

SEPTEMBER 24, 2012

Newsweek

BOOM DAYS IN BURMA

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THE MUSLIM
WORLD SO
ANGRY?**

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14 year old Student Hlang Myo Win

the vice president of Burma's largest Bank, Kanbawza. "What we need is technology, expertise, infrastructure. In fact, we need everything." He says his bank is trying to catch up fast, by hiring an international IT firm to upgrade its logistics. He acknowledges, however, that large, cumbersome government institutions are less tractable. Case in point: even the Central Bank is directed and staffed mostly by former army officials with little or no training in economics or finance.

While shaking off fifty years of economic inertia is difficult to hasten, the government has succeeded in softening the hardedges of Burma's image rather rapidly. President Thein Sein and his cabinet have put forth a humbler and more sensitive image than their predecessors, presenting themselves as willing to acknowledge (to an extent) past wrongs and accept input for plans for the future.

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This tact has shown signs of success. Not long ago, says Ken Tun, the CEO of oil contractor Parami Group, his attempts to network internationally were met coldly. "When I said, 'I'm from Myanmar and I want to joint venture with you, no one would look at me.' Today, he says, dozens of U.S. and European firms are ringing him to discuss partnerships.

Under the junta, a couple dozen odd families came to monopolize Burma's economy, receiving exclusive rights to lucrative projects—usually in resource extraction—in exchange for kickbacks and loyalty. According to Transparency International, only North Korea and Somalia are perceived as more corrupt than Burma. Today, those who displayed less enthusiasm for intimate partnerships with the junta are keen to distinguish themselves. A secretary for the Burmese business tycoon Moe Myint took the unusual measure of including a leaked US government cable about him as a part of a pre-interview bribe: despite emerging as one of the biggest players in Burma's oil industry, the cable said, Moe Myint is "perhaps the most legitimate" of the country's businessmen." It went on to say that Moe Myint repeatedly declined to

engage in corrupt quid pro quo arrangements with the junta.

Moe Myint says that Thein Sein is sending a strong message to politicians and businessmen who resist reforms: "If you're not going to change, we're going to leave you behind." Speaking in his office, Moe Myint—who studied and worked briefly in the US and speaks English with an American drawl—keeps CNN playing in the background on a flat-screen TV. "I don't think it's a trial period. I think the majority in the government thinks there needs to be change. In my opinion, there's no turning back." Those whose businesses relied on under-the-table deals "are quite nervous" now, he says.

Indeed, when the U.S. suspended sanctions in May, it kept them in place against the army-owned conglomerates Myanmar Economic Corporation and the Union of Myanmar Economic Hold-

but oligarchy, with the army and their close associates continuing to dominate the country economically and pushing back against encroachments on their profit-making turf.

Suu Kyi has also expressed concerns that the anticipated influx of investment will flow into the wrong hands. Speaking at an economic forum in Bangkok in June, she cautioned investors against "reckless optimism" at this early stage of the reform. "Would be investors in Burma, please be warned. Even the best investment laws would be of no use whatsoever if there are no courts that are clean enough and independent enough to be able to administer those laws justly." In particular, Suu Kyi has appealed to foreign firms not to partner with the state-owned energy conglomerate Myanmar Oil and Gas Enterprise—which is fair game for international investment despite its track record of funneling money into the hands of the army and their cronies—until it adopts credible measure of transparency.

According to one foreign business consultant in Rangoon, concerns from international companies about Burma's human rights record are "collapsing very quickly. The issues now are procedural." But reports of state violence against Muslim Rohingyas suggest oppressive measures are still in force. According to watchdog Human Rights Watch, security forces perpetrated murder and rape against civilians from this ethnic minority group in June. Thein Sein has been firm in resisting international calls for the Rohingyas' rights to be respected; the solution, he said, was for all Rohingyas to be resettled outside of Burma.

ings Limited and a number of their cronies tycoons. The U.S. wanted the benefits of economic engagement to "flow to a broad based group of people and not just a very few," said Hillary Clinton, during her visit to Burma WHENTK—the first by an American secretary of state in over fifty years.

Indeed, analysts say political reform will remain stunted unless the economy improves—and equitably—which is why the influence of foreign investment in Burma is particularly important.

This is where Sean Turnell, an Australian economist who researches focuses on Burma, worries that today's "initial bout of optimism" will fade. A desire to mend and modernize the country's moribund economy was among the leading motivations behind the junta's power handover (escaping China's clutch and avoiding their own volatile revolutionary "spring" are other oft-cited factors). But the army and their cronies remain gatekeepers to many of the country's most lucrative sectors and, Turnell says, it will be decades before their economic privileges are substantially weakened. In the meantime, he worries that the transition away from dictatorship will lead not to democracy

"Of course there will be headwinds and turbulence but we will overcome them," says Maung Maung Lay, of the chamber of commerce. A hollow prediction? Perhaps not in Burma, a country that was long considered beyond the reach of the international community. And yet, on the verge of reaching its 50th consecutive year of military rule, it instead became the site of relatively peaceful and fair democratic elections. Burma has already shown the difference a year can make. And today change is predicted in even faster increments: "If you come back in six months," the banker Than Lwin says, while overlooking Rangoon's skyline from his high rise office, which dwarfs its neighboring structures, "it will really

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"WHEN I talk to people who have not been to [Burma], they talk about it as a war zone, with tanks rolling down the street," says Alesio Polastri, an Italian business consultant who recently uprooted to Rangoon, Burma's largest city and commercial center. "They should come."

They—tourists and foreign investors, that is—are coming to Burma, and fast. In the lobbies of Rangoon's few business hotels, Western investors in suits are gathering with local businessmen in traditional sarongs to discuss joint ventures, land-lease terms and profit repatriation rules. For decades, Burma was distinguished for its ruling junta's imprisonment and torture of political dissidents, execution of protesters, violent campaigns against ethnic minorities and other abuses that made the country a byword for bloody dictatorship. Today, after a year of democratic reform, the dominant description of Burma has changed in many circles from basket case pariah to promising frontier economy. The Southeast Asia country is being touted as one of the world's last virgin markets— tantalizingly rich in natural resources like teak, oil and gold—with a location between India and China that ensure access to enormous markets.

"Myanmar is a gold mine, any way you look at it," Craig Steffensen, the Asian Development Bank's country manager for Burma and Thailand, told Reuters in an interview earlier this year. "There's no flight to, or hotel in Myanmar that isn't booked by businesspeople looking at opportunities there to get involved in tourism, banking, telecommunications and construction."

Delegations from American companies such as Chevron, Coke, Proctor & Gamble, Google and General Electric have visited Rangoon in recent months, and investors are being courted through a slew of symposiums with hopeful presentations by government officials.

But the scene outside the carpeted conference halls of Rangoon's top hotels is unlikely to conform easily to slideshow

predictions. Thu Gyi, a taxi driver in his 40s, says his car should give people unfamiliar with Burma a good sense of where the country stands. A typical vessel for most of the city's cabbies, it's a three decades old sedan that, with much of its wiring exposed and metallic body rusted away, appears like something out of *Mad Max*. When he drives, his hands remained clenched in vigilant anticipation of Rangoon's abundant potholes. Laborers, including teenage girls, working at a construction site near Thu Gyi's waiting spot sustain themselves by incessantly chewing betel nut, a stimulant that suppresses hunger, so that they can save their \$2 daily wage to bring home to their families. The street vendor who serves the workers their meek mid-day meal of rice and soup has a habit of shuffling broken tiles to covering the sewer veins below her stall, in order to block whatever exposed section is most unsightly on that given day.

Foreign investors keen to participate in Burma's economic takeoff, therefore, may be in for a hard landing once certain realities on the ground sink in. Dismal

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infrastructure and logistics come with the territory of a country ranked second-poorest in Asia, worsted only by war-torn Afghanistan. Though cell phones and new cars are becoming less of a rarity, more fundamental obstacles remain: only a quarter of the population has access to electricity and many rural roads are in such disrepair that they become impassible during the long season of rain.

A half century of military rule drove an economy that was once one of Asia's most promising into severe dysfunction and stagnation. After a group of hard-lined generals grabbed power in a coup in 1962, they implemented "The Burmese Way to Socialism," an idiosyncratic version of Soviet-style central planning that nationalized industries and isolated the economy. The army assumed control of all economic policymaking. The wisdom driving their decisions was nakedly displayed in 1988 when, without warning, the junta demonetized certain bank notes

on the advice of an astrologer. Overnight, much of the population's personal savings, typically stored at home in cash, were wiped out. Because of corruption, profligate military spending and anemic GDP, public finances became so drained that the junta regularly press-ganged millions of people to work on infrastructure projects without pay. By the time the junta reopened Burma's economy at the end of the 80s, Western countries would soon impose sanctions because of human-rights abuses.

It is on the back of this bleak history that Burma, which is also known as Myanmar, has begun a drastic reform process. In early 2011, the ruling army handed over power to a semi-civilian government, which subsequently released hundreds of prisoners of conscience, including the Nobel Prize-winning opposition leader Aung San Suu Kyi; pursued ceasefires with ethnic-minority armies along the border regions; and eased draconian restrictions on political association, civil society and the press. It has also made diplomatic overtures to the US and United Nations, both of which it previ-

ously shunned, and this year, the junta allowed Suu Kyi and members of her once-banned party to run in elections (she now holds a seat in Parliament). These developments—and the promise of more—prompted Western countries to resume diplomacy with Burma and suspend most sanctions.

There are concerns about Burma's ability to live up to its lofty billing. "It's happening very suddenly. We don't have the capacity to handle all of these swift changes," says MaungMaung Lay, vice president of Burma's main chamber of commerce, which this year has hosted delegations from the US, Britain, Australia, France and other Western countries. "Myanmar will be overwhelmed." He worries that the state of Burma's human resources will be laid bare in increasing numbers since the 1980s, university graduates fled the country to escape dire job prospects and the junta's wrath. "We're late by 50 years," says Than Lwin,



59-year-old koran teacher at a local yangon mosque Daw Htay Htay Myint



Boom Days in Burma

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BY BRENOAN BRADY
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