“Market building and risk in the Greater Mekong Subregion: Problems and prospects for the Asian Development Bank in Myanmar

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INTRODUCTION

During the last quarter of a century International Financial Institutions (IFIs), such as the Asian Development Bank (ADB), the World Bank and the International Monetary Fund (IMF), have played a contentious role in the development of much of the global South, but they have been noticeably absent from Myanmar (Burma).1 Due to Western attempts to isolate Myanmar's military-dominated government the ADB and other multilateral development banks (MDBs) have not provided any significant assistance to Myanmar since the crackdown that followed the 1988 protests. The processes adopted by the ADB through its funding of programs and projects across the Asia-Pacific as a whole can be characterised as part of an emerging ‘regulatory regionalism’ (Hameiri and Jayasuriya, 2011; Jayasuriya, 2009), but its influence on Myanmar has been limited. Through its Greater Mekong Subregion (GMS)2 program the ADB provides some indirect technical assistance for projects based in Myanmar but, due to broader Western isolation policies, this is provided to NGOs, consultants and intermediaries rather than government agencies and is insignificant compared to the direct assistance proffered to other non-democratic GMS states such as Laos and Vietnam. Much of this indirect assistance relates to proposed “economic corridors” including the East-West Economic Corridor (EWEC) and the Southern Economic Corridor (SEC), GMS Flagship Initiatives that have the stated aims of facilitating trade and investment and reduce poverty across Myanmar, Thailand, Laos, Cambodia and Vietnam (Asian Development Bank, 2010b; 2010c). The ADB's focus on these corridors continues its traditional emphasis on large scale infrastructure projects in the building of markets that has included the contentious Nam Theun 2 Dam in Laos (Simpson, 2007; Singh, 2009). The economic strategies associated with these economic corridors can therefore be interpreted not only as poverty reduction measures but also as modes of neoliberal market extension, similar to those pursued by the ADB elsewhere within “fragile states” (Rosser, 2009). As a consequence, engagement with Myanmar by the ADB can be more usefully understood as an essential step in its process of “market building” within the GMS and the broader Asia-Pacific.

1 The author undertook interviews with ADB and World Bank staff in Washington DC and Bangkok in March and May 2011 with subsequent interviews with ADB staff in Bangkok in February 2012. Due to the delicate nature of negotiations between the Burmese regime and ADB country donors, most staff preferred to remain anonymous and avoid institutional attribution for this chapter. These interviews are, however, kept on file.

2 The Greater Mekong Subregion (GMS) is made up of Cambodia, the China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Vietnam (Asian Development Bank, 2010b).
While it is clear that neoliberal agendas pursued by the ADB can undermine social democratic systems (Raman, 2009), this chapter suggests that in Myanmar, due to the relative absence of both democratic institutions and social welfare provisions, the ADB’s development agenda could actually improve on existing development outcomes. Due to rapidly increasing business investment in large-scale energy projects by foreign corporations from China, Thailand, Singapore and other Asian states the ADB could provide a development model with greater transparency, accountability and public participation. Although criticised for lacking these very features (see, for example, Oehlers, 2006; Raman, 2009; Rosser, 2009; Simpson, 2007), the ADB’s procedures, such as its social and environmental safeguards (Asian Development Bank, 2009b), are somewhat virtuous in comparison with the many private corporations currently operating in a largely unregulated investment climate characterised by widespread social and environmental dislocation. This chapter demonstrates, however, that in Myanmar and elsewhere in the South civil society activists, faced with an onslaught of investment from transnational corporations (TNCs), often based in non-democratic states, see the ADB as mitigating the worst impacts of projects and providing a modicum of improved governance with respect to safeguards and transparency.

Irrespective of the ADB’s agenda full engagement with Myanmar poses high risks for various actors of inappropriate development, or that which is derailed by corrupt local power structures, although the risks themselves are diverse and distributed unevenly depending on the actors’ underlying interests. This chapter analyses the risks associated with the four main constituencies affected by this engagement with distinct material interests: the ADB and its donor governments; private capital; marginalised domestic communities; and the Myanmar government and military. In assessing the balance of risks a critical approach is adopted that prioritises the welfare of marginalised domestic communities within Myanmar over more powerful and well-resourced interests. The chapter focuses on the risks particularly associated with GMS economic corridor programs, which are large-scale infrastructure projects similar to those so often pursued as market building opportunities in fragile states.

The domestic political environment in Myanmar has eased significantly following the flawed elections of November 2010 in which formal political power shifted from a military junta to a civilian government, although many of the most powerful new politicians are former generals who have stepped out of their uniforms. There are still limitations on political and economic freedoms in Myanmar that would qualify it as authoritarian under some measures. Although the promising changes that occurred throughout 2011-12 could be reversed at any time by a military coup or a reassertion of political power by more conservative forces within the government, the new president, Thein Sein has appeared eager to promote progressive reforms including a rapprochement with Aung San Suu Kyi and the National League for Democracy (NLD) and the easing of media restrictions. In September all exiled media websites were unblocked, as were other previously inaccessible sites such as the Bangkok Post and the Australian Broadcasting Corporation. One of the most significant announcements was the suspension in September of the Chinese-backed US$3.6 billion Myitsone Dam project for the remainder of the president’s five-year term. These reforms were rewarded soon after by the granting of the ASEAN chair to Myanmar in 2014 and a visit to Myanmar by US Secretary of State Hilary Clinton in December, the highest ranking US official to visit Myanmar in over fifty years.

Nonetheless, given the historic and ongoing dominance of the military in all sectors of the country (Selth, 2001), there are unlikely to be any more significant shifts in the domestic political system than the military’s “managed democracy” in the near future so the best prospects for improved governance are to leverage change through the present political openings (Kyaw Yin Hlaing, 2009; Pedersen, 2011: 64-65). In this context greater engagement of the ADB with the
regime may help to build more transparent markets, which, if it reduces the extant corruption and patrimonial favouritism of recent history, may result in more equitable access and outcomes. While there are undoubted difficulties with the operations of MDBs in authoritarian states, the risks of unjust outcomes when considering ADB funding in Myanmar must be balanced against the current unchecked investment environment. After the economic changes of the last two decades rampant capitalism, combining the worst of neoliberalism and rent seeking cronyism, is already firmly embedded in Myanmar and the ADB may provide a positive influence that can be brought to bear on the existing opaque capitalist structures.

The ADB’s policies and processes have improved considerably since its much maligned engagement with Vietnam in 1993 (Raman, 2009: 286), largely as a result of ongoing civil society and academic critique. While the possibilities for promoting equitable development and genuine transparency and democracy in Myanmar are limited, the recent strategies of the ADB and its Western donor governments are proving ineffectual and should be reconsidered. This chapter finds that even some broadly oppositional civil society activists grudgingly accept that the presence of the ADB in Myanmar would improve outcomes and processes compared with the private actors that would otherwise predominate. With the rate of Chinese investment rapidly increasing across the region, and in Myanmar in particular, these concerns are not merely academic in nature as the policy outcomes may have long term and potentially irreversible impacts on marginalised communities and their environments.

This chapter therefore makes the argument that, despite the risks, the ADB should re-engage with Myanmar by filling in its “doughnut hole” of investment in the region in pursuit of its stated goal of poverty reduction. It should simultaneously be open to pursuing diverse non-market and small-scale modes of development in consultation with domestic and exiled NGOs and activists. Priority should be given to the wishes of marginalised communities, particularly those in the long-suffering ethnic states, where most natural resources reside. The ADB should engage with the new Burmese government and encourage progressive reforms by involving plural political voices in development decisions. It should also act to mitigate any adverse impacts on local communities and ensure any activities are accompanied by full social and environmental safeguards and that its processes are particularly transparent to encourage democratic oversight by domestic, exiled and transnational civil society actors and donor governments. A change of ADB policy on Myanmar would not satisfy everyone and activists are themselves divided on the merits of engagement but there exists a significant opportunity in this moment of transition in Myanmar for the ADB to make a positive contribution to more democratic and sustainable modes of governance and development in Myanmar. The remainder of this chapter therefore analyses the ADB’s current activities in Myanmar and the region, with a focus on its existing economic corridors program, and explores the opportunities and prospects for greater engagement.

BUILDING MARKETS: THE ASIAN DEVELOPMENT BANK

IFIs are essentially inter-governmental organisations and therefore their approach to development can be considered as primarily an extension of government policies, although they retain a certain autonomy. The ADB’s shares are dominated by Japan, which has over 14 per cent of the voting rights and has always provided its president, while the other major shareholders – Australia, China, India, Korea, Indonesia, Canada and the US – have approximately 5-6 per cent each (Asian Development Bank, 2009a). With its strong presence both in the bank and the region the US plays a central role in determining ADB directions. This
influence manifests itself in both the policy of isolating Myanmar since 1988 and a broadly neoliberal approach to development although neoliberal policies are also pursued by other Northern public institutions in the region (Carroll and Hameiri, 2007). Despite a significant overall engagement with the GMS region, therefore, the ADB has been largely absent from Myanmar and therefore unable to pursue its stated goal of poverty alleviation.

The role of the ADB in “fragile states” or “weakly performing countries” is, however, contentious with Rosser (2009: 377) arguing that it has adopted a coercive neo-liberal approach “driven primarily by a concern to manage the risks to developed countries posed by instability, conflict, crime and disease in fragile states, rather than developmental considerations.” Concern over these non-traditional security issues also leads to state-building interventions in weakly governed states. If this concern is the overriding priority of the ADB, however, then developed countries see little risk of contagion from the maladies facing Myanmar as it has received no funding under this program despite satisfying many of the requirements: having weak governance; weak rule of law; and civil unrest, particularly in ethnic areas. Likewise there is a continued absence of Myanmar, a UN-designated Least Developed Country (LDC) since 1987, from participation in the Asian Development Fund (ADF), which was set up specifically by the ADB to fund both fragile states and other developing member countries to “promote poverty reduction and improvements in the quality of life in the poorer countries of the Asia and Pacific region” (Asian Development Bank, 2011). With Myanmar ranked 132 out of 169 countries on the Human Development Index (UNDP, 2011), it has nevertheless become something of a pariah state with regards official ADB funding policy to the extent that Myanmar’s GNI is no longer recorded, although this is also a consequence of Myanmar’s dubious reporting (Turnell, 2010). There is little doubt that there are numerous political, economic and environmental constraints on the ADB’s stated aim of poverty reduction throughout the GMS (Oehler, 2006: 466-67), but most of this activity has bypassed Myanmar leaving it largely void of funding from public organisations.

One of the most significant GMS infrastructure projects that the ADB has supported is the Nam Theun 2 (NT2) Hydropower Project in Laos for which it provided technical assistance and US$120 million in loans and guarantees (Asian Development Bank, 2012a), despite on-going reservations by some ADB staff about its involvement. Despite the technical assistance delivered the most significant contribution by the ADB was to extend market mechanisms in Laos, a single party socialist state that has in recent years enthusiastically adopted the ADB’s neoliberal economic management strategy. These mechanisms included exposure of Laos to the risks of international capital markets and the extension of electricity markets throughout the country, although much of the electricity was exported to Thailand (Simpson, 2007). It also played a key risk mitigation role for international capital, which reduced the costs associated with private investment in the project. This role was complemented in the NT2 project by the World Bank, which by virtue of its global role attracted greater scrutiny. Although there are valid criticisms of the depoliticised participatory processes followed by the World Bank in the NT2 and other projects (Carroll, 2010; Goldman, 2005), some anti-NT2 activists accepted that the involvement of MDBs allowed NGOs to access information and exert pressure that would have been impossible without that involvement. In that respect villagers relocated by the project were “better off” than elsewhere in Laos, “where there are no legally binding obligations to attend to villagers’ or NGO concerns” (Singh, 2009: 496) and where rural people “frequently do not even have access to the electricity produced by dams that have displaced them” (Baird et al., 2009: 606). The NT2 is not the only hydropower project in which opposition activists saw the presence of the ADB as a moderating influence that potentially improved on dire outcomes. In an otherwise critical report by Aid/Watch, an Australian transparency NGO, on the ADB’s involvement with the West Seti Hydropower Project in Nepal the organisation argued that
While the ADB has many opponents, there is a concern among NGOs in Nepal that if the ADB pulls out the [project] consortium will seek a greater share of investment from less transparent actors with lower standards (Aid/Watch, 2009: 12).

As a consequence of the often-bleak alternatives on offer the ADB’s involvement is these sorts of projects can receive grudging approval from activists generally opposed to the projects for a variety of improvements in governance it can deliver, despite the misgivings these activists hold.

A central component of criticism of the ADB by activists and academics has been the broadly neoliberal approach it generally adopts, with one report arguing that its involvement in tree plantations in Laos actually increased poverty by replacing villagers’ land with monocultures and destroying livelihoods (Lang and Shoemaker, 2006). Past analysis also suggests that any future involvement by the ADB in Myanmar is at significant risk of causing “reverse aid” with the cost of ADB-tied procurements to be borne by Myanmar and most of the contracts going to foreign corporations based in donor countries (Raman, 2009: 299). There is some evidence, however, that the ADB, like the World Bank (Ehrentraut, 2011; Park, 2010), is attempting to address this sort of criticism by undertaking a major review of its Accountability Mechanism for people potentially adversely affected by ADB funded development projects (Asian Development Bank, 2012b). Despite any procedural improvements, however, any major developmental projects that the ADB or the World Bank invest in within authoritarian countries such as Laos and Myanmar are still likely to significantly increase risks for the human and environmental security of local communities who often face relocation from what are usually ancestral lands; an important consideration for the largely animist Karen of eastern Myanmar through which the EWEC and SEC travel (Simpson, 2004: 31). Nevertheless these risks must be balanced against the risks associated with major projects proceeding without MDB oversight, which is increasingly likely with growing business interest in Myanmar from the region.

ISOLATION VERSUS ENGAGEMENT: WEST VERSUS EAST

The prospects for building markets in Myanmar that promote equitable and sustainable development, a tall order in any country, are limited by the country’s historical experience, both by the disastrous “Burmese Way to Socialism” pursued from Ne Win’s coup in 1962 until 1988 (Callahan, 2003: 202-04; Myat Thein, 2004: 52; Thant Myint-U, 2006: 291; Tin Maung Maung Than, 2007), and the corrupt and opaque neoliberal market approach adopted since. This legacy has been compounded by the relative absence of both private and public Western actors, leaving a political and economic vacuum that has been filled by regional Asian actors, which often face less democratic oversight. There is a line-up of Chinese, Thai, Indian and Singaporean corporations investing in Myanmar, particularly in oil, gas and hydropower (Callahan, 2009: 47-48; Carroll and Sovacool, 2010: 636-42; Chenyang, 2010; Hughes, 2011: 195-96; Simpson, 2008; Turnell, 2007), and while domestic opposition convinced both the Burmese and Chinese governments to temporarily suspend the Myitsone Dam and hydropower dams on the Nu River (Mertha, 2009: 1002-06; Watts, 2011) respectively, China would not respond with equanimity if its northern oil and gas pipelines from Arakan (Rakhine) State were threatened (Simpson, 2008). While there is a vocal and effective civil society that argues against
engagement with Myanmar in the US, and on the Thai-Myanmar border (Simpson, 2012), the Western sanctions regime is unlikely to be extended to public and private actors linked to the Chinese state. As Steinberg (2010: 175) notes, Myanmar is a minor issue in world politics, being “small, specialised and fashionable.” The priorities for US diplomacy with China are Iran, North Korea, trade, currency appreciation and climate change with domestic politics in Myanmar relatively insignificant.

The US and the EU both have sanctions regimes that are reviewed annually which allow for relatively easy removal although they were renewed once again in 2011 despite overtures to the new Myanmar government. There is little doubt that these sanctions have impacted on development in Myanmar with the 2003 US Burmese Freedom and Democracy Act, which banned imports from the country, resulting in a collapse of the textile industry that particularly affected small and medium sized businesses (Kudo, 2008). There is no inconsistency, however, in recommending an easing of sanctions and also acknowledging that it has been largely the policies and activities of the Burmese state and its military that are responsible for Myanmar’s poor development. As Steinberg (2005: 93) again notes, “the unpredictability of corruption and rent-seeking activities (in contrast to predictable corruption) has probably had [an even] more negative impact on investment than sanctions.”

Section 5 of the Burmese Freedom and Democracy Act calls on the US representative at international financial institutions “to oppose, and vote against the extension by such institution of any loan or financial or technical assistance to Myanmar,” leaving the ADB and World Bank without US support for any significant engagement, although as Sabandar (2010: 199-200) notes they both participated in the assessment and recovery activities following Cyclone Nargis in 2008. The US vote at these institutions does not constitute a veto but its influence within these MDBs has nevertheless resulted in an absence of funding. The official reason historically given by the ADB and World Bank for withholding assistance, however, is that since the 1980s it has been in arrears – currently approximately $450 million to the ADB and $373 million to the World Bank – but these arrears could be waived, as has been done for other countries, if a political consensus was reached. Under this regime most ADB staff have not even been permitted to visit Myanmar unless accompanying an IMF Article IV team or as part of a GMS program, significantly limiting any potential influence.

Despite the political and economic support received from China there are concerns, both within the Burmese military and the Association of Southeast Asian Nations (ASEAN) and evinced by the Myitsone Dam suspension, over the increasingly dominant influence of China in the region and this concern may be the main leverage Western countries can apply in pursuing greater engagement (Haacke, 2010a; Katsumata, 2009: 630; Roberts, 2010; Steinberg, 2010: 187-89; Wilson, 2006). The worst outcome for ASEAN would be that Myanmar becomes China’s proxy and in this respect ASEAN needs Myanmar at least as much, if not more that Myanmar needs ASEAN. Investments by ASEAN in Myanmar have therefore also increased dramatically with the result that economic sanctions that have been applied by the US and Europe to disrupt the economic fortunes of Myanmar’s elites, and to either force regime change or encourage

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3 Human Rights Watch Staff (22 March 2011) Interview with author, Washington DC; Open Society Foundation Staff 25 March 2011 Interview with author, New York; US Campaign for Burma Staff (22 March 2011) Interview with author, Washington DC.
4 At the time of writing Hilary Clinton had just announced during her visit that the US would gradually move to end its obstruction of World Bank and UNDP activities in Myanmar although MDB insiders suggest the State Department is significantly ahead of Congress and Treasury with respect to easing the sanction regime.
substantial improvements within the current regime, have proved ineffectual. Despite continuing arguments in favour of isolation of Myanmar by activists based largely in the West (Task Force on US Policy toward Burma/Myanmar, 2010), this approach now has little chance of achieving its goal.

Any potential for significant Western influence over the Myanmar regime came to an end when the revenues from the Yadana Gas Pipeline started flowing in earnest in 2000, ushering in an era of resource-based foreign exchange income that has proved a lifeline for the regime. The debate over sanctions and corporate engagement with Myanmar has been acrimonious since the 1990s (Holliday, 2005a; 2005b), and although sanctions have traditionally been supported by the National League for Democracy (NLD) and other domestic opposition groups there are signs that the ground may be shifting. Aye Tha Aung, the Secretary of the Committee Representing the People’s Parliament (CRPP) and a senior actor in the opposition movement acknowledges that sanctions are “not as effective as they should be due to China, India and Thailand” and that if MDBs manage to bring more transparency, engagement with the ADB “could be worth it.”5 The political opposition movement is not opposed to the extension of markets in Myanmar per se although the NLD argues that foreign investment must observe guidelines aimed at “conserving the ecological environment, protecting the rights of workers and promoting civil society” (National League for Democracy, 2011). Regardless of how the opposition moves the government does not need ADB funding to maintain its dominant role in the country so there is little economic leverage to be gained by continued isolation. This situation changes the balance of risks that are associated with ADB decisions to develop projects such as the GMS economic corridors in Myanmar.

ECONOMIC CORRIDORS AS MARKET BUILDERS

One of the key methodologies employed by MDBs for market building in developing countries is through the financing of large-scale infrastructure projects. The ADB’s GMS program is dominated by large-scale transport and energy projects with a significant element in the program being the development of a series of economic corridors that criss-cross the region with the Northern, Western, Southern and East-West Economic Corridors passing through Myanmar. The East-West Economic Corridor (EWEC) is in some respects the most developed of the projects and is therefore focused on here although the Southern Economic Corridor (SEC) has received a fillip through the proposed Dawei Development Project in southern Myanmar. The East-West Economic Corridor (EWEC) was launched in 1998 as one of the Flagship Initiatives of the Greater Mekong Subregion (GMS) and according to the ADB

\[\text{[i]t has adopted a holistic approach to developing a cost-effective way of instituting an efficient transport system for moving goods and people in the subregion, while simultaneously developing telecommunications and energy infrastructure, tourism, and a policy and regulatory environment that facilitates and encourages private sector development (Asian Development Bank, 2010c: 6).}\]

This project is therefore focused on building private sector markets across a range of sectors, from the expansion of local food production and commerce to the development of a cross-regional electricity market.

5 Aye Tha Aung (2010, 27 December) Interview with author, Translated by Zaw Myat Lin, General Secretary, Arakan League for Democracy (ALD), Secretary of CRPP, Yangon, Myanmar.
The EWEC is centred on the East–West Transport Corridor that runs from Da Nang in Vietnam, through Laos and Thailand, to Myawaddy in Karen State on the Myanmar side of the Thai border opposite Mae Sot then through Thingannyinaung and Kawkareik to Mawlamyine (formerly Moulmein) on the Myanmar coast (see Figure 1). Progress on Myanmar projects linked to the EWEC has been limited partially due to a lack of expertise in the Myanmar government but also its ad hoc and arbitrary policymaking. Significant port expansion at the “gateway node” of Mawlamyine was envisaged in 2001 but was listed under “little or no implementation” in the most recent 2010 report (Asian Development Bank, 2001; 2010c: 10-11). Similarly, industrial zones were announced for Mawlamyine and Myawaddy (Lubeigt, 2006) but the zone in Mawlamyine is not even mentioned in the latest report while the zone in Myawaddy has been constrained, according to the ADB, by the government’s “restrictive policies on businesses, especially foreign-owned ones” (Asian Development Bank, 2010c: 72). Any ADB attempt at market led development in Myanmar must therefore contend with a government that has been both extremely selective in its negotiations with foreign investors and relatively ineffectual in terms of economic policy development.

Figure 1: Southern and East-West Economic Corridors

Source: (Asian Development Bank, 2010a)

It is not only government incompetence that has restricted activity but the practicalities of construction in Karen State itself. In the updated Vientiane Plan of Action for GMS Development...
the 21st transport project listed is the Thingannyinaung-Kawkareik leg of the EWEC in Myanmar which is to be undertaken with Thai funding (Greater Mekong Subregion, 2010: 6). Thai assistance had already ensured that the relatively flat 18km west from Myawaddy to Thingannyinaung was completed in 2006 and that a 40km stretch of road through the Dawna mountain range to Kawkareik had been surveyed and designed by mid-2007 (Greater Mekong Subregion, 2010: 92). Until this road is built traffic on the existing road can only travel in only one direction, with the direction alternating on a daily basis, but the insurgent Karen National Union (KNU) and its armed wing, the Karen National Liberation Army (KNLA), is active in these mountains and according to exiled Karen activists any further construction awaits KNU approval. 

This stretch of the road, and much of the Myanmar leg of the road corridor, has been fraught with civil conflict since the KNU’s demand for independence was refused in late 1948 (Charney, 2009: 74; South, 2009: 37), with foreign tourists still unable to travel in this region. The military dominated government along with its allies since 1994, the Democratic Karen Buddhist Army (DKBA), nominally controls this route. In July 2010, however, there were serious defections from the DKBA to the opposition KNLA over the military regime’s demands to join its Border Guard Force (BGF) leading to increased tension in the area with the military’s Tactical Operation Command in Thingannyinaung ordering the remaining members of the DKBA not to carry weapons when travelling (Weng, 2010a; 2010b). The regime then closed the border at Myawaddy, ostensibly over a dispute with Thailand but more likely to pressure the DKBA, resulting in a large build-up of goods on both sides of the border (Yeni, 2010). The ADB’s dream of free flowing trade and economic activity in this region is far from reality with this normally busy border remaining closed for eighteen months until December 2011 by arbitrary decision making by the government and a civil conflict going back over six decades. The revenue raising opportunities that various competing groups can derive from taxation of increased cross-border trade further exacerbates the risks of greater civil conflict in this region.

The risks of forced labour are ubiquitous for major development projects in Myanmar and particularly in ethnic Karen areas (Giannini and Friedman, 2005; ILO, 1998; KWO, 2007; Layton, 2000), but the ILO’s Steve Marshall has received 430 complaints of forced labour throughout the country but none have been received in relation to the EWEC project (Macan-Markar, 2010). Marshall notes that an ILO labour specialist from Geneva has overseen the country’s draft labour law and that it is “pretty close to meeting the government’s requirements under international agreements.” With the law likely to be passed by the end of 2011 and the ILO’s labour rights brochure now produced in ethnic languages, after stiff resistance from the government, Marshall sees the potential for reducing forced labour across Myanmar. Although there are no guarantees of probity in a country like Myanmar, having a fully engaged ADB focus attention on the EWEC has the potential to raise labour standards not only on the project but also for other projects throughout the country.

While the ADB has provided much of the technical assistance for the EWEC transport corridor its more important role for transnational capital, as with the NT2, is to mitigate international risk. Instead it has been the Japan Bank for International Cooperation (JBIC), as well as the Thai contribution in Myanmar, that has been the main funding source across the EWEC accounting for about eighty percent of the $900 million allocated for transport infrastructure. The ADB sees

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6 Naing Htoo (2010, 10 December) Interview with author, Program Coordinator, EarthRights International (ERI), Chiang Mai, Thailand.
the role of EWEC as providing an environment that stimulates sustained private sector-led growth but it argues that its development financing for the corridor is focused on the reduction of poverty, development of rural and border areas, improvements in the earnings of low income and vulnerable groups, including the provision of jobs for women, and the promotion of tourism along the corridor (Asian Development Bank, 2010c: 23-24).

These are principled aims but a 2009 report commissioned by the ADB throws doubts on the ability of a road corridor achieving some of these goals, particularly in relation to women where poverty is often concentrated. With a small technical assistance loan paid from the ADB’s GMS economic corridor funding (via Singapore) Win Myo Thu, founder of the Myanmar-based NGO Economically Progressive Ecosystem Development (ECODEV), studied the impact of regional cross-border road networking development in Myanmar (ECODEV, 2010). In particular he researched the impacts on accessibility and mobility of both women and men and found that statistically both aspects were helped for men but that it didn’t help the mobility of women (Win Myo Thu, 2010: 29). The provision of cross-border roads may therefore exacerbate gender inequalities, which could drive more women into poverty and be a key barrier to achieving the aims set out above. Better highway access to remote areas has also been shown to potentially increase female prostitution, trafficking and the spread of HIV with Myanmar’s border regions areas being highly susceptible (Barcellos et al., 2010: 9). This report demonstrates that policies and programs will need to be put in place to ensure that “the provision of jobs for women” is particularly selective in the nature of this employment.

While this report is critical of the project its actual existence represents a key difference between an ADB financed project and those solely financed by non-MDB sources in Myanmar. Although the report doubts the ability of cross-border roads to achieve equitable and just outcomes in relation to poverty reduction for women it is highly unlikely to prevent the project from going ahead. Nevertheless, that the ADB commissioned this report is a vast improvement over private projects in Myanmar for which there is no legal requirement for any sort of social or environmental impact assessment (SIA and EIA) (Thant Myint-U, 2011: 111-12). Even if these types of assessments are undertaken they are often perfunctory and never publically available and their recommendations, if they run counter to government wishes, are often ignored. The only occasion when the Burmese government has appeared to change policy to coincide with an EIA’s recommendations is the decision to suspend construction of the Myitsone Dam, and this decision was so mired in a variety of political considerations that it is difficult to isolate the EIA, which was leaked to civil society organisations, as a significant contributing factor (BANCA, 2009). Nevertheless, the documentary support for the policy no doubt assisted Thein Sein in exercising this decision and this sort of democratic state responsiveness, no matter how embryonic, could be encouraged by the assistance of the ADB in systematising thorough and publicly available SIAs and EIAs in the country. Win Myo Thu’s ADB report, which is being published by a Thai university press, is an indicator of this potentially improved transparency, allowing for the wide dissemination of the study’s results and the tabling of such documents in Myanmar’s nascent parliaments.

Exiled Karen activists from the NGO EarthRights International (ERI) acknowledge that if MDBs do engage with Myanmar they could bring in more effective governance guidelines than a

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8 Win Myo Thu (2011, 5 January), Interview with author, MD and Founder, ECODEV, Yangon, Myanmar.
9 Lwin Lwin Nao (2010, 3 December) Interview with author, Coordinator of the Information and Documentation Department, Palaung Women’s Organisation (PWO), Mae Sot, Thailand.
Chinese or Thai corporation, which could increase monitoring and advocacy by domestic civil society.\textsuperscript{10} They also argue, however, that if the engagement is not done well it could cause greater problems with the NGO also contributing to a report that recommends

\[\text{until the people of Burma can meaningfully participate in development decisions, preconditions for responsible investment are in place, and adverse impacts can be mitigated, then the ADB should refrain from any form of new engagement with Burma (Bourne, 2011: 8).}\]

The feeling of most civil society activists inside the country, however, is that engagement by MDBs would offer better opportunities for the development of effective governance and a more dynamic civil society, despite its decades of local and international neglect.\textsuperscript{11} According to Win Myo Thu, if MDB projects can be used to increase the involvement of local people in decision-making and management “there are still benefits for governance and participation even if the project isn’t as effective as it could be.”\textsuperscript{12}

The second economic corridor growing in significance for Myanmar is the Southern Economic Corridor (SEC), which initially ran from Vung Tao and Quy Nhon in Vietnam through Cambodia to Bangkok in Thailand but the development of the Dawei Development Project has allowed the SEC to be extended to Dawei (formerly Tavoy) in southern Myanmar. A dirt two-lane cross-border road was completed in 2011 that allowed direct travel between Dawei and Kanchanburi, and therefore Bangkok, in Thailand. The $8 billion Dawei Development Project is being driven by the Thai-based Italian-Thai Development Company, which envisions a deep sea port, petrochemical complex, fertiliser factory, coal power station and further industrialisation along the pristine coast near Dawei as well as a rail link and eight lane freeway to Thailand (Italian-Thai Development PCL, 2010). This project is approximately 250 km south of the proposed terminal of the ADB’s EWEC at Mawlamyine and has faced some of the same restrictions with the KNU restricting access to Italian-Thai vehicles in September 2011 (Weng, 2011). The size of this project has the capacity to significantly impact on not only Myanmar’s industrial development but also the environmental balance of the entire region.

The attraction of Myanmar for foreign corporations, in addition to its geographic location, is its current lack of environmental, labour and private property rights, which allows this sort of environmentally destructive development to be undertaken in populated areas with little environmental oversight. Villagers in the area receive little, if any, compensation after their forced relocation. As an Italian-Thai representative argued in promoting the project: “Thais would argue about compensation and go to court. That’s not the case with this project” (\textit{The International Herald Tribune}, 2010). Italian-Thai brought both Thai and Myanmar migrant workers over from Thailand for the early stages of the project, because they were familiar with working for Thai companies.\textsuperscript{13} Reports suggest that the company was paying workers local rates on this project, much less than the rates they received in Thailand. Migrant workers from

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\textsuperscript{12} Win Myo Thu (2011, 5 January) \textit{Interview with author}. MD and Founder, ECODEV, Yangon, Myanmar.

\textsuperscript{13} Marshall, S. (9 May 2011) \textit{Interview with author}, Liaison Officer, ILO, Yangon, Myanmar.
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Myanmar are used to organising in Thailand despite the obstacles they face (Arnold and Hewison, 2005; Hughes, 2011: 197), and they therefore organised a strike, although they were then summarily dismissed. Even within the global neoliberal project there are, therefore, great difficulties in the ADB promoting these economic corridors as effective market building instruments because the current absence of labour and environmental regulations in Myanmar are likely to cause problems at a political level for the ADB’s major donor governments regardless of their neoliberal inclinations.

Although there is a sense in some activist circles that ADB engagement has the potential to initiate greater economic and political transparency and accountability the ADB’s optimism in its 2001 pre-investment study for the EWEC has certainly waned. With three of the EWEC’s four countries governed by non-democratic regimes it is not surprising that some of the utopian assumptions from the initial study have faltered as these large-scale projects are often problematic even in more affluent and developed countries (Flyvbjerg et al., 2003). The EWEC project continues but the ADB acknowledges there is much to do to realise its market building activities:

> With limited data and lack of overall transparency, coupled with the absence of quantitative benchmarks, there remains a clear challenge for member countries to develop ownership, oversight, and accountability on the progress in transforming the EWEC into an economic corridor (Asian Development Bank, 2010c: 10).

**INVESTMENT AND RISK IN MYANMAR**

Market building initiatives in Myanmar, as in other fragile states, carry great risks for a variety of actors. The nature of these risks for particular actors depends on their material interests and their relationship to Myanmar’s wider political economy but the actual outcome also depends both on the implementation of the initiatives and the domestic and international political climate. In a regulatory environment where industrial developments such as the Dawei Development Project and numerous large gas and hydropower projects around the country receive government approval without any significant EIA or SIA the transparency and oversight provided by MDBs such as the ADB might alleviate some of the risks faced not only by foreign businesses but also the existential risks faced by ethnic minority villagers who live in the vicinity of the projects. Much contemporary risk analysis follows the approach of Ulrich Beck in which *risks* are considered to be those generated by the actions of individuals in modern industrial societies (Beck, 1992; Jarvis, 2007: 30-31), while *hazards* are considered naturally occurring events that adversely affect human well being.

Although the risks facing transnational corporations (TNCs) and MDBs are well entrenched within “the modern” the risks faced by ethnic minority villagers and the poor in Myanmar are more difficult to classify. From Beck’s perspective the risks faced are more like hazards, the time worn afflictions that faced pre-modern societies such as hunger and a lack of basic medical care. The difference is this situation, however, is that while many villagers live largely traditional pre-industrial lives many of their insecurities are human generated in the form of oppression and aggression by the very industrialised military machine of the Myanmar state. These marginalised groups can still be included in an overall risk analysis and by adopting a critical approach their interests are prioritised within that analysis. This approach can be considered part of what Eschle and Maiguashca classify as “critical scholarship,” that is,
research that explicitly recognises and takes responsibility for its normative orientation; that aims to empower a marginalised and oppressed constituency by making them visible and audible; and that attempts to challenge the prevailing power hierarchies, including in terms of the construction of knowledge (2006: 120).

Any large ADB project or program carries an array of risks to both marginalised groups and also a variety of other stakeholders but these risks increase significantly when it is undertaken under authoritarian governance in fragile states. When a project is undertaken in a country and region under brutal military rule and characterised by multi-ethnic civil conflict the scope and variety of risks increases substantially once again. The risks associated with the ADB providing extensive funding and assistance for the EWEC and other economic corridors in Myanmar creates enormous risks, but inaction also poses risks. The risks of engaging must take into account geopolitical developments, particularly the rise of China, and therefore be balanced against the risks of major development projects proceeding in Myanmar without any oversight by international public institutions. The remainder of this chapter therefore assesses the risks faced by the four main constituencies of greater engagement by the ADB with Myanmar: the ADB and donor governments; private capital, both foreign and domestic; marginalised domestic communities, both ethnic minorities and the poor; and the Myanmar government and military.

**Political Risks for the ADB and Donor Governments**

There are increasing global risks, of litigation and to reputation, for corporations who deal with authoritarian regimes who abuse human rights (Kytle and Ruggie, 2005), but the sort of risks faced by MDBs, such as the ADB, are less clear. The long term effectiveness of these institutions can be dependent on the perceived integrity of their reputations as good institutional citizens but reputational risk can be difficult to quantify and manage even for private corporations (Eccles et al., 2007). For MDBs, as public organisations, there is a far greater array of competing interests and elements that require consideration although while civil society actors may judge the ADB against its stated aim of raising local communities out of poverty donor governments may be more focused on its market building agenda.

There is certainly political risk for the ADB if it funds road and infrastructure projects in a country where there is little rule of law and which is characterised by arbitrary and indefinite border closures. It may be associated with human rights abuses, environmental destruction and social dislocation that are linked to projects it has funded and domestic political circumstances may prevent the exercise of adequate oversight or mitigation policies. Perhaps less contentious for the ADB could be promoting market mechanisms in an updated agricultural strategy or moving towards exchange rate unification but even these policies risk being undermined through local corruption and vested interests. According to ADB staff, however, these risks are not that different to those faced by the ADB in other fragile states such as Afghanistan. More significant, therefore, for the ADB’s decision making on Myanmar is that powerful donor governments try to ensure that bank policies are synchronised with their foreign policies, particularly on issues that have a high visibility with high domestic political pressures. With the US as the most powerful donor and the pro-sanctions lobby gaining significant influence in Washington any meaningful loosening of sanctions may well lose governments political support, despite the country’s low strategic importance compared with those in the Middle East. The potential for engagement of the ADB is therefore inextricably linked to the Western sanctions regime and the ADB management have therefore used Myanmar’s arrears as a convenient obstacle to engagement.

Almost all international governments, however, including those of China and the ASEAN countries, would prefer to see a more open and competitive political and economic environment
in Myanmar. The West and the ADB may therefore have more success in influencing the
direction in Myanmar by focusing on tightly targeted sanctions that focus on transparency in gas
revenues and the closure of black market loop holes rather than broad based trade sanctions
that currently exist but engagement by the ADB would not preclude the implementation of these
sanctions. Indeed the ADB is currently seen as covertly pursuing the economic corridors in
Myanmar but due to a lack of engagement it is unable to implement its own social and
environmental safeguards (Asian Development Bank, 2009b), so it satisfies neither those who
support the ADB building markets in Myanmar nor those who oppose it. There will always be
political risk in operating within fragile states such as Myanmar but by largely abandoning a
country that is so plainly in need of poverty reducing development the ADB faces the greater
risk of increased irrelevance.

Risks for Private Capital

Managing the risks associated with any kind of investment in Myanmar is fraught due to the
difficult international and domestic political environments that face both private and public actors
(Haacke, 2010b; Roberts, 2010), but ADB engagement has the potential to alleviate some of
those political and financial risks. As well as abundant energy sources international capital is
attracted to Myanmar’s weak labour and environmental regulations, which has stimulated the
interest of corporate capital on schemes such as the Dawei Development Project. These
regulations are, however, matched by weak and arbitrary justice and economic systems that
increase both the personal and financial risks associated with investing in Myanmar. Australian
businessman Ross Dunkley, the founder and long time editor of the Myanmar Times, was
arrested and left languishing in Insein Prison for over a month in early 2011 after engaging in
conflictual negotiations with his well connected local business partner.

As a result of these shortcomings and the sanctions regime few Western corporations currently
operate in Myanmar although Total, the French oil and gas corporation, operated the Yadana
Gas Pipeline prior to the EU sanctions and remains a significant foreign presence today.
Although the company has faced a transnational campaign to leave Myanmar and in 2005
settled a French court case over human rights abuses during the pipeline construction (BCUK,
2008; Simpson, 2007: 546), it appears to be fully entrenched in the country and, according to
Nicolas Terraz, the country General Manager, has successfully negotiated a long term
relationship with the government where they can raise any issue for discussion provided they
“contribute to the economy and they don’t enter domestic political debates.”14 Although as an oil
and gas company it has no need for loans from the ADB the ADB’s presence could help with
improving general competencies in the government. The company currently works with the UN
to train civil servants in the Ministry of Foreign Affairs in international law and similar
partnerships with the ADB could be extended to the economic bureaucracies to reduce political
and economic risk. Terraz contends that the elections ushered in “profound changes” in
governance in the country including a “diversification of actors with even more important
institutional changes” but there exist limitations in capacity, which currently exacerbates these
risks.

The ADB could also play an important role in diluting the financial risks for private capital in
Myanmar by providing funds and guarantees for projects as it has done across the GMS with
the EWEC and the Nam Theun 2 Dam. The ADB acknowledges that the early stages of the

14 Terraz, N. (9 May 2011) Interview with author, General Manager, Total E&P Myanmar, Yangon,
Myanmar.
economic corridors will be funded by public sources but it clearly sees its role as guarantor of long-term stability for the projects. While these loans and guarantees primarily affect large capital interests, small capital interests would also see an environment of reduced risk for engaging in commerce. Small market traders and farmers would be more able to seek better returns on their investments with improved travel links. Although security is currently an issue in most border regions the presence of the ADB in these areas, with all the associated attention and research undertaken, would be more likely to facilitate more sustainable and equitable cross-border trade and economic activity than would otherwise be the case. This activity would support its current program, which has been much critiqued, to constitute neoliberal markets in the GMS and the wider region (Oehlers, 2006; Raman, 2009; Rosser, 2009).

While a more significant presence by the ADB would be no guarantee against authoritarianism and corruption it would likely improve accountability in the investment environment and therefore reduce risk for foreign capital. Without a significant presence it has been only the message of neoliberal economics that has been noted by the military regime, which engaged in a program of privatisation of state assets after 1988 that accelerated to fever pitch in the lead up to the 2010 elections (Ba Kaung, 2010; Turnell, 2010: 35). The risk of not engaging in Myanmar is that a neoliberal approach is encouraged by its rhetoric but that the safeguards, which should accompany any such privatisation process, are absent. Rather than building markets through an ADB ideal – an orderly progression from a state-run to a competitive and transparent market economy – instead what is being created in Myanmar is an opaque crony capitalism nirvana for the senior military and their close business associates. In this context the risks of ADB engagement for the currently cloistered large domestic capital interests are that there would be increased transparency and competition, both from domestic and international capital. This opening would allow more “positive risks” to be assessed within the economy although this would therefore also challenge the extraction of super profits by domestic capital from monopolies and rents.

Developmental Risks for Domestic Communities

While risks to capital, the ADB and donor governments require consideration for any market building endeavour a more important set of risks relating to ADB engagement with Myanmar, when viewed from a critical perspective, are those risks to human and environmental security faced by domestic communities, whether they be ethnic villagers who live in the vicinity of large projects, or the rural and urban poor who together comprise the majority of Myanmar’s population. The livelihoods and welfare of these two marginalised groups are closely linked to their local environment and it is they who will experience any environmental degradation most acutely. The first group, comprised of ethnic villagers, currently face risks of increased insecurities due to major projects that are undertaken with the involvement of TNCS from China and elsewhere in Asia with little or no social or environmental assessment. These insecurities include serious or existential risks such as forced labour systematic rape and sexual assault, land confiscation, summary execution and torture (AAPB, 2011; Doyle and Simpson, 2006; KWO, 2007; Lintner, 1999; Simpson, 2007; Smith, 1999). Although forced labour is ubiquitous for most major projects, as noted above there have been no reports to the ILO of forced labour in the EWEC corridor. While this statistic is only indicative it could suggest that even with the ADB as a distant overseer, with much of the assistance coming from the Thai government rather than the ADB, the international interest in the project has encouraged the military to minimise the use of forced labour on the project.

Major development projects in Myanmar, such as the northern Shwe Gas Pipeline Project, are also often accompanied by an expansion of brothels and prostitution, often for Chinese workers,
and the abuse of local ethnic women by the military. As discussed above there are many other risks for women specifically associated with road developments including the spread of HIV/AIDS and trafficking. With regards the EWEC, unlike private investments, the ADB has acknowledged that these risks exist and efforts are being undertaken to mitigate them (Asian Development Bank, 2008). Women are discriminated against in Myanmar as a whole and this is exacerbated in most major development projects so involvement of the ADB together with civil society groups could encourage both greater respect and protections for women. Partially as a consequence of isolation from international development agencies, many civil society organisations inside Myanmar are dominated by elites that replicate the unequal power relations that exist in broader society and these include gender imbalances in participation and decision making (South, 2009: 174-99).

In the exile communities there has been a rapid transformation of the role and influence of women with strong groups such as the Palaung Women’s Organisation (PWO) publishing highly visible reports and managing training for women in precarious border zones. EarthRights International (ERI) has stipulated that women must comprise half the students of their EarthRights Schools for activists and in 2005 the Burma Lawyers Council (BLC) based in Mae Sot set up a Law School where women must make up over half the students. When ERI set up the Burma School in 2000 they initially found it difficult to fill the female positions because women were not used to playing such active roles but by the end of the decade the positions were always oversubscribed. The changes in both the status and expectations of women have changed dramatically for those outside Myanmar but change has been slower inside. With engagement and supervision by the ADB, in conjunction with civil society inside and outside Myanmar, the many risks facing women along the EWEC and elsewhere in Myanmar could be mitigated.

Land confiscation linked to major development projects is a widespread problem for ethnic minority villagers in Myanmar, even outside conflict zones (Hudson-Rodd and Htay, 2010: 148; TBBC, 2010: 160). If the military forces the confiscation there is often no compensation but when international representatives, such as those from a TNC, reach a villager first compensation is more likely, even if it is inadequate. The presence of ADB representatives early on in the development of a project such as the EWEC could help ensure that if villagers are displaced that, as with many of the residents of the Nakai Plateau on the NT2 site in Laos, compensation is forthcoming and significant. Most projects in Myanmar for the foreseeable future are unlikely to satisfy the level of free, prior and informed consent proposed by activists and the World Commission on Dams (WCD, 2000), but the level of displacement under the ADB is likely to be less, with compensation higher, than would otherwise be the case. Likewise risks of summary execution and torture, although ever present in Myanmar’s civil conflict zones, are likely to be reduced in areas where ADB workers or contractors are visibly operating, particularly

15 Phyo Phyo (2011, 7 January), Interview with author, Pseudonym for activist with Shwe Gas Movement (SGM), Yangon, Myanmar.
16 Lway Dat Plang (2010, 3 December) Interview with author, Treasurer, Palaung Women’s Organisation (PWO), Mae Sot, Thailand.
17 Thein Oo (2010, 3 December) Interview with author, Chairman, Burma Lawyer’s Council (BLC), Mae Sot, Thailand.
20 Phyo Phyo (2011, 7 January). Interview with author, Pseudonym for activist with SGM, Yangon, Myanmar.
if extensive engagement with local communities is undertaken prior to construction of the project.

There is a risk that further construction along the EWEC will increase civil conflict in the region, partially as the military will have better transport corridors but also over competition for the revenue raising opportunities that various competing groups can derive from logging or taxing increased border trade. Even with no EWEC activity, however, there has been increased civil conflict in eastern Myanmar since the elections in November 2010 with fighting between various combinations of DKBA, KNLA and Myanmar military troops along the border initially sending 20,000 refugees into Mae Sot in Thailand. Although by 2012 these conflicts were beginning to ease the prospect of ADB representatives in the region would still be welcomed by opposition groups as a buttress against government military atrocities so any agreement between the groups and the ADB that the road is to be built is unlikely to worsen conflict.

The second marginalised group that may have risks alleviated by ADB engagement are rural and urban communities currently plagued by poverty and repression. While it should be recognised that the experience of the middle classes in Yangon, even that small group not directly linked with the military, is significantly different to those of ethnic minorities in the border regions, much of the rest of Myanmar’s population are faced with daily challenges that undermine their security. As a result of widespread and entrenched poverty much of the population continues to have limited access to basic health, sanitation and education services. Public health was severely neglected under the military regime (Mahn et al., 2008; Oehlers, 2005), and the first indications following the elections were not promising. In the first annual budget announced after the formation of the parliament, and over which the parliament had no oversight, the healthcare sector received 9.5 billion kyat ($US110 million), or 1.3 percent of the total budget equating to around $US2 per person, while 1.8 trillion kyat ($US2.04 billion), or 23 percent of annual spending, was allocated to the military (Allchin, 2011).

Education received more than health in the budget but the education system for poor people is still ineffectual and corrupt with students often able to buy questions to upcoming exams (Han Tin, 2008). Without significant restructuring and investment the education system is unlikely to provide opportunities for escaping poverty for much of the population. Through its economic corridor projects and other direct engagement the ADB can instigate greater transparency in associated revenues with caveats on the distribution of wealth as they did in Laos for the NT2. At present the evidence suggests that the military skims off most of the revenues from major gas projects and deposits it in international banks for its own use while recording it in government accounts at the official exchange rate, which is less than 1 percent of the market exchange rate (Htoo et al., 2009: 43; Turnell, 2010: 30-31). Although some of the wealth generated by the EWEC and other corridors will tend to be more dispersed than gas projects or the NT2, and therefore more difficult to control, the ADB could still pursue greater transparency and accountability in any contracts related to the project. Although the initial sessions in parliament indicate that it will continue to be extremely difficult for parliament to hold the military to account the existence of opposition MPs, including the NLD, does provide an outlet for delivering ADB proposals or reports into a formal political setting that has not been available for over two decades. Over the long term these outlets could create opportunities for developing a more equitable and transparent distribution of government revenues.

21 The government lists an official exchange rate of 6 kyat to the US dollar whereas the author could change dollars for 800 kyat in Yangon in May 2011.
Another risk of insecurity faced by the general population is that of arbitrary repression from various levels of the military. These may be the forced low level payment of bribes or forced removal from land by regional military units as a result of the government’s self sufficiency policies (McLean, 2010) or state decisions to crack down on protesters as occurred in 2007 (McCarthy, 2008). In the short term this is likely to continue whether or not the ADB is active in Myanmar but the opportunities for influencing these types of activities in the long term will only come from a committed presence within the country.

**Risks faced by the Myanmar Government and Military**

The last constituency affected by the ADB’s potential engagement with Myanmar are the ruling military and ex-military elites. There is little doubt that the role of China, India, Thailand and other Asian countries in competing to gain access to Myanmar’s resources has enriched the military leadership and staved off financial collapse for the government in the short term, allowing the military to remain in power when the government’s coffers were virtually empty a decade ago. Together with the siphoning off of gas revenues there are also, however, internal contradictions in the country’s economy that, without outside assistance, will make it difficult for resource based revenues to translate into genuine economic growth (Turnell, 2010). The 1988 and 2007 protests in Myanmar, as well as many of the “Arab Spring” protests in 2011, were built on economic privations within the general population. Without a concerted effort to more equitably distribute economic wealth the military therefore faces the risk of further uprisings and possible removal from power as food and fuel prices surge worldwide. Engaging with the ADB might bring somewhat unwelcome efforts at transparency and accountability in political and economic governance but could also provide both new sources of cheap capital and infrastructure development that allows small and medium enterprises to flourish without challenging the military’s dominance. Encouraging collaboration with the ADB could also bring welcome diplomatic cooperation from Western countries and much sought after international legitimacy, possibly leading to the end of sanctions and the return of Fifth Avenue shopping trips for the military elites. There are few serious risks facing the military if the ADB returns to Myanmar but while the ADB continues to boycott the country its isolation from the West will continue and the move to a more dynamic and sustainable economic model will remain elusive.

**CONCLUSION**

The ongoing global geopolitical re-alignment towards the East has allowed a critical reassessment of Western sanctions against Myanmar, and the associated boycott by the ADB and other MDBs. The ADB has engaged in market building activities across the GMS region but despite being criticised over its neoliberal focus and a lack of transparency and accountability its social and environmental safeguards are somewhat virtuous when compared with those associated with most existing major projects in Myanmar. For ADB engagement to be successful, however, domestic civil society groups would usually be expected to play a vigorous governance and monitoring role. While civil society activism has grown significantly in the last few years and particularly since Cyclone Nargis (Sabandar, 2010), there is universal agreement by activists both inside and outside Myanmar that civil society development has been severely curtailed both by repression from the government but also by the absence of significant development activities by MDBs and the international community although there is a highly active and effective exiled transnational activist community that could assist in this important role (Simpson, 2012).
The ADB remains, however, in a quandary for which there is no easy solution. If its funding facilitates a large scale development project in Myanmar that wouldn't otherwise go ahead the bank could set criteria on accountability and transparency but the project might also end up further entrenching the military and provide opportunities for corruption, the forced relocation of villagers and forced labour. If the project is likely to go ahead without ADB funding anyway the Myanmar government may be reticent to accept severe limitations and restrictions placed on a project by the ADB when it has the opportunity to gain much easier, and more significant, funding from China and other neighbours. The desire by the Myanmar government for international legitimacy and acceptance should not, however, be underestimated, in addition to the domestic appetite for expertise that the ADB could offer on projects and financing.

To successfully re-engage with Myanmar the ADB should therefore offer this expertise in exchange for detailed commitments from the government on transparency and accountability. These sorts of agreements have been broken by the military regime in the past but with the re-introduction of elections and a parliament, however flawed, there exists some potential to develop more consistent, predictable and accountable governance in Myanmar. The unblocking of exiled and previously banned websites provides greater potential for democratic oversight by domestic NGOs and communities who will have, for the first time, legal access to opposition and exiled perspectives.

The ILO’s protracted negotiations with the Myanmar regime have shown not only how difficult it is to achieve concessions, but that concessions are in fact possible and that with these concessions come further openings. After slow beginnings in 2007 the ILO has now assisted in the drafting of a labour law for the new parliament that has support from the most senior levels of the military establishment and the ILO’s small team has run extensive trainings on labour laws, rights and responsibilities in areas of eastern Myanmar only tenuously controlled by the military for local authorities and community committees. Once this law is promulgated there exists the potential for greater regulation and oversight of labour issues in the country that could provide protection for the most marginalised of communities during the ADB’s market building activities.

A gradual engagement by the ADB over the next few years should provide for significant input from both local and exiled civil society groups as these actors are currently wary of its agenda and it will need their support for sustained engagement, at both the domestic and international level. The ADB must therefore be more open to non-market solutions in advice it provides on agricultural and social policies. With this in mind a key route for early engagement could be through the updating of its country agricultural strategy as issues of land tenure in farming communities are central to reducing human security risks for marginalised rural communities (Hudson-Rodd and Htay, 2010). Another route for engagement is by providing advice on exchange rate unification along with the IMF. The ADB should restrain its neoliberal tendencies in this undertaking by allowing for various capital controls to remain but when the street exchange rate is less than 1 percent of the government’s exchange rate a relatively simple unification between official and market rates provides enormous opportunities for reducing corruption and correcting profoundly inaccurate national economic reporting. Finally, the ADB’s economic corridors provide clear opportunities for engaging both with the Burmese government and civil society actors. The ADB will require its Boards of Governors and Directors to approve a return to Myanmar in any of these capacities but this change can occur once the US decides on a policy shift, regardless of legislative restrictions. Regional medium powers on the Board, such

22 Marshall, S. (2011, 7 January) Interview with author, Liaison Officer, ILO, Yangon, Myanmar.
as Australia, are also supportive of increased engagement by MDBs and have an important supportive role to play. There will be obvious limitations to what the ADB could achieve in the very short term, as it has had limited recent experience in Myanmar, but a policy shift to re-engagement would allow increased resources to flow towards that end.

Even without direct engagement in Myanmar, however, the ADB can be seen to have significantly influenced the marketisation process within the country. Its neoliberal rhetoric and approach across the region has provided the military with the theoretical justification for the privatisation of state assets over the last two decades that accelerated to an extraordinary level in the year before the elections. Partly due to its lack of direct engagement with Myanmar, however, there was a complete absence of safeguards in this process which lacked even a pretence of any public tendering process resulting in a far reaching expropriation of the country’s resources by the ruling military and associated elites.

In each of the four constituencies examined above there are a complex multitude of conflicting interests that compete to ensure that the risks faced by the various groups discussed are unlikely to be easily ameliorated. These groups have different assessments of these risks which ensures that cooperation is always likely to be difficult (Stone, 2009). There are clear risks to human and environmental security in Myanmar but a critical approach argues that the risks facing marginalised ethnic minorities and the rest of the poor and deprived in Myanmar take precedence over other less existential risks. In all constituencies the balance tends to weigh in favour of engagement by the ADB but most importantly the risks for the marginalised groups could be significantly reduced by a full but transparent engagement by the ADB. The risks to these groups will not dissipate completely and while under the status quo their predicament is unlikely to improve there is the potential that, with ADB engagement and more access to transparent and equitable markets, the marginalised and long suffering people of Myanmar may eventually see some improvement in their daily lives.

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