

Lee Jones, ‘Political Economy: An Overview’, in Adam Simpson, Nicholas Farrelly and Ian Holliday (eds.) *Routledge Handbook of Contemporary Myanmar* (Abingdon, Routledge, forthcoming 2016)

Lee Jones

Abstract

This chapter provides a basic overview of Myanmar’s political economy, to help contextualise the rest of this section. It explains the failure of ‘socialist’ development in Myanmar (1947-1988) due to structural problems afflicting many developing less-developed countries. It then explores politicised marketisation processes since 1988. Growth has occurred, consolidating forces loyal to the state. However, growth was concentrated in extractive sectors, cementing Myanmar’s structural position as a producer and exporter of raw commodities. This has generated a rapacious, uneven and often violent mode of development, and a configuration of socio-political forces less amenable to liberal reform than to violent conflict.

Author Biography

Lee Jones is senior lecturer in the School of Politics and International Relations at Queen Mary, University of London. His work focuses on political economy, social conflict and domestic and international politics in Southeast and East Asia. His publications include *ASEAN, Sovereignty and Intervention in Southeast Asia* (Palgrave Macmillan, 2012), *Societies Under Siege: Exploring How International Economic Sanctions (Do Not) Work* (Oxford University Press, 2015) and, with Shahar Hameiri, *Governing Borderless Threats: Non-Traditional Security and the Politics of State Transformation* (Cambridge University Press, 2015). Email: l.c.jones@qmul.ac.uk. Website: www.leejones.tk. Twitter: @DrLeeJones.

Introduction

This chapter provides a basic, general overview of the main features of Myanmar’s political economy, to help contextualise the more specific chapters that follow in this section. Myanmar’s economy today contrasts starkly with those of its more developed Southeast Asian neighbours like Thailand and Malaysia. While the latter underwent rapid industrialisation from the 1970s, becoming middle-income economies, Myanmar remains one of the world’s poorest countries, with socio-economic indicators slightly worse than Southeast Asia’s other post-’socialist’ economies and comparable to underdeveloped African states (see Table 1).

Country	GDP (US\$bn)	GDP per capita (\$)	HDI (rank)
Malaysia	220.2	7,294	0.78 (62)
Thailand	248.3	3,705	0.73 (93)
Philippines	165.1	1,650	0.67 (115)
Viet Nam	92.8	1,003	0.67 (116)
Laos	5.4	781	0.58 (141)
Cambodia	11.5	745	0.56 (143)
Tanzania	33.1	652	0.52 (151)
Myanmar	26.3	490	0.54 (148)
Mali	11.6	490	0.42 (179)

Table 1: 2014 GDP (estimated, constant 2005 prices and exchange rates) and Human Development Index Data.
Source: UNCTAD (2016); UNDP (2015: 208-11).¹

Beyond these headline data, Myanmar is also struggling to reform an economy characterised by severe capital scarcity, atrocious infrastructure, a rapacious, extractive and predatory mode of development, rampant corruption and the concentration of economic power in a small elite clustered around the military (Jones 2014b). While these arrangements staved off state collapse in the face of economic crisis and Western sanctions, they have perpetuated patterns of violence, poverty and exclusion that have changed little since the installation of an electoral regime in 2010-11.

The following sections explore the two major dynamics shaping this outcome: the failure of Cold War-era ‘socialist’ development, which retarded the development of class forces and locked Myanmar into a resource-exporting, capital-importing model; and the post-Cold War, heavily constrained and politically controlled moves towards marketisation, which concentrated economic power in the hands of a tiny minority. The implications for Myanmar’s contemporary political economy and the process of ‘reform’ are then considered before the conclusion.

The Failure of ‘Socialist’ Development

Myanmar’s post-independence development – under civilian rule (1948-1962), the military-dominated Revolutionary Council ([RC] 1962-74), and the Burmese Socialist Programme Party ([BSPP] 1974-88) – involved a quest for ‘nationalisation, Burmanization and industrialisation’ (Brown 2013). Attempting to overcome the legacy of colonialism and secure Myanmar’s independence, successive regimes pursued an increasingly autarkic mode of import-substituting industrialisation (ISI). As in other developing countries, this failed due to structural weaknesses: inadequate exports to finance industrial development, producing growing dependency on external finance that proved disastrous when commodity prices collapsed in the 1980s. In Myanmar, this was exacerbated by the total exclusion of foreign investment and the consumption of scarce resources by the grinding counter-insurgency campaigns against communists and ethnic-minority separatists. Ultimately, ‘socialist’ development failed to change the sectoral composition of Myanmar’s economy, leaving it heavily reliant on basic commodity production and low-level industry, while weakening or destroying key economic classes and concentrating power in the hands of state-based actors.

At independence, the modern sectors of Myanmar’s economy were in foreign hands: Europeans controlled foreign trade and large-scale industry; Indians, credit, domestic trade and intermediate industry; and Chinese, urban retailing. Economic nationalism – which remains a powerful ideological current – drove the Bamar-led independence movement to reverse this effect of British colonialism and develop an independent, Bamar-dominated industrial economy. As in many post-colonial countries, this involved combining intensifying nationalisation of economic assets with the state-led nurturing of domestic industries to substitute foreign imports (Brown 2013).

However, again as in similar countries, ISI faced fundamental structural impediments. Developing domestic industry requires mobilising capital to purchase machinery and necessary inputs. This can be financed through domestic or foreign investment, loans or aid; the earning of export surpluses; and/or government revenues. However, developing countries typically lack adequate domestic savings and their states struggle to collect taxes. Furthermore, colonial underdevelopment left their economies largely producing primary

¹ Myanmar’s statistics are notoriously unreliable. They are used herein to indicate broad patterns, rather than provide precise measures.

commodities while relying on imports from developed countries for capital goods and intermediate industrial inputs. Consequently, even if the necessary finance is available, developing industry typically involves increasing imports, which erodes the surplus of exports over imports used to finance capital purchases. In order to restore the surplus, governments are often forced to suppress imports, which then dampens economic growth by starving the economy of necessary resources.

Myanmar has experienced this classic underdevelopment 'trap' for its entire post-colonial history, save perhaps since around 2005, when booming hydrocarbon exports have finally produced a structural trade surplus. Myanmar's main opportunity to generate export surplus was through commercial agricultural development. However, successive regimes, embroiled in counter-insurgency in Myanmar's borderlands, instead prioritised socio-political stability in the Bamar heartlands. To avoid peasant unrest, land holdings were kept small and individualised, preventing the consolidation of large industrial farms and, while private lenders were barred from agriculture, the government could not finance adequate infrastructural investment or inputs. Meanwhile, forced rice purchases at below-market prices appeased urban consumers, but disincentivised private effort to improve output. Agricultural output actually fell (Brown 2013: ch.4). Meanwhile, counterinsurgency campaigns sucked scarce resources into unproductive military spending. Consequently, Myanmar failed to generate the surplus necessary to finance ISI. As early as the late 1950s, as the state directed capital towards factories, power generation and infrastructure, dependence on imported inputs rose, and production became constrained by chronic shortages of foreign exchange required to purchase inputs and equipment (Taylor 2009: 21; Larkin 2012: 10).

This structural problem persisted under RC and BSPP rule, prompting more radical measures that did not generate significant growth but did substantially alter patterns of economic ownership and control. An exodus of European and Indian capitalists after World War II had already shifted ownership into the hands of local merchants. However, the RC went further, abolishing agrarian tenure and nationalising all internal trade and 15,000 private firms, leading to an exodus of up to 300,000 ethnic-Indian entrepreneurs and driving out foreign investors (Taylor 2009: 342, 317). Far from solving ISI's fundamental contradictions, these measures only exacerbated capital shortages. However, they also entirely eliminated the domestic bourgeoisie and the remnants of the landlord class, and drove much of the petit-bourgeoisie into the black market (further reducing tax revenue). Consequently, by the mid-1980s, while some 34,596 private firms remained, they were almost exclusively small-scale, with only six employing over 100 people. The state monopolised large-scale industry, funnelling what scarce resources it could mobilise for ISI into state-owned enterprises, and controlled 39 percent of all output and services (Taylor 2009: 346). Thus, the main impact of nationalisation was to concentrate economic power in the hands of state-based actors, eliminating independent, legal centres of power and wealth. ISI's failure also retarded the development of a working class: the proportion of people employed in industry was just 8.3 percent by 1985/6, lower than in 1931 (Taylor 2009: 345). This suppression of socio-economic forces beyond the state is a crucial legacy of RC/BSPP rule which continues to profoundly shape Myanmar's development.

The chronic shortage of capital needed to finance ISI, and growing economic stagnation, eventually drove the BSPP to seek to stimulate commodity exports and accept foreign aid and loans after 1971. Again like many developing countries, Myanmar was encouraged to borrow heavily after the oil crises and subsequent petrodollar glut. By 1987, its foreign debt stood at US\$5.7bn (Taylor 2009: 376). Loans were initially used to increase production of agricultural commodities and natural gas, boosting export revenues, and to expand industrial output considerably. However, with foreign investment still banned, Myanmar's exports did not grow sufficiently to cover its growing import bill for the capital

and intermediate goods needed to fuel this growth, generating persistent trade deficits after 1978. Subsequent efforts to suppress imports merely retarded growth, further depressing government revenues. To cover the shortfall, the government began printing money, generating hyperinflation, and borrowed more, increasing its indebtedness (Tin Maung Maung Than 2005: ch.6).

In the early 1980s, most developing countries, including Myanmar, suffered a massive collapse in export revenues as global commodity prices fell, leaving them unable to service their foreign debt. Myanmar's neighbours in capitalist Southeast Asia escaped their debt crises via the 1985 Plaza Accord, which inflated the yen, encouraging Japanese firms to outsource production. The resultant influx of Japanese capital consolidated these countries' successful turn to export-oriented industrialisation, financed by foreign investment and export revenues. However, since Myanmar remained closed to foreign investment, the Plaza Accord merely increased the cost of servicing its yen-denominated debts (Steinberg 2001: 22). By 1988, Myanmar's debt-to-GDP ratio was 75 percent, and debt repayments were absorbing 55-91 percent of its dwindling export revenues (Steinberg 2001: 6). The ISI development model had utterly failed; the state was on the verge of bankruptcy. Belated interventions, including two disastrous currency demonetisations designed to quash the black market, helped precipitate mass unrest that toppled the regime in 1988. With rebellions still raging in the borderlands, the military, citing the risk of Myanmar's dissolution, again seized power directly.

Given ISI's failure, the basic sectoral composition of Myanmar's economy had remained basically unchanged since the colonial era, notwithstanding significant shifts in ownership and control. By 1985/6, two-thirds of the population remained engaged in unproductive, mostly subsistence agriculture, comprising about 28 percent of GDP. Only 10.5 percent worked in industry, contributing just 8.3 percent of GDP, while the state employed 10.6 percent of citizens (Taylor 2009: 344-346). Myanmar's military regime thus inherited a bankrupt state and a backwards economy heavily dependent on basic commodity production and lacking an indigenous bourgeoisie. As we shall see, this inheritance significantly shaped Myanmar's subsequent development trajectory.

The Constrained Turn Towards Marketisation

Rather like other developing countries faced with structural adjustment imposed by International Monetary Fund intervention, Myanmar's new rulers had to significantly liberalise the economy to stave off state collapse. As elsewhere in Southeast Asia, however, this process was heavily shaped by political imperatives: the need to restore socio-political order, particularly in Myanmar's borderlands. Constrained marketisation thus generated a new economic elite, but one tied closely to the military: army generals-cum-businessmen; former borderlands smugglers and drug lords; and crony capitalists. Economic development was further constrained by Myanmar's balance-of-payments trap, its legacy of socialist underdevelopment, and its dependence on Asian markets and investors. Combined, these trends channelled Myanmar's economy towards rapacious natural resource exploitation, generating an uneven and often violent mode of development.

Although Myanmar's military regime (1988-2011) initially embarked on crash liberalisation, by the late 1990s this had been curtailed, partly for structural reasons inherited from the BSPP era. Initially, foreign investment was welcomed; trade in agricultural commodities, timber and fisheries was liberalised to generate export revenues; and oil contracts were signed with Western companies. The regime also committed itself to expanding the private sector and began privatising state assets. These moves averted total state bankruptcy and restored economic growth, though it was not until 1995/6 that per capita incomes recovered to pre-crisis levels (Brown 2013: ch.5). However, liberalisation slowed

then reversed in the late 1990s. Reflecting Myanmar's underdevelopment trap, as the economy recovered, imports exceeded exports, generating a persistent balance of payments crisis and foreign exchange shortages – exacerbated by the 1997-98 Asian financial crisis (see Figure 1). Again, the government had to suppress imports, retarding growth. Structurally, the state remained incapable of mobilising resources for investment. Rising government spending vastly exceeded revenues; printing more money merely caused hyperinflation until spending, like imports, was suppressed in the late 1990s (Myat Thein 2004: 215, 220). Privatisation also foundered due to the absence of an indigenous business class capable of purchasing and managing state-owned enterprises (SOEs) – a legacy of earlier nationalisations – generating fears that buyers would simply asset-strip SOEs and fire workers (Abel 2012).

The constraints on liberalisation were not merely structural, however; they also stemmed from the military regime's political strategy, which prioritised socio-political stability and 'state-building' over economic liberalisation (Mya Maung 1998). The junta confronted a restive Bamar population that had revolted in 1988 and kept simmering following the military's refusal to transfer power to civilians after multiparty elections in 1990. Privatisation was partly curtailed due to fears of renewed unrest if unemployment rose further (Khin Maung Nyo 2012). An even more serious threat was the widespread ethnic-minority insurgency in Myanmar's borderlands. Although the regime wanted economic growth to pacify the population, its willingness to embrace liberalisation was heavily constrained by these security imperatives, coupled with the traditional Bamar-nationalist disdain for foreign investors and capitalists in general. Rather than allowing markets free reign, the military thus sought to channel economic flows so as to strengthen forces loyal to the state over their enemies.

First, the military shaped economic liberalisation to augment the economic base of itself and the wider state apparatus that it dominated. It established two large, military-run conglomerates to absorb state assets and attract foreign investment. Union of Myanmar Economic Holdings Limited developed interests in banking, trade, gems, tourism, real estate, and joint ventures with foreign firms in garment and consumer goods factories, gems, wood products and trade, transportation, cement, construction and real estate. Myanmar Economic Corporation acquired interests in heavy industry, foodstuffs, trade, banking, tourism, gems, minerals, natural gas, electricity, telecoms, construction, and transportation (Steinberg 2001: 178, n17-18; Brown 2013: ch.5). The state channelled 81 percent of foreign investment for joint ventures (comprising 25 percent of total foreign investment) towards such entities (Myat Thein 2004: 256).

Secondly, and more innovatively, the regime fostered the emergence of so-called 'national entrepreneurs': indigenous big businessmen, loyal and useful to the state. These mostly emerged from the black market – the only domain where people had been able to accrue capital and business experience – supplemented by those who successfully exploited the early liberalisation of border trade to earn small fortunes. Marketisation was a significant capitulation to such groups, reflecting the regime's desperate need for capital. However, the junta sought to encourage their 'return to the legal fold' on its terms insofar as possible. Thus, for example, individuals who had reaped fortunes from cross-border smuggling and drug trafficking were invited to create private banks – after paying a 25 percent 'whitening tax' – and invest in the national economy (Turnell 2009: 260-265). Others were allowed to found major business enterprises and given privileged access to finance, licenses and government contracts. The state had strategically retained legal monopolies in key industries like timber, hydrocarbons, gemstones, communications, metals, and air and railway transportation. With SOEs unable to run these effectively, their activities were often subcontracted to favoured private businessmen or carried out as joint ventures. These concessions generated what are

now Myanmar's dominant private conglomerates, headed by leading 'crony capitalists' like Tay Za, Zaw Zaw, Kyaw Win, Thein Tun, Eike Htun, Htay Myint, Aung Ko Win, and the late heroin kingpin Lo Hsing Han (succeeded by his son, Steven Law). In exchange, these individuals were expected to provide services to the state, such as mediating between the regime and their ethnic-minority groups, donating funds to regime activities, and undertaking construction work. Significant assets were also 'privatised' into the hands of the United Solidarity and Development Association, a military-organised mass organisation that later became the basis for the Union Solidarity and Development Party (USDP) under President Thein Sein (2011-15) – which was partly bankrolled and staffed by crony capitalists (Jones 2014b: 149-151). Although some independent businessmen were able to flourish under military rule, none could do so without close connections to army patrons.

Importantly, this development strategy now encompassed ethnic-minority leaders, as part of a strategy dubbed 'ceasefire capitalism' (Woods 2011b). From 1989, the regime signed ceasefires with war-weary ethnic-minority insurgents, promising their leaders development spending and business opportunities in exchange for halting their armed rebellions and tolerating expanded military deployments in their domains. Regional military commanders subsequently mediated extensive business deals – particularly around timber, mining, hydrocarbons, hydropower and, more recently, agribusiness – tying borderland elites into increasingly centralised patronage networks (MacLean 2008; Woods 2011b,a; TNI 2011; Jones 2014a). Again, state-mediated foreign investment cemented these ties: by 2011, two thirds of Myanmar's total foreign investment was concentrated the resource-rich borderlands (TNI 2011: 12).

Implications: Myanmar's Contemporary Political Economy

The legacy of the failure of 'socialist' development, coupled with the military regime's development strategy, yields four important outcomes that fundamentally shape the contours of Myanmar's contemporary economy and polity. Growth has occurred, consolidating forces loyal to the state. However, this growth has been concentrated in extractive sectors, cementing Myanmar's structural position as a producer and exporter of raw commodities. This has generated a rapacious, uneven and often violent mode of development, and a configuration of socio-political forces that is less amenable to genuine democratisation than to violent unrest.

First, the military succeeded in strengthening the state vis-à-vis those capable of disrupting socio-political order. The military regime presided over significant economic expansion, a point overlooked by those primarily concerned to criticise the junta (see Figure 1). Although its 'achievements' fell well short of total victory, one simply cannot understand the military's decision to cede formal power to an electoral regime in 2011 without the realignment of forces that this strategy helped bring about (Jones 2014a).

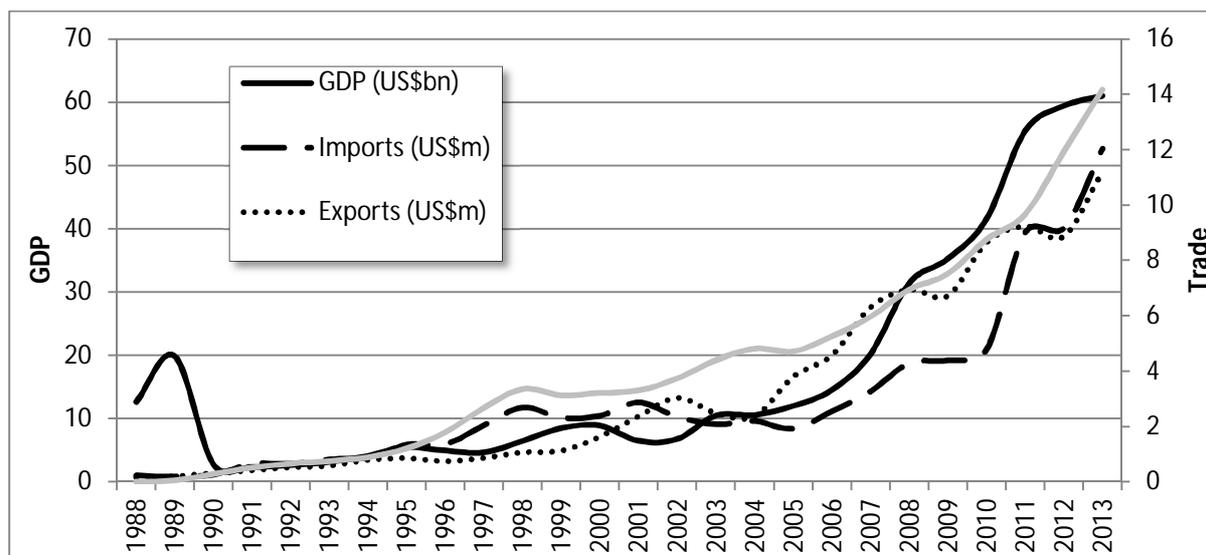


Figure 1: Myanmar's Macroeconomic Indicators. Source: UNCTAD (2016).

Secondly, however, this strategy clearly failed to generate broad-based economic development, notwithstanding a significant shift of ownership and control to the private sector. The regime's retention of extensive economic regulation – partly for structural reasons and partly to help control Myanmar's emerging capitalist class – produced a climate inhospitable to market-led growth. Western investors were deterred by the regulatory climate and a growing barrage of international economic sanctions (see Jones 2015: ch.3). Accordingly, despite investment commitments of US\$7bn by 1998, under one-quarter of this actually materialised (Rüland 2001: 151). Apart from a short-lived boom in low-value-added garments manufacturing – curtailed after 2003 by sanctions – private industry failed to develop. It remained hamstrung by structural problems, notably capital scarcity – exacerbated by the regime's regulatory policies and funnelling of resources towards state-linked enterprises – and poor infrastructure – which, as noted, the government could not muster enough resources to fix. Similarly, agriculture remained stubbornly underdeveloped. Notwithstanding the emergence of some large-scale agribusinesses in the regime's final years, the junta continued to prioritise maintaining rural social order and low rice prices for urban consumers over the structural reorganisation of agriculture. Notwithstanding some output improvement, as before, private capital largely remained barred from agriculture, yet the state could not finance additional infrastructure and inputs (Brown 2013: ch.5).

Thus, internal and external structural constraints, coupled with the regime's strategy, channelled Myanmar's development towards the extractive sectors and primitive accumulation. Otherwise starved of capital, the regime became dependent on Asian investors primarily interested in accessing Myanmar's largely untapped natural resources – an approach that gelled with the regime's 'ceasefire capitalism'. In the 2000s, while Western investors fled, Indian, Thai and especially Chinese investors funded large-scale oil, gas, mining, timber and hydropower projects. This entrenched Myanmar's structural position as a primary commodity producer, exporting raw and semi-processed natural resources and importing capital goods, inputs and complex manufactures (see Tables 2 and 3, and chapter by Caillaud and Bissinger). Apart from a boom in oil, gas and gemstone production – which comprises most of the apparent rise in 'industry', Myanmar's economic structure and employment patterns remain essentially unchanged since BSPP rule – indeed, since independence. The rest of the modern economy remains underdeveloped, with most people reliant on subsistence agriculture or the informal economy (see chapter by Okamoto).

	Share of Value Added (%) ^a		Share of Employment (%)	
	1985	2013	1990 ^b	2010 ^c
Agriculture	48.2	33.2	56.5	52.4
Industry	13.1	29.9	15.1	12
Services	38.7	36.9	28.4	35.5

Table 2: Share of Value Added and Employment by Sector.
Sources: a: UNCTAD (2016); b: Government of Myanmar (1990); c: Government of Myanmar (2011: 38).

Top 2011/12 Exports (%)		Top 2011/12 Imports (%)	
Gas	38.3	Petroleum Products and Chemicals	25.8
Grains and Pulses	18	Machinery	10.9
Jade	8.5	Iron, Steel and Products Thereof	11.3
Wood and Products Thereof	6.7	Motor Vehicles	8.5
Fish and Crustaceans	6.5	Palm Oil	4.3

Table 3: Composition of Myanmar's Trade. Source: WTO (2014: 14).

The third, related implication is that Myanmar's mode of development – particularly in the borderlands – is extractive, rapacious, highly uneven and often violent. Failed ISI, coupled with military state-building, has constructed an economic system centred on subsistence agriculture and low-value-added, menial services in the non-tradable sector, and the rapid extraction and export of natural resources in the tradable sector. The latter involves what David Harvey (2004) calls 'accumulation by dispossession': the often violent grabbing and enclosure of natural resources, including land, from its local inhabitants and users, and the monopolisation of rents by powerful groups. Crucially, these sectors are effectively 'enclaves', providing massive export revenues but very little employment or spill-over benefits to the wider economy (Brown 2013: ch.5). For example, in 2010, hydrocarbons and gemstones comprised 63 percent of Myanmar's exports (US\$4.8bn), but the entire mining and quarrying sector employs just 1.6 percent of the population (UN Data 2013; Government of Myanmar 2011: 38). Chinese-backed extractive projects are particularly notorious for failing to benefit locals, sometimes even using migrant Chinese labour and imported food to feed them.

Although some proceeds from such projects have flowed through the state, enabling recent increases in government spending, there is little sign that this is being reinvested in productive activity. The military still takes the lion's share, absorbing around twenty percent of the formal government budget since 2011 plus extensive off-budget income. Rents have been funnelled into extremely unproductive uses, such as military spending and vast construction projects, like the new capital at Naypyidaw, which have further fuelled inflation. While this may have benefited some workers, and military families dependent on the army to provide basic sustenance (Callahan 2000: 31-32), the wider population has not benefited. Plans for development led by small and medium sized enterprises have seen little realisation, while agriculture remains hamstrung by the longstanding problems identified above (see chapter by Okamoto). The crony capitalists benefiting from these arrangements have gradually expanded their empires, monopolising business opportunities and extracting rents from the population. While their banking interests are booming in the reform era, dominant interests continue to receive most credit (see chapter by Foerch). In the borderlands, widespread hopes for post-ceasefire development have been dashed in most areas as ceasefire

group leaders and their allies have monopolised economic opportunities, fuelling extensive popular resentment (see chapter by Sadan and Meehan). Military, capitalist and ethnic-minority elites have generally failed to energise Myanmar's productive forces, instead purchasing luxury goods, funnelling money offshore and fuelling a domestic real-estate bubble (Saw Yan Naing 2013; Mahtani 2014; Ko Ko Aung 2015). Although the end of most Western sanctions and the initiation of economic reform raised hopes of change, dominant forces have so far steered much of the reform process to benefit themselves. Foreign investment remains concentrated in the extractive sectors, while industrial and commercial investors are mostly partnering with established crony conglomerates (Jones 2014b: 156-163).

The final noteworthy outcome of Myanmar's developmental trajectory is the socio-political forces and conflicts it has generated. The development that has occurred has entrenched *ancien regime* forces deeply in the political economy. The main social entity to have consolidated is the now 450,000-strong army. Retired and serving generals have extensive business interests, including Myanmar's two military conglomerates. Neither they, nor their civilian crony capitalists, can be easily dislodged from their dominant economic position; indeed, their capital and business skills are in more demand than ever. Even Aung San Suu Kyi has courted the cronies (Aung Zaw 2013). The dominance of such forces, and the illicit nature of their wealth, means that corruption and associated poor governance is likely to persist (see chapter by Tin Maung Maung Than). Conversely, alternative social forces remain weak. Given the failure of industrial development, the petit-bourgeoisie is still overwhelmingly small-scale and fragmented, while the working class is small and – despite the recent legalisation of enterprise-level trade unions – remains relatively disorganised and subject to continued violent state repression. Most of the population are impoverished peasants, fragmented by severe ethnic divisions. Put bluntly, this configuration is unfavourable for the consolidation of genuine democracy. Notwithstanding the euphoria surrounding the NLD's 2015 electoral victory, the severe barriers to progress are already widely apparent (Jones 2014b).

The political economy context is also rife with conflict. As noted, the rapacious resource grabs and extraction in the borderlands has generated widespread popular resentment among ethnic-minority populations and is understood to have directly prompted the resumption of the Kachin insurgency since 2011 (Brenner 2015). Much of the subsequent fighting has occurred around the massive Sino-Myanmar oil and gas pipeline traversing Kachin state. The failure of borderlands development means that drug cultivation and trafficking – often the only source of income for rural populations – remains endemic; indeed, despite recurrent government and non-state crackdowns, it is increasing (UNODC 2014). Popular Bamar nationalist resentment of extensive Chinese involvement in extractive investments has also given rise to protests, resulting in the postponement of the US\$3.6bn Chinese hydropower project at Myitsone in 2011. The state violently suppressed demonstrations against a joint Myanmar military-Chinese Letpadaung copper mining project in 2013, then renegotiated the deal to favour Myanmar. There are also increasing widespread farmers' protests against other forms of land-grabs by military and crony companies, which are again typically met with harsh state repression. Since anti-military, anti-crony and anti-Chinese protest clearly remains dangerous, growing Bamar economic nationalism has also apparently been channelled into a viciously xenophobic, anti-Muslim boycott movement led by Buddhist monks. This has intersected dangerously with anti-Muslim communal violence in Rakhine state.

Conclusion

This chapter has very briefly surveyed the main contours of Myanmar's development since independence. Its major features are the failure of state-led industrialisation under civilian

and military-dominated governments before 1988, followed by a constrained embrace of economic liberalisation. Combined, these dynamics have barely altered the basic structure of Myanmar's political economy, which – despite considerable expansion in the last two decades – remains heavily agrarian and reliant on the extraction and exportation of basic commodities and raw materials, and on imports of capital goods and inputs. Myanmar has thus never escaped the 'underdevelopment trap' afflicting many developing countries. Indeed, Figure 1 shows that, even today, as Myanmar's economy booms in the so-called 'reform' era, imports are once more outstripping exports. While foreign investment is partially plugging the gap, currently, the government's ambitious spending plans are yet again being financed by arguably unsustainable overseas borrowing – US\$1bn from 2011-2013 alone (Eleven Media 2015). These failures – the result of the political constraints facing and strategies pursued by successive regimes – explain Myanmar's dismal performance relative to its Southeast Asian neighbours, who have successfully leveraged foreign investment over several decades to promote export-oriented industrialisation.

This pattern of development has also entrenched a mode of development that is highly uneven, exploitative, rapacious and often violent, generating a narrow economic elite, widespread corruption, and deep social conflicts. Essentially, capital accumulation occurs primarily in lucrative, cartelised/ monopolistic and tradable sectors monopolised by the state, the military, and their corporate allies. The rest of the population remains largely mired in low value-added activity: subsistence agriculture, petty trading, basic service provision and small-scale, labour-intensive manufacturing and processing. This structure has empowered and enriched forces close to the previous regime, and has been functional in avoiding state collapse and allowing the army to superintend a transition to what it calls 'discipline-flourishing democracy'. But it has also entrenched poverty, underdevelopment and corruption, and bred widespread resentment and social unrest. Unless the new, civilian-led government can leverage growing resource export revenues and foreign investment to rapidly generate broader-based growth, the prospects for Myanmar's economy and social stability look dim.

References

- Abel, D. (2012) Former Minister of Finance and Planning. Interview with Lee Jones, Yangon, 6 July.
- Aung Zaw (2013), 'Rehabilitating Burma's Cronies', *The Irrawaddy*, 28 January.
- Brenner, D. (2015) 'Ashes of Co-optation: From Armed Group Fragmentation to the Rebuilding of Popular Insurgency in Myanmar', *Conflict, Security and Development* 15(4): 337-358.
- Brown, I. (2013) *Burma's Economy in the Twentieth Century*, Cambridge: Cambridge University Press.
- Callahan, M. (2000) 'Cracks in the Edifice? Military-Society Relations in Burma since 1988', in Pedersen, M. B., Rudland, E. & May, R. J. (eds.) *Burma Myanmar: Strong Regime, Weak State?*, Adelaide: Crawford House Publishing, pp. 22-51.
- Eleven Media (2015) 'Myanmar's Irresponsible Borrowing', *Eleven Media*, 3 March.
- Government of Myanmar (1990) 'Distribution of Employed Population by Occupation and Industry, 1990 (Labour Force Survey, 1990)', <http://www.myanmararchives.com/myanmardata2006/3.htm>, accessed 24 April 2015.
- (2011) 'Integrated Household Living Conditions Survey in Myanmar (2009-2010): Poverty Profile', IHLCA Technical Unit, Ministry of National Planning and Development, Yangon.
- Harvey, D. (2004) 'The "New" Imperialism: Accumulation by Dispossession', *Socialist Register* 40: 63-87.
- Jones, L. (2014a) 'Explaining Myanmar's Transition: The Periphery is Central', *Democratization* 21(5): 780-802.
- (2014b) 'The Political Economy of Myanmar's Transition', *Journal of Contemporary Asia* 44(1): 144-170.

- (2015) *Societies Under Siege: Exploring How International Economic Sanctions (Do Not) Work*, Oxford: Oxford University Press.
- Khin Maung Nyo (2012) Economist and Former Official in the Prime Minister's Office. Interview with Lee Jones, Yangon, 11 July.
- Ko Ko Aung (2015) 'Market Slows But No Bursting Bubble', *Myanmar Times*, 22 February.
- Larkin, S. (2012) Myanmar at the Crossroads: Rapid Industrial Development or De-industrialization, http://www.burmalibrary.org/docs12/Stuart_Larkin-Myanmar_at_the_Crossroads.pdf, accessed 5 August 2012.
- MacLean, K. (2008) 'Sovereignty in Burma After the Entrepreneurial Turn: Mosaics of Control, Commodified Spaces, and Regulated Violence in Contemporary Burma', in Nevins, J. & Peluso, N. L. (eds.) *Taking Southeast Asia to Market: Commodities, Nature, and People in the Neoliberal Age*, Ithaca: Cornell University Press, pp. 140-157.
- Mahtani, S. (2014) 'Meet the New Rich... in Myanmar', *Wall Street Journal*, 4 September.
- Mya Maung (1998) *The Burma Road to Capitalism: Economic Growth versus Democracy*, Westport: Praeger.
- Myat Thein (2004) *Economic Development of Myanmar*, Singapore: ISEAS.
- Rüland, J. (2001) 'Burma Ten Years After the Uprising: The Regional Dimension', in Taylor, R. H. (ed.) *Burma: Political Economy under Military Rule*, London: Hurst, pp. 137-58.
- Saw Yan Naing (2013), 'Burma Govt Denies Reports That It Holds \$11B in Singaporean Banks', *The Irrawaddy*, 13 September.
- Steinberg, D. I. (2001) *Burma: The State of Myanmar*, Washington, DC: Georgetown University Press.
- Taylor, R. H. (2009) *The State in Myanmar*, London: Hurst.
- Tin Maung Maung Than (2005) *State Dominance in Myanmar: The Political Economy of Industrialization*, Singapore: ISEAS.
- TNI (2011) *Financing Dispossession: China's Opium Substitution Programme in Northern Burma*, Amsterdam: TNI.
- Turnell, S. (2009) *Fiery Dragons: Banks, Moneylenders and Microfinance in Burma*, Copenhagen: NIAS Press.
- UN Data (2013) Myanmar, <https://data.un.org/CountryProfile.aspx?crName=MYANMAR>, accessed 24 April 2013.
- (2016) UNCTADStat, <http://unctadstat.unctad.org>, accessed 4 April 2016.
- UNDP (2015) *Human Development Report 2015: Work for Human Development*, New York: UNDP.
- UNODC (2014) 'Southeast Asia Opium Survey 2014: Lao PDR, Myanmar', UNODC Regional Office for Southeast Asia and the Pacific, Bangkok.
- Woods, K. (2011a) 'Conflict Timber along the China-Burma Border: Connecting the Global Timber Consumer with Violent Extraction Sites', in Tagliacozzo, E. & Chang, W.-C. (eds.) *Chinese Circulations: Capital, Commodities, and Networks in Southeast Asia*, Durham, NC: Duke University Press, pp. 480-506.
- (2011b) 'Ceasefire Capitalism: Military-Private Partnerships, Resource Concessions and Military-State Building in the Burma-China Borderlands', *Journal of Peasant Studies* 38(4): 747-770.
- WTO [World Trade Organization] (2014) Trade Policy Review: Myanmar, Report by the WTO Secretariat, WT/TPR/S/293, 21 January; https://www.wto.org/english/tratop_e/tp_r_e/s293_e.pdf, accessed 4 April 2016.