

International PPE Conference 2018

Conference Paper

Witten/Herdecke University

Can Myanmar be Prosperous without Democratic Political Institutions?

Lanung Tu Kumbun

MA Candidate

International Economic and Political Studies

Charles University

The Czech Republic

January 2018

Abstract

Taken from a purely theoretical position, this article deliberates about the argument of Acemoglu and Robinson (2006) on the correlation of democracy and economic development. The political institutions play a pivotal role in flourishing the economy because economic development needs democratic political institutions or democracy where political powers are well structured.

In the case of Myanmar, formerly known as Burma, many economists speculate that Myanmar has a potential to be the next Asia Tiger in economy in terms of its rate of GDP's growth.

Yet meanwhile the country is diseased by the civil war, communal conflict and political instability, Myanmar is the fastest GDP growth in the South East Asia with 7.7%. According to the Asian Development Bank, Myanmar's GDP growth will hit 8% in 2018, which is a substantial growth for Myanmar's economy in history. The question is whether this significant growth will last and Myanmar will be prosperous in the future.

The hypothesis I test here is "Myanmar may boost its economic growth in the short-run; but in the long run, its economy will not be prosperous with undemocratic political institutions." The article discusses the institutional changes in Myanmar in order to build economic growth for long run and to be prosperous.

Keywords: Myanmar, Political Institutions, Economic Institutions, Economic Growth.

1. Introduction

Myanmar's economy has embarked on the path to economic growth that is substantially high in the South East Asia. Myanmar's economy started booming since 2011 and continues to boost.

Myanmar held its first general elections in 2010 after 20 years when the 1990 election results were nullified by the Military Regime. The military junta let numerous military officials to turn civilian lives and form the political party called the Union Solidarity and Development Party (USDP) which contested in the 2010 elections and won the rigged elections in landslide.

In March 2011, the USDP party appointed retired military general Thein Sein as the President of the government. The former President Thein Sein's government made notable economic reforms and earned both domestic and international trust.

But, profound Economic reforms occurred after the by-election in 2012 when the National League for Democracy (NLD) party led by Nobel Peace Laureate Aung San Suu Kyi who spent house arrest for decades contested the 2012 by-election. The by-election is held due to vacant seats in parliament due to some members of parliament (MP) becoming members of cabinet of the government. The NLD party) won by majority of seats in parliament.

The international community, particularly the West bloc appreciated democracy icon Aung San Suu Kyi and thus lifted economic sanctions which were imposed on Myanmar for decades and thereby opened doors for numerous investors into the Myanmar economy.

The economic reforms included allowing eleven private banks to trade foreign currency and four private banks to handle remittance; giving licenses to behemoth like Telenor and Ooredoo telecommunication corporations; inviting foreign investors in numerous business sectors.

International organizations such as IMF and World Bank alike and many other countries helped Myanmar by pouring foreign aid, technical assistance, investments and loans, and writing off arrears. For example, Norway cancelled all the \$534 million and Japan wrote off more than \$3 billion of Myanmar debts (Reuters, 2013).

The Myanmar government invited foreign countries to invest in numerous sectors. As a result, Foreign Direct Investment in 2012 was 580.58 USD Million, but it increased by 656.28 USD Million in 2017 (TE, 2018). The government claims that its policy of openness to FDI is a success. Thus, the country's GDP growth has substantially increased which is the fastest growth in the region (see figure 1).

Figure 1: Myanmar GDP Growth



Source: Tradingeconomics.com/ World Bank

Myanmar GDP growth is forecasted to grow 7.9 percent in 2018 which will be a substantial growth for Myanmar's economy in history. Myanmar GDP growth is the fastest amongst the Southeast Asian countries. See figure 2.

Figure 2: Economic Forecasts for Southeast Asian Countries

Country	2017 ^f	2018 ^f
Brunei Darussalam	-5.4	2.2
Cambodia	5.5	5.7
Indonesia	3.2	4.2
Lao People's Democratic Republic	5.4	5.5
Malaysia	2.6	2.6
Myanmar	7.5	7.9
Philippines	4.7	4.9
Singapore	0.9	1.0
Thailand	3.0	3.1
Viet Nam	5.5	5.7

Source: Asian Development Bank

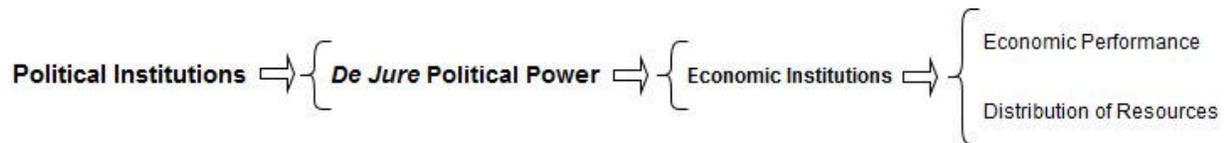
The question is whether this significant growth will last and Myanmar will be prosperous in the future without democratic political institution.

The hypothesis I test here is “Myanmar may boost its economic growth in the short-run; but in the long run, Myanmar’s booming economy will be limited by undemocratic political institutions where the *de jure* political power is given into the military.”

The article analyzes the current growth and discusses the constraints for long term growth.

2. Theoretical Framework

The political institution is the key determinant of economic performance, distribution of resources and prosperity of a country. Acemoglu and Robinson (2006, p. 677) argued that economic institutions are the primary determinants of prosperity or economic performance and distribution of resources. However, economic institutions depend on the distribution of political power. A core determinant of political power is political institutions. The basic concept of the theory is:



Source: Acemoglu and Robinson (2006)

Acemoglu and Robinson state that economic performance and prosperity depend on economic institutions. How resources are divided among different groups and individuals also hinge on the economic institutions. Economic institutions are endogenous and shape the incentives of key actors. They also influence the investment in physical and human capital and technology, and production. Differences in economic institutions are the major source of cross-country differences in economic growth and prosperity.

However, economic institutions are shaped by *de jure* political power. A conflict of interest among various groups and individuals may exist in shaping economic institutions, but political power will be the ultimate arbiter.

Political institutions determine the constraints on the key actors in the political spheres and give the incentives of them. The political system [i.e. democracy versus totalitarianism] is an example of political institutions. Political institutions are endogenous and political transformation comes from their own social forces with certain internal freedom of maneuvering. They are also collective choices and the political power distribution is the major driver of their evolution. Acemoglu and Robinson claim that “Political institutions allocate *de jure* political power, and those who hold political power influence the evolution of political institutions and

they will generally opt to maintain the political institutions that give them political power” (ibid 676).

Furthermore, Acemoglu and Robinson argue that the distribution of resources can also affect on the *de facto* political power, which in turn can influences on the political institution. Acemoglu and Robinson state “A group of individuals, even if they are not allocated power by political institutions, for example as specified in the constitution, may nonetheless possess political power” (2006, p. 676). These groups can revolt, co-opt the military and hire mercenaries in order to impose their wishes on society.

First, *de facto* political power depends on the ability of the group in question to address its collective action problem. Second, the *de facto* political power depends on its economic resources because these economic resources determine their ability to use (or misuse) existing political institutions and also their option to use force against different groups.



Source: Acemoglu and Robinson

The serious problem may occur if political institutions place all political power in the hands of a single individual or a small group. If this happens, then economic institutions can be manipulated, or become groups’ interest-oriented liable to rent-seeking. This will be difficult to sustain in a way consistent with long-run social prosperity trickling down to all regions and all social classes. If economic institutions are manipulated, protection of property rights and equal opportunity for the rest of the population are unable to be achieved.

3. Political Institution of Myanmar

As political institutions which determine the constraints on and the incentives of the key actors in the political spheres influence on economic institution, two types of political power influence political institutions. De jure political power is constituted by the political institution, for example, the constitution, whereas de facto political power is informal factor that influence on political institution.

3.1. *De Jure* Political Power

Political institution gives *de jure* political power. To capture this concept, I here analyze the political institution of Myanmar to see how political powers are distributed. All *de jure* political powers are constituted in the Constitution. The Constitution of Myanmar - known as the “2008 Constitution” – distributes Myanmar’s *de jure* political powers.

First, the Constitution (2008) gives the military political influence and veto position via a number of legal safeguards. It also grants the military a role in ‘the national leadership of the state’ and makes it the principal safeguarding force for the constitution, (Section 6-f, and 20 of Chapter 1: Basic Principle).

Second, the Constitution grants the military 25% of the seats reserved in the central and state legislatures (Sections 109-b, 141-b, and 161-d of Chapter IV: Legislature).

Third, the National Defense and Security Council (NDSC) is the most powerful body comprised of eleven persons which include the military - the Commander-in-Chief, the Deputy Commander-in-Chief, Vice-President I, Defense Minister, Home Affairs Minister and Border Affairs Minister - and civilians - the President, Vice-President II, the Speakers of both houses, Foreign Minister, (Sec 201 of Chapter V: Executive). Majority voting power goes to the military with its 6 members against 5 people in the council. The final decision on any major issue is decided in the NDSC.

Fourth, the three powerful ministries namely the Defense, Home Affairs and Border Affairs are controlled by the military. The ministers of these ministries are directly appointed by the Commander-in-Chief of the military (Section 231-b (ii) of Chapter V: Executive). The Defense Ministry controls the armed forces and the Border Affairs Ministry oversees the border affairs. The borders are in ethnic minority states and border trades are controlled by the Border Affairs ministry. The Home Affairs Ministry controls both the police force and the General Administration Department which manages all administrative functions from the central level down to village level.

Fifth, the Constitution grants the Commander-in-Chief sweeping powers to declare a state of emergency (Chapter XI of the Constitution).

Last but not least, the military has a *de facto* veto power over any major constitutional changes since a quorum of 75 per cent in the legislature is needed to change the Constitution (Section 436 of Chapter XII: Amendment of the Constitution).

The military is given the power not only by the Constitution, but many retired military officers have taken several posts in various sectors of government; for example, in the Education, and Health.

Indeed, the Constitution is heavily loaded in favor of the military and guarantees a leading role for the military. In the sense that the Constitution allows the military to lead the country's reform process. The CDES's Briefing Paper states "with the constitutional rights and powers that they wield under the 2008 constitution, they can either be instrumental in advancing the cause of the reform process or be detrimental in sabotaging the entire reform efforts" (CDES, 2018, p.1).

3.1. *De Facto* Political Power

The *de facto* political power directly influences to economic performance and indirectly affects on political institutions. I discuss the following factors that influence on political institution and economic performance in order to capture the *de facto* political power.

3.1.1. Extreme Nationalists

The extreme nationalists hold a *de facto* power and they have an influence on socio-economic affairs and policy changes in the government.

The extreme nationalists are recruited mainly from among the majority ethnic Burman, representatives of Buddhist monks and, last but not least, the former military officials.

In 2012, a group of extreme Buddhist monks created what was called "the 969 Movement" which gradually gained notoriety and prominence (Schonthal & Walton, 2016). The 969 Movement targeted domestic and international Muslim-owned businesses and boycotted

their businesses. For example, extremist Buddhist monks like U Wirathu who was branded the “Face of Buddhist Terror” by Time magazine, in a February 2013 sermon that urged Burmese Buddhists to carry out every daily task in their lives with a ‘nationalist perspective’¹, meaning that Buddhists must act according to their Buddhist norms as they perceived the country as Buddhist country. The controversial religious bill which targeted to Muslim minority and prohibits intermarriage with Buddhism highlighted how they had maneuvered the political power in the legislature (Channel News Asia, 2015).

Extremist Buddhist monks and a prominent nationalist “Bullet” U Hla Swe – a former military general and former MP (Member of Parliament) - have always castigated the National League for Democracy (NLD) party, but strongly support the Union Solidarity and Development Party (USDP) and military.

These groups who have ‘de facto’ power indirectly affect on Myanmar’s economy. For example, when the KFC launched its office in Myanmar in August 2015, many Buddhist monks were unhappy due to foreign giant company which seemed to overtake the domestic companies (Pinterest, 2015).

3.1.2. Business Cronies

Cronyism is not a new phenomenon across many countries including Myanmar. These business cronies have economic power which enables them to hold *de facto* political power that influence on socio-economic affairs.

Myanmar’s business cronies are those who have close personal and business connections with military officers, political elites, and the highest levels of the ruling elites (Ford et al., 2016). Moreover, they have close connections with military generals via intermarriage of their sons and daughters. For instance, a business tycoon Khin Shwe’s daughter is married to former general Shwe Mann’s son. Khin Shwe owns the construction giant Zeykabar Company and used to work for Shwe Mann who was once the third powerful general in the military. Lewis (2015) also states in the Nikkei Asian Review that “...Khin Shwe [...] is among the best known of Myanmar's tycoons, an elite group of businessmen who have often found themselves under close

¹ The video of this sermon can be found at: www.youtube.com/watch?v=dAmwTXqH5s

scrutiny from the local media for allegedly amassing vast wealth during the years of military dictatorship that made the resource-rich country one of the poorest in Asia.”

There are several other business cronies, but only a few are well-known and visible. These include Tay Za, Aung Ko Win, Nay Aung, Htun Myint Naing, and Khin Shwe more. Tay Za who used to be the biggest business tycoon in Myanmar and is very close to the former dictator Than Shwe. He still runs numerous business firms today. Aung Ko Win who worked for Maung Aye – the second most powerful military general of Burmese Army – also runs the KBZ banks and other small firms. Today KBZ is the most successful bank in Myanmar. According to Nawng Yang (2013), Nay Aung runs the United Amara Bank and Htun Myint Naing owns the Asia World Compan – the company that has jointly constructed the Myitsone mega dam with China Power Investment Corporation.

Some of these tycoons are accused of being involved in money laundering from drug sales. Lilley writes that “... the laundering of drugs cash is a significant factor in the Burmese economy — appearing in major infrastructure projects, banks, airlines, real estate ... government and/or army officials are heavily involved in drug production, or are corruptible to allow others to engage in such businesses without constraint” (2003, p. 60).

These business cronies do not welcome giant foreign investors fearing that they cannot compete with them due to the limitations of capital, technical, and responsibility. For example, according to the recent public *debate* on banking sector arranged by Democratic Voice of Burma (DVB), some domestic bankers fear giant foreign banks because the foreign banks can loan with lower interest rate than those of domestic banks.²

3.1.3. China

The role of China in Myanmar is not negligible and cannot be underestimated. China has attempted to tie with Myanmar for decades due to its geopolitical and economic interests.

Inversely, Myanmar was overly dependent on China because Myanmar became a despondent country due to its military dictatorship.

² The debate about banking sector can be found at: www.youtube.com/watch?v=cwGN6av1fTw

The bilateral trade between China and Myanmar is substantially increasing since 1980s. For example, the trade between these two countries was USD 313.72 million in 1989, USD 2625.32 million in 2008 and USD 3684 million in 2010 (Myoe, 2011, pp. 152-53).

China has diversified its investments in numerous sectors in Myanmar. In 2009, Myanmar and China agreed to construct a USD 1.5 billion crude oil pipeline and a USD 1.04 billion natural gas pipeline to connect the port of Kyaukphyu on the Bay of Bengal to Kunming in Yunnan province (Han, 2016, p. 158). Not surprisingly, it is a major linchpin for China's "One Belt, One Road" initiative.

As a quid pro quo, China diplomatically protects Myanmar from any potential punishment proposed at the United Nations Security Council (UNSC) (Kumbun, 2017). China also started building a USD 3.6 billion mega dams in Myitsone in the Kachin State, the northern part of Myanmar. Its progress has been currently suspended but it can start anytime if the Myanmar military and China can make a deal.

China holds the largest portions of Myanmar's exports and imports. See figures 3 and 4.

Figure 3: Myanmar Exports by Country (2016)



Source: Trading Economics

Figure 4: Myanmar Imports by Country (2016)



Source: Trading Economics

Myanmar's a biased one-sided large-scale openness to the Chinese economy can become an increasing dependency on China, which, in the long term, can negatively affect on Myanmar's economy.

3.2. Economic Institutions

Myanmar's economic institutions have been influenced by a group of powerful people who hold *de jure* and *de facto* political power. Myanmar's economy has been shaped by two giant conglomerates.

First, the 'Union of Myanmar Economic Holdings Limited (UMEHL)' was founded by the Defense Ministry under junta Senior General Than Shwe in 1990. The UMEHL has been the largest conglomerate in Myanmar. Military generals collectively own a 40 percent stake in the massive UMEHL, which is Burma's largest state-controlled firm (Zin, 2003). Myoe pointed out, "As a special company, the UMEHL enjoys the privilege of tax exemption for its fully owned and subsidiary firms, but affiliated firms are not included" (Myoe, 2009, p. 176). The UMEHL enriches military officers and veterans with proceeds from lucrative businesses including producing beers to petroleum imports.

Second, the ‘Myanmar Economic Corporation (MEC)’ is another military-managed economic firm and founded totally on capital gained from the regime’s sale of state-owned enterprises. Myanmar Economic Corporation is a conglomerate owned by the defense ministry that operates in strategic sectors ranging from ports to telecommunications (Peel, 2017). It has dominated several private domestic firms and signed joint venture agreements with foreign companies.

Natural resource extractions – mining Jade, goal, amber, pearl, steel, and timber are tightly uncontrolled by MEC. In all major investments, both domestic and foreign firms have to deal with the UMEHL and MEC.

Due to undemocratic political institution and which produces de jure political power and de facto political power shapes flawed and weak economic institutions which in turn give better opportunities to the UMEHL, MEC and other elites’ corporations.

For example, the telecom operator MYTEL a joint venture company which will become Myanmar’s forth telecom operator has recently been launched in Myanmar. The company (MYTEL) is owned by ‘Vietnam’s Viettel Group’ as a joint venture with the ‘Star High and Myanmar National Telecom Holding Public Limited (SHMNTHPL)’ owned by Myanmar Armed Forces’ Commander-in-Chief’s son. The 51 percent of the company’s stake is owned by the Myanmar’s SHMNTHPL and 49 percent by Vietnamese (Lin, 2018).

3.2.1. Foreign Investment Laws

The Investment Law was enacted in 2015 aiming to set a new approval process for both domestic and foreign investments in Myanmar (Irrawaddy, 2012). There will be two procedures for approving investments: submission of a proposal to the Myanmar Investment Commission (MIC) for an MIC Permit and application for an endorsement from the MIC. The MIC Permit applies to investors who are looking to establish operations in an industry in Myanmar. However, foreign investors are not yet able to lease land directly from private owners.

3.2.2. Property Rights

People do not hold absolute property and property rights are not fully protected. According to the International Property Rights Index 2016, Myanmar ranked 127 out of 128 countries in property rights index (Sary, 2016). Myanmar was ranked second-lowest in property rights among polled countries and only Venezuela was ranked lower. However, in the index of 2017, Myanmar might be excluded its ranking from the index due to the country's decline in property rights. There was no rank at all.

Due to military expropriations, property rights of land for investment are disputed and it is common for foreign firms to face complaints from communities regarding their investments.

Land confiscation is commonplace in Myanmar and is one of the leading causes of protests due to the forced displacement of hundreds of thousands of people. The government approved National Land Use Policy in January 2016, but land confiscation continues across the country. According to Human Rights Foundation of Monland-Burma (HURFOM)'s report states "the failure of government bodies and authorities to perform their responsibilities unbiased from military influence, and the total impunity of the military due to the independent structure of the courts-martial" (HURFOM, 2015, p.10).

3.2.3. Banking System

Myanmar's banking system still faces some restrictions. The contribution of Myanmar's banking sector to the economy is limited. Myanmar's banking assets to GDP ratio is 49% which is the lowest compared to its peer countries, (Chassat & Foerster, 2016).

Foreign banks are restricted by the Central Bank of Myanmar from lending loans to local businesses (Htike, 2014). Myanmar's banks sectors face three major challenges - the state owned banks have limited capabilities, private banks lack the critical scale, while foreign banks have strong equity base but restricted scope of operations, (Chassat & Foerster, 2016).

4. Barriers to Long Term Economic Growth

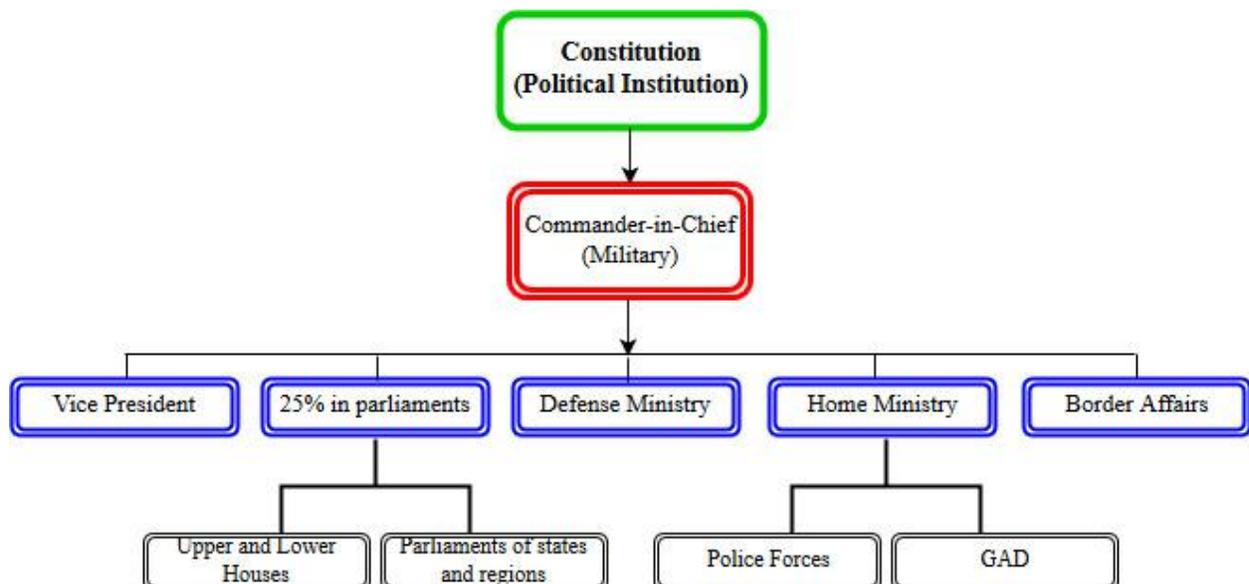
Myanmar's current GDP growth can be expected to last in the next few years since it rises from a rock bottom level. However, the growth cannot be sustained unless the changing of

political institutions which are, according to Acemoglu and Robinson's theory, the driving force of economic prosperity.

4.1. Constitution

The Constitution – the primary principal of all kinds of institutions – gives an ultimate political power to the military. The Commander-in-Chief of the military can propose a candidate for the president position; assign three ministers and 25% of representatives for parliaments both central, states and regions.

Figure 5: Military's de jure political power given by the Constitution



The Defense minister requested the military budget and the parliament have approved around 2.91 trillion kyat (2.1 USD Billion) for the 2017-2018 fiscal years, amounting to around 13.9 percent of government expenditures and about 3 percent of national GDP where the combination of education and health budgets is about 5 percent (Prashanth, 2018). The military takes 25% percent of seats in upper and lower houses, states' and regions' parliaments. Police forces and general administrative department from central to local levels are controlled by home ministry..

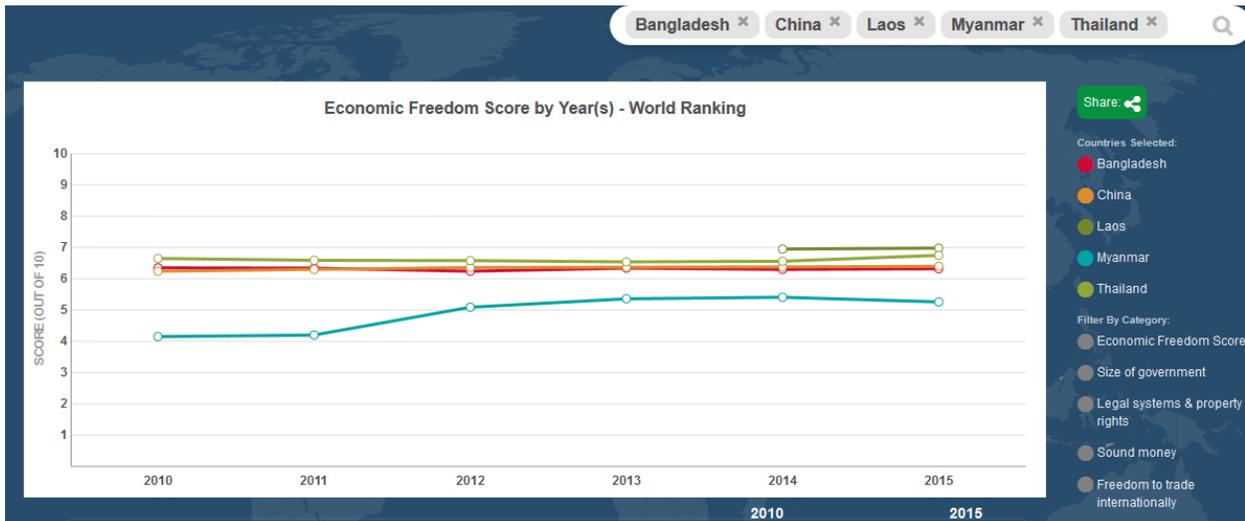
Thus, the political freedom and economic freedom in the country are limited by the military and the military has an ultimate power to control all layers of economic and political affairs. According to the Freedom House index, Myanmar ranks between the ‘Not Free’ and ‘Partly Free’.

Figure 6: Freedom Index

□ <i>Freedom Rating Explanation: 1 = most free, 7 = least free</i>					
YEAR	COUNTRY	FREEDOM STATUS	POLITICAL RIGHTS	CIVIL LIBERTIES	FREEDOM RATING
2010	Myanmar	Not Free	7	7	7
2011	Myanmar	Not Free	7	7	7
2012	Myanmar	Not Free	7	6	6.5
2013	Myanmar	Not Free	6	5	5.5
2014	Myanmar	Not Free	6	5	5.5
2015	Myanmar	Not Free	6	6	6
2016	Myanmar	Not Free	6	5	5.5
2017	Myanmar	Partly Free	5	5	5
2018	Myanmar	Partly Free	5	5	5

Source: Freedom House

Due to the political constraints, Myanmar’s economic freedom ranks the lowest amongst its peer countries. According to the Index of Economic Freedom of Fraser Institute, Myanmar ranks 151 out of 159 countries with (5.26) overall score. By comparison with its neighboring countries, Lao ranks 75, Thailand ranks 88, China ranks 112, Bangladesh ranks 117, and India ranks 95 (Fraser, 2015).

Figure 7: Economic Freedom Index

Source: Fraser Institute

4.2. Civil War and Political Instability

Myanmar, plagued by prolonged civil war for a half-century, is now forced into a tailspin. The raging civil war, resumed in June 2011, between the Myanmar Army (Tatmadaw) and the ethnic armed groups continues and now appears unstoppable. Since then, tens of thousands of Kachin, Shan, and Ta'ang have become internationally displaced, countless people have died, villages have been devastated, paddy fields and farms turned to bushes and hundreds of people who fled from villages now take refuge in the jungles in Kachin State (Kumbun, 2018a).

The EU also expresses about on-going civil wars in the released statement that “With peace talks in Kachin stalled, the local people face continued human rights violations, loss of lives and dignity, lost opportunities, land grabbing and an unsustainable and inequitable exploitation of Kachin’s natural resources” (EU, 2018).

In order to cease fighting and gain peace, numerous negotiations have taken place under former President Thein Sein’s government and current de facto leader Aung San Suu Kyi’s government, but no solution has yet been found.

The civil war interrupts the domestic trade routes and border trades which in turn negates the economy. For example, the Mandalay-Muse route which is the key for border trade between Myanmar and China is constantly stopped by the fighting between the military and ethnic armed groups. This route covers around US\$10 million worth of goods with over 1000 trucks every day. Every year, approximately US\$3.8 billion worth of goods is exported to China and more than US\$1.5 billion imported into Myanmar, (Htwe and Wai, 2016). As well as in Kachin state, a major trade route passing through the Kachin Independence Organization headquarters in Laiza has been shut down due to the civil war. It is the same story for the Lweje trade route and the Kanpaiti trade route was opened as a replacement (Kumbun, 2017b).

Furthermore, on 21 February 2018, a bomb exploded at Yoma Bank and killed employees and injured many people in Lashio, the northern Shan State. The Office of Commander-in-Chief of Defense Services released a statement that alleged rebel groups (Hlaing, 2018). The local authorities have recently urged all banks particularly from conflict areas to deploy further security forces in banks, (MNJ, 2018).

It is fair to say that the civil war has negatively affected cross-border trade between China and Myanmar and political instability induce negative effects on economy. Unless civil war ends and gaining peace in the country, economic growth will not sustain and will only be in urban areas, not peripheries.

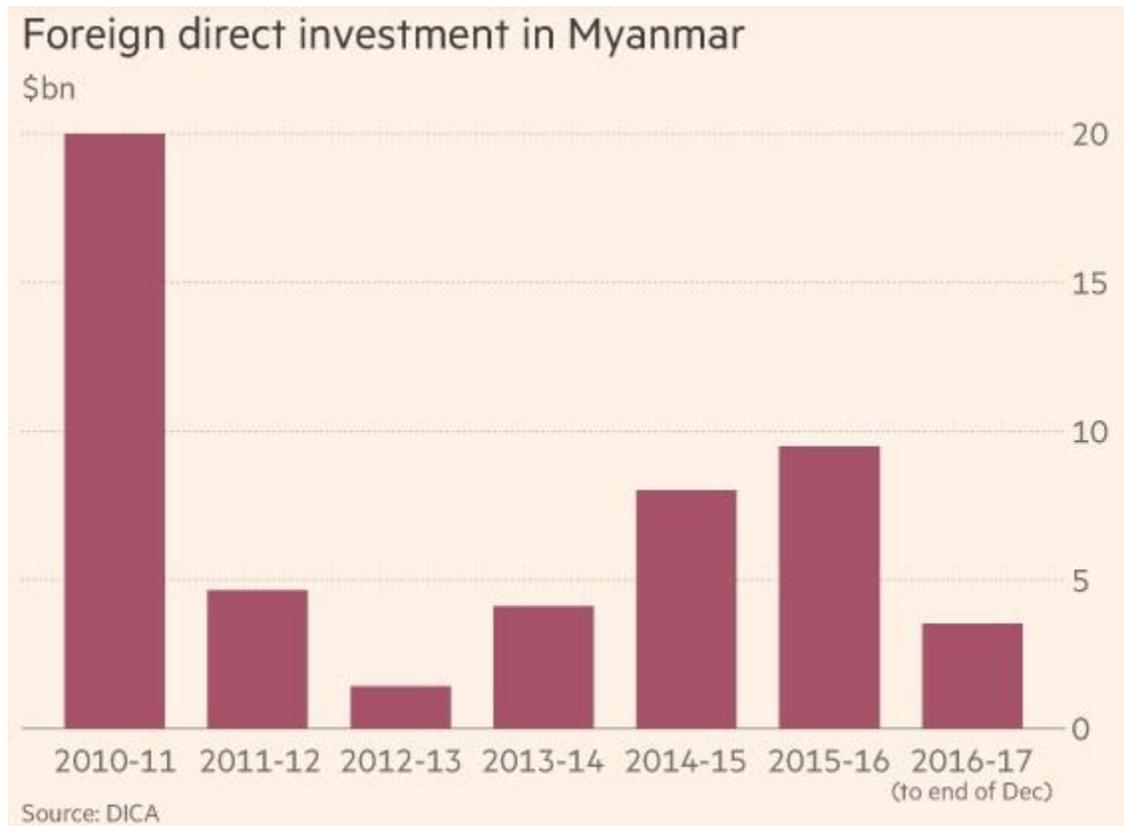
4.3. Communal Conflict

Communal violence erupted in 2012 between Buddhists and Rohingya Muslims and has now become an international affair. After the military conducted the “clearance operation” against the Arakan Rohingya Salvation Army (ARSA) who launched sneak attacks on police outposts on 25 August 2017, over six million Rohingyas fled to Bangladesh and other areas, (Aljazeera, 2018).

The crisis has been widely debated in domestic and international communities. This festering crisis in the Rakhine State becomes an onerous burden on Myanmar and one of major hindrances for long term economic growth. The western investors – the EU, US and Canada alike are reluctant to put further investments due to the Rakhine crisis, (Lee and Zaharia, 2017).

Due to limitations in numerous sectors and political instability, foreign investors are now reluctant to pour strategically important investments and the foreign direct investment substantially plummets in Myanmar.

Figure 8: Foreign Direct Investment



Source: Financial Times

More surprisingly, the American law firm – the first to open an office in Yangon back in 2013, a time when the country was just beginning to open its doors to the West – closed its office in February 2018 (Janssen, 2018).

5. Conclusion

Myanmar's current economic growth may not sustain in the long term, unless it changes the political institution – the Constitution – which restricts political power and is the backbone of economic institutions, economic performance, and distribution of resources. In order to be prosperous in the country, Myanmar needs to change the following:

First, Myanmar needs to restrict the regime from direct controlling of economic assets via strong institutions where take-over bids are transparent and subject to competition, and where property rights (and ownerships) are clearly defined. An effective institution can, in turn, make the payments in natural resource trade more transparent. Institutions can stamp out corruption and reduce the amount of business cronyism.

Secondly, the parliamentary members play a crucial role potentially amending the Constitution. Their full commitment would be necessary for any bid to amend the Constitution. Besides necessary constitutional amendments, Parliament should prevent the approval of military budget increases. Instead, Parliament should approve additional budget for education, health, infrastructures and other.

Thirdly, the government, international agencies, civil society, and people should work to eliminate the power of extreme nationalists who escalate religious and communal conflicts. Banning hate speech on social media is one of examples to stop them.

Last but not least, the international community should now step in into Burma's peace process to end civil wars and communal conflict. Unless Myanmar gains peace and stability, incumbent foreign investors can suddenly pull out from investments and potential investors will be reluctant to come in.

All in all, Myanmar's current economic growth is substantial, but the growth is opted to be marginal unless the political institutions of the country are changed. In essence, Myanmar's economy without such changes will result just in a short term growth and economic prosperity and peaceful society will be forlorn hopes.

References

Acemoglu, Daron and James A. Robinson, 2006. Paths of Economic and Political Development, in *The Oxford Handbook of Political Economy*, Oxford, Oxford University Press, 673 - 692.

ADB: Asian Development Bank, 2017. Myanmar: Economy. Accessed on December 9, 2017 from <https://www.adb.org/countries/myanmar/economy>.

Aljazeera. 2018. Myanmar: Who are the Rohingya? Accessed from <https://www.aljazeera.com/indepth/features/2017/08/rohingya-muslims-170831065142812.html>

CDES. 2018. *Understanding the Policies of Myanmar Military on Peace Process*. Centre for Development and Ethnic Studies: Briefing Papers.

Channel News Asia. 2015. Myanmar approves controversial religion bills. Channel News Asia. Accessed from <http://www.channelnewsasia.com/news/asiapacific/myanmar-approves/2064264.html>

Chassat, Philippe, Florian Foerster. 2016. Myanmar Banking Sector 2025. Roland Berger GmbH. Germany.

Constitution, 2008. The Constitution of Myanmar. The Union of Myanmar. Available at: http://www.burmalibrary.org/docs5/Myanmar_Constitution-2008-en.pdf

EU. 2018. *Local EU statement on the situation in Kachin State*. Delegation of the European Union to Myanmar. Accessed from https://eeas.europa.eu/delegations/myanmar-burma_en/40367/Local%20EU%20statement%20on%20the%20situation%20in%20Kachin%20State

Fraser, 2015. *Economic Freedom Index*, Fraser Institute. Available at: <https://www.fraserinstitute.org/economic-freedom/graph?geozone=world&countries=MMR&page=graph&area1=1&area2=1&area3=1&area4=1&area5=1&type=line&min-year=1970&max-year=2015>

Freedom House, *Freedom in the World*. Accessed from <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

Ford Michele, Michael Gillan and Htwe Htwe Thein, 2016. From Cronyism to Oligarchy? Privatisation and Business Elites in Myanmar, *Journal of Contemporary Asia*, 46:1.

Han, Enze. 2016. *Borderland Ethnic Politics and Changing Sino-Myanmar Relation*, in *War and Peace in the Borderlands of Myanmar: the Kachin Ceasefire, 1994-201*, ed. Manday Sadan (Denmark: Nordic Institute of Asian Studies).

Hlaing, Tun Nay, 2018. *Yoma Bank bomb blast kills two, injures 22 in northern Shan State*. Eleven (22 February). Accessed from <http://elevenmyanmar.com/local/13469>

Htike, Zaw. 2014. Foreign banks to face lending restrictions. Myanmar Times. Accessed from

<https://www.mmtimes.com/business/10378-foreign-banks-to-face-lending-restrictions.html>

Htwe, Chan Mya and Khin Su Wai, 2016. Muse offensive closes border trading. [online] Myanmar Times (24 November 2016). Available at: <https://www.mmtimes.com/business/23878-muse-offensive-closes-border-trading.html> [Accessed 12 March 2018].

HURFOM. 2015. *Yearning to be Heard: Mon Farmers' Continued Struggle for Acknowledgement and Protection of their Rights*. Human Rights Foundation of Monland-Burma (HURFOM).

Irrawaddy. 2012. *Thein Sein Signs Foreign Investment Law*, The Irrawaddy, November 5. Accessed from <https://www.irrawaddy.com/news/latest-news/thein-sein-signs-foreign-investment-law.html>

Janssen, Peter. 2018. Prominent US law firm quits on Myanmar. Asia Times. Accessed from <http://www.atimes.com/article/prominent-us-law-firm-quits-myanmar/>

Kumbun, Joe. 2017. *Will the Myanmar Army Wipe Out Ethnic Armed Groups?* Irrawaddy. Accessed from <https://www.irrawaddy.com/opinion/guest-column/will-the-myanmar-army-wipe-out-ethnic-armed-groups.html>

— 2018. *People's Outcries Must Be Heeded, Not Neglected*. Irrawaddy. Accessed from <https://www.irrawaddy.com/opinion/peoples-outcries-must-be-heeded-not-neglected.html>

Lee, Yimou, Marius Zaharia. 2017. Rohingya crisis dents Myanmar hopes of Western investment boom. Reuter. Accessed from <https://www.reuters.com/article/us-myanmar-rohingya-investment/rohingya-crisis-dents-myanmar-hopes-of-western-investment-boom-idUSKCN1BX00V>

Lewis, Simon. 2015. Polls put tycoons on the spot. [online] Nikkei Asian Review. Available at: <https://asia.nikkei.com/Politics-Economy/Policy-Politics/Polls-put-tycoons-on-the-spot>

Lilley, Peter. 2003. *The Asian Money Laundering Explosion*. In FIGHTING CORRUPTION IN ASIA Causes, Effects and Remedies. Edited by John Kidd Frank-Jiirgen Richter. World Scientific Publishing Co. Pte. Ltd. 47-71.

Lin, Kyal Sin, 2018. *MYTEL to Provide Service to 92 Percent of Myanmar Population*. [online] Myanmar Business Today (5 March). Available at: <https://www.mmbiztoday.com/articles/mytel-provide-service-92-percent-myanmar-population>

MNJ, 2018. In Burmese: “ဗန်းမော်ဘက်များကို လုံခြုံရေးတိုးမြှင့်ရန် ခရိုင်ရဲတပ်ဖွဲ့ မှာကြား”. Myitkyina News Journal (28 January). Accessed from <https://www.myitkyinanewsjournal.com/?p=793>

Myoe, Maung Aung. 2009. *Building the Tatmadaw: Myanmar Armed Forces Since 1948*. Singapore: Institute of Southeast Asian Studies.

Myoe, Maung Aung. 2011. In the Name of Pauk-Phaw: Myanmar's China Policy since 1948. Singapore: ISEAS.

- Nawng Yang. 2013. Wunpawng Myu Ni Hpa Majaw Matsan. Accessed from http://jinghpawkasa.org/index.php?option=com_content&view=article&id=512:wunpawng-myu-ni-hpa-majaw-matsan&catid=55&Itemid=271
- Parameswaran, Prashanth. 2018. What Does Myanmar's New Defense Budget Mean? The Diplomat. Accessed from <https://thediplomat.com/2017/03/what-does-myanmars-new-defense-budget-mean/>
- Peel, Michael. 2017. *Myanmar: the military-commercial complex*. Financial Times (February 1). Accessed from <https://www.ft.com/content/c6fe7dce-d26a-11e6-b06b-680c49b4b4c0>
- Pinterest. 2015. [Unhappy looking monks at the opening of the KFC at the Junction ...](https://www.pinterest.co.uk/pin/475622410635730959/) Pinterest. Accessed from <https://www.pinterest.co.uk/pin/475622410635730959/>
- Reuters. 2013. *Myanmar gets total debt relief of \$6 billion; aid flows set to rise*. Reuters. Accessed from <https://uk.reuters.com/article/uk-myanmar-economy-debt/myanmar-gets-total-debt-relief-of-6-billion-aid-flows-set-to-rise-idUKBRE90R02A20130128>
- Sary, Levy Carciente. 2016. *International Property Rights Index 2016*. Property Rights Alliance.
- Schonthal, Benjamin & Matthew J. Walton. 2016. The (New) Buddhist Nationalisms? Symmetries and Specificities in Sri Lanka and Myanmar, *Contemporary Buddhism*, 17:1, 81-115.
- TE. 2018. *Myanmar Foreign Direct Investment*. Trading Economics. Accessed from <https://tradingeconomics.com/myanmar/foreign-direct-investment>
- World Bank, 2017. Database of Economic Indicators. Accessed on December 9, 2017 from <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>
- Zin, Min. 2003. *Waiting for an Industrial Revolution*. The Irrawaddy, August. Volume 11, No. 7. Accessed from http://www2.irrawaddy.com/article.php?art_id=3049&page=3