Major changes are currently taking place in Myanmar. In little over a year, the nominally civilian government under President Thein Sein has introduced a series of liberal reforms leading to rapprochement with the West. The re-engagement with the broader international community demonstrated by a series of high-level visits by Western diplomats has also piqued investors’ interest. Already real estate prices in Yangon have soared to unprecedented and unrealistic levels and reportedly hotel rooms are in short supply as a new generation of global statesmen, journalists, venture capitalists, aid workers, and tourists all swarm into the country that has already been declared possibly the next “economic frontier in Asia” by the International Monetary Fund (IMF).

High aspirations
Regional investors have been investing in Myanmar for a long time, fully aware of the country’s untapped resources and market. Re-engagement between Myanmar and the West has also renewed Western capital interest in the country. Already, the US and EU have both partially waived sanctions as a response to recent reform initiatives. The US easing of restrictions will potentially allow the World Bank and IMF to provide crucial assistance to help Myanmar restructure its weak economy. The Myanmar government already has several ambitious plans in the pipeline. In the last couple of months Myanmar has awarded several new onshore oil and gas exploration licenses to investors in the region. Additionally, the government appears to be moving forward with one of its boldest projects yet: with plans to establish the country’s first Special Economic Zone (SEZ) in the coastal town of Dawei. The new SEZ will include a highway link to Thailand’s Kanchanaburi province, a deep seaport, and an industrial zone that would be the largest in Southeast Asia.

Risk of attracting “dirty” industries
The rush to restructure Myanmar’s economy and appeal for foreign capital, however, must be carefully balanced with measures to prevent unrestricted development. In neighbouring Thailand, years of disastrous and poorly regulated industrial policies have led to serious environmental damage and health risks, most notably in the community of Map Ta Phut, an industrial park in Rayong province. There are already talks that Thai and foreign investors may relocate their ‘dirty’ industries from Thailand to Myanmar, since continued bad press and Thai court rulings, combined with the eventual imposition of a daily wage hike of 40%, could potentially force production centres to relocate to the new Dawei SEZ in the foreseeable future.

Despite being a resource rich country, Myanmar remains one of the poorest countries in the world. The majority of the population is engaged in the agricultural sector, though many do not own any land
or livestock. Even though Myanmar has been designated a least developed country since 1987, it still receives one of the lowest shares of official development aid from the international community. The most marginalized in the country continue to suffer serious consequences brought about by decades of economic mismanagement and the impact of the US-led sanctions. In February, Doctors Without Borders warned that cutbacks in funding by the Global Fund have meant that up to 85,000 HIV-infected people in the country are not receiving treatment of any kind. Re-integrating and opening the Myanmar economy is thus vital for the country’s development, but it is even more critical that donor countries scale-up humanitarian assistance and provide immediate relief.

Strong civil society, but a governance gap

As things gradually change in Myanmar, however, the government needs to focus on the long-term institutionalization of its bureaucracies, and create an effective legal framework based on the rule of law. It also needs to articulate a national development plan, ensuring a coordinated effort in deciding the type of development that will truly benefit the majority of the population. Myanmar’s civil society actors have already demonstrated their ability to unite and mobilize against unpopular projects in the country. Last September, the controversial Myitsone Dam, a joint Myanmar-China project, which would have provided a much needed supply of electricity to China’s Yunnan province, was suspended by the President. In January, another heavily contested major coal plant proposed as part of the Dawei SEZ project was cancelled. In both cases local activists campaigned publicly and vigorously, suggesting that civil society mobilization can influence the decisions of the government.

While it is encouraging that the government appears more responsive, signalling how much has changed in Myanmar, some remain sceptical of the intentions behind the suspension of these two major projects. Irrespective of the rationale that led to their suspension, these decisions highlight a serious governance gap that Myanmar must come to terms with as it moves towards the further liberalization of its economy.

Arbitrary decisions are not only bad for investors’ confidence; they also do not guarantee institutionalized safety measures, which could protect the interests of local communities. Setting a precedent for large-scale projects to be green-lighted or cancelled without due process could lead to policy confusion. It would further re-affirm the idea that policies are made within a highly hierarchical, closed and limited circle with little, if any, objective input from major stakeholders.

It is thus critical that civil society actors are supported by the international community. But at the same time, the Myanmar government must also recognize that serious reforms can only be sustained by speeding up its commitment to create institutions and mechanisms for negotiating among private capital, the state’s interests, and the rights of Myanmar citizens.

Good intentions are not enough

All eyes are now set on the April 1st by-elections in which oppositional leader Aung San Suu Kyi and her party, the National League for Democracy, have already registered to participate. Both the United States and the European Union suggest that free and fair elections along with the release of more po-
Political prisoners would pave the way for further concessions including the eventual lifting of economic sanctions.

In a recent interview addressing ongoing reforms in Myanmar, ASEAN Secretary-General Surin Pitsuwan pointed out that while change is certainly good for the country, it is important to “ensure that there is a human face to the management of the country’s resources and opportunities.”

It is thus vital that the Myanmar government work alongside all stakeholders, including the political opposition, civil society actors, and foreign investors to negotiate and find a sustainable and responsible development approach that benefits all stakeholders, and will not just generate quick profits in selective pockets of society. Political will and good intentions alone will not be sufficient to overcome the challenges ahead.