



Burma

Business and development exchange summary

Burma is slowly emerging from decades of economic and political isolation and, since the new civilian government took office in March 2011, has been experiencing a period of very rapid reform. The political, economic and social measures being implemented by President Thein Sein's government offer huge opportunities for growth and prosperity but it is yet to be seen whether the many challenges that Burma faces can be transformed into opportunities.

Burma is the poorest country in Southeast Asia with an estimated gross domestic product (GDP) per capita of between US\$500 and US\$800 and a poverty headcount of 26%. Decades of military dictatorship and economic mismanagement have reduced the country, once the world's biggest rice exporter, to a state of widespread poverty and malnutrition.

Poverty is concentrated particularly in rural areas. Disparity is also wide, with landlessness estimated at around 50% in rural areas. Vulnerability to natural disasters, particularly cyclones, storms and flooding, is another key characteristic of Burmese poverty. The population and economy are still recovering from Cyclone Nargis, which claimed 138,000 lives and affected 2.4 million people in the Ayeyarwady Delta in May 2008.

Infrastructure weakness is another bottleneck that creates major challenges for economic growth. Burma lacks a single highway or railway connection with its five neighbouring countries. Despite exporting power supplies to other countries in the region, there is a major deficit in the domestic electricity supply: about 75% of the population have no access to electricity. Until 2011, only 3% of citizens had access to mobile phones.

Burma's population is 68% ethnic Burmese, with significant ethnic minority populations (including the Shan, Karen, Kachin and Arakanese) in upland regions. The country is 89% Buddhist, with Christians and Muslims accounting for less than 5% each. Sectarian violence between Muslims and Buddhists, centring on Rohingya communities in Rakhine state, has spread to other parts of the country, creating a climate of instability liable to effect foreign investment decisions. While ceasefires have been signed with all ethnic minority rebel armies, including, most recently, the Kachin, the peace-building process is fragile.

The reform process so far has included the opening of dialogue with National League for Democracy leader Aung San Suu Kyi, leading to the party's victory in 2012 bi-elections and the leader's election to Parliament. Political prisoners have been released and laws on censorship have been repealed. Economic reforms have included abandonment of exchange-rate controls in April 2012 in favour of market rates, tax reform and decentralisation, a new foreign-investment law and the introduction of special economic zones.

The speed and depth of reforms, together with the amount of international attention the country is receiving, has placed a burden on government infrastructure, particularly as Burma prepares to take up the chairmanship of ASEAN in 2014. After years of dictatorship and international isolation, Burma's government institutions face weaknesses in terms of human capital, creating challenges in the implementation of reforms. Corruption and cronyism remain problems, with many army officers or those with connections to the army holding important stakes in the economy.

In Burma, our research will focus on agriculture and skills development. In the agriculture sector, we will examine opportunities for donor engagement with business to improve benefits to smallholder farmers from agricultural production. In skills development, we will focus particularly on the role of business associations in the provision of relevant and high-quality vocational training.ⁱ

ⁱCover image: At Inle lake - demonstrating his skills and fishing for tips. Hans A Rosbach, Flickr, 2013.