
Country Profile 2004

Myanmar (Burma)

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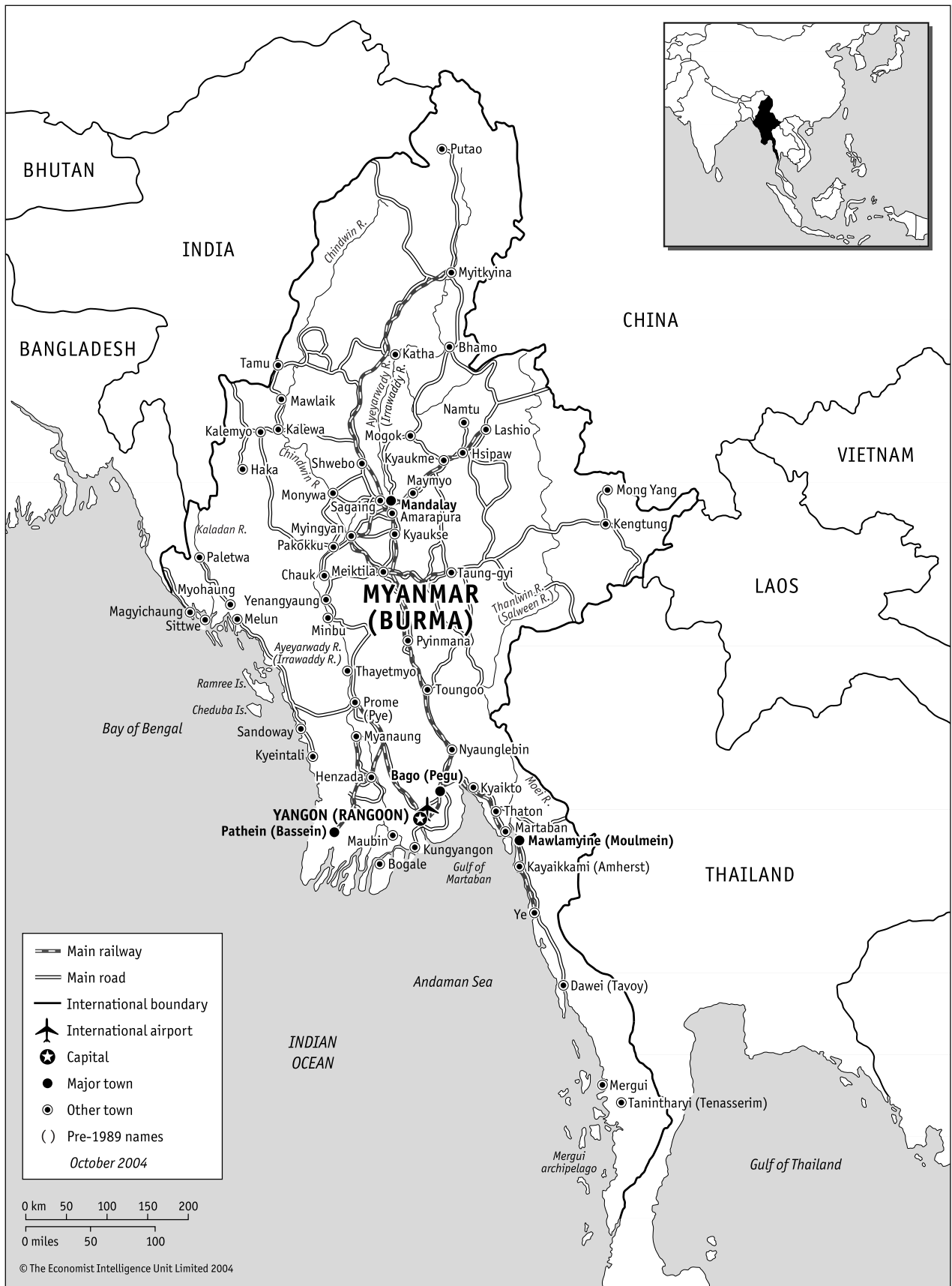
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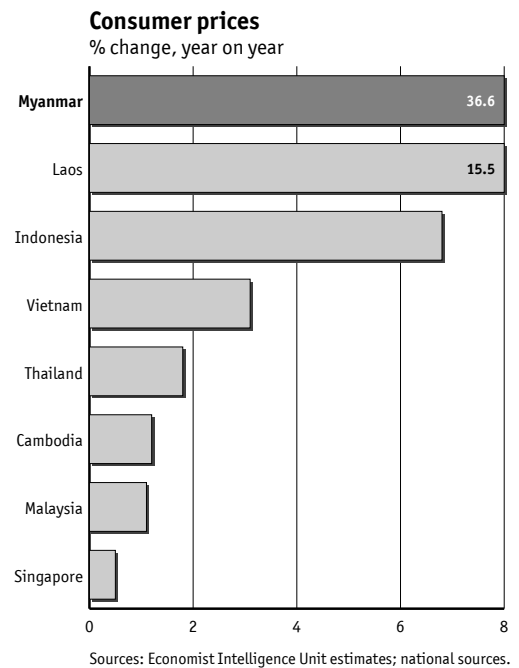
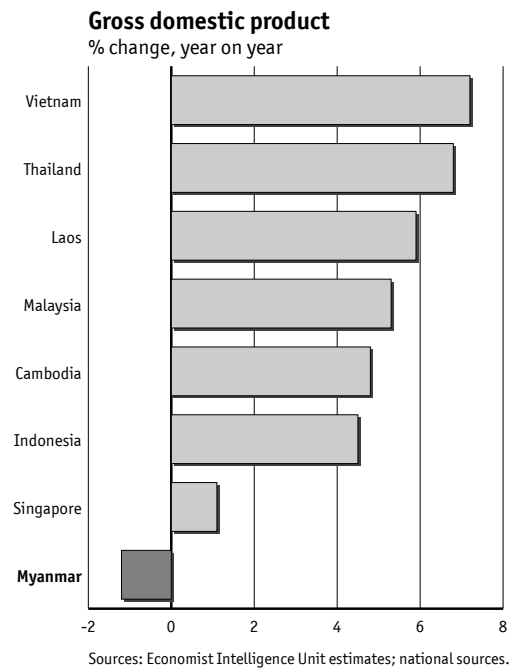
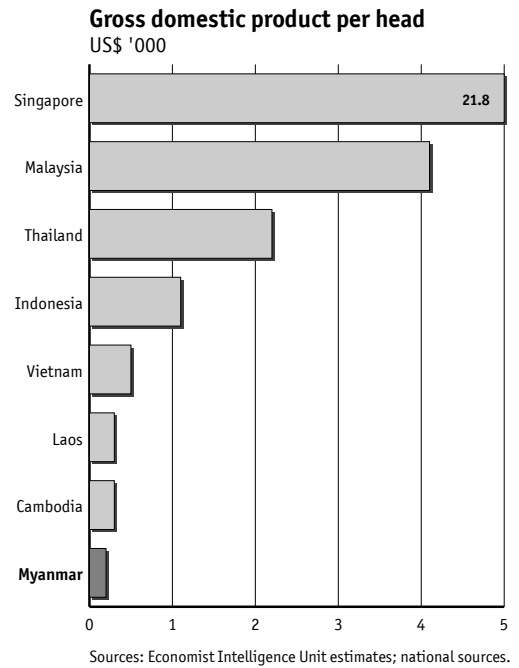
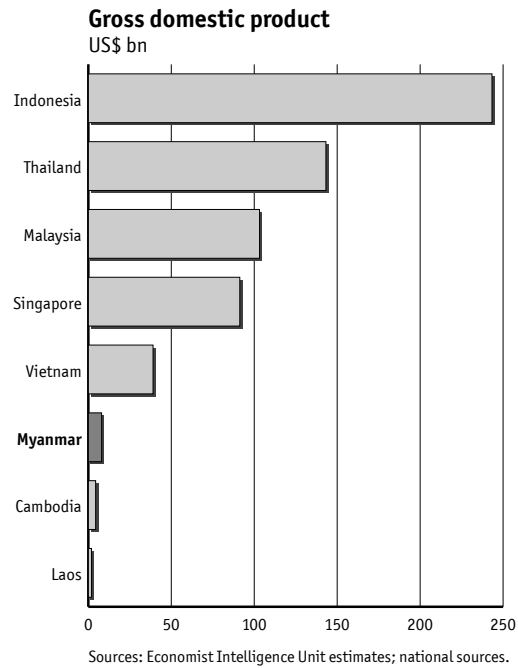
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Comparative economic indicators, 2003



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Myanmar (Burma)

Basic data

Land area	676,563 sq km
Population	52.2m (October 2002, Central Statistical Organisation)
Main towns	Population in '000 (1983 census)
	Yangon (capital) 2,513 Bago 320
	Mandalay 533 Moulmein 220
	Note. In the text, places are referred to by their pre-1989 names, apart from Yangon and Myanmar. Pre-1989 names appear in brackets on the map at the beginning of this report
Climate	Subtropical
Weather in Yangon (altitude 5 metres)	Hottest month, April, 24-36°C; coldest month, January, 18-23°C; driest month, January, 3 mm average rainfall; wettest month, July, 582 mm average rainfall
Language	Burmese; numerous other minority languages are also in use, such as Karen and Shan
Measures	Derived from the UK system. Some other units are in use. For example, 0.9842 long or imperial tons=1 metric tonne=1.10231 short tons. Local measures include: 1 lakh=100,000 units; 1 crore=10,000,000 units; 1 viss or peiktha=100 ticles=1.6 kg; 1 basket (paddy)=20.9 kg; 1 basket (rice)=34 kg
Currency	1 kyat (Kt)=100 pyas. Average official exchange rate in 2003: Kt6.08:US\$1. Average free-market exchange rate in 2003: Kt960:US\$1 (based on private estimates). Average free-market exchange rate in September 2004: Kt980:US\$1
Time	6.5 hours ahead of GMT
Fiscal year	April 1st-March 31st
Public holidays, 2004	January 4th (Independence Day); February 12th (Union Day); March 2nd (Peasants' Day); March 27th (Armed Forces' Day); May 1st (Workers' Day); July 19th (Martyrs' Day); December 25th (Christmas Day); plus other holidays, the timing of which depends on lunar sightings

Politics

Myanmar's ruling military junta, known as the State Peace and Development Council (SPDC), came to power in 1988 after violently suppressing widespread pro-democracy protests. The main opposition party, the National League for Democracy (NLD), won the last election, which was held in May 1990. However, the junta has never recognised this result and has suppressed most political activity. Under intense international pressure, in August 2003 the SPDC outlined plans for limited political reforms. In 2004 it reconvened the National Convention (NC) to draft a new constitution, the first step in its planned reform "road map". However, the junta seems intent on putting into place a constitution that leaves sweeping powers in the hands of the military, and ignores the demands of opposition political and ethnic groups.

Political background

A long history of military rule

On January 4th 1948 the Union of Burma (as Myanmar was known before the military government changed the name in 1989) gained independence, ending more than 60 years of British rule. The fight for independence was spearheaded by the Anti-Fascist People's Freedom League (AFPFL), under the leadership of Aung San and U Nu. The AFPFL won a landslide election victory in April 1947. However, in July 1947 Aung San was assassinated, and it was U Nu who became prime minister following independence. The AFPFL won two further elections, and Myanmar enjoyed 12 years of democratic government—interrupted only by a two-year period under a military caretaker government led by the army chief of staff, General Ne Win. However, in March 1962 General Ne Win launched a coup d'état, replacing the government with a military-run revolutionary council, plunging Myanmar into an era of authoritarian military rule that persists today.

In 1972, in the face of growing discontent, General Ne Win and his senior commanders retired from the army, but remained in control of the government. In a bid to find a new direction, in 1974 a new constitution declared Myanmar to be a socialist one-party state, ruled by the military's Burma Socialist Programme Party (BSPP, or Lanzin Party). The BSPP embarked on the so-called Burmese Way to Socialism, of which the central element was economic self-sufficiency. Myanmar was shut off from the outside world, a policy that resulted in economic stagnation.

The pro-democracy movement was crushed in 1988

In October 1987, as the economy deteriorated, student demonstrations were held in the capital, Yangon. Widespread protests began in March 1988, increasingly focused around the leadership of Aung San Suu Kyi, the daughter of the independence era leader, Aung San. In July 1988 General Ne Win resigned as chairman of the BSPP, and was replaced by General Sein Lwin, but the protests gathered strength until on August 8th 1988 troops were ordered to fire on unarmed demonstrators. Several thousand civilians are estimated to have been killed and many more injured in the ensuing bloodbath.

The demonstrations continued, forcing General Sein Lwin to resign within weeks of coming to power. His successor—a civilian, Maung Maung—lasted less than one month, during which time a multiparty election was planned. On September 18th 1988 the military again formally took power, nominally under the leadership of General Saw Maung—although with General Ne Win's involvement behind the scenes. The junta formed a military council, called the State Law and Order Restoration Council (SLORC), to rule the country. The junta also dismantled the socialist one-party order and bowed to the demonstrators' demand that an election be held.

The junta rejected the result of the 1990 election

More than 200 parties registered for the 1990 election. The main contenders were the National Unity Party (NUP, a renamed BSPP), the NLD, and key ethnically based parties. Although Aung San Suu Kyi was placed under house arrest, the election resulted in an overwhelming victory for her party, which took 60% of the popular vote. This would have given the NLD 392 seats in the 485-seat legislature, compared with only ten seats won by the pro-junta NUP. However, the junta refused to accept the result or to convene parliament, and has remained in power ever since.

Senior General Than Shwe, the commander-in-chief of the army, succeeded General Saw Maung as chairman of the junta's ruling council in 1992. In November 1997 the junta was reshuffled and renamed the State Peace and Development Council, but there was no marked change in its policies. Key decisions are still made by the military council. There is an additional government structure headed by a prime minister, but the government comprises military appointees, and does not act as a check on the powers of the ruling military council.

General election results, May 1990

	% of vote	No. of seats
National League for Democracy	59.9	392
Shan Nationalities' League for Democracy	1.7	23
Arakan League for Democracy	1.2	11
National Unity Party	21.2	10
Mon National Democratic Front	1.0	5
National Democratic Party for Human Rights	0.9	4
Chin National League for Democracy	0.4	3
Party for National Democracy	0.5	3
Union Paoh National Organisation	0.3	3
Kachin State National Congress for Democracy	0.1	3
Others	12.8	28
Total	100.0	485

Source: press reports.

The junta tried to entrench its grip and sideline the NLD

Throughout the 1990s the junta made every effort to entrench itself and to sideline the NLD. Most political activities were severely restricted, and NLD members and their families were subjected to harassment, including imprisonment and torture. By the late 1990s most NLD party offices had been forced to close and hundreds of NLD supporters were in jail. Aung San Suu Kyi was released from house arrest in 1995, but was returned to confinement from September 2000 to May 2002. Despite this, the NLD has continued to campaign

for the result of the 1990 election to be recognised. In September 1998 the NLD formed a ten-member body, known as the Committee Representing the People's Parliament (CRPP), to highlight the demands of the NLD and other parties that won seats in 1990.

Ethnic groups are oppressed

Since independence, the question of the degree of autonomy to be given to Myanmar's many ethnic groups has not been adequately settled, and at times more than 40 ethnic organisations have been engaged in armed conflict with the military regime. In 1989 a series of ceasefires were concluded with some of the 29 groups still active at that time. For years the SPDC has used brutal tactics including torture, rape, forced labour, extra-judicial killings and forced relocation on a massive scale in a bid to stamp out ethnic minority opposition movements and to control ethnic populations. International agencies, including the UN, have continued to be highly critical of the atrocities committed by the junta against ethnic minority peoples. As a result of such policies and the continued fighting, there are around 120,000 ethnic-minority refugees in camps in Thailand—and an unknown number of ethnic-minority people displaced from their homes within Myanmar. Ethnic leaders have been exasperated by their exclusion from contact between the SPDC and NLD, and are pressing for the start of open and transparent, tripartite talks.

Talks between the SPDC and the NLD go nowhere

Encouraged by the UN special envoy to Myanmar, Razali Ismail, in late 2000 a line of communication was opened between General Than Shwe, the then SPDC Secretary-1, General Khin Nyunt, and Aung San Suu Kyi. The talks focused only on confidence-building measures and did not move to more substantive issues. In early 2002 the SPDC began to release small groups of NLD political prisoners. In May 2002 Aung San Suu Kyi herself was again released from house arrest and allowed to travel outside Yangon to meet supporters, and the NLD was able to reopen some party offices. Despite these improvements, the SPDC refused to meet the NLD's call for full political dialogue.

Recent political developments

Aung San Suu Kyi is detained for a third time

In 2002 and early 2003 large crowds of supporters turned out to welcome Aung San Suu Kyi as she began to travel around the country for the first time in many years. Apparently alarmed by the widespread show of public support for Aung San Suu Kyi, the SPDC and its local branches began harassing NLD gatherings. Then, in late May 2003, Aung San Suu Kyi's motorcade was surrounded and violently attacked during a tour of the north of the country. It is not clear if this was an assassination attempt, but a number of Aung San Suu Kyi's supporters were killed in the incident. The SPDC admits that four NLD supporters were killed and 50 people were injured; opposition groups report that at least 70 NLD supporters may have died in the attack, with many more injured. Aung San Suu Kyi was subsequently jailed by the military, as were around 70 of her supporters and other senior NLD leaders. Although most were eventually released, Aung San Suu Kyi and the NLD's vice-chairman, Tin Oo, were moved from jail and once again placed under house arrest in Yangon. The attack on Aung San Suu Kyi and her supporters was met with widespread international outrage.

A "road map" for political reform is announced

In August 2003, under intense international pressure, the SPDC announced a road map for political reform. The steps outlined included reconvening the NC, which was suspended in 1996, to draft a new constitution; holding a national referendum to approve the new constitution; holding parliamentary elections; and forming a new government. The junta's road map was developed without any consultation with opposition political and ethnic groups, which had instead called for tripartite dialogue about the future direction of the country. Furthermore, there was nothing new in the road map—the SPDC has been promising for years to hold a fresh election after a new constitution has been completed. The road map seemed to confirm that the SPDC would try to entrench its hold on power by writing military rule into the constitution, before seeking to confer some legitimacy on the regime by holding another election—one that it plans to control tightly.

The National Convention is reconvened without the NLD

Taking the first step on its road map, in May 2004 the junta reconvened the NC. The NC first convened in 1993, but it was abandoned in 1996 after the NLD withdrew in protest at the lack of free debate and harassment of delegates by the military. The latest session got off to a fairly dismal start, opening without the participation of any delegates from the NLD or from the largest of the ethnic-based political parties. Although some NLD officials were invited to attend, the NLD chose not to take part after the junta refused to meet their demands, one of which was the release from house arrest of Aung San Suu Kyi and Tin Oo.

More than 1,000 delegates attended the opening session of the convention. As expected, the delegates were largely hand-picked and approved by the junta. The junta placed tight restrictions on debate, with delegates not permitted to question the SPDC's objectives or challenge the military in any way. Rules stated that delegates could not protest by walking out of any meeting or make "anti-national" comments. Any criticism of the convention risked attracting a prison term of up to 20 years. UN officials have stated that the convention cannot be regarded as a credible step towards democracy unless these restrictions on debate are lifted and all political parties are fully involved.

The junta has not given a timetable for completion of the road map, but has indicated that the convention is likely to last for at least two years. The junta may well drag out the activities of the convention as a means to avoid having to move forward with the road map. Until the constitution is complete, no other activities—including a fresh election—can be considered. This is a technique the junta has been using for years.

The SPDC still manages to keep a united front

The legacy of years of military dictatorship means that there is no clear process for the transfer of power, and there are faultlines within the SPDC itself. On the whole, the SPDC has been able to keep a fairly united front, but tensions appear to have increased as the SPDC has struggled to find a way to deal with Aung San Suu Kyi, and at the same time shore up its own grip on power. A hardline faction within the junta that is loyal to General Than Shwe is believed to be highly resistant to political change. Another faction focused around General Khin Nyunt is believed to be more supportive of the road map and

contact with the NLD. However, members of this latter group are not reformers—General Khin Nyunt also wants the military to keep power in some form—the difference is one of tactics.

Shortly before the road map was announced in August 2003, the junta announced a major reshuffle. General Khin Nyunt assumed the post of prime minister, giving up his position as SPDC Secretary-1. The hardline Lieutenant-General Soe Win replaced General Khin Nyunt as Secretary-1, and Lieutenant-General Thein Sein was made Secretary-2. General Than Shwe, who previously held the post of prime minister, remained chairman of the SPDC and head of state. The position of SPDC vice-chairman, General Maung Aye, also regarded as a hardliner, was left unchanged. The reshuffle seems to have strengthened the position of the hardliners, as did the removal in September 2004 of Win Aung, the foreign minister, who was replaced by Major-General Nyan Win, another hardline military man.

The KNU reaches an informal cease-fire agreement

In late 2003 the SPDC began talks with the Karen National Union (KNU), the largest group still in armed conflict with the SPDC. An informal ceasefire was agreed, although periodic fighting and human rights abuses in Karen areas by the SPDC continued to displace many villages in 2004. Despite these problems, the KNU and SPDC agreed to continue talks. In September another ethnic political group, the Karenni National Progressive Party (KNPP), announced that it too would meet for discussions with the SPDC. It is not clear whether these talks will result in lasting peace. In the past, widespread abuse of human rights by the junta has continued in many of the ceasefire areas. As a result, a number of existing ceasefires have unravelled. The SPDC wants to secure its border regions; the junta and the Thai government have already signed a number of investment agreements involving roads, industrial zones and power projects that will depend on stability being maintained along the Thai-Myanmar border. However, the SPDC's failure to listen to ethnic opposition groups and its continued brutal policies in ethnic minority areas are likely to ensure that civil conflict remains a high risk.

Important recent events

March-September 1988

Widespread pro-democracy protests are crushed by the military. In September the junta forms the State Law and Order Restoration Council (SLORC).

May 1990

An election is held. The National League for Democracy (NLD) wins conclusively, but the results are not recognised by SLORC.

July 1995

The leader of the NLD, Aung San Suu Kyi, is released from almost six years of house arrest.

November 1997

The SLORC is reshuffled and renamed the State Peace and Development Council (SPDC), but there is no change in policy.

May 1998

The NLD demands that parliament be convened. Hundreds of NLD members are detained.

September 2000

Aung San Suu Kyi and other senior leaders are once again placed under virtual house arrest. Despite this, low-key confidence-building talks between the NLD and the SPDC begin.

May 2002

Aung San Suu Kyi is again released from house arrest.

May 2003

Aung San Suu Kyi and other senior NLD leaders are detained and jailed following an attack on NLD supporters orchestrated by the SPDC.

August 2003

General Khin Nyunt takes over as prime minister but loses his position in the SPDC. Soon after taking the post, he announces a "road map" for political reform, but refuses to commit to a timetable or to discuss a possible role for the NLD.

May 2004

The National Convention (a body tasked with drafting a new constitution) is reopened. The NLD does not attend, in protest at the continued detention of its leaders.

September 2004

Win Aung is sacked as foreign minister and replaced by a senior military official, Major-General Nyan Win. Although the reason for this move remains unclear, Win Aung probably was held responsible for failing to reduce international criticism.

Constitution, institutions and administration

A new constitution proves elusive

Myanmar has been operating without a constitution since 1988, when the junta suspended the 1974 constitution and abolished all state institutions, including parliament and the civilian courts. The junta claimed (after the event) that the 1990 election had been held solely to elect representatives to a body assigned with the task of drawing up a new constitution, called the National Convention. The National Convention first met in January 1993. However, of the National Convention's 702 members only 106 (15%) were elected representatives, the rest being appointed by the junta. In November 1995 the NLD was expelled from the convention for protesting against tight restrictions on debate, and the following year the convention was closed.

By the close of 1993-96 session, the convention had identified 104 basic principles, covering, among other things, a central role for the armed forces (known as the Tatmadaw), to be guaranteed by a range of measures. These

included setting aside 25% of seats in any future parliament for the military, and granting the military the right to make appointments to key government posts (such as the Ministries of Defence and Home Affairs).

The SPDC controls the government and judiciary

The 13-member SPDC comprises the heads of all branches of the armed forces and military intelligence. It is headed by General Than Shwe. General Maung Aye holds the post of vice-chairman (and is also commander-in-chief of the army). Together with General Khin Nyunt (who held the post of Secretary-1 for many years and who remains a council member and head of military intelligence), these three appear to be the most powerful members of the junta. The post of Secretary-1 is now held by Lieutenant-General Soe Win, and the post of Secretary-2 is held by Lieutenant-General Thein Sein. Other key members include General Thura Shwe Mann (joint chief-of-staff of the armed forces) and the heads of the four special operations bureaux.

Although the SPDC meets irregularly, in 1998-99 SPDC committees were set up to oversee agricultural policy, industrial policy and trade and foreign exchange. The regional military commanders also wield considerable day-to-day power in the areas under their command. The cabinet forms the second tier of the military government; key decisions are taken by the SPDC and its committees.

Civilian courts were fully reinstated in 1992, but many judges still have military backgrounds. Pro-democracy campaigners and ethnic minority members in conflict areas are regularly denied proper legal representation, and cases are often heard in secret. Jail terms for pro-democracy activists are severe; even peaceful anti-junta activities by Myanmar citizens regularly attract jail terms of between seven and 20 years. Conditions in the jails are harsh, although the International Committee of the Red Cross has been allowed some access. Although the SPDC released several hundred political prisoners in 2002-03, many as 1,000 prisoners are believed to remain behind bars, including ethnic and religious leaders and other opponents.

Corruption is a serious problem

Governance in Myanmar is blighted by the complete lack of accountability and transparency of the ruling junta, the State Peace and Development Council (SPDC). Corruption and cronyism are serious and widespread problems throughout all levels of the government, the military, the bureaucracy and business communities. Low wages for officials have helped to create a system where rent-seeking has become the norm. The distorted economic climate, particularly the multiple exchange-rate regime and the huge illegal drug trade, means that tax evasion, money-laundering, smuggling and other forms of corruption are widespread.

Political forces

The military remains the main source of power

According to the International Institute for Strategic Studies, the armed forces (including the police and militias) expanded from 170,000 in 1988 to 444,000 by 2001, including 325,000 regular army, a 10,000-strong navy and 9,000 member air force. The ruling military council, the SPDC, is the dominant institution in the country, and it continues to be widely feared and disliked. It relies on the backing of the armed forces and its huge military intelligence wing

to keep control of the country. Poor pay and conditions may have weakened support for the junta within the rank-and-file of the armed forces. However, after the brutal suppression of the 1988 pro-democracy movement, there is little public appetite for another anti-junta uprising—particularly as the SPDC has developed a vast network of informers throughout the country. Despite this, the junta does face opposition from numerous population groups, including students, monks and ethnic-minority groups. Students played a prominent role in organising the 1988 protests, a fact that led the current junta to close the universities for much of its 12 years in power. The SPDC took the risk of reopening many university classes in 2000, but remains jittery. Religious leaders also played a key role in the pro-democracy movement of 1988, and have also been involved in subsequent protests.

The USDA performs a role as junta's political wing

The military junta established the Union Solidarity Development Association (USDA, a welfare organisation-cum-political party set up by the SPDC) in 1993, initially to undertake public works projects. In 1997 the junta explicitly recognised the USDA as its political wing and called for its members to be trained as the "next generation" of leaders. General Than Shwe is head of the USDA. Heavy-handed recruitment—civil servants and high school students are pressured into joining—has boosted its numbers. By 2001 membership had risen to around 16m, organised in local groups throughout much of the country. Although there is probably little genuine support for the SPDC among the USDA's members, the SPDC is almost certainly grooming the USDA to represent it in any future election, intending that force of numbers (combined with the 25% of seats already set aside for the military) will deny victory to the NLD.

In 2002-03, as the momentum behind Aung San Suu Kyi's travels grew, rallies in support of the NLD began to be marred by increasingly violent attacks orchestrated by the USDA. According to the NLD spokesperson, U Lwin, during Aung San Suu Kyi's northern tour, USDA organisers ordered representatives from each household on route to protest at NLD rallies, or face a fine or period of forced labour.

The NLD is the most important source of political opposition

Only nine of the parties that contested the May 1990 election are still legally recognised. Of the 485 deputies elected in 1990, the majority have been detained or disqualified, resigned under pressure or gone into exile. The most important source of opposition to the junta remains the NLD, which is still recognised as a legal party. However, years of intense harassment by the junta have had a negative impact on the party. Most party offices have been forced to close and many party members forced to resign. The years of stalemate resulted in some tensions within the NLD itself, although there seems to be no threat to the core NLD leadership. During a brief thaw in 2001-02, most party offices were able to reopen, and key NLD leaders were able to meet supporters around the country. The massive turnout to some of these gatherings, despite intimidation by the USDA, suggests that popular support for the NLD remains strong. The SPDC clamped down again on the NLD in 2003-04. However, party members have continued to meet in private and the party structure remains more or less intact.

Main political figures

Aung San Suu Kyi

The secretary-general of the National League for Democracy (NLD) and daughter of the independence hero, Aung San, she is extremely charismatic and her personal popularity within Myanmar remains high. She was detained (for the third time in more than ten years) in May 2003 and was still under house arrest in September 2004.

Tin Oo

A former military man, the vice-chairman of the NLD is one of Aung San Suu Kyi's closest allies. He was also detained in May 2003 and was still under house arrest in September 2004.

Senior General Than Shwe

Probably still the most powerful man in the country, General Than Shwe heads the armed forces and the ruling military junta, the State Peace and Development Council (SPDC). He is also minister of defence in the government. Despite persistent rumours of ill-health, he still seems to be calling the shots.

Deputy Senior General Maung Aye

The vice-chairman of the SPDC, deputy commander-in-chief of the armed forces and army commander. In theory, he is second in line to General Than Shwe. Deputy Senior General Maung Aye is regarded as a hardline opponent of dialogue with the NLD, favouring a return to isolationist economic policies.

General Khin Nyunt

For many years head of military intelligence and Secretary-1 of the SPDC. In August 2003 General Khin Nyunt lost his post as Secretary-1, replacing General Than Shwe as prime minister. General Khin Nyunt is no reformer, but is perhaps more aware than the other top generals of the need to improve the junta's image and seek some form of legitimacy. As a result, he could fall foul of the extremist hardliners such as General Maung Aye.

Lieutenant-General Soe Win

Regarded as a hardliner within the SPDC, General Soe Win was promoted from Secretary-2 to Secretary-1 in the August 2003 reshuffle. He is a member of the Panel of Patrons of the Union Solidarity Development Association (USDA) and is widely thought to have been behind the attacks against NLD members on May 30th 2003.

General Thura Shwe Mann

General Thura Shwe Mann appears to be gaining in influence owing to his close relationship with General Than Shwe (who was his regional commander in the early 1980s). He holds the post of joint chief-of-staff of the army, navy and airforce.

Ethnic groups are still fighting for autonomy

A number of important ethnically based political parties performed well in the 1990 election. Most have since been forced to suspend their activities. In addition to the legally registered parties, a number of well-organised ethnic political groups continue their armed conflict with the SPDC, demanding greater autonomy for ethnic minority areas and an end to human rights abuses. These groups include KNU and the KNPP, and their armed wings. In 2004 these

groups came under growing pressure to reach deals with the SPDC. The KNU began ceasefire discussions with the SPDC in late 2003, and in the second half of 2004 it appeared likely that the KNPP would soon do the same.

**A number of political groups
operate in exile**

A number of pro-democracy political groups operate outside of Myanmar. Two prominent groups are the National Coalition Government of the Union of Burma (NCGUB), a government-in-exile comprising parliamentarians elected in 1990, and the All Burma Students Democratic Front (ABSDF), composed of students who fled the country following the 1988 massacres. The ABSDF has formed a political bloc to campaign for change from its base in Thailand.

International relations and defence

**ASEAN is losing patience with
the junta**

Myanmar was admitted as a full member of the Association of South-East Asian Nations (ASEAN) in July 1997, and for years the group has followed a policy of "constructive engagement" with Myanmar, trying to avoid any overt criticism of the regime. However, ASEAN has become increasingly embarrassed by its newest member. After the May 2003 attack on the NLD, Myanmar's fellow members of ASEAN departed from their traditional policy of non-interference, publicly calling on the junta to resume the reconciliation process. With Myanmar set to take over the presidency of ASEAN in 2006, there is now growing concern about the potential negative impact on the group's image if the political impasse continues. Despite this, ASEAN continues to be fairly supportive of the junta. However, some key members, such as Indonesia and Malaysia, are likely to keep up pressure on the junta behind the scenes, urging it to release Aung San Suu Kyi and make faster progress on political reforms ahead of 2006.

**Relations with Thailand have
warmed recently**

Although relations with some ASEAN members are fairly strained, relations with Thailand, Myanmar's neighbour to the east, have been improving. Historically, relations between the two countries have been poor, and in recent years violent skirmishes between SPDC troops and ethnic forces have spilled over on to Thai soil on a number of occasions, resulting in exchanges of fire with the Thai military and periodic closure of the border. The flow of drugs and illegal immigrants from Myanmar are also contentious issues between the two governments. However, the current Thai administration, under the prime minister, Thaksin Shinawatra, has been more conciliatory towards Myanmar. The Thai government has resisted calls from the US for it to put more pressure on the junta, and it has pushed ahead with a number of investment and trade projects, including several aimed at developing cross-border trade and export processing zones.

**Frosty relations with the US
and EU**

The junta has been shunned by many countries and international bodies for failing to recognise the results of the 1990 election, as well as for its extremely poor record on human and labour rights. Most donors—including Japan and the US—suspended aid after the September 1988 coup, and in 1997 the US banned new investment in Myanmar by US companies. After years of stalemate, in the late 1990s some countries began to look for ways to engage the SPDC. Japan, for example, resumed limited aid. This modest thaw came to an abrupt end in

May 2003 when an SPDC-orchestrated attack on pro-NLD supporters and the detention of the entire NLD leadership was greeted by international outrage. Myanmar's economic and diplomatic isolation will not be overcome until the junta takes steps towards significant political reform.

In July 2003 the US tightened sanctions by banning all imports from Myanmar. The EU has not imposed matching sanctions, although it has put some measures in place such as an arms embargo and a ban on visits by junta members to the EU. In the lead-up to the October 2004 Asia-Europe Meeting (ASEM), an informal forum for dialogue between EU member states and a number of Asian countries, the EU insisted that Myanmar's representation be at lower than head of state level.

The junta seeks to promote wider ties

In a bid to counterbalance pressure from the West and (to a much lesser extent) wavering support within ASEAN, in 2004 the junta focused on cementing its ties with China, and on developing closer economic ties with other East Asian and South Asian nations. China remains a key ally and important trade partner, as well as a provider of regular military assistance and training to the junta. Efforts by Western nations to encourage China to exert some pressure on the junta have so far had little effect. Hong Kong and South Korea have become important sources of inwards foreign investment. The SPDC has also put a lot of effort recently into developing its economic and political ties with India and Bangladesh, resulting in a variety of investment projects and agreements to boost cross-border trade.

Security risk in Myanmar

Armed conflict

Armed conflict may pose a risk to transport and energy projects in some border regions where fighting continues between the ruling military junta, the State Peace and Development Council (SPDC), and ethnic groups. However, the risk is mainly one of general instability rather than specific attacks on infrastructure.

Terrorism

Terrorism poses little threat to business in Myanmar. There are periodic bomb attacks in cities, including Yangon and border towns, some of which are blamed by the SPDC on ethnic groups, but these attacks are not specifically targeted at foreign businesses.

Unrest/demonstrations

Demonstrations pose a limited risk to business. Protestors have not specifically targeted foreign businesses; rather, the risk is of politically motivated uprisings. There is a low risk of this occurring; the last major uprising occurred in 1988, and was brutally suppressed by the junta, which has since massively expanded the armed forces and military intelligence.

Violent crime

Violent crime is a relatively low risk in Myanmar, although anecdotal evidence suggests that there has been a rise in crime in recent years, linked to the deterioration of the economy.

Organised crime

Organised crime poses a risk to business. There is a huge illegal economy based on the smuggling of goods and drugs. Myanmar is one of the world's two largest producers of opium, and a major producer of amphetamines. Some armed groups that have reached ceasefires with the SPDC are heavily involved in the drug trade. Money-laundering contaminates the financial system. Myanmar's financial system has been cited by the US and the multilateral Financial Action Task-Force (FATF) as being of prime money-laundering concern (see Financial services).

Kidnapping/extortion

Kidnapping is a low risk in Myanmar. However, extortion, in the form of corruption among the government and bureaucracy, is extremely widespread.

Resources and infrastructure

Population

Population, 2002/03

(mid-fiscal year)

Total (m)	52.2
% change	2.0

Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

Population and labour statistics are unreliable

Myanmar's population figures are unreliable, and estimates vary. For example, the Central Statistical Organisation (CSO) has estimated that the total population reached 52.2m in October 2002; the IMF estimates that the population stood at 49.5 in mid-2003. Population figures show erratic growth patterns, and according to a report by the UN Children's Fund (Unicef) an internal evaluation of population data in 1994 found under-reporting of 40% for births and 60% for deaths. Another complicating factor is the flow of refugees and migrant workers. Bearing these caveats in mind, there seems to have been little change in Myanmar's population structure in recent years. The population remains typical of a low-income country, with around 33% of the population in the 0-14 age group in 2002/03 and only 8% aged over 60 years. The infant mortality rate is high, at 78 per 1,000 live births in 2002, compared with an average of 33 in East Asia and the Pacific, and poor healthcare continues to cut short life expectancy, which was 57 years in 2002, compared with an average of 69 years in East Asia and the Pacific.

Population indicators, 2002

Infant mortality (per 1,000 live births)	78
Life expectancy at birth (years)	57
Population growth rate (%)	1.3
Urban population (% of total)	29

Sources: World Bank, *Myanmar at a glance*.

In 2002/03 Myanmar's labour force reached 25.6m people, according to estimates by the Asian Development Bank (ADB). Traditionally, the agricultural sector accounts for over 60% of all employment. Lack of investment in education and repeated closure of the universities in recent years have reduced the numbers of skilled workers.

Myanmar's mobile population: refugees, migrant workers and internally displaced people

A repressive regime and a stagnant economy have resulted in a large flow of workers and refugees from Myanmar to neighbouring countries. Thailand alone has an estimated 1m illegal migrant workers—the majority from Myanmar—as well as around 120,000 refugees from Myanmar housed in border camps.

Inside Myanmar, continued fighting in some border regions, and the junta's harsh policies against ethnic minorities, including forced relocation, have led to many people being displaced from their homes. According to estimates by the Norwegian Refugee Council's Global Database of Internally Displaced People (IDPs), in 2002 around 270,000 people in Myanmar had been driven into hiding in jungle areas, and a further 365,000 people were living in poor conditions in forced-relocation camps.

Data on ethnic minorities are contentious

Data on the size of Myanmar's numerous ethnic groups are contentious: no detailed census of ethnic minorities has been attempted since 1931. The 1931 census classified 65% of the population as belonging to the majority Burman group, followed by the Karen (9%), the Shan (7%), the Chin (2%), the Mon (2%), the Kachin (1%) and the Wa (1%). These figures may underestimate minority populations. The majority of these and other ethnic minorities live in the border states, although there are sizeable minority populations in the Burman-majority divisions.

Most people are Buddhists

About 89% of the population is Buddhist. An estimated 4% is Christian (including large numbers of Karen, Karenni and Kachin) and a further 4% Muslim, most heavily concentrated in Arakan state. A wide range of local languages are spoken among minority groups, but Burmese is the official language and is widely spoken and understood—although less so in the border states.

Population by state/division: census results, Apr 1983

State/division	Population ('000)	% of total	Annual growth ^a	Area (sq km)	Density (per sq km)
Kachin	904	2.56	2.05	89,042	10
Kayah	168	0.48	2.89	11,730	14
Karen	1,058	3.00	2.11	30,381	35
Chin	369	1.05	1.33	36,017	10
Sagaing	3,856	10.92	2.14	94,623	41
Tenasserim	918	2.60	2.46	43,344	21
Bago	3,800	10.76	1.80	39,404	96
Magwe	3,241	9.18	2.09	44,820	72
Mandalay	4,581	12.98	2.25	37,021	124
Mon	1,682	4.76	2.50	12,295	137
Arakan	2,046	5.80	1.70	36,778	56
Yangon	3,974	11.26	2.20	10,171	391
Shan	3,719	10.53	1.58	155,801	24
Ayeyarwady	4,991	14.14	1.85	35,136	142
Total	35,307	100.00	2.02	676,563	52

^a Average annual growth, 1973–83; %.

Source: 1983 census returns.

Education

The junta's policies have hit education hard

Underfunding remains a chronic problem throughout the education system. Spending on education dropped from around 1% of GDP throughout the first half of the 1990s to a pitiful 0.3% in 1999/2000 (IMF estimates), compared with around 3% of GDP in other low-income Asian economies. However, estimates by the UN Development Programme (UNDP) put education spending in 1999/2000 slightly higher, at 1.3% of GDP. Teachers in state-funded schools are poorly paid, and the quality of teaching is often low. Official figures still put the adult literacy rate at 85% in 2002, comparable with rates in Malaysia and Indonesia. However, this may be a considerable overestimate. Many children are taken out of school either because their parents cannot afford ever-increasing unofficial fees or because falling family incomes mean that children have to start work early. Barely one-half of the country's children now continue their education beyond primary level. Unicef has estimated that only 55% of children now continue to middle school and only one in four teenagers enrol in high school. At the other end of the system, higher education has frequently been disrupted over the last decade as the State Peace and Development Council (SPDC, the ruling junta) regularly closed down the universities, sometimes for years at a time, in an effort to prevent student dissent. The majority of universities were reopened in 2000, but courses have been shortened in order to push the huge backlog of students through the system.

There has been rapid growth in private classes in subjects such as English and computing in recent years—but these are mainly found in urban areas and are only accessible to the relatively well-off. Traditional monastic schools, which have historically played an important role in education, can only go so far in making up the shortfall left by the SPDC's disdain for education. As a result of these problems, the overall standard of education in Myanmar, particularly in rural areas, is believed to have declined sharply in recent years.

Health

Health indicators paint a gloomy picture

A Unicef report has described a "dramatic decline" in spending on healthcare in the 1990s. IMF figures reveal that spending on health was equivalent to just 0.1% of GDP in the second half of the 1990s. Private clinics have sprung up but are relatively expensive and located mainly in urban areas. As a result, much of the population has access to only basic healthcare, or none at all. According to the UNDP, 35% of children under the age of five in Myanmar were underweight in 1995-2002. Border areas suffer the worst, with a higher incidence of diseases such as HIV/AIDS, tuberculosis and malaria.

HIV/AIDS is a growing problem

According to a 1995 survey, 56.5% of Myanmar's injecting drug users were infected with HIV. By end-1999 UN agencies estimated that around half a million people in the country had HIV/AIDS—far higher than the official estimate. Rates of infection are high and increasing among intravenous drug users and sex workers. Migrant workers play a role in spreading the disease to other groups. The junta was initially reluctant to acknowledge the scope of the problem, and public health campaigns have been limited.

Natural resources and the environment

Potentially rich agricultural resources

Myanmar has a predominantly tropical climate, with most rain falling during the south-west monsoon (May-October). There are considerable regional variations; the northern mountains experience cooler conditions, whereas relatively little rain falls in the central arid zone. Rich natural resources include fertile agricultural land, a range of minerals, and extensive forests. The area of land under cultivation remains unusually low. In 2001/02 only 14.8% of the total land area was cultivated, with a further 10% classified as "wasteland suitable for cultivation". The agriculture sector has great potential, but is held back by a lack of investment. In addition, crops are at risk from droughts or flooding in the monsoon season. Among the most economically important crops are rice, pulses, oilseeds, timber, rubber, cotton, and many fruits and spices. In addition, Myanmar is one of the world's two largest producers of opium (the other being Afghanistan).

Despite heavy logging, forest resources are vast

Despite heavy logging in recent years, Myanmar remains densely forested. The SPDC has estimated that in 2001/02 around 49% of the total land area was forested, with around 20.7% of this being reserved forest. According to the Ministry of Forestry, Myanmar has recorded 7,000 plant species, of which 1,070 are endemic; 39% of forests are mixed deciduous and 26% are temperate evergreen. The most economically important forest resources are teak and other hardwoods—Myanmar accounts for around 75% of the world's remaining teak. Despite bans on logging exports, hardwood cutting continues and over-logging is becoming a serious problem.

Resources should be ideal for fishing and hydropower

Myanmar's rivers and 2,832-km coastline provide rich waters for fishing. According to official estimates, the maximum sustainable yield for marine fishing is 1.1m tonnes/year; Myanmar may now be approaching this limit. Myanmar also has great hydroelectricity potential, of which only around 1% is currently being exploited. However, several highly controversial dam projects are planned for the environmentally and socially sensitive Salween river (see Energy provision).

Myanmar has abundant mineral and energy resources

Myanmar's mountains contain reserves of a wide variety of minerals, ores and gemstones, including: copper, gold, nickel, coal, lead, zinc, silver, gemstones, tungsten and tin. A full assessment of these resources has not been undertaken, but some mining specialists believe that Myanmar could be a major producer of several minerals, including tin and copper. All minerals and metals belong to the state (in some cases, this right has been all but ceded to regional military commanders). Investors must negotiate a profit- or production-sharing agreement with the state (or one of six state-owned mining companies), or in some cases with the regional military command. In addition, Myanmar has major offshore oil and gas reserves, some of which are already being exploited in co-operation with foreign firms.

Transport, communications and the Internet

The transport network is underfunded and unreliable

The junta proudly claims that it has spent heavily on infrastructure in recent years, but the quality of much of the work (some of which relied heavily on forced labour) has been poor. Transport can still be a major headache for businesses in Myanmar. The public transport system, including buses and trains, is highly unreliable. Efforts are being made to repair and extend the rail and road system. For example, in 2004 Exim Bank of India offered a US\$56m loan to Myanmar to upgrade the Yangon-Mandalay railway (the upgrading work would be done by India's state railway).

Low incomes mean that few people can afford a car, but a number of efficient private coach companies have sprung up to service the main road routes. However, journey times remain long, as even major roads are in poor repair. In many areas, all but the major roads are unpaved, and during the rainy season some parts of the road network become impassable.

The poor state of road and rail means that the country's extensive inland waterways remain the principal means of long-distance transport in many areas. Waterways carry more freight than the railways (in actual tonnes rather than freight-miles), and two and one-half times as much freight is transported via water as via road. Yangon seaport is the largest in the country, handling 90% of seaborne trade, but it cannot accommodate vessels of more than 10,000 tonnes. New seaports are being developed at Thilawa, on the outskirts of Yangon, and Kyaukpyu in Rakhine (Arakan) state.

The two international airports are in Yangon and Mandalay (a major new international airport was opened at Mandalay in 2000, although low tourist arrivals mean that there is little traffic). Myanmar has three domestic airlines: Myanma Airways, Air Mandalay and Yangon Airways. Services are quite expensive and can be unreliable, and there are continued concerns over the safety record of Myanma Airways. The international carrier is Myanma Airways International (MAI), a joint venture between the Ministry of Transport and Singapore's Region Air, which provides limited regional connections. In July 2004 Myanma Airways announced plans for a new international carrier, to be called Air Myanmar, which will provide a few additional international services.

Telecommunications infrastructure is poor

According to the CSO, in early 2002 there were only 307,056 telephones and 19,553 mobile phones in Myanmar, for a population of over 51m. Around half of the telephones were in the capital, Yangon. In March 2002 Myanmar's first GSM (global system for mobile communications) mobile-phone service was launched, with networks in Yangon and Mandalay. Around 100,000 handsets went on sale in these two cities, although at a cost of more than US\$4,000 handsets are beyond the means of all but the richest in Myanmar. This is in addition to around 15,000 handsets for the existing and limited CDMA (code division multiple access) network.

The junta wants to extend the country's telephone network. In August 2004 the junta's Myanma Post and Telecommunications (MPT) announced plans for a Chinese-funded mobile switching centre that would enable the network to

handle a further 100,000 connections. Around 95,000 new mobile units and more than 38,000 landlines will be offered for sale in late 2004 and early 2005. Mobile units will be offered at a price equivalent to around US\$1,500.

Despite the expansion of the mobile system, telecommunications services remain unreliable and expensive. In August 1999 international direct calls were permitted from all telephones, but the cost was raised sharply and payment was required in US dollars or dollar-equivalent foreign-exchange certificate.

The Internet is still in its infancy

Internet usage remains in its infancy. According to the International Telecommunications Union (ITU), Myanmar has the lowest number of Internet users for its population in the whole of Asia. The ITU estimated the number of Internet users in Myanmar in 2003 at 5.3 per 10,000 people, compared with 32 in Cambodia, 18 in Laos and 430 in Vietnam. According to the government's estimates, there were 68 registered Internet users and just over 4,500 email users in March 2002. In May 2003 a handful of private businesses were granted licenses to operate Internet cafes, but the cost remains out of reach for most people. E-mail communications are strictly monitored, and most sites originating outside Myanmar are blocked.

There are two Internet service providers, Bagan Cybertech (owned by General Khin Nyunt's son), and the MPT. Thailand's Shinawatra Satellite (ShinSat) signed a deal in 2004 to expand Bagan Cybertech's broadband Internet services and telephony via its iPSTAR satellite from 2005. (ShinSat already provides around 1,000 iPSTAR user terminals.)

Censorship of telecommunications and the media

The 1996 Computer Science Development Law regulates the use of modems and computers with networking capabilities. These regulations are backed by harsh penalties. The ruling junta's surveillance capabilities have been enhanced by new technology that enables the monitoring of cellular phones and e-mail. Many newspapers and magazines are run by the state or its agencies, and print media are heavily censored. Broadcasts from foreign news organisations are periodically jammed, although they remain popular.

Energy provision

Few people have electricity, and power is in short supply

In 2003/04 total installed electricity capacity by the state-owned Myanma Electric Power Enterprise (MEPE) was 1,339 mw, according to data from the Ministry of Electric Power (MEP). MEPE is responsible for electricity generation and transmission. Natural gas now accounts for 51% of installed capacity and hydropower for 36.7%, with thermal sources contributing 11.8% and diesel 0.6%. In recent years the massive Yadana and Yetagun offshore natural gasfields have come on stream, but this gas is exported (see Economic sectors: mining and semi-processing).

Many towns and villages are not connected to the national grid. According to a 1997 survey by the CSO, only 37% of all households have access to electricity for lighting (71.6% in urban areas and 17.7% in rural areas). The current electricity power supply is inadequate, and the MEP estimates a 220-mw shortfall. The

situation is not helped by significant losses: around 15% of electricity was lost during generation, transmission and distribution in 2001/02. Many towns and villages are not connected to the national grid.

There is a new focus on hydropower

The MEP's long-term strategy to improve electricity supply is to invest in hydropower. A series of major new hydropower plants are expected to come on stream over the next few years. The MEP also intends to develop hydropower for export by damming several sites on the Salween river. For example, a planned plant at Tasang in Shan State will have an installed capacity of 7,110 mw. The SPDC hopes that electricity from Tasang and other dams can be sold to neighbouring Thailand. The Salween hydropower projects are being developed in a series of joint ventures with Chinese and Thai firms, and surveying of the Salween has already begun. Environmental and local ethnic groups are deeply concerned at the likely social and environmental impact of the projects, which could displace large numbers of ethnic minority people and flood large areas.

The economy

Economic structure

Main economic indicators, 2003

Real GDP growth (output basis; %) ^a	10.5
Consumer price inflation (av; %)	36.6
Current-account balance (US\$ m) ^b	-309
Foreign debt (US\$ bn) ^c	6.6
Official exchange rate (Kt:US\$1)	6.1
Free-market exchange rate (Kt:US\$1) ^d	960

^a Fiscal year 2001/02, official estimate. ^b 2001. ^c 2002. ^d Economist Intelligence Unit estimate.

Sources: IMF, *International Financial Statistics*; World Bank, *Global Development Finance*.

Agriculture is the key sector

Myanmar's economic statistics are unreliable. Although the economic performance over the past few years looks rosy, GDP growth has probably been much slower than official data suggest. Published data are patchy and distorted by the use of the massively overvalued official exchange rate to measure some statistics. In addition, a large informal sector and extralegal economy, which includes illegal logging, widespread smuggling and opium exports, are not captured in the figures. These problems make an accurate assessment of the size and structure of the economy difficult. However, according to official data, agriculture (including forestry and fishing) remains by far the biggest sector, accounting for 57.2% of current-price GDP in fiscal year 2001/02 (April-March), and employing close to 63% of the workforce in 1997/98 (latest data available). The energy and mining sector has grown in importance as a number of gas and mining projects have come on stream. However, industrial sectors (including manufacturing, energy, mining and construction) remain relatively undeveloped, accounting for only 10.5% of current-price GDP in 2001/02. Industrial output continues to be hampered by inadequate power and infrastructure, and limited investment. Food processing and garment manufacturing dominate the small manufacturing sector.

GDP per head remains low

The huge disparity between the official exchange rate and the free-market rate makes regional comparisons difficult. However, Myanmar counts among the world's lowest-income countries by any measure. In 2000/01 based on official—probably inflated—estimates of GDP growth, GDP per head reached around US\$730 on a purchasing power parity basis at the official exchange rate, but a mere US\$140 if kyat data is converted using the more realistic free-market exchange rate. A survey undertaken in 1997 indicated that 23% of Myanmar's population lived below the poverty line. This is a relatively small percentage compared with other countries of a similar level of income per head. However, other indicators, such as high rates of child malnutrition, suggest that the real incidence of poverty is much higher. In recent years high inflation for even basic staples has severely reduced most people's purchasing power, from already low levels.

Comparative economic indicators, 2003

	Myanmar	Thailand	China	Indonesia	Vietnam	India
GDP (US\$ bn)	8 ^a	143	1,447	208	39	588
GDP per head (US\$)	162 ^a	2,237	1,120	963	479	554
Consumer price inflation (av; %)	36.6	1.8	1.2	6.6	3.1	3.8
Current-account balance (US\$ bn)	-0.1	8.0	45.9	7.1	-1.9	1.5
Exports of goods (US\$ bn)	2.4	78.4	438.3	62.8	19.9	57.1
Imports of goods (US\$ bn)	1.9	66.8	393.6	39.8	22.4	74.5
Foreign trade (% of GDP)	0.4 ^b	101.5	57.5	49.3	108.5	22.4

^a Free-market exchange rate. ^b Calculated in kyat terms to exclude exchange-rate distortions.

Sources: National sources; Economist Intelligence Unit estimates.

The state still crowds out the private sector

The State Peace and Development Council (SPDC, the ruling junta) claims that it is still undertaking market-based economic reforms. However, the privatisation programme has stalled, and the state sector's share of GDP has remained steady at around 20% of constant-price GDP in recent years. The state totally dominates some sectors, including mining and power, and state-owned firms have an important role in transport, trade and manufacturing. The military is heavily involved in business in many sectors, such as gems and logging, through military-backed companies, such as Union of Myanmar Economic Holdings (UMEH, sometimes referred to as Myanmar Economic Holdings) and Myanmar Economic Corporation (MEC). The Union Solidarity Development Association (USDA, a welfare organisation-cum-political party set up by the SPDC) is also extensively involved in business. The government accounts for the largest share of all domestic credit (76% in 2003) and also controls exports of many key commodities—in 2003/04 the government accounted for around 44% of all exports (in kyat terms). In 1999 private investors in land reclamation projects were granted permission to export up to half of their crops. However, efforts to liberalise exports of key crops have faced frequent setbacks.

Economic policy

The SPDC has not tackled economic reform

A modest programme of economic reforms, introduced in the late 1980s, has stalled and deep structural problems persist. The junta is running a massive public-sector deficit. It has slashed spending on health and education, but military spending remains high. Monetising the deficit keeps upward pressure on inflation. The private sector is being squeezed out, struggling with the lack of access to credit, whereas the distorted multiple exchange-rate system provides hidden subsidies to state-owned enterprises. Cronyism also benefits military-backed enterprises and others with links to the generals. To date the junta has not responded to calls from the IMF, World Bank and Asian Development Bank (ADB) to tackle any of these problems. The junta seems to lack both the capacity and the will to tackle the country's severe macro-economic imbalances.

The SPDC's main policy focus is on boosting agricultural output by means of a land reclamation plan. More land has come into production, but gains in output have been limited by low yields, the result of shortages of high-quality seeds and other inputs. Another policy focus has been on import substitution efforts in sectors such as edible oils and paper products. For example, during the current 2001/02-2005/06 five-year plan period, the SPDC plans to build 15 paper and pulp mills with a capacity of 50-500 tonnes/day, with the intention of eliminating the need for paper imports.

The SPDC has called for diversification of the limited manufacturing sector. However, state support is largely directed towards the state-owned enterprises, which benefit from subsidised access to foreign exchange and easier access to credit, despite contributing relatively little to GDP or to employment. Little effort is made to encourage private or foreign investment, even in priority sectors. Instead, the business climate remains extremely difficult, hampered by parlous infrastructure and distribution networks, widespread corruption, shortages of capital, restrictions on access to and repatriation of foreign exchange, and erratic policymaking. These problems have undermined the success of the 26 industrial zones established by the SPDC and contributed to the recent slump in foreign investment approvals.

Trade policy is erratic

Under the common effective preferential tariff (CEPT) scheme of the Association of South-East Asian Nations (ASEAN) free-trade area (AFTA), Myanmar was required to begin cutting tariffs from January 1st 1998, with tariffs falling to 0-5% by 2008. However, Myanmar has failed to live up to AFTA expectations. As foreign-exchange reserves dwindled, the SPDC imposed a series of restrictions on trade from 1998 onwards. In March 1998 the SPDC banned all imports of non-essential goods not on two priority lists. In September 2000 the SPDC limited traders to a maximum of Kt1m of imports per month (US\$153,000 per month at the average official exchange rate for 2000, or US\$2,800 per month measured using the then prevailing free-market rate). Imports above that value are subject to fines or confiscation, but the rules are widely flouted.

In a further blow to foreign investors, in March 2002 the licences of all foreign trading firms were revoked, hitting around 100 foreign trading companies and underscoring the vulnerability of foreign investors in Myanmar to the SPDC's highly erratic policymaking.

China and Myanmar did cut tariffs on several hundred items in mid-2004, the first step in an ASEAN-China free-trade pact, which will come into force by 2010. However, also in mid-2004, the junta imposed a flat 25% commercial tax on a range of imported items, including televisions and construction materials (some items such as medicines and fertiliser were exempt). The new rate replaced a previous raft of taxes at rates ranging from 2%-20%. The junta also reduced the exchange rate used to calculate the value of customs duties on imported goods from Kt100:US\$1 to Kt450:US\$1, effectively imposing a further increase in the rate of duty to be paid in kyat.

A history of piecemeal reforms

Agriculture

Agricultural policy has focused on lifting state-controls on prices, allowing private-sector trade in agricultural commodities, and using incentives to bring more land into production. However, progress has been far from smooth. The reforms began in 1987 when farmers were allowed to sell most of their output, except rice, at market prices. The junta has subsequently attempted to lift its onerous rice procurement policy (where farmers are forced to sell a portion of their rice crop to the state at below-market prices) several times. The junta announced an end to this policy in 1997/98, but fear of shortages caused a retreat. In April 2003 the junta again announced that it would cease implementing the state procurement scheme, but anecdotal evidence suggests that the SPDC has continued to force farmers in some areas to sell rice at below-market prices. The junta has started to liberalise the export of many key crops, including rice. Again, however, there have been frequent changes. Fearing a spike in domestic prices, in early 2004 the junta imposed a new six-month ban on all exports of rice (as well as onions, beans, maize and sesame)—reversing its liberalisation of less than a year earlier and forcing many firms to break their contracts. The final part of the junta's agricultural policy began in 1998, when some private investors were offered incentives to bring more land into production. The impact has been limited by a shortage of investment and key agricultural inputs.

Trade

In 1988 border trade was legalised and the role of the private sector in trade was recognised. In 1988-90 exporters were permitted to retain an increasing share of their export earnings. However, private traders remain (mostly) barred from exporting rice, teak and minerals. In 1998 the junta extended the state monopoly on exports to include key commodities such as sugar and pulses. In 2004 the SPDC quickly backtracked from its efforts to remove some of these restrictions. Tough restrictions were imposed on imports in 1998, and extended in 2000. In 2002 the import licences of foreign trading firms were suspended.

Foreign exchange

In 1995 private money-changers were licensed to deal in foreign exchange. But in 1998 the junta imposed a new limit of US\$50,000 per month on access to foreign exchange for repatriation, subsequently reduced steadily to only US\$10,000 per month by August 2000. Foreign-exchange licences were withdrawn from private banks in 1998. Foreign-exchange markets are often closed at times of severe pressure on the currency. The junta has indicated that it cannot realign the grossly overvalued official exchange rate without external support.

Taxation

In mid-2004 the SPDC devalued the exchange rate used to calculate the value of duties on imported goods from Kt100:US\$1 to Kt450:US\$1. (The rate was last cut in 1996, when it was reduced from Kt6:US\$1 to Kt100:US\$1, and the top tariff rate on imports was cut from 500% to 40%.) Revenue from customs duties soared as a result. Tax evasion remains rife.

The government's budget deficit expands

According to the most recent official budget data, in 1999/2000 the public-sector deficit totalled nearly Kt110bn (US\$17.4bn at the official rate or about US\$322m at the free-market exchange rate), equivalent to around 5% of that year's current-price GDP. All three components—central government, local government and state-owned enterprises (SOEs)—were in deficit. The central government accounted for 34.4% of the total deficit, and the bloated SOE sector accounted for 65.6%. The public-sector budget deficit may have swollen even further in more recent years. According to the IMF, in 2000/01 the central government deficit alone reached Kt86.6bn, equivalent to around 3.7% of prevailing current-price GDP.

It is difficult to assess the recent budget performance, as the junta's published budget data are always several years out of date. According to ADB, the total public-sector deficit surged to a massive 5.9% of GDP in 2001/02. The SPDC then set a target of narrowing the deficit to 2.5% of GDP in 2002/03, but provisional figures indicate that the deficit reached around 4.1% of GDP.

Budget revenue rises in nominal terms

A range of factors, including poor tax compliance and a large informal economy, mean that central government tax revenue is low, at around 6% of current-price GDP in 2000/01. The SPDC has limited ability to boost tax revenue, primarily because there is a huge "grey" economy that is untaxed, and tax evasion is rife even among legitimate businesses. Despite these problems, there has been a rise in central government revenue in recent years; revenue expanded from Kt55bn in 1996/97 to Kt135bn in 2000/01, boosted by factors including increased customs revenue. Even after excluding customs revenue, in 2003/04 central government tax revenue rose by 55.5% year on year to Kt162bn, driven mainly by a leap in income tax. However, in real terms revenue growth has been poor. Also, nominal revenue growth has been outpaced by rampant expenditure growth. In 2001/01 central government revenue rose by 9.3% year on year, but central government expenditure rose by 43.9%. The central government also has to make massive transfers to keep the SOEs afloat.

A banking crisis slows broad money supply

The government's need to finance its large fiscal deficit through credit from the Central Bank of Myanmar has for years brought rapid monetary expansion and high inflation. However, in 2003 broad money supply (M2) rose by only 1.4% year on year, compared with 34.6% year on year in 2002 and around more than 40% a year in 2000 and 2001. The sharp slowdown does not reflect any effort by the SPDC to improve its finances. Instead, it is the result of the banking crisis that erupted in 2003, which saw a run on several private banks (see Financial services). As a result, quasi-money (time, savings and foreign-exchange deposits) contracted by 28.6% year on year as people pulled money out of the country's stricken banks, and narrow money (M1) rose by 17.5%.

Domestic credit continued to expand in 2003, although relatively slowly, rising by 5.9% year on year compared with 34% in 2002 and 47% in 2001. Credit only expanded because the government continued to access funds; the government's share of credit rose from 58% of the total in 2002 to 75.5% in 2003. In 2003 credit to the private sector collapsed, contracting by 43.8% year on year. Even at the best of times, many small-scale businesses and those in rural areas can obtain credit only from high interest money-lending operations.

Interest rates remain unchanged

The government controls interest rates, but it has no coherent monetary policy and little capacity to manage the financial sector. The junta's incompetence was clearly demonstrated during the banking crisis in early 2003, when the failure of the Central Bank to respond quickly exacerbated the problem. The SPDC subsequently resorted to printing money to cover part of the bank bail-out, a measure that added to rampant inflationary pressures. The SPDC has also failed to adjust interest rates to more realistic levels, making it extremely difficult for private banks to attract back depositors. Nominal interest rates have been static at 9.5% (six-month deposit rates) over the past few years, despite inflation running at a much higher rate in 2001-03. However, in the first quarter of 2004 slower inflation brought interest rates into positive territory in real terms for the first time in years. Real lending rates have also been stable over the past few years, at 15% for one-year loans.

Longer-term policy aims lack clarity

The SPDC has a five-year economic plan, currently in its second year, but its medium-term economic aims are far from clear. Some trends can be discerned; for example, boosting agricultural output is expected to remain a priority. The SPDC is also keen to boost technical know-how in the information technology (IT) sector—although poor education and tight censorship have left Myanmar far behind in the IT race, one of the few countries in the region with no access to the Internet. Privatisation of the remaining SOEs is also a longer-term goal, but progress has been sluggish, constrained by the lack of investor interest.

Economic performance

Gross domestic product

(% real change)

	2000/01	Annual average 1996/97-2000/01
Agriculture	9.5	6.0
Livestock & fisheries	17.8	12.5
Forestry	3.3	3.2
Energy	30.8	27.4
Mining	25.5	20.5
Manufacturing	23.4	10.5
Power	13.9	10.3
Construction	11.9	11.2
Services	13.7	8.6
GDP	13.6	8.4
Memorandum items		
Total consumption	8.4	4.7
Fixed investment	5.7	12.6

Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

A slowing growth trend is expected

The SPDC has claimed that real GDP growth reached 13.6% in 2000/01, followed by 10.5% in 2001/02. It is possible that efforts to improve data collection brought more economic activity into the official statistics in 2000/2001, thereby giving an apparent boost to growth. Furthermore, some sectors were performing well during these years. Agriculture, still by far the largest economic sector, was boosted by new incentives for private investors and by favourable weather conditions. The energy and mining sectors also grew strongly as key oil and gas projects came fully on stream, boosting energy output and exports. Also, modest foreign investment inflows helped to support growth in the small export-oriented garment manufacturing sector.

Despite these gains, anecdotal evidence suggests that the double-digit GDP growth rates claimed by the junta are highly improbable. Problems such as repeated power cuts, weak domestic demand, a chronic shortage of investment capital and a continued lack of imported inputs are likely to have hampered many sectors. The SPDC itself has forecast a slowdown in real GDP growth during the 2001/02-2005/06 five-year plan, to an annual average of 6%, compared with 8.4% in the previous five-year period. It is likely that the economy was slowing sharply—or even contracting—by 2003/04. The banking crisis that erupted in early 2003 caused a severe tightening of credit that will have slowed investment considerably, hitting most sectors. Foreign investment inflows are also still feeble. The garment manufacturing sector suffered a major blow when the US imposed sanctions on all imports from Myanmar in 2003.

Services may be suffering

Services have shown solid growth over the past few years for which official data are available. Growth in the services sector was driven by several years of double-digit growth in the transport, communications and financial services sectors. Anecdotal evidence suggests that there has been an upturn in private investment in transport and communications in recent years, and that the financial sector expanded following the lifting of controls on private-sector activity during the early 1990s. However, these latter gains are likely to have

petered out in 2003/04 when the banking crisis caused severe disruption to the financial sector. The junta did manage to attract some foreign investment (mainly Thai and Chinese) into telecommunications and other infrastructure projects in 2003-04. However, retail and wholesale trade—by far the largest services sector—is hampered by the widespread economic hardship in many areas of the country.

Investment and consumption has slumped

Fixed investment growth has slowed steadily since the late 1990s, falling to less than half of the overall GDP growth rate in 2000/01. Investment has been constrained by shortages of capital for the private sector and a slump in foreign direct investment. Fixed investment is likely to have collapsed in 2003/04, when credit extended to the private sector fell by 43.8% year on year (see Economic policy). No official data are produced on private consumption (the junta publishes total consumption data, which groups together public and private consumption). However, real incomes have been eroded in recent years by high inflation, and consumer confidence remains poor. Both of these factors have constrained private consumption.

Inflation eases in 2003

According to the Yangon consumer price index (the main measure of inflation used by the government), inflation averaged 36.6% in 2003, down from 57.1% in 2002. This slowdown reflects easing food prices towards the end of 2003 following a good harvest (food prices have the heaviest weighting in the index and rice is the main staple). The slowdown in inflation also reflected the high base period; food prices surged in the second half of 2002 and in the first few months of 2003 because of tighter supply-side conditions after flooding early in 2002. The tightening of credit following the banking crisis in early 2003 also dampened already-weak demand-side pressures and brought a sharp slowdown in money supply growth. However, initially it also brought some panic buying that briefly pushed up prices of some essential goods. Inflation continued to slow in the first quarter of 2004, averaging 9.6% year on year. This was primarily because rice prices fell sharply in early 2004 after the junta imposed an unexpected ban on all rice exports.

Consumer price inflation

(%)

	2003	Annual average 1999-2003
Yangon index ^a	36.6	25.2

^a 2000=100.

Source: IMF, *International Financial Statistics*.

Wages remain low

According to the 1999 IMF report, *Myanmar: Recent Economic Developments*, the SPDC's wage bill remained static at around Kt8bn-9bn a year in 1995/96-1998/99, despite the fact that prices almost trebled during this period. As a result, although public-sector wages are supplemented by a range of subsidies, incomes have been eroded in real terms. In April 2000 the junta boosted civil servants' pay fivefold, the first increase since 1993. However, minimum monthly wages for civil servants (including teachers and medical staff) remained low, at Kt3,000 (around US\$440 at the official exchange rate or US\$5 at the free-market exchange rate). At the end of 2003 the SPDC announced an increase of Kt5,000

per month for all government-sector employees. However, even with these increases, public-sector wages are far too low to live on. There are no data on private-sector wages, although both the World Bank and IMF estimate that wages in the private sector are generally higher than those in the public sector.

Overall living standards are deteriorating

Myanmar remains one of the poorest countries in the world, and many people struggle to survive at subsistence levels. In the 1990s there was an increase in ownership of basic consumer goods, such as radios and bicycles, and recent years have seen continued spending on consumer items, particularly in urban areas. However, input costs have squeezed farmers' margins, resulting in a probable fall in real disposable incomes in rural areas. An increasing share of income is spent on basic food items; the Central Statistical Organisation estimated that rice alone accounted for 20% of average monthly expenditure in 1994, and the situation has deteriorated since then. At the same time, the collapse in public spending has left many people reliant on expensive private health and educational services. Anecdotal evidence also suggests a rise in unemployment, particularly in sectors such as construction and tourism, and in 2003/04 probably up to 100,000 jobs were lost in the export-oriented garment manufacturing sector. As a result of these trends, for many people real incomes and living standards have declined in recent years.

Regional trends

Growth is unevenly distributed

Economic growth and income levels are unevenly distributed. Over the years the main states and divisions have benefited from consistently higher levels of investment than the mountainous border states—the latter are home to many of Myanmar's ethnic minorities. The fertile lowland regions of the Irrawaddy river valley and the southern delta are the key rice-growing regions; industrial output (apart from energy and mining) is concentrated in urban areas, mainly around the cities of Yangon and Mandalay. Mandalay in particular has benefited from growing economic contact with China. Incomes tend to be higher in urban areas, and in the lowland and central regions around Yangon and Mandalay.

The border states lag behind

The junta's grip on the border regions remains tenuous, and ethnic tensions and conflict continue in many areas. Agricultural land tends to be less productive in the border areas, state investment has been low and infrastructure is extremely poor. The opening of several trading posts along the borders with China, Thailand and India has allowed pockets of prosperous activity to spring up. However, security problems have resulted in the frequent closure of border crossings. Some border regions do, however, have quite large informal and also illegal economies (the latter based around the smuggling of timber, gems, livestock—and opium).

As ceasefires have been signed with some ethnic groups, the SPDC has sought to invest more in some border regions. For example, there has been greater investment in infrastructure—although many projects are of dubious quality—and in 2001 the SPDC announced plans to extend its incentives for bringing more agricultural land into production to Kachin state in the north. However, such efforts are insufficient to enable the border states to catch up with the central and lowland regions in infrastructure, health and educational provision.

Economic sectors

Agriculture

Agriculture production, 2001/02

('000 tonnes)

Rice	21,569
Sugarcane	7,004
Ground nut	662
Maize	524
Sesamum	339
Cotton	139

Sources: Central Statistical Organisation, *Statistical Yearbook 2002*.

The junta wants to boost production

The "four pillars" policy of the State Peace and Development Council (SPDC, the ruling junta) seeks to boost production of four key crops—rice, pulses, cotton and sugarcane. The SPDC is also striving to encourage production of edible oilseeds, in a bid to reduce reliance on imports. Farmers are encouraged—and in some cases pressured—to grow these crops. In addition, starting from late 1998, the junta has offered incentives to private investors to bring unused land into production. Limited returns and the poor business climate have constrained private-sector interest in the scheme. However, there was a steady increase in the output of rice, pulses, cotton, and sugarcane through the 1990s and in 2000-02. Based on an official agriculture production index, output expanded at an average rate of around 6% a year from 1990 to 2000, but growth slowed to 3.9% in 2001 and 1.2% in 2002.

Rice production is buoyant, but exporters face problems

Owing to favourable weather conditions, Myanmar has had a series of fairly good harvests since the late 1990s. According to recent press reports, this trend continued in 2002/03, with total paddy output rising by 9.4% year on year to around 23,600 tonnes. After years of stagnation, the SPDC resumed large-scale rice exports, which reached 939,200 tonnes in 2001/02 (approaching historical highs of around 1m tonnes per year in the 1950s and 1960s, when Myanmar ranked as one of the world's top rice exporters). However, rice exports dropped by 15.5% year on year in 2002/03 to 793,500 tonnes, before collapsing to only 168,400 tonnes in 2003/04 because of the six-month ban on all rice exports from January 2004. Generally, the rice sector remains beset by problems. Output and yields remain below potential, owing to a lack of fertiliser and quality seeds. Storage and transport facilities are also inadequate. The poor quality of Myanmar's rice keeps export prices below international levels.

The SPDC backtracks on plans to liberalise rice trade

In April 2003 the junta announced that it would cease implementing its paddy procurement policy, which entitles the government to purchase 10% of overall output at fixed and deflated prices. The rice purchased under this scheme is distributed as a subsidy to government employees and military personnel, and the remainder is exported or used to maintain a reserve stock. However, anecdotal evidence suggests that state rice procurement has continued in some areas. In theory, the scrapping of the policy should boost the incomes of rice farmers who will be permitted to trade all of their output at market prices.

Rubber exports are fairly static

Output of rubber, once another important source of export revenue, has remained fairly static in recent years as the rubber stock has aged. The SPDC encouraged companies to take over the running of a number of rubber plantations in 1999 and 2000, but it will take around five years before seedlings begin to mature. Raw rubber exports have also been sluggish. Exports totalled 19,600 tonnes in 2003/04, compared with 22,000 tonnes in 2002/03.

Livestock and fishing surges, based on official data

As a result of greater private investment in freezing and processing facilities, the fishing industry has benefited from strong regional demand for fish exports (there is heavy demand for prawns and other fish in Thailand, for example). The SPDC estimates that the livestock and fisheries sectors surged by 17.8% in 2000/01 (real national accounts terms). In 2001/02, total marine fish production totalled just over 1m tonnes, approaching the maximum sustainable yield, up from only around 446,000 tonnes in 1995/96.

Illegal logging distorts official forestry data

Teak output stagnated through much of the 1990s, because many of the most accessible logging areas had already been exploited, and because of the introduction of protection measures. Teak output fell from 332,000 cu tonnes in 1993/94 to 203,100 cu tonnes in 1996/97. However, since then there has been a steady rise in output, as more private firms have been granted logging concessions. In 2001/02 teak output reached 276,100 cu tonnes. Output of other hardwoods has also risen in recent years, reaching 1.1m cu tonnes in 2001/02. The real increase may be higher, because of widespread illegal logging.

Mining and semi-processing**Prospects for the mining sector are looking up**

Although Myanmar has large deposits of metals, minerals and gems, mining output has long been constrained by declining deposit grades and a lack of investment. A new 1994 mining law allowed foreign investors to take concessions, although there is considerable state involvement in both production and exports. Some foreign companies have invested, only to pull out or suspend their rights over various exploration blocks as a result of sanctions and other problems.

Despite the problems, there have been a few major foreign investments, notably in the huge Monywa copper mine, a 50:50 joint venture between the state's Number 1 Mining Enterprise and a Canadian mining company, Ivanhoe Mines. The first phase of the Monywa project has been completed, producing 27,850 tonnes of LME Grade A cathode copper in 2003. If Ivanhoe proceeds with the second and largest phase of investment, the development of the massive Letpadaung copper field, the Monywa mine could produce around 125,000 tonnes of copper a year, making it one of the largest copper mines in Asia. However completion of this second phase has been delayed from 2003 to 2004. Gem mining is also performing well. The export of gems such as rubies remains an important source of foreign exchange, and jade production has surged over the last five years, offsetting a fall in the production of rubies.

Principal mineral products, 2003/04^a

Crude oil (m barrels)	7.2
Natural gas (bn cu ft)	349.8
Tin concentrates (tonnes)	616
Zinc concentrates (tonnes)	673
Jade ('000 kg)	10,754
Rubies ('000 carats)	1,928

^a Output by state-owned enterprises only.

Sources: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Gas production levels out after a rapid boom

Natural gas production and exports surged in 2000-02 as two large offshore gasfield projects, Yadana and Yetagun, reached completion. Gas became Myanmar's largest single export earner by 2001/02, accounting for around 25% of the country's entire legal exports, rising to around 30% in 2002/03 before sliding back to 25% in 2003/04. Myanmar's natural gas is exported to Thailand via overland pipelines. Although gas output has continued to rise, growth rates are now levelling off. Gas production totalled 349.8 bn cu ft in 2003/04, up by 5.9% year on year. However, gas output could surge again in around five years if a buyer can be found for output from a huge new offshore gasfield, called Shwe area Block A-1. The field was discovered in early 2004 by a consortium lead by South Korea's Daewoo International. Initially, the find was estimated at around 6trn cu ft of natural gas; by comparison, the Yadana field has reserves of 5.6trn cu ft and the initial Yetagun field had reserves of around 3.2trn cu ft.

Foreign firms have been key investors in energy in Myanmar. However, following the imposition of sanctions, several US companies have pulled out. Texaco of the US, the main original investor in Yetagun, sold its 43% stake to Premier Oil of the UK in 1997 following the imposition of US sanctions; Premier pulled out in September 2002.

Crude oil production expands, but remains insufficient

In late 2002 the state-owned oil company, Myanmar Oil and Gas Enterprise, increased its estimate of Myanmar's recoverable reserves of crude oil in both onshore and offshore areas to 3.2bn barrels. In recent years there has been an impressive rise in oil production to 7.2m barrels in 2003/04, up from 6.4m in 2002/03 and 3.5m in 1999/2000. However, Myanmar's refineries (with a total capacity of 51,800 barrels/day) typically run below capacity because of supply shortages and poor maintenance, leaving Myanmar reliant on costly imports of refined oil products, which amounted to Kt1.8bn (US\$300m at the official exchange rate) in 2003/04.

Manufacturing

There has been some diversification

According to the latest available data (for 1997/98), manufacturing is largely agriculture-based, and the food and beverage industry accounts for around 80% of total manufactured output. The junta's policy of diversifying agribusiness has yielded some successes. Fish products have become an important source of export revenue, boosted by investment in refrigeration equipment. Investment in refining mills boosted refined sugar production steadily through the second

half of the 1990s onwards. Myanmar has also developed a growing forest-products manufacturing sector, producing plywood, veneer, furniture and other wood-based products, both for domestic use and for export.

US import ban halts expansion of garment manufacturing

Outside of the agri-processing sector, most diversification has been driven by foreign investment. For example, a modest export-oriented garment sector has developed, driven by north Asian investment. Prior to the US ban on Myanmar's imports in July 2003, there were around 300 garment and textile factories in operation employing around 350,000 workers. The value of garment exports rose more than fourfold in 2000/01 to Kt3.8bn (US\$635m at the official exchange rate) before dropping to around Kt3bn in 2001/02 and 2002/03. Much of this revenue was derived from exports to the US. However, following the US ban on imports from Myanmar in mid-2003, around 125 factories reportedly closed down, and export revenue from garments dropped below Kt2bn in 2003/04. Consumer boycotts elsewhere have also resulted in many garment manufacturers and retailers, including Levi Strauss, Reebok and British Home Stores, ceasing to purchase garments from Myanmar. The impact of the US ban on the garments industry has had a knock-on effect on the domestic cotton industry. Output of cotton yarn fell by 16.5% year on year in 2003/04, and output of cotton fabrics fell by 23.7%.

Manufacturing remains beset by problems

Apart from the recent expansion in manufacturing capacity in the garments and textiles sector, the manufacturing sector remains small in scale. Many basic products, such as foodstuffs and clothing, are produced in family-based cottage industries, almost entirely outside the formal economy. These industries suffer from lack of access to capital (often available only from expensive local money-lenders) as well as the rising cost of inputs. Overall, the manufacturing sector faces the following main problems:

- Myanmar has poor market access domestically (owing to poor infrastructure), and internationally (owing to import bans, the withholding of trade privileges, and consumer boycotts);
- there are shortages of key imported inputs. Import restrictions were imposed in early 1998 and tightened in 2000-01;
- manufacturers have to cope with power shortages. Power cuts result in reliance on generators, requiring costly diesel imports;
- the opening of border trade with China, Thailand and India has resulted in a flood of low-cost consumer goods, from household items to packaged foods to electronic goods, despite restrictions on imports. Local manufacturers have little capacity to produce many of these items;
- small-scale manufacturers in particular have inadequate access to finance, and the banking crisis that hit the country in 2003 resulted in a sharp contraction in credit to the private sector; and

- foreign direct investment (FDI) approvals in the manufacturing sector peaked at US\$924m in 1996/97, but have subsequently collapsed. (Only one investment project worth US\$2.8m was recorded in official figures for 2003/04.) A number of high-profile manufacturing companies have pulled out of Myanmar, partly in response to international pressure (although in some cases their products continue to be sold under franchise).

Construction

The boom in construction in early 1990s is short-lived

The construction sector experienced a boom in the early 1990s, with rapid growth in residential housing, industrial zones, infrastructure, hotels and office space, albeit from a low base. This boom rapidly turned to bust as foreign investment and tourist arrivals dried up, and speculative property developments fell through. Cuts in public spending on infrastructure further hit the sector, and growth slowed steadily throughout the second half of the 1990s. According to the SPDC's possibly inflated figures for 2000/01, the construction sector leapt by 11.9% year on year in real terms. However, domestic cement production (by state enterprises only) has risen steadily since 2001/02, increasing by 23.7% year on year in 2003/04, thereby suggesting that the construction sector may be starting to pick up.

Financial services

Private-sector banks expand rapidly

The most notable trend in Myanmar's financial services in recent years has been the rapid expansion of private-sector banking, fuelled by heavy lending, particularly to the construction sector. Private commercial banks were first permitted in 1992. By the end of 1995, private banks accounted for 22.1% of all savings; by the end of 2001 this ratio had risen to 66.6%. Many banks over-extended themselves and the slump in construction and property sectors in the second half of the 1990s started to create concerns over the solvency and liquidity of many banks. The IMF and other multilateral institutions had noted their concerns about the health of the banking sector on a number of occasions. Although on paper banks in Myanmar have to meet stringent reporting and reserves requirements, there have long been concerns over inadequate monitoring and enforcement of these regulations by the Central Bank of Myanmar. Trust in the banks has therefore been limited, and real interest rates have remained steeply negative for much of the past few years. Poor confidence in both the banks and the kyat means that many people prefer to keep savings in the form of gold, jewellery or other valuables.

The state banking sector comprises five state-owned commercial banks: the Myanma Economic Bank (MEB), the Myanma Investment and Commercial Bank (MICB), the Myanma Foreign Trade Bank (MFTB), the Myanma Agricultural Development Bank (MADB) and the Myanma Industrial Development Bank. The MEB, in particular, has suffered from growing competition from the private sector. The Central Bank still provides 60% of all credit.

Foreign banks are permitted to enter into joint ventures with local private banks, and a number of memorandums of understanding have been signed. However, so far no joint ventures have started operation. The number of foreign banks' representative offices fell to 21 by late 1999, down from 49 at the end of 1997, with further closures in 2000-02.

The banking system nearly collapses in early 2003

Myanmar's banking system all but collapsed in early 2003. Rumours began to spread in early February that several of the private-sector banks, including one of the largest, Asia Wealth Bank (AWB), had either made heavy loans or incurred heavy losses on outstanding loans. Reports also emerged of the failure of 14 unregulated non-bank financial institutions, known as private service companies (essentially unregulated pyramid-lending schemes). Although these failures appeared to be unrelated to the problems in the banking sector, they caused further alarm, either because customers feared that the private banks had exposure to these institutions, or simply because of a loss of confidence in the entire financial system. The SPDC's slow response to the emerging problems in the banking sector did little to prevent the problem from developing into a crisis, which resulted in panic withdrawals of bank deposits in major cities. On February 10th the governor of the Central Bank, Kyaw Kyaw Maung, made assurances that private banks would continue to operate as usual and that they had the support of the Central Bank. However, it was not until late February that the Central Bank reportedly handed over Kt25bn (US\$3.8bn at the official exchange rate) as an initial bail-out to three banks—AWB, Yoma Bank and Kanbawza Bank.

Many tight restrictions remain in place as the private banks struggle to stabilise their positions. The private banks themselves imposed a range of restrictions limiting withdrawals in February. The Central Bank also imposed a blanket ban on money transfers and a limited withdrawals to Kt500,000 (around US\$500 at the free-market exchange rate) per week, later reduced by some banks to only Kt50,000 per week.

Many banks also halted new loans, and three banks that offered credit-card services suspended them. Even before the banking crisis, poor confidence in both the banks and the kyat meant that many people preferred to keep savings in the form of gold, jewellery, imported cars or other valuables. After this latest crisis, it is likely to take some years for public confidence in the private banks to return.

Money-laundering is a major problem

The banking crisis that erupted in early 2003 is not the only problem facing the banking sector. Although the SPDC passed an anti-money-laundering law in 2002, there have long been allegations that many of the country's banks are deeply involved in money-laundering and have links to the country's main drug cartels. In late 2003 two of Myanmar's largest private banks—Mayflower Bank and Asia Wealth Bank—were placed on a financial blacklist by the US Treasury, because of concerns over their involvement in money-laundering. The multilateral Financial Action Task-Force (FATF) also cited Myanmar as a country of major money-laundering concern in 2003. The SPDC has begun its own investigation in to these two banks.

Other financial services are limited

In late 2003 Myanmar still had no stockmarket and no over-the-counter market. In June 1996 Daiwa Securities (of Japan) and the MEB set up a joint-venture securities company, the Myanma Securities Exchange Centre, intended to conduct securities business and eventually to enable Myanmar to create its own over-the-counter market. However, progress is likely to remain slow.

The Insurance Business Law, passed in 1996, opened the insurance industry, which had been a government monopoly since the early 1960s, to private (including foreign) participation. Several Japanese firms have entered the market.

Other services

The tourism sector is weak

The SPDC had hoped to develop tourism as a major foreign-exchange earner. The first half of the 1990s saw a flood of foreign and other investment into the sector. Several international-class hotels were upgraded and a number of new hotels were built. However, arrivals have remained low compared with the growth recorded in most other countries in the region. Tourist arrivals totaled 269,205 in 2003/04, down from a recent high of 301,024 in 2002/03. (Although no cases of Severe Acute Respiratory Syndrome (SARS) were reported in Myanmar, the domestic tourism industry suffered from the regional downturn in tourism.) Anecdotal evidence suggests that the sector remains deeply depressed, hit by a worldwide boycott campaign that has left hotels facing low occupancy rates. Unsurprisingly, foreign investment in hotel and tourism projects has collapsed; no new foreign investments were recorded in 2003/04. Despite efforts to upgrade and expand tourism facilities, the sector remains beset by a host of problems, including:

- a well organised worldwide boycott campaign organised by supporters of the pro-democracy movement and targeting foreign tour operators;
- worldwide awareness of human rights and other abuses in Myanmar;
- relatively expensive accommodation compared with some other South-east Asian countries;
- poor infrastructure, making travel time-consuming and unreliable; and
- government policy (visitors are prevented from visiting many areas of the country).

The external sector

Trade in goods

Foreign trade, 2003/04^a

(Kt m)

Exports	14,115.5
Gas	3,478.3
Teak & other hardwoods	2,037.0
Garments	1,970.4
Pulses	1,729.1
Prawns, fish & fish products	938.5
Imports	-13,397.5
Machinery & transport equipment	2,791.0
Refined mineral oil	1,783.2
Base metals and manufactures	1,205.5
Synthetic fabric fibres	1,130.7
Electrical machinery	643.5
Trade balance	718.0

^a Preliminary.

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Trade data are unreliable

Myanmar's trade statistics are problematic. Data are produced on a regular basis, but they are subject to large revisions, and different official sources often show a contradictory picture. 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. Illegal drug exports are a particular problem. Myanmar is one of the world's top two producers of opiates, together with Afghanistan. Legal export invoices may be vastly exaggerated as a result of money-laundering related to the drug trade.

Exports of gas and garments weaken after recent booms

Myanmar's export revenue expanded in the late 1990s and early 2000s, boosted by the start of large-scale natural gas exports, the resumption of large-scale rice exports, and reasonable exports of pulses, hardwoods and marine products. However, in 2003/04 total exports dropped by 29% year on year to Kt14.1bn (US\$2.5bn at the official exchange rate, or around US\$15m at the free-market rate). The slump was mainly the result of a sharp fall in exports of natural gas, which have become Myanmar's largest source of export revenue. Natural gas exports dropped by 41.2% year on year to Kt3.5bn in 2003/04.

Exports of garments, another top export earner, dropped by nearly 35% year on year to just under Kt2bn in 2003/04, compared with around Kt3bn in 2002/03, hit by the sanctions imposed by the US in mid-2003. Prior to this, garment exports were fairly robust, with the US being a major market for Myanmar's exports of textiles and garments. According to the US Census Bureau, the value of US textiles and garments imports from Myanmar dropped to US\$305m in 2003, down from around US\$400m per year in 2000-01. The figure will drop to nearly zero in 2004.

Traditional exports perform well

Rice exports fell sharply in 2003/04, after several years of strong growth. The State Peace and Development Council (SPDC, the ruling junta) resumed exporting large quantities of rice in 2000, in line with successive good harvests, and rice export revenue reached Kt754m (US\$125m at the official exchange rate) in 2001/02, up from Kt208m in 2000/01. However, revenue dropped to Kt633m in 2002/03, before plunging to only Kt133m in 2003/04 as the junta imposed a new ban on exports, fearing that a pay increase for civil servants would bring a rise in rice prices.

Other traditionally important exports, such as pulses, hardwoods and marine products, have also performed well in recent years. India, which has seen fairly strong economic growth over the past few years, is the major market for Myanmar's pulses, consuming about 80% of exports. Exports of pulses have surpassed 1m tonnes annually in recent years, and export revenue has remained at around Kt1.7-Kt1.8bn. Hardwood exports have also risen. The junta claims that it has imposed tight restrictions on logging exports; however, a number of new private companies have taken concessions, and the value of hardwood exports rose from around Kt800m in 2000/01 to just over Kt2bn in 2003/04.

Obstacles to trade and foreign investment

Trade restrictions: In a bid to conserve foreign exchange, the ruling military junta, the State Peace and Development Council (SPDC), placed its own stringent restrictions on both exports and imports since March 1998, under the terms of which only prescribed items may be imported. Importers must purchase goods from a list of priority items before permission is given to import selected non-essential items. The junta also banned private exports of key commodities in 1998. In March 2002 the licenses of all foreign trading firms were revoked. In September 2000 imports by all traders were capped at Kt1m/month.

US sanctions: The Burmese Freedom and Democracy Act 2003 bans all US imports from Myanmar. In April 1997 the US banned all new investment in Myanmar by US companies.

EU restrictions: In March 1997 the EU withdrew generalised system of preferences (GSP) benefits on agricultural goods. Myanmar had already lost GSP on industrial goods.

Canadian restrictions: In January 2003 Myanmar was excluded from Canada's Least Developed Country Market Access Initiative. In August 1997 Canada removed Myanmar's GSP benefits.

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

Imports have contracted

Although export revenue fell in 2003/04, a 10% year-on-year drop in imports ensured that the merchandise trade account stayed in surplus—although the trade surplus contracted by 48% year on year to Kt2.4bn in 2003. Imports of

many key items, including machinery, synthetic and woven fabrics, electrical machinery, plastics, paper and paper board, pharmaceuticals, crude oil and fertiliser all declined. Imports of capital goods rose by 6% year on year to Kt3.9bn in 2003/04, but imports of intermediate goods contracted by 15.9% to Kt4.5bn and imports of consumer items were down by 15.1% to Kt5bn. The drop in overall imports reflects the SPDC's restrictions, as well as the credit tightening and resulting slump in investment in 2003, combined with the acute shortage of foreign exchange.

Imports by the SPDC and the state sector rose by 34.4% year on year to Kt4.2bn in 2003/04. This in part reflects strong energy imports, which are controlled by the SPDC. Private-sector imports fell by a sharp 20.8% year on year to Kt9.2bn. Access to foreign exchange became even more difficult following the banking crisis in 2003 when credit to the private sector dried up, thereby forcing firms to delay or cancel investments.

Key trade regulations

There are 14 import tariff bands ranging from 0-40%. In theory, the SPDC is committed to a schedule of tariff cuts under the Association of South-East Asian Nations (ASEAN) free-trade area (AFTA). However, since joining AFTA, the SPDC has actually increased the use of non-tariff trade restrictions:

- in June 2004 the junta imposed a flat 25% commercial tax on a range of imported items (some items such as medicines and fertiliser were exempt). The new rate replaced a previous raft of taxes at rates ranging from 2-20%;
- restrictions were imposed on imports in March 1998, when non-priority imports were banned;
- further restrictions were imposed in September 2000, when traders were limited to imports worth Kt1m (US\$1,600 at the 2001 average free-market exchange rate of Kt620:US\$1) a month;
- licences are required to import goods; proof of foreign-exchange earnings is required to obtain licences; and the import licences of all foreign trading firms were suspended from March 2002;
- the government has a monopoly or near-monopoly on exports of key items, including rice and teak, a monopoly that was extended in March 1998 to include other commodities such as rubber and sugar—this monopoly was relaxed in 1999 for investors in the SPDC's land reclamation scheme, who may export around half of certain crops—and again in 2003 for all private traders, although the liberalisation was reversed in early 2004; and
- some exports are subject to a 5% export tax and border trade must be conducted in US dollars.

Intra-Asian trade dominates

Myanmar conducts the bulk of its trade with its Asian neighbours. Trade with Thailand, India and China expanded strongly through the 1990s as border trade posts were opened. Increased trade with India and China helped Myanmar to survive the 1997-98 Asian economic crisis, although frequent closures of trading posts disrupted trading with Thailand.

Some new trends have emerged in recent years. In line with rising gas exports, Thailand is now clearly Myanmar's number one destination for exports, accounting for 30.2% of Myanmar's total exports in 2003, according to the IMF. In 1999 the US appeared for the first time as one of Myanmar's top-five export destinations, owing to the rise in garment exports. The US remained the second-largest destination for exports in 2003, accounting for 9.7% of the total, but in 2004 exports to the US will be close to zero. Exports to India and China have increased steadily over the past few years. According to the IMF, in 2003 India and China accounted for 9% and 6% of total exports respectively.

China and Singapore were the largest sources of Myanmar's imports in 2003, together accounting for nearly 50% of the total. China alone accounted for 28.9%, reflecting steady Chinese investment in Myanmar (as well as the use of soft loans for investment projects that are linked to import requirements). The real total could be higher because Myanmar also imports military items from China, but these are not recorded in the trade data.

Invisibles and the current account

Current account, 2001

(US\$ m)

Merchandise exports fob	2,316.9
Merchandise imports fob	-2,587.9
Trade balance	-271.1
Services balance	43.4
Income balance	-366.7
Current transfers balance	285.7
Current-account balance	-308.5

Source: IMF, *International Financial Statistics*.

The current account remains in deficit up to 2001

According to the latest data available, the current-account deficit widened in 2001 to US\$309m from US\$212m in 2000. Although the merchandise trade deficit narrowed for the fourth consecutive year to US\$271m in 2001, the trends in the services and income accounts worked in the opposite direction. The widening of the income deficit was marked in 2001, deteriorating from US\$133.3m in 2000 to US\$366.7m in 2001, reflecting the repatriation of foreign investors' profits. The services surplus also declined sharply from US\$150m in 2000 to US\$43.4m in 2001. According to the IMF, services inflows were boosted throughout the 1990s by receipts of royalties from companies involved in oil and gas exploration, "signature bonuses" paid when contracts are signed, land-lease payments by foreign hotels and rising tourism receipts. However, slumping foreign investment and the fall in tourist arrivals have contributed to declining services receipts in recent years.

In 2002 and 2003 the merchandise trade balance returned to surplus, and this is expected to have pushed the current account into an unprecedented surplus. However, official current-account data for 2002 onwards have not yet been published.

Current transfers are a vital source of foreign exchange

Inflows of current transfers were higher than foreign direct investment (FDI) inflows in 1997-2001 (the latest data available), and remain one of Myanmar's largest sources of foreign exchange. However, current transfers inflows are falling. From inflows of less than US\$100m a year in the early 1990s, current transfer credits peaked at US\$691.6m in 1997. Current transfer credits then dwindled to only US\$289.7m in 2000 and US\$298.5m in 2001. IMF studies have indicated that official (public) transfers remain relatively small, boosted mainly by inflows of Japanese debt-relief grants, and that private transfers are much more important than public transfers. Hence the jump in transfers in the late 1990s can be assumed to reflect private transfers, probably the result of the growing number of Myanmar nationals working abroad. Political repression and a stagnant economy have driven a huge number of Myanmar nationals overseas in search of work; there may be up to 1m illegal migrant workers from Myanmar based in Thailand, with other large populations based elsewhere in South-east Asia and the Middle East. The dip in current transfers in recent years may reflect a tighter work situation in South-east Asia following the economic crisis. Another factor affecting inflows has been the periodic clampdown in recent years by the Thai authorities on illegal workers from Myanmar.

Capital flows and foreign debt

FDI inflows have stalled

After several years of rapid growth, FDI inflows have stalled. According to the latest available data, in 2001 (calendar year) actual FDI inflows totalled US\$210m, the lowest level in more than five years. The junta has not published any more recent data, but the outlook for a recovery in FDI inflows is poor because FDI approvals—a guide to future inflows—have collapsed. FDI approvals for the whole of 2003/04 totalled US\$91m, an improvement on recent years, but a sharp drop compared with the peak of US\$2.8bn in 1996/97. It is likely that some small foreign-invested projects are not being captured in the official data. Nevertheless, the dramatic slide in FDI approvals since 1997/98 is likely to be reflected in a continued reduction in actual FDI inflows in the next few years.

Aside from transport, oil and gas, few sectors are now attracting any fresh FDI. Indeed, FDI approvals in many sectors, including property, agriculture and tourism, have dropped to zero. There may be a rise in overall FDI approvals over the next few years if recent offshore gas finds are developed. However, foreign investor interest in most sectors will continue to be constrained by factors including:

- the poor business climate and erratic policy environment;
- effective and co-ordinated global consumer boycott campaigns targeting international investors in Myanmar in many sectors (including tourism, energy and garments);
- sanctions banning new US investment imposed in April 1997, and the ban on all US imports from Myanmar in 2003 (which has hit export-oriented sectors);

- the policy of discouraging investment in Myanmar by a number of governments (including the UK); and
- investor concern over political risk.

The debt profile is shifting towards commercial debt

Myanmar's external debt stock rose to US\$6.6bn at the end of 2002, according to the latest data from the World Bank. Long-term debt continued to account for the bulk of Myanmar's external debt (82.2% of the total at end-2002). However, worryingly for the sustainability of Myanmar's fragile balance-of-payments profile, the debt profile is shifting steadily away from one characterised by long-term concessional debt towards a greater reliance on short-term commercial debt, such as exporters' credits. Short-term debt jumped to 17.8% of the total debt stock at end-2002, after averaging 11-12% in the previous four years. It should be noted that debt statistics may underreport borrowings from some sources, particularly in the case of financing for infrastructure projects and for military imports.

Most major donors have ceased lending activities

Myanmar's main donors cut off aid after pro-democracy demonstrations were brutally suppressed and the junta refused to recognise the result of the 1990 election. Myanmar's poverty makes it eligible for generous debt relief from the Paris Club of official creditors, but such relief has been consistently blocked by the US. Japan decided to freeze its aid programme with Myanmar in June 2003 following the detention of Aung San Suu Kyi. (Japan has been the biggest provider of aid to Myanmar—at the end of 2001 Myanmar owed Japan around US\$2.2bn.) Japan has provided Myanmar with grants for the purpose of debt repayment since 1991, but from 2003 onwards switched to a different method, that of waiving obligations on loan repayments. Notwithstanding the recent aid freeze, these waivers look set to be permanent. Prior to the events of May 2003, as part of a wider plan to reduce the debt burden of the least developed countries, it was rumoured that Japan was planning to write off about US\$1bn of debt owed by Myanmar.

China remains strongly supportive of the junta and in 2003 agreed to provide US\$200m in preferential loans for Myanmar's economic development and an undisclosed amount of debt relief. Further soft loans were agreed in 2004, relating to a number of infrastructure and other investment projects.

Principal and interest arrears on external debt rise

Despite the recent improvement in the merchandise trade account, limited access to external lending, combined with a slide in FDI inflows and strong imports, have left Myanmar with an acute shortage of foreign-exchange reserves. Given this weak payments situation, the SPDC has continued to part-finance its overall balance-of-payments deficit through the accumulation of arrears on its external debt. At end-2002 interest arrears totalled US\$605m, equivalent to around 52% of the short-term debt stock (although this was down from 75% in 2001, reflecting the leap in other forms of short-term borrowing in 2002). Principal arrears totalled US\$2.1bn at end-2002, up from only US\$377m at the end of 1990. As no new lending has been forthcoming from the major multilateral institutions, the SPDC now concentrates on repaying commercial and then bilateral creditors. For example, in 1998 the junta ceased servicing its debt to the International Development Association (IDA), the concessional

lending arm of the World Bank, as well as to the Asian Development Bank. With weak foreign-exchange reserves, the default risk for both private and official creditors is considered to be extremely high.

Foreign reserves and the exchange rate

Reserves are healthier, but remain low

The improvement in the merchandise trade balance in recent years has pushed up international reserves. Total reserves (including gold) reached US\$512m at end-2003, up from US\$481m in 2002 and only US\$234m in 2000. A widening current-account deficit and falling FDI inflows has put pressure on Myanmar's foreign-exchange reserves, and in response the SPDC has introduced draconian restrictions on imports and tightened access to foreign exchange (see The economy: economic policy). Despite the recent improvement in foreign-exchange reserves, the level remains inadequate in terms of import coverage. In 2004 reserves covered only around three months of import payments.

There are no signs of an adjustment in the official rate

Since 1977 the official exchange rate has been fixed against the SDR at Kt8.51:SDR1, and has therefore remained stable at around Kt6-7:US\$1. However, following liberalisation measures taken since 1988, the majority of transactions take place at the free-market rate. Citizens are permitted to buy and sell kyat at a limited number of legal foreign-exchange trade centres; more widespread trading takes place on the black market, where rates are slightly higher.

The SPDC does not publish data on the free-market rate; the Economist Intelligence Unit relies on private estimates, which can be taken only as a broad indication of exchange-rate movements. After dropping to an average of Kt970:US\$1 in 2003 from Kt620:US\$1 in 2002, the kyat improved to around Kt850:US\$1 for most of the first half of 2004 before slipping back to around Kt950:US\$1. However, the sharp fall in the free-market rate in recent years has left a massive margin with the official rate. The SPDC has hinted that it will realign the overvalued official rate, but has made clear that this will not be undertaken without substantial external assistance.

The free-market rate for Foreign Exchange Certificates (FECs), which are exchanged at an official rate of FEC1:US\$1, has not matched that of US dollars owing to the general lack of confidence in FECs. FECs were introduced in 1993, initially for tourists, but subsequently for use in a range of transactions. In August 2003 the SPDC ceased enforcing a policy that forces foreigners to purchase US\$200 of FECs upon arrival, sparking rumours that FECs would be scrapped. So far this has not happened, in part because fully backing the FECs that have been issued would soak up most of the country's foreign-exchange reserves.

Regional overview

Membership of organisations

Association of South-East Asian Nations (ASEAN)

The **Association of South-East Asian Nations (ASEAN)** was established in 1967. The five original members were Indonesia, Malaysia, the Philippines, Singapore and Thailand. Subsequent joiners were Brunei (1984), Vietnam (1995), Laos and Myanmar (1997) and, most recently, Cambodia (1999).

ASEAN summit meetings, which bring together the heads of government of member states, must now be held every three years. The most recent was in Brunei in 2001. Informal summits of heads of governments are also held. In addition, member states' foreign and economic affairs ministers meet annually. Joint meetings of foreign and economic affairs ministers are held before each ASEAN summit. There is also a standing committee (consisting of the members' accredited ambassadors to the host country), which usually meets every two months. There is a permanent secretariat, based in Jakarta, Indonesia, and a number of committees.

The organisation started with grand objectives, but has generally failed to deliver. Early hopes that ASEAN could engineer a regional economic development strategy—with particular countries concentrating on particular industries—were soon dashed. In 1977 the Basic Agreement on the Establishment of ASEAN Preferential Tariffs was concluded, but a decade later only about 5% of trade between members was covered by this system. (Members had been permitted to exclude "sensitive" sectors, a let-out clause that a subsequent agreement in 1987 only slightly curtailed.)

Plans for a proper **ASEAN free-trade area (AFTA)** were unveiled in 1992, with the aim of achieving this by 2008. A common effective preferential tariff (CEPT) scheme was applied in 1993, providing for the gradual reduction of tariffs on intra-ASEAN trade in certain goods over a number of years. Again, however, member states could exclude sensitive items, limiting progress. A new AFTA programme, with a wider spread of products covered, was launched in 1994. During the mid-1990s the timescale for implementing the programme was steadily tightened, with the aim being to reduce tariffs on most goods to below 5% by 2000. A limited AFTA, between the original five members of ASEAN and Brunei, and involving a reduction on tariffs on intra-ASEAN trade to between 0% and 5%, came into operation on January 1st 2002. (Recent joiners have been allowed more time.)

The 1997-98 regional financial crisis brutally exposed ASEAN's failings. It was unable to stop the regional currency devaluations, or to alleviate the subsequent economic hardship. A Statement on Bold Measures, released at end-1998, was exactly the opposite of what the title implied. Unfolding events in Indonesia then moved the focus on to the organisation's security plans. ASEAN's principle of non-interference in the internal affairs of member countries complicated the response to the East Timor crisis. (Some members did eventually participate in the multinational force that oversaw the territory's transition to independence from Indonesia, but not under ASEAN auspices.)

On the economic front, ASEAN's slow progress towards AFTA has encouraged some of its members, notably Singapore, to opt instead for bilateral trade pacts. Singapore's bilateral trade agreement with New Zealand in 2000 prompted protests from other ASEAN members, but the island-state is pursuing similar agreements with other countries, including the US. (It is unlikely that this approach will prove universally applicable, as the absence of an agricultural sector in Singapore makes it much easier for it to negotiate with trading partners with heavily protected primary sectors.) A decision in 2001 by various ASEAN members to set up bilateral currency-swap arrangements to protect against currency volatility is limited in scope, and does not presage further ASEAN economic collaboration.

The organisation's political hopes could be severely tested in the next few years. Changing governments in member states could undermine any remaining pretence about political consensus in the region. On the security front, the **ASEAN Regional Forums** (ARFs—which bring together the ASEAN ministers of foreign affairs with those of other countries, notably China) are likely to remain just talking shops, with little impact on geopolitical trends.

Appendices

Sources of information

- National statistical sources** Central Statistical Organisation, *Selected Monthly Economic Indicators* (monthly), Yangon
- Central Statistical Organisation, *Statistical Yearbook* (annual), Yangon
- Ministry of National Planning and Economic Development, *Review of Financial, Economic and Social Conditions* (annual—although publication has been suspended since 1998), Yangon

Inadequate statistical data

Despite receiving technical assistance from UN agencies in recent years, the quality of Myanmar'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. Trade data, for example, are subject to frequent revisions. They are also distorted by the confused exchange-rate regime and by extensive smuggling. GDP data are particularly troublesome. In recent years the SPDC has reported massive jumps in the size of the economy and in GDP growth rates, but has published little supporting statistical information. The most recent *Statistical Yearbook* from the Central Statistical Organisation was published in 2002.

- Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries* (annual)
- IMF, *International Financial Statistics* (monthly)
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- Aung San Suu Kyi, *Freedom From Fear*, London, 1996
- Aung San Suu Kyi, *The Voice of Hope*, London, 1995
- Christina Fink, *Living Silence: Burma Under Military Rule*, New York, 2001
- Human Rights Watch, *World Report*, Washington, DC (annual)
- Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948*, Boulder, Colorado, 1994

Mya Maung, *The Burma Road to Poverty*, New York, 1991

Martin Smith, *Burma: Insurgency and the Politics of Ethnicity*, London, 1991

Amnesty International: www.amnesty.org, with regular in-depth reports on human rights abuses in Myanmar

Free Burma Coalition: www.freeburmacoalition.org, an activist site with useful information on consumer boycott campaigns and sanctions targeting Myanmar

The Golden Land Myanmar: www.myanmar.com, which gives the ruling junta's viewpoint

Irrawaddy: www.irrawaddy.org, a well written news site with regular in-depth articles on Myanmar

National Coalition Government of the Union of Burma: www.ncgub.net, the website of the Burmese government-in-exile, carrying statements by the National League for Democracy and regularly updated information on topics including international sanctions and other measures targeting the Myanmar regime

Online Burma Library: www.ibiblio.org/obl, a huge and well indexed site with archive material on a wide range of topics, including the economy, labour issues, politics and government

Soros Foundation Burma Project: www.soros.org/burma/index.html. This site carries regularly updated news on Myanmar as well as longer reports on areas such as policy, legislation and political developments

Reference tables

Population estimates

(m unless otherwise indicated; mid-fiscal years)

	1998/99	1999/2000	2000/01	2001/02	2002/03
Male	23.9	24.4	24.9	25.4	25.9
Female	24.3	24.7	25.2	25.7	26.2
Total	48.2	49.1	50.1	51.1	52.1
% change	3.9	1.9	2.0	2.0	2.0
Age structure (%):					
0-14	33.1	32.9	32.8	32.7	32.7
15-59	59.1	59.2	59.3	59.3	59.3
60+	7.7	7.8	7.9	8.0	8.0

Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

Employment by sector

	1995/96		1996/97		1997/98	
	'000	% of total	'000	% of total	'000	% of total
Agriculture	11,272	64.1	11,381	63.4	11,507	62.6
Livestock & fisheries	388	2.2	391	2.2	397	2.2
Forestry	188	1.1	188	1.1	189	1.0
Mining & energy	116	0.7	132	0.7	147	0.8
Processing & manufacturing	1,481	8.4	1,573	8.8	1,666	9.1
Power	19	0.1	21	0.1	22	0.1
Construction	354	2.0	378	2.1	400	2.2
Transport & communications	441	2.5	470	2.6	495	2.7
Social services	563	3.2	577	3.2	597	3.3
Administration & other services	776	4.4	835	4.7	888	4.8
Trade	1,715	9.8	1,746	9.7	1,791	9.8
Others	274	1.6	272	1.5	270	1.5
Total	17,587	100.0	17,964	100.0	18,369	100.0

Source: Ministry of National Planning and Economic Development, *Review of the Financial, Economic and Social Conditions for 1997/98*.

Labour force

	1998/99	1999/2000	2000/01	2001/02	2002/03
Labour force (m)	23.1	23.7	24.3	24.9	25.6
% change year on year	2.6	2.6	2.5	2.5	2.8

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2004*.

Transport statistics

('000 unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04
Inland waterways					
Passenger-miles	453,519	457,229	474,571	480,733	480,770
Freight ton-miles	340,813	344,381	355,114	370,872	427,155
Railways					
Passenger-miles	2,609,652	2,763,232	2,797,828	2,926,437	2,678,987
Freight ton-miles	683,972	750,040	720,249	723,098	599,479
Airways (Myanma Airways only)					
Passenger-miles	129,402	143,780	153,540	161,052	120,480
Freight ton-miles	660	705	543	435	440
Memorandum item					
Registered passenger vehicles (total)	171,984	174,749	175,820	178,335	184,288
Registered motorcycles (total)	172,716	174,489	171,183	172,568	174,503
Registered trucks (total)	54,180	53,892	53,541	54,093	52,149

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

National energy statistics

	1999/2000	2000/01	2001/02	2002/03	2003/04
Electricity generation (m kwh) ^a	4,639	5,118	5,674	6,614	5,391
Gas	2,878	2,528	2,915	3,445	2,748
Hydroelectric	1,039	1,892	1,822	2,232	1,978
Thermal	668	662	895	895	634
Diesel	55	36	42	42	31
Total installed capacity (mw)	1,171	1,171	1,160	1,570	1,339

^a By the state-owned Myanma Electric Power Enterprise.

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Government finances

(Kt m unless otherwise indicated)

	1995/96	1996/97	1997/98	1998/99	1999/2000
Central government					
Receipts	40,370.9	55,253.6	88,695.7	118,034.7	107,666.5
Expenditure	-65,527.5	-80,439.6	-98,462.0	-124,751.9	-145,403.3
Balance	-25,156.6	-25,186.0	-9,766.3	-6,717.2	-37,736.8
State-owned enterprises					
Receipts	88,182.9	109,023.5	185,780.7	243,799.0	316,180.9
Expenditure	-101,853.6	-135,578.9	-233,248.8	-328,948.3	-388,163.2
Balance	-13,670.7	-26,555.4	-47,468.1	-85,149.3	-71,982.3
Development committees					
Receipts	22.7	18.3	23.6	25.8	25.9
Expenditure	-14.9	-16.3	-30.3	-34.8	-31.8
Balance	7.8	2.0	-6.7	-9.0	-5.9
Total					
Receipts	128,576.5	164,295.4	274,500.0	361,859.5	423,873.3
Expenditure	-167,396.0	-216,034.8	-331,741.1	-453,735.0	-533,598.3
Balance	-38,819.5	-51,739.4	-57,241.1	-91,875.5	-109,725.0
% of GDP	6.4	6.5	5.1	5.7	5.0

Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

Money supply, credit and interest rates

(Kt m unless otherwise indicated; calendar years)

	1999	2000	2001	2002	2003
Money supply					
Money (M1)	345,765	464,968	701,153	1,009,471	1,186,104
% change, year on year	22.6	34.5	50.8	44.0	17.5
Quasi-money	216,459	335,574	450,560	541,307	386,298
Money (M2)	562,224	800,542	1,151,713	1,550,778	1,572,402
% change, year on year	29.7	42.4	43.9	34.6	1.4
Domestic credit^a	585,994	819,364	1,204,539	1,613,392	1,707,788
Claims on government	343,385	483,240	715,525	935,129	1,297,134
Claims on non-financial public enterprises	53,960	69,158	72,338	69,162	68,107
Claims on private sector	188,649	266,966	416,676	609,101	342,547
Interest rates					
Deposit rate (six months; %)	11.00	9.75	9.50	9.50	9.50
Lending rate (working capital loans; one-year; %)	16.13	15.25	15.00	15.00	15.00

^a Excludes a small amount of credit to local government.Source: IMF, *International Financial Statistics*.**Gross domestic product^a**

	1997/98	1998/99	1999/2000	2000/01	2001/02
Total (Kt bn)					
At current prices	1,119.5	1,609.8	2,190.3	2,552.7	3,523.5
At constant (1985/86) prices	75.1	79.5	88.2	100.3	110.7
% change, year on year ^b	5.7	5.8	10.9	13.7	10.5
Per head (Kt)					
At current prices	24,179	33,398	44,609	50,952	68,953
At constant (1985/86) prices	1,622	1,649	1,796	2,001	2,166
% change, year on year	4.1	1.7	8.9	11.4	8.2

^a GDP data are on an expenditure basis, and growth rates differ slightly from data compiled on an output basis. There are serious question marks over the surge in growth from 1999/2000. ^b The growth rates are the officially published rates.

Sources: Central Statistical Organisation, *Statistical Yearbook 2002*; Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2004*.

Gross domestic product by expenditure

(Kt bn, at current prices)

	1997/98	1998/99	1999/2000	2000/01	2001/02 ^a
Total consumption	987.5	1,420.6	1,905.3	2,237.5	3,125.2
Fixed investment	150.2	206.9	255.4	301.0	411.4
Exports of goods & services	6.4	6.7	7.0	12.6	17.0
Imports of goods & services	14.4	16.9	16.3	15.1	18.1
GDP	1,119.5	1,609.8	2,190.3	2,552.7	3,523.5

^a Provisional.Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

Gross domestic product by sector

(Kt bn, at current prices)

	1997/98	1998/99	1999/2000	2000/01	2001/02 ^a
Agriculture, forestry & fisheries	659.7	950.6	1,312.3	1,461.2	2,013.7
Mining	6.5	7.9	10.8	15.0	16.1
Manufacturing	79.0	112.8	143.2	182.9	273.9
Electricity, gas & water	1.9	1.0	2.6	3.4	3.1
Construction	26.5	37.0	40.4	46.0	76.7
Trade	257.9	377.6	524.4	613.7	855.9
Transport & communications	53.3	80.0	105.7	153.4	188.8
Finance	1.5	1.9	2.2	2.6	3.2
Public administration	13.3	14.6	16.5	39.4	44.3
Others	19.9	26.3	32.2	35.1	47.9
GDP at factor cost	1,119.5	1,609.8	2,190.3	2,552.7	3,523.5

^a Provisional.Source: Central Statistical Organisation, *Statistical Yearbook 2002*.**Consumer price index**

(calendar years)

	1999	2000	2001	2002	2003
Yangon index ^a	100.1	100.0	121.1	190.2	259.8
% change, year on year	18.4	-0.1	21.1	57.1	36.6

^a 2000=100.Source: IMF, *International Financial Statistics*.**Output of key crops**

('000 tonnes)

	1997/98	1998/99	1999/2000	2000/01	2001/02
Paddy	16,391	16,808	19,808	20,987	21,569
Sugarcane	5,056	5,344	5,363	5,801	7,004
Ground nut	531	553	624	720	662
Maize	303	298	344	359	524
Sesamum	258	160	253	376	339
Cotton	161	156	173	150	139
Jute	33	33	34	41	46

Source: Central Statistical Organisation, *Statistical Yearbook 2002*.

Production of livestock and fish

('000 head unless otherwise indicated)

	1997/98	1998/99	1999/00	2000/01	2001/02 ^a
Livestock					
Cattle	10,307	10,509	10,760	10,982	11,243
Pigs	3,400	3,585	3,815	3,974	4,261
Buffalo	2,297	2,337	2,391	2,441	2,502
Fish (tonnes)					
Freshwater	226,584	245,800	292,461	344,086	421,408
Marine	667,107	744,344	878,474	912,796	1,003,736

^a Provisional.Source: Central Statistical Organisation, *Statistical Yearbook 2002*.**Timber production**

('000 cu tonnes)

	1997/98	1998/99	1999/2000	2000/01	2001/02 ^a
Teak	239.1	251.9	261.0	250.5	276.1
Other hardwoods	826.8	863.7	850.6	950.6	1,135.8
Total	1,065.9	1,115.6	1,111.6	1,201.1	1,411.9

^a Provisional.Source: Central Statistical Organisation, *Statistical Yearbook 2002*.**Minerals production**

(tonnes unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04
Crude oil ('000 barrels)	3,480	4,137	4,836	6,387	7,165
Natural gas (m cu ft)	219,399	299,388	310,323	330,316	349,846
Zinc concentrates	507	1,960	620	461	673
Refined lead	1,716	1,200	810	425	463
Tin concentrates	426	731	774	465	616
Tungsten concentrates	21	1	2	2	7
Jade ('000 kg)	10,983	11,096	8,174	10,879	10,754
Rubies ('000 carat)	3,174	2,025	2,008	1,428	1,928
Refined silver ('000 oz)	90	65	43	25	36

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Manufacturing production

(Kt m at current prices)

	1993/94	1994/95	1995/96	1996/97 ^a	1997/98 ^a
Food & beverages	131,458	153,743	217,590	305,335	405,542
Clothing	3,765	5,063	6,855	7,729	8,500
Construction materials	3,946	4,141	4,877	5,562	6,553
Personal goods	1,313	2,181	2,930	3,158	4,800
Household goods	470	578	689	845	995
Printing & publishing	616	598	1,064	1,962	871
Industrial raw materials	4,485	8,075	14,335	14,879	24,737
Mineral & petroleum products	3,210	4,904	4,805	5,332	32,797
Agricultural equipment	603	730	962	1,540	2,362
Machinery & equipment	76	103	171	155	209
Transport vehicles	424	1,084	1,558	1,571	2,869
Electrical goods	125	253	419	441	590
Others	1,375	1,830	1,775	2,242	3,050
Total	151,866	182,283	258,030	350,751	493,875

^a Provisional.Source: Ministry of National Planning and Economic Development, *Review of the Financial, Economic and Social Conditions for 1997/98*.**Banking statistics**

(Kt m; end-year)

	1999	2000	2001	2002	2003
Demand deposits	72,707	119,746	206,349	290,520	82,948
Time, savings & foreign currency deposits	216,459	335,574	450,560	541,307	386,298
Restricted deposits	1,635	1,703	1,760	2,661	2,812

Sources: IMF, *International Financial Statistics*.**Tourist arrivals**

	1999/2000	2000/01	2001/02	2002/03	2003/04
Arrivals	246,574	260,616	295,354	301,024	269,205
By air	113,940	121,016	118,325	132,468	122,940
By sea	990	2,960	1,197	1,758	1,194
By land	131,644	136,640	175,832	166,789	145,071

Note. Visitors with tourist visa only.

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Exports

(Kt m)

	1999/2000	2000/01	2001/02	2002/03	2003/04 ^a
Gas	31.2	1,110.5	4,247.1	5,919.0	3,478.3
Hardwoods	924.9	802.7	1,898.1	1,679.8	2,037.0
Teak	726.7	650.9	1,422.6	1,390.5	1,490.9
Other hardwoods	198.2	151.8	457.4	483.4	546.1
Garments	877.8	3,785.3	2,985.3	2,973.2	1,970.4
Pulses ^b	1,178.9	1,658.0	1,897.9	1,760.3	1,729.1
Marine exports	762.4	889.6	828.6	1,089.6	938.5
Prawns	530.5	598.3	518.7	623.4	588.2
Fish & fish products	231.9	291.3	309.9	466.2	350.3
Base metals & ores	288.5	323.8	287.7	282.4	338.5
Sesame seeds	81.8	119.2	40.1	35.4	186.3
Rice	64.9	207.6	754.1	632.6	133.0
Raw rubber	75.2	66.6	75.9	88.5	99.2
Plywood & veneer	94.7	98.7	106.4	97.0	84.3
Total incl others	8,947.3	12,736.0	17,130.7	19,955.1	14,115.5
Government	2,026.1	3,775.7	8,172.7	9,228.1	6,235.5
Private	6,921.2	8,960.3	8,958.0	10,727.0	7,880.0

^a Provisional. ^b Mainly matpe, pedesein and pesingon.Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.**Key exports (volume)**

('000 tonnes unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04 ^a
Gas (m cu feet)	6,527.1	65,359.4	237,080.7	350,900.5	200,155.6
Pulses	567.2	831.3	1,034.7	1,038.4	1,210.3
Rice	54.9	251.4	939.2	793.5	168.4
Hardwood logs ('000 cu tonnes)	335.3	329.4	285.6	308.0	386.9
Teak logs ('000 cu tonnes)	234.0	218.2	200.5	429.3	281.3
Fish & fish products	31.4	49.1	71.4	82.0	51.8
Base metals & ores	33.5	36.9	42.5	35.0	30.8
Raw rubber	29.7	20.4	25.0	22.0	19.6
Prawns	14.2	15.4	15.4	19.4	18.3

^a Preliminary.Sources: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

Imports

(Kt m)

	1999/2000	2000/01	2001/02	2002/03	2003/04 ^a
Capital goods	5,335.1	4,060.6	5,557.8	3,708.9	3,930.2
Intermediate goods	5,132.0	4,579.8	7,410.0	5,297.1	4,454.4
Consumer goods	5,797.7	6,432.7	5,409.9	5,904.0	5,012.9
Total	16,264.8	15,073.1	18,377.7	14,910.0	13,397.5
Government	4,823.3	3,009.5	6,435.2	3,137.7	4,215.8
Private	11,441.5	12,063.6	11,942.5	11,592.3	9,181.7
Major items					
Machinery & transport equipment	3,289.4	2,631.4	4,000.9	2,801.3	2,791.0
Refined mineral oil	1,046.1	955.4	2,102.8	1,163.9	1,783.2
Base metals & manufactures	1,722.8	1,437.9	1,386.1	936.0	1,205.5
Synthetic fabric fibres	898.5	1,554.5	1,563.0	1597.7	1,130.7
Electrical machinery	1,578.3	1,122.7	1,109.2	756.4	643.5
Plastic	803.8	789.6	804.7	820.3	598.2
Edible vegetable oils	477.6	475.4	550.9	352.8	441.4
Paper & paper board	343.7	344.4	452.7	428.8	360.9
Pharmaceuticals	302.5	413.1	402.2	352.6	272.0
Woven fabrics	450.2	759.1	458.6	493.0	255.6
Fertiliser	329.0	254.6	140.8	157.8	135.1
Crude oil	554.6	95.7	1,555.5	872.8	79.1

^a Preliminary.Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.**Main trading partners**

(US\$ m)

	1999	2000	2001	2002	2003
Exports to:					
Thailand	102.6	233.0	735.4	831.2	831.7
US	222.2	442.7	456.2	345.4	268.6
India	156.5	162.9	179.8	195.2	247.0
China	92.3	111.7	122.0	124.5	154.1
Japan	92.2	108.4	92.8	100.3	124.3
Total incl others	1,393.3	1,978.0	2,626.1	2,626.6	2,757.3
Imports from:					
China	447.2	559.6	547.3	797.3	998.5
Singapore	460.2	479.7	465.6	576.6	716.0
Thailand	435.3	554.7	390.5	355.9	483.4
Malaysia	257.7	254.2	216.7	263.1	319.0
South Korea	205.9	318.3	255.3	157.8	191.3
Total incl others	2,527.7	3,052.6	2,661.2	2,950.7	3,456.1

Source: IMF, *Direction of Trade Statistics*.

Merchandise trade balance

(Kt m)

	1999	2000	2001	2002	2003
Exports	7,073.5	10,600.5	15,929.4	19,980.3	15,123.0
Imports (cif)	-14,463.9	-15,426.3	-19,248.3	-15,373.2	-12,720.7
Balance	-7,390.4	-4,825.8	-3,318.9	4,607.1	2,402.3

Sources: IMF, *International Financial Statistics*.**Balance of payments, IMF series**

(US\$ m; calendar years)

	1997	1998	1999	2000	2001
Exports, fob	983.7	1,077.3	1,293.9	1,661.6	2,316.9
Imports, fob	-2,126.4	-2,478.2	-2,181.3	-2,165.4	-2,587.9
Trade balance	-1,142.7	-1,400.9	-887.3	-503.8	-271.1
Services: credit	526.6	633.2	512.2	477.9	423.6
Services: debit	-447.5	-368.8	-291.1	-328.1	-380.2
Services balance	79.1	264.4	221.1	149.8	43.4
Income: credit	6.6	11.0	51.6	35.5	35.9
Income: debit	-20.4	-11.4	-54.6	-168.8	-402.6
Income balance	-13.8	-0.4	-3.0	-133.3	-366.7
Current transfers: credit	691.6	638.1	384.8	289.7	298.5
Current transfers: debit	-30.0	-0.3	-0.3	-14.1	-12.8
Current transfers balance	661.6	637.8	384.5	275.6	285.7
Current-account balance^a	-415.9	-499.1	-284.7	-211.7	-308.5
Capital account	n/a	n/a	n/a	n/a	n/a
Financial account	473.5	540.9	251.2	212.8	399.1
Outwards direct investment	0.0	0.0	0.0	0.0	0.0
Inwards direct investment	387.2	314.5	253.1	254.8	210.3
Other investment liabilities	82.7	223.0	-4.4	-45.4	188.8
General government	88.3	229.3	-4.1	-56.8	-11.9
Errors & omissions (net)	-26.3	18.7	-12.4	-24.5	89.3
Overall balance	31.3	60.4	-45.9	-23.4	-179.8

^a Components do not add in source owing to rounding.Source: IMF, *International Financial Statistics*.**Foreign direct investment approvals**

(US\$ m)

	1999/2000	2000/01	2001/02	2002/03	2003/04
Mining	16.0	1.1	0.0	3.4	1.5
Hotels & tourism	15.5	5.3	0.0	0.0	0.0
Manufacturing & processing	18.1	77.4	15.8	13.2	2.8
Oil & gas	5.3	47.6	3.3	44.0	54.3
Fisheries	3.3	0.0	0.0	26.4	2.6
Transport	0.0	7.9	0.0	0.0	30.0
Real estate	0.0	28.0	0.0	0.0	0.0
Agriculture	0.0	20.0	0.0	0.0	0.0
Construction	0.0	20.5	0.0	0.0	0.0
Total incl others	58.2	217.7	19.0	86.9	91.2

Source: Central Statistical Organisation, *Selected Monthly Economic Indicators*.

External debt

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

	1998	1999	2000	2001	2002
Total external debt	5,647	6,004	5,928	5,670	6,556
Long-term debt	5,053	5,337	5,242	5,006	5,391
Short-term debt	594	666	686	664	1,165
Interest arrears on long-term debt	456	509	488	500	605
Use of IMF credit	0	0	0	0	0
Public & publicly guaranteed long-term debt	5,053	5,337	5,242	5,006	5,391
Official creditors	4,476	4,806	4,262	4,096	4,506
Multilateral	1,199	1,251	1,148	1,133	1,216
Bilateral	3,277	3,555	3,114	2,963	3,290
Private creditors	577	531	980	911	884
Total debt service, paid (flow)	88	88	75	76	102
Principal	79	64	71	71	94
Interest	9	24	4	5	8
Ratios (%)					
Debt-service ratio ^a	5.0	5.0	3.9	2.9	3.4
Short-term debt/total external debt	10.5	11.1	11.6	11.7	17.8
Memorandum items					
Disbursements (flow)	214	64	15	9	6
Multilateral creditors	0	0	1	2	1
Bilateral creditors	100	34	11	6	3
Private creditors	114	29	3	2	1
Principal arrears	1,532	1,803	1,738	1,802	2,133

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

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

Source: World Bank, *Global Development Finance*.

Net official development assistance^a

(US\$ m; calendar years)

	1998	1999	2000	2001	2002
Bilateral	27.4	44.7	68.1	89.2	79.1
Japan	16.1	34.2	51.8	69.9	49.4
Multilateral	31.3	28.6	37.8	37.5	34.0
UN Development Programme	16.7	15.6	14.9	15.6	6.5
UN Children's Fund	6.6	7.9	6.3	6.5	7.4
Total incl others	72.1	81.1	106.8	127.2	120.5

^a 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*, 2004.

Foreign reserves

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

	1999	2000	2001	2002	2003
Foreign exchange	265.3	222.8	399.9	469.9	550.1
SDRs	0.2	0.1	0.6	0.1	0.1
Gold ^a	11.1	10.6	10.2	11.0	12.0
Total reserves incl gold	276.6	233.5	410.7	481.0	512.2
Memorandum item					
Gold (m fine troy oz)	0.231	0.231	0.231	0.231	0.231

^a National valuation.Source: IMF, *International Financial Statistics*.**Exchange rates**

(Kt:US\$; calendar years)

	1999	2000	2001	2002	2003
Official rate (annual average)	6.22	6.43	6.68	6.57	6.08
Official rate (year-end)	6.20	6.53	6.77	6.36	5.73
Free-market rate (annual average) ^a	343	355	620	970	960
Free-market rate (year-end) ^a	335	410	720	1,100	900

^a Economist Intelligence Unit estimate.Sources: IMF, *International Financial Statistics*; private reports.

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