiding Principles on Internal Displacement* (UNCHR 1998) define internally displaced persons (IDPs) as:

persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized State border.

There are an estimated 600,000 to one million internal refugees in Burma (The Nation, August 7, 2006). Thailand, in particular, fears an influx of refugees if Burma/Myanmar is further isolated and becomes more unstable. There are 117,559 persons registered in nine 'refugee' camps along the Thai-Burma border (Huguet and Sureporn 2005:11).

The International Labor Organization, International Organization for Migration (IOM) and a number of academics cited labor migration in terms of labor sending and receiving countries, and the conditions in each which predicate migration. Under this rubric, it is stated that Burmese workers go to Thailand due to various 'push and pull' factors. Push and pull factors are an oversimplification and sanitary categorization of highly complex variables, which the course of this report elucidates. Push factors are generally divided into two categories: political factors and economic factors.

Political factors which lead to migrants leaving their state of origin for other countries (Sanganet 2004:12) are: Risk of persecution, suppression of rights, human rights abuses, political and/or ethnic oppression, internal violence and/or armed conflict are considered political factors. Those deemed as political migrant are often considered refugees. Economic factors include the following: International labor migration movements triggered by economic factors such as poverty and economic underdevelopment in countries of origin and the existence of considerable discrepancies in standards of living and wages between these countries and receiving countries (Sanganet, 2004:12). Almost 2 million Burmese migrant workers in Thailand fall under this category.

### Box 2: Migration Push Factors for Burmese Migrants

Many Burmese migrants quote economic hardship and an oppressive taxation system as reasons for migration. Migrants face both economic hardships and loss of a part of their incomes to cover registration and travel costs to Thailand. The registration fee is the equivalent of between two and four months salary for most migrants. It is therefore likely, that human rights abuses, insecurity and fear, push people to migrant.

According to an interview conducted by Burma CRT, agricultural workers reported earning wages ranging from 200-400 Burmese kyat (US\$0.20-0.40) per day. This is not enough to meet their needs as rising food prices consume increasing portions of their wages. Other workers received even lower salaries; one shop worker in Rangoon reported earning 600 kyat per month, a sanitation worker made 1,500 kyat, per month, while a trishaw driver earned 85 kyat per day.

Low wages are exacerbated by heavy taxes imposed on the Burmese, including porter fees, voluntary labor fees, fire watch fees, people's militia fees, and other social donations, estimated by one Burma CRT interviewee as averaging 3,000 kyat (US\$3) per month. Those who cannot pay these fees have to undertake forced labor activities such as portering for periods ranging from two weeks to a month.

Forced relocation and internal displacement is another factor pushing Burmese across the border into Thailand. It is estimated that there are more than one million internally displaced persons in Burma, a large portion directly or indirectly caused by the military regime's program of forced relocation.

Violence against women is another push factor for Burmese migration. There are numerous reports of Burmese women being raped by the military (eg. see Shan Human Rights Foundation and Network 2002). Some of these women fled to Thailand to avoid further attacks.

Burma's lack of public infrastructure such as health care and education also push Burmese to Thailand. Burma's health care ranks lowest in the world in terms of public expenditure, at 0.2 per cent of GDP (UNDP, 2001). Burma's education system is also abysmal, with public expenditure on education ranking second lowest in the world after Nigeria.

Finally, many Burmese have become so accustomed to being treated like undocumented migrants in their own country that they are not afraid of the possible treatment as undocumented migrants abroad.

Source: Reiko Harima, Rex Varona & Christina DeFalco, *Migration*: p, 235.

Political factors, armed conflict between the military regime's forces and armed dissident groups also make people migrate. Ethnic conflicts contribute to internal and external migration. Government policies such as forced relocation programs due to construction of dams, roads, gas pipelines or other political reasons cause people forced relocation sides; forced labor encourages the people to migrate. These measures make people increasingly poor. Long porous borders, weak law enforcement and corruption of law enforcement officials also encourage cross-border migration.

Economic factors include income gaps between Burma and neighboring countries and among the states/divisions inside the country. In addition, there is a gap between income and expenditures which make it impossible for people to make a living in some states or divisions inside the country. Farmers are indebted due to government policy of compulsory crop growing especially paddy sale to the government. Moreover, there are about half a dozen exchange rates which make imported consumer goods inaccessible to most workers and farmers. This forced the people to migrant internally or externally for better income. Some civil servants (including engineers, doctors and academics) have resigned from their jobs and joined the private sector or gone abroad due to low wages.

Social factors include decline of services, low quality and high costs in health and education sectors, many families migrate internally or externally. Erosion of family values, disruption of family life, need to survive and pursuit of commercialism encourage the sale of women and children which in turn leads to migration. In addition, attractiveness of a lucrative business such as drug trafficking and human trafficking with high profits to crime syndicates also can be attributable as push factors for cross-border migration. In short, development gap among states and divisions and among neighboring countries in the region forces the people to migrate (Mya Than, 2006, *Plural Society and Non-traditional Security Issues: A Case of Myanmar*, p. 76, 77).

What are the pull factors for migration? First, there is demonstration effect. People have seen and heard from migrants returning with money and foreign made goods and believe that they could make the same more money in Thailand, or Singapore, or Malaysia, or other "better off" countries. Second, there is a demand for cheap labor in more developed neighboring countries. However, the jobs offered to migrants are of the "three Ds": dirty, dangerous and difficult. Expansion of the commercial sex industry also demands increased services of sex workers. Third, countries like Thailand enjoy freedom. This encourages political dissidents to seek refuge there. Also people seeking jobs abroad (economic refugees) prefer Thailand as it tolerates illegal migrants (Mya Than, 2006, *Plural Society and Non-traditional Security Issues: A Case of Myanmar*, p. 77).

The situation inside Burma makes it very difficult to distinguish between categories of political refugee or economic migrants. The United Nations High Commission for Refugees (UNHCR) has attempted to distinguish categories when screening Burmese people in Thailand for 'refugee' status. Push factors in Burma are the result of interconnected social, economic and political factors, making the distinction between economic migrants and political migrants difficult. A majority of Burmese migrant workers go to Thailand, but many also go to India, Malaysia, Japan and South Korea. They are escaping forced labor, low wages, lack of economic opportunity, while others are fleeing a wide variety of human rights abuses and seeking better socioeconomic opportunities in other countries. With its economy in shambles after 40 years of military rule and disastrous social and economic mismanagement (Fink 2001), Burma will continue to rely upon remittances from migrant workers for many years to come. Whether it adopts policies similar to the

Philippines to facilitate the labor sending process in order to ‘harness workers’ remittances out of social and economic necessity remains to be seen, as does the social and economic effect of Burma’s impending transition to an open capitalist economy.

According to the Asian Migrant Center (AMC), the number of Burmese migrants in 2002 was about one tenth of the total population of the country. Out of it, there are about one million internally displaced persons in Burma. There are undocumented and documented migrants in Thailand (one and a half million and 166 thousand respectively), Bangladesh (290 thousand), India (70 thousand), Malaysia (25 thousand), Singapore (7 thousand) and South Korea (2 thousand). There are also thousands of undocumented workers in China and Japan.

## Burmese Migrant Workers in Thailand

There are about two million Burmese migrant workers in Thailand fleeing political and socio-economic hardship and thus are equipped for greater informality and, accordingly, non-protection by the state against highly exploitative work arrangements. Migrant workers hold one valuable commodity, their labor, which is accorded a much lower value than that of Thai nationals, leading to divisions among the working class within the country. Burmese migrant workers are unique in Asia in terms of the severity of political and human rights violations in their home country combined with the very low level of respect for labor and human rights which they face while working in Thailand. Thus, Burmese migrant workers in Thailand are caught between increasingly dismal opportunities in Burma, and work conditions in Thailand in which violations of basic labor rights are often the norm rather than the exception. Despite the low pay, long work hours, lack of occupational safety and health (OSH), and abusive nature of employment relations in Mae Sot, Tak Province, over 100,000 Burmese migrant workers choose to stay due primarily to the lack of comparable opportunity at home<sup>1</sup>.

TABLE 1.5  
Specific Burmese Migrant Groups in Thailand

Group	Estimated Population
1. Hospitality	1,000
2. Sex workers	100,000 - 300,000
3. Fishermen/Seafarers	100,000
4. Migrants workers	1,000,000 +

Source: Based on ADB, 2000.

According to an official from the Office of Foreign Worker Administration, Ministry of Labor, Thailand, there were some 523,086 migrant workers countrywide registered for work permits from June 1-30, 2006. The registration numbers has that figure at 705,293; it has dropped compared in 2005 and 610,106 in 2004. Bangkok saw the highest number of migrant worker registrations this year, followed by Samut Sakorn—a principal fisheries region—and industrial provinces such as Tak and Chiang Mai. There are about 100,000 Burmese migrants working in fishing factories of Samutprakang, Mahachai province of Thailand in 2006, where many women fear of being raped and other form of sexual harassment (The plight of women and children in Burma, June 2006).

The disassociation of migrant workers from the domestic workforce creates the false impression that migrant workers are employed strictly in jobs which Thais do not want because they are categorized as the 3D’s-dangerous, dirty, and difficult. This disassociation is reinforced by research conducted by Panam at Mahidol University IPSR (Panam et al. 2004:11) who states that Burmese are, “...fleeing Burma [to] migrate to...Thailand, where an estimated two million people from Burma work in the ‘3-D jobs’ for pay well below minimum wage”. Although there are labor shortages in several sectors in Thailand, the country is not yet a high-tech, service-oriented economy in which the domestic labor force are largely unwilling to do manual labor (Dennis, 2006: 44).

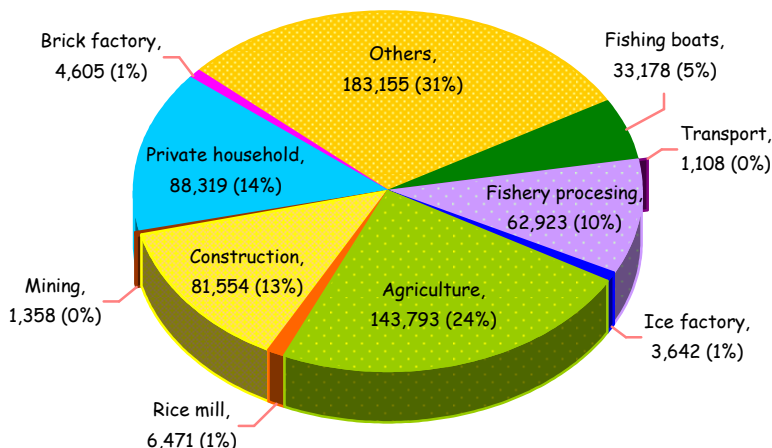
<sup>1</sup> Dennis Arnold; Mahidol University, 2006 (MA Thesis): Capital Expansion and Migrant Workers: Flexible Labor in the Thai-Burma border economy, p.1.

**TABLE 1.6**  
**Number of Work Permits Requested and Issued, by Type of Business and**  
**Nationality of Worker in Thailand, 1 July-15 December 2004**

Type of Business	Number of work permits Requested	Number of work permits issued				
		Number of Employers	Total	Cambodia	Lao PDR	Burma
Total	1,598,752	197,804	814,247	104,789	99,352	610,106
Fishing boats	127,796	6,518	58,686	22,874	2,634	33,178
Fishery processing	130,935	2,548	68,602	4,666	1,013	62,923
Agriculture	380,488	44,811	179,404	18,816	16,795	143,793
Rice mill	12,692	778	6,923	186	266	6,471
Brick factory	9,440	700	5,280	280	395	4,605
Ice factory	7,626	572	4,514	387	485	3,642
Transport	7,764	57	3,002	1,770	124	1,108
Construction	259,884	10,387	114,459	24,463	8,442	81,554
Mining	2,770	146	1,489	93	38	1,358
Private household	178,588	88,059	128,514	8,746	31,449	88,319
Others	480,769	43,228	243,374	22,508	37,711	183,155

Source: Dennis Arnold, Mahidol University, 2006 (MA Thesis): Capital Expansion and Migrant Workers: Flexible Labor in the Thai-Burma border economy, p.25. [Huguët and Punpuing 2005:32 (citing data provided by Office of Foreign Workers Administration, Department of Employment, Ministry of Labor, Thailand)].

**FIGURE 1.3**  
**Documented Burmese Migrant Workers by Industry in Thailand**  
**1 July-15 December 2004**



In Mae Sot, Thai-Burma Border Township, the current number of textile and garment factories is unknown, since many smaller factories are not registered. But Mae Sot locals and academics suggest the number ranges from 150 to 200. These factories employ between 60 to 80,000 (or more) Burmese migrant workers, in addition to an estimated 100,000 Burmese who work in the area in agriculture, shops and restaurants, construction, domestic work and a number of other jobs. The minimum wage in Tak Province is currently 141 baht per day and 25 baht per hour overtime (OT). Most migrant workers employed in textile and garment factories in Mae Sot earn between 50 to 70 baht per day, with 6 to 8 baht per hour OT. A document provided by Mahidol University shows in 2004, 23,111 minority people live in Tak Province, in addition to 60,000 refugees fleeing fighting, and approximately 110,990 illegal migrants awaiting repatriation. In total, there are 194,101 registered people among these migrant groups while several tens of thousands remain undocumented.

## II. The Economy

### Review of Economic Situation in Burma

Burma's ruling military junta, the State Peace and Development Council, remains an international pariah according to the 2006 Index of Economic Freedom-Burma. In an effort to gain credibility for the current regime, the SPDC proposed a "road map" for democracy. But its refusal to include the National League for Democracy (NLD) nullified the effort. In 2005, elected representatives from Cambodia, Indonesia, Malaysia, the Philippines, Singapore, and Thailand launched an ASEAN Inter-Parliamentary Myanmar Caucus (AIPMC) to advance democracy in Burma. Attempts by the international community to impose serious economic sanctions on Burma were largely offset by investment from China and India. Despite these efforts of the world's democracies to influence the junta, pervasive corruption, nonexistent rule of law, arbitrary policymaking, and tight restrictions on imports and exports all make Burma an unattractive investment destination and have severely restrained economic growth. Additionally, Burma's lawless frontiers are home to ethnic and political insurgents, drug smugglers, and drug-financed armies, all of which pose a security nightmare for the region.

Burma, a resource-rich country, suffers from pervasive government controls, inefficient economic policies, and rural poverty (CIA Factbook, June 2006). The junta took steps in the early 1990s to liberalize the economy after decades of failure under the "Burmese Way to Socialism," but those efforts stalled, and some of the liberalization measures were rescinded. Burma does not have monetary or fiscal stability, so the economy suffers from serious macroeconomic imbalances—including inflation, multiple official exchange rates that overvalue the Burmese kyat, and a distorted interest rate regime. Most overseas development assistance ceased after the junta began to suppress the democracy movement in 1988 and subsequently refused to honor the results of the 1990 legislative elections. In response to the government of Burma's attack in May 2003 on AUNG SAN SUU KYI and her convoy, the US imposed new economic sanctions against Burma—including a ban on imports of Burmese products and a ban on provision of financial services by US persons. A poor investment climate further slowed the inflow of foreign exchange. The most productive sectors will continue to be in extractive industries, especially oil and gas, mining, and timber. Other areas, such as manufacturing and services, are struggling with inadequate infrastructure, unpredictable import/export policies, deteriorating health and education systems, and corruption. A major banking crisis in 2003 shuttered the country's 20 private banks and disrupted the economy. As of December 2005, the largest private banks operate under tight restrictions limiting the private sector's access to formal credit. Official statistics are inaccurate. Published statistics on foreign trade are greatly understated because of the size of the black market and unofficial border trade—often estimated to be as large as the official economy. Burma's trade with Thailand, China, and India is rising. Though the Burmese government has good economic relations with its neighbors, better investment and business climates and an improved political situation are needed to promote foreign investment, exports, and tourism.

The central government tax revenue remains buoyant, rising by 28.1 per cent year on year in nominal terms in the first 11 months of fiscal year 2005/06 (April-March) according to the EIU country report (November 2006). Total tax revenue reached 292 billion kyat during this period (around US\$50 billion at the inflated official exchange rate, or US\$225 million at free-market exchange rate). Although revenue is still rising, growth has slowed since 2004/05, when revenue expanded by 77 per cent year on year for the whole fiscal year. This in part reflects a correction after an increase in average import tariffs, imposed in mid-2004, brought a 424 per cent year-on-year surge in customs tax fell by 15.1 per cent year on year to 16.2 billion kyat. A clamp-down on corruption among customs officials in recent months may be part of an effort to boost revenue from customs tax. Other sources of tax revenue expanded in the first 11 months of 2005/06. Profit tax jumped by 49 per cent year on year, slightly ahead of commodities and services tax (which rose by 47 per cent) and income tax (11 per cent).

Total public-sector deficit reached around 6 per cent of GDP for 2004/05. Heavy losses by the country's state-owned enterprises typically account for over 60 per cent of the overall deficit. The SPDC's fiscal position is also weighted down by high off-budget spending on the country's huge armed forces. The budget position is unlikely to have improved in 2005/06 and 2006/07 (the current fiscal year), owing to the junta's expansionary fiscal policy. The junta's decision to relocate

many government offices to a huge new administrative complex at Naypyidaw, around 320 km north of Rangoon, will have imposed heavy costs. In addition, in April 2006 the junta raised salaries for around 1 million civil servants and military officers by between 500 and 1,200 per cent.

## Economic Structure

TABLE 2.1  
Major Economic Indicators, Burma, 1999-06

Item	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05@	2005/06@
Population (million)	49.1	50.1	51.1	52.1	53.2	53.9	54.7
GDP (in 2000/01 constant prices, Kt bn) (at current prices, Kt bn)	87.8- 1,903.4	2,552.7 2,237.5	2842.3 5,625.3	3184.1 7,716.6	3,624.8 9,078.9	4,081.5 9,747.3	n.a 12,162.0
GDP (US\$ bn)	5.7	4.7	5.8	8.0	10.0	8.9	9.3
GDP growth (%), SPDC source	10.9	13.7	11.3	12.0	13.8	13.6	12.2
International sources	5.5	5.3	5.3	- 2.6	-0.2	2.9	2.6
GDP per capita growth rate (%)	9.1	11.5	9.1	9.8	11.6	n.a	n.a
Per capita Kyat (at current prices)	44,579	50,927	69,390	107,823	144,984	165,729	221,217
Per capita US\$ (at current price)	131	137	98	118	153	166	164
CPI growth (av;%)	18.4	-0.1	21.1	57.1	36.6	50.0	10.0*, 53.0!
Labor force (million)	16.53	24.30	24.93	25.63	26.09	26.56	27.75
Unemployment rate (%)	7.0	5.1	4.0	4.0	4.0	n.a	5.0
Trade balance (US\$/m)	-887.3	-503.8	56.1	382.4	577.7	1,232	3,321.7
Current-account balance (US\$/m)	-284.7	-211.7	-169.5	-115.0	-75.0	443.0	1328.7
International reserves(US\$/m)	241.1	233.5	410.6	481.0	562.3	672.0	970.0
Foreign debt (US\$/m)	5,999.0	5,927.8	5,670.1	6,583.1	7,318.4	7,239.0	7,200.0
Debt service ratio, paid (%)	4.9	n.a	6.0	7.2	7.9	2.5	2.2
Free-market exchange rate (Kt:US\$1)	340.8	373.2	710.0	900.0	950.0	1,175.0	1,295.0
Government expenditures (% of GDP)	5.8	13.6	10.5	8.6	9.5	6.0	12.1
Military expenditure (% of GDP)	7.6**	3.5	2.58	2.42	3.76	3.91	1.40
Health expenditure (% of GDP)	0.13	0.07	0.06	0.55	0.49	0.61	0.17
Education expenditure (% of GDP)	0.45	0.24	0.22	1.32	1.52	2.22	0.46

- = not available., \* = SPDC, ! = ESCAP, \*\* 1997 (% of GNP), ~ = 1985/86 prices, @ = provisional

Sources: Statistical Yearbook 2001 to 2003; Selected Monthly Economic Indicators, April 2005 and preceding issues, CSO, Ministry of National Planning and Economic Development, Burma; Various EIU Country Report, 1998-November 2006; IMF country Report No. 01/18, January 2001; Asian Development Outlook 2002 and 2006, available: <http://www.adb.org/Documents/Books/ADO/2006/default.asp>.

Data problems, inaccuracy and inaccessibility, of any reports, make an assessment of the size, composition and changing structure of the economy extremely difficult. However, by any measure, Burma counts among the world's lowest-income countries. The use of the massively overvalued official exchange rate to measure some statistics severely distorts Burma's economic data. In addition, a very large informal sector and extra-legal economy are not captured in the figures. The extra-legal economy includes illegal logging, widespread smuggling and opium and other drug exports. This introduces further distortions in trade and other financial and socio-economic data. The timeliness and quality of official statistics are also inadequate. The junta ceased publication of its full annual statistical review in 1997/98. Even the published statistics and information are patchy with frequent, unexplained revision. According to the EIU country profile 2005, despite receiving technical assistance from the United Nations (UN) agencies in recent years, the quality of Burma's published official data remains extremely poor. Publication of statistics is patchy and irregular. Regular monthly data are available on some key indicators, including inflation and trade. However, these data often give only a partial picture. In recent years the SPDC has reported massive increases in the size of the economy and in GDP growth rates, but has published little supporting statistical information.

## Economic Policy

### Box 3: The Economic Policies of the National League for Democracy (NLD)

In a September 1997 policy document the NLD set out the policies it would implement if it were in power. These included:

- The official exchange rate to be devalued and brought into line with the market rate;
- A devaluation following studies carried out in consultation with the IMF and other international agencies;
- All state-owned enterprises (SOEs) to be sold, except in cases where this would seriously increase unemployment;
- The removal of SOEs from the government's budget and strict control over budget expenditure;
- The Central Bank of Myanmar to be given responsibility for implementing monetary policy and producing reliable forecasts; and
- Foreign direct investment to be encouraged.

Source: National League for Democracy (NLD)

### Box 4: Transition Towards a Market-Oriented Economy

Burma seems to have veered off course from the road to a market-oriented economy. Some may even see Burma as close to taking a “U” turn back to the command economy. For instance, since the State Law and Order Restoration Council (SLORC) changed its name to the State Peace and Development Council (SPDC) in November 1997, government intervention in the market has increased. This has taken on many forms. In foreign trade it has taken the form of export taxes and controls on the type of goods to be imported. In the application for permits to conduct business, some companies such as Myanmar Economic Corporation (MEC) and Union of Myanmar Economic Holding Ltd. (UMEHL) are treated more favorably than others. The government's commitment towards the establishment of a level playing field that is so necessary for the proper evolution of a market-oriented economy has thus become highly questionable. Also, not only has the privatization process been slowed down or stopped, but the Ministry of Industry 1 is in fact implementing over seventy new industrial projects all over the country. But only a handful of people, if any, will know why they can expect state-led industrialization under military rule to succeed this time around after it had failed miserably in the past. This is incomprehensible.

Source: Myat Thein (Economic Development of Myanmar, 2004, p. 6).

### Box 5: The Junta's Economic Policies Remain Ineffective

"The quality of economic policymaking is poor and will remain so in 2006/07 according to the EIU country report March 2006. The junta displayed an inability to implement policies aimed at supporting sustainable growth and reducing poverty. Its failure to support international aid agencies (the junta has been criticized for pursuing policies that hinder aid distribution in the country) means that there is a high risk that future international funding for health and poverty-reduction programmes will be limited. In addition to aid agencies, foreign investors also struggle to operate in a business environment hampered by endemic corruption and tight restrictions on a range of activities, particularly in the area of trade. Further damaging the investment climate is the junta's apparent willingness to implement ad hoc policy initiatives to deal with the country's host of economic problems rather than formulating long-term strategies. These sometimes extreme measures contribute to the overall sense of economic uncertainty, damaging both consumer and business confidence. Example of such policies include the implementation of a ban on rice exports in 2004 in an effort to bring down food price inflation, and a surprise eight fold increase in retail fuel prices in late 2005 in an effort to ease the burden of its fuel-price subsidy programme.

### **Obstacles to trade and investment**

**Trade restrictions:** Additional restrictions were imposed on imports in September 2000, with traders limited to importing kyat 1 million/month. This came on top of restrictions on both exports and imports in March 1998, under the terms of which only prescribed items may be imported. Importers must purchase essential imports before permission is given to import selected non-essential items. The junta also banned private exports of key commodities. In March 2002 the licenses of all foreign trading firms were revoked.

**US sanctions:** In April 1997 the US banned all new investment in Burma by US companies. The Burmese Freedom and Democracy Act 2003 bans all imports from Burma into the US. Ban on visa for senior officials of the SPDC.

**EU restrictions:** Arms embargo in 1990 and visa ban against top regime officials and their families in 1991. In March 1997 the European Union (EU) withdrew generalized system of preferences (GSP) benefits on agricultural goods. Burma has already lost GSP on industrial goods. Extended the scope of the visa ban and assets freeze in June 2003.

**Canadian restrictions:** In August 1997, Canada removed Burma's GSP benefits. In January 2003 Burma was excluded from Canada's Least Developed Country (LDC) Market Access initiative.

**Australia:** Selective purchasing law passed by Marvickville Council in Sydney.

**Consumer boycotts:** Active and well-organized consumer boycott campaigns have contributed to the decision by a number of international companies to pull out of Burma or to cease sourcing goods from the country.

Source: EIU reports, August 2003 & March 2006.

According to the Asian Development Bank (ADB) Outlook 2006, an assessment of economic development of Burma is constrained by incomplete information and by deficiencies and the unreliability of data. Official estimates suggest that the economy grew at a high rate in FY2004, but this is not supported by trends in domestic inputs, production and trade. Inflation appeared to rise to double-digit rates in 2005. Significant improvements in economic performance are unlikely in view of structural weaknesses in domestic economic and social policies, which include the monetization of fiscal deficits and a dual exchange rate and provision of basic education and health services to the wider population.

Growth prospects are likely to remain modest without significant macroeconomic reforms and adoption of necessary basic "economic fundamentals". Government projections of growth of 12.2 per cent are again unrealistic. Monetization of the fiscal deficit contributes to inflation pressures and puts fiscal and monetary stability at risk. The fiscal constraints limit resources available for poverty reduction and for investment in infrastructure. However, trade links with robust neighboring economies provide a basis for expansion of export industries. In the health and well being sphere, the confirmation of the presence of avian flu cases in birds and poultry in the Mandalay area is a source of social concern and national human security.

### **Growth and Investment**

Patchy data collection and a massive informal and illegal economy mean that GDP data are unreliable. Official rates of GDP growth often overstate actual growth rate. According to the SPDC's sources, GDP (at current prices), increased from 1,903.4 billion kyat in 1999/00, to 9,078.9 billion kyat in 2003/04, 9,747.3 billion kyat in 2004/05 and 12,162 billion kyat in 2005/06. The GDP (in official exchange rate) was US\$8.24 billion in 2004/05 (CIA Fact book, 2006). The average annual growth rate of GDP grew from -11.3 per cent in 1988/99 to 7.5 per cent in 1994/95, but it gradually slowed down to 4.4 per cent in 1998/99. However, high officials stated that GDP grew to 10.9 per



cent in 1999/00<sup>2</sup>, 13.6 per cent in year 2000/01, 13.8 per cent in 2003/04, 13.6 per cent in 2004/05 and 12.2 per cent in 2005/06. Since 1999, by these measures Burma made strong growth with the double-digit and the fastest growing economy in the world. In February 2006, the SPDC announced that Burma's economic growth for 2005/06 would be 12.2 per cent (The Myanmar Times, vol. 16, no. 305, 20-26 February 2006), which, if true, is only slightly less than 13.6 per cent in 2004/05. But the EIU expected the real GDP growth of -2.7 per cent in 2003/04, 2.9 per cent in 2004/05 and 1.9 per cent in 2005/06. However Dr Sean Turnell, in Burma Economic Watch, estimated the real growth in GDP to be 2 to 3 per cent in 2005/06.

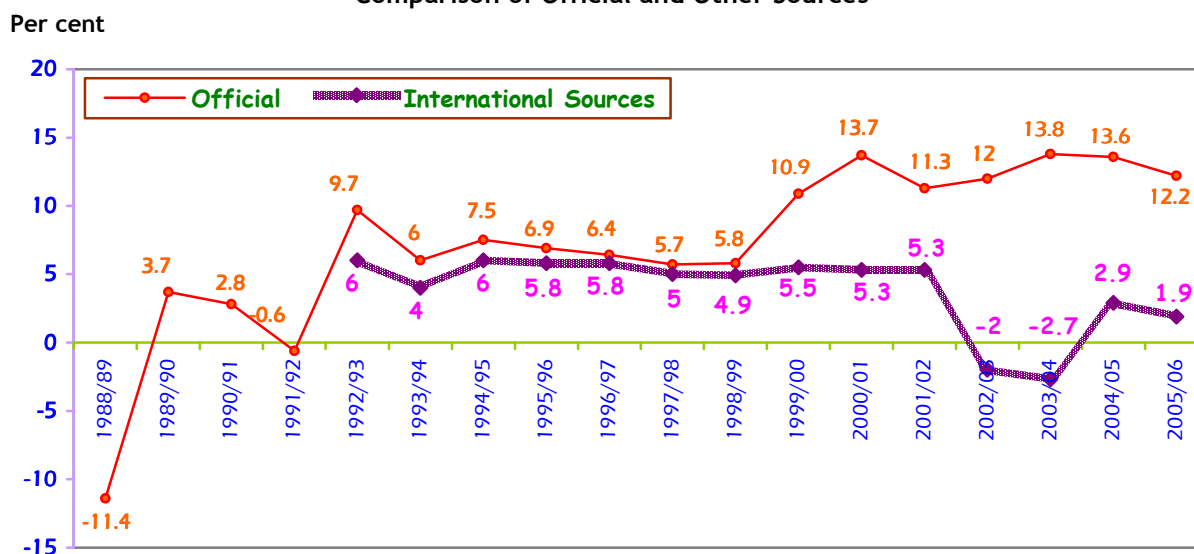
TABLE 2.2  
Growth Rates of GDP and Major Sectors, Burma, 1995-05  
(In Percent)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GDP	6.9	6.4	5.7	5.8	10.9	13.7	11.3	12.0	13.8	13.6	12.2
Per Capita GDP	n.a	4.6	3.9	3.9	9.1	11.5	9.1	9.8	11.6	n.a	n.a
Agriculture	4.8	5.0	3.7	4.5	11.5	11.0	8.7	6.0	11.7	9.6	3.5
Industry	12.7	10.7	8.9	6.1	13.7	21.3	21.8	35.0	20.7	21.1	n.a
Services	7.3	6.5	6.7	7.0	9.2	13.4	12.9	14.8	14.5	n.a	n.a

Sources: ADB, Growth and Change in Asia and the Pacific, Key Indicators, 2001; Asian Development Outlook, 2006.

This inflated figure was disputed even by the former Deputy Minister of National Planning and Economic Development Brig Gen. Zaw Tun who said that it should be around 6 per cent in 1999/00, according to the ADB, this year's real GDP growth rate was about 5 per cent. Also according to the Economist, March 30, 2002, "The secretiveness of the generals certainly does not help them the country well. Since 1997, they have refrained from publishing a formal budget, and the figures they produced are lies. The minister of Planning and National Economic Development U Soe Tha who attending a development conference claimed that his country was streaming along with a 13.6 per cent growth rate and only 0.5 per cent inflation in 2000/01".

FIGURE 2.1  
Growth Rate of Gross Domestic Product, Burma, 1988-06  
Comparison of Official and Other Sources



<sup>2</sup> Brig Gen. David Abel, Minister of SPDC Office, (Asian meeting, BKK, Oct; 2000)

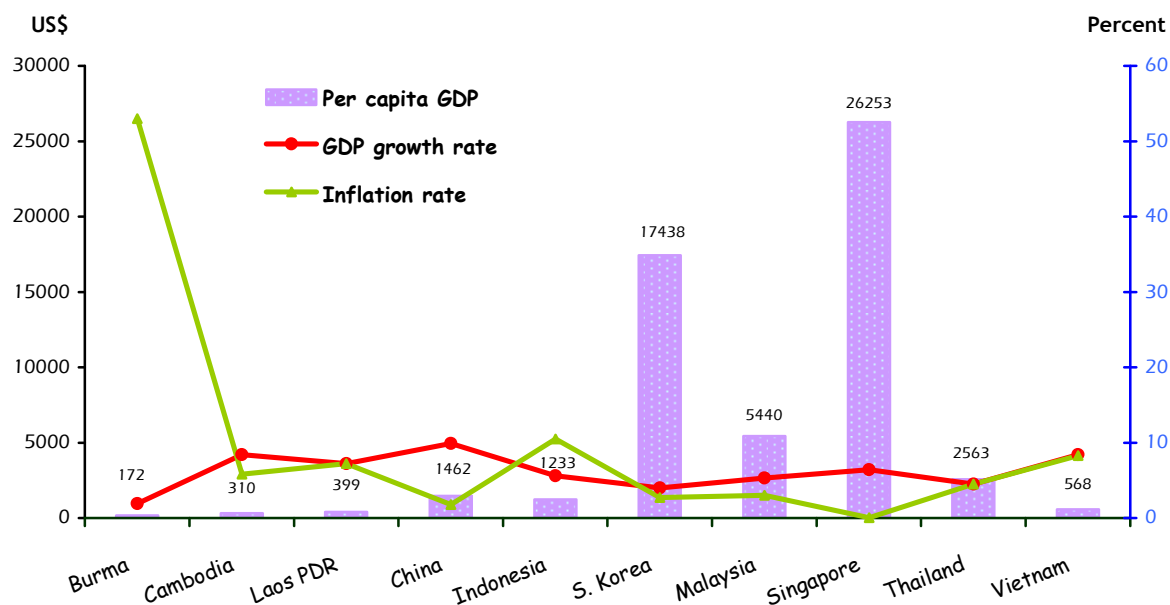
TABLE 2.3  
Salient Macroeconomic Indicators, Selected Countries, 2005

	GDP growth (%)	Per capita GDP (US\$)	Inflation (%)	Current account (% of GDP)
Burma	12.2#	172*	10#, 53!	4.4
Cambodia	8.4	310*	5.8	-10.2
Laos PDR	7.2	399*	7.2	-8.1
China, People's Rep. of	9.9	1,462	1.8	7.0
India	8.1	1,654	4.5	-2.5
Indonesia	5.6	1,233	10.5	1.1
Japan	2.0	36,599	-0.4	3.3
Korea, Rep. of	4.0	17,438	2.7	2.1
Malaysia	5.3	5,440	3.0	15.7
Singapore	6.4	26,253	0.4	28.5
Taiwan	4.1	14,447	2.3	4.7
Thailand	4.5	2,563	4.5	-2.1
Vietnam	8.4	568	8.3	-3.6
Asia	6.1	n.a	3.0	6.6
Euro area	1.2	28,702	2.1	0.2
United States	3.5	41,976	2.8	-6.1
World	4.3		3.9	

Note: \* 2004, # SPDC, ! ESCAP

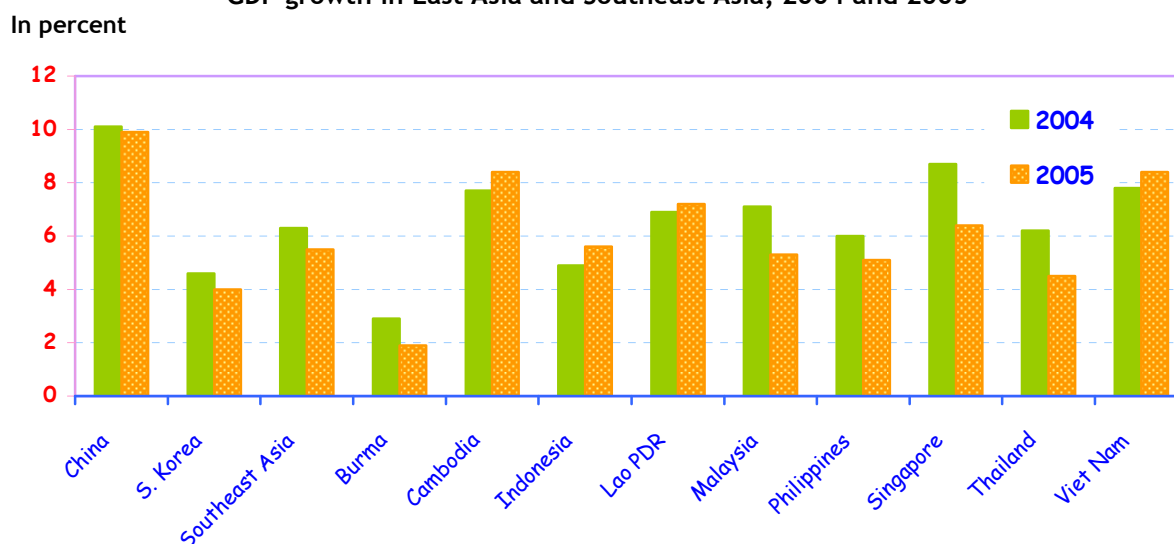
Sources: Asian Development Outlook 2006, available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>); Economic Review: Year-end 2005, Bangkok Post.

FIGURE 2.2  
Salient Macroeconomic Indicators, Selected Countries, 2005



Deficiencies in data, in terms of reliability, comparability, completeness, and timeliness, make an objective assessment of the economy difficult and affect the ability of the authorities to formulate effective policies. For example, dual exchange rates and the large gap between the parallel and official exchange rates distort the official statistics.

FIGURE 2.3  
GDP growth in East Asia and Southeast Asia, 2004 and 2005



Source: Asian Development Outlook 2006.

Number 3 leader, General Thura Shwe Mann, announced that the country's real GDP increased by 12.6 per cent in 2004/05 against the target of 11.3 per cent and per capita income stood at 165,725 kyat (about US\$27,621 at the official rate and US\$182 at the market rate) in the same fiscal year according to the government-owned newspaper, New Light of Myanmar, quoted by Kyodo News (17 April 2005). This implies that if official figures are to be believed, Burma's economic performance in 2004/05 surpassed that of the fast-growing economies of China and Vietnam, which grew at 9.2 per cent and 7.6 per cent per annum respectively during the same period.

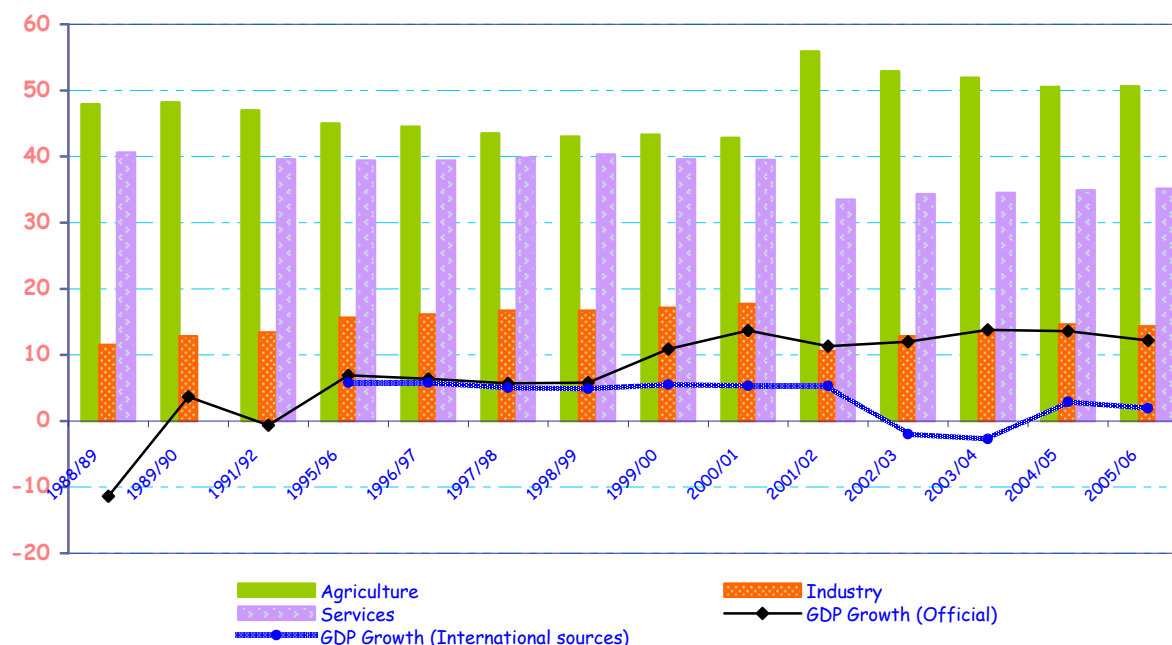
TABLE 2.4  
Sectoral Composition and Distribution of Gross Domestic Product, Burma  
1988-05

Year	Agriculture, kyat million	Industry, kyat million	Services, kyat million	Agriculture (%)	Industry (%)	Services (%)
1988/89	22,595	5,409	19,137	47.9	11.5	40.6
1989/90	23,589	6,240	19,054	48.2	12.8	39.0
1991/92	23,451	6,683	19,799	47.0	13.4	39.6
1995/96	30,072	10,384	26,286	45.0	15.6	39.4
1996/97	31,563	11,492	27,987	44.5	16.1	39.4
1997/98	32,729	12,518	29,876	43.5	16.7	39.8
1998/99	34,203	13,278	31,979	43.0	16.7	40.3
1999/00	38,124	15,111	34,922	43.3	17.1	39.6
2000/01	42,836	17,834	39,605	42.8	17.7	39.5
2001/02	1,588,268	301,385	952,661	55.9	10.6	33.5
2002/03	1,684,056	406,820	1,090,241	52.9	12.8	34.3
2003/04	1,881,659	491,235	1,251,922	51.9	13.6	34.5
2004/05	2,061,808	594,832	1,424,802	50.5	14.6	34.9
2005/06	n.a	n.a	n.a	50.6	14.3	35.1

Notes: (a) *Agriculture* comprises agriculture, forestry, livestock and fishery; *Industry* comprises energy, mining, manufacturing, electric power and construction; *Services* comprises services and trade sectors. (b) 1988/89 to 2000/01 at 1985/86 constant prices. (c) 2001/02 to 2004/05 Sectoral contribution of GDP calculated at 2000/01 constant prices.

Sources: Ministry of National Planning and Economic Development's booth at Defense Service Museum; Asian Development Outlook 2006.

**FIGURE 2.4**  
**Sectoral Composition of Growth, Burma, 1988-06**  
(In percent)



Sources: Ministry of National Planning and Economic Development's booth at Defense Service Museum; Asian Development Outlook 2006.

The country's average economic growth rate for eight years between 1997/98 and 2004/05 was 10.7 per cent. Those who are well versed in mathematics and economics know that if the eight-year average growth is eight per cent, the standard of living would have increased significantly—provided that the data is reliable. China is a good example of such a happy outcome. For Burma, however, there is no strong evidence of significant improvements in the social and economic arenas. According to Bangkok Post March 30, 2006, Thailand's average economic growth from 2001 to 2005 was 5 per cent, or only 0.5-1 per cent higher than other Southeast Asian countries.

**TABLE 2.5**  
**Sectoral Share of GDP, Selected Countries of South East Asia, 1970-05**  
(In percent)

Country	Agriculture				Industry				Services			
	1970	1980	1990	2005	1970	1980	1990	2005	1970	1980	1990	2005
Burma	49.5	47.9	57.3	50.6	12.0	12.3	10.5	14.3	38.5	39.8	32.2	35.1
Cambodia	n.a	n.a	55.6	32.9	n.a	n.a	11.2	29.2	n.a	n.a	33.2	37.9
Laos PDR	n.a	n.a	61.2	47.0	n.a	n.a	14.5	27.3	n.a	n.a	24.3	25.7
Indonesia	35.0	24.4	17.6	13.4	28.0	41.3	42.1	45.8	37.0	34.3	40.9	40.8
Philippines	28.2	23.5	22.7	14.4	33.7	40.5	34.4	32.6	38.1	36.0	40.3	53.0
Thailand	30.2	20.2	12.2	9.9	25.7	30.1	40.9	44.1	44.1	49.7	46.9	46.0
Vietnam	50.0	42.7	26.0	20.9	23.1	26.3	32.7	41.0	26.9	31.0	4.3	38.1
Singapore	2.2	1.1	0.4	0.1	n.a	36.4	38.8	32.5	61.4	60.0	74.5	67.4

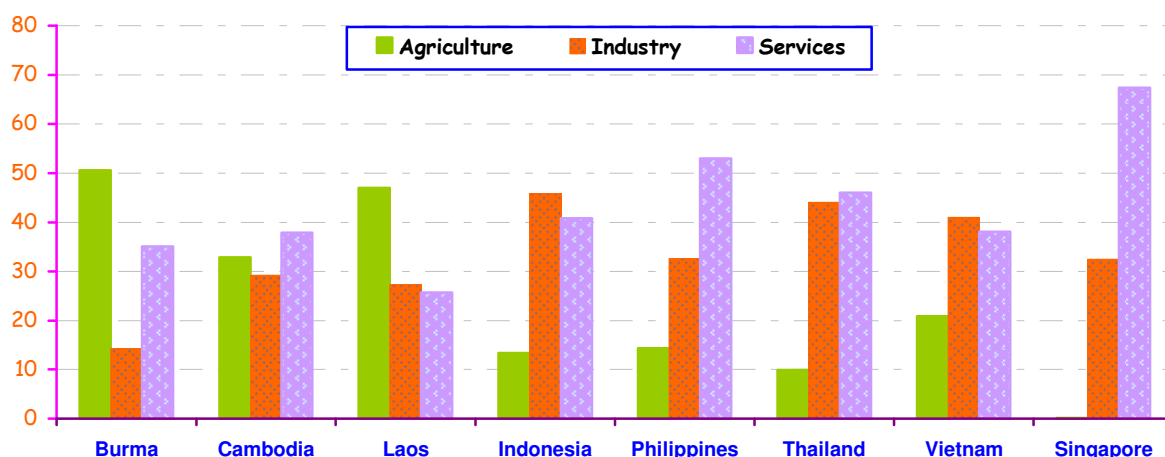
Source: Asian Development Outlook, 1995-2006; ADB, *Key Indicators of Developing Asian and Pacific Countries* (Manila, Asian Development Bank, On-line Edition, 2004).

Source for Burma: Ministry of National Planning and Economic Development, Burma.

According to official sources, the double-digit growth rate of 13.6 per cent is attributable to growth in the agriculture sector, which witnessed a decline from 11.7 to 9.6 per cent in 2004/05. The EIU data shows negative growth in the agricultural sector (-3.5 per cent) since rice production fell from 23.1 million tons in 2003 to 22.0 million tons in 2004. Floods and the ban on the export of rice probably influenced this decline by the private sector from 1 January 2004 to July in the same year,

triggering a decline in rice prices. This adversely affected farmers' incentive to grow rice and also the export of rice since it hurt farmer's incomes as well as the national income. This is also expected to affect rice production in 2005/06 as farmers would have lost confidence in the agricultural sector. However, a noted Burma academic said the country's economists are hardly in a position to know exactly what drives Burma's GDP growth to double-digit levels as from 1998 the government had stopped releasing the Review of the Financial, Economic and Social Conditions for sale to the general public.

FIGURE 2.5  
Sectoral Share of GDP, South East Asian Countries, 2005  
(In percent)



Sources: ADB, *Key Indicators of Developing Asian and Pacific Countries* (Manila, Asian Development Bank, On-line Edition, 2004); Asian Development Outlook, 2006.

Burma source: Ministry of National Planning and Economic Development, Burma.

According to the ADB Outlook 2006, the government emphasized self-sufficiency in rice and expanding the production of beans and pulses, cotton, sugarcane, and oil-seed crops for export. The area sown to these crops has been increased. Imports of fertilizers have been on a declining trend, keeping yields below potential, in the first 10 months of FY2004, fertilizer imports were just 15 per cent of total fertilizer imports in FY2003.

The growth rate (official) of the industrial sector for 2004/05 looks very impressive, with 21.1 per cent compared with 20.5 per cent in 2003/04. This might have contributed to the overall economic growth if the official data is to be believed, although many—including the EIU report—consider the industry output to be sluggish as well. The industry sector has been impaired in recent years by trade and investment sanctions by the EU and US, and others. In particular, the garment industry was negatively affected by US sanctions in 2003 in the areas of production, employment, and export. In energy, though, oil and gas production has expanded, and electricity generation increased 18 per cent in the first 7 months of FY 2005, but there were still blackouts due to power and water shortage in cities. These affected not only the industries but also the urban households. Although the government imported US\$250 million worth of fuels from Malaysia, the demand for fuels continued to outgrow the supply, all of which had an adverse impact on the performance of the industrial sector in Burma.

TABLE 2.6  
Saving and Investment Performance, Burma, 1990-04  
(In percent of GDP)

	1990/91	1995/96	1999/00	2000/01	2001/02	2002/03	2003/04
Gross Domestic Saving	11.7	13.8	12.4	11.1	11.6	10.5	11.0
Gross Domestic Investment	13.4	14.3	11.7	12.4	11.6	10.1	11.0

Sources: Ministry of National Planning and Economic Development, *Review of the Financial, Economic and Social Conditions for 1998/99*; Burma; International Monetary Fund, *International Financial Statistics (monthly)*, and *Yearbook*, 1999.

**TABLE 2.7**  
**Investment and Saving Rates, Selected Countries, 1970-05**  
**(In percent of GDP)**

	Investment					Savings				
	1970	1980	1990	2000	2005	1970	1980	1990	2000	2003
Burma	11.8	21.5	13.4	11.2	11.5	9.2	17.7	11.7	11.1	n.a
Cambodia	n.a	n.a	8.3	14.1	26.4	n.a	n.a	2.3	6.9	12.3
Lao PDR	n.a	n.a	n.a	20.5	22.0 <sup>a</sup>	n.a	n.a	n.a	14.7	14.0
Indonesia	13.6	20.9	30.7	17.9	21.3	10.6	29.2	32.3	25.7	21.0
Malaysia	21.5 <sup>a</sup>	30.4	32.4	26.8	19.8	23.8 <sup>b</sup>	32.9	34.4	46.8	41.0
Philippines	20.0	29.1	24.2	16.9	15.7	20.4	26.6	18.7	21.0	19.5
Singapore	38.7	46.3	36.6	31.6	18.6	20.6	38.8	43.4	49.3	45.7
Thailand	26.2	29.1	41.4	22.7	31.6	22.3	23.0	34.3	30.2	25.5
Vietnam	n.a	12.8 <sup>c</sup>	12.6	23.9	35.4	n.a	n.a	2.9	25.5	27.8
Korea, Rep. of	25.4	31.7	37.7	28.2	30.1	15.4	23.8	37.2	32.6	31.0
Taiwan	25.6	33.8	23.1	22.9	20.2	25.6	32.6	28.1	25.2	25.5

Note: The figures for Burma are based on fiscal years.

- a. refers to 1972
- b. refers to 1975
- c. refers to 1985

Sources: ADB, *Key Indicators of Developing Asian and Pacific Countries, various issues*; Asian Development Outlook 2002 and 2006, available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>).

Rates of savings and investments have not improved in recent years. They remain stagnant as in the past at around 11 to 12 per cent of GDP in 1997/98. Inflation, negative real interest rate and lack of confidence in the kyat continue to hold down savings to a low level. Low level of savings in turn was largely responsible for low levels of investment, although there were also other reasons for the foreign component of investment such as unrealistic exchange rate. Increase in informal financial activity including dollarization will further slowdown the growth of domestic savings in the banking sector.

The SPDC controls the interest rate of the Central Bank of Myanmar (CBM) that capital lending rates at 15 per cent per annum, and do not allow deposit rates to fall below 9.5 per cent per annum. These rates, and the rate at which the CBM will provide funds to the commercial banks (the so-called 'CBM rate', currently at 10 per cent), have not changed for a number of years (Turnell, 29 March 2006). (The SPDC increased these rates at 12 per cent for deposit rate and 17 per cent for capital lending rate on 16 April 2006).

## Per Capita Income

The military generals have cunningly refrained from making any official estimate of the GDP and per capita GDP in terms of dollars. According to the SPDC's (*UN-LDC III*) data, probably inflated, estimates of GDP growth for fiscal year 2000/2001, GDP per head (at current prices) reached 52,229 kyat--over US\$8,000 at the official exchange rate (for the year 2005/06; per capita GDP 221,217 kyat<sup>3</sup> = US\$38,618), but a mere US\$100 if exchange at the more realistic free-market exchange rate. According to the overvalued exchange rate, the per capita income growth of Burma between 1990 and 1994 hovered around 1.7 to 2.1 per cent. Per capita GDP (at free-market exchange rate) for 1988/89, 1995/96, 1997/98, 1999/00, 2002/03, 2004/05 and 2005/06 are US\$187.6, US\$111.8, US\$101.5, US\$131, US\$118, US\$166 and US\$164 respectively.

<sup>3</sup> Soe Thar, Minister of National Planning and Economic Development, SPDC Press conference, December 17, 2006.

TABLE 2.8  
GDP Growth Rate and GDP Per Capita, ASEAN Countries

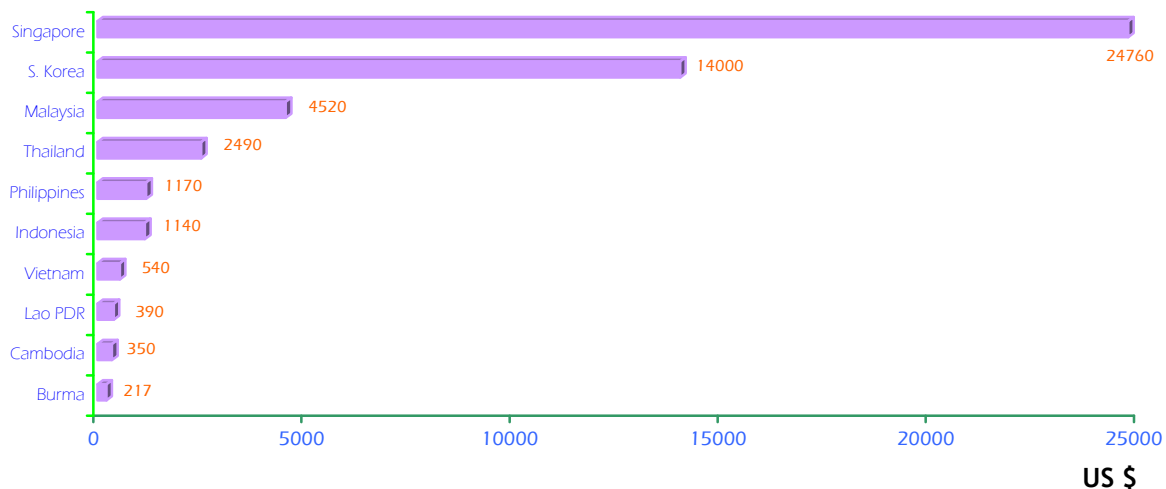
Country	GDP Growth Rate (%)			GDP/Cap (US\$)		
	1990-1994	1995-1999	2005	1996	2001	2004*
Burma	5.1	6.2	12.2	109	137	217
Brunei	1.6	2.9	3.6	17,096	12,245	15,248
Cambodia	n.a	4.1	8.4	312	270	350
Indonesia	8.0	1.6	5.6	1,115	691	1,140
Lao PDR	n.a	6.4	7.2	393	330	39
Philippines	1.9	3.6	5.1	393	914	1,170
Malaysia	9.3	5.1	5.3	4,766	3,696	4,520
Singapore	9.4	5.9	6.4	24,784	20,659	24,760
Thailand	9.0	1.4	4.5	3,035	1,831	2,490
Vietnam	7.3	7.5	8.4	337	416	540

Note: \* Per Capita GNI

Sources: World Bank 2001; IMF May 2000; Asian Development Outlook 2006.

However, according to a Japanese source (Institute of Fiscal and Monetary Policy, June 1999), GDP per capita in (US) dollars would be US\$3,697 if converted by the extremely overvalued official rate (about 6 kyats to the US dollar), but only US\$72 if converted by the market rate (kyats 350 to the US dollar). The World Bank (WB), on the other hand, estimated Burma's per capita GDP at about US\$300<sup>4</sup>. According to the *UNICEF*, in 1994 GDP per head in Burma, based on a purchasing power parity basis, was the lowest in South-east Asia. A survey undertaken in 1997 indicated that 23 per cent (according to CIA-World Factbook, 25 per cent-2000 est.) of Burma's population lived below the poverty line.

FIGURE 2.6  
Per Capita Gross National Income, Selected Countries, 2004



## Inflation

The inflation rate may be higher than official data suggests. Inflation continued at double digit rates and fluctuated widely during most of the decade. The SPDC's Consumer Price Index (CPI) is based on an unrepresentative lower-income basket of goods chosen in 1985/86, which contains no imported goods and gives a very low weighting to the staple, including rice, oil, meat etc. Main source of inflation was budgetary deficits and other contributory factors to the inflationary process were over-bidding of agricultural products of export, over-building of certain infrastructure facilities, and depreciation of the kyat in the parallel market for foreign exchange, which increases the prices of imported goods used as inputs in the production process. According to the SPDC's

<sup>4</sup> Mya Than, *Myanmar in ASEAN, Regional Cooperation Experience*, p. 78

official report in the 3rd UN-LDCs conference (Brussels, May 2001), the inflation rate was -1.6 per cent in 2000. Actual inflation was around 40-50 percent in that year. At the same time, the collapse in public spending has left many people reliant on expensive private health and educational services. As a result of these trends, many people's real incomes and living standards declined in recent years. According to one scholar, whatever the rate of increase in CPI, the cause of it (unlike in the past) is more complex than it appears.

TABLE 2.9  
Change in Money Supply and Prices, Burma, 1988-04

Year	Money supply				Consumer Price Index	
	M1		M2		CPI 1985/86=100	% change
	kyat million	% of GDP	kyat million	% of GDP		
1988/89	23,614	30.97	31,273	41.02	155.00	22.5
1989/90	32,842	26.34	42,562	34.14	191.73	23.7
1990/91	38,918	25.61	51,006	33.57	233.73	21.9
1991/92	52,307	28.00	66,791	35.76	301.80	29.1
1992/93	70,428	28.24	89,542	35.90	369.09	22.3
1993/94	84,381	23.42	109,947	30.51	492.99	33.6
1994/95	119,061	25.18	156,077	33.01	603.66	22.5
1995/96	152,605	25.23	211,540	34.98	735.51	21.8
1996/97	199,845	25.23	257,666*	32.56	882.81	20.0
1997/98	231,221*	20.65	332,235*	29.68	1,182.10	33.9
1998/99	302,277*	18.78	453,435*	28.17	1,634.40*	49.1
1999/00	499,663*	19.25	835,316*	32.70	1,935.20*	13.5
2000/01	760,135*	24.71	1,209,950*	34.10	1,967.20*	45.9
2001/02	1,086,081*	25.97	1,624,163*	28.90	616.50#	59.3#
2002/03	1,247,498*	22.57	1,627,510*	21.10	n.a	58.1
2003/04	1,595,553*	44.01	2,189,582*	60.40	n.a	36.6
2004/05	2,018,226*	n.a	2,716,432*	n.a	n.a	n.a

Note: \* ADB, # Base year:1997=100, \*\* EIU.

Sources: Selected Monthly Economic Indicators, various issues; and Statistical Yearbook 2001 and 2002, CSO, Burma; Asian Development Outlook 2006.

TABLE 2.10  
Inflation, Burma, 1990-06

	'90/91	'95/96	'99/00	'00/01	'01/02	'02 /03	'03/04	'04/05	'05/06
CPI growth %	46.0	28.9	49.1	40.1	21.2	57.1#	36.6#	50.0*	53.0**
Change in money supply (% per year) #	46.4	n.a	32.3	47.4	43.2	18.4	11.0	33.3	9.5

Note: \*EIU, \*\* ESCAP, #ADB.

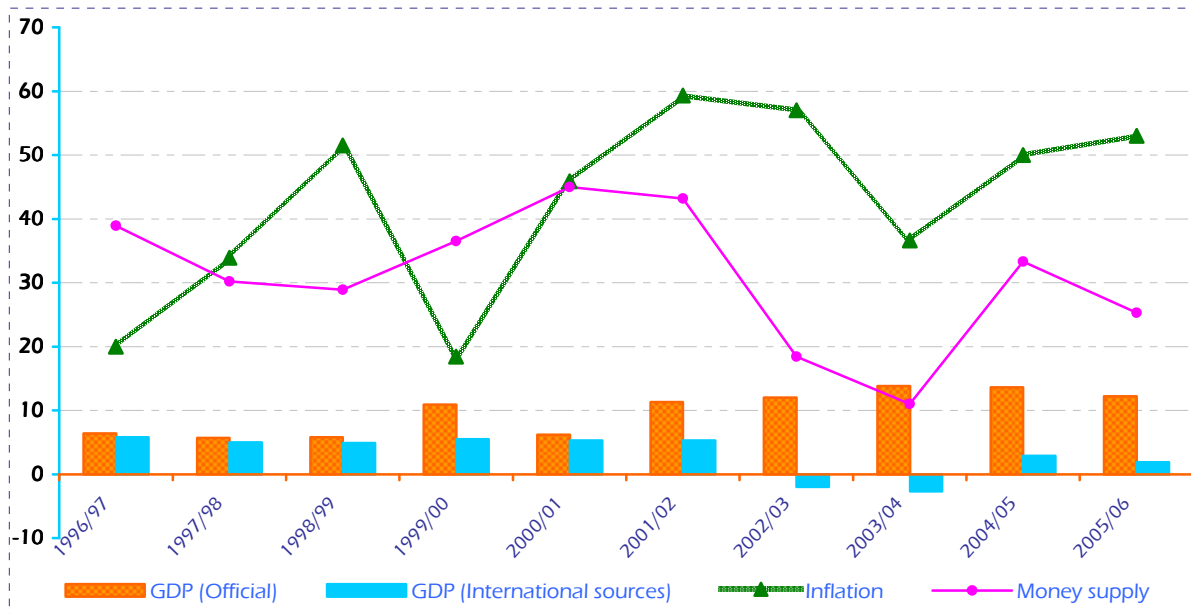
Source: Asian Development Outlook 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>);

Large budget deficits financed by money creation led to the usual "demand-pull" inflation whereby too much money chases too few goods and services, resulting in rising prices. Rising prices could equally result from the supply side as the cost of doing business-of getting anything done-is being push up for a variety of reasons. As another scholar has put it, "a lot of money has also to chase after valued services such as having a telephone line repaired, clearing goods from customs, enrolling a child in the kindergarten, and in getting required signatures, stamps, sanctions, approvals, and permits to satisfy a bewildering variety of bureaucratic rules and regulations, not only in the conduct of business, but in normal everyday life. All these, together with inadequacies in infrastructure and generally poor quality of services provided by the public utilities lead to high cost and contribute to "cost push" inflation<sup>5</sup>.

<sup>5</sup> Dr. Maung Myint, "Thoughts on Development Strategy for Myanmar," mimeograph, 1997, p-22.



FIGURE 2.7  
Real GDP Growth and Inflation, Burma, 1996-06  
(In Percent)



Sources: Asian Development Outlook 2002 and 2006.

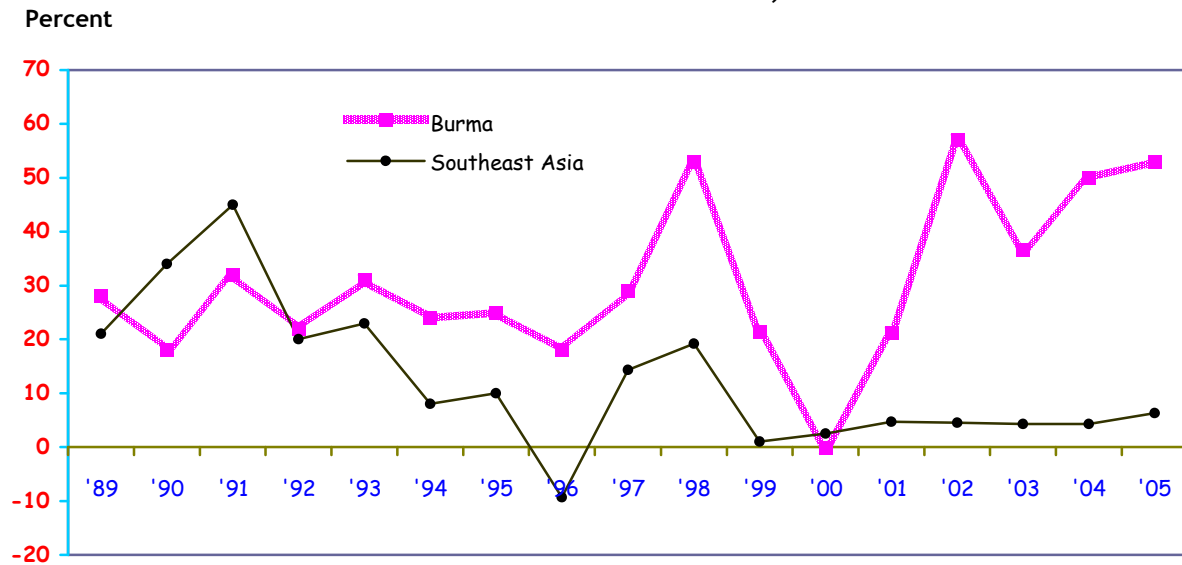
Three other "cost-push" factors merit attention. They are the price hike of electricity, the rising cost of transportation and decline in the production of some essential commodities. The rising cost of transportation across the country came about from innumerable forms of local taxes, municipal taxes, wheel taxes, toll charges and so on. For example, according to Burmese magazine (Myanmar Wealth, August 2003), the only toll charges cost of a truckload of goods for a round trip from Mandalay to Rangoon (384 miles) is 103,680 kyat in 2003 and these costs are collected by 7 private Companies and each year some of these charges continue to rise while new innovative forms of local taxes somehow emerges out of the blue.

The consumer price index is estimated to have increased to 20 per cent in 2004/05 compared with last year's 25 per cent due to a decline in food prices caused by the six-month ban on rice exports. Inflation started to grow again from July 2004 when the export ban was lifted selectively. In October 2005, to make matters worse, the SPDC has imposed a shocking over eightfold increase in state-subsidized petrol prices, rising panic among the public with fears of rampant inflation. It could be said that the country has had a negative inflation rate as the central bank interest rate, deposit rate (six-month), and lending rate remained unchanged at 10 per cent, 9.5 per cent and 15 per cent respectively. The reason for the estimated double-digit inflation in 2004/05 might have been the SPDC's high borrowing of money from the central bank (that is, by printing more money) in order to fund the budget deficits which averaged around 4 per cent of GDP during the last five years. In 2004, according to the IMF figures, government borrowing of money from the central bank was about 15 times higher than in 1994 while the consumer price index was ten times higher during the same period (The Economist, 23 July 2005). The year-on-year percentage change in money supply (broad money, M2) increased from 11.0 per cent in the first quarter of 2005.

According to the SPDC, inflation decreased from double digit level in 1999/2000 to single digit level in 2001. Inflation rate started to rise again and efforts have been made to bring down the level back to single digit. It stood at 3.76 per cent in March 2005, but it rose again and was 16.4 per cent in September 2006<sup>6</sup>.

<sup>6</sup> Soe Thar, Minister of National Planning and Economic Development, SPDC Press conference, December 17, 2006.

FIGURE 2.8  
Inflation in Burma and Southeast Asia, 1989-05



Note: From 1989 to 1995 for East Asia average (excluding Burma and Lao PDR)

According to the ADB Outlook 2006, fuel prices increased eightfold in October 2005 and lifted further subsequently to reduce the cost of subsidies. This prompted higher prices for some basic commodities. Inflation likely returned to double digit rates. Monetary policy has not addressed the inflationary pressures and interest rates have been unchanged since 2001 (but the SPDC increased the interest rates on 16 April 2006). Real rates are likely to be negative. The kyat weakened in the parallel foreign exchange market to 1330 kyat per US\$1 in September 2005, which also put pressure on prices. There has been a mild appreciation of the kyat since then. The ratio of the parallel rate to the official rate is nearly 200:1.

Meanwhile, according to Associated Press (AP) (30 September 2005), Burmese currency, the kyat, fell to an all-time of 1,300 to the US dollar on the black market (or market rate) on 30 September 2005 (while the official exchange rate remained at 6 kyat to the dollar), driving up prices of commodities, including imported goods, which in turn raised the prices of local goods such as diesel fuel, medicine, and food. The fall in local currency this year could perhaps be attributed to the deteriorating consumer and business confidence in the wake of recent bombings in the major cities of Rangoon and Mandalay, in addition to the acceleration in inflation<sup>7</sup>.

Another factor that has a negative impact on economic performance is the people's loss of confidence in the banking system—perhaps due to the bank run in 2003, and the banning of two private banks, May Flower Bank and Asia Wealth Bank in 2004, for irregularities. There were more than 10,000 lawsuits by the customers against the May Flower Bank and Asia Wealth Bank for turning down customers' requests to withdraw their deposits. A privately owned Myanmar Universal Bank was taken over by a state-owned Myanmar Economic Bank (MEB) in August 2004 without any explanation by the government for the takeover. A possible reason is the anti-money laundering measures or the bank's connection with the ethnic oppositions group.

Strong growth in both narrow money supply (M1) and quasi-money (comprising time, savings and foreign exchange deposits) contributed to a 26.8 per cent year-on-year expansion in broad money supply (M2) at the end of May 2006. The junta's demand for credit from Central Bank of Myanmar, which the government uses to find its budget deficit, also remains strong, with total outstanding credit to the central government reaching 2.5 trillion kyat (nearly US\$440 billion at the official exchange rate, or US\$1.9 billion at the free-market exchange rate) at end May, up by 28 per cent year on year.

<sup>7</sup> EIU, August 2005

## Foreign Direct Investment

*“If businessmen do not care that our workers are exposed to exploitation, they should at least be concerned that a dissatisfied labor force will eventually mean social unrest and economic instability. To observe businessmen who come to Burma with the intention of enriching themselves is somewhat like watching passer-by in an orchard roughly stripping off blossoms for their fragile beauty, blind to the ugliness of the despoiled branches.”*

-- Daw Aung San Suu Kyi

*“If investment comes in, all the wealth will go to the generals, the majority of Burmese people are farmers, so they are not affected by the sanctions.”*

-- NLD Vice Chairman U Tin Oo  
April 1998

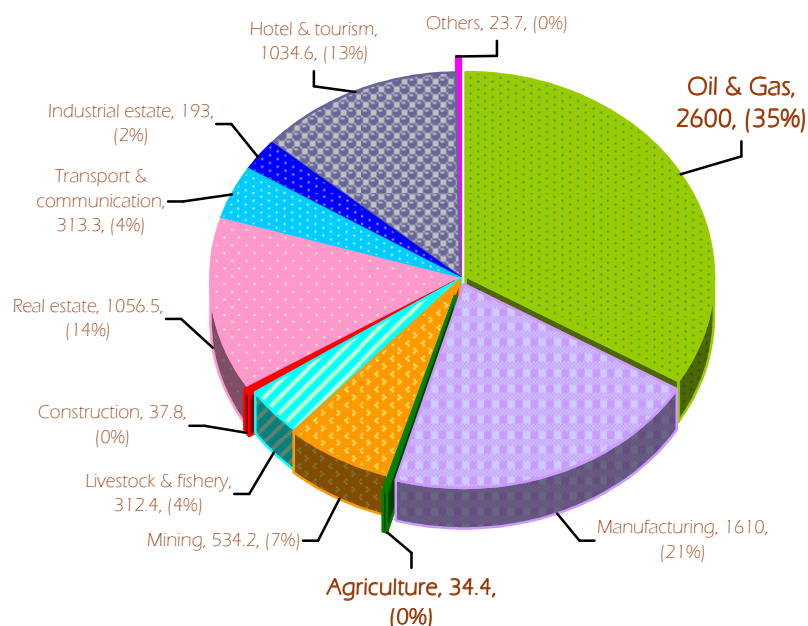
TABLE 2.11  
Foreign Direct Investment Approvals, Burma, 1996-05  
(US\$ million)

Sector	'96/97	'97/98	'98/99	'00/01	'01/02	'02/03	'03/04	'04/05	Cumulative total as of March, 2005		
									No. of Projects	Total Amount	Per cent
Oil & Gas	695.603	172.100	-	47.55	3.25	44.0	54.3	142.55	67	2,600.023	33.55
Manufacturing	923.561	319.215	43.30	77.391	15.752	13.18	-	3.52	151	1,610.408	20.78
Hotel & Tourism	114.924	274.892	1.460	5.250	-	-	-	(-)25.1	43	1034.561	13.35
Real Estate Development	623.500	122.190	-	28.00	-	-	-	31.313	18	1056.453	13.63
Mining	178.299	3.331	4.885	1.112	-	3.382	1.45	6.00	57	534.19	6.89
Livestock & Fishery	17.502	5.819	4.775	-	-	26.39	2.60	-	24	312.358	4.03
Transport & Communication	47.865	106.300	-	7.885	-	-	30.00	-	16	313.272	4.04
Industrial Estate	181.113	-	-	-	-	-	-	-	3	193.113	2.49
Construction	17.267	-	-	20.50	-	-	-	-	2	37.767	0.49
Agriculture	5.991	5.670	-	20.00	-	-	-	-	4	34.351	0.44
Others	8.620	3.400	-	10.000	-	-	-	-	6	23.686	0.31
Total	2814.25	1012.917	54.40	217.69	19.002	86.95	56.05	158.28	395	7750.182	100

Sources: Statistical Yearbook, 2001, 2002, 2003 and Various Selected Monthly Economic Indicators, CSO, Ministry of National Planning and Economic Development, Burma.

International investment may help open societies and bring democratic change in some countries. In Burma, foreign investment helps to perpetuate the repressive rule of an, unelected junta. Full foreign ownership of companies operating in Burma is forbidden and almost all-large investment in Burma is carried out through joint ventures with the military regime. Much is directed through companies owned and operated by Burma's Ministry of Defense, notably the UMEHL and its branch MEC. While very few Burmese benefits from foreign investment, the ruling military junta has imported over US\$2 billion in weapons since 1989.

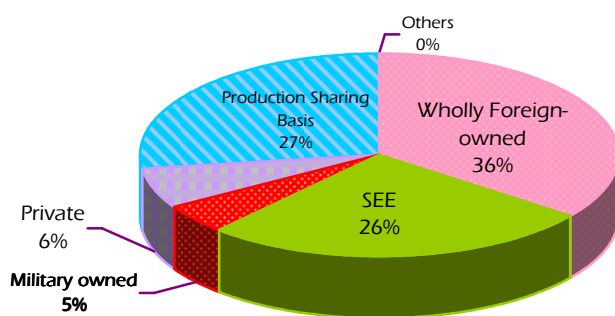
**FIGURE 2.9**  
**Foreign Direct Investment Approvals by Sector, Burma**  
**(As of March 31, 2005) US\$ million**



Source: Selected Monthly Economic Indicators, April, 2005, CSO, Burma.

After the promulgation of the FDI law in late 1988, FDI started to flow into the country and inflow of FDI approvals for 1989/90 was US\$56 million. It grew steadily to US\$1352.295 million in 1994/95 and the height amount was US\$2814.245 million in 1996/97. The sharp drop of foreign investment was mainly attributed to the impact of the Asian financial crisis (see table 2.11 and 2.12). FDI in the oil and gas sector accounted for about one third of total FDI.

**FIGURE 2.10**  
**Foreign Direct Investment Approvals by Form of Organization, Burma (As of March 31, 2003)**

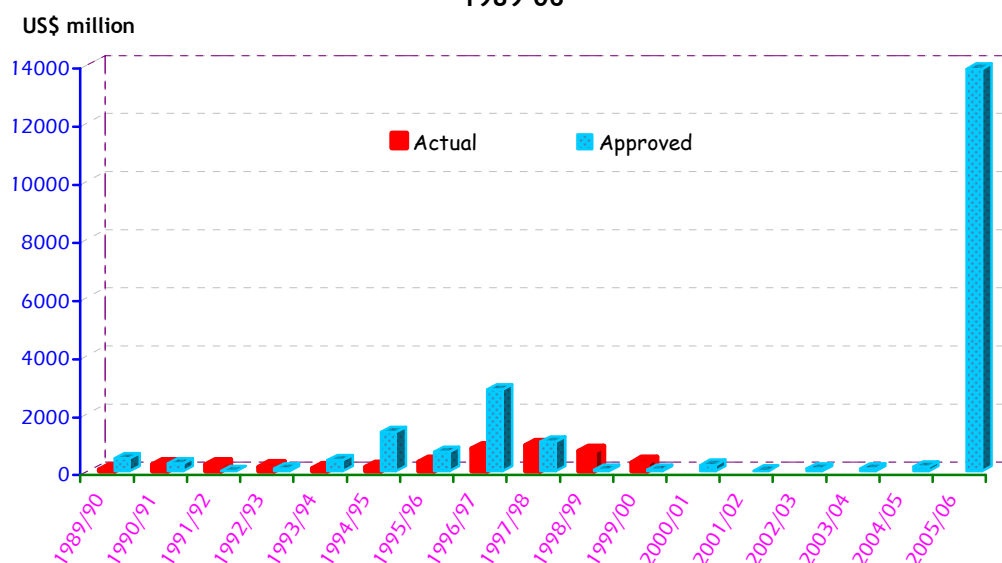


Source: Statistical Yearbook, 2003, CSO, Ministry of National Planning and Economic Development, Burma.

Inward flow of FDI into Burma pales in comparison to that of Vietnam, which promulgated its "investment code" (1988) only a few months earlier than Burma. In June 2006, there were 6,390 projects and total capital was US\$53,945 million (the implemented capital was US\$28,351 million).

Since the military regime switched to a market economy in late 1988, it has drawn over US\$7750.182 million in foreign investment as of March 2005, of which ASEAN took up US\$3,964.91 million or 51.16 per cent. Out of 27 countries and regions investing in Burma, the following major investors were: as Singapore (US\$1,572.726 million), the United Kingdom (US\$1,431.011 million), Thailand (US\$1,341.22 million) and Malaysia (US\$660.747 million), taking up 20.29 per cent, 18.46 per cent, 17.31 per cent and 8.5 per cent of the total foreign investment respectively. Singapore, UK and Thailand (56.06 per cent of FDI in March, 2005) are the largest investors in Burma.

FIGURE 2.11  
Foreign Direct Investment, Burma  
1989-06



Sources: The World Bank: Myanmar: An Economic and Social Assessment, August 18, 1999; IMF, Staff Country Report No. 99/134 and No. 01/18; The New Light of Myanmar, December 18, 2006.

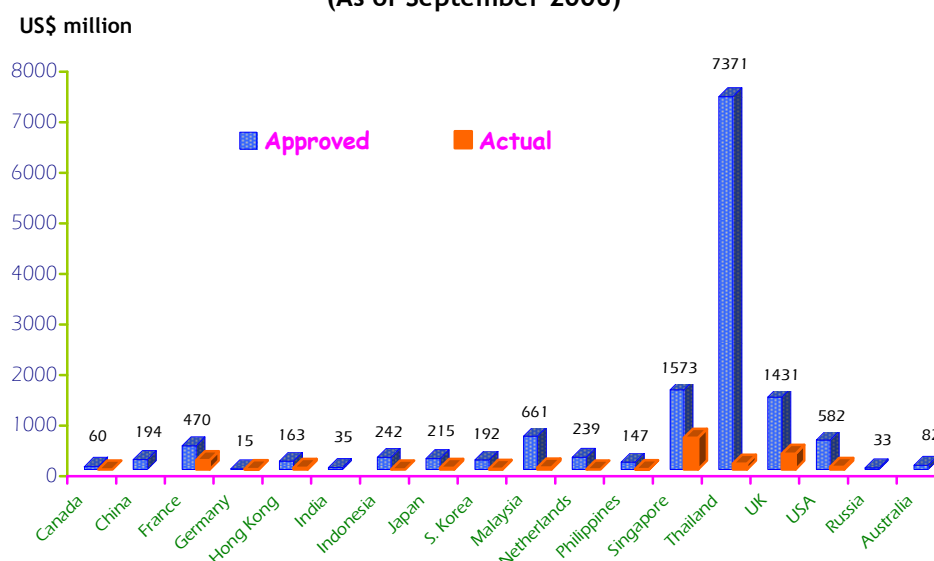
Five ASEAN countries (Singapore, Thailand, Malaysia, Indonesia & the Philippines) were investing in Burma (March 2005), and have committed US\$3962.87 million in 170 projects, amounting to 51.13 per cent of the total permitted amount of FDI. In developing infrastructure for both tourism and the oil and gas industry, the junta has extensively used forced labor under extremely harsh conditions. Fees and profits from tapping Burma's natural gas resources go directly into to the generals' coffers. Some hotel projects are also in partnership with the generals and their cronies. Retired military personnel, their kin and major heroin dealers who are collaborating with the generals reportedly operate the front companies (For example, Asia World Hotel, Kanbawza Hotel, military owned UMEHL Hotels, War Veterans Organization owned Hotels etc. in Ngwe Saung beach).

TABLE 2.12  
Foreign Direct Investment Approvals (accumulated total), Burma  
(As of September 2006)

Country	US\$ million	Per cent
Asia	11,012	79.5
ASEAN + 3	10,462	75.5
ASEAN	9,861	71.2
Japan	215	1.5
China	194	1.4
S. Korea	192	1.4
India	53	0.3
Others	515	3.7
Europe	2,388	17.3
EU	2,379	17.2
Others	9	0.1
America	334	2.4
USA	244	1.8
Others	90	0.6
Australia	82	0.6
Russia	33	0.2
Others	99	0.7
Total	13,849	100

Source: The New Light of Myanmar, December 18, 2006.

FIGURE 2.12  
Foreign Direct Investment by Country, Burma  
(As of September 2006)



Sources: IMF, Staff Country Report No. 99/134, January, 2001; Selected Monthly Economic Indicators, April 2005. CSO, Burma; The New Light of Myanmar, December 18, 2006.

TABLE 2.13  
Foreign Direct Investment, Selected Countries, 1995-05  
(US\$ million)

Country	1995	1998	1999	2000	2001	2002	2003	2004	2005
Burma	277	314	253	240	192	19	87	56	158
Cambodia	151	121	135	153	142	139	74	121	216
Lao PDR	88	46	79	72	24	5	20	17	27
Indonesia	4,346	-400	-2,700	-4,600	-2,977	145	-597	1,023	2,258
Malaysia	5,816	2,700	3,500	5,500	287	1,299	1,104	2,563	713
Philippines	1,459	1,800	700	1,500	335	1,477	188	109	970
Singapore	7,206	6,300	7,200	6,400	-8,590	5,051	7,233	6,307	14,562
Thailand	2,000	5,100	3,600	2,400	3,540	841	1,466	1,289	3,289
Vietnam	2,349	2,300	2,000	2,100	273	397	1,222	1,730	1,914
Korea, Rep. of	1,357	5,400	10,600	10,200	1,108	-224	100	4,588	26
China	35,849	43,800	40,300	40,800	46,878	52,743	53,505	60,630	60,325

Fiscal year for Burma

Sources: Asian Development Outlook 2002 and 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>);

Since 1990, Western countries *disbursed* more than 80 per cent of direct investments that they committed, to Burma, accounting for about 65 per cent of actual FDI. ASEAN countries on the other hand accounted for about 31 per cent of committed investment, approximately less than 35 per cent of FDI over the decade, 1995-2005. Such figures dispels the myth perpetuated by the SPDC, that investments made in Burma by certain ASEAN governments and others opposed to economic sanctions especially certain Western countries does not play a critical an important role in the functioning of the Burmese economy. Given that Western countries are responsible for the most significant share of investment, their withdrawal will have the most significant impact on the military regime's political and economic sovereignty over the ever-suffering population.

India's investment was US\$4.5 million since 1998/99 and a consortium of South Korean and Indian companies including Daewoo International Corporation (60 per cent), Korea Gas Corporation (10 per cent) and Indian public-sector firms Oil and Natural Gas Commission (ONGC) Videsh Ltd and Gas Authority of India Ltd (GAIL) (together owned 30 per cent) started exploring the waters off the

Arakan coast of northwestern Burma. But Myanmar Oil and Gas Enterprise (MOGE), 100 percent owned by the junta, will have the rights to take the proportionate share of the benefits. Daewoo predicted at least 100 billion won (US\$86.2 million) in net profit annually for 20 years from 2010 through its natural gas production at the zone. Production is to start in 2009 and the SPDC is poised to reap at least US\$800 million a year from the project, and could see up to 3 billion annually. As part of the negotiations to buy natural gas, the Burmese junta has been demanding political concessions from Thailand and India in the form of the expulsion of refugees and crackdowns on opposition groups staying in these countries<sup>8</sup>.

According to the press conference of the SPDC on December 17, 2006, from 1988/89 to 2006 (end September), permitted amount of foreign investment totaled US\$ 13.849 billion. The inflow of foreign investment started to contract since 1997/98, mainly due to the indirect impact of monetary crisis in Asian countries and sanction imposed by some western countries. However, foreign investment increased again in 2005/06. The permitted amount of investment is US\$ 158 million and US\$ 6.06 billion in 2004/05 and 2005/06 respectively. Asian countries are the largest investors with share of 79.5 per cent followed by European countries with 17.3 per cent and American countries with 3.2 per cent. Out of Asian countries, the share of ASEAN is 71.3 per cent<sup>9</sup>.

According to Joseph L H. Tan (*The Role of Foreign Direct Investment in the Development of Asian Transitional Economies*), in the case of Myanmar (Burma), some problems have arisen from ambiguities in the law, which are open to arbitrariness and perceived as impediments to investors. For instance, some potential investors have complained that although the law provides for 100 per cent foreign ownership, in effect business is not possible without the government involvement in the (joint) venture as a necessary partner. More serious, however, are the main factors of political conditions and the management of the exchange rate. Bureaucratic delays and lack of a “one stop” office contributes also to mismanagement of the economy.

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<sup>8</sup> Asia Times, February 14, 2004

<sup>9</sup> Soe Thar, Minister of National Planning and Economic Development, SPDC Press conference, December 17, 2006.

### III. Fiscal and Monetary Policy

The state budget has remained unbalanced with substantial deficits during much of the 1990s. Fiscal deficits are financed automatically by credit from the Central Bank, a source of domestic inflation and instability in the economy. Total revenue average 8 per cent of GDP for the 1990s, well below total expenditures (capital and current) of about 13 per cent of GDP (the World Bank, 1999). A range of factors including poor tax compliance and a large informal economy mean that government revenue is very low, at around 3 per cent of GDP. Total revenues, including transfers made by SEEs, reached around 19 per cent of GDP in 1999/00, according to official data.

#### State Budget

TABLE 3.1  
Changes in Government Revenue and Expenditure, Burma, 1988-07

Year	Revenue			Expenditure			Overall balance		
	Kyat million	Yr on yr increased %	% of GDP	Kyat million	Yr on yr increased %	% of GDP	Kyat million	Yr on yr increased %	% of GDP
1988/89	5,850	n.a	7.7	7,955	n.a	10.4	-2,105	58.6	-8.2
1989/90	10,623	81.6	8.5	15,649	96.7	12.6	-5,027	138.8	-6.4
1990/91	14,090	32.6	9.3	21,528	37.6	14.2	- 7,438	48.0	-7.4
1995/96	128,577	23.2	6.7	167,396	35.2	13.0	-38,820	59.1	- 6.4
1996/97	164,295	27.8	7.1	216,035	29.1	12.8	-51,739	33.3	-7.6
1997/98	274,500	67.1	6.8	331,741	53.6	11.9	-57,241	10.6	-5.1
1998/99	361,860	31.8	7.9	453,735	36.8	13.6	-91,876	160.5	-5.7
1999/00	423,873	17.1	7.3	533,598	17.6	12.3	- 109,725	19.4	-5.0
2001/02	164,200	n.a	4.7	119,130	n.a	10.5	45,070	n.a	-6.7
2002/03	183,541	11.8	5.0	966,420	50.3	8.6	-782,879	n.a	- 3.6
2003/04	289,464	57.7	4.6	1,452,715	50.3	9.5	-1,163,251	48.6	-4.9
2004/05	393,959	36.1	4.1	1,760,745	21.2	18.0	-1,366,786	17.5	-14.0
2005/06*	476,480	21.0	4.0	1,471,700	-	12.1	-995,220	-	-8.2
2006/07#	2,827,385	-	n.a	3,062,705	-	n.a	- 253,320	-	n.a

Note: # Main Budget only (Provisional). \* Provisional

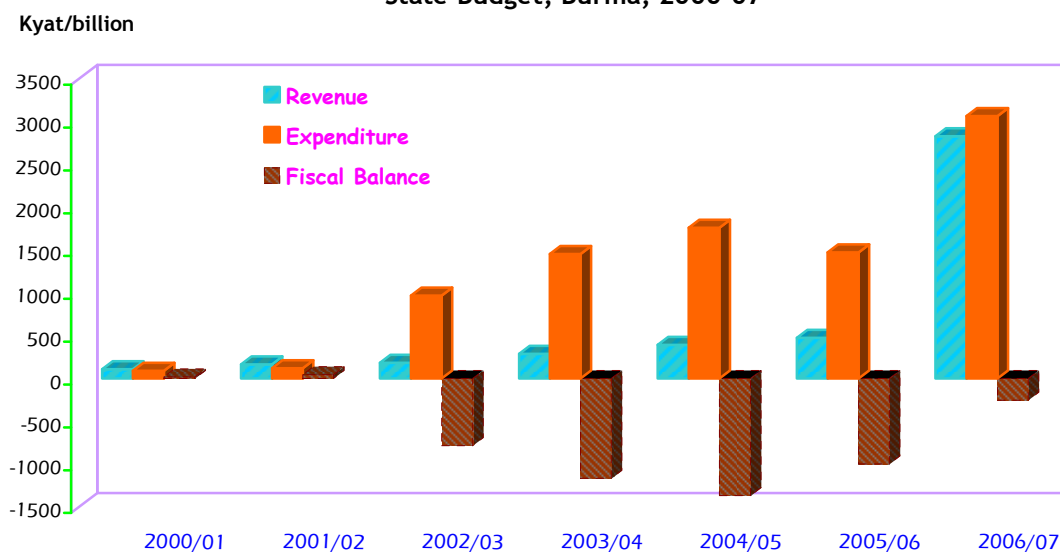
Sources: Asian Development Outlook 2002 and 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>); Myanmar laws books, 2002-2004; FY2005/06 and FY2006/07 budgets are from the SPDC gazette.

The Junta's state expenditures disproportionately are allocated on items that do not contribute directly to current production. Expenditures on defense, ceremonies and rituals, festivals, inspection tours, meetings and seminars, building physical infrastructure-roads, railways, bridges, dams, monuments, museums, shiny office complexes and fancy airports, represent wasteful consumption or constitute expensive capital outlays, undertaken without proper feasibility studies and environmental impact assessments and hence with unclear, uncertain and dubious returns on investment. Chronic state budget deficits have contributed to rapid monetary growth and an ever-spiraling inflation.

State expenditures increased 19 times from 1988/89 to 1998/99. During 1997/98, revenues made up for 48 per cent of the state expenditure. Knowledgeable Burma experts and watchers cite unnecessary government expenditure on public works projects like bridges, roads and buildings as the cause of the widening budget deficit and unbalanced growth. Many infrastructure projects are for political and security purposes, not for enhancing business. The junta has financed the budget deficit through bank borrowing, the issuance of treasury bills and bonds, and the accrual of arrears on external debt. The junta's need to finance large fiscal deficits has been the main cause of monetary expansion. Both the supply of narrow money (M1) and broad money (M2) continued to show rapid growth in 2002. M1 expanded by 44 per cent year on year in the fourth quarter, while M2 rose by 34.6 per cent. Growth in both broad and narrow money supply is likely to have accelerated in the first half of 2003 as the SPDC resorted to printing money to fund both its large budget deficit and the bailout of the private sector banks, further adding to inflationary pressures.



FIGURE 3.1  
State Budget, Burma, 2000-07



Note: FY2005/06 (Provisional), FY2006/07 (main budget only, provisional).

Sources: Myanmar laws books 2002-2004, SPDC; FY2005/06 and FY2006/07 budgets are from the SPDC gazette, 2005 and April 21, 2006.

FIGURE 3.2  
Revenue and Expenditures as Share of GDP (%)

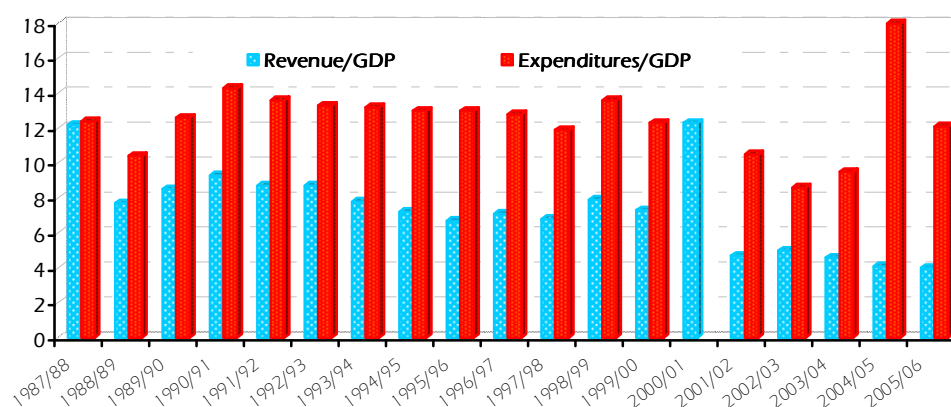
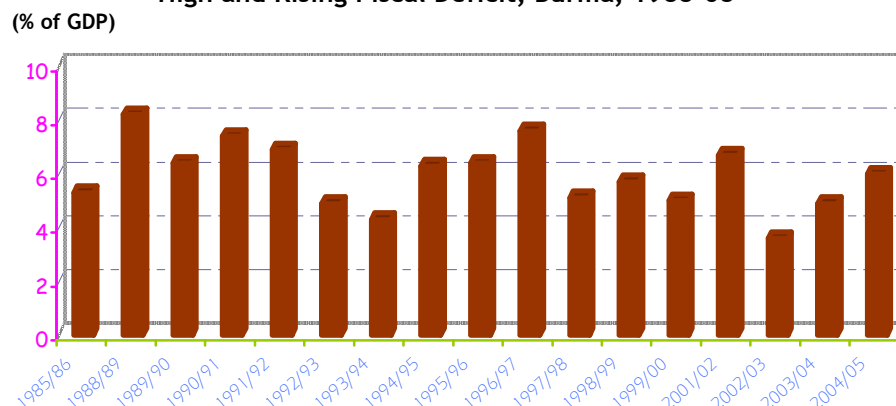


FIGURE 3.3  
High and Rising Fiscal Deficit, Burma, 1985-05

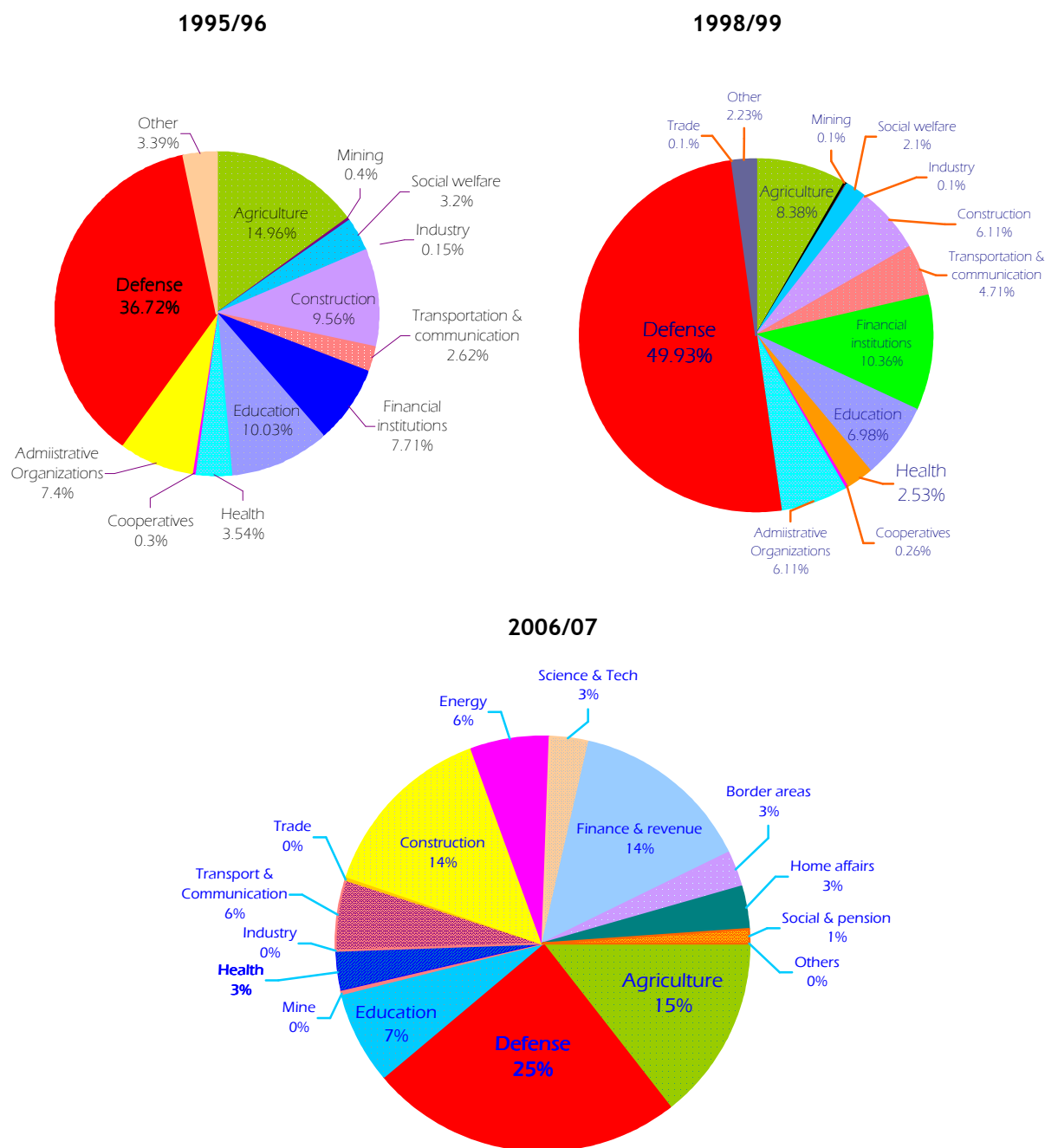


Sources: United Nations working group, Human Development in Myanmar (internal report), Yangon, July 1998; Asian Development Outlook 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>); Myanmar laws books, 2002-2004, SPDC; FY2005/06 and FY2006/07 budgets are from the SPDC gazette, 2005 and April 21, 2006.

In order to recover the budget deficit, the junta-increased taxes and collected money and free labor from the people for the nation's developmental projects such as construction of roads, dams, bridges and so on just for show. The junta continues to heavily control, command and centralize Burma's economy. Exchange rate distortions continue to favor a few importing industries at the expense of consumers. While fiscal deficit has been reduced, mainly attributed to reduced public spending particularly of social spending, to unsustainable low levels. At the same time, financing the fiscal deficit through central bank credit is one underlying factor of persistent high inflation.

FIGURE 3.4

### State Expenditure by Sector, Burma

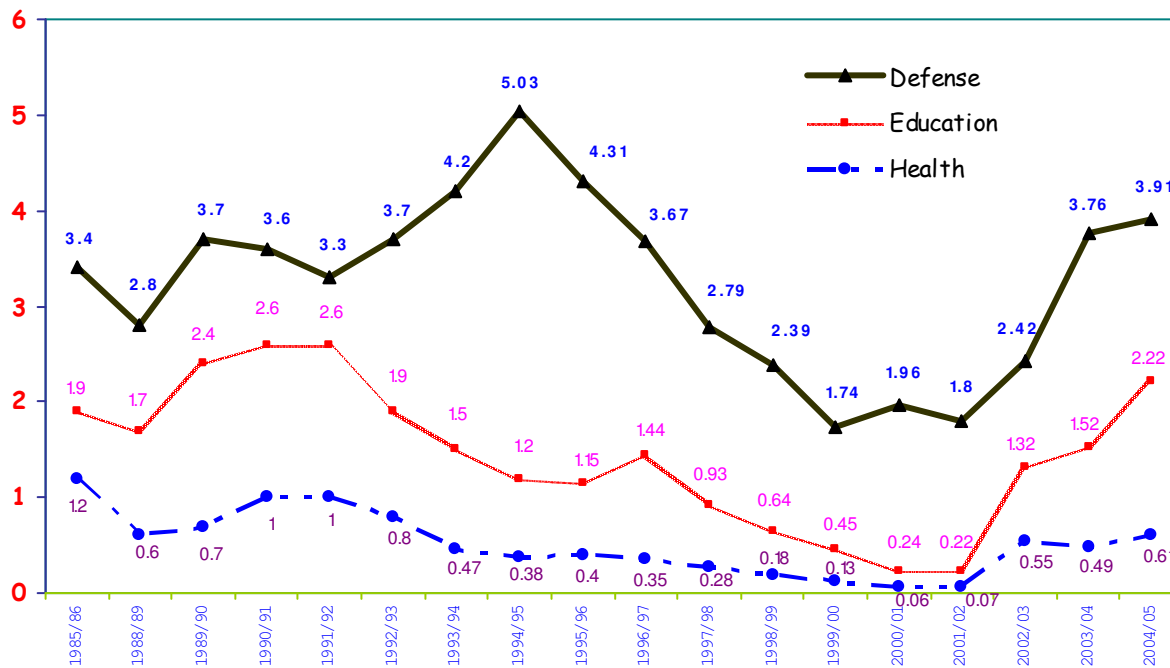


Notes: Excludes off-budget expenditures. (a) *Agriculture* comprises agriculture, forestry, livestock and fishery; *Industry* comprises energy, mining, manufacturing, electric power and construction; *Services* comprises services and trade sectors. (b) 0% is less than 1% and FY 2006/07 is main budget (Provisional) only.

Sources: IMF, Country Report No. 99/134, November 1999 and No. 01/18, January 2001; Myanmar laws books, SPDC; FY2005/06 and FY2006/07 budgets are from the SPDC gazette, 2005 and April 21, 2006.

FIGURE 3.5  
Relative Expenditures on Defense, Health and Education, Burma  
1985-05

(% of GDP)



Sources: United Nations working group, Human Development in Myanmar (internal report), Yangon, July 1998; Myanmar laws books, SPDC; FY2005/06 and FY2006/07 budgets are from the SPDC gazette 2005 and April 21, 2006.

## Defense Expenditure

Military expenditure in the budget is mentioned as about 29 per cent (annually) of state budget. According to the SPDC, military expenditure was claimed as 9.04 per cent of state budget in 2004/05 and 9.5 per cent of state budget in 2005/06 (actually these figures are underestimated). But, in practice, military spends budget under the heading of other sectors. At the same time, military takes advantages on the foreign exchange rate by the multi exchange rate system. On the whole, actual military expenditure could be identified as about 60 per cent of the state budget due to their spending on above-mentioned issues. According to the UNICEF, military expenditure was 222 per cent in 1990 (according to the SPDC official data, 198 per cent in 2005/06, provisional data, in practice, it can be about more than 4-5 times) greater than combined expenditure of health and education.

In relation to other economic sectors, the defense expenditure is simply monumental (Figure 3.4). According to the SPDC figures, the defense expenditure has been increasing steadily from 1.8 kyat billion since 1988/89, reaching 30.9 kyat billion (US\$39 million-in FY 97/98)<sup>10</sup> in 1997/98, 36 kyat billion in 1998/99. It was 21.18 per cent of state expenditure and 2.36 per cent of GDP in 1988/89, 49.28 per cent of state expenditure and 5.03 per cent of GDP in 1994/95 and 49.9 per cent of state expenditure, 2.24 per cent of GDP in 1998/99 and 38 per cent of state expenditure in 1999/00. In 2003/04, the military expenditure increased 136 kyat billion and it was 26 per cent of state expenditure and 3.76 per cent of GDP. The military expenditure was increased 159 kyat billion in 2004/05, 170 kyat billion in 2005/06 and 191 kyat billion in 2006/07 (provisional, main budget only).

<sup>10</sup> US (CIA)

The regime uses at least half of the state budget on the military. Also, Burmese economist, Mya Maung, estimated that if all expenses related to defense and security functions were included, defense expenditures in the 1990s may have been as high as 60 per cent of the budget. The per capita defense expenditures of Burma are higher than those of Vietnam and Thailand. Burma has increased its per capita defense expenditure about US\$30 to US\$50, whereas Vietnam has reduced it from US\$53 to US\$12. Thailand's defense expenditure declined to 2.5 per cent of GDP whereas Burma's increased to 5.35 per cent of GDP in 1994/95. Every US\$ expended on Burma's military expansion brings untold misery and hardships not only to the present generation but also extinguishes the confidence competence of future generations who will have to live and coexist with its neighbors, some threatening and some friendly. The defense force's manpower strength has increased continuously from a figure of 132,000 in 1964, to 170,000 in 1987, to 320,000 in 1996 and to 470,667 (0.96 per cent of total population) in the year 2000.

TABLE 3.2  
Military Budget (Summary), Burma, 2001-06  
(Kyat)

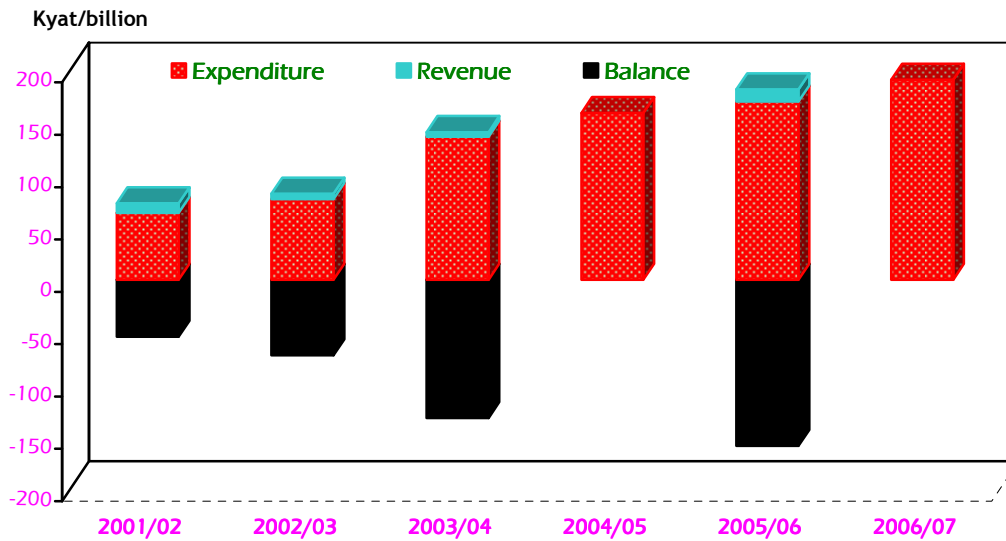
2001/02 (Actual)	2002/2003		Items (Account Headings)	2003/04 (Estimate)	2005/06 (Estimate)
	Estimate	Revised Estimate			
9,346,047,592	1,893,178,000	5,000,000,000	Revenues 2.1.2. Defense revenues	4,514,464,000	11,652,348,000
20,834,370,141	22,015,100,000	22,015,200,000	Current Expenditures		
7,710,678,224	8,410,256,000	10,009,958,000	2.2-2.1. Salary & Costs	22,017,534,000	41,812,131,000
493,533,537	567,671,000	582,871,000	2.2-2.2. Materials	13,691,425,000	32,314,992,000
2,216,120,307	1,353,770,000	1,640,695,000	2.2-2.3. Transportation	1,711,764,000	1,936,764,000
976,623,992	1,047,105,000	1,137,789,000	2.2-2.4. Engineering	1,684,898,000	2,174,478,000
218,985,459	249,501,000	278,769,000	2.2-2.5. Miscellaneous	1,448,636,000	1,978,197,000
			2.2-2.6. Military	489,501,000	659,501,000
			Operation Functions		
5,422,663,504	5,833,416,000	7,700,217,000	2.2-2.7. Military factories	8,717,397,000	14,316,365,000
37,872,975,164	39,476,819,000	43,365,499,000	Sub Total	49,761,155,000	95,224,428,000
			Capital Expenditures		
24,735,667,952	11,312,050,000	30,983,008,000	42-2-1. Military Functions	30,493,248,00	47,794,463,000
1,230,428,559	1,296,488,000	2,625,530,000	42-2-2. Materials & Animals	6,506,752,000	7,304,036,000
(-) 33,530,156	-	-	42-2-3. Materials-temporary	-	-
25,932,566,355	12,608,538,000	33,608,538,000	Sub Total	37,000,000,000	55,098,499,000
63,805,541,519	52,085,357,000	76,974,037,000	Grand total	86,761,155,000 136.55 bn/kyat*	150,322,927,000
54,459,493,972	50,192,279,000	71,974,037,000	Deficit	82,246,691,000	138,670,579,000

Note: \* Revised figure of SPDC.

Sources: Defense Budget 2003-2004, Union of Myanmar, Printing & Publication Enterprise, Yangon, April, 2003 and 2005/06; Defense Budget, Quartermaster General Office, confidential report, April 1, 2005.

According to Burmese anonymous economists and author's sources, military expenditure is around 60 per cent of total state expenditure in Burma. The junta always spend under the heading of Ministry of Defense and other ministries' headings such as Ministry for Progress of Border areas and National Races and Development Affairs, Ministry of Home Affairs, Ministry of Foreign Affairs and even Ministry of Agriculture and Irrigation etc. Also there is such a large difference between official foreign exchange rate and market exchange rate.

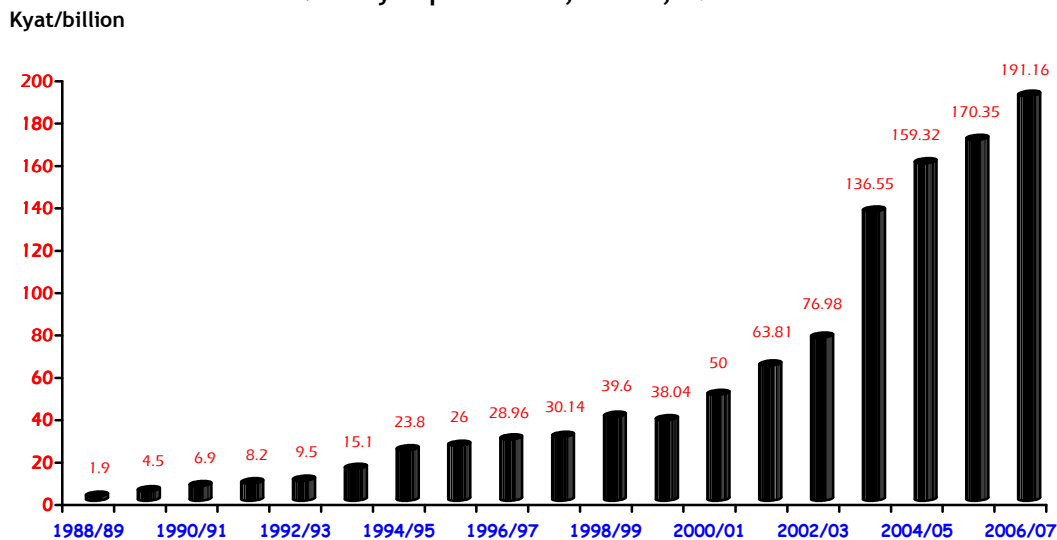
FIGURE 3.6  
Military Budget, Burma, 2001-07



Note: Defence figures are underestimated by the SPDC, FY2006/07 (Main Budget only).

Sources: SPDC's gazette, 2005 and April 21, 2006.

FIGURE 3.7  
Military Expenditures, Burma, 1988-07



Note: FY2006/07 (Main budget only).

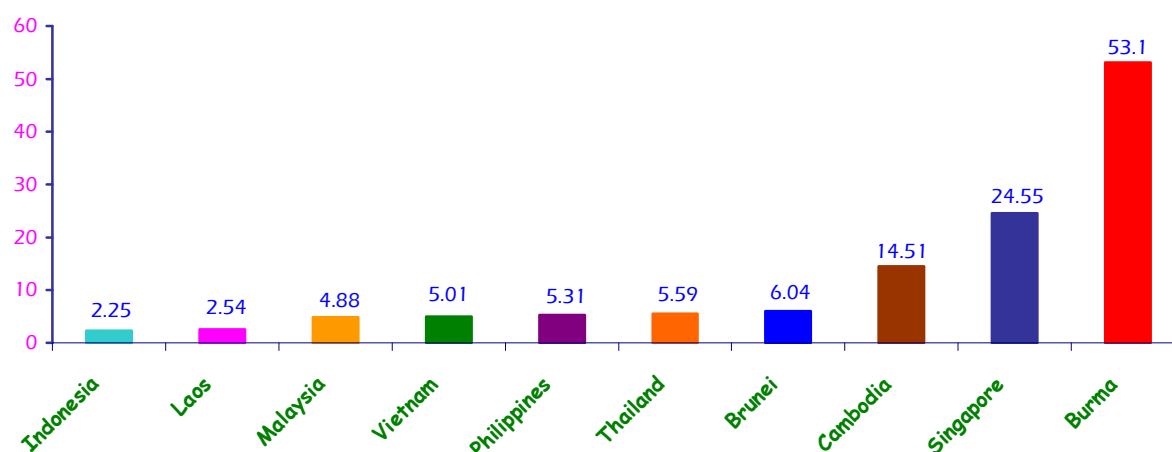
Sources: Defense Budget 2003-2004, Union of Myanmar, Printing & Publication Enterprise, Yangon, April, 2003; SPDC's gazette, April 21, 2006.

SPDC's military campaigns against the people of Burma are a threat to regional security and an increase in military capabilities and campaigns by the SPDC will further exacerbate this threat. Defense expenditure figures vary as obtaining conclusive information is impossible. It is widely agreed that Burma's defense spending is higher than published estimates as they do not take into account what the US Embassy in Rangoon called "hidden subsidies to the Ministry of Defense from other parts of the public sector, in the form of costless or below-cost provision of goods and services," nor defense-substitution imports or military deals that are omitted from official records<sup>11</sup>.

<sup>11</sup> Altsean, Special Report: Ready, Aim, Sanction. p. 120

FIGURE 3.8  
Military Expenditures, ASEAN Countries, 2004/05

Percentage of Total Expenditure



Note: All of total expenditures are 2005 and the military expenditures of Malaysia, Thailand, Vietnam, Cambodia and Singapore are based on FY00, FY00, FY98, FY01 and FY01 respectively.

Sources: The World Fact Book, 1 August 2003, CIA (US).

Burma source: Defense Budget 2005/06, confidential report, Ministry of defense Union of Myanmar.

## Education Expenditure

For more than ten years the higher education system has been severely disrupted by regular closures aimed at curbing student dissent. The public colleges and universities were reopened in 2000. Courses are being significantly shortened in order to push the huge backlog of students—many of whom have been waiting years to start college—through the system. During the closure of public universities and schools for the general population (December 1996 to July 2000) the military set up medical and engineering universities, technical training schools and the nationalities development university exclusively for the military children using funds from the state education budget. While the children of the public are still struggling to attend the normal schools and universities, the military has been able to turn out six batches of doctors, engineers and technicians for the military from military universities and schools. For the same age group, these graduates have become the role models, having jobs right away and then being sent abroad for further studies. Foreign governments grant scholarships to graduates from these military-run institutes unaware that they helping the junta breed an elite class for its own interest. By doing so, well-meaning but uninformed governments have unwittingly helped the military discriminate against students, many of whom were active in the democratic movements or those whose parents are politically active.

TABLE 3.3  
Changes in Public Expenditure on Education and Health, Burma, 1995-07

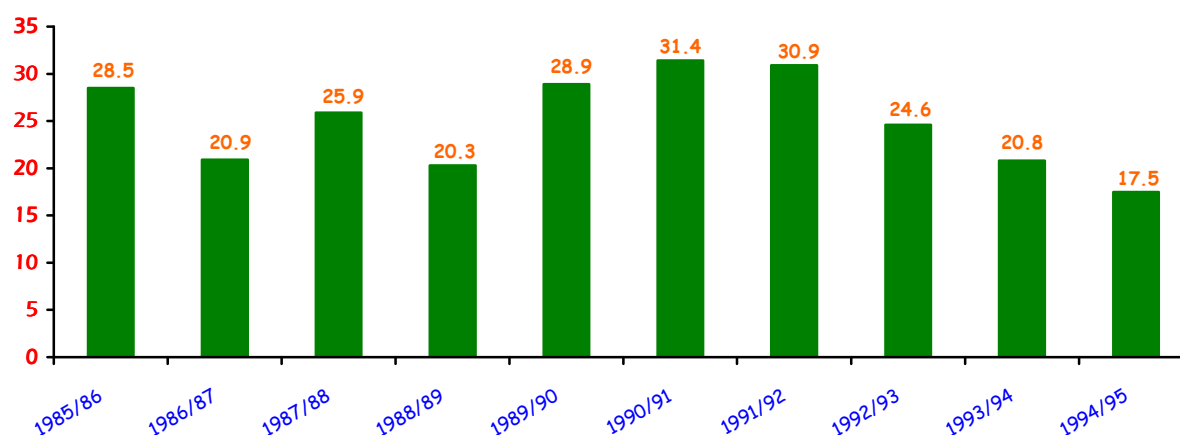
Year	Education Expenditure			Health Expenditure		
	Million kyat	as % of Total Expenditure	as % of GDP	Million kyat	as % of Total Expenditure	as % of GDP
1995/96	6948.8	4.65	1.15	2411.6	1.61	0.40
1996/97	11123.2	5.85	1.41	2789.7	1.47	0.35
1997/98	10357.7	3.53	0.93	3095.6	1.05	0.28
1998/99	9991.9	2.52	0.64	2799.9	0.71	0.18
2002/03	42,116.28	4.36	1.32	17,577.82	1.82	0.55
2003/04	55,190.71	3.80	1.52	18,071.82	1.24	0.49
2004/05	90,623.51	5.15	2.22	25,057.10	1.42	0.61
2005/06	56,135.49	3.81	n.a	21,004.46	1.43	n.a
2006/07	58,066.61	n.a	n.a	24,182.45	n.a	n.a

Note: FY2006/07 (Main budget only), FY2005/06 (Provisional). (Sources: Ministry of National Planning and Economic Development, Burma; SPDC's Gazette, April 21, 2006)

Furthermore, the junta's disdain for education is reflected in low spending—equivalent to around 1 per cent of GDP throughout the 1990s, compare with around 3 per cent of GDP in other low-income Asian economies. The education expenditure was 12.94 per cent of state expenditure and 1.44 per cent of GDP in 1988/89, 11.8 per cent of state expenditure and 1.21 per cent of GDP in 1994/95, and 6.98 per cent of state expenditure and 0.49 per cent of GDP in 1998/99, 5.51 per cent of state expenditure and 2.22 per cent of GDP in 2004/05 and 3.81 per cent of state expenditure in 2005/06 (see table 3.3). The education expenditure was 61.11 per cent of defense expenditure in 1988/89, 36.43 per cent in 1993/94, 22.22 per cent in 1998/99, 12 per cent in 2002/03 and 10 per cent in 2003/04.

FIGURE 3.9  
Real Per Capita Expenditure on Education, Burma, 1985-95

Kyats per annum



Sources: United Nations working group, Human Development in Myanmar (internal report), Yangon, July 1998; Review of the Financial, Economic and Social Conditions, Ministry of National Planning and Economic Development, Burma.

Burmese law requires children to attend school through the fourth grade, usually reached between the age of 12 and 15. According to the UNICEF reports, 38 per cent of the children aged 5 to 9 never enroll in school. Of those who enroll, less than 30 per cent complete the fourth grades. Two thirds of primary school children, mostly in rural areas, leave school for economic reasons. Many children are taken out of school because their parents cannot afford ever-increasing unofficial fees (charged to offset weak state spending), or because falling family incomes mean that children start work early. Teachers in state-funded schools are very poorly paid, and the quality of teaching is low. There is a growing informal school system—including private classes. In the higher grades, the dropout rates for girls are double that of boys. As a result of these problems, the overall standard of education in Burma, particularly in rural areas declined sharply after 1988.

In the education sector, the number of universities has increased since the early 1990s and the country now has 125 tertiary level institutes with 530,000 students, according to the official sources. However, many undergraduate courses at major universities have been suspended a few times between 1988 and 1996 when there were student demonstrations. It is disheartening that the SPDC spent less than 30 cents per person in 1999 on education, according to the World Bank.

#### Box 6: Education in Burma

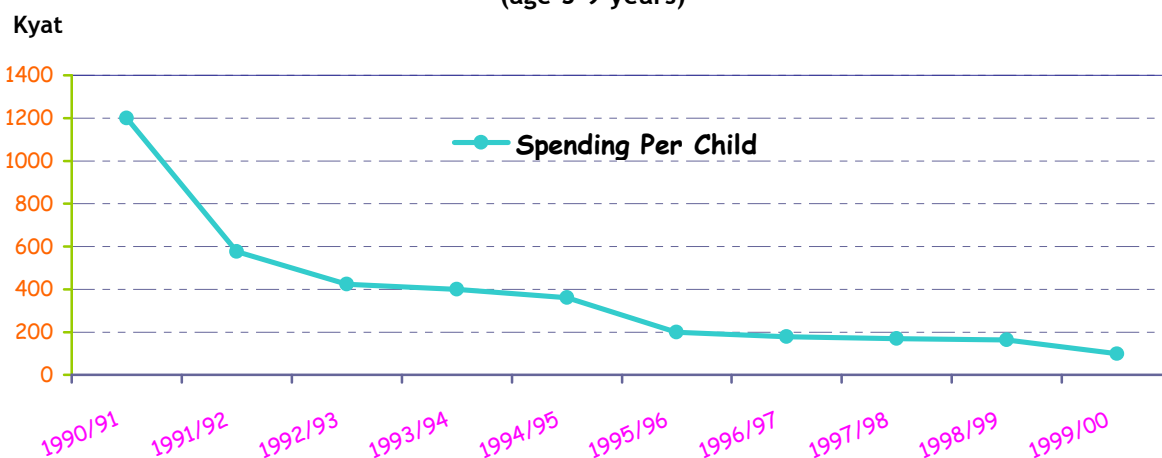
The people of Burma place a great value on education. But education outcomes are unsatisfactory. According to official estimates, three and ten five-year olds do not enroll in kindergartens. In other words, of an estimated 1.3 million students who are eligible to enroll in kindergarten each year, about 300,000 never begin school. Another 750,000 children drop out of primary school each year (630,000 of them in rural areas); and only 40 per cent of those who begin kindergarten finish the primary cycle although with significant regional variation. Myanmar is clearly some distance from achieving internationally declared development goal of education for all.

It is impossible to provide good quality education services with the substantial erosion in education spending that has occurred over the past decade. Current government spending in education as a share of national income is among the lowest in the world. Official figures show that real public spending per child has fallen from about 1200 kyats per child (5-9 years) in 1990/91 to a dismal 100 kyats in 1999/2000. Education financing is further confounded by the lack of affordability at the household level. The extensive poverty throughout the country means that many families cannot afford even the minimal costs to send their children to school much less the additional costs of uniforms, books, and so on. In poor families, older children need to work to contribute to household income. The cost barrier is compounded by the poor quality of infrastructure and little adaptability of schooling (including schedules and curricula) to local conditions.

A number of long standing , and well-known, basic issues need to be address to improve education outcomes in Myanmar: i) reversing the trend of declining public resource allocations for primary education; ii) exempting the poorest children from school fees and other substantial contributions while providing additional support to help cover such direct costs of schooling, as textbooks and uniforms; iii) developing flexible school hours to enable participation by children who need to contribute to family incomes; iv) increasing teacher salaries in real terms; and v) reviewing transfer and departmental policies that encourage teachers to move out of rural areas.

Source: World Bank, Myanmar: An Economic and Social Assessment, August 18, 1999.

FIGURE 3.10  
Trends in Real Current Spending on Education for Children, Burma, 1990-1999  
(age 5-9 years)



Sources: Ministry of Finance and Revenue, Ministry of Education, CSO; World Bank, Myanmar: An Economic and Social Assessment, August 18, 1999.

According to the World Bank, in 1990, spending per child amounted to US\$3.20, but by 1998/99 the allocation had dropped to US\$2.28. Even more than observed for health, public spending on education is very low by Asian standards (Figure 3.9). Governments in each of the countries listed directed a far greater share of national income to the task of educating the nation's children (World Bank, p. 122).

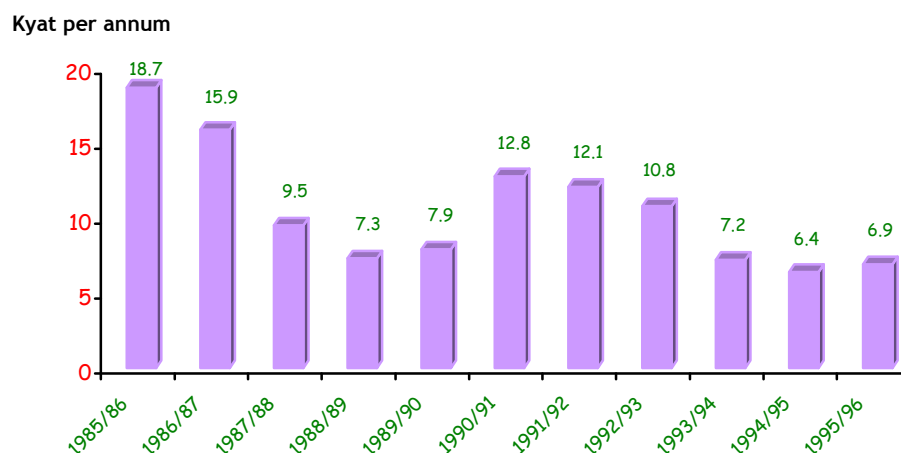
## Health Expenditure

A UNICEF report described a "dramatic decline" in spending on healthcare through the 1990's. The health expenditure was 4.71 per cent of state expenditure and 0.52 per cent of GDP in 1988/89, 3.73 per cent of state expenditure and 0.38 per cent of GDP in 1994-95 and 2.01 per cent of state expenditure, 0.14 per cent of GDP in 1998/99 and 2.9 per cent of state expenditure in 1999/00. The health expenditure was 22.22 per cent of defense expenditure in 1988/89, 11.26 per cent in



1993/94, 6.39 per cent in 1998/99, 5 per cent in 2002/03 and 3 per cent in 2003/04. In 2004/05, health expenditure was increased 25 kyat billion but it was 1.42 per cent of state expenditure and 0.61 per cent of GDP and 1.43 per cent of state expenditure in 2005/06.

FIGURE 3.11  
Real Per Capita Expenditure on Health, Burma, 1985-96

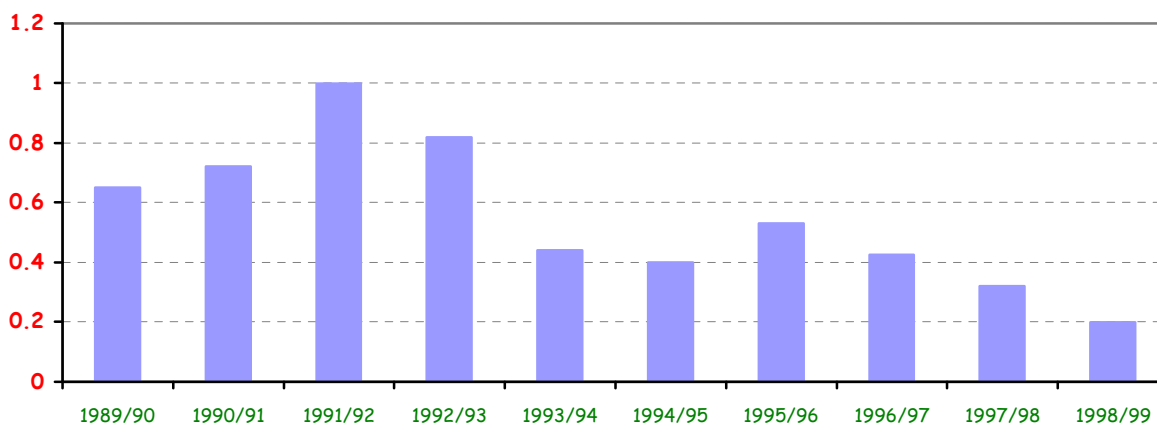


Sources: United Nations working group, Human Development in Myanmar (internal report), Yangon, July 1998; Review of the Financial, Economic and Social Conditions, Ministry of National Planning and Economic Development, Burma.

As a result, much of the population has access to little or no basic healthcare. The results can be seen in poor health and nutrition standards; according to the World Bank estimates, in 1997, 39 per cent of children under the age of five in Burma were moderately malnourished. Border areas suffer the worst healthcare provision, with a higher incidence of diseases such as HIV/AIDS and malaria, and life expectancy in Burma averaged 60 years in 1997, compared with an East Asian average of 69 years. A serious concern is that over the last 10 years, usage of public hospitals and dispensaries has fallen by 80 per cent. This streams principally from low budgetary outlays (at about 0.2 per cent public expenditure in Burma, is far below regional and developing country average). However, private clinics have sprung up, but they are relatively expensive and located mainly in urban areas. According to a 1995 survey, 56.5 per cent of Burma's injecting drug users were infected with HIV. Two years later, around half a million people in the country were estimated to be HIV-positive. Rate of infection are high and increasing among intravenous drug users and sex workers (amid high levels of poverty, there is a flourishing trade in women and children sold into prostitution in Burma).

FIGURE 3.12  
Trends in Public Spending on Health Care, Burma, 1989-99

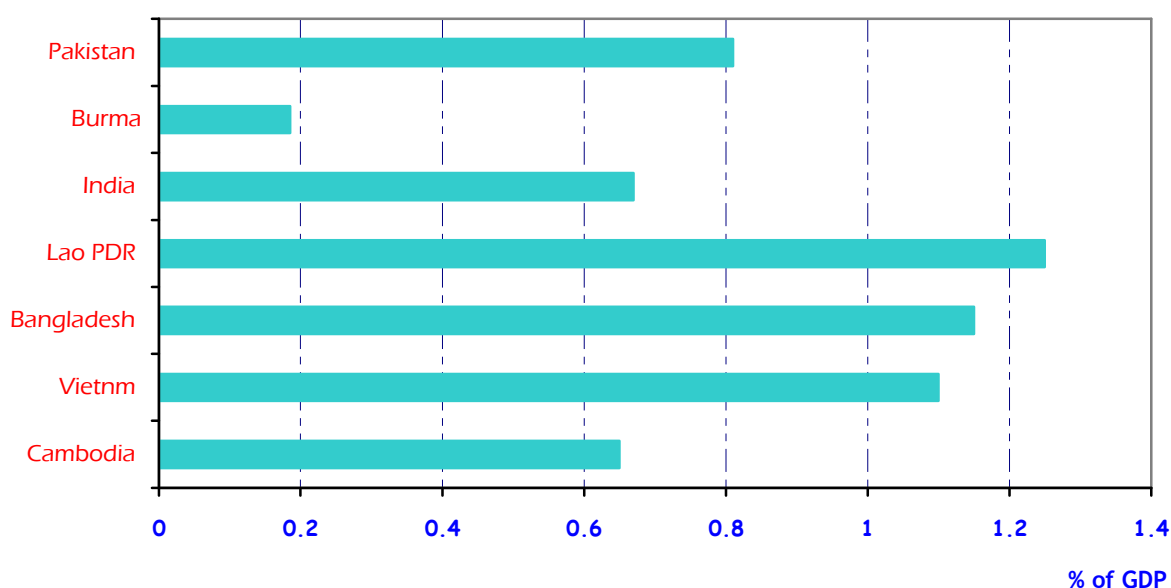
(At current prices, % of GDP)



Source: World Bank, Myanmar: An Economic and Social Assessment, August 18, 1999.

Migrant workers are at risk of spreading disease to other groups. For several years the junta was reluctant to recognize the problem, and remains unwilling to permit outside assistance. The low expenditure of health sector indicates that people are suffering from the effect of poor health care such as high mortality rates, high infant mortality rates, and shorter life expectancy. Accesses to health services are at a precarious level and embedded still in a deteriorating situation. The World Health Organization (WHO) ranks the efficacy of the health system in Burma at 190 out of 191 nations.

FIGURE 3.13  
Public Health Expenditure, 1998  
A Regional Perspective



Source: World Bank, Myanmar: An Economic and Social Assessment, August 18, 1999.

Levels of spending are extremely low in Burma. Figure 3.12 provides a comparison with countries at similar levels of GDP. Public spending as a share of GDP is three times in Cambodia, and six times higher in Lao PDR (World Bank, August 18, 1999, p.116).

## Agriculture Expenditure

Successive governments of Burma, the SPDC claimed to improve the social and economic conditions of the peasantry while at the same time extracting the economic surplus from them for development purposes. Agriculture plays an important role in Burma's economy and the largest contributor to its GDP growth. Rural population constitutes 73.4 per cent of the total population and mostly engages in agriculture sector. Agriculture is also important for its overall contribution to the economy; it generate foreign exchange and many agricultural products are inputs for processing industries. Rural poverty and agricultural are closely linked in Burma: for over half of poor rural households, agricultural production is primary economic activity. And yet, agricultural growth has stagnated since the mid 1990s. The rate of growth has fallen to 2.5 per cent. The agriculture output was 48.5 per cent of GDP in 1988/89, 54.12 per cent of GDP in 1993/94, and 48.49 per cent of GDP in 1998/99. The agriculture expenditure was 11.76 per cent of state expenditure and 1.31 per cent of GDP in 1988/89, 10.14 per cent of state expenditure and 1.04 per cent of GDP in 1994/95 and 11.78 per cent of state expenditure, 0.6 per cent of GDP in 1998/99, 12 per cent of state expenditure in 1999/00, 10 per cent in 2002/03, 9 per cent in 2003/04, and about 15 per cent of state expenditure in 2006/07 (provisional).

## Other Social Sector Expenditure

The drop in social spending in the early 1990s reflected a shift in the composition of expenditure away from social services and particularly toward defense. The junta is spending more than 50 per cent of its budget on defense and arm procurement. Since Burma has no external enemies, most of these weapons are for use against internal ones. In contrast, less than 1 per cent of GDP is devoted to health and education combined. No data are produced on private consumption (the junta publishes total consumption data, which group public and private consumption). However, real incomes have been eroded in recent years and consumer confidence remains poor. As a result, private consumption is likely to have stagnated; total consumption growth slowed to only 1.9 per cent in 1997/98. The junta has claimed that fixed investment rose by 16.3 per cent in 1998/99, slowing to 9.2 per cent in 1999/2000. Such a strong rise seems unlikely given the collapse in foreign investment, and effects to reign in public investment spending.

TABLE 3.4  
Selected Social Indicators, Burma and Neighboring Countries

Indicators	Burma	Cambodia	Lao PDR	Thailand	Vietnam
Life expectancy index, 2005	0.59	0.52	0.49	0.75	0.76
HDI value, 2003	0.578	0.571	0.545	0.778	0.704
HDI - rank	129	130	133	73	108
Infant mortality rate (per 1,000 births), 2006	61.85	68.78	83.31	19.49	25.14
Under - 5 mortality rate per 1,000	107	140	91	26	23
Main telephone line (per 1,000 people), 2006	7.77	2.62	14.1	105.2	119.9
Mobile telephone (per 1,000 people), 2006	1.69	35.9	81.7	423.6	58.7
Daily newspapers (per 1,000 people), 1996	10	2	4	63	4
Radios (per 1,000 people), 1997	95	127	143	232	107
Televisions (per 1,000 people), 1998	7	123	4	236	47
Personal computers (per 1,000 people), 1998	<1	0.9	1.1	22	6.4
Internet users (per 10,000 people), 2005	1.16	2.95	3.28	130.28	69.55
Writing/Printing paper consumed	0.6	n.a	n.a	13.5	n.a
Electricity consumption (per cap/kwh), 2002	135	10	133	1,860	392
Population below the Poverty line, 1990-2002	22.9#	36.1	38.6	13.1	50.9
Access to safe water (% of population) yr 2002	73	34	43	85	73
Fertility rate (birth per woman) yr 2000-2005	2.5	4.1	4.8	1.9	2.3
Maternal mortality ratio per 100,000 live births 1985-2003	230	440	530	36	95
Total debt service (As % exports of goods, services and net income from abroad)	3.8	0.9	10.3	8.0	3.3
Education expenditure (% of total expenditure) (2000/02)(% of GDP)	n.a 1.2	15.3 1.8	11.0 2.8	28.3 5.2	7.5* 2.0*
Health expenditure (% of GDP) 2002	0.4	2.1	1.5	3.1	1.5
per capita (ppp US\$) 2002	30	192	49	321	148
Military expenditure (% of GDP) 2003	3.76	2.5	n.a	1.3	7.9*
Armed forces (,000s)	469##	124	29	307	484
Physicians (per 1000,000 people) 1990-2004	30	16	59	30	53

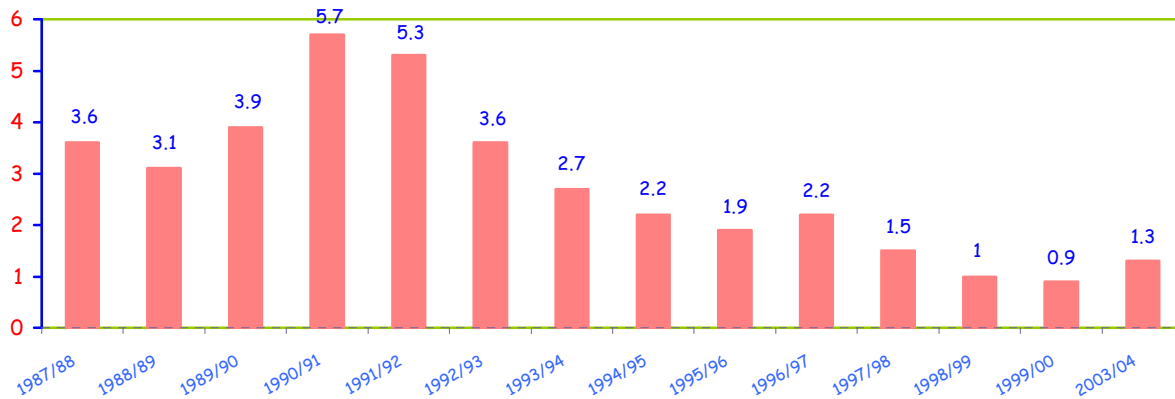
Note: # Head count 1997, \* 1990, ## 2005.

Sources: World Development Report 2000/2001; Human Development Report 2005; CIA-The World Factbook, August, 2006.

The growth of infrastructure and other sectors are slow and unreliable. For example, there were only 222,082 telephones in the whole of Burma in 1997/98, the equivalent of about 0.5 phones per 100 people. Almost half of all telephones are in Rangoon. In 1999, international direct calls were permitted from all telephones, but the cost was raised sharply. The use of telecom equipment is strictly monitored. E-mail is available only in companies and some organizations, and is monitored. Internet access is strictly limited available. Transport in Burma is slow and inadequate; there were 29,370 km of roads in 1998/99. However, all but major roads are unpaved, and during the rainy season some of the network becomes impassable. The railway network is underutilized; the network is in very poor repair and trains are slow and unreliable.

**FIGURE 3.14**  
**State Expenditure Allocations to Social Sectors, Burma, 1987-04**

Percent of GDP



Source: Selected Monthly Economic Indicator, April 2005, CSO, Burma.

From the perspective of allocation of expenditure, there has been an increase in public expenditure and budget allocations to social sectors in absolute terms but not in relative terms (Mya Than 2000). According to the SPDC report, expenditure in education sector increased more than twice between 1992/93 and 1997/98. However, it fell from 1.9 to 0.9 per cent in terms of its share in GDP during the same period. According to the IMF (2001), the SPDC expenditure on basic education has declined from 0.99 per cent in 1994/95 to 0.3 per cent in 1999/2000. This compares to an average of 3.3 per cent for low income countries generally (UNICEF, May 2002).

It is obvious from the above data that defense expenditure in 1988/89 was 1.64 times greater than education expenditure, 4.5 times greater than health expenditure and 1.8 times greater than agriculture expenditure. In 1994/95 it was 4.18 times greater than education expenditure, 13.22 times greater than health expenditure and 4.86 times greater than agriculture expenditure. In 1998/99 it was 4.5 times greater than education expenditure, 12.41 times greater than health expenditure and 3.75 times greater than agriculture expenditure.

According to the above official data, defense expenditure exceeded far greater than agriculture, public social and other sectors' expenditures. In 2005/06, out of the country's population of 54.7 million, the defense man power strength was round about 469,841 (0.86 per cent of total population) only. Hence, it is evident that junta ignores the economic, social and infrastructure development for the country's majority. In other words, the cost of achieving internal security and peace is a drain on hard earned public funds and manpower, which could have been directed, to nation building development activities or improving institutional and social capital.

Furthermore, its effect pushed the country to poverty and low living standard of the people. So, we can conclude that both defense expenditure increase and ever increasing number of armed forces personnel have totally excluded by repression the rest of the people from benefiting in the opportunities the Burmese society and economy bestows on them as rights of citizenship. The Burmese people since 1962 have been relegated to slaves and subjects of the military junta. This is the life and reality of the people now living in Burma.

### **Moving the capital to Pyinmana**

In 2005, the military junta declared Pyinmana the new capital city (Naypyidaw). This act by the junta can be seen as an unnecessary expenditure on moving offices of various ministries and the staff. This move was more than simply a gross waste of money. This move was done in secrecy without consent of people involved and with no transparency as to costs, plans, or reasons for building a new administrative capital. Journalists who did photograph the new capital under construction were arrested and sentenced to jail for showing images of the new capital to the people of Burma. Once again the military regime treated its own people with no respect for their human dignity, as movable pawns in the military development projects.

## IV. The External Sector

### Foreign Trade

Burma's trade data are particularly problematic. The trade data are distorted by: widespread smuggling; over-reporting of exports for money-laundering reasons and extensive illegal drug exports; under-reporting of imports to avoid customs duties; the use of an unrealistic official exchange rate in measuring data; and the exclusion of many military imports. Foreign trade was heavily controlled by quantitative restrictions on imports and exports and foreign exchange controls. Weak export performance continued to substantially widen the current account deficit and put pressure on the balance of payments.

According to the EIU country profile 2005:

Myanmar's trade statistics are frequently revised and often contradictory. Import figures are distorted by factors such as under-reporting to avoid customs duties, and exports may be over-exported. Myanmar is one of the world's top two producers of opiates, together with Afghanistan, and legal export invoices may be vastly exaggerated as a result of money-laundering related to the drug trade. Other problems include the use of an unrealistic official exchange rate in measuring data, and the exclusion of many military imports.

#### Box 7: Major Trade and Investment Obstacles in Burma

##### Finance:

- High inflation.
- Inadequate bank financing facilities in both local and foreign currency.
- Lack of long-term finance, high domestic interest rates.

##### Imports:

- Valuation based on open market price between independent buyers and sellers.
- Lack of international valuation standards.

##### Exports:

- Lack of information on export markets and prices.
- Lack of export credit.
- Lack of development assistance for export.

##### Sub-regional Trade:

- Lengthy customs clearance procedures.
- Limited export supply.
- Lack of trade information on price, quality of goods.

##### Investment:

- Lack of incentives (especially high interest rates).
- Lack of long-term finance; high domestic interest rates.
- Weak financial and foreign exchange systems.
- Uncertain political environment.
- Recurrent changes in regulation.

##### Sub-regional Investment:

- Lack of infrastructure.
- Unskilled labor.
- Inadequate supply and high cost of telecommunications services.
- Shortage of basic infrastructure (e.g., telecommunications).

Source: East-West Economic Corridor, p. 18

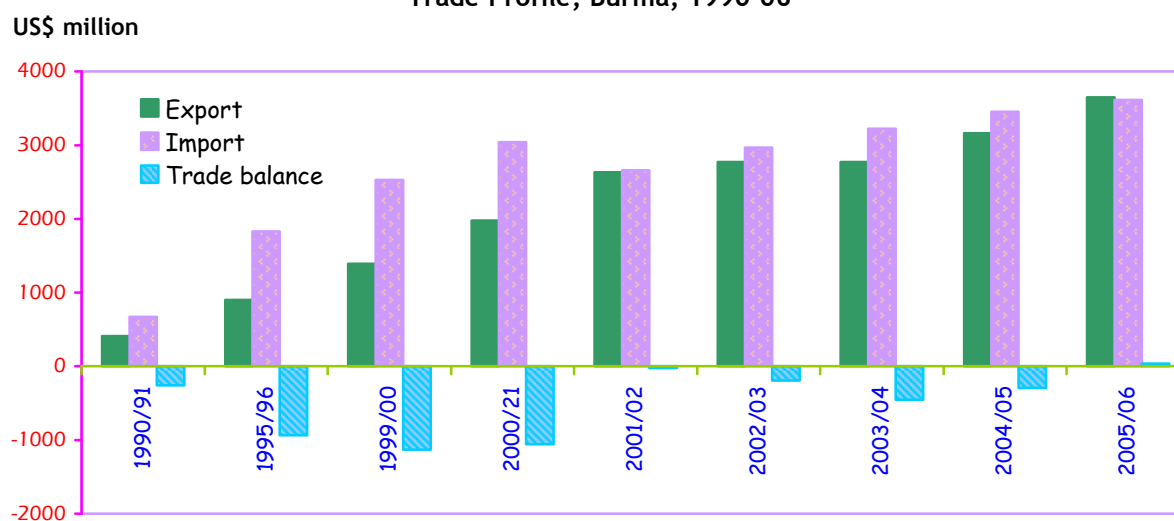
**TABLE 4.1**  
**External Trade, Burma, 1990-06**

	'90/91	'95/96	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06
Export, fob kyat/mil US\$/mil*	2,961.9 408.7	5,043.8 897.0	8,947.3 1,393.3	12,736.0 1,979.3	17,130.7 2,634.4	19,955.1 2,772.8	14,119.2 2,770.4	16,697.3 3,160.5	n.a 3,648.4
Import, fob kyat/mil US\$/mil*	5,522.8 667.7	10,301.6 1,832.0	16,264.8 2,527.7	15,073.1 3,039.2	18,377.7 2,661.2	14,910.0 2,966.9	13,397.5 3,225.5	11,338.5 3,454.3	n.a 3,615.7
Trade balance kyat/mil US\$/mil*	-2,560.9 -259.0	-5,257.8 -935.0	-7,317.5 -1,134.4	-2,337.1 -1,059.9	-1,247.0 -26.8	+5,045.1 -194.1	+721.7 -455.1	+5,358.8 -293.8	n.a 32.7

Note: \* ADB ([http://www.adb.org/Documents/Books/Key\\_Indicators/2005/pdf/MYA.pdf](http://www.adb.org/Documents/Books/Key_Indicators/2005/pdf/MYA.pdf))

Sources: Statistical Yearbook, 2001, 2002, 2003 and Various Selected Monthly Economic Indicators, CSO, Ministry of National Planning and Economic Development, Burma.

**FIGURE 4.1**  
**Trade Profile, Burma, 1990-06**



**TABLE 4.2**  
**Burma External Trade by Country, 2004/05**  
**(Kyat million)**

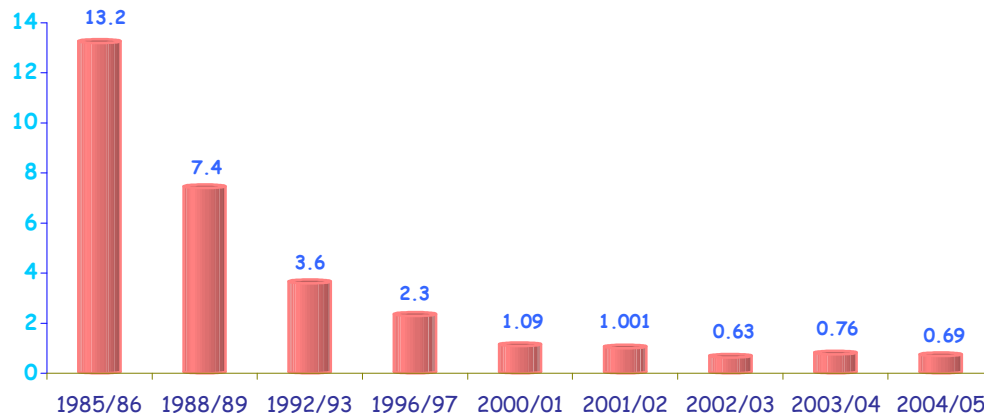
Country	Total Export		Total Import	
	value	% of total	value	% of total
Indonesia	308.85	1.84	288.72	2.55
Malaysia	620.54	3.71	666.07	5.88
Singapore	807.29	4.83	3,471.46	30.62
Thailand	6,719.28	40.24	1,054.21	9.30
The Philippines	69.90	0.41	-	-
China	1,643.99	9.84	2,818.96	24.86
Hong Kong	656.05	3.92	129.52	1.14
India	1,955.62	11.71	480.08	4.23
Japan	737.26	4.41	920.42	8.12
S. Korea	210.15	1.28	514.60	4.54
Pakistan	148.41	0.88	-	-
USA	1.50	0.10	165.70	1.46
France	-	-	62.70	0.55
Germany	3.42	0.20	155.38	1.37
United Kingdom	292.68	1.75	31.08	0.27
Others	2,522.36	15.10	579.60	5.11
Total	16,697.30	100	11,338.50	100

Source: Selected Monthly Economic Indicator, April 2005, CSO, Burma.

FIGURE 4.2

Declining Role of Foreign Trade, Burma, 1985-05

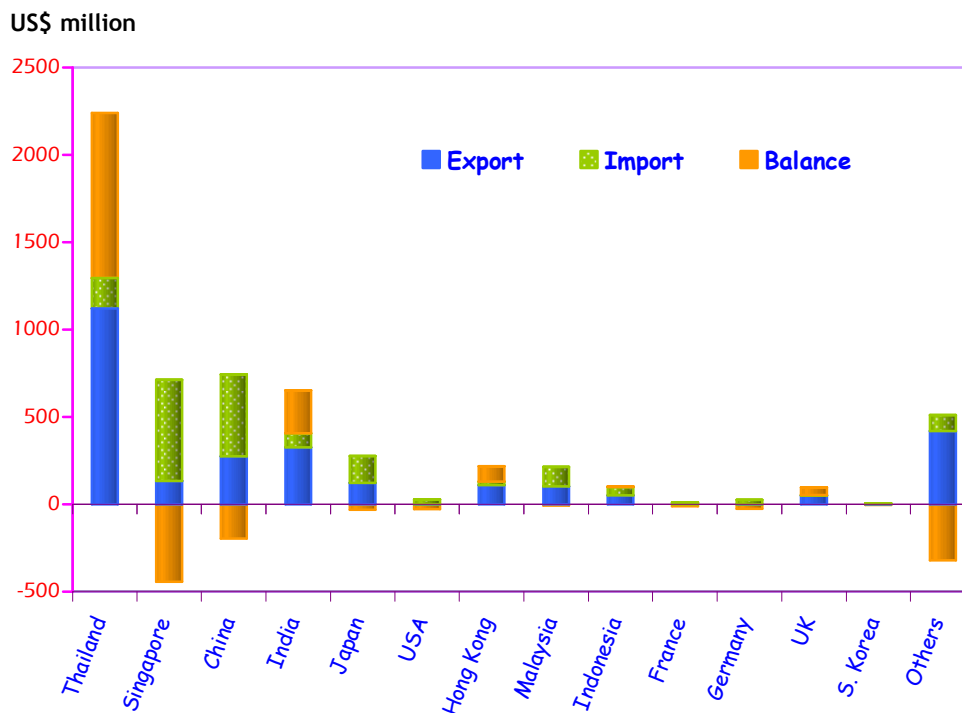
(Exports & Imports as % of GDP)



Sources: World Bank, Myanmar: An Economic and Social Assessment, August 18, 1999; Selected Monthly Economic Indicator, April 2005, CSO, Burma.

FIGURE 4.3

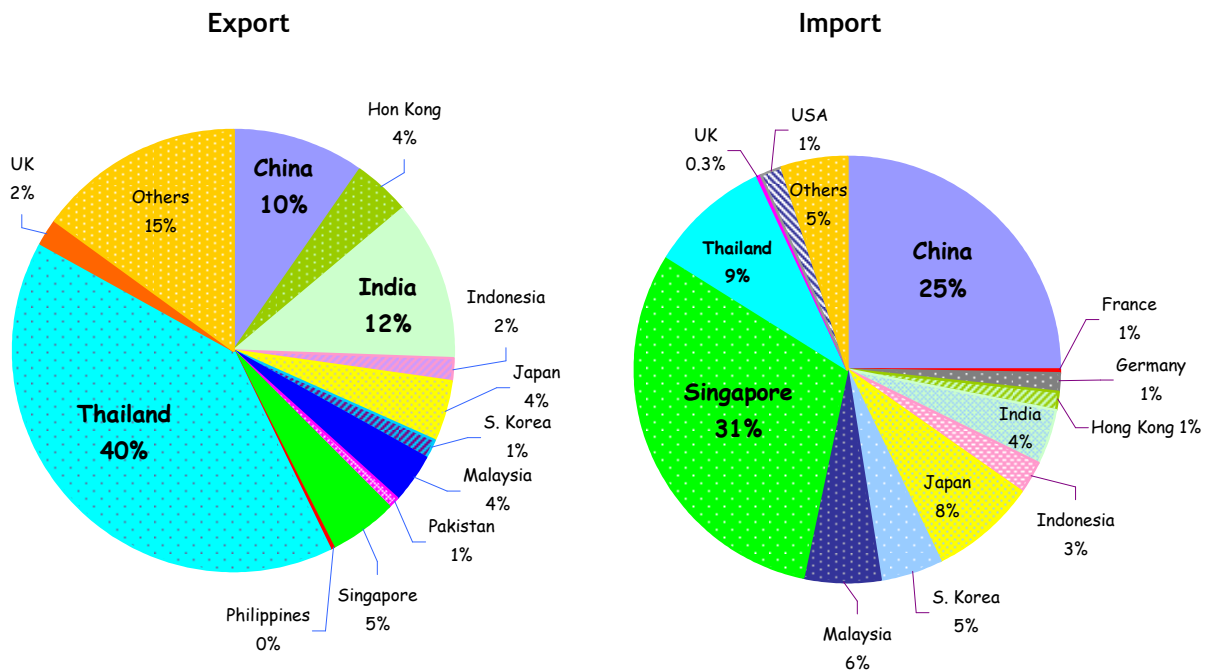
Foreign Trade by Country, Burma, 2004/05



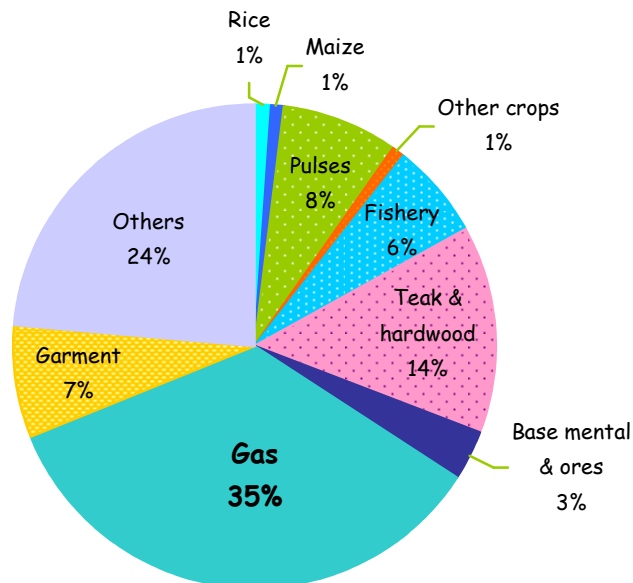
Source: Selected Monthly Economic Indicator, April 2005, CSO, Burma.

In 2003/04, Burma's main export commodities were mine products, which is the highest with US\$969 million, agricultural products with US\$400 million, timber & forest products with US\$376.7 million, textile and garment with US\$334.759 million, marine products with US\$162 million and precious and semiprecious with US\$61 million accordingly in 2003/04. Burma imported over US\$677 million from Singapore, which is highest among the import partners. China ranked second with the import value of US\$300 million and Japan ranked third with the import value of US\$265 million. In terms of import categories, textile import is the highest with US\$279.1695 million, lubricant, oil & diesel with US\$260.4 million, car & cycle with US\$142.4 million and machine parts with US\$140 million respectively.

FIGURE 4.4  
Foreign Trade Share by Country, Burma, 2004/05



Export Share by Commodities, Burma, 2004/05



Source: Selected Monthly Economic Indicator, April 2005, CSO, Burma.

In 2004/05, the total normal trade volume reached US\$4.67 billion and it is composed of total export value US\$2.78 billion and the total import value over US\$1.89 billion. Among the trading partners, Thailand ranked first with the total trade value of US\$1.3 billion, China stood second position with the total trade volume of US\$743 million and Singapore is third position with US\$713 million. Export to Thailand let-a-lone reached US\$1.12 billion which is highest among trade partners of Burma, India ranked second with the export value US\$325 million and China ranked third with the export value of US\$273 million (see table 4.2 and figure 4.3 & 4.4).

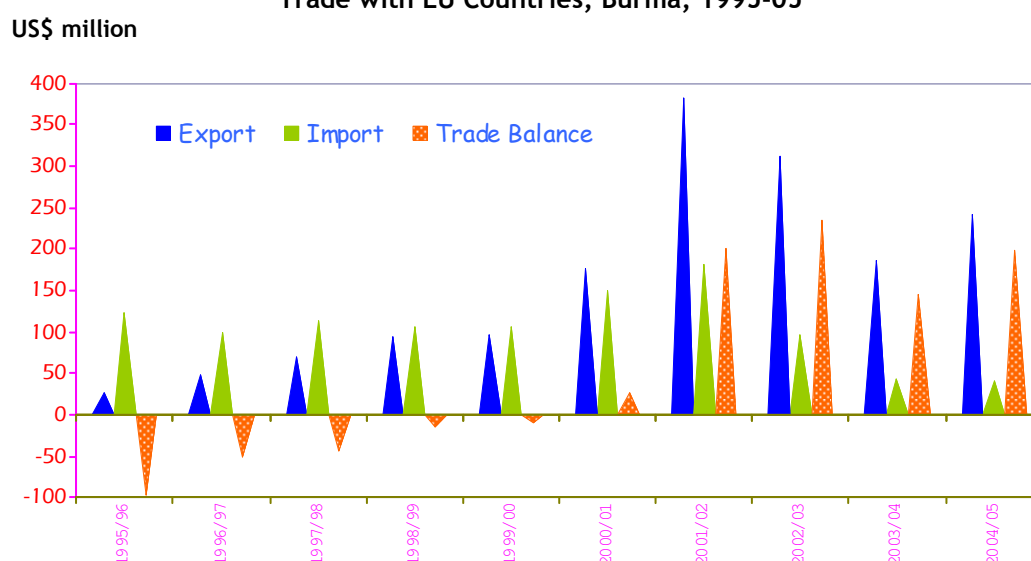


According to the CSO data, the merchandise trade surplus jumped in 2005 to 10.8 billion kyat (US\$1.9 billion at the inflated official exchange rate, or around US\$8.3 million at the free-market exchange rate), up from only 1.1 billion kyat in 2004. The improvement was driven by a strong rise in exports (in value terms) combined with a drop in imports. Exports rose by 59.9 per cent year on year to 21.9 billion kyat in 2005. Burma's two most important exports-natural gas and hardwoods-both recorded strong growth in 2005. Gas exports rose by almost 143 per cent year on year to 8.1 billion kyat in 2005, up from only 3.3 billion kyat in 2004, owing to a greater uptake of gas by Thailand, which currently purchases almost all of Burma's natural gas exports. Natural gas exports accounted for 37 per cent of all export revenue in 2005. Exports of teak and other hardwoods also rose in 2005, totaling 2.8 billion kyat, up from 2.1 billion kyat in 2004. Other important commodity exports, including metals, rubber, and rice and pulses, all performed well in 2005, benefiting from robust world commodity prices and strong regional demand.

Exports rose strongly in 2005, whereas imports fell by 12.4 per cent year on year to 11.1 billion kyat. All major categories of imports recorded contractions. The fall in imports reflected the weakening kyat, which has pushed up the price of imports, as well as sluggish domestic demand and foreign investment, which has limited demand for capital goods (dropped by 30 per cent-2.8 billion kyat), while imports of intermediate goods fell by 10.5 per cent-3.6 billion kyat and only imports of consumer goods rose by 1.4 per cent-4.6 billion kyat in 2005. According to the SPDC, Burma trade is mainly with the Asian countries, sharing 90 per cent, followed by European countries, 4.8 per cent and American countries, 1.5 per cent. ASEAN shares 51.3 per cent<sup>12</sup>.

Burma's exports to Thailand (which are dominated by natural gas) rose by 44.7 per cent year on year in the first eight months of 2006, to nearly US\$1.5 billion. Burma's imports from Thailand (primarily consumer goods and foodstuffs) rose by 3.8 per cent year on year during the same period, to US\$484.2 million, resulting in a merchandise surplus in Burma's favor of US\$996.8 million. In addition to Thailand, India is an important export market for Burma's pulses. Exports to India could increase significantly if India signs a contract to purchase natural gas from offshore blocks A-1 and A-3, although China and Thailand are also in discussion with the SPDC over gas exports. Burma's trade is dominated by transactions with its regional neighbors.

FIGURE 4.5  
Trade with EU Countries, Burma, 1995-05

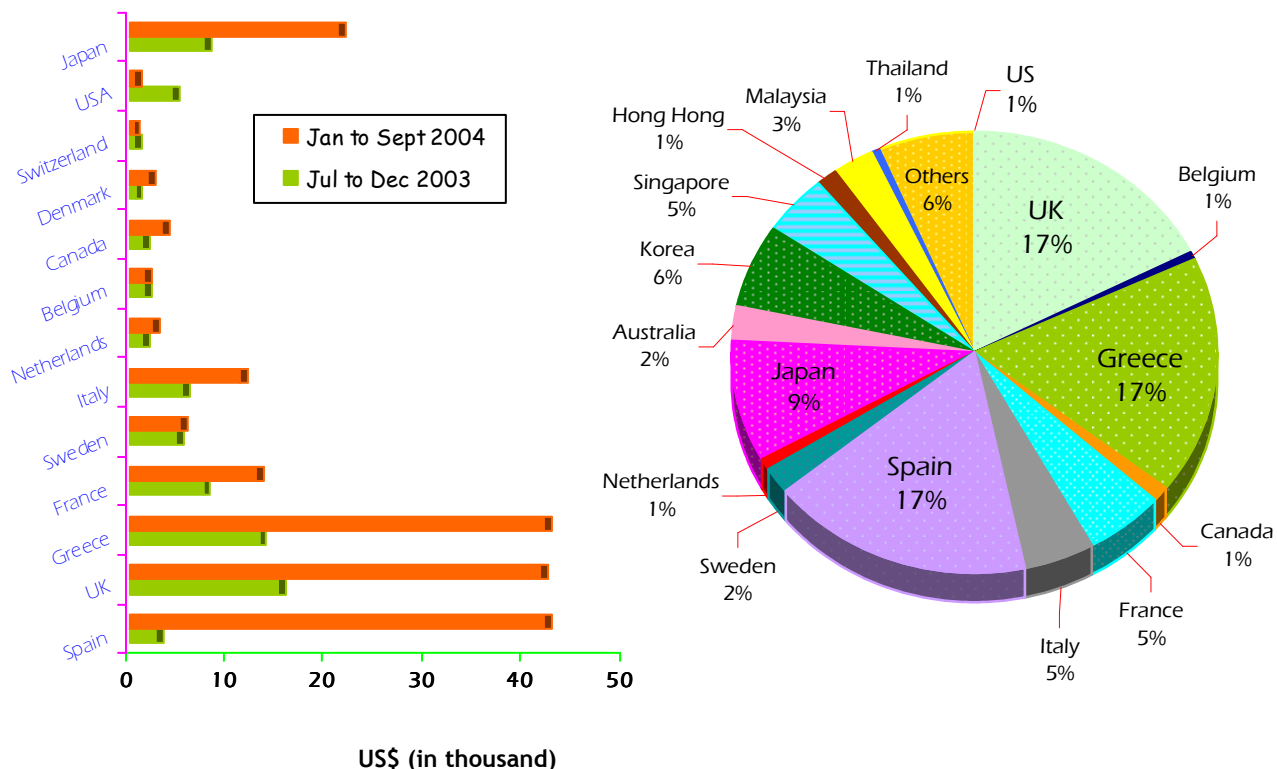


Sources: [http://www.adb.org/Documents/Books/Key\\_Indicators/2005/pdf/MYA.pdf](http://www.adb.org/Documents/Books/Key_Indicators/2005/pdf/MYA.pdf), ADB, 2005 [For 2003/04(Provisional actual) and for 2004/05 (Provisional) includes Germany and UK only]; Statistical yearbook 2003 and Selected Monthly Economic Indicators, April 2005, CSO, Burma.

<sup>12</sup> The New Light of Myanmar, December 18, 2006.

## US Import Ban Concerns Garment Manufacturers

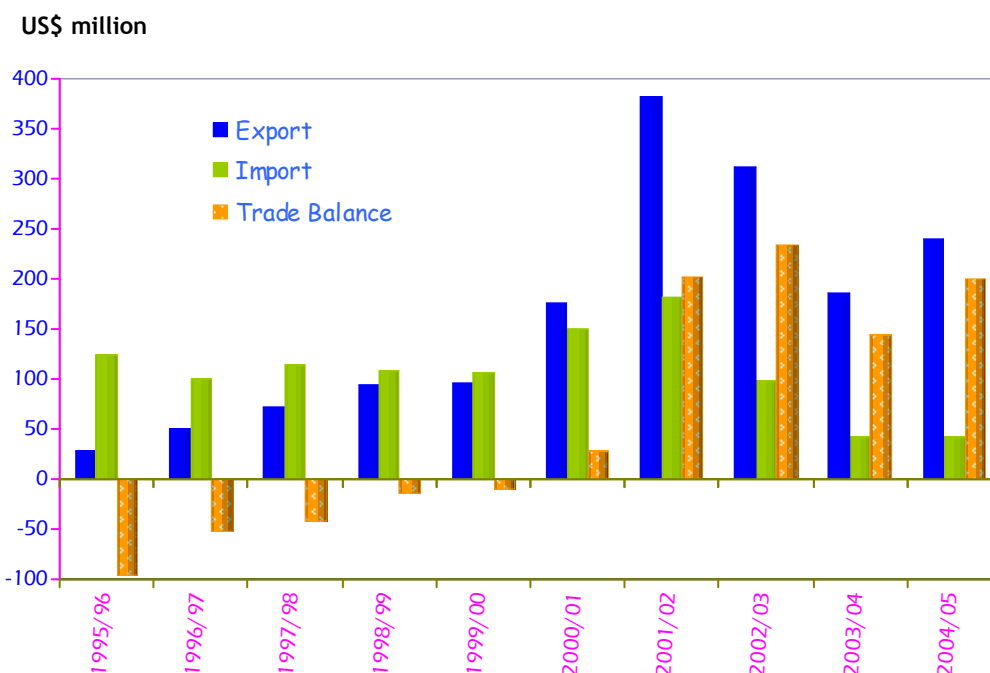
FIGURE 4.6  
Burma's Garment Export by Country  
(July 2003 to September 2004) & (January 2004 to September 2004)



Source: Daily Sectionwise Export/Import List, 2003-2004, Customs Department, Ministry of Revenue & Finance, Burma.

According to EIU 2003, the small garment manufacturing industry, which employs an estimated 350,000 workers (around 200,000 in July 2003, garment sector inside sources), will be severely hit by an imminent US ban on import from Burma. The US accounts for the majority (around 65 per cent based on data from varied sources) of Burma's exports of textiles and garments. According to the latest local official data, in fiscal year 2000/01 (April-March) garment exports totaled 3.8 kyat billion (US\$600 million at the official rate). According to US Census Bureau data, US imports of textiles and garments products from Burma reached around US\$400 million a year in 2000 and 2001 before falling to US\$305 million in 2002. Foreign investment, particularly from north Asia, has helped to build up the export-oriented garment sector in recent year. Ready-made garment production rose from 29.8 million items in 1992/93 to 57.2 million items in 1997/98 (the latest available data). Output, however, has remained below potential, as a successful consumer boycott movement in the US and elsewhere has persuaded many garment manufacturers and retailers, including Levi Strauss, Reebok and British Home Stores, to cease sourcing in Burma.

FIGURE 4.7  
Burma: Trade with Japan, 1995-05



Sources: [http://www.adb.org/Documents/Books/Key\\_Indicators/2005/pdf/MYA.pdf](http://www.adb.org/Documents/Books/Key_Indicators/2005/pdf/MYA.pdf), ADB, 2005; Statistical yearbook 2003 and Selected Monthly Economic Indicators, Jan-Feb 1999, Jun 2004, April 2005, CSO, Burma.

TABLE 4.3  
Degree of Openness and Export Per Capita, ASEAN Countries

Country	Degree of Openness*	Export/Cap (US\$)
Burma	32	22
Lao PDR	65	74
Cambodia	71	62
Vietnam	95	151
Indonesia	58.6	231
Philippines	110	476
Malaysia	187	231
Thailand	94	945
Brunei	n.a	7,833
Singapore	312	28,672

Note: Some numbers are rounded.

Source: FEER Yearbook 2000.

Foreign trade plays an important role in economic development of the country and its integration with the region and/or the world. Total foreign trade (export and import together) as per cent of GDP shows the degree of the country's economic openness, which can also suggest the development level of the country. According to table 4.3, there is a big gap between the new members and old members in ASEAN in terms of degree of openness as well as per capita value of foreign trade. These data also suggest the large development gap between these two groups.

## Border Trade

Until 1988 when the present military regime took power, border trade was considered to be informal; it was formalized when bilateral agreements were signed with the PRC and Thailand. Burma has since normalized, legalized, and further liberalized trade with these countries based on the provisions of these agreements. The policy of the Government of Burma is to utilize border trade as a mechanism to further develop and strengthen bilateral trade relations with all five of its immediate neighbors (Bangladesh, PRC, India, Lao PDR, and Thailand) and with other states in the region. Thus, "border trade" with Hong Kong, China; Malaysia; and Singapore using Myeik (Mergui) as an FOB port <sup>13</sup> is also included though it accounted for only about 2 per cent of the total. Among border trading partners, the PRC (Yunnan Province) and Thailand are the largest as is shown in Figure 4.8.

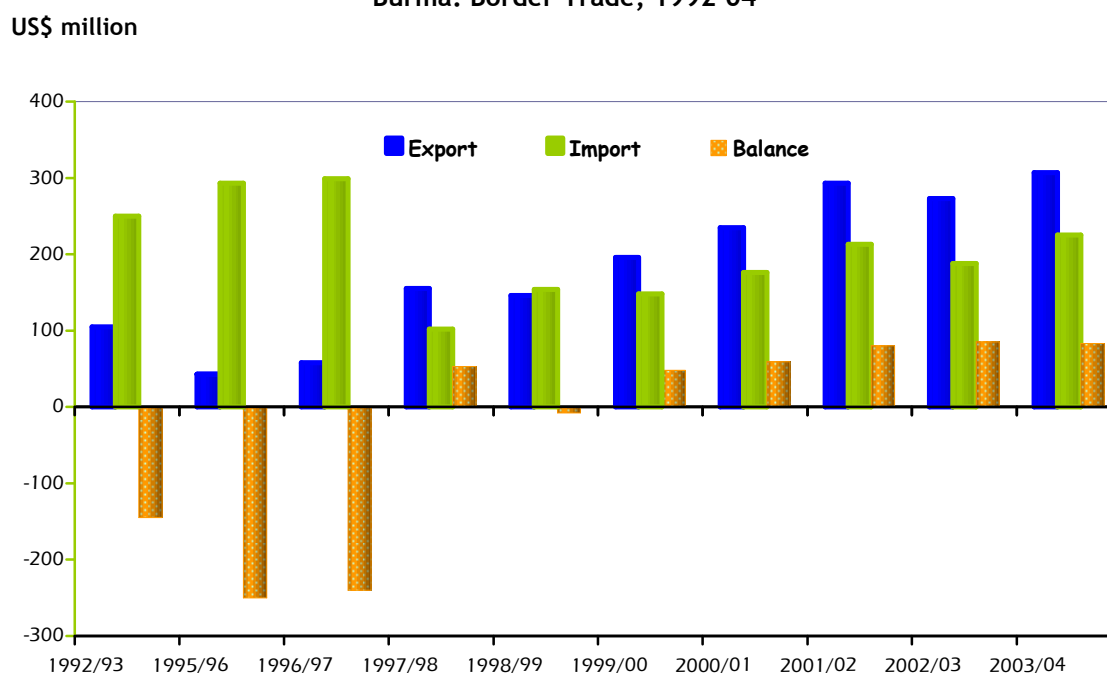
TABLE 4.4  
Volume of Border Trade, Burma, 1992-04  
US\$ million

Year	Export	Import	Volume of Trade	Surplus (+) Deficit (-)
1992/93	104.700	249.900	354.600	(-) 145.200
1995/96	43.151	292.798	335.949	(-) 249.674
1996/97	58.404	298.721	357.125	(-) 240.317
1997/98	154.972	102.091	257.063	(+)52.881
1998/99	146.300	153.968	300.268	(-)7.668
1999/00	196.402	147.992	344.394	(+)48.410
2000/01	235.401	176.339	411.740	(+)59.062
2001/02	292.995	212.839	505.834	(+)80.156
2002/03	272.630	187.940	460.570	(+)84.690
2003/04	307.300	224.500	531.800	(+) 82.800
Average Annual Growth Rate	30.1%	-6.5%	4.6%	

Source: Department of Border Trade, Rangoon, Burma.

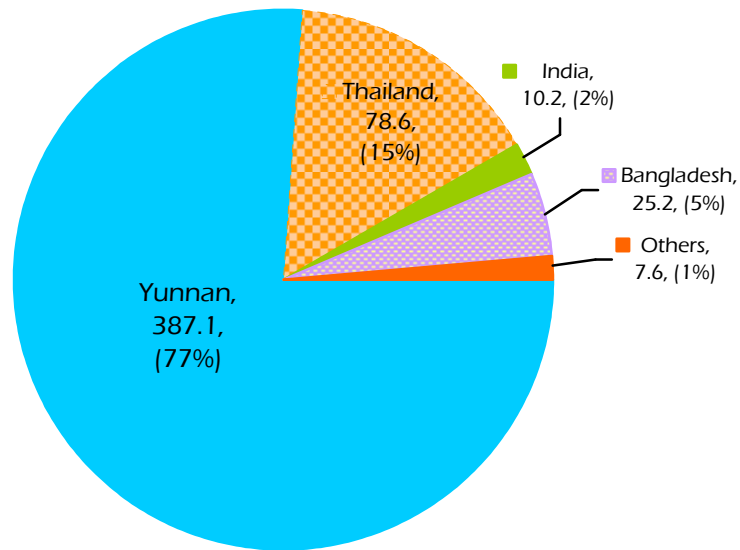
Table 4.4 shows the volume of border trade from fiscal year 1995/96 to 2002/03. The volume grew steadily except in 1997/98 and 2002/03 when it declined due to closures on the Burma-Thai border because of armed clashes between the two countries.

FIGURE 4.8  
Burma: Border Trade, 1992-04



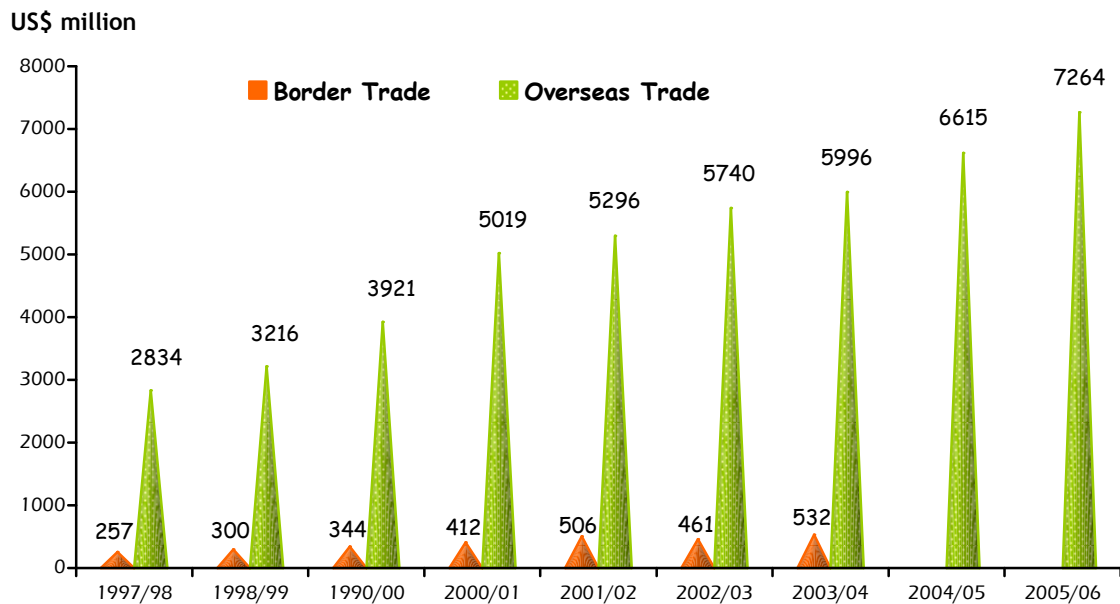
<sup>13</sup> This is done by assigning Myeik, a small seaport, as a border trade post applying the FOB system.

FIGURE 4.9  
Burma: Border Trade by Country, 2003/04  
US\$ million



Sources: Selected Monthly Economic Indicators, various issues; CSO and Department of Border Trade, 2004, Rangoon, Burma.

FIGURE 4.10  
Border Trade and Overseas Trade, Burma, 1997-06  
US\$ million



Sources: Selected Monthly Economic Indicators, various issues; CSO and Department of Border Trade, 2004, Burma.

Figure 4.9 compares Burma's overseas trade with its border trade. The small average share of border trade in overseas trade between 1997/98 and 2003/04 (8.7 per cent) was mainly due to underestimation because of the nature of border trade.

**TABLE 4.5**  
**Burma's Formal Border Trade Flows, 1992-04**  
**(US\$ million)**

	1992/ 93	1995/ 96	1996/ 97	1997/ 98	1998/ 99	1999/ 00	2000 /01	2001 /02	2002 /03	2003 /04	Av. Ann. Gr. %
<b>Total</b>											
Exports	104.7	43.2	58.4	155	146.3	196.4	212.5	258.8	272.6	307.3	10.3
Imports	249.9	292.8	298.7	102.1	154	148	196.3	200.2	187.9	224.5	-1.0
Total	354.6	336.0	357.1	257.1	300.3	344.4	408.8	459.0	460.6	531.8	3.8
Balance	-145.2	-249.6	-240.3	52.9	-7.7	48.4	16.2	58.6	84.7	82.8	n.a
<b>Yunnan</b>											
Exports	54.8	22.0	30.1	86.4	104.1	108.9	136.1	137.9	178.3	214.1	13.2
Imports	138.5	229.3	158.4	59.4	126.9	130.5	173.5	114.9	153.5	173.0	2.0
Total	193.3	251.3	188.5	145.8	231.0	139.4	309.6	252.8	331.8	287.1	6.5
Balance	-83.7	-207.3	-128.4	27.1	-22.8	-21.5	-37.4	23.0	24.8	41.1	n.a
<b>Thailand</b>											
Export	40.4	416.0	20.4	52.1	24.1	50.1	36.5	86.1	45.6	37.3	-0.7
Import	102.6	47.4	124.1	31.2	24.9	14.3	17.4	76.7	28.4	41.3	-8.6
Total	143.0	63.4	144.5	83.3	49.0	64.4	53.9	162.8	74.0	78.6	-5.6
Balance	-62.2	-31.4	-103.7	20.9	-0.8	35.8	19.1	9.4	17.2	-4.0	n.a
<b>As % of Total</b>											
<b>Yunnan</b>											
Exports	52.3	51.0	51.5	55.8	71.3	55.5	64.0	53.3	65.4	69.7	59.0
Imports	55.4	78.3	53.0	58.2	82.4	88.2	88.4	57.4	81.7	77.1	70.0
Total	54.5	74.8	52.8	56.7	76.9	40.5	75.7	55.1	72.0	72.8	63.2
<b>Thailand</b>											
Exports	36.9	37.0	34.9	33.6	16.5	25.5	17.2	33.3	16.7	12.1	26.4
Imports	41.1	16.2	41.5	30.6	16.2	9.7	8.9	38.3	15.1	18.4	23.6
Total	40.3	18.9	40.5	32.4	16.3	18.7	13.2	35.5	16.1	14.8	24.7

Sources: ADB, Country Economic Report: Myanmar Vol. 2: Statistical Appendixes, December 2000; Department of Border Trade, 2004, Rangoon, Burma.

Table 4.5 also indicates that between 1992/93 and 2003/04, Burma's overall exports to its Mekong partners increased at an average annual growth rate of 10.3 per cent while its overall imports decreased by an average of 1.0 per cent. The country's total cross-border trade grew steadily at an average annual rate of 3.8 per cent. In terms of overall trade balance, Burma's position has been positive since 1999/2000 probably due to restrictions on imports, though again, it must be noted that border trade is usually underestimated since informal trade and smuggling are not included in official figures.

In the past few years, trade between India and Burma expanded rapidly, increasing in value nearly eight-fold in the last decade alone. Officially, India is now Burma's fourth most important export market, with beans, pulses and wood products being the major export items. Burma's main imports from India are pharmaceuticals, iron and steel. After beginning about seven years ago in Moreh in the northeastern state of Manipur, bilateral trade India and Burma had jumped from US\$84.7 million to US\$435 million in the past decade. It is estimated that daily transactions at the Moreh border market are worth about three million rupees (62,500 USD). In 2004/05, the total normal trade volume reached US\$6.7 billion and it is composed of total export value US\$3.2 billion and the total import value over US\$3.5 billion. Among the trading partners, Thailand ranked first with the total trade value of US\$1.3 billion, China was second with US\$743.8 million and Singapore stood third position with the total trade volume of US\$711.1 million.

## External Debt

The importance of external debt as an indicator of a country's economic well-being depends much on the general macroeconomic condition of the country. For a high-growth country with a reasonable degree of macroeconomic stability, changes in the level of external debt would be a poor indicator of that country's economic well-being. On the other hand, for a low growth country with continuing economic instability and particularly wallowing in persistent current account deficit, the status of external debt becomes yet another indicator of that country's ill being and deepening social and economic crisis.

TABLE 4.6  
External Debt, Burma, 1987-05  
(US\$ million)

	'87/88	'90/91	'95/96	'96/97	'97/98	'98/99	'99/00	'01/02	'02/03	'03/04	'04/05
Total debt	4,402	4,695	5,771	5,184	5,063	5,609	5,999	5,670	6,583	7,318	7,239
Total debt service paid	191.7	60.4	249.9	158.0	116.1	93.0	96.5	84.0	113.0	121.0	125.0
Debt service ratio (%)	58.1*	18.4	17.8	11.2	7.4	5.3	4.9	6.0	7.2	7.9	2.5
Net International Reserves	39.7	325.3	381.1	188.4	231.7	295.7	241.1	410.6	481.0	562.3	672.0
Ratio of International Reserves to Imports (Months)	n.a	9.4	4.3	1.9	1.7	1.8	1.6	n.a	n.a	n.a	n.a
Current account balance	- 180	- 431	- 416	-414	-660	-670	-710	-77	-115	-75	443

Note: \* 1985 (ADB Outlook, 2003)

Sources: Asian Development Outlook 2002-2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>; IMF, Country Report No. 99/134, November 1999; and No. 01/18, January 2001; EIU Country Profile 2005.

The Burma Socialist Programme Party's (BSPP) economic plan left a heavy external debt amounting to US\$4.432 billion in 1988. Debt increased up to US\$6.47 billion in 1999/00 and US\$7.32 billion in 2003/04. In the last few years an expending merchandise trade deficit has resulted in a steady widening in the current-account deficit, which reached US\$710 million in 1999/00. The deficit would be much wider if not for smuggling and money laundering from the drug trade by the generals and their cronies. (Burma has produced between half and two-thirds of the world's opium and heroin, as well as the largest producer of amphetamines. According to US government estimates, Burma receives between US\$700 million and \$1billion in foreign currency from heroin exports annually, or about the same as the total of all other exports). International reserves have risen strongly in recent year, it reached US\$481 million in 2002/03 from US\$241.1 million in 1999/00, and also it was US\$672 million in 2004/05 and US\$774 million in 2005/06, but reserves cover imports of little less than two months. Trade data are unreliable. They are distorted by extensive smuggling and the multiple exchange rate regime-and are often revised extensively, there has been a credible trend towards a strong rise in exports and contraction in imports mainly due to gas exports.

Burma's total international reserves reached US\$951 million at the end of June 2006, according to data from the IMF. Reserves increased sharply in the first quarter of the year, surpassing US\$900 million for the first time, before rising further in the second quarter. The main reason for the improvement in the overall balance-of-payments position and international reserves has been the rise in exports, which have been driven by strong growth in exports of natural gas.

**TABLE 4.7**  
**Gross International Reserves, Selected Countries, 2001-05**  
**(US\$ million)**

Country	2001	2002	2003	2004	2005
Burma	223	312	456	672	774
Cambodia	548	663	737	807	923
Lao PDR	131	192	209	228	238
Indonesia	28,016	32,039	36,296	36,321	34,724
Philippines	15,659	16,365	17,063	16,228	18,495
Malaysia	30,848	34,583	44,862	66,720	70,497
Singapore	75,800	82,276	96,324	112,808	116,646
Thailand	33,048	38,924	42,148	49,832	52,066
Vietnam	3,540	3,815	5,577	6,027	7,730
Korea, Rep. of	102,753	121,343	155,281	198,994	210,317
Taiwan	122,211	161,656	206,632	241,738	253,290
China	212,165	286,400	403,251	609,932	818,872

Source: Asian Development Outlook 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>).

## Exchange Rates

The kyat has already lost value against the US\$ and Thai baht since 2000. The foreign exchange market remained highly distorted, with the free-market exchange rate at around 450 kyat/per dollar in January 2001, 800 kyat/per dollar in May 2002, 1300 kyat/per dollar in September 2005 and 1,250 kyat/per dollar in May 2006, compared with the fixed official rate of around kyat 6.2-6.4:1US\$ and kyat 8.51:1SDR. Because of quantitative restrictions and controls on foreign exchange transactions, private traders normally cannot export items such as rice, sugar, rubber, minerals, and gems & jades. State-owned economic enterprises (SEEs) and military owned, UMEHL and MEC are the major players in trading activities.

In Burma there are at least four exchange rates: official rate, parallel rate (market rate), tariff valuation rate (import duty rate), and foreign exchange certificate rate. This has perhaps led the Heritage Foundation, an American think tank, to rank the Burma economy as being the most distorted in the world, except for North Korea. Similarly, the ADB mentions that dual exchange rates and the large gap between the parallel and official exchange rates have distorted official statistics<sup>14</sup>.

**TABLE 4.8**  
**Exchange Rates, Burma, 1987-06**

	'87/88	'90/91	'95/96	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	'05/06
Official rate/kyats	6.5825	6.2755	5.6106	6.1900	6.4257	6.6841	6.5734	6.0764	5.7459	5.761
Kyats per US\$	42	58	117	344	392	650	900	950	1,175	1,300
*Kyats per FEC	-	-	113	336	350	558	848	811	906	1,044

\* The Foreign Exchange Certificate (FEC) was introduced in February 1993 at the rate of 1 FEC:1 US\$

Sources: No official publications are available on the movement of the free market exchange rate. However, some private individuals and independent observers have kept track of the movement of the free market exchange rate in Rangoon, Burma; and Asian Development Outlook 2006; available: (<http://www.adb.org/Documents/Books/ADO/2006/default.asp>).

The current official exchange rate is heavily biased towards SEEs earning revenue not only from export income, but to preferential treatment in the use of its foreign exchange by its imports. The SEEs having been permitted to import production assets, critical materials, machinery and manufacturing inputs a large share of the foreign exchange component, payments of the SEEs imports are determined using the current official exchange rate. The SEE's imported goods are then resold in the domestic markets at the ongoing market prices. Foreign exchange transactions among

<sup>14</sup> Asian Development Outlook 2005



non-financial firms in the private sector appear to have no restrictions. The prevailing practice is, while the Joint Ventures' custom duty rate on imports was kyat 150-200:1US\$, the authorities permitted the JVCs to use for its recurrent expenses on salary and wages (which is estimated ranging from 40 to 60 percent of business expenses) the salary rate of kyat 450:1US\$.

Since February 1993, by introducing foreign exchange certificate (FEC), the exchange rate became more complicated and it created instability of the country's monetary system. Although government official rate was 1 FEC:1US\$ and the market-determined FEC rate was 410 kyat in November 2000, it decreased to 240 kyat in January 2001, 600 kyat in May 2001, 580 kyat in August 2003, 811 kyat in 2004/05 and 1,044 kyat in 2005/06. Further more according to the World Bank report, the introduction of the FEC legitimized the parallel market and resulted in a de facto devaluation, even as the official rate remained at its pegged rate and recommended the official rate should be unified with the market exchange rate. There are 27.305 million FECs in circulation in Burma till 31 October 2006<sup>15</sup>.

Exchange rate distortions favor a small number of industries at the expense of the domestic consumers and most other industries not favored and protected by the ruling military state and government. Unifying and correction of distorted artificial exchange rate would have to go hand in hand, aligning it with the basic economic fundamentals such as removing unnecessary price controls and easing restrictions on exports, imports, and foreign exchange transactions.

The free-market exchange rate for the kyat remained fairly steady at around kyat1,350:US\$1 in July-October 2006, having recovered from kyat1,450:US\$1 at the end of April. The kyat came under pressure earlier this year owing to fears that a pay rise for civil servants (of 500-1,200 per cent effective from April 1<sup>st</sup>) would sharply push up prices. However, strong gas exports have boosted international reserves, thereby helping the kyat to stabilize. The little-used official exchange rate does not reflect such pressures, as it is fixed against the IMF's SDR unit. The official rate held steady at around kyat5.9:US\$1 by August 2006.

## Tourism

International tourism has become the largest single item in foreign trade. For some countries tourism already represents a major (in a few countries the most important) export industry and earner of foreign exchange. For others it constitutes a possible source of future economic expansion, and its significance for the developing countries is now widely recognized. For certain countries tourism offers a major opportunity for stimulating investment and of earning foreign exchange and creating employment.

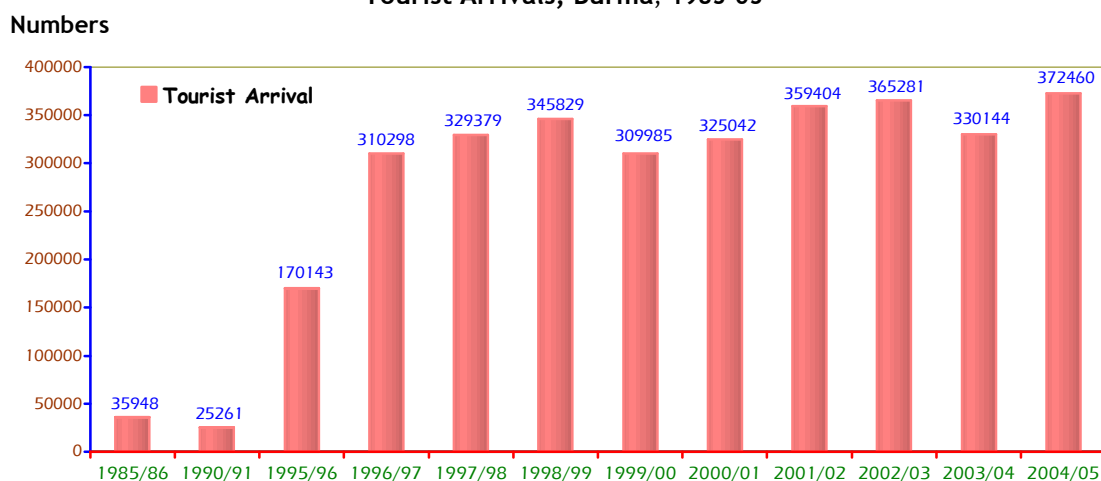
TABLE 4.9  
Tourism: Income, Receipts and Employment, Selected Countries, 2001

	Bangladesh	Bhutan	India	Burma	Nepal	Sri Lanka	Thailand
Tourism % of GDP	3.5	n.a	4.8	5.7	6.0	8.2	12.0
Receipts % of Exports, yr 2003	0.8	6.2	n.a	2.4	21.8	10.6	11.1
Employment % of Total Employment	5.2	n.a	6.0	8.9	n.a	7.0	11.3
1. Direct	2.6	n.a	2.9	3.4	n.a	2.9	5.7
2. Indirect	2.6	n.a	3.1	5.5	n.a	4.1	5.6

Source: World Travel and Tourism Council.

<sup>15</sup> Kyaw Kyaw Maung, Governor of Central Bank of Myanmar, Press conference, December 17, 2006.

FIGURE 4.11  
Tourist Arrivals, Burma, 1985-05



Note: Includes visitors with visa (tourist, entry, business & multiple journeys) and daily or overnight travelers with border pass.

Sources: Statistical Year book 2002 and Selected Monthly Economic Indicators, April 2005, CSO, Burma.

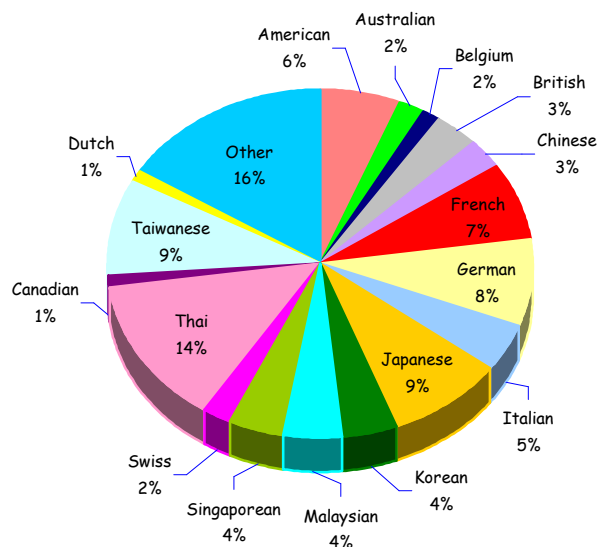
TABLE 4.10  
Tourist Arrivals, Burma, 1998-05

	'98/99	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05
Arrival, number	345,829	309,985	325,042	359,404	365,281	330,144	372,460
By air	119,159	113,940	121,016	118,325	132,468	122,940	156,015
By sea	1,116	990	2,960	1,197	1,758	1,194	n.a
By land	167,119	131,644	136,640	175,832	166,798	145,071	157,051
Other visitors *	58,435	63,411	64,426	64,050	64,257	60,939	59,394
% change, yr on yr	-	-10.4	4.9	10.6	1.6	-9.6	12.8

\* Includes visitors with entry visa, business visa and multiple journey visa

Sources: Statistical Year book 2002 and Selected Monthly Economic Indicators, April 2005, CSO, Burma.

FIGURE 4.12  
Tourist Arrivals by Nationality, Burma, 2004/05  
(percent)



Source: Selected Monthly Economic Indicators, April 2005, CSO, Burma.

TABLE 4.11  
Tourist Arrivals by Country of Destination

Countries	Tourist Arrivals (1000)				Change over preceding period (No. of times)	
	1990	1995	2000	2003	95/90	2000/95
Bangladesh	115	156	200	207	1.35	1.28
Bhutan	2	5	8	8	2.50	1.60
India	1,707	2,124	2,649	2,726	1.24	1.25
Burma	21	117	208	330**	5.57	1.77
Nepal	255	363	464	338	1.42	1.27
Sri Lanka	298	403	400	501	1.35	0.90
Thailand	5,299	6,952	9,579	10,820	1.31	1.37
<b>BIMSTEC 7</b>	7,697	10,120	13,508	14,806	1.31	1.33
East Asia & Pacific	54,598	81,354	111,660	122,000*	1.49	1.37
South Asia	3,158	4,200	6,299	6,994	1.32	1.49
<b>World</b>	457,306	565,000	697,000	804,249	1.20	1.23

\* 2002, \*\* 2003/04

Source: World Tourism Organization (WTO).

In Burma, tourism has become a growth sector since economic policies were liberalized to create a market-oriented economy. The Burma Tourism Law of 1990 was revised in 1993 to promote systematic development and encourage private sector participation. Tourism contributes about 5.7 per cent of GDP and 2.4 per cent of export earnings of the Burmese economy, in Thailand about 12 per cent of GDP of its economy and to a lesser extent in other countries in the region. Tourism also plays an important role as a source of foreign exchange and as a generator of employment. In Nepal receipts from tourism constitutes over 20 per cent of total export earnings and in Thailand tourism contributes over 11 per cent of export earnings. "Tourism employment varied between 5-11 per cent of total employment in the region. In Thailand, the tourism sector generates almost 1 in every 8.8 jobs in the country while in Bangladesh, 1 in every 19 jobs are generated by the sector. International tourist arrivals totaled 320,275 in 2005, up by 5 per cent year on year, according to data from the CSO. Although arrivals rose, the pace of growth slowed compared with 2004 (rose 11.6 per cent). The slowdown reflected a 5.6 per cent year on year drop in arrivals by air, to 145,959, around 46 per cent total arrivals.

## V. Poverty and Human Development in Burma

*We will spare no effort to free our fellow men, women, and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected.*

-- Extract from the United Nations Millennium Declaration (UN 2000)

According to the 1997 Human Development Report, the 1948 Declaration of Human Rights has the principle: "Everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services".

Denials of fundamental civil and political rights in Burma are reflected in denials of basic economic and social rights. There are connections between the un-rule of law in Burma and the hunger, sickness and growing deprivation suffered by its people. According to the executive director of the World Food Programme (WFP) said after a visit to Burma that its food shortages and malnutrition are serious, and drew a direct line between them and the policies and practices of its government. He underlined his concerns by pointing out that Burma is the only country in the world where the WFP is obliged to pay a tax on food bought within the country for local distribution.

**TABLE 5.1**  
**Poverty Estimates for Urban and Rural Households, Burma, 1997**

	Urban	Rural	Total
Headcount Index (% of population)	23.9	22.4	22.9
Poverty Gap (%)	30.4	69.6	100

Source: World Bank, August 1999.

Burma has no official poverty line. But according to a 1997 World Bank survey, 40 per cent of population was poor (cited in ILO 1996, p. 33). The World Bank survey further reveals that of the some 23 million people, or almost one in four households, live below minimum subsistence levels. If those whose levels of spending are not significantly above (10 per cent) minimum subsistence are included, the estimated poverty incidence jumps to about one in three households. One in five households reported spending less than official estimates of nutritional subsistence levels. UN Human Development Index Baseline Survey (HDIBS) data and proxy indicators confirm that an estimated one in four could be considered poor (World Bank 1999, p 11).

A 1997 IMF report observes that “nearly 25 per cent of the population are classified as poor and they are mostly uneducated, underplayed, and landless” (IMF 1997, p. 22). In addition, the World Bank assessment for 1997 on the basis of nutrition norms and estimates of minimum subsistence costs, found 22.9 per cent of households, or some 10.6 million people, to be living below the minimum subsistence levels. Furthermore the ILO statistics estimated Burma’s human poverty index (HPI-1) for 1995 at about 28 per cent-much better than Bangladesh’s but still lagging behind other ASEAN neighbors and China.

When look at the development gap at the national level, table 5.2 shows the comparison of average monthly household income and poverty headcount index by states and divisions. According to Average Monthly Household Income (AMHI), the highest income is Rangoon Division and the lowest income is Kayah State. If looks at poverty headcount index, the 6 better off (above the national level average of 19 per cent) include Tenasserim, Kachin, Shan and Rangoon whereas those above the national average are Arakan, Mandalay, Irrawaddy, Pegu, Sagaing, Karen, Magway and Chin. Chin state has the highest rate of poverty headcount index (42.06) (meaning relatively poorest) but it has only about 1 per cent of national population and 5 per cent of all poor population. The largest share of Burma's poor live in Sagaing, Pegu, Magway, Irrawaddy and Mandalay Divisions, which each having more than 10 per cent of the country's poor. In short, the regional contribution to poverty depends on both population and poverty rate (World Bank, August, 1999).

**TABLE 5.2**  
**Estimated Poverty Rates, Share of Total Poverty and Average Expenditure Per Capita by State/Division, Burma, 1997**

Rank	States/Divisions	Income/ Kyats (AMHI)	Rank	States/ Divisions	Poverty		
					Headcount Index	Contribution to total	Gap Index
	Union	9,686 *		Union	22.86	100.00	8.02
1	Rangoon	16,661	1	Tenasserim	8.06	1.84	2.68
2	Kachin State	13,197	2	Kachin State	10.11	1.70	2.81
3	Tenasserim	12,713	3	Shan State	11.99	3.53	3.66
4	Irrawaddy	12,311	4	Kayah State	12.67	3.85	12.09
5	Kayin State	11,801	5	Rangoon	16.68	10.32	5.64
6	Mon State	10,768	6	Mon State	19.88	5.50	5.82
7	Pegu	8,674	7	Arakan State	22.03	4.07	7.89
8	Mandalay	8,650	8	Mandalay	22.29	12.82	7.24
9	ShanState	8,394	9	Irrawaddy	22.73	11.84	8.59
10	Sagaing	7,761	10	Pegu	24.67	11.65	7.93
11	Chin State	6,836	11	Sagaing	24.86	12.14	8.28
12	Arakan State	6,661	12	Kayin State	35.43	2.54	3.95

13	Magway	6,561	13	Magway	37.88	13.57	14.41
14	Kayah State	4,622	14	Chin State	42.06	4.57	20.06

Note: AMHI: Average Monthly Household Income; \* National average, Poverty Headcount Index, HDI.

Sources: Central Statistical Organization, Burma, 1999; World Bank, August 1999.

Urban poverty is a serious problem in Burma, particularly in peri-urban areas where conditions are very harsh. Regular work was scarce, and many people were engaged in activities subject to seasonal or economic fluctuations, like outdoor construction or pedaling trishaws. Women often work as vendors near their homes, to accommodate domestic and childcare responsibilities, whereas men often had to commute (an hour each way) downtown. For many of these families, one day's income barely covered the day's expenses or minimal food and transportation costs. One-third of families reported that earnings were not sufficient to cover basic food, while 44 per cent spent about as much on food as they earned each day (Clawson and Keller, 1999).

### Box 8: Poverty and Human Development: Poverty is High

Household surveys reveal extensive hardship in Myanmar. Nearly one in four households—about 13 million people—had expenditures below minimum subsistence levels in 1997. While direct evidence about trends over time is unavailable, high inflation and a slowdown of activity in some key sectors of employment suggest that this rate has likely not improved since then. There is significant regional variation in poverty rates, with the highest levels being reported for Chin and Kayah States and Magway Division. The overall difference between urban and rural poverty incidence is not large, given lower food prices and reliance on home production in rural area, though again there is significant variation in rural-urban differences by division/state.

The level and depth of hardship among families in Myanmar is vividly reflected in high rates of malnutrition among pre-school aged children suffer from wasting and stunting. Moderate wasting (two standard deviations below international norms) affects almost three out of ten children under three years of age, and one in ten is severely malnourished. This has been described elsewhere as a "silent emergency" in Myanmar, and deprivation on this scale indicates not only immediate need, but also adverse long-term repercussions for the health and intellectual development of affected children.

Death rates for infants and children figures are high for a country of Myanmar's level of GDP per capita. Among four other Southeast Asian countries with a similar level of GDP per capita in current US dollar terms in 1997 (US\$323-US\$396), Myanmar has a slightly higher infant mortality rate (75 per 1,000 live births compared with an average of 68) and a significantly higher child mortality rate (113 compared with an average of 77). Countries with infant mortality rates similar to those of Myanmar (75-85) are Bangladesh, Nepal, Nigeria, The Gambia, and Tanzania, all of which have lower average GDP per capita incomes than Myanmar. Comparisons for child (under-five) mortality rates yield similar conclusions.

### Profile of Poverty

Poverty rates are approximately the same in urban and rural areas, but most of the poor (71 per cent) live in rural areas. A substantial share of the rural poor has either no land or plots that are too small to be viable. Rural poverty can therefore be traced to low output and low prices for the output of small farmers, as well as to the limited availability of off-farm work. In urban areas, the poor tend to be concentrated in peri-urban locations lacking proximity to jobs and good services. Subsistence based on home production is generally not available to the urban poor.

Source: The World Bank, "An Economic and Social Assessment", August, 1999.

National poverty rates conceal not only the disparity in poverty rates between regions but also the nature, extent, and seasonal variation in the poverty status of the people in the village economy. Rural poverty in Burma, as may be expected, is concentrated amongst farm households with little or no assets and landless agricultural laborers. As labor is their source of livelihood, their poverty status depends much on their dependency ratio, or how much family labor they possess relative to the number of dependents. Large households with four or five adult workers and with some land and livestock are generally found to be fairly prosperous. Small-sized households with one or at most two adult laborers are usually found to be the poorest. They live off the land (or common property resources) during two to three months of slack farm work fetching fuel wood or fishing mainly for their own consumption. Even during such hard times they rarely migrate. Around villages in hilly or forested areas, shifting cultivation and the need for fuel wood arising from poverty, lack of physical mobility, and population pressure contribute to deforestation and environmental degradation. From the village economy production point of view, the national average of 36.6 per cent or one-third of landless farm households is just about right for most villages to have neither “shortage” nor “excess” agricultural laborers, given the present level of farm mechanization and the traditional method of cultivation. In other words, a ratio higher than that would mean excess labor and also greater hardships for the landless households (Myat Thein and Maung Maung Soe 1995).

**TABLE 5.3**  
**Poverty and Human Development Index (HDI), ASEAN Countries**

Country	Headcount Index (% of population in poverty)			Distribution of poor			HDI (2005)
	Urban	Rural	National	Urban	Rural	Total	
Burma (1997)	23.9	22.4	22.9	30.4	69.6	100	129
Brunei	n.a	n.a	n.a	n.a	n.a	n.a	33
Cambodia	25.4	40.0	36.0	n.a	n.a	n.a	130
Lao PDR (1992/93)	23.9	53.0	54.9	12.2	87.8	100	133
Indonesia (1990)	10.7	23.6	19.6	16.6	83.4	100	110
Malaysia (1987)	7.3	24.7	18.6	14.0	86.0	100	61
Philippines (1991)	34.2	67.8	49.7	n.a	n.a	n.a	84
Singapore	n.a	n.a	n.a	n.a	n.a	n.a	25
Thailand (1992)	2.4	15.5	13.1	5.8	94.2	100	73
Vietnam 1992/93	29.9	61.1	54.9	10.9	89.1	100	108

Sources: The World Bank, “An Economic and Social Assessment”, August, 1999; Human Development Report 2005.

**TABLE 5.4**  
**Human Development Index, Burma and ASEAN**

Rank		Country	Life expectancy index		Education index		GDP index		HDI value	
1997	2005		1997	2005	1997	2005	1997	2005	1997	2003
22	25	Singapore	0.87	0.89	0.85	0.91	0.94	0.92	0.888	0.907
25	33	Brunei	0.89	0.86	0.83	0.86	0.92	0.88	0.880	0.866
56	61	Malaysia	0.78	0.80	0.79	0.83	0.73	0.76	0.773	0.796
67	73	Thailand	0.73	0.75	0.83	0.86	0.70	0.72	0.753	0.778
77	84	Philippines	0.72	0.76	0.90	0.89	0.59	0.63	0.740	0.758
105	110	Indonesia	0.67	0.70	0.78	0.81	0.59	0.59	0.681	0.697
110	108	Vietnam	0.71	0.76	0.82	0.82	0.47	0.54	0.664	0.704
128	129	Burma	0.59	0.59	0.74	0.76	0.41	0.39	0.580	0.578
137	130	Cambodia	0.65	0.52	0.41	0.69	0.46	0.51	0.508	0.571
140	133	Lao PDR	0.47	0.49	0.57	0.66	0.43	0.48	0.491	0.545

Source: UNDP, 1999; Human Development Report 2005.

The constraining factors are low tax revenue mobilization, high defense spending, weak public administration, and an uncertain policy environment (UN 1998, pp. 32-34). The Human Development Report (2005) has Burma ranked at 129<sup>th</sup> position, which is near the bottom of the Medium Human Development listings. Thus, the country's HDI is far below that of other Southeast Asian countries such as Singapore (25), Thailand (73), Malaysia (61), Philippines (84), Indonesia (110), and Vietnam (108) in this category. Meanwhile, a WHO study in 2000 ranked Burma 190 out of 191 countries in terms of gap between its potential health services and its actual performance (AFP, May 8, 2000).

**TABLE 5.5**  
**Life Expectancy at Birth, Selected Countries (Years)**

Country	1980		1990		1999		2006
	female	male	female	male	female	male	nationwide
Burma	54	51	8	55	61	58	60.97
Cambodia	41	38	52	49	55	52	59.29
Lao PDR	47	44	51	49	56	53	55.49
Indonesia	56	53	64	60	68	64	69.87
Malaysia	69	65	73	68	75	70	72.50
Singapore	74	69	77	72	80	76	81.71
Korea	70	64	74	67	77	69	77.04
Hong Kong	77	71	80	75	82	77	81.59
Philippines	63	59	67	64	71	67	70.21
Thailand	66	61	71	66	71	67	72.25
Vietnam	65	61	69	64	71	66	70.85

Sources: World Development Indicators 2000; Human Development Report 2003 - 2006.

**TABLE 5.6**  
**Demographic Indicators, Selected Countries**

Country	Infant Mortality Rate (Per 1,000 Live Births)				Maternal Mortality Ratio (Per 1,000 Live Births)		Human Development Index *			
	1980	1990	1999	2006	1990-1999	1985-2003	1985	1990	1999	2005
Burma	109	94	77	61.85	230	230	n.a	n.a	0.551	0.578
Cambodia	201	122	100	68.78	470	440	n.a	n.a	0.541	0.571
Lao PDR	127	108	93	83.31	650	530	0.372	0.402	0.476	0.545
Indonesia	90	63	42	34.39	450	310	0.581	0.622	0.677	0.697
Malaysia	30	16	8	17.16	39	50	0.691	0.720	0.774	0.796
Singapore	12	7	3	2.29	6	6	0.779	0.816	0.876	0.907
Korea	26	12	8	6.61	20	20	0.771	0.814	0.875	0.901
Hong Kong	11	6	3	2.95	n.a	n.a	0.820	0.857	0.880	0.916
Philippines	52	42	31	22.81	170	170	0.687	0.716	0.749	0.758
Thailand	49	38	28	19.49	44	36	0.675	0.713	0.757	0.778
Vietnam	57	44	37	25.14	160	95	0.581	0.604	0.682	0.704

\*The HDI is a composite index of longevity (as measured by life expectancy at birth), knowledge (as measured by adult literacy rate and combined enrolment ratio), and decent standard of living (as measured by the adjusted per capita income in PPP US\$)

Sources: World Development Indicators 2000; Human Development Report 2003 - 2005.

Also, according to the Department of Economics, Institute of Economics, Rangoon in 1997, a decline in poverty (including rural poverty) over time, and which found poverty. The defined recommended dietary allowance (RDA) has declined since 1986. Burma had a fairly high GDP growth rate, especially in the last decade, and thus could have experienced the complementarity between economic growth and poverty reduction as in many of the East Asian economies. Poverty is more prevalent in the rural areas rather than in the urban sector. The SPDC claims that Burma has not been able to sustain the momentum for accelerated growth and this is largely because the inflation-prone macroeconomic environment eventually eats away the improvements in the real income gains, and because of the failure to forge a strong linkage between the agricultural growth and the growth of labor-intensive rural industries which would have enhanced the employment and income-multiplier effects. (Myat Thein 2004, p. 229)

**TABLE 5.7**  
**Educational Enrolment Ratio, ASEAN Countries**  
**Net (% of age group)**

Country	Primary 2002/03	Secondary 2002/03	Tertiary	Expenditure (% of GDP) 2000-2002
Brunei	n.a	n.a	n.a	9.1
Burma	84	35	11	1.2*
Cambodia	93	24	1	1.8
Indonesia	92	54	11	1.2
Lao PDR	85	35	3	2.8
Malaysia	93	70	11	8.1
Philippines	94	59	35	3.1
Singapore	94*	74*	39	3.0*
Thailand	85	59*	21	4.8
Vietnam	94	65	7	3.0*

Note: \* 2000

Sources: World Development Report 2000; World Development Indicators 2000; Human Development Report 2005.



**TABLE 5.8**  
**Health Indicators, ASEAN Countries**

Country	Infant Mortality (per 1000 births) 2006	Life Expectancy (years) 2006	Access to Improved Water Resources (%of population) 2002	Health Expenditure per/cap (ppp US\$) 2002
Brunei	12.25	75.01	n.a	653
Burma	61.85	60.97	80	30
Cambodia	68.78	59.29	34	192
Indonesia	34.39	69.87	78	110
Lao PDR	83.31	55.49	43	49
Malaysia	17.16	72.50	95	349
Philippines	22.81	70.21	85	153
Singapore	2.29	81.71	100	1,105
Thailand	19.49	72.25	85	321
Vietnam	25.14	70.85	73	148

Sources: UNDP, 2001; Human Development Report 2005; Bangkok Post: Economic Review, 2003-2005.

The most visible indicators expressing development gaps between ASEAN countries are obviously the poverty level and Human Development Index, HDI (measured in terms of life expectancy, literacy rate and income level). Many ASEAN old countries, except Philippines, have fewer people under the poverty line whereas most of new member countries (Burma, Laos, Cambodia and Vietnam) have more poor people. According to HDI index, in general, all new ASEAN countries are far behind the old member countries except Indonesia. Furthermore, the new ASEAN countries, such as Burma, Laos, Cambodia and Vietnam are behind the old ASEAN countries in terms of enrolment ratios, expenditure on education as percent of GDP and health indicators also. According to the UN surveys quoted by a Johns Hopkins University researcher, Dr Beyrer, two per cent of adults in Burma have the HIV virus and about two per cent of pregnant women were infected by HIV/AIDS.

#### **Box 9: HIV/AIDS, TB and Malaria in Burma**

The junta's unsympathetic stance towards people with HIV in Burma adds to a growing list of concerns that have earned it notoriety. The current estimates by UNAIDS and other international agencies of people with HIV in Burma range from 360,000 to 610,000 people. The adult prevalence rate stood at between 1.3 per cent to 2.2 per cent people infected of the country's 50 million people.

"Myanmar has one of the most serious epidemics in the region," UNAIDS stated in its 2006 annual report earlier this year. The infection rates exceed those in the two other South-east Asian countries that had long been viewed as the epicentre of the deadly virus in the region -- Cambodia, which has a 1.6 per cent adult HIV prevalence rate, and Thailand, which has a 1.4 per cent adult prevalence.

But the Burmese regime -- which till late 2003 refused to admit to an emerging AIDS crisis and kept the issue hidden from the public -- appears reluctant to ease the pain of its suffering citizens. In August last year, it succeeded, after imposing tough internal travel restrictions, to force the Global Fund to fight AIDS, Tuberculosis and Malaria to quit the country. At the time of its departure, the Global Fund, an international agency that offers grants to combat the world's three major killer diseases in over 125 countries, had committed to spend US\$98.4 million dollars over a five-year period in Burma. Of that, US\$54.3 million dollars was for AIDS-related initiatives.

This slash in funding for AIDS programmes came on the heels of a revelation by the Council on Foreign Relations, a New York-based think tank, that Burma was the main source of all strains of HIV that had spread across a wide arc in Asia, with Kazakhstan, on one end, and southern Vietnam, on the other.

What adds to this troubling picture is Burma's high number of patients with tuberculosis (TB), which has become the leading killer of people afflicted with HIV. Burma has 97,000 new cases of TB every year, according to the World Health Organization.

**TABLE 5.9**  
**Information, Communication and Technology Infrastructures, ASEAN Members**  
**(per thousand people)**

Country	Newspapers 1996	Radios 1997	Televisions 1998	Telephone, 2004		PCs 1998	Internet Users 2005
				mainlines	cell		
Brunei	n.a	n.a	n.a	237.20	361.10	n.a	147.58
Burma	10	95	7	7.77	1.69	5.0	1.16
Cambodia	2	127	123	2.62*	35.9*	0.9	2.95
Indonesia	24	156	136	40.70	122.22	8.2	73.33
Lao PDR	4	143	4	14.10**	81.70**	1.1	3.28
Malaysia	158	420	166	182.30	599.20	58.6	411.71
Philippines	79	159	108	42.00	368.10	15.1	87.40
Singapore	360	822	348	450.00	947.60	458.4	539.12
Thailand	63	232	236	105.20	423.60	21.6	130.28
Vietnam	4	107	47	119.90	58.70	6.4	69.55

Sources: FEER Yearbook, 1999; World Development Report 1999/2000; Vietnam Investment Review; Human Development Report 2005.

Table 5.9 shows the level of mass media and information and telecommunications infrastructure of ASEAN countries. Singapore, Thailand and Malaysia are most advanced countries among them whereas Cambodia, Laos and Burma are far behind others. The most visible indicators expressing the development gap among neighboring countries are obviously the poverty level and Human Development Index (measured in terms of life expectancy, literacy rate and income level). Many of ASEAN old countries, except Philippines, have fewer people under poverty line whereas most of new member countries including Burma have more poor people. Regarding ranks in terms of HDI index, in general, Indonesia, Vietnam, Cambodia, Laos and Burma are far behind the other old ASEAN members.

## VI. Rethinking Policy and Conclusion

The above analysis of the changing structure of the economy of Burma indicates that it has been significantly different from trends that took place in other Southeast Asian countries over the past years. Burma's national output, savings and investments, level and growth of per capita GDP, foreign direct investment, developments with respect to inflation and the exchange rate, fiscal and monetary processes and foreign trade patterns exemplifies the deepening social, economic and political crisis that the people of Burma have been subjected to since the military regime illegitimately seized national power.

An anonymous Burmese economist has stated that Burma will therefore need to make considerable effort to achieve its aim of building a modern developed nation. The same economist has correctly proposed that if Burma desire, firstly aiming to catching up with the rest of performing ASEAN economies and secondly consider itself to be a serious partner in participating in the mainstream of regional development that it will have to do two things.

"First, it must take bold policy decisions and implement the necessary economic reform measures to graduate from its current status of a least developed country. There is no dignity by continuing to be a least developed country in the midst of neighbors that are rapidly transforming the structure of their economies and are making determined efforts to improve the quality of life of their peoples. Second, in order to become a modern developed nation-to improve the standard of living of ordinary citizens, to enhance technological and economic independence, as well as to play an active part as an equal partner with others in the region-Burma must rethink undue reliance it seems to be placing on its perceived good natural resource base and on building physical infrastructure to fuel growth and structural transformation of the economy."

Moreover, exploitation of available opportunities for import substitution of consumer goods will need to be pursued in an atmosphere of generally free and open markets and the SPDC must ensure "a level playing field" for the local business community. This will require doing away with arbitrary, ever-changing rules, regulations, administrative orders, levies, contributions, donations and other unwarranted obstacles, imposed upon the local entrepreneurs, that restrict their ability to compete on an equal footing with foreign firms in producing substitutes for the large variety of consumer goods that are now flooding the country.

Also, it is essential to critically review the current state of telecommunication and transport infrastructure, the energy situation, administrative capacity, legal and institution framework, style of macroeconomic management, level of financial sector development, quality of services provided by public utilities, rules and regulations governing conduct of business as well as a number of other factors that are considered necessary to create a climate of free and fair competition that is conducive to private sector development and proper functioning of a market-oriented economy.

Burma's most important resource is its people. Currently the SPDC assumes that its most valuable natural resources are its rich agricultural land, its forests, its mineral reserves, or its hydrocarbon deposits. The people of Burma are degraded by the SPDC. The military regime does not recognize the importance of its people. Such a reorientation in thinking will help bring home the point that exploiting natural resources and building physical infrastructure is not enough. Human capabilities must be improved to make effective use of physical capital that is being built. In addition to building roads, railways bridges and dams, Burma must turn its attention towards what the ASEAN countries as well as the rest of developing Asia is struggling with, namely the more crucial but difficult and challenging task of building social and economic institutions-education systems, health and social welfare services, the legal framework, institutional mechanisms for effective macroeconomic management and economic policy formulation, implementation, monitoring and evaluation, improving civil service, banks and financial systems, governance and administrative machinery and arrangements for environmental protection. If we make this transition, the people of Burma will get a sense of satisfaction, achievement and well-being as they are encouraged to be full participants in transforming Burma into a modern developed nation in this global village in the information age.

In conclusion, the attempts to develop at the national level and the regional level, will need real economic, institutional, administrative and reforms, human resource development and poverty reduction programs, to name a few. Burma needs to strengthen the regional integration programs in ASEAN Vision 2020, The Hanoi Plan of Action, Hanoi Declaration on Narrowing Development Gap for Closer ASEAN Integration, and Initiative for ASEAN Integration. And also, there will be focus on how to reduce the flow of migrants from Burma, particularly the supply side (push factors) and demand side (pull factors). It is important to address the push factors, such as poverty, economic disparities, forced labor, forced relocation, four-cuts program, confiscation on land and property, military acts of violence against its own people especially the ethnic nationalities such as the Karen and lack of any human rights. Burma has a long way to go to re-establish civil society institutes, demolished by the military junta in 1962 and still denied. As long as an illegitimate, not elected regime, denies all freedoms to the people of Burma, there can be no peace or human security or economic development. The economic situation in Burma is a reflection of a country which has no civil, political, or economic rights. Until all prisoners of conscience are unconditionally released from prison, including elected members of parliament, there can be no hope of humane development in Burma. The military regime needs to be recognized internally and internationally as an illegitimate regime which maintains power through acts of violence, force and intimidation against the people of Burma. The NLD are not an opposition party as often stated. The NLD are the elected ruling party denied the right to govern. As long as the military regime rules, the people of Burma are destined to seek refuge in other countries and live under duress in their country. There can be no human security in Burma under a ruling military regime. This report exposes the multiple ways in which the military regime denies economic, social, and political development in Burma.

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## Statistical Appendix

### Gross domestic product by sector (Kt bn; at current prices)

	1998/99	1999/2000	2000/01	2001/02	2002/03*
Agriculture, forestry & fisheries	950.6	1,312.3	1,461.2	2,024.8	3,019.6
Mining	7.9	10.8	15.0	17.3	24.4
Manufacturing	112.8	143.2	182.9	277.8	508.7
Electricity, gas & water	1.0	2.6	3.4	3.2	4.5
Construction	37.0	40.4	46.0	77.1	182.5
Trade	377.6	524.4	613.7	858.1	1,304.5
Transport & communications	80.0	105.7	153.4	191.8	344.1
Finance	1.9	2.2	2.6	3.3	4.2
Public administration	14.6	16.5	39.4	44.7	49.8
Others	26.3	32.2	35.1	50.1	84.5
<b>GDP at factor cost</b>	<b>1,609.8</b>	<b>2,190.3</b>	<b>2,552.7</b>	<b>3,548.5</b>	<b>5,527.0</b>

\* Provisional

Sources: Statistical Yearbook, 2003, CSO, Burma; EIU Country Profile 2005.

### Agriculture growth and output per capita

	1985/86	1995/96	1996/97	1997/98	1998/99	2001/02	2003/04
<i>Real</i> Agric. GDP (million Kyats)	22,200	24,765	25,698	26,480	27,154	561,017	1881,659
Agric. Output Per Capita (Kyats)	589	554	564	571	574	n.a	n.a
<i>Real</i> Agric. Output Per Capita*	1.00	0.93	0.94	0.95	0.96	n.a	n.a
Agric. Growth %	n.a	5.5	3.8	3.0	2.5	8.7	11.7
Per capita agric. Growth %	n.a	3.6	1.7	1.3	0.6	n.a	n.a

\* 1985=100 Base Year

Source: The World Bank Report September 1, 1999 (Myanmar an Economic and Social Assessment).

### Output of key crops (‘000 tons)

	1999/2000	2000/01	2001/02	2002/03	2003/04
Paddy	19,808	20,987	21,569	21,814	23,145
Sugarcane	5,363	5,801	7,004	6,431	6,916
Ground nut	624	720	662	758	877
Maize	344	359	524	603	704
Sesamum	253	376	339	412	444
Cotton	173	150	139	143	156
Jute	34	41	46	40	23

Sources: Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries 2005; EIU Country Profile 2005.

## Production of timber and minerals

(tonnes unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05*
Timber ('000 cu tons)	1,111.6	1,201.1	1,411.9	1,370.7	n.a	n.a
Teak ('000 cu tons)	261.0	250.5	276.1	298.0	n.a	n.a
Crude oil ('000 barrels)	3,480	4,137	4,836	6,387	7,165	7,484
Natural gas (m cu ft)	219,399	299,388	310,323	330,316	349,846	377,584
Zinc concentrates	507	1,960	620	461	673	400
Refined lead	1,716	1,200	810	425	463	809
Tin concentrates	426	731	774	465	616	492
Tungsten concentrates	21	1	2	2	7	2
Jade ('000 kg)	10,983	11,096	8,174	10,879	10,754	14,987
Gems total ('000 carat)	43,615	48,676	45,442	59,169	58,275	47,979
Rubies ('000 carat)	3,174	2,025	2,008	1,428	1,928	3,347
Sapphire ('000 carat)	4,535	6,109	2,314	2,913	1,939	1,088
Others gems ('000 carat)	35,906	40,542	41,120	54,828	54,408	43,544
Pearls ('000 mommi)	10.0	6.1	22.0	39.3	72.6	124.2
Refined silver ('000 oz)	90	65	43	25	36	45

\* Provisional

Sources: EIU Country Profile 2005; Selected Monthly Economic Indicators, CSO, April 2005, Burma.

## Banking statistics

(Kt m; end-year)

	2000	2001	2002	2003	2004
Demand deposits	119,746	206,349	290,520	82,948	139,880
Time, savings & foreign currency deposits	335,574	450,560	541,307	386,298	594,169
Restricted deposits	1,703	1,760	2,661	2,812	2,298

Source: IMF, *International Financial Statistics*.

## Exports

(Kt m)

	1999/2000	2000/01	2001/02	2002/03	2003/04*	2004/05**
Gas (Kt m)	31.2	1,110.5	4,247.1	5,919.0	3,478.1	5,812.2
Gas (m cu ft)	6,527.1	65,359.4	237,080.7	350,900.5	200,155.6	335,524.5
Hardwoods	924.9	802.7	1,898.1	1,679.8	2,049.0	2,239.0
Teak	726.7	650.9	1,422.6	1,390.5	1,492.4	1,513.9
Other hardwoods	198.2	151.8	457.4	483.4	556.6	725.1
Garments	877.8	3,785.3	2,985.3	2,973.2	1,965.0	1,236.5
Pulses #	1,178.9	1,658.0	1,897.9	1,760.3	1,731.3	1,280.5
Marine exports	762.4	889.6	828.6	1,089.6	939.9	1,006.7
Prawns	530.5	598.3	518.7	623.4	588.7	596.6
Fish & fish products	231.9	291.3	309.9	466.2	351.2	410.1
Base metals & ores	288.5	323.8	287.7	282.4	340.2	546.6
Sesamum seeds	81.8	119.2	40.1	35.4	185.6	51.5
Rice	64.9	207.6	754.1	632.6	130.4	180.3
Raw rubber	75.2	66.6	75.9	88.5	99.3	87.2
Plywood & veneer	94.7	98.7	106.4	97.0	84.7	92.5
Total incldg others	8,947.3	12,736.0	17,130.7	19,955.1	14,119.2	16,697.3
Government	2,026.1	3,775.7	8,172.7	9,228.1	6,281.3	9,434.2
Private	6,921.2	8,960.3	8,958.0	10,727.0	7,837.9	7,263.1

\* Provisional actual. \*\* Provisional. # Mainly matpe, pedesein and pesingon.

Source: Selected Monthly Economic Indicators, CSO, April 2005, Burma.



## Imports

(Kt m)

	1999/2000	2000/01	2001/02	2002/03	2003/04#	2004/05*
Capital goods	5,335.1	4,060.6	5,557.8	3,708.9	3,930.4	3,387.6
Intermediate goods	5,132.0	4,759.8	7,410.0	5,297.1	4,454.4	3,325.2
Consumer goods	5,797.7	6,432.7	5,409.9	5,904.0	5,012.7	4,625.7
<b>Total</b>	<b>16,246.8</b>	<b>15,073.1</b>	<b>18,377.7</b>	<b>14,910.0</b>	<b>13,397.5</b>	<b>11,338.5</b>
Government	4,823.3	3,009.5	6,345.2	3,137.7	4,215.8	3,584.9
Private	11,441.5	12,063.6	11,942.5	11,592.3	9,181.7	7,753.6
<b>Major items</b>						
Machinery & transport equipment	3,289.4	2,631.4	4,000.9	2,801.3	2,791.0	2,164.9
Refined mineral oil	1,046.1	955.4	2,102.8	1,163.9	1,783.2	1,361.0
Base metals & manufactures	1,722.8	1,437.9	1,386.1	936.0	1,205.5	899.3
Synthetic fabric fibers	898.5	1,554.5	1,563.0	1,597.7	1,130.7	823.2
Electrical machinery	1,578.3	1,122.7	1,109.2	756.4	643.5	874.4
Plastic	803.8	789.6	804.7	820.3	598.2	457.4
Edible vegetable oil	477.6	475.4	550.9	352.8	441.4	474.0
Paper & paper board	343.7	344.4	452.7	428.8	360.9	314.6
Pharmaceuticals	302.5	413.1	402.2	352.6	272.0	314.8
Woven fabrics	450.2	759.1	458.6	493.0	255.6	147.1
Fertiliser	329.0	254.6	140.8	157.8	135.1	20.1
Crude oil	554.6	95.7	1,555.5	872.8	79.1	-

# Preliminary. \* Provisional

Sources: EIU Country Profile 2005; Selected Monthly Economic Indicators, CSO, April 2005, Burma.

## Main trading partners

(US\$ m)

	2000	2001	2002	2003	2004	2005*
<b>Exports to:</b>						
Thailand	233.0	735.4	831.2	827.0	1,177.5	1,173.0
Singapore	130.2	113.5	163.6	135.8	131.2	140.9
India	162.9	179.8	195.2	355.2	444.8	341.4
China	111.7	122.0	124.5	154.1	198.2	287.0
Japan	108.4	92.8	100.3	126.9	1,63.5	128.7
South Korea	14.5	21.4	22.6	25.4	39.2	36.7
UK	14.4	34.1	51.7	60.7	64.8	51.1
US	442.7	456.2	345.4	268.6	97.2#	0.3
ASEAN	304.7	507.9	1,138.0	1,367.3	1,032.2	1,488.4
<b>Total incl others</b>	<b>1,977.6</b>	<b>2,634.4</b>	<b>2,653.7</b>	<b>2,750.2</b>	<b>3,179.9</b>	<b>2,914.9</b>
<b>Imports to:</b>						
China	559.6	547.3	797.3	998.5	986.3	987.1
Singapore	479.7	465.6	576.6	716.0	717.1	615.0
Thailand	554.7	390.5	355.9	483.4	665.9	614.0
Malaysia	254.2	216.7	263.1	154.3	164.3	122.7
South Korea	318.3	255.3	157.8	202.4	215.1	167.7
India	72.9	83.2	82.3	106.7	108.9	83.8
Japan	289.6	202.8	355.7	214.4	263.5	160.7
France	14.7	23.6	10.5	10.3	13.8	10.9
Germany	24.3	22.8	28.6	18.4	18.8	27.1
UK	7.2	14.0	18.1	9.0	10.1	5.4
US	92.3	23.6	33.1	22.0	23.7	28.9
ASEAN	1,375.7	1,069.3	1,298.3	1,223.3	1,073.7	956.7
<b>Total incl others</b>	<b>3,039.3</b>	<b>2,661.2</b>	<b>2,951.3</b>	<b>3,219.1</b>	<b>3,487.9</b>	<b>1,979.4</b>

# 2003/04 provisional actual \* 2004/05 Provisional

Sources: IMF, Direction of Trade Statistics; Selected Monthly Economic Indicators, CSO, April 2005, Burma.

## Merchandise trade balance

(Kt m)

	2000	2001	2002	2003	2004	2005*
Exports	10,600.5	15,929.4	19,980.3	15,123.0	13,687.0	16,697.3
Imports cif	-15,426.3	-19,248.3	-15,373.2	12,720.7	12,636.8	11,338.5
<b>Balance</b>	<b>-4,825.8</b>	<b>-3,318.9</b>	<b>4,607.1</b>	<b>2,402.3</b>	<b>1,050.2</b>	<b>5,358.8</b>

\* 2004/05 Provisional

Sources: EIU Country Profile 2005; IMF, Selected Monthly Economic Indicators, CSO, April 2005, Burma.

**Balance of payment, IMF series**  
(US\$ m; calendar years)

	1999	2000	2001	2002	2003	2004
Exports fob	1,293.9	1,661.6	2,432.4	2,544.1	2,510.1	2,926.7
Imports fob	-2,181.3	-2,165.4	-2,376.3	-2,161.6	-1,932.4	-1,998.7
<b>Trade balance</b>	<b>-8,187.3</b>	<b>-503.8</b>	<b>56.1</b>	<b>382.4</b>	<b>577.7</b>	<b>928</b>
Services: credit	512.2	477.9	407.7	379.1	300.3	-
Services: debit	-291.1	-328.1	-362.7	-321.5	-355.3	-
<b>Services balance</b>	<b>221.1</b>	<b>149.8</b>	<b>45.0</b>	<b>57.6</b>	<b>-55.0</b>	<b>-</b>
Income: credit	51.6	35.5	35.9	31.7	30.0	-
Income: debit	-54.6	-168.8	-510.0	-623.5	-631.8	-
<b>Income balance</b>	<b>-3.0</b>	<b>-133.3</b>	<b>-366.7</b>	<b>-591.8</b>	<b>-601.8</b>	<b>-</b>
Current transfers: credit	384.8	289.7	217.7	185.8	151.1	-
Current transfers: debit	-0.3	-14.1	-14.3	-23.9	-22.3	-
<b>Current transfers balance</b>	<b>384.5</b>	<b>275.6</b>	<b>203.4</b>	<b>161.9</b>	<b>128.8</b>	<b>-</b>
<b>Current-account balance*</b>	<b>-284.7</b>	<b>-211.7</b>	<b>-169.5</b>	<b>10.0</b>	<b>49.6</b>	<b>111.6</b>
Capital account	n/a	n/a	n/a	n/a	n/a	n/a
Financial account	251.2	212.8	303.3	97.2	28.8	-
Outwards direct investment	0.0	0.0	0.0	0.0	0.0	-
Inwards direct investment	255.6	258.3	210.3	191.1	133.5	-
Other investment liabilities	-4.4	-45.4	93.0	-93.9	-104.7	-
Errors & omissions (net)	-12.4	-24.5	46.1	-61.8	-39.5	-
<b>Overall balance</b>	<b>-45.9</b>	<b>-23.4</b>	<b>-179.8</b>	<b>45.4</b>	<b>38.9</b>	<b>-</b>

\* Components do not add in source owing to rounding.  
Source: EIU Country Profile 2005; IMF, International Financial Statistics.

**Net official development assistance \***  
(US\$ m; calendar years)

	1999	2000	2001	2002	2003
<b>Bilateral</b>	<b>111.4</b>	<b>-3.7</b>	<b>67.2</b>	<b>36.6</b>	<b>18.5</b>
Japan	91.4	51.7	44.1	15.1	10.4
<b>Multilateral</b>	<b>28.6</b>	<b>37.8</b>	<b>37.5</b>	<b>34.0</b>	<b>34.7</b>
UN Development Programme	15.6	14.9	15.6	6.5	5.8
UN Children's Fund	7.9	6.3	6.5	7.4	7.2
<b>Total incl others</b>	<b>150.2</b>	<b>56.8</b>	<b>17.4</b>	<b>78.4</b>	<b>59.2</b>

\* Disbursements by OECD and OPEC members and multilateral agencies. Official development assistance is defined as grants and loans, with at least a 25% grant element, administered with the aim of promoting economic or social development.

Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients, 2005.

**Foreign direct investment approvals**  
(US\$ m)

	1999 /00	2000 /01	2001 /02	2002 /03	2003 /04	2004 /05	Accumulated total (as of Sept; 2006)
Mining	16.0	1.1	0.0	3.4	1.5	6.0	172
Hotel & tourism	15.5	5.3	0.0	0.0	0.0	- 25.1	951
Manufacturing & processing	18.1	77.4	15.8	13.2	2.8	3.5	1,452
Oil & gas	5.3	47.6	3.3	44.0	54.3	142.6	2,248
Fisheries	3.3	0.0	0.0	26.4	2.6	0.0	301
Transport	0.0	7.9	0.0	26.4	2.6	0.0	309
Real estate	0.0	28.0	0.0	0.0	0.0	31.3	858
Agriculture	0.0	20.0	0.0	0.0	0.0	0.0	34
Construction	0.0	20.5	0.0	0.0	0.0	0.0	37
Electric power	-	-	-	-	-	-	6,030
<b>Total incl others</b>	<b>58.2</b>	<b>217.7</b>	<b>19.0</b>	<b>86.9</b>	<b>91.2</b>	<b>158.3</b>	<b>13,849</b>

Sources: Selected Monthly Economic Indicators, CSO, April 2005, Burma; The New Light of Myanmar, December 18, 2006.

## Foreign Direct Investment Approvals in Burma by Selected Countries

(US\$ m)

	'97/98	'98/99	'99/00	'00/01	'01/02	'02/03	'03/04	'04/05	No. of Projects	1990/01 to 2004/05
China	0.500	2.662	-	28.980	3.250	-	2.820	126.55	25	193.52
Hong Kong	56.880	8.028	5.742	13.229	1.516	12.880	3.000	-	30	165.72
India	-	4.500	-	-	-	-	-	-	1	4.500
Japan	26.850	8.914	5.095	-	4.690	-	-	2.713	23	215.283
Korea, Rep. of	29.700	0.239	4.320	47.220	5.000	0.300	34.900	-	34	191.31
Singapore	270.613	14.210	4.736	36.915	-	6.100	-	-	72	1572.73
Thailand	210.360	10.785	16.500	25.750	-	-	22.000	29.02	55	1341.22
Malaysia	124.800	-	-	9.832	1.500	62.246	-	-	33	660.75
Indonesia	25.420	1.050	1.377	1.200	1.500	-	-	-	12	241.50
Philippines	140.000	-	-	-	-	-	-	-	2	146.67
U.S.A	-	-	-	-	-	-	-	-	16	582.07
Austria	-	-	-	-	-	-	-	-	2	72.50
Canada	5.300	-	-	21.950	-	-	1.450	-	17	61.231
Denmark	-	-	-	-	-	-	-	-	1	13.37
France	-	-	-	-	-	-	-	-	3	470.37
Germany	-	-	-	-	-	-	-	-	1	15.00
The Netherlands	-	1.00	-	-	-	-	-	-	5	238.835
Switzerland	-	-	-	-	-	3.382	-	-	1	3.382
UK	47.549	4.443	15.130	30.612	1.546	-	27.000	-	38	1431.01
Others	-	-	-	-	-	-	-	-	23	1479.573
ASEAN	-	-	-	-	-	-	-	-	175	3964.91
EU	-	-	-	-	-	-	-	-	68	2305.699 (29.75%)
Total	-	-	-	-	-	-	-	-	394	7750.182

Sources: Statistical Year book 2003; and Selected Monthly Economic Indicators, April 2005, CSO, Ministry of National Planning and Economic Development, Burma.

## External debt

(US\$ unless otherwise indicated; debt stocks as at year-end; calendar years)

	1999	2000	2001	2002	2003
<b>Total external debt</b>	<b>6,004</b>	<b>5,928</b>	<b>5,670</b>	<b>6,580</b>	<b>7,320</b>
Long-term debt	5,337	5,242	5,010	5,390	5,860
Short-term debt	666	686	664	1,190	1,460
Interest arrears on long-term debt	509	488	500	632	745
Use of IMF credit	0	0	0	0	0
<b>Public &amp; publicly guaranteed long-term debt</b>	<b>5,337</b>	<b>5,242</b>	<b>5,010</b>	<b>5,390</b>	<b>5,860</b>
Official creditors	4,806	4,262	4,100	4,510	4,980
Multilateral	1,251	1,148	1,130	1,220	1,310
Bilateral	3,555	3,114	2,960	3,290	3,670
Private creditors	531	980	911	884	878
<b>Total debt service, paid (flow)</b>	<b>88</b>	<b>75</b>	<b>76</b>	<b>102</b>	<b>107</b>
Principal	64	71	71	94	93
Interest	24	4	5	8	4
<b>Ratios (%)</b>					
Debt-service ratio*	5.0	3.9	2.9	3.7	3.3
Short-term debt/total external debt	11.1	11.6	11.7	18.1	20.0
<b>Memorandum items</b>					
Disbursements (flow)	64	15	9	6	3
Multilateral creditors	0	1	2	1	1
Bilateral creditors	34	11	6	3	2
Private creditors	29	3	2	1	0
Principal arrears	1,803	1,738	1,800	2,200	2,610

Note: Long-term debt is defined as having original maturity of more than one year. Figures do not add owing to rounding.

\* Debt service as a percentage of earnings from exports of goods and services.

Sources: EIU Country Profile 2005; World Bank, Global Development Finance.

## Foreign reserves

(US\$ m unless otherwise indicated; end-period; calendar years)

	2000	2001	2002	2003	2004	2005
Foreign exchange	222.8	399.9	469.9	550.1	672.1	774.3
SDRs	0.1	0.6	0.1	0.1	0.0	-
Gold *	10.6	10.2	11.0	12.0	12.6	12.2
<b>Total reserves incl gold</b>	<b>223.5</b>	<b>410.7</b>	<b>481.0</b>	<b>512.2</b>	<b>684.7</b>	<b>786.5</b>

Source: IMF, International Financial Statistics.

## Exchange rates

(Kt:US\$; calendar years)

	2000	2001	2002	2003	2004	2005
Official rate (annual average)	6.43	6.68	6.57	6.08	5.75	5.73
Official rate (year-end) *	6.53	6.77	6.36	5.73	5.48	5.63
Free-market rate (annual average)	355	620	970	960	910	1,095
Free-market rate (year-end) *	410	720	1,100	900	960	1,295

\* Economist Intelligence Unit estimate.

Sources: IMF, International Financial Statistics; private reports; Selected Monthly Economic Indicators, CSO, April 2005, Burma.

## Registered migrants granted work permits in Thailand (as at 25 March 2002)

Industry	Burmese			Laotians			Cambodians			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Agriculture	46,576	23,140	69,716	2,612	1,349	3,961	3,113	1,394	4,507	52,301	25,883	78,164
Mining	837	297	1,134	7	9	16	9	1	10	853	307	1,160
Pottery	2,007	770	2,777	122	38	160	19	15	34	2,148	823	2,971
Construction	21,862	8,983	30,845	943	439	1,382	2,445	803	3,248	25,250	10,225	35,475
Rice mill	3,531	1,034	4,565	69	33	102	85	19	104	3,658	1,086	4,771
Livestock	11,839	3,993	15,832	1,688	598	2,286	1,671	435	2,106	15,196	5,026	20,224
Fishery & related	35,671	23,123	58,794	966	324	1,290	13,278	778	14,056	49,915	24,225	74,140
Warehouses	5,417	1,640	7,057	492	323	815	1,950	557	2,507	7,859	2,520	10,379
Domestic help	5,389	41,970	47,359	1,027	11,470	12,497	408	2,686	3,094	6,824	56,126	62,950
Special jobs (Miscellaneous)	62,775	47,893	110,668	9,249	10,327	19,576	4,420	3,531	7,933	76,444	61,773	138,177
1. with employer	56,685	43,730	100,395	8,326	9,153	17,479	3,629	2,815	6,444	68,620	55,698	124,318
1. without employer	6,110	4,165	10,273	923	1,174	2,097	791	698	1,489	7,824	6,035	13,859
<b>Total</b>	<b>195,904</b>	<b>152,843</b>	<b>348,747</b>	<b>17,175</b>	<b>24,910</b>	<b>42,085</b>	<b>27,398</b>	<b>10,201</b>	<b>37,599</b>	<b>240,477</b>	<b>187,954</b>	<b>428,431</b>
Percentage	56.2	43.8	100.0	40.8	59.2	100.0	72.1	27.1	100.0	100.0	100.0	100.0

Source: Office of the Commission on Administration of Illegal Alien Immigrants, cited in the Thailand CRT's country report.

## Mekong Region HIV/AIDS, 2001

Country	Adults & children living with HIV/AIDS	Adults 15-9 years	Women 15-49 years	Adult HIV prevalence	Estimated deaths (adults & children)
Cambodia	170,000	160,000	74,000	2.70%	12,000
China	850,000	850,000	220,000	0.10%	30,000
Lao PDR	1,400	1,300	350	<0.10%	<150
Burma, 1999	530,000	510,000	180,000	1.99%	48,000
Thailand	670,000	650,000	220,000	1.80%	55,000
Vietnam	130,000	130,000	35,000	0.3%	6,600

Source: UNAIDS 2002.