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Post-socialist Myanmar and the East Asian Development Model

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Abstract: Myanmar has been undergoing a process of post-socialist systemic transformation. During the reform period, its authorities used policy and institutional solutions of the East Asian development model in its post-socialist version, creating foundations for the post-socialist developmental state (PSDS).

The concept of the PSDS combines features of a developmental state (DS) and systemic transformation from central planning to market. A developmental state (DS) is considered to be an ideological and conceptual basis for the state's economic policy and institutional and systemic arrangements that resulted in spectacular developmental achievements of some of the East Asian economies in the second half of the 20th century. Post-socialist transformation is considered the most multi-layered and complicated process of systemic reformulation, which took place at the end of the 20th and the beginning of 21st centuries.

The article describes the process of building a PSDS in Myanmar. In economic policy, the authorities have focused on the industrialisation through the development of an export production base. Nevertheless, access to the internal market has often been restricted for foreign entities. Planning through a state planning agency remains a key tool in the formulation of a development strategy. In addition, systemic reforms have been gradual rather than radical (a shock therapy).

Keywords: development, transformation, economic reforms, Asia, Myanmar

JEL Codes: O10, O20

1 Introduction

The post-socialist transformation in Myanmar/ Burma began, as in Central and Eastern Europe, in the late 1980s. Nevertheless, the first stage of reforms (1988–2011) did not result in the creation of an open free market economy. In addition, there was no political liberalisation. The dynamics of changes – political and economic – increased in 2011. In the period 2011–2015, there was a significant acceleration of systemic transformation. In November 2015, partly free parliamentary elections were held and one of the leaders of the democratic opposition was elected president of the country in March 2016.

Despite political liberalisation and the acceleration of reforms (2011–2015), Myanmar's authorities chose to use the East Asian development model in their economic policies and systemic reformulation, characterised by an authoritarian political system, limited economic liberalisation and limited economic deregulation, and a broad state control over the national economy. The following article examines how the East Asian development model, in its post-socialist version, was adopted in Myanmar. In the scholarly literature, this model is often referred to as post-socialist developmental states (PSDS).

The text consists of three parts; the first part analyses socio-economic development in post-socialist Myanmar; the second part outlines the framework of the East Asian development model in the conditions of post-socialist transformation and the third part shows how Myanmar uses the East Asian development model in its economic policy formulation and for the purpose of systemic transformation.

2 Socio-economic development in post-socialist Myanmar

In 1988, Myanmar commenced a process of post-socialist systemic transformation. The Burmese dictator, General Ne Win, resigned. The immediate cause was social unrests triggered by the situation in the country.[1] Socialist economic experiments of Ne Win's military junta between 1962 and 1988 led to economic collapse. From a relatively prosperous state, Myanmar became the poorest country of Southeast Asia.

The idea of building a state based on elements of socialism was present in Burmese politics before the independence (Aung San Suu Kyi 2010). As in many other colonies governed by European powers, especially in Africa, socialism was associated with the struggle for independence. Therefore, it stood in an ideological opposition to imperialism. However, this perception of socialism had little to do with communist totalitarianism, which dominated the Soviet Union and its satellites, China and some East Asian states. In newly independent Myanmar (at the time Burma), as well as in countries such as India, attempts were made to adopt the so-called 'democratic socialism', which was ideologically close to the European model of welfare state (Chand 1965). As a result, Prime Minister U Nu tried to introduce what became to be known as a 'Buddhist socialism' (Aung-Thwin et al. 1992), with cyclical elections and with maintaining economic and political freedoms, however, giving the state the role of the main planner.

The actual establishment of a centrally planned socialist economy followed the coup in 1962. The Revolutionary Council chaired by the army chief General Ne Win ordered nationalisation of 'important' means of production, such as industrial and agricultural production, distribution channels and transport of goods (von der Mehden 1963). The national economy was to be governed by economic plans, based on a specific manifesto entitled *The System of Correlation of Man and his Environment*. Politically, a one party rule – with the Burma Socialist Programme Party was introduced as the only central political structure. As part of the new 'military socialism' (the power was exercised by the military junta), about 15,000 companies were nationalised and a public sector with large state-owned enterprises was erected. Burma Economic Development Corporation became a conglomerate of 42 major state-owned firms. The Revolutionary Council also created state agencies with overlapping powers to govern the national economy.

Nevertheless, a part of the economy, mainly the agricultural sector, remained, as it was also the case of communist Poland, in private hands. In addition, in 1973, the government admitted that the model based on central planning did not bring expected results and subsequently partially liberalised the rules concerning business activities. The government's tolerance towards the informal sector (the so-called black market or a grey economy) increased. According to various estimates, this sector made up about 80% of gross domestic

1 Events known as 'The 8888 Uprising' were initiated by students of the Yangon University. Hundreds of thousands of residents took part in street protests in August and September 1988. The uprising was pacified by the Burmese armed forces (Tatmadaw) in September 1988.

product (GDP). To increase the agricultural production, agricultural cooperatives gained autonomy. The owners of private rubber plantations were protected against nationalisation (Wiant 1973). In the 1974 constitution, a provision that private means of production are allowed and private companies can function, as long as they do not infringe on the socialist economy, was made.

In 1988, the new military junta that set up the State Council for the Restoration of Law and Order (SLORC) gave up socialism and announced the construction of a capitalist economy. In 1988–1992, many market regulations were introduced: Foreign Investment Law (1988), State-owned Economic Enterprises Law (1989), Private Industrial Enterprises Law (1990), Financial Institutions Law (1990), Promotion of Cottage Industries Law (1991), Cooperative Society Law (1992), Mines Law (1994), Myanmar Citizens' Investment Law (1994), Accountancy Council Law (1994). The period 1988–2011 is often considered the first stage of market reforms. Nevertheless, in the opinion of many experts, the reforms were implemented only until 1996, and then they were abandoned (UNESCAP 2015), which was allegedly caused by internal conditions (the junta's fear of losing control over the economy and then losing the political power) and external conditions (international sanctions for violation of human rights).

The initial reforms increased the developmental dynamics. Estimates of economic growth in the above period (5.5% per annum in the 1990s and 4.7% in 2000s) contrast with those of 1980s (1.8%) (Findlay et al. 2015). In 2011, the economic transformation accelerated and political liberalisation began. General Than Shwe,[2] the leader of Myanmar in 1992–2011, was replaced by General Thein Sein (in 2007–2011 Myanmar's Prime Minister). In March 2011, President Thein Sein appointed a 'civilian' government (generals turned uniforms into suits and longyi[3]) and initiated the next stage of reforms, the dynamics of which surprised both the Myanmar political elite and the international community (Cockett 2015). It is often argued that March 2011 marks the beginning of the actual Myanmar's systemic transformation.

Myanmar has thus been undergoing post-socialist transformation. Although each country has its own unique characteristics, and thus also the transformation processes differ, the post-socialist systemic transformation in Myanmar has many features in common with the changes that have taken place in Central and Eastern Europe and the former Soviet Union and that are still progressing in several countries, including Southeast Asia. In the period 2011–2015, a number of areas and sectors of economic activity were partially liberalised and mechanisms largely based on market principles were introduced. Many new legal regulations were adopted, including new laws on foreign investments, on import and export, on the central bank, on investments carried out by Myanmar's citizens, on special economic zones, on securities, on competition, on establishing of small and medium enterprises and on taxes. The exchange rate policy was liberalised.

As a result of the reform efforts, in particular internal and external economic liberalisation and market institutionalisation, the development dynamics accelerated even more. The economic growth was 7.3% in 2012, 8.4% in 2013, 8.7% in 2014 and 7.2% in 2015.[4] The predictions for the following years have been equally optimistic.

Nevertheless, Myanmar still remains one of the poorest countries in Southeast Asia, with GDP per capita at USD 1,204 in 2014[5] and at USD 5,200 2015[6] when calculated as purchasing power parity. The developmental catching up with neighbours will be a tedious and time-consuming process. A realistic forecast of the Asian Development Bank (ADB) says that with the development dynamics of 7–8%, Myanmar will reach the current level of development of Indonesia and Sri Lanka in 2030, with a more ambitious but still real development trajectory (9–10%), it can reach the level of Thailand today in 2030 (Findlay et al. 2015). The East Asian economies recorded a similar high dynamics during their so-called fast growth periods, which lasted for decades, examples being Japan, Korea, Taiwan, China as well as Malaysia and Thailand; hence, the prospects for Myanmar are relatively good.

In its report on the economic potential of Myanmar, ADB (Findlay et al. 2015) showed a lot of optimism. In the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, it considered strengths of the authorities and the society to carry out economic and political

2 For more details about Than Shwe, see Rogers, Benedict. 2010. Than Shwe: Unmasking Burma's Tyrant, Seattle: University of Washington Press.

3 Traditional Burmese clothing.

4 The World Bank data: http://data.worldbank.org/country/myanmar [accessed 12.02.2016].

5 The World Bank data: http://data.worldbank.org/indicator/NY.GDP.PCAP.CD [accessed 05.04.2016]. W 2014 r. niższe PKB per capita liczone kursem walutowym w regionie zanotowała Kambodża - 1094 USD oraz Timor Leste - 1169 USD.

6 The World Factbook: https://www.cia.gov/library/publications/the-world-factbook/geos/bm.html [accessed 05.04.2016].

reforms; the richness of natural resources, including minerals, gas and also water resources and arable land; as well as a young society. Myanmar has 13 million people aged 15–28 years, which is 40% of its workforce. School-age population constitutes 25% of the population. With a good educational policy, this may result in the entry to the labour market of a well prepared, qualified workforce, which will effectively contribute to country's development and increase the standards of living. People aged more than 65 years constitute only 7.5% of the population. Despite the just complaint about the low qualifications of Myanmar's workforce, it should be noted that there is a large Myanmar diaspora abroad – estimated at 5 million people, many of whom are well educated. They can contribute to the development of their country of origin through remittances and investments and by providing necessary technical skills. In the case of natural resources, the dominant role is played by gas (identified resources amount to nearly 300 billion m^3) as well as by water resources for the purpose of energy production, fisheries and forests (33 million ha, about 50% of the country's territory). Hydroelectric power plants are the main source of energy, although Myanmar uses only 5% of its potential. Gas, which generates about 20% of the country's energy, is mostly exported to Thailand and China. A large area for cultivation (18% of the country's territory) constitutes good conditions for the development of agriculture. Other minerals include: oil (identified resources – 3.2 billion barrels), copper, zinc, aluminium, lead, coal, marble and precious stones. Myanmar is the world's largest producer of jade and rubies. Myanmar's geological research is incomplete, which means that the potential mineral resources can be significantly larger. As far as opportunities are concerned, the report also mentions: a strategic location at the intersection of East Asia, Southeast Asia and South Asia, which creates the possibility of creating a regional centre for transport between the ASEAN[7] Economic Community (AEC), China and India; high potential for foreign investment in the production base, which can become part of the regional value chains; and tourism, which can become an important source of revenue and employment.

Nevertheless, there are many serious difficulties and potential threats to Myanmar's development trajectory. The weaknesses include macroeconomic management of the economy and low quality and capacity of state institutions; tax system and budget policy, including lack of adequate decentralisation; underdeveloped banking sector and the entire financial system; dependence (albeit in different forms) on natural resources (exports) and agri-food production (employment); poor infrastructure – transport, energy (only 30% of the population has access to electricity) and telecommunications; low level of education and healthcare; lack of reliable data on the economy (which makes planning difficult). The risks include: political instability, which, however, does not refer to the political system itself and the ongoing democratic changes but to ethnic and religious conflicts (see Lubina 2014, Aung-Thwin and Aung-Thwin 2012);[8] the resource curse and the threat of the so-called Dutch disease (economic regression because of the focus on the exploitation of natural resources and the neglect of other sectors of the economy). In addition, the ongoing devastation of the natural environment and climate change are also big threats to the developmental trajectory.

3 The East Asian model of development in the conditions of post-socialist transformation

One of the main tasks of Myanmar's state's economic policy is to achieve a high long-term developmental dynamics similar to the one that characterised the so-called Asian tigers. The East Asian development model, which the Asian tigers used, is based on the concept of the developmental state (DS). The DS 'is widely regarded as a conceptual background for the [economic] policy of the state and [economic] institutional solutions that led to unprecedented developmental achievements amongst the so-called late-comers of the Asian continent' (Bolesta 2015, 7). A significant amount of scholarly literature has been dedicated to its examination (see Johnson 1982, Amsden 1989, Wade 1990, Cumings 1984). In spite of the critical opinions of some researchers (see Page Woo 2011, World Bank 1993), it is clear that the promotion of Korea and Taiwan, as well as Japan – all three countries were developmental

7 Association of Southeast Asian Nations

8 Ethnic Burmese represent approximately 68% of Myanmar's population. Officially, there are 135 ethnic groups in Myanmar; nevertheless, the division is considered to be arbitrary and uncoherent anthropologically. The largest ethnic minorities include Shan (9% of the population) and Karen (7%). The history of ethnic conflicts dates back to the times of the Burmese monarchy and British colonisation.

states – to the group of advanced economies, was a phenomenon, because of its dynamics.[9]

To fully understand the concept of the developmental state, one must analyse its pillars: the ideology of the state and its systemic arrangements; economic policy, including development policy; and the nature of links of four specific participants of the development process. Stubbs (2009) described the nature of these links as 'relational aspects'.

Relational aspects concern the interaction of four groups of actors of transformation: the political elite and the state economic bureaucracy (collectively referred to as the state), the society and the business sector. Their interaction is defined by the concept of 'embedded autonomy' (Evans 1995). Society, including business, is able to influence the state; however, the state remains largely autonomous in the decision-making process regarding economic policy and institutional arrangements (Stubbs 2009). The interaction between the state and society and business is not an interaction between equal partners. A strong, authoritarian state, to a large extent, imposes its will on the society (Leftwich 2000), nevertheless, also supports the development of the domestic business sector, intervening in the market (through market entry barriers) and providing assistance to the latter in international trade (also through fiscal stimuli). The authoritarian political system helps to maintain the state's strong position vis-à-vis other participants of the political and socio-economic life. Whenever the developmental sate is characterised by democracy – as was the case of Japan – the power of the state rests not in political elite but in state's central bureaucracy (Johnson 1982).

The main ideology of the state is nationalism and, in particular, economic nationalism (Johnson 1982), which forms the foundation for economic policy and explains the involvement of protectionist mechanisms aimed at shielding the national economy from unwanted penetration by foreign business entities. It is about creating a specific cocoon in which the local business sector develops without the need to compete with foreign enterprises.[10] State interventionism thus generates numerous market entry barriers.

The economic policy is formulated as part of a wider industrialisation process, which is initially focused on import substitution (import-substitution industrialisation – ISI) and then on export (export-oriented industrialisation – EOI) (Haggard 1990). Industrialisation follows the theory of 'wild geese flight pattern' or 'flying geese paradigm' presented by Akamatsu (1962). The pattern explains how countries in the process of modernisation from importers become producers and then exporters. Industrialisation takes place, thanks to imitation of more advanced economies (Amsden 1989), after reaching an adequate level of modernisation – thanks to innovation.

The authorities make a selection (targeting) of industrial sectors, which they then support in building and developing (Cumings 1984). Support instruments include trade policy of selective discrimination of imports and support for export, and a wide range of policies within the financial sector, including, subsidies, subsidised loans, manipulation of interest rates and exchange rates and subordination of the banking sector to development needs (Woo-Cumings 1999).

Despite criticism, it is increasingly argued that the concept of a developmental state is also applicable today, especially in the period after the global financial crisis of 2008/2009, which resulted in the final discrediting of neoliberal solutions based on a broad market deregulation as remedies for underdevelopment (see Stiglitz 2010, Kolb 2011, Chaco et al. 2011, Joyce 2013, Scott 2011, Griffith-Jones et al. 2010, Giddens 2009, Chang 2010). The DS may thus also be applicable to countries undergoing post-socialist transformation, such as Myanmar, in which the economic goal of change has been to accelerate socio-economic development and to embark on the path of catching up with highly developed capitalist economies.

Post-socialist systemic transformation is a process that concerns a quarter of humanity. Institutionally and systemically, it is probably the most complex undertaking in the modern world of the late 20th and early 21st centuries. In theory, it has a twofold character: from a political perspective, authoritarian regimes are replaced by democracies; from an economic perspective, centrally planned economies based on the domination of state property and bureaucratic control mechanisms are transformed into systems based on free market and private ownership.

Post-socialist transformation is not a uniform process and does not proceed according to a one specific pattern. Whilst the market economy has been a declared

9 Japan is a specific case in which the foundations of the DS were laid already in the Meiji period (1968–1912) and also before the Second World War.

10 Naturally, the above argument can be reversed, suggesting that the lack of competition from foreign entities causes delays in the modernisation and development of local companies.

goal in all countries of transformation, democratisation processes have not been overwhelmingly common. For example, China, when commenced economic changes, declared that the reform of the political system would be gradual and only to the extent that would be needed for economic changes. This approach was directly related to the China Communist Party's (CCP) desire to continue controlling the state. A similar route – in terms of political reforms – was taken by Vietnam and Laos. In all three countries, the nominally communist parties still maintain the grip on political power. In contrast, the majority of Central and Eastern European (CEE) countries introduced fully fledged democracy at the turn of the 1980s and 1990s, although, in many cases, its full institutionalisation required time. In addition, there are also large differences in terms of economic reforms. Divisions often run according to geographical locations. The European model is described by Winckler (1999, 231) as the European-Soviet big bang of economic and political reforms, whilst the Asian model is characterised by gradual reforms of the economy only. China, Vietnam and Laos are undoubtedly the main representatives of the Asian model of post-socialist transformation. Cambodia can also be included in this group. Mongolia, on the other hand, is a representative of the European-Soviet model, in which rapid political and economic liberalisation was preferred. The post-Soviet republics, with the exception of the Baltic states, however, should probably constitute a separate group, in which political transformation was not synonymous with political liberalisation and at the beginning quite dynamic economic transformation resulted in the erection of post-communist 'crony capitalism'.

Winckler (1999) points to three initial waves of systemic reforms in Asia, which then shaped transformation and development paths. The first wave took place at the end of the 1970s and was generated internally by the poor economic performance of socialist institutions. In China and Southeast Asia, this resulted in limited economic liberalisation as well as some minor political changes. The second wave took place in the mid-1980s and was the consequence of the first. As the reforms were initiated and they had a positive impact, they had to be continued. The second wave was generated internally as well as externally, as both Soviet glasnost and perestroika introduced by Mikhail Gorbachev as well as reforms of Deng Xiaoping in China's non-urbanised areas, gave a good example to other Asian countries. This time economic reforms in China were deepened and changes were initiated in Vietnam and, to a very limited extent, in Mongolia and North Korea. Some argue that limited prospects for the liberalisation of China's political environment emerged. The third wave took place in 1989–1990 and was caused by external factors. In Central and Eastern Europe, 'The Autumn of Nations' was in full swing – democracy and market reforms were being rapidly introduced. This wave accelerated economic reforms in Asian countries (with the exception of North Korea) and stopped political changes – outside Mongolia and Cambodia. This acceleration, however, did not result in a shock therapy.

As far as post-socialist developmental state (PSDS) is concerned, the term was first used in 2004 (Deans 2004). However, only in 2015 a detailed analysis of the concept was carried out (Bolesta 2015, 227–254). The concept of the PSDS combines the elements of post-socialist transformation and the developmental state.

The scope of tasks of the post-socialist developmental state is wider than in the case of a developmental state. In addition to steering the developmental trajectory, the PSDS is responsible for the transformation of the system, and more specifically, the construction of a market economy through economic liberalisation, market institutionalisation and microeconomic restructuring. This economic and systemic reorganisation creates, in the short term, unfavourable conditions for development; the state focuses on systemic reforms and usually ignores development needs, as was the case of many CEE countries (partly for ideological reasons), and the economy is in a state of 'transformational vulnerability' because of institutional and legal loopholes.

The analysis of the experiences of developmental states and post-socialist countries illustrates that the PSDS possesses the following features:

- it is characterised by selective, cautious and gradual economic liberalisation, due to the fact that a shock therapy has resulted in a recession in most post-socialist countries, and subsequent low dynamics of economic growth. Meanwhile, a high developmental dynamics is crucial for the PSDS;
- as part of the systemic and institutional transformation, the central planning mechanism is replaced by what Johnson (1982) called 'plan-rational' mechanism, within the market economy, and not dismantled (as was the case in Central and Eastern Europe), and the economic bureaucracy present in the socialist system is restructured to become part of a new development and reform agency (Bolesta 2015, 228–229);

- from a systemic and institutional point of view, the state remains at the centre of the transformation and development processes, and its removal from the economy in the course of post-socialist liberalisation is more limited than in the case of most post-socialist European economies.

Consequently, the state facilitates the process of gradual economic liberalisation and market institutionalisation and creates, at the same time, market entry barriers for foreign entities and strives to regulate development processes through planning activities.

4 Myanmar as a post-socialist developmental state

During the post-socialist transformation, Myanmar has tried to adopt some systemic and institutional solutions characteristic of the East Asian development model. The above assertion seems obvious as far as the first period of reforms is concerned (1988–2011). The military junta built state capitalism and maintained an authoritarian political system in which the main role was played by domestic capital controlled by the authorities. Domestic capital operated in the environment of bureaucratic procedures and barriers, which effectively blocked access to the market for foreign entities (see Fujita et al., 2009). However, also during the acceleration of economic liberalisation, market institutionalisation and microeconomic restructuring (2011–2015) and building democracy, the authorities have been using the concept of the developmental state, also in relation to post-socialist transformation.

A similar approach has been present in China, Vietnam and Laos in which economic liberalisation has been gradual and domestic businesses affiliated with the communist parties, or in the case of China, local power structures, have operated in a privileged economic environment. In China, gradual market reforms began in the late 1970s, whilst in Vietnam, *doi moi* reforms, or renovation, were initiated in the mid-1980s. Liberalisation of food production in Vietnam, introduction of certain market rules and rural reforms based on de-collectivisation (Lamb 2002), unlike in China, were parallel to some liberalisation in state-owned enterprises. In China, urban reforms began in 1984, five years after rural transformation. The end of the 1980s was a period of slowdown in China's transformation resulting from the increasingly stronger anti-reformatory position of the CCP's conservative wing (Zhao 2009), whereas in Vietnam, it was the time when reforms accelerated. Nevertheless, in the second half of the 1990s, reforms in China gained impetus, as the prospect of the People's Republic's accession to the World Trade Organization (WTO) increased. Both in China and Vietnam, post-socialist transformation has taken the form of systemic economic reforms rather than political changes. CCP and Vietnam's Communist Party did not introduce revolutionary political changes. They were rather rationalising activities in adjusting the system to changes in the socio-economic system (see Shirk 2007, Hayton 2010). In the case of Laos, a similar model was used, although socialist experiments with the economy lasted shorter. In 1975, the Lao People's Revolutionary Party took power and this marked the beginning of reforms aimed at creating an economic model based on central planning. In 1978–1979, the government tried to collectivise villages. Nevertheless, the communist party withdrew from the project, rightly recognising that collectivisation might have a very negative impact on the efficiency of the domestic agricultural economy (Evans 2012). The gradual economic transformation began in the mid-1980s. Proponents of the reforms argued that the 10 years of socialist experiments did not allow for the introduction of actual socialism. 'Given the present state of economic development of the country, the transformation towards socialism in Laos is not possible. We must therefore take one step back and introduce some capitalist mechanisms, in order to take two steps forward later in building real socialism' (Stuart-Fox 1997: 195). Stuart-Fox (1997) argued that Laos initially reformed the socialist economy more quickly than Vietnam, although it was undoubtedly not a shock therapy, as evidenced by its interim results.[11] Evans (2012) called this process a 'Leninist road to capitalism', as in 1991 during the fifth congress, the communist party reaffirmed its leading role as the only political force, emphasising that it would continue to exercise power as a monopolist.

Mongolia, amongst the post-socialist countries of the Asian continent, is often perceived as an exception and an example of the European way of post-socialist transformation. Indeed, in 1990–1991, a full democratisation took place there and a rapid creation of a liberal market economy began, even though Mongolia did not

11 Author's own observations during various consultations at the Ministry of Planning and Investment of the Lao People's Democratic Republic in the years 2012–2016.

have a democratic or a capitalist tradition, and the communist regime lasted there the longest after the USSR. Nevertheless, in 2010, some foundations of the post-socialist developmental state were laid down, when the government consolidated its control over the country's natural resources and tried to subordinate their management to wider development targets.

In the context of systemic transformation, Myanmar, both in the period 1988–2011 and in the acceleration of 2011–2015, used elements of the concept of the PSDS. The political transformation was significantly slower than the economic transformation. During the acceleration of reforms 2011–2015, the authorities maintained the authoritarian system despite gradual political liberalisation. The parliament, which was responsible for adopting laws accelerating economic liberalisation and market institutionalisation, had been chosen in November 2010 in undemocratic elections. In March 2011, General Thein Sein, a close associate of the former Myanmar's dictator – General Than Shwe – became the state's president. The by-elections, deemed democratic, which took place in April 2012, introduced only 45 new members to the parliament, which accounted for 7% of all seats. Despite the fact that the parliamentary elections held in November 2015 were considered free and democratic – although votes in parts of the regions subject to armed conflicts, for example, in the state of Kachin, did not take place – it should be emphasised that Myanmar remains an undemocratic country. 25% of the parliament are the nominees of the armed forces, and the constitutional majority is 80%. The current arrangement means that the part of the parliament chosen undemocratically (i.e. recruited from the armed forces) can successfully block political and economic reforms.

Despite the general perception that in 2011–2013 Myanmar was close to adopting the transformation model similar to that in Central European countries and characterised by a shock therapy and extensive political liberalisation, and the frequent views that there was a slowdown in economic liberalisation in 2013–2015, the analysis of laws and regulations implemented in the above period clearly indicates that the dynamics of economic transformation in the whole period of acceleration was more or less evenly distributed, as indicated by the frequency of legal regulations crucial for macroeconomic liberalisation and market institutionalisation.[12] In addition, the changes were significantly slower than in the case of Central Europe, in which the establishment of an open market economy took about 25 years. In the case of Myanmar, the transformation process began in 1988 and is still in the initial rather than advanced phase.[13] Even if only the period 2011–2015 is considered, the dynamics of changes was still significantly slower than the reforms in Central Europe at the beginning of transformation.[14] Many of the new legal regulations are considered to be half measures, on the one hand, trying to put in place the foundations for market mechanisms and, on the other hand, keeping the economy under control of the state's central planning. The financial sector, including the banking sector, whose institutionalisation for political reasons has been delayed, is an illustrative example. Banks can only offer a limited range of services. Access to the domestic market by foreign entities is heavily regulated. Until 2016, only 14 foreign banks received a license to operate in Myanmar. License restrictions apply to services and customer groups banks can service. Foerch et al. (2013) see significant analogies to the Vietnamese banking sector, whose weak institutionalisation and closed nature led to its serious crisis in 2011. In addition, procedures to introduce key legal regulations for the functioning of a market economy take years. As of mid-2016, the state was unable to pass an important law such as the one concerning operation of enterprises (the company law) and did not manage to amend the crucial investment law.

As in the case of historical examples of developmental states, planning remains an important element of economic policy. This is evidenced, amongst others, by the proliferation of various social and economic development plans and by the fact that the administrative system still features a central planning agency laying out development directions. At the current stage of transformation, however, it is difficult to speak of a 'plan-rational' identical to that described by Johnson (1982) in his historical analysis of the industrialisation of Japan. The fact that Myanmar is a post-socialist country means that the central agency also facilitates the process of system transformation. In the period 1993–2016, the Ministry of National Planning and Economic Devel-

12 Author has calculated that amongst the 26 key regulations concerning economic liberalisation and market institutionalisation, introduced between 2011 and 2015, four were introduced in 2011, eight in 2012, six in 2013, five in 2014 and three in 2015.

13 Author's observations based on consultations with Myanmar political decision makers and non-governmental actors in 2012–2016.

14 For example, in the case of Poland, on 27 and 28 December 1989, and therefore within 2 days, 10 acts were introduced, which radically changed the country's economic system. The reform package was referred to as the Balcerowicz's Plan.

opment (MNPED) was responsible for the preparation and implementation of development plans (e.g. Framework for Economic and Social Reform – FESR) and systemic reforms. The agency could be considered a copy of China's National Development and Reform Commission (NDRC). In the neighbouring post-socialist Laos, this role is played by the Ministry of Planning and Investment, although in both cases, that of China and that of Laos, one cannot omit the decision-making bodies located in the structures of the respective communist parties and duplicating the functions of the government. Amongst the historical developmental states, MNPED can be compared to the Economic Planning Board of the Korean dictator Park Chun Hee, to the Council on Economic Planning and Development in Taiwan, to the Economic Development Board in Singapore, and, to some extent, to the Ministry of International Trade and Industry (MITI) in Japan. Nevertheless, during the reign of President Thein Sein (2011–2016), the role of MNPED was not dominant; the economic reform coordination centre was in the office of the president and rested in the hands of one of his trusted office ministers.[15] It was a mechanism that was also used by China's leader Xi Jinping, who in 2013 created a special group to deepen economic reforms and, in this way, undermined the role of NDRC, traditionally subordinate to the PRC's prime minister. In the cases of China and Myanmar, it also meant the rapprochement with the historical Korean model, in which the state leader stood at the helm of the Economic Planning Board. The subsequent merger of the MNPED and the Ministry of Finance in April 2016 (returning to the institutional arrangements of 1972–1993) again creates opportunities for building a strong planning agency responsible for reforms and development. The government, therefore, plans to maintain its role as the main planner.

During the acceleration of economic reforms (2011–2015), the authorities quickly liberalised import regulations. Myanmar, after years of isolation and systemic experiments, had a limited production base, so growing consumer needs had to be met by imports. Similar liberalisation of international trade also took place in the early stages of transformation in Vietnam and Laos. As a result, in the period 2010–2014, the value of Myanmar's imports increased from USD 9.9 billion to USD 24.2 billion,[16] and the increase in the availability of consumer goods could be compared with that in the initial period of systemic reforms in Poland.[17] In this context, the authorities gave up the strategy of ISI in the short term, which was a departure from the East Asian development model, but, nevertheless, went on to develop an export-oriented production base (EOI). Such a 'leap forward' was possible because Myanmar is joining the global economy as the so-called latecomer. During the globalisation period, characterised, amongst others, by the acceleration of knowledge diffusion, transformation can be faster. Developing countries entering the global economy, in particular in such a dynamic region as East Asia, can take the advantage of the so-called quick wins. First of all, they can benefit from the knowledge, competences and technologies of others and adapt them to their own internal conditions and needs. They can study historical successes and development failures. This also applies to systemic transformation from the socialist to the capitalist model. Post-socialist transformation has been already underway for three decades, and the reformers have assembled a 'library of experiences'.[18] Secondly, having lower labour costs, they can, if infrastructure and legal regulations permit, quickly increase exports to more developed markets with high absorption capacities, using, for example, emerging regional and global value chains. Therefore, in the case of Myanmar, although the ISI strategy may not be clearly visible and its existence may be deduced from general long-term development strategies in which the expansion of the local production base is one of the pillars (Myint 2013), the EOI assumed an explicit form similar to that in China's and Vietnam's models, examples of the post-socialist developmental state. In the years 1985–2015, the value of Vietnamese exports increased more than 200 times, and the value of China's exports increased 80 times.[19] Laos also achieved good results in the analysed period, increasing its exports more than 50 times.

15 Author's observations based on consultations at the Ministry of National Planning and Economic Development and the Office of the President in the period 2012–2016.

16 ADB, *Key Indicators for Asia and the Pacific 2015 – Myanmar*, http://www.adb.org/sites/default/files/publication/175162/mya.pdf [accessed 04/06/2016].

17 Author's own observations in the period 2012–2016.

18 'A library of experiences' – an expression coined by Timothy Garton Ash, a professor at the University of Oxford and an expert in post-socialist transformation, during his presentation in Yangon (Myanmar) in February 2013.

19 UNCTAD Stats 2016, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx [accessed 11/11/2016].

Industrialisation based on the development of an export production base is a key element of the historical concept of the developmental state. The economic policy of Myanmar's government presumes that because of the geographical location and labour resources, Myanmar will become 'a regional factory' producing for export. With limited resources of qualified workforce and poorly developed infrastructure, the government supports a wide range of sectors with low technological needs (e.g. agriculture, textile) for more advanced sectors making attempts to attract foreign companies.[20] As in China, Myanmar's policy is based on attracting foreign investments to special economic zones. Three of them – Thilawa, Dawei and Kyaukphyu – and 18 industrial parks were established. The government plans to create two additional zones – in Pathein and Myawaddy – and another 10 parks. A similar policy is currently being pursued by Laos, which has opened special economic zones to support economic interaction with China and Thailand and to attract foreign investors. In 2009–2012, ten such special zones and industrial parks were created (Noonan 2015).

In comparison, in China, already at the beginning of transformation in 1979, a decision was made to create special economic zones (SEZ). A year later, four SEZ were opened, whereas the fifth one was opened in 1988. The next stage of expanding the export production base was the opening of 14 port cities for foreign investors (1984) and the creation of open economic areas (1985), a part of the open coastal belt – the Yangtze delta (Changjiang), the Pearl delta river (Zhujiang), the triangle of southern Fujian, the Liaodong Peninsula, Shandong Peninsula, the Hebei and Guangxi provinces. In 1990, the Shanghai-Pudong zone was created, and then in 1992, after the opening of several cities in the Yangtze Valley, everything was combined into the 'open belt of the Yangtze River'. At the same time, a group of 13 'open border cities' was institutionalised and further restrictions on access to provincial capitals were lifted. Fifty-four economic and technological development zones as well as 60 export zones were established. In 2013, the Shanghai Free Trade Zone was created, and in 2015, similar structures were established in Tianjin and the provinces of Fujian and Guangdong.

As a result of economic liberalisation and market reforms, the volume of foreign direct investments in Myanmar increased. In January 2015, PWC [PricewaterhouseCoopers] estimated their aggregate value at USD 50.7 billion; China's and Hong Kong investments accounting for 40.6% (USD 21.6 billion), Thailand's 19.3% (USD 10.3 billion), Singapore's 16% (USD 8.5 billion), Britain's (together with British tax havens – Bermuda's and the British Virgin Islands') 7% (USD 3.7 billion). Next on the list were South Korea, Malaysia, Vietnam, the Netherlands and France (PWC 2015). Japan was not amongst the top 10, in spite of political presence (many state visits) and assistance (numerous Japan International Cooperation Agency's (JICA) projects). About 68.3% of foreign investments were directed to the energy sector and the oil and gas sector (36.3%, USD 19.3 billion; and 32%, USD 17 billion, respectively). In 2013, concessions were auctioned for 30 oil sea blocks, and then for another 20, which resulted in a significant inflow of financial resources. Manufacturing was in the third place (9.7%, USD 5.2 billion), transport and communication in the fourth (6%, USD 3.2 billion), mining in the fifth (5.4%, USD 2.9 billion), real estate in the sixth (4.3%, USD 2.3 billion) and hotel and tourism in the seventh (4%, USD 2.1 billion) (PWC 2015). It is worth comparing these data with investments of domestic investors who invested in manufacturing (27.7%), construction (16.6%) and hotel and tourism (14.6%) (PWC 2015). The government's plans are ambitious and presume a significant increase in foreign direct investments. In the fiscal year 2015–2016, projects worth USD 9.4 billion were approved (Gilmore 2016), whilst in 2015, the value of realised foreign direct investments amounted to USD 2.8 billion.[21] Nevertheless, despite the efforts of the state administration, according to the OECD (2016) report, Myanmar is not capable of absorbing a sufficiently high level of foreign investments. In comparison, in 2015, the value of completed FDI in Vietnam amounted to USD 11.8 billion, and in much smaller Laos and Cambodia, USD 1.2 billion and USD 1.7 billion, respectively.[22]

This, however, does not prevent the authorities from implementing elements of the East Asian development model as far as market access by foreign entities is concerned. Whilst the 'natural' investment barriers relate to corruption (in 2015 in the Transparency International ranking, Myanmar was ranked 147th amongst 168 countries), bureaucratic procedures, slackness of courts and lack of respect for the law, limited deregulation and persistent over-control of the economy, the government

20 An example being granting of a license to the Norwegian telecommunications company Telenor and Qatari Ooredoo in 2013.

21 UNCTAD Stats 2016, http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx [accessed 11/11/2016].

22 Ibidem.

also takes deliberate actions to limit market access, as in the case of China based on the so-called Catalogue (Breslin 2006). This does not apply only to measures from the first phase of economic reforms (1988–2011), when 12 industry sectors were reserved for state-owned enterprises (Rieffel 2015), but also to the state policy during the reform acceleration period (2011–2015). The body approving foreign investments (except for special economic zones) is the Myanmar Investing Commission (MIC). MIC is known for its lengthy procedures and arbitrary decisions,[23] as well as issuing directives that limit the ability of foreign companies to operate on the Myanmar market. Examples include sectoral liquidation of customs privileges (MIC Notification 49/2014) and tax privileges (MIC Notification 51/2014) or environmental regulations (MIC Notification 50/2014). For example, MIC Notification 26/2016 specifies with whom a foreign entity may enter into a joint venture if it wants to conduct business in Myanmar. Restrictions concern international trade. Only local companies that have been registered with the Ministry of Trade and obtained necessary licenses may engage in export and import activities.[24] Foreign companies may apply for an import license but only for the needs of their own production activity. Foreign companies cannot trade, thus they cannot obtain export licenses. However, this does not apply to entities located in special economic zones.

5 Conclusion

The East Asian development model is responsible for spectacular development successes in the second half of the 20th century. Therefore, the post-socialist countries of the region are trying to adopt its elements for their needs of economic transformation, establishing post-socialist developmental states, as was the case of China (Bolesta 2015).

During the first stage of reforms (1988–2011) and during the reform acceleration in the second stage (2011–2015), Myanmar used many solutions, previously applied in post-socialist and non-socialist East Asian economies. However, not all elements of the model have been adopted.

For example, it is difficult to speak about the crystallisation of economic nationalism therein, so prominent in East Asia and manifested, on the one hand, through the preference for consumption of domestic goods to ensure the growth of local production and, on the other hand, through supporting the authorities in building a robust domestic economy, sometimes at the expense of the society. Favouring domestic goods is simply impossible, because Myanmar does not have a well-developed production base.[25] At the consumer's level, it would perhaps mean a reduction of consumption to agricultural products.

At the current stage of transformation, relational aspects – an important feature of developmental states – are difficult to address in a specific framework. The relations state/government versus the business sector, including private and state-owned companies, are only beginning to take shape. Whilst state-owned enterprises can still count on extensive state support, including preferential loans from state-owned banks, protection of their monopolist or oligopolist positions, government contracts and indulgence in the absence of financial discipline, private companies operating on the market are also not without support. Many of them were created as a result of the alliance of power, including military circles, with nascent family business groups. In many cases, it was the military who became the businessman. These private companies exploit their connections with centres of political power, and the lack of extensive studies on these connections makes it impossible to assess who in these relationships is indeed the dominant party. There is no doubt, however, that in the examined period, the society at large did not exercise an extensive influence on the development trajectory. Some observers of the political scene even argue that the political and economic liberalisation has all along been part of the long-term strategy of former Myanmar dictator, General Than Shwe, and not the result of internal social and external political pressures.

Nevertheless, as far as systemic transformation and economic policy are concerned, Myanmar has adopted many elements of the PSDS.

The elements of the authoritarian political system have been maintained. Even after the democratic opposition took power, authoritarian systemic solutions have

23 The opinion is an assessment of information obtained from commercial counsellors of embassies of the EU countries residing in Yangon and the European Chamber of Commerce (Eurocham), ibidem.

24 Local companies trading in a specific group of 470 goods are exempt from the license obligation (as of 2014).

25 In 2014, the aggregate value of industrial production amounted to approximately USD 12 billion. ADB data, *Key Indicators for Asia and the Pacific 2015 Myanmar,* http://www.adb.org/sites/default/files/publication/175162/mya.pdf [accessed 09/06/2016].

remained part of the constitutional order. Armed forces still have far-reaching influence over the state – 25% of seats in the parliament are reserved for the military, which makes it impossible to change the constitution without their consent.

The industrial policy seems prominent and is focused on developing export production. Owing to the lack of sufficient resources of qualified labour force and limited domestic capital, foreign direct investments (also to special economic zones) are encouraged, also to low- and medium-tech industries such as textiles. The authorities support the development of all industries and services in which Myanmar can achieve natural advantages, including mining industry, agri-food processing and tourism. Nevertheless, where the government deems appropriate, the MIC limits the investment opportunities for foreign companies. Legal regulations define sectoral guidelines as to on what grounds an international investor can operate (e.g. as a minority shareholder in a joint venture with a local company, state company or the administration itself).[26] In addition, international trade or the banking sector are strongly regulated and mostly reserved for local entities, which limits potential competition from outside.

The role of the state as the main planner has been maintained. In the years 1993–2016, the Ministry of National Planning and Economic Development prevailed, and since April 2016, even stronger (competence-wise) Ministry of Planning and Finance has been operating. The new structure will have more instruments and means to put pressure on other authorities in the context of introducing systemic reforms and implementing the state's economic policies. Moreover, as far as the transformation process is concerned, it has hitherto been gradual rather than radical, also in the period of acceleration.

At this stage of transformation, it is difficult to speak about a coherent state strategy that would contain a clear vision of the national economy based on the concept of a post-socialist developmental state. Myanmar is not yet a PSDS. Nevertheless, it uses many of the solutions of the East Asian development model, which is visible in the government's activities. The acceleration of political and economic reforms in 2011 allegedly framed Myanmar's transformational trajectory as one leading towards a free market economy and a liberal democracy. However, facts contradict this assertion. The national economic model is only emerging now, and it is difficult to determine what its final features will be; will it be an open liberal economy, similar to the ones in Central Europe, or whether state planning and intervention will remain important elements of the systemic landscape, and the role of the state will remain central, as is the case of some economies of the East and Southeast Asia. Nevertheless, previous experiences suggest that the East Asian development model will remain the preferred systemic solution in the long term. Myanmar is thus likely to become a fully-fledged post-socialist developmental state.

26 See MIC Notification 26/2016. http://www.myanmarlegalservices.com/wp-content/uploads/pdf/2016-MIC-Notification-No.26(21March2016)Revised170516_(1931520_1).PDF [accessed 09/06/2016].

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