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# Review

## Emerging Myanmar—From Regime to Reforms

Rubaj

HATASO, USA

## Emerging Myanmar—From Regime to Reforms

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### Abstract

During decades of isolation beginning from 1962 and lasting till 2011, Myanmar seriously suffered from international sanctions. Ruled by the military regime, the country was doomed to economic and social failure. Studying the process of its transformation seems to be very interesting both from business and scientific points of view, and this is the main purpose of the paper. The literature and information about Myanmar's reforms are considerably limited and it is deeply justified to contribute to the knowledge on this fast emerging country. The methodology used in this article is based on the analysis of the existing statistical data, coming from international reports and statistic yearbooks. The basic parameters of these analyses concern macroeconomic and social indicators. Comparisons with The Association of Southeast Asian Nations (ASEAN) countries are critical for the conclusions drawn in this article. On its way to the formation of a democratic society Myanmar faced a lot of problems. Some of them, such as the unsolved Rohingya refugee crisis, have had a bad effect not only on domestic reforms, but also a global effect, sometimes recognized as an international crisis. For business, Myanmar is one of the fastest growing economy in the world with a population of 51 million, which makes it an attractive market. The GDP per capita in Myanmar is low, so the domestic market guarantees a growing demand.

**Keywords:** Myanmar; Emerging markets; ASEAN.

### 1. INTRODUCTION

Myanmar, officially named the Republic of the Union of Myanmar, with the total area of 676,578 square kilometres is one of the largest countries in Southeast Asia. Located between two global powers: China and India, bordering Bangladesh, Laos, and Thailand, it is a country with great opportunities but also serious threats. A large population reaching 53 million inhabitants (ASEAN, 2017b), abundant resources, strategic location, and fertile farmlands create opportunities. Delayed democratization process, limited human rights standards, lack of market regulations, poor infrastructure, poorly educated society, and ethnic and religious problems are the examples of the existing threats. Furthermore, decades of international isolation, political and economic instability, undemocratic military governments, and trade sanctions imposed against the autoreactive rules significantly slowed down the process of the development of economy and society. However, with its geographical and ethnic diversity Myanmar still remains one of the most strategic countries in Southeast Asia, attractive for investments and business development. It is a country that promises a fast economic growth, significant progress in social reforms, growing domestic demand for goods and services, improved financial and communication infrastructures, better international relations including the European Community, and other critical reforms toward a democratic country.

According to the statistics of the World Bank, Myanmar's macroeconomic growth in 2017 was stable, amounting to 5.9%, which was slightly below expectations but weighed down by slower investments; however, significantly, exceeding the average by 3.5% for the emerging market and developing economies (World Bank, 2017b; <http://pubdocs.worldbank.org/en/138051510537368636/MEM-FINAL-Oct-2017.pdf>). The

falling inflation, narrowing deficit at 3%, rising internal and external trade as well as stable public and private consumption confirm that Myanmar's economy is on the right way in its transformation process. The economic growth in 2018 is predicted at 6.4%, which keeps the country still very competitive on the global market. Although Myanmar's economy remains predictable, there is still a list of unsolved problems that threaten a stable economic, social, and democratic development. The most critical is the recent escalation of tensions in Rakhine State, which destabilized the internal balance and caused international claims. The conflict in the region arises chiefly from the religious factors but it has a bad effect on the democratization process and foreign relations due to the violation of human rights. It is doubtless that Myanmar is the country in transition—from military rules to democracy, inefficient economic governances to free market, and autocratic regulations to liberal regime.

The research methods of this article are statistical and description analyses of macroeconomic, social, demographic, and international parameters, allowing for an objective presentation of Myanmar's development in the future. The basic parameters for these analyses concern the dynamics of economic growth, social development, involvement in the world trade, and rankings of international competition.

## 2. DIFFICULT MODERN HISTORY—THE LOST DECADES

In the literature we find two different names referring to the same country—Burma and Myanmar. Both names are derived from the endonym of the largest ethnic group in Burma—the Bamar people, also known as *Bama* or *Burmans* in the spoken register, and *Mranma* or *Myanma*. The first word *Myanma* is the written, literary name of the country whereas the second one is the spoken name of the country. In 1989, the name of the country was changed by the military authorities to the “Union of Myanmar” (Myanma Naing-ngan); however, the new name was never legitimized by the country's assembly, which is the equivalent of a parliamentary procedure (Burma (Myanmar) Review, 2018; <http://www.countrywatch.com/Content/pdfs/reviews/B3TZ6L9Q.01c.pdf>). Although the early history of Myanmar begins between the first and the fourth centuries of the Common Era with establishing city kingdoms, which were located on the trade route between China and India, the milestones on the way to independence were related to modern history, which begins at the end of the nineteenth century during colonial rules. Formally, Burma became a British colony and a part of the province of India in 1885. The introduction of the British political and administrative system determined the picture of Burma on the world scene and established internal regulations eliminating the traditional social system of the country (Charney, 2009). For many years the Burmese refused to accept colonial rules, fighting against the British army during guerrilla wars at the end of the 19th century, and on the Japanese side at the beginning of World War II. In 1945, they joined the British side and just after the end of the war a difficult process of a peaceful transfer of power and independence to the Burmese nation began. Finally, on January 4th, 1948, Burma became a sovereign, independent republic (Burma (Myanmar) Review, 2018). The new Prime Minister Thakin Nu<sup>1</sup> and his government introduced a policy of nationalization, which was an attempt to turn Myanmar into a welfare state through the adoption of the central planning measures. The new policy, known as the Burmese Way to Socialism, was in fact a plan to nationalize all industries and to control the major parts of the state activity.

The implemented policy led to extremely weak economic performance and made Burma one of the least developed countries in the world at the end of 1980s (White Book, 2017). As a result of an unsuccessful socialist policy in 1988, civil unrest began which led to massive protests where thousands of protestors were murdered. Under social pressure, when stability had been restored, military authorities allowed for the formation of new political parties and introduced multi-party elections in 1990. The elections were won by the opposition party but the military regime refused to transfer power to the constituent assembly. That gave rise to new protests and deaths of the protestors (Burma (Myanmar) Review, 2018). After general elections, the power was transferred back to the military government and the National Convention failed. In response to those undemocratic decisions and violation of human rights, Western Countries introduced sanctions; suspended defence and economic co-operation; and implemented a visa ban against members of the military regime, government members, senior military, and security officers and their family members.

<sup>1</sup>Thakin Nu also became the leader of Anti-Fascist People's Freedom League (AFPEL).

For many years, the economic development of Myanmar was stopped, the consequence of which was that the country became backward and poor.

The new pro-democracy movement took place in 1996, and it was the first since the massacre in 1988. Under the pressure of the United States and the European Union (EU) the military regime allowed for a meeting of opposition parties, thus starting the slow process of democratization of the country. However, in recent years there have been a number of violations of settlements and agreements. Finally, in 2003 the military government announced a “seven-step” roadmap to democracy and, consequently, in 2005 reconvened the National Convention, for the first time since 1993, in an attempt to rewrite the Constitution. In a shift to a democratic nation in 2011 the military junta transferred power to the first civilian government following democratic elections. In the next year the majority of Western countries, including the United States and the European community, suspended the sanctions and restored diplomatic relations in response to the government’s move toward the political reform. On December 1, 2011, the U.S. Secretary of State Hillary Clinton visited Burma to encourage further progress. Clinton met with the Burmese President Thein Sein and pledged improved ties with Burma—but only if that country continued its progress on the path toward democratization and reform. The president promised to make economic development one of its priorities. The main economic reforms concerned introduction of new regulations regarding Central Bank Law, Foreign Investment Law, Securities Exchange Law, and Minimum Wage Law.

The following elections were held in 2015 and in 2016. Htin Kyaw was elected the first non-military president of the country since the military coup of 1962. Myanmar initiated the long process of transition from a closely held military rule to a free democratic system. However, still there are problems which seriously affect this process. One is the Rohingya refugee crisis, referring to mass migration of the Rohingya nation, which Myanmar’s Buddhist government refuses to recognize as one of the many ethnic minorities in the country and, consequently, as citizenships and which it forces to emigrate to Bangladesh. The conflict has a negative effect on the democratization process in Myanmar as well as its position in global affairs.

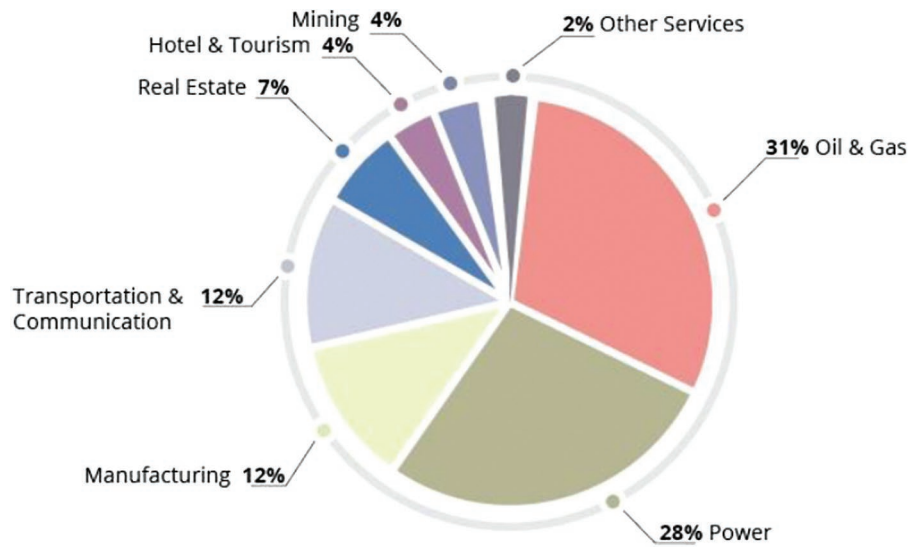
### 3. MYANMAR’S ECONOMIC PROGRESS IN RECENT YEARS—COMPARISON WITH ASEAN COUNTRIES

After years of political instability and implementation of the military-authoritarian system based on centralized political management and control, in 2011 Myanmar began its way to a democratic, liberal, and free market regime. The new government elected in 2015, with the majority of the National League for Democracy members under the presidency of Htin Kyaw, started reforms toward liberalization of market rules, privatization process of certain business sectors previously dominated by the state and released import restrictions and export taxes, which resulted in improved investment opportunities and growth in a variety of sectors. In a short time Myanmar became one of the world’s fastest growing economies, with a predicted growth rate of 7.1% over the next three years (PWC, 2017; <http://myanmar.pwc.com>). Even long-term GDP forecast published by International Monetary Fund (IMF) shows a stable growth till 2022 exceeding 6% (IMF, 2017). Also foreign direct investments (FDI) significantly influenced the growth of Myanmar’s economy and reached the average of \$580.58 million from 2012 till 2017 (<https://tradingeconomics.com/myanmar/foreign-direct-investment>). The four largest sectors include oil and gas, power, manufacturing, and transport and communication. They account for almost 82% of the total FDI (Figure 1). The list of major investors include the following countries: China, Singapore, Hong Kong, Thailand, the Republic of Korea, the United Kingdom, Vietnam, Malaysia, the Netherlands, and India (rank on March 31st, 2017).

In recent years, Myanmar’s macroeconomic environment was stable and the majority of the key economic indicators showed progress. Inflation dropped to 6.8% in 2016–2017 in comparison with 10% in 2015–2016, whereas it was limited in 2017 to 3%, and the budget became more transparent (World Economic Bank, 2017). Financial institutions and Myanmar Central Bank were isolated from global markets for many years; the involvement of foreign banks was very limited, which resulted in a very poor development of the financial infrastructure. However, in recent years there was a revolutionary progress including new legal financial regulations,<sup>2</sup> introduction of a special support fund worth \$100 million by the World Bank in 2016 to reform state-owned banks and to enhance the finances to create the proper legal, regulatory, and

<sup>2</sup> For example: introduction of Financial Institutions Law 2016.

**Figure 1. FDI by sector in 1988–2017.**



Source: EuroCham Myanmar (2018).

supervisory framework for financial services. Furthermore, at the same time Yangon Stock Exchange started to operate and support businesses with money supply.

The young but fast transforming Myanmar's economy is targeting to become one of the most attractive destinations for business in the Asia-Pacific region and currently it is working toward improving its business atmosphere and to secure foreign investors. Therefore, it seems to be reasonable to make a comparison with ASEAN countries,<sup>3</sup> as Myanmar has been a member of this organization since 1997 (<http://asean.org/asean/about-asean/>). Furthermore, in 2014 due to the economic progress and effective reforms Myanmar was approved for chairmanship of ASEAN and it held a summit of the member countries. Presidency gave Myanmar's government a unique opportunity to improve its relations with the countries from the region as well as the EU and the United States.

Myanmar's GDP in comparison with ASEAN countries is presented in Table 1 and Figures 1, 2, and 3. They show the rate of GDP growth, the value of GDP per capita and the structure of the economy. Myanmar's total GDP at current price in 2016 was \$68,636 millions, which accounted for 2.68 GDP value (ASEAN, 2017b). It means that the economy of the country is of minor importance in the entire ASEAN group; however, the growth rate in the period of 2007–2016 shows a higher rate than that for the majority of other member countries. The average GDP growth rate in 2010–2016 of Myanmar's economy was the second highest rate after Lao People's Democratic Republic (Lao PDR) in the ASEAN group and it was 7.0% (Table 1). The comparison with ASEAN, ASEAN 6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand), and Bangladesh, Cambodia, Lao PDR, Myanmar, and Vietnam (BCLMV) presented in Figure 2 indicates that Myanmar's economic growth in 2007–2016 exceeded the average values for the above-mentioned groups. However, the tendency shows declining values (compared with Figures and table 1).

The analysis of GDP per capita of all ASEAN countries in the years 2010 and 2016 show that Myanmar is one of the poorest countries in the group. GDP per capita of \$1297 in 2016 was the second lowest value after Cambodia (Figure 3). Such a radically low value, not only for ASEAN group but also globally, confirms the hypothesis that Myanmar is at a very early stage of transformation into becoming the real emerging market. GDP share of the major group of economic sectors in Myanmar in representative 2016 year (Figure 4) shows that the economy of this market is deeply dependent on agriculture, which is typical of poorly developed

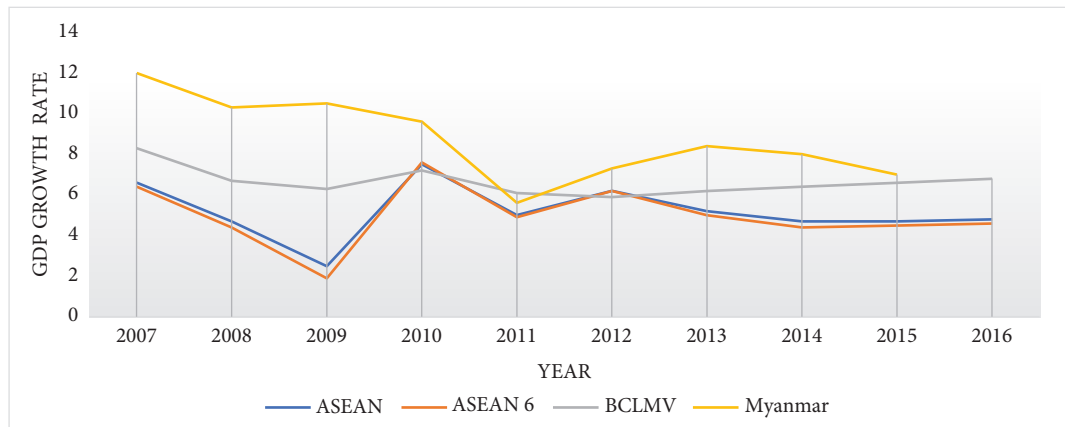
<sup>3</sup> ASEAN—The Association of Southeast Asian Nations established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand.

**Table 1. Rate of GDP Growth of ASEAN Countries in 2007–2016.**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2010–2016
Brunei Darussalam	0.6	-2.4	-1.8	2.6	3.7	0.9	-2.1	-2.5	-0.4	-2.5	-0.5
Cambodia	10.2	6.7	0.1	6.0	7.1	7.3	7.4	7.1	7.0	6.9	7.1
Indonesia	6.3	6.0	4.6	6.2	6.5	6.3	5.6	5.0	4.9	5.0	5.5
Lao PDR	6.0	7.8	7.5	8.1	8.0	7.9	8.0	7.6	7.3	7.0	7.6
Malaysia	6.3	4.8	-1.5	7.4	5.3	5.5	4.7	6.0	5.0	4.2	5.1
Myanmar	12.0	10.3	10.5	9.6	5.6	7.3	8.4	8.0	7.0	5.7	7.0
Philippines	6.6	4.2	1.1	7.6	3.7	6.7	7.1	6.2	6.1	6.9	6.1
Singapore	9.1	1.8	-0.6	15.2	6.2	3.9	5.0	3.6	1.9	2.0	3.8
Thailand	5.4	1.7	-0.7	7.5	0.8	7.2	2.7	0.9	2.9	3.2	3.0
Vietnam	7.1	5.7	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.2	6.0
ASEAN	6.6	4.7	2.5	7.5	5.0	6.2	5.2	4.7	4.7	4.8	5.1
ASEAN 6	6.4	4.4	1.9	7.6	4.9	6.2	5.0	4.4	4.5	4.6	4.9
BCLMV	8.3	6.7	6.3	7.2	6.1	5.9	6.2	6.4	6.6	6.8	6.2

Source: ASEAN (2017b).

**Figure 2. Rate of GDP growth of ASEAN, ASEAN 6, BCLMV, and Myanmar.**

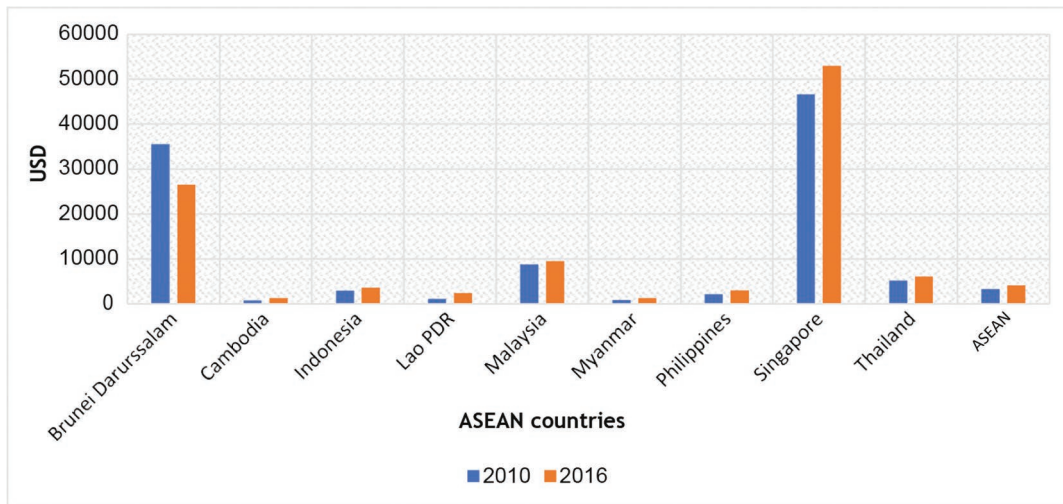


Source: ASEAN (2017b).

countries. Services add 42%, industry 31%, and agriculture 27% to GDP. Such a structure of the economy confirms the early stage of transformation of Myanmar’s economy.

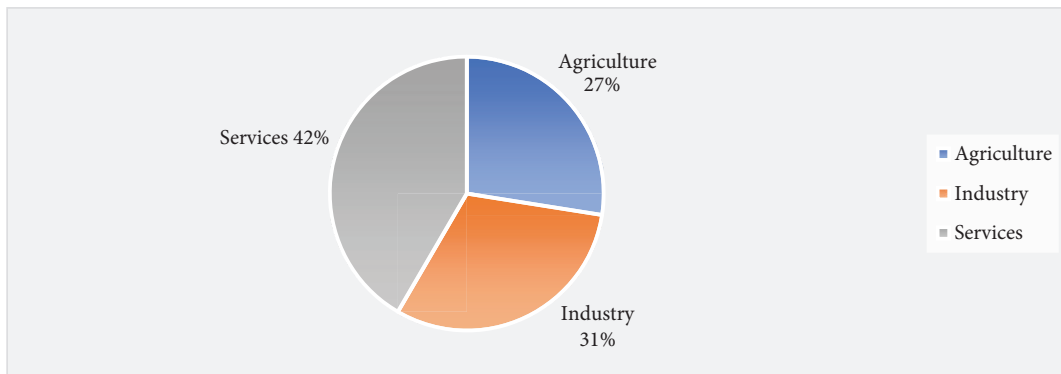
We can also find Myanmar listed in some well-known global economic and social rankings, such as the Global Competitiveness Index provided by the World Economic Forum, and the Human Development Index (HDI) presented in the Human Development Report published for the United Nations Development Programme (UNDP). Comparisons with other ASEAN members confirm the conclusions drawn hereinbefore that Myanmar is one of the least-developed countries in that group as well as globally. Rank 131 of

**Figure 3. GDP per Capita at current price in USD, 2010–2016.**



Source: ASEAN (2017b).

**Figure 4. GDP share of major group of economic sectors in Myanmar in 2016.**



Source: ASEAN (2017b).

140 countries in Global Competitiveness Index 2015–2016 (Table 2) is far away even from the neighbouring countries such as Thailand, Vietnam, or Cambodia. Clearly, it is a consequence of isolation lasting for a few decades. Also, if we study the Human Development Report, which is the social ranking, based on the cumulated index HDI (Table 2), we find Myanmar to be a poor country with very low levels of social indicators. However, on the basis of ASEAN Statistical Report on Millennium Development Goals 2017 (ASEAN, 2017a) we can find a real progress is social standards and services. The employment to population ratio for people aged 15 years and above increased from 46% in 1995 to 64% in 2015; the number of underweight children less than five years of age decreased from 45% in 1990 to 31% in 2015; and the infant mortality rate for 1,000 children in the same period decreased from 98 to 39. There was also a significant progress in the healthcare system and education.

Improvement can be noticed not only in social indicators but economic ones as well. On the basis of ASEAN Statistical Yearbook 2016–2017, we find a decrease in inflation rates from 34.9 in 2017 to 7.0 in 2016, a drop of interest rate for the minimum lending rate from 17% in 2007 to 13% in 2015 (ASEAN, 2017b). However, Myanmar’s current account deficit averaged at 4% of GDP per year between 2012 and 2013 and 4.8% in 2015–2016 is budgeted to increase significantly to 5.8% of GDP in 2017–2018 (World Bank, 2018b). The general government expenditures are also budgeted to increase from 20.9% of GDP in 2016–2017 to 22.2% of

**Table 2. Myanmar in Global Rankings—World Economic Forum, Global Competitiveness Index 2015–2016 (134 countries listed), Human Development Index, 2016.**

Country	GCI 2015/2016 (rank of 140 countries)	GCI score (1–7)	HDI ranking 2015 (rank of 188)	HDI score 2015 (0–1)
Cambodia	90	3.94	143	0.357
Indonesia	37	4.52	113	0.689
Lao PDR	83	4.00	138	0.397
Malaysia	18	5.23	59	0.643
Myanmar	131	3.32	145	0.556
Philippines	47	4.39	116	0.682
Singapore	2	5.68	5	0.925
Thailand	32	4.64	87	0.740
Vietnam	56	4.30	115	0.683

Source: World Economic Forum (2016) and United Nations Development Programme (2017).

GDP in 2017–2018, driven by budgeted increases in priority ministries such as health, and increased domestic interest payments because of the payment of market interest rates. A significant and important sign of Myanmar's economic transformation process is the activity of the Yangon Stock Exchange (YSX), which started on March 25th, 2016 (<https://ysx-mm.com/aboutysx/history/>). The YSX is regulated by The Securities and Exchange Commission of Myanmar (SECM), chaired by the deputy minister of finance and assisted by five other committee members. It is owned by the YSX Joint Venture Co. Ltd., a joint venture between Myanmar Economic Bank (51%), Daiwa Institute of Research (30.25%), and Japan Exchange Group (18.75%), with a paid up capital of MMK 32 billion (\$24.6 million) (PWC, 2017; <http://myanmar.pwc.com>).

The Stock Price Index is Myanpix and there are five companies listed on stock. The market capitalization is 609,884 million MMK, which, according to CBM foreign exchange rate of July 16th, 2018, is 433 million USD (<http://forex.cbm.gov.mm/index.php/fxrate>).

An updated prognosis for the economic growth of Myanmar for the years 2019–2021 predicted by the World Bank indicate a sustainable growth of the country (World Bank, 2018b). In 2018–2019, it is expected to rise to 6.5% and in the medium term to keep the level of 6.7%. The entire economy will be driven by industrial and service sectors, especially enhanced by garment and construction companies as well as wholesale and retail trade.

Inflation is expected to be stable in the coming months and it is calculated to be at the level of 6.5% after a sharp rise at the end of 2018 due to high fuel prices and rising food prices. Trade balance and budget deficit remain stable mainly due to the increasing inflow of FDI, an increase of export and a decrease of import in 2018–2019. The basic macroeconomics is forecasted to be stable in the coming years as it is presented in Table 3.

A big challenge for the country are still large disparities of the society's welfare as GDP per capita is one of the lowest in the world. The average level of GDP per capita (USD, current prices) in 2018 for Asia–Pacific countries was \$7240, whereas this value for Myanmar was \$1326 and it is far from the richest countries, amounting for Western Europe to \$42,940 (World Bank Data Myanmar, 2019; Asia, Western Europe IMF Data, 2019). Even the neighbouring countries, such as Bangladesh, Laos, and Thailand indicate a higher value of GDP per capita than Myanmar, amounting accordingly, to \$1698, \$2567, and \$7273 (World Bank, 2018b, data for 2018). Social disparities in Myanmar are measured by the Multidimensional Disadvantage Index (World Bank, 2018b) and it includes six key domains, such as education, employment, health, water and sanitation, housing, and assets. This indicator shows that in Myanmar there is a long list of social problems that are likely to impede the economic growth due to a very low level of social development. Table 4 shows the



**Table 3. Basic Economic Indicators Predicted for Myanmar in Years 2019–2021.**

Indicators	2018–2019	2019–2020	2020–2021
GDP growth	6.5	6.6	6.7
CPI	6.8	6.5	6.5
Current Account Deficit	2.3	2.7	3.2
Budget deficit % GDP	5.4	3.7	3.9

Source: World Bank (2018b).

**Table 4. Comparative Disadvantage Prevalence Rates by Domain.**

Prevalence of disadvantage	Percentage of population with disadvantage (%)
Education	31
Employment	41.2
Health	12.1
Water and sanitation	41.4
Housing	48.8
Assets	41.5

Source: World Bank (2018a).

lacking areas and the percentage of society that suffers as a result. As we can read from the table, even the basic welfare state functions, such as water access and sanitation are not fulfilled by the public infrastructure. Education, employment, and health services are far from the mid-developed countries.

#### 4. LOOKING INTO THE FUTURE—KEY CHALLENGES ON THE WAY TO GROWTH

According to the World Bank's report, Myanmar is the country in political and economic transition that is expected to move from the military rule to democracy and from the centrally directed to the market-oriented economy. In fact, Myanmar made a significant progress within the last decade and its economy was growing fast, even faster than that in the neighbouring countries; however, it still faces a lot of problems that seem to be very serious and which would be challenging for the authorities and society in the coming years. We can divide these problems into three major fields: economic, social, and political ones. To keep sustainable growth—Myanmar's economy experienced an increase in real GDP growth to 6.4% in 2017–2018 from 5.9% in 2016–2017—the country needs reforms and investments, the most critical of which are: (1) structural reforms, mainly concerning finance, energy, and business regulations (World Bank, 2018b); (2) infrastructural investments including roads, hospitals, and power stations (Eurocham Myanmar, 2018; <https://eurocham-myanmar.org/>); (3) improvement of fiscal policy to stabilize budgetary incomes; (4) state incentives for foreign investors to invest in the key economic sectors such as oil and gas business, infrastructure, manufacturing, real estate, development, hotel and tourism and mining (PWC, 2017; <http://myanmar.pwc.com>); (5) reforms of the Central Bank of Myanmar to enhance financial services including legal, regulatory, and supervisory framework of the whole financial sector (Eurocham Myanmar, 2018; <https://eurocham-myanmar.org/>); (6) growth of labor and firms' productivity to increase the total efficiency (World Bank, 2017a), and finally, (7) to stop the humanitarian crisis in Rakhine State, which affects business

and creates a potential risk for weak economic performance (World Bank, 2018b). According to The Global Competitiveness Report 2015–2016, Myanmar is a factor-driven economy, which is the lowest stage in a 5 score range.<sup>4</sup> The basic requirements to stimulate growth include the improvement of state institutions and infrastructure, better health and primary education, as well as higher market efficiency. The most problematic factors for doing business according to GCR report are access to financing, inadequately educated workforce, political instability, corruption, complexity of tax regulations, inefficient government bureaucracy, inadequate supply of infrastructure, and tax rates. Furthermore, accelerating progress of Myanmar's economy investments in the financial infrastructure seems to be one of the top priorities (World Economic Forum, 2015).

Regarding the social aspects of Myanmar's development process, there is also a long list of priorities to improve the standard of life of a vast majority of society and to increase the level of education. On the top of the list, there are such important tasks as (1) poverty reduction; (2) electricity supply for all regions of the country; (3) improvement of housing materials to build safe shelter for household; (4) access to water and sanitation (World Bank, 2019); (5) increase of the number of literate people, which was 89.6% in 2015; (6) increase of net enrolment ratio in primary school education, which amounted to 94.5% in 2015 (ASEAN, 2017b); and (7) better access to healthcare system. The value of the Crude Death Ratio (CDR)<sup>5</sup> for Myanmar in 2015 was 8.3% and it was the highest figure among all ASEAN countries (ASEAN, 2017b). Maternal Mortality Rate (MMR)<sup>6</sup> in the same year was also high and amounted to 180; however, there were some ASEAN countries with a significantly higher value, for example, Lao PDR 206, Indonesia 305, or Philippines 221. Myanmar's social policy, including primary education, prevalence of infectious diseases such as malaria, tuberculosis, and HIV, the general healthcare system, housing, and employment programs need fast external and internal support to improve the standard of life of all citizens. The Asian Development Bank support program for the social transformation in Myanmar is fully aligned with Myanmar's national development agenda and other strategic priorities of the country's new administration. It promotes a sustainable and inclusive economic development and job creation to reduce poverty, in addition to focusing on infrastructure for transport, energy, and urban development; education and training; as well as rural development (<https://www.adb.org/publications/myanmar-fact-sheet>).

In the Human Development Report, 2016, Myanmar was listed on 145th position out of 188 countries and territories with an HDI value of 0.556, which places the country in the medium development category (United Nations Development Programme, 2017). However, if we analyze a long period of time we find out that between 1990 and 2015 Myanmar's HDI value increased from 0.353 to 0.556, an increase of 57.4%, life expectancy at birth increased by 7.4 years, mean years of schooling increased by 2.3 years, and the expected time of schooling increased by 3.2 years. Myanmar's GNI per capita increased by about 563.5% between 1990 and 2015 (United Nations Development Programme, 2016; [http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/MMR.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MMR.pdf)).

Southeast Asia, where Myanmar is located, is not a very stable and rich part of the world. The most challenging problems for the whole region are poverty (Lao PDR and Cambodia), religious conflicts (Myanmar, Indonesia, and Philippines), terrorism (Indonesia and Philippines), and a low GDP per capita (all countries excluding Singapore). Furthermore, Myanmar is located between two giants—China and India, which makes its political situation very complex and complicated. However, the most urgent problem for Myanmar's government is related to the religious conflict with Muslims in the Rohingya province. The Rohingya, whose population was around one million in Myanmar at the start of 2017, are one of the many ethnic minorities in the country and nearly 700,000 of them were forced to leave due to religious persecution (<https://www.bbc.com/news/world-asia-41566561>). For officials, they are the same as terrorists but for the independent organizations they are just refugees forced to leave their home country. The fact is that this crisis has a very bad effect on Myanmar's international situation and it also decreases the potential volume of foreign investments.

<sup>4</sup> GCR indicates five stages of development of economy: factor driven, transition 1–2, efficiency driven, transition 2–3, innovation driven.

<sup>5</sup> CDR—Crude Death Ratio—number of deaths per 1000 mid-year total population.

<sup>6</sup> MMR—Maternal Mortality Rate—number of death per 100,000 live births.

## 5. CONCLUSION

Myanmar is currently on the way of the political and economic transition from a military-ruled country to democracy and from a centrally directed to market-oriented economy. After decades of political instability and isolation from the international community it is striving for a more prosperous future. A lack of reforms and foreign investments, with a weak urban, financial, and telecommunication infrastructure made Myanmar an underdeveloped and poor country. Geographically and ethnically diverse, bordered by Bangladesh, India, China, Laos, and Thailand, currently Myanmar is on its way toward a democratic society, but has a lot of challenging opportunities as well as threats. The unsolved Rohingya refugee crisis has a bad effect on international relations and it slowed down the process of reforms.

Today Myanmar finds itself in a rapid transition that holds promising business opportunities in sectors such as agriculture, energy, garments, infrastructure, communications, banking, and finance. With the population of 51 million and being one of the fastest-growing economy in the world, Myanmar offers enormous opportunities for international business. As a member of ASEAN, with special economic zones and rapidly growing major cities such as Yangon and Mandalay it seems to be a perfect place for investments. GDP per capita in Myanmar is low even in comparison with that of the neighbouring countries; however, a middle class is beginning to emerge very fast, so the domestic market will be demanding a variety of products. Therefore, studying the process of transformation of Myanmar seems to be interesting from both from the point of view of business and science.

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### Conflict of Interest

None.

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