



# BURMA (MYANMAR)

Rank: **148**  
 Score: **4.20**  
 Category: *Repressed*

Trade Policy	<b>5</b>	Government Intervention	<b>3</b>	Foreign Investment	<b>5</b>	Wages and Prices	<b>4</b>	Regulation	<b>5</b>
Fiscal Burden	<b>2</b>	Monetary Policy	<b>4</b>	Banking and Finance	<b>4</b>	Property Rights	<b>5</b>	Black Market	<b>5</b>

Burma's real GDP growth fell an estimated 5.4 percent in 2001–2002, and the ruling military junta (the so-called State Peace and Development Council) continues its heavily repressive economic policies. Imports of nonessential goods are banned outright, and the government suspended the export licenses of all foreign firms in April 2002 as part of a formal strategy to promote self-sufficiency by discouraging imports. The SPDC has maintained a huge deficit despite cutting spending on health and education, employing forced labor for infrastructure projects, and using barter to purchase fighter planes from Russia. Since Burma's black market remains untaxed, the government prints money to pay for the deficit, pushing inflation up to 21.1 percent in 2001. In May 2002, fearing that the United States and the European Union might restrict imports from Burma (U.S. investments are already banned), the SPDC released democracy leader Aung San Suu Kyi from house arrest. Suu Kyi has been released before, and there is no guarantee that economic reforms will follow, but her release could be a positive sign. Burma's monetary policy score is 1 point worse this year. As a result, its overall score is 0.10 point worse this year.

## TRADE POLICY

**Score: 5—Stable (very high level of protectionism)**

Based on data from the International Monetary Fund and the Asian Development Bank, Burma's average tariff rate was 33 percent in 1999 (based on import duties as a percent of total imports). The U.S. Department of State reports that Burma's "tariffs range from a low of zero to a maximum of 40 percent.... Tariffs on most industrial inputs, machinery and spare parts average about 15 percent." The same source reports that "permits [are] required for imports, exports and most other business activities.... Importers and exporters say it is extremely difficult to obtain the necessary business permits without paying for them 'unofficially.'"

## FISCAL BURDEN OF GOVERNMENT

**Score—Income and Corporate Taxation: 3—Worse**  
 (moderate tax rates)

**Score—Government Expenditures: 1—Stable**  
 (very low level of government expenditure)

**Final Score: 2—Stable (low cost of government)**

Burma's top income tax rate is 30 percent, down from the 40 percent reported in the 2002 *Index*; the marginal rate for the average taxpayer has risen to 10 percent from 7 percent due to an increase in reported per capita GDP. The top corporate tax rate is 30 percent. In 2000, government expenditures equaled 6.6 percent of GDP; however, the evidence indicates that the state's role in the economy is greater than this figure suggests. Based on a clarification in methodology, Burma's income and corporate taxation score is 0.5 point worse this year; however, this is not sufficient to affect its overall fiscal burden of government score, which remains unchanged.

## Scores for Prior Years:

<b>2002:</b> 4.10	<b>2001:</b> 4.20	<b>2000:</b> 4.10
<b>1999:</b> 4.10	<b>1998:</b> 4.20	<b>1997:</b> 4.30
<b>1996:</b> 4.30	<b>1995:</b> n/a	

## 2000 Data

(in constant 1995 US dollars)

**Population:** 47,749,000

**Total area:** 678,500 sq. km

**GDP:** \$6.7 billion

**GDP growth rate:** 5.5%

**GDP per capita:** \$140

**Major exports:** apparel, wood products

**Exports of goods and services:** n/a

**Major export trading partners:**

Thailand 15.1%, US 14.6%, India 9.8%, China 6.8%, Singapore 6.2%

**Major imports:** machinery, transport equipment, construction materials, food products

**Imports of goods and services:** n/a

**Major import trading partners:**

Singapore 24.5%, Thailand 12.7%, China 11.8%, Japan 8.8%

**Foreign direct investment (net):**

\$197 million

## **GOVERNMENT INTERVENTION IN THE ECONOMY**

### **Score: 3–Stable (moderate level)**

Based on data from the Economist Intelligence Unit, the government consumed 2 percent of GDP in 2000. However, the evidence suggests that reported government consumption data are unreliable. The Economist Intelligence Unit reports that the official figures “use methods of compilation and estimation that are not transparent and are not supported by available anecdotal evidence.” In addition, “the state dominates some sectors including mining and power, and has an important role in transport, domestic trade and manufacturing.... The military and the Union Solidarity Development Association (USDA) are also involved in businesses including gems and logging.” Based on the apparent unreliability of reported government consumption figures, 1 point has been added to Burma’s government intervention score. In 1999, according to the International Monetary Fund, Burma received 38.46 percent of its total revenues from state-owned enterprises and government ownership of property.

## **MONETARY POLICY**

### **Score: 4–Worse (high level of inflation)**

Data from the International Monetary Fund’s *2002 World Economic Outlook* indicate that from 1992 to 2001, Burma’s weighted average annual rate of inflation was 14.94 percent, up from the 9.91 percent from 1991 to 2000 reported in the *2002 Index*. As a result, Burma’s monetary policy score is 1 point worse this year.

## **CAPITAL FLOWS AND FOREIGN INVESTMENT**

### **Score: 5–Stable (very high barriers)**

According to the U.S. Department of State, “the highly unfavorable political climate, unfavorable economic policies including a highly unrealistic exchange rate, and increasing corruption, have contributed to a significant loss of foreign investor confidence....” The International Monetary Fund reports that both residents and non-residents may hold foreign exchange accounts with government approval (except for diplomatic missions and international organizations and their employees, who are permitted to hold such accounts at the Myanmar Foreign Trade Bank). All payments and transfers require government approval and are considered on a case-by-case basis. A 10 percent tax is applied to all repatriation transfers. All capital transactions are controlled.

## **BANKING AND FINANCE**

### **Score: 4–Stable (high level of restrictions)**

Burma’s financial sector consists of the central bank, state banks, private banks, and foreign representative bank offices. According to the U.S. Department of State, “Private banks have assumed a large share of banking activity in the last several years, and...are generally more efficient and provide better service than state banks. By March 1999, private banks held over 70 percent of demand deposits and over 50 percent of time and savings deposits. Private banks are not permitted to

deal in foreign exchange.” Foreign banks are not permitted to conduct business domestically and generally serve foreign clients. State banks lend at negative real interest rates under government direction. “Particularly outside urban centres,” reports the Economist Intelligence Unit, “the main source of capital is private money-lenders, who typically charge interest rates of 12–20% a month (depending on location and availability of collateral), many times the official rate.”

## **WAGES AND PRICES**

### **Score: 4–Stable (high level of intervention)**

The government lifted some price controls in the early 1990s; according to the U.S. Department of State, however, “State economic enterprises and the military holding companies...benefit from official favoritism....” The government subsidizes and enforces price controls over agricultural goods and subsidizes the price of gasoline and diesel. The U.S. Department of State reports that “government employees and the employees of a few traditional industries are covered by minimum wage provisions.”

## **PROPERTY RIGHTS**

### **Score: 5–Stable (very low level of protection)**

Private property is not protected in Burma. According to the U.S. Department of State, “Lawyers cannot defend their clients independently, especially in cases where the State has a special interest.... [J]udges do not allow a free defense in ‘policy cases’ and decisions are predetermined by the SPDC.” In addition, “Pervasive corruption further serves to undermine the impartiality of the justice system.”

## **REGULATION**

### **Score: 5–Stable (very high level)**

Regulations lack transparency and are applied unevenly. According to the U.S. Department of State, “Certain companies close to the junta...have been given special import permits and preferential lending. State economic enterprises and the military holding companies also benefit from official favoritism [that includes] preferential tariff rates and customs duties; preferred access to natural resources; monopoly privileges in certain lucrative areas of commerce and industry; special considerations in the issuance of licenses and permits; subsidized prices for land, buildings, petrol and diesel, gas, electricity and water; preferential exchange rates; and preferential treatment on government contracts.”

## **BLACK MARKET**

### **Score: 5–Stable (very high level of activity)**

Burma’s thriving black market involves smuggling of consumer goods and pirated intellectual property from Western countries, illegal logging, and drug trafficking and arms smuggling over the Thai border. Burma is the world’s biggest producer and supplier of opiates.