

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	The Political Economy of Tatmadaw: Are Natural Resources a Barrier to an Economic Transition in Myanmar?
Author of the thesis:	Lanung Tu Kumbun
Referee (incl. titles):	Ivan Ruzicka, Ph.D.

1) Theoretical background: The thesis has three theoretical building blocks: (a) contrast between a market-based vs. command economy; (b) “resource curse” situations and their impact on countries’ economies and societies; and (c) role of political transitions on the management of natural resources. All three are relevant and indeed, essential. However, the element (a) is presented and used superficially mainly to decry the failure of Myanmar’s economy and governance since 1962 (and especially after the military takeover in 1988) rather than to probe its applicability to natural resource management in general and in Myanmar in particular. Of the three elements it is the third that, not unreasonably, is given prominence.

The author posits four hypotheses to be tested. Simplified, they are: (1) Myanmar’s natural resource abundance is a barrier to desirable economic reforms; (2) Natural resources are used by Tatmadaw as a tool of pacifying formerly rebel areas; (3) Natural resources often fuel the conflict between Tatmadaw and the ethnic armed groups; and (4) China’s hunger for Myanmar’s natural resources tends to perpetuate the existing form of resource management. Each of the four hypotheses is interesting and well chosen.

The aim of the thesis is presented as “reduc(ing) the degree of military intervention“.....and transform(ing) the Myanmar economy from the military’s intervention to the free market system“ . The sentiments may be understandable but the wording lacks a sense of proportion and is inappropriate in a piece of research under review here.

2) Contribution: The thesis’ principal merit lies in describing the extent and nature of military involvement in the management of Myanmar’s key exportable natural resources: oil and gas, gems and precious metals, and timber, and the role of military holding companies (UMEHL and MEC). Some of the figures and details (e.g. estimates of the value of jade exports) as well as the context (e.g., the involvement of ethnic military groups in resource extraction, the functioning of crony companies and ceasefire groups) could be new to non-specialists. The review of the country’s post-colonial political developments and the emergence of Tatmadaw’s political and economic dominance is useful in spite of not being new.

The international comparisons the thesis draws (in the degree of „economic freedom“, competitiveness, and several others) are only marginally if at all related to natural resource management. This is a pity as the experience of Myanmar’s neighbours (especially that of Indonesia during Suharto’s years), or recent history of mining in Mongolia would have offered a wealth of insights.

The thesis’ principal conclusions are affirmative answers to the four hypotheses postulated at the outset. The degree to which these conclusions are supported by evidence varies. The first (natural resource endowment being more of a curse than a blessing under Tatmadaw) rests largely on cross-country comparisons of GDP performance with the degree of the countries’ “economic freedom”. However, it remains uncertain whether Myanmar’s economic underperformance until recently was due mainly to the pernicious impact of resource rent capture by the military rather than to other attributes of the command economy, the country’s international isolation or something else again. The hypotheses (2) and (3) are partly contradictory (access to natural resources being both a ceasefire tool *and* a cause of conflict). Here the thesis does a reasonable job describing how these opposites can coexist in Burmese conditions. The hypothesis (4) is supported by the examples provided and is in line with what is known about Chinese investments in nature resource exploitation in the region.

The thesis contributes a number of interesting ideas but these are left largely undeveloped. This is the case, for instance, of (1) the relationship between resource rent capture by the military (the State, in its perverted form) and the level of general taxation. What are the pros and cons of reducing the high dependence of State budget on natural resource extraction (that the thesis advocates)?; or (2) continued failure in Myanmar to separate resource management oversight from actual resource exploitation; How best to reduce and ultimately eliminate the stranglehold on rule-making by vested military-linked interests? Here the author offers several ideas for reforming the system among which a priority given to the implementation of the Extractive Industries Transparency Initiative (EITI) and to greater transparency in general seem to be the most promising; or (3) the social and environmental repercussions of resource-extraction operations on local communities. What has the recent experience of managing natural resources by local (ethnicity-based or other) communities in Myanmar taught us?

If anything the thesis is a useful reminder that economic transition from a centralized (as well as militarized) political and economic governance to a more market-based economy is no easy task especially in a large and complex country like Myanmar. The thesis argues that the political changes of 2011 by themselves have been insufficient to bring about a decisive change, and a number of governance flaws as well as policy weaknesses (such as low resource taxation) persist to turn the country's resource abundance into an asset rather than a handicap. The author is understandably and rightly skeptical of the prospects of a military-influenced economy but somewhat naïve in the belief that the invisible hand will sort things out, especially in managing the country's natural resources.

3) Methods: In the author's own words, the thesis is a "descriptive analysis ...using narratives deploying simple data". This a brave attempt to overcome continued scarcity of economic data in Myanmar, especially in politically sensitive sectors such as natural resource extraction. As it is, specific figures on natural resource activity used in the thesis are based on hard-to-verify information generated (against considerable odds) by an international NGO (Global Witness) or derived by other researchers (Bunte, Lynn and Oye) from similar sources.

The thesis would gain greatly if available figures of natural resource output and exports were better related to macroeconomic totals (especially total exports and their breakdown by categories, GDP time series, structure of government revenue), incomplete and unreliable as such totals may be to this day. As it is, insufficient or poor use is made of existing macroeconomic data –and more and better data *are* becoming available every day—to buttress the thesis' arguments.

More rigour in presenting and interpreting the figures used (and those not used but available) would also help (e.g. jade sales are wrongly described as „benefits“, Table 4 with its revenue targets lacks adequate explanation). More questioning of available data – both official and alternative (e.g. Global Witness)-- could have been an indirect way of supporting some of the thesis' arguments. [E.g. Table 4: tax collection of 1,400 mil Kyat -about USD 1 mil-- on Table 1 sales of 1.1 bil of gems? The gap between official data of gem exports (some USD 400 mil) and the data of Table 1]?

Some of the author's incursions into the realm of macroeconomic theory and practice (e.g. references to international differences of interest rates or the country's external debt) are misguided.

4) Literature: The thesis is accompanied by a well chosen list of references. The author deserves credit for not overwhelming the reader by a more exhaustive list –far too easy to produce unthinkingly in this day and age. Only a few small omissions or errors creep in (the 1988 volume on the economic theory of rent-seeking quoted p.22 and attributed to Tollison instead of Rowley, Tollison and Tullock, is not included in the list of references; Tollison's own 2012 paper on rent-seeking would deserve to be included for the more theory-minded).

5) Manuscript form:

The thesis is enthusiastically and ably written but like many similar products drafted by non-native authors it could do with editing. This would go beyond fixing small linguistic missteps and eliminate some wording (especially in Sections 2.1 and 2.2) that gives the impression that the author holds an overly romantic and

unnuanced view of the merits of „free market system“ and „full liberalization“(of the economy) and their advantages over the command economy of which the period 1988 to 2011 in particular in Myanmar was a striking and (for many Burmese) painful example. The references to an economy that works best „without interference“ (in the section Master Thesis proposal) begs the question of what the expression means and how it is to be distinguished form enlightened regulation, so important in sustainable natural resource management.

The author is a little careless in not distinguishing between renewable and non-renewable resources and conflating the term non-renewable with valuable or precious (when talking about forests, p.51). Still in the context of forest resources, simple „logging“ is preferable to „logging forest“ (the term production forest would be more common).

Box for the thesis supervisor only. Please characterize the progress in the working out of thesis (e.g. steady and gradual, versus discontinuous and abrupt) and the level of communication/cooperation with the author:

Suggested questions for the defence are:

- 1) *You say (p.10) that „many countries have passed the process of transition to achieve a free market system“. Which ones, among significant natural resource exporters, do you have in mind and which among them would be a good example for Myanmar to follow?*
- 2) *What might be, in your view, the best ways of improving data on natural resource extraction in Myanmar? Can civil society contribute to that objective?*

In the case of successful defense, I recommend the following grade: “C” (good).

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Theoretical background (max. 20 points)</i>	14
<i>Contribution (max. 20 points)</i>	14
<i>Methods (max. 20 points)</i>	11
<i>Literature (max. 20 points)</i>	17
<i>Manuscript form (max. 20 points)</i>	15
TOTAL POINTS (max. 100 points)	71
The proposed grade (A-B-C-D-E-F)	C

Suggested questions for the defence are:

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DATE OF EVALUATION: 30 May 2018



Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Czech grading
91 – 100	A	= outstanding (high honour)
81 – 90	B	= superior (honour)
71 – 80	C	= good
61 – 70	D	= satisfactory
51 – 60	E	= low pass at a margin of failure
0 – 50	F	= failing is recommended