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From Cronyism to Oligarchy? Privatisation and Business Elites in Myanmar

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Abstract

Privatisation is contentious but in Myanmar it has not so much been its merits or drawbacks that have attracted attention as questions around implementation. In Myanmar, the implementation of privatisation has broad significance for the political economy. A first phase of privatisation was focused on small to medium-sized enterprises and did not have a significant economic impact. A second phase, commenced in 2008, consolidated the interests of a business elite with personal connections to the military regime. The impact of this second phase of privatisation was such that some elements of this elite strengthened to the extent that they no longer relied entirely on patronage, creating opportunities for diversification in their strategies of wealth creation and defence. For this reason, it is argued, the wealthiest strata of Myanmar's business elite is now best conceived as not simply consisting of cronies but rather as a nascent form of oligarchy. In theoretical terms, this suggests that greater attention to the qualitative difference between cronyism and oligarchy is warranted, as is close study of processes – like privatisation and political reform – that enable or require a wider range of strategies of wealth defence.

Keywords: Burma, privatisation, economic reform, business elites, oligarchy

Introduction

An international shift away from state ownership of utilities and other "strategic assets" in the 1980s translated into a marked increase in privatisation in developing countries in the 1990s (Parker and Kirkpatrick 2005, 514). Two decades later, it remains a core tenet of market-based approaches to economic development. Yet, while privatisation has been widely promoted in developing countries, it remains controversial. In a wide-ranging review, Birdsall and Nellis (2003) observe that studies that frame privatisation in transitional and developing economies as a technical process typically judge them a success, based on claimed efficiency gains. As they also suggest, however, many such initiatives have resulted in a greater concentration of both assets and income.[1] A

political economy perspective allows for analysis of how and why the benefits of such programs are concentrated, providing insight into how power structures associated with class, personal and organisational networks, institutional control and so on determine the outcomes of processes that purport to be rational and driven by market-based competition.

In Myanmar, privatisation was limited under the domination of a military regime over decades of economic and political isolation. It is now a component of a broader process of marketization. As a consequence, the emergence of a private sector and of business elites has occurred in a distinctive manner. Prior to 1988, under the regime of General Ne Win, Myanmar followed the iconoclastic "Burmese Way to Socialism," adopting policies that purported to promote self-sufficiency and economic development through import substitution, state ownership and tight control over economic activity. Most of Myanmar's economic and political links with the rest of the world were severed during this period and the economy declined dramatically. In 1988, the State Law and Order Restoration Council (SLORC) ended the rule of General Ne Win and took control of the government to quell protests and pro-democracy activism (Callahan 2012, 121).[2] Desperate to salvage what was left of the economy, the SLORC began a program of market reform, which included increased openness to foreign investment and economic growth in the private sector. Significantly, then, marketisation was entered into as part of an attempt to reconstitute and reassert authoritarianism, as both a practical strategy (policies to rebuild a failing economy) and a symbolic attempt (economic "reform" alongside closed authority structures) to resolve an apparent crisis of state legitimacy.

The initial push towards market reforms led to local capital formation and business development through foreign joint ventures with state-owned enterprises (SOEs) and ostensibly private sector enterprises that were linked directly to the military or the associates of powerful military personnel. Meanwhile, the imposition of various forms of trade sanctions by the United States and the European Union led to a distinctive pattern of investment and market engagement by international businesses.[3] Despite failing to advance economic "reform" across the board, one area in which the regime did act was the privatisation of formerly publicly owned or controlled enterprises and properties. Alongside access to licences, land and other forms of patronage, privatisation allowed for the formation and/or growth of domestic conglomerates whose owners typically enjoyed close personal connections with military personnel. Many of these individuals now control the largest conglomerates in Myanmar. Their economic significance and public profile is evident in the increasing use of the English language term "crony" by politically engaged citizens and independent news publications, where it serves as a form of shorthand to denote the widespread influence and dominant position of these business elites within the economy and society.[4]

In this article, we demonstrate that cronies did indeed benefit from structural biases and a lack of transparency in the privatisation process. A small number of individuals used

their personal proximity to powerful governing elites to manipulate the privatisation process and secure concessions and near-monopolies. Although privatisation occurred in the context of official state policy commitment to market-based reform – ostensibly facilitating greater competition and efficiency – it in fact maximised the concentration of assets and wealth for these domestic business elites. More importantly, however, the massive transfers of wealth associated with a second phase of the privatisation process – along with other forms of state patronage associated with marketisation – had a fundamental effect on the political economy of Myanmar. While most within the business elite have maintained close relationships with well-established governing (especially military) elites, these conglomerates are beginning to assert themselves as independent actors. In other words, there is evidence that this second phase has facilitated a shift from a classic form of cronyism to a nascent form of oligarchy, where the latter is distinguished by consolidated economic power and enhanced autonomy from their political patrons. Privatisation can thereby be seen as significant in and of itself for understanding economic restructuring in Myanmar *and* for initial signs that a capitalist oligarchy may be emerging, as erstwhile cronies begin to consider new alliances in order to defend their wealth and influence.

Privatisation can be defined in a range of ways. Following Parker and Kirkpatrick (2005, 514), we limit our definition to "the transfer of productive assets from the state sector to the private sector," which, as Milne (1991, 322–323) suggests, can be achieved through sale, leasing or the formation of a joint venture.[5] The relationship between marketisation and oligarchy is neither predetermined nor uniform, influenced as it is by context and by political and social contingencies as well as by economic structure. In Myanmar's case, now that privatisation is largely achieved, the capacity of aspiring oligarchs to amass further material wealth is greatly dependent on overcoming barriers to foreign direct investment stemming from the pariah status of the former regime. It is therefore necessary to think carefully about the means and circumstances by which oligarchies are formed and solidified, as well as local and international factors influencing strategies of wealth defence. In attempting to do so, we describe and analyse successive waves of privatisation, drawing on available data and interviews with government officials and several bidders (both winners and losers) for the purchase of SOEs, before turning our attention to its impact on the deeper structures of Myanmar's political economy and what this tells us about the relationship between cronyism and oligarchy.[6] Before this is possible, it is first necessary to explain the difference between cronies and oligarchs and provide a comparative perspective on privatisation.

Cronies and Oligarchs

Understanding the rise of business elites in Myanmar and their articulation with the state and processes of market reform requires consideration of the development and form of business elites in other nations. Business elites can be conceptualised in various

ways but the literatures on oligarchy and cronyism are most relevant for our discussion of Myanmar. Within the literature on oligarchy, a particularly important point of comparison is Indonesia where, as Hadiz and Robison (2013, 38) observe, "capitalism was incubated within the state itself," as highly profitable state monopolies were "dismantled and transferred into private hands" and adjustments to state policies such as allowing private banks to form and operate unencumbered by meaningful regulatory oversight allowed "private conglomerates to mobilize vast new sources of private funding for their own enterprises" (Hadiz and Robison 2013, 48).

In Indonesia, marketisation was implemented by governing elites that had every opportunity and incentive either to ensure that crucial economic sectors came under the control of their personal associates and clients, or to themselves move into private sector business activity. Hadiz and Robison argue that state patronage and concessions provided the impetus not only for the formation of ever-more powerful private sector business enterprises but for the emergence of a more "oligarchic form" as the families of state officials and powerful military officers began to engage directly in business activity. Moreover, Indonesia's oligarchy "sought to consolidate itself not by simply negating the rules of the market but by selectively exploiting and expropriating them" (Hadiz and Robison 2013, 48). As this suggests, policy adjustments and institutional drives towards significant economic "reform" – of which the privatisation of formerly state-controlled assets and monopolies are especially significant – can facilitate wealth concentration sufficient to consolidate business elites into oligarchy.

Whereas Hadiz and Robison focus primarily on the role of state and governing elites in the accumulation and concentration of wealth, Winters' (2011, 7) analysis of oligarchy focuses on the "politics of wealth defense by materially endowed actors" under different ideal types of oligarchy, which he describes as "warring," "ruling," "sultanistic" and "civil." Central to these ideal types is the mechanisms of preserving or extending private property and property rights, and thus the degree of direct or indirect coercion required for defending wealth. Civil oligarchies, for instance, are underpinned by consistent legal bureaucratic institutional protections for concentrated wealth but can emerge under both democratic and authoritarian forms of governance. Winters' most developed discussion of the relationship between wealth defence and oligarchic form draws on his analysis of the "sultanistic" oligarchy that emerged in Indonesia under the Suharto regime, whereby a dominant governing oligarch managed and controlled other oligarchs in a personalistic but organised system of plunder.

These conceptualisations of oligarchy have been extremely influential in analyses of the political economy of Southeast Asia and of Indonesia in particular (see Ford and Pepinsky, 2014). Perhaps even more influential, however, has been the trope of the "crony." Imported from the United States to the Philippines in the mid twentieth century, the term "crony capitalism" came to "describe a capitalist economy in which contracts, loans, appointments, concessions, subsidies, tax incentives, and so on are

awarded to friends, relatives and other clientelistic associates" (Kahn and Formosa 2002, 51). It gained broader currency in the 1980s and 1990s before becoming ubiquitous after the 1997 Asian financial crisis, when it became a catch-all explanation for the failure of so many Asian economies (Kahn and Formosa 2002).[7]

What, then, is the relationship between oligarchy and cronyism? Are "oligarch" and "crony" merely synonyms? Hutchcroft (1991, 435) makes a useful distinction. For him, cronies are "those whose positions are particularly favored by the current regime, regardless of their origins." In other words, these "new men" engaged in the business of amassing their fortunes may have been very wealthy beforehand, but may also have had non-material assets such as family connections that they leverage in the context of the regime. An oligarch, meanwhile – having "already established his or her fortune in earlier dispensations" – may or may not be a crony. Developing this distinction in a discussion of capitalism in the Philippines, Hutchcroft refers to a specific example of "non-crony" oligarchs as benefiting in various ways from state patronage but also as holding power and influence that was "not dependent upon any particular regime." Elsewhere he notes that even while engaging in "raids on state resources" the "oligarchy retained its firm economic base *outside* the state" (Hutchcroft 1991, 424).

What is implicit in Hutchcroft's analysis is the premise that oligarchs have concentrated sufficient wealth and influence so as to be not entirely dependent on patronage; in other words, they are able to exercise a degree of relative autonomy from governing or bureaucratic elites. This distinction resonates with Winters' careful accounting of the relationship between wealth defence and political power under different ideal types of oligarchy. Like Hadiz and Robison, Winters (2011, 138) points to the "incubation" of oligarchy through the cultivation of personal connections and forms of patronage, observing that these oligarchs "arise at or near the center of the regime, and are dependent on their oligarchic incubator sometimes for decades until they develop the means to pose challenges." However, he also notes that the "powerful stratum of oligarchs" created by Suharto would "ultimately become independent from him" (Winters 2011, 159) – an observation that makes space for the distinction Hutchcroft makes between cronies and oligarchs.

This distinction is even more vital in the case of Myanmar, where there was no domestic bourgeoisie to speak of before 1988, and certainly no group that could be identified as oligarchs in the sense that the term is used here. The key question, then, in the Myanmar case, is not one of state capture by capital, nor one of strategies of wealth defence under different political regimes. Rather, it is a question of the mechanism through which cronies have been able to build their material assets to such an extent that they begin to act independently of their political patrons, namely through privatisation and other initiatives associated with marketisation. Before considering these specificities of the Myanmar case, however, it is first necessary to examine more generally the links

between privatisation processes and the role and formation of business elites in other contexts.

Privatisation and Business Elites in Southeast Asia

Neo-liberal approaches to governance posit privatisation as a rational and apolitical process of applying market principles and discipline to inefficiently performing assets and enterprises, improving the efficiency of markets by eliminating the "distortions" of public ownership and contributing to general welfare through economic growth and reducing the fiscal liabilities of the state. As Robison (2004, 407) reminds us, the international institutions driving market reform conceive of the state as "a marketplace in which predatory officials and vested interests exchange power for rents and divert resources from productive employment by private investors." One of the primary mechanisms within this broader "good governance" agenda for limiting corrupt officials' capacity to rent-seek is privatisation.

An alternative perspective frames privatisation as one of several policies "designed to restore or consolidate capitalist class power" within the broader neoliberal political project (Harvey, 2010, 10). Neo-liberal projections of the benefits of privatisation struggle to disguise the reality that such transfers often result in the greater concentration of wealth and economic control for particular privileged classes, most especially the large corporations or wealthy individuals best placed to take advantage of such processes. In many nations, privatisation has occurred in the context of a broader transition from either state capitalism or mixed models of state-managed economic development and control towards a more comprehensive market-based economic structure. In these circumstances, the shift from extensive state ownership of productive assets to private control and ownership is mediated by the ability of dominant classes and governing elites to secure the transfer of their political and economic power into an emergent or resurgent private sector either via proxies (cronies), through their own interventions into private business enterprise, or through collaboration with foreign investors.

An important piece of the privatisation puzzle, then, is the relationship between local political and economic elites. Much of the initial wave of developing country privatisation involved the sale of public assets to foreign capital. However, it has focused on domestic investors in some contexts. In Southeast Asia – but also further afield, including Africa and post-socialist Eastern Europe – the transition from state-led to market economies has created opportunities for powerful governing elites and their associates to establish themselves as market actors via diversified business interests that benefited from political patronage. In the Philippines, for example, reforms promoted by the World Bank and the International Monetary Fund (IMF) ultimately shored up the crony system (Hutchcroft 1991, 434). Similarly, "divestiture abuse" was commonplace across sub-Saharan Africa, because of the "limited understanding among international

donors of the political considerations which underlie most reform activities in the region." As a consequence, it was possible to "manipulate privatisation to the benefit of the well-connected few" (Tangri and Mwenda 2001, 132). In Eastern Europe, a similar manipulation has played out in a context where the transition to post-socialist economies often involved "mass privatisation" that "precipitated state withdrawal and pushed countries in the direction of crony or political capitalism" (Hamm et al. 2012, 318). In Russia, marketisation occurred as a form of "shock therapy" where mass privatisations fuel the rapid rise of oligarchs linked to reformed governing political elites. There, it has been argued that rather than improving governance, privatisation processes, which were introduced alongside electoral competition, actually "created incentives for political-economic collusion" (Sharafutdinova 2010, 19).

When states make a formal commitment to market-driven capitalist development, it becomes necessary for them to highlight the purportedly rational, competitive and apolitical nature of processes such as privatisation. Yet, as even a brief review of privatisation in Southeast Asia demonstrates, these processes are very much political, not only in that they are often dominated by powerful political and business elites but also because they can directly influence, create or reorder power structures. As illustrated by the discussion that follows, privatisation not only has the capacity to contribute to the further extension of the power of established oligarchs but, in other instances and especially where a society is in the process of economic transition, can play a role in the formation and consolidation of oligarchies.

The first wave of privatisation in Southeast Asia took place from the mid-1980s and involved the five original states of the Association of Southeast Asian Nations (ASEAN). By the end of the 1980s, Singapore and Malaysia had embraced privatisation most fully (Milne 1991, 330). Governing elites' acceptance of the principles of privatisation was not, however, unconditional. The primary mode of privatisation adopted in Malaysia was one of partial divestment, which allowed the government to maintain a majority share and therefore control, while in Singapore public holding companies engaged in a form of "rolling privatisation, divesting themselves of some assets but reinvesting in others" (Yuen and Wagner 1989, 216). As noted earlier, the Indonesian economy also underwent deregulation from the early 1980s, during which time state monopolies were opened to the private sector. As part of this process, a "huge range of former public monopolies in oil distribution and contracting, power generation, telecommunications, toll road and port construction and operation were ... passed, usually without public tender, into the hands of the major oligarchs" (Robison 2004, 409). In Thailand, meanwhile, there was significant resistance to privatisation in the 1980s, as was also the case in the Philippines.

A second wave of privatisation occurred in the socialist states of Vietnam, Laos and Cambodia in the early 1990s following the collapse of the Soviet Union and the decline of communism globally. In Laos and Cambodia, privatisation was prompted by rapidly

reducing Soviet aid and the loss of trade links with Eastern Europe (Livingstone 1997, 225). In both cases, leasing rather than outright sale was the dominant mode of privatisation (Livingstone 1997, 231-33). Meanwhile, external pressure on the governments of capitalist developing Southeast Asia to pursue privatisation remained strong during the 1990s, but reached new heights after the Asian financial crisis, when the IMF experienced a period of unprecedented influence in Thailand and Indonesia.

Scholars have questioned the benefits of both waves of privatisation in economic and social terms. The ethnicity of beneficiaries was a sensitive and influential issue in the first wave of privatisation in Southeast Asia (Yuen and Wagner 1989, 220). In the Indonesian and Malaysian cases, the primary concern was the extent to which privatisation favoured ethnic Chinese over other groups. Milne (1991, 328) attributes the Indonesian government's initial reluctance to engage in large-scale privatisation, and subsequent attempts to mitigate the extent to which the Chinese business community benefited, to such concerns. The link between ethnicity and privatisation was even more explicit in Malaysia, where it was linked to the New Economic Policy.

In fact, however, the issue of distribution has broader significance than simply divisions along ethnic lines. As Parker and Kirkpatrick (2005, 531) note, in developing country contexts, "domestic private investment may only be feasible for certain high income groups or families, probably from the same elite that controls government." Not surprisingly, then – as Yuen and Wagner (1989) observe citing the cases of Malaysia and the Philippines – privatisation has often led to an even higher concentration of wealth in the hands of the very few. As they suggest, "In such cases, not only is the objective if increased efficiency not met, but a worsening distribution of income and wealth is the consequence of privatisation" (Yuen and Wagner 1989, 222). Although ethnicity was not the only force at play (Johnson and Milton 2003, 409), privatisation initiatives in Malaysia sought to shift the distribution of wealth from Chinese to Malays. It also further skewed the distribution of economic resources among the Malay population, since access to privatised assets depended not only on financial capacity but on political influence (Yuen and Wagner 1989, 220).

The distributional outcomes of privatisation are related strongly to the role of the state and various configurations of political power in Southeast Asian nations. Robison (2004, 412) cites the privatisation of energy infrastructure in New Order Indonesia as "a quintessential case study" of how privatisation benefits well-connected local business people, including in this instance several members of President Suharto's family. The government issued 26 licenses to domestic political and business intermediaries to build new power-generation plants at inflated prices, thus effectively serving as a "device for the public funding and subsidy of the new private business groups." Similarly, Yuen and Wagner (1989, 220-21) describe a case in Malaysia, where a contract was awarded to an insolvent company that had submitted an inflated bid, alleged to be 50% owned by the investment arm of the ruling party. In other cases, they note, tenders were not called

for but rather “beneficiaries [were] chosen on the basis of political and personal connections.” In Thailand, the Democrat Party promoted privatisation in line with IMF demands, but it was delayed by the Thaksin government, which argued that privatisation only benefited foreign investors. When it did move on privatisation, there were claims of corruption and nepotism, and it was vigorously opposed (see Brown and Hewison 2005: 358–374).

In summary, privatisation processes in the various Southeast Asian nations have been shaped by the interaction between this broad neo-liberal public policy goal and the specificities of social, political and institutional structures, including the ethnic composition of business classes, state development strategies, and the degree of influence of international economic institutions. In several instance, these “reform” initiatives appear to have reinforced nascent or established oligarchies. In the case of Myanmar, privatisation as a *process* is perhaps similar to that experienced by many of these nations, in that the formal procedures and institutional mechanisms for achieving privatisation and enhanced competition have been subverted leading to greater concentration of wealth. The context of privatisation in Myanmar is nonetheless one where these transfers have played an important role not so much in the consolidation of a capitalist oligarchy but rather in the early stages of its formation.

Privatisation in Myanmar: Policies and Processes

From 1995 until 2011, the SLORC/SPDC implemented a programme of privatisation of state assets. The initiation of this programme was in line with the government’s stated goal of transitioning from a command to a market-oriented economy. Indeed, in official discourse, privatisation has always been framed explicitly as a nation-building project. In addition to relieving the state of economic enterprises burdened by debt and production inefficiencies, privatisation initiatives were to be carried out “on the basis of patriotic spirit” to both promote the “emergence and prosperity of national economic enterprises in the hands of the national entrepreneurs” and “prevent monopolisation by a private group in distribution of national wealth” (Tun 2002).[8]

In practice, however, there was a fundamental contradiction between the intention to apply market discipline through competition and promotion of a nationalist economic agenda, especially as the structure of governance and power relations predetermined incentives and opportunities for governing elites to claim the most valued assets and activities for their private benefit. Privatisation was implemented across a broad range of sectors including mining, transportation, dam construction, fuel retailing and manufacturing. A significant proportion of government landholdings were also sold off, often at below market prices. In most cases, the buyers were private business owners or emerging business conglomerates with close connections with the ruling elite. In others, state assets were purchased by companies linked to the military such as the Union of

Myanmar Economic Holdings Company Ltd (UMEH), a conglomerate owned by the Directorate of Defence Procurement and by current and retired military personnel.

A first phase of privatisation (1995-2007) established broad policy goals and procedures but ultimately had limited economic impact. A number of laws and regulations were passed between 1988 and 1991 to encourage the involvement of the private sector in developing the economy. These laws and regulations focused on improving the investment climate, establishing incentives for industrialisation and making it possible for private sector actors to operate in Myanmar.[9] The decision to embark on a structured program of privatisation was then flagged at a seminar entitled "The Transfer of State-owned Enterprises to the Private Sector" in mid-1994 where a paper prepared by the office of strategic studies in the Ministry of Defence set out the objectives, guidelines, methods and procedures for the privatisation of state-owned enterprises, as well as the details of a Privatisation Commission to be established in the following year (see Office of Privatisation Commission 1995). The Privatisation Commission, renamed in April 2011 as the Privatisation Commission for State Owned Economic Enterprises, had 20 members and, reflecting the tight control of the military government over the process, was chaired by the first secretary of the SPDC (Union of Myanmar 1995). It was tasked with the identification and sale of SOEs.

At the request of the Commission, government ministries were instructed to draw up lists of enterprises to be considered for privatisation. A shortlist put together by the Commission was then considered by Cabinet before permission to sell through a process of sealed bidding was finalised. By December 2002, some 166 SOEs formerly under the control of eight government ministries had been privatised. The largest numbers of these were cinema halls and the remainder comprised factories, rice mills, saw mills and government buildings, while a small number of mills linked to the Ministry of Forestry were leased to private businesses rather than sold outright (Tun 2002). In the case of privatisation in Hungary, Bartlett (1992, 80) identifies three principal components: (i) divestiture of large state-owned enterprises; (ii) small-scale privatisation (retail, restaurants and other small businesses) and (iii) re-privatisation, or, the restitution of private holdings nationalised after the Communist takeover. In the first wave of privatisation in Myanmar, the bulk of enterprises were drawn from the second category, as relevant ministries retained control over larger enterprises in this first wave of privatisation. According to Tun (2002), this was so because of the "lack of sufficient capital in the hands of national entrepreneurs," which meant that there were fewer proposals than expected. No doubt key decision makers from various ministries also wished to retain many of the larger and more viable enterprises in order to continue established patterns of rent-seeking.

Economists committed to privatisation and other market-oriented policies bemoaned its "slow pace" and the risk of retreat to an "old-style command economy" (see Than and Thein 2007, 104). Their concerns proved, however, to be unfounded. Many government

ministries and offices were relocated from Yangon to the newly constructed capital at Nay Pyi Daw between late 2005 and 2007. This provided impetus for a new phase of privatisation characterised by the accelerated sale of SOEs and public assets, commencing with the sale of land and vacant buildings that had formerly housed government offices and ministries in Yangon. In the manufacturing sector, in 2008 the Privatisation Commission announced the sale of state-owned beverage and ice-producing factories; bran oil and rice mills; warehouses; cigarette, textile and jute factories; and electrical goods firms (The Irrawaddy, April 25, 2008). Table 1 shows aggregate figures produced by the Privatisation Commission that show that 560 units were transferred to private hands between 2008 and mid-2011, more than double the figure for the period to 2007.[10]

As these figures indicate, the most prominent element of the second phase involved the transfer of government-owned fuel stations to the private sector, comprising 45% of total transfers (*Myanmar Times,* May 17-23, 2010). However, transfers to private ownership in the period to 2011 occurred across a wide range of sectors including mining, transportation infrastructure, and manufacturing (Turnell 2010b). For instance, there were reports that 500 ruby and jade mines located in Shan and Kachin states and in the Sagaing and Mandalay Divisions were fully privatised, while 380 small gold mines have been either partially or fully privatised (Kaung 2010).

Table 1: Privatised State Economic Enterprises, 1995-2011 (June)

Ministry	**1995-2007**	**2008-2011**	**Total**	**Asset Type**
Energy	-	251	251	Fuel Stations
Information	124	16	140	Cinema Halls
Commerce	25	95	120	Rice Mills, Bran Oil Mills, Warehouses
Industry	27	79	106	Appliances, Textiles
Others	46	119	165	-
Total	222	560	782	-

Source: Office of Privatisation Commission (2011).

A striking feature of both phases of the privatisation program was the strong emphasis on local capital. Buyers of SOEs had to be citizens of Myanmar .[11] Guidelines also emphasised the importance of the purchaser's capacity to continue the existing business activity of the privatised enterprise. Enterprise units that were profitable were required to continue their original business activity after privatisation, but those that were not were not subject to that condition (Interview with successful bidder, August 2011). Also, when evaluating tenders for state-owned buildings, preference was given to bidders already operating a business out of the property to be sold. However, according to some business people, this provision was manipulated by powerful interests, who

submitted tenders jointly with the current occupants (Interviews, August 2011). In some instances, the Privatisation Commission also provided financial assistance at preferential interest rates to potential purchasers (Interview with Myanmar-based economic analyst, August 2011). In the services sector, meanwhile, the Commission chose to lease rather than sell some businesses that were considered to be profitable.

A number of privatisation initiatives were facilitated directly by relevant ministries and agencies rather than the Privatisation Commission. For instance, the transfer of government-owned properties to private ownership was overseen by the State Properties Disposal Committee (Interview with government official, August 2011). Privatisation in key sectors such as ports, shipping, aviation and roads also took place through direct sale or leasing arrangements. For instance, in 2010 the state-controlled Myanmar Port Authority (MPA) launched an initiative to privatise its port terminals in Yangon, with the Bo Aung Kyaw terminal transferred to the control of the military controlled UMEH (*The Irrawaddy*, July 7, 2010). Similarly, in 2010 the Transport Ministry initiated the transfer of the state-owned shipping company Myanma Five Star to UMEH and the sale of a majority share of Myanmar Airways International (MAI) to the Kanbawza group, a private conglomerate with well-known patronage links with the military regime (*The Irrawaddy*, February 3, 2010). The government also used a Build, Operate and Transfer (BOT) method in infrastructure development projects including port facilities and segments of major highways have been leased out to private investors (*The Irrawaddy*, February 26, 2010; Interview with Myanmar-based economic analyst, August 2011). The privatisation of road development in Myanmar commenced in 1997 with the construction of the first privatised toll roads but accelerated from 2007 with the privatisation of five major highways on the basis of BOT arrangements or "maintain, operate and transfer" agreements involving seven local entrepreneurs. A further 82 roads, amounting to 4,500km, were earmarked for similar agreements (Swe 2007).

As this overview suggests, privatisation in Myanmar has proceeded in an uneven and sporadic fashion. The initial phase from the mid-1990s resulted in a relatively limited number of SOE transfers and many of these were small to medium enterprises such as cinemas and mills. There were problems both in attracting sufficient bidders and in the relevant ministries releasing enterprises for the purposes of privatisation, and by the turn of the new century the program had petered out. As a consequence, this first phase had little impact on the underlying structure of the economy. By contrast, the second phase of privatisation from 2008 onwards was much broader in scope and in the number of enterprises transferred to private control and featured the prominent participation of military-linked companies and leading conglomerates in acquiring prized assets and concessions. What, then, motivated this accelerated latter phase of privatisation? How was the process manipulated to the benefit of business elites? And what was its broader significance?

Privatisation and the Consolidation of Wealth

The official discourse that privatisation was motivated by the desire to rid government of the burden of certain loss-making SOEs should not be entirely ignored. The problems of SOEs have certainly been widely acknowledged. Turnell (2010a, 34-35) suggests that SOEs are "notoriously inefficient" and represent "a significant drain on government finances," arguing that properly conducted privatisation could generate much-needed revenues and assist "fiscal consolidation." Similar claims were made by government officials interviewed for this study, who asserted that the structural economic deficiencies of SOEs necessitated privatisation to improve their efficiency and competitiveness. In particular, they suggested that SOEs were operating at less than full capacity, with inefficient use of inputs and insufficient capital investment to allow for the modernisation of their operations (Interviews, August 2011).

Such accounts do not, however, explain the broad scope and intensification of Myanmar's second phase of privatisation and its significance for the consolidation of economic power. A political interpretation of this second privatisation push suggests the regime's motivations were related less to a desire for economic efficiency and more to concerns about the implications of the November 2010 general election. The election may well have provided a number of potential motives for privatisation – not least because the expensive campaign promises of the government-backed Union Solidarity and Development Party generated significant demand for funds. In the words of one businessperson, "the military government wanted to change its uniform… It wanted money to fund its political campaign, and it wanted money when they get back in the government" (Interview, August 2011).

But, while such an argument is broadly plausible, it is unlikely that the government would make such an extensive effort to court votes when victory for the ruling party was virtually pre-determined. More convincingly, it has been claimed that the regime has been motivated by a desire to cement its control over the business sector by transferring ownership of the nation's core economic assets to their business associates prior to the November 2010 election. According to International Crisis Group (2010, 8), the 2010 elections presaged "major institutional reorganisation and a significant shake-up in [these] patronage networks, leading to uncertainties about the availability of economic rents for current power-holders." Turnell (2010b, 153), meanwhile, suggests that the wave was driven by the desire to "create opportunities for economic rent-seeking by Myanmar's present leadership while (pre-election) they possessed the unequivocal coercive authority to do so."[12]

Certainly, a notable aspect of Myanmar's second phase of privatisation has been its opaque nature in terms of process. The relevant ministries and the Privatisation Commission did not release comprehensive information on the price or terms of transfers to the private sector and the names of successful bidders. As noted above, the programme was premised on requirements for the new private owners to continue the "same kind of economic activity," presumably to discourage acquisition for the

purposes of asset stripping, and especially important given the high value of the land on which many enterprises were situated. However, there was also the capacity to vary such conditions on a case by case basis depending on the "requirements of the state" (Tun 2002). Such exceptions foster collusion between powerful government figures and their personal business associates.

Moreover, the architecture of Myanmar's trading system favours large businesses and enhances their ability to take advantage of opportunities arising from the privatisation process. For example, only firms with export credits (either via their own exports or via purchased credits from other firms) are permitted to import goods. Large businesses are the only enterprises with the capacity to earn or to buy export credits from smaller players in sufficient volume to then import commodities such as fuel. Effectively, this creates conditions that foster cartel-like arrangements where large companies can dominate imports of key commodities and which then are in a position to take advantage of SOE sales in the same sector, a feature which has been especially evident in the sale of fuel retailing outlets.[13] Similarly, in the rice market, the government has encouraged the formation of large companies for the specialised handling of rice and rice mills (Interview with a successful bidder, August 2011). Many of these businesses are owned by individuals with close personal and business connections with the highest levels of the ruling elite, as evidenced by their subjection to sanctions by the US Department of the Treasury's Office of Foreign Assets Control (OFAC), which began targeting the well-connected elite families and their conglomerates in 2007 (United States Treasury 2008).

The most prominent of these politically connected conglomerates is the Htoo Group of Companies, which includes a bank, an airline, hotels, mines and construction businesses (Forbes, September 28, 2011). The owner of the group, U Tay Za, has been identified as one of the most significant purchasers of state enterprises in the second round of privatisation. The close connections between U Tay Za and several powerful generals, including with the Chairman of the SPDC, General Than Shwe, are well known. Privatised assets purchased by Htoo have included government properties in Yangon and other major cities and the award of contracts to construct two hydro power projects. In the aftermath of Cyclone Nargis in 2008, Htoo and the military-owned UMEH were given permission to import fuel to help in the rebuilding of the affected areas (*The Irrawady*, January 27, 2010). That the privately-owned Htoo was awarded the right to import fuel, which has been under the strict control of the government since a socialist government took control of the nation in 1962, is indicative of the significance of the company's role in plans for the nation's economy. Htoo also bought a significant number of privatised fuel retail outlets (*The Irrawaddy*, February 3, 2010). Companies directly linked to the military or the ruling party also purchased 31 fuel stations acquired by the UMEH and the Union Solidarity and Development Association, a business linked

to the ruling party, in 2010 (see lists of privatised fuel outlets in *The Voice Journal*, 34, July 2010 and 36, August 2010).

The involvement of military and ruling party enterprises in the fuel sector was symptomatic of a much broader pattern whereby the largest and most potentially lucrative assets were not subject to standard process but were instead transferred to the control of the military or their close business associates. This practice was an open secret. According to one businessperson:

> For small [SOEs], the government went through a proper tendering process ... But when it comes to big properties and big projects, only handpicked big businesses were awarded the privatisation deals … Around eight big companies have bought roughly 80% of privatised businesses so far. There is enough to go round among the eight conglomerates; they cooperate, they get on well with each other. They are in different industry sectors (Interview, August 2011).

An industry association official confirmed that “there are many examples of secretly transferring profitable business firms to their close friends without public announcements. For example, everyone wanted to buy the soft drink factory but such factory was secretly handed over to their own men.” Reflecting on this approach, he concluded that “Privatisation should be carried out in a transparent and fair way. It should be real privatisation not pocketisation” (Interview, August 2011). Government officials also felt that the scepticism about the accelerated sale of SOEs was well founded in that so many prized assets had been transferred to businesses either owned by or linked to the military: “When privatisation is carried out, it should proceed according to the system of privatisation scheme. Transferring ownership to UMEH and MEC [Myanmar Economic Corporation] does not mean real privatisation. It is a backup for the business of the armed forces (Interview, August 2011). This assessment was supported by an economic analyst based in Yangon, who noted that assets were sometimes only available to select buyers, particularly after sealed bids were supplemented by sales by negotiation (Interview, August 2011). This was the case in the sale of fuel retail outlets. The Commission made a decision, ostensibly as a response to the overwhelming volume of applications to purchase fuel stations, to supplement sealed bidding with sale by negotiation, which openly created space for special deals with preferred buyers.

Additional concerns have been expressed about inadequate disclosure of information and reporting of outcomes. Several informants noted the difficulties faced in putting together a credible tender in the absence of information about the value of assets, the inaccuracy of inventory lists, and the short timelines between the opening of a tender and submission dates (Interviews, August 2011). As a consequence, tender processes were plagued by speculation on the part of bidders intent on securing assets, especially property, for resale (Interview with a successful tenderer for a government property,

August 2011). The limited transparency of tender processes was thought by many interviewees to have undermined public support and confidence in privatisation and similar economic reforms.

More generally, several interviewees pointed to the expanded scope of privatisation and the compressed time period in which the transfers occurred. There were also concerns about the management of the process and the way in which a supposedly market-building process became a mechanism for the extension and consolidation of oligarchic power. Importantly, however, this consolidation of economic power occurred in an increasingly dynamic political context. In the wake of the 2010 elections, market reforms entered a new phase whereby the context of governance has shifted and where all economic and political actors must begin to adjust their strategies.

Business Elites and the New Regime

The changes in governance associated with political transition have required domestic business elites to adapt their strategies in order to defend or extend their wealth. The very significant changes that have occurred – including the return of the National League for Democracy (NLD) to formal status – have attracted widespread commentary on the motives for reform, its implementation and its limits (Jones, 2014; Turnell, 2010b). It is beyond the scope of this article to survey and assess the reforms, but it is clear that there are both continuities and discontinuities between the old and new regimes. The implications of the continuities are important. However, they do not negate the significance of the changes that have occurred. As Callahan (2012, 120) has argued, “although there has been no major shift in the characteristics of those who hold top government posts … there exists a new political fluidity that has changed how they rule.”

Most observers have noted that political reform has affected economic management and policy. The International Crisis Group (2012) concludes that the “rules of the game” have changed in fundamental ways. While acknowledging that personal connections are still important for business, its report suggests that “decisions are now more likely to be made by technocrats” and that a “new climate of political openness” is enabling greater transparency, competition and an enhanced role for foreign investment (International Crisis Group, 2012, 6). Of key importance here are the responses of business elites in this period of transition, which highlight the salience of the conceptual distinction between “cronies” reliant exclusively on patronage and personal association and “oligarchs” who may or may not benefit from patronage but who are sufficiently wealthy and established so as to exercise independent power.

A crucial dimension of the new economic policy-making environment is the interaction between the government of Myanmar and international institutional actors, which has led to the possibility of greater international economic integration. This can be observed

in shifts in the governance of economic policy-making, including consultation and collaboration with the IMF and other external authorities. In 2012, after extensive consultation with international economic institutions, the government developed a "Framework for Economic and Social Reforms" (FESR), which set out policy priorities for the economy up to 2015. The FESR generally conforms, at least rhetorically, to the neo-liberal policy prescriptions favoured by the IMF and World Bank. For instance, it affirms the pursuit of "quick wins" through the "restructuring of government operations" entailing, among other measures, further privatisation measures "so that the government can keep its fiscal regime in order and develop regulatory policies necessary to foster private investment" (Republic of the Union of Myanmar 2012, 7).

As part of its collaboration with these international organisations, the government promised significant improvements to the transparency of privatisation processes, inclusive of open tendering, valuation procedures and competition policies (Republic of the Union of Myanmar, 2012: 24). One of the implications of these policy settings is that there may be greater scope for international capital to participate in privatisation. This has been evident with the award of contracts for the development of telecommunication networks to two foreign bidders, although delays in the issuing of licenses and regulatory requirements have generated concern in the international business press (*The Wall Street Journal,* October 25, 2013). The foreign bidders are to compete against two Myanmar-based firms granted licenses to develop networks, one of which is a joint venture between the state-owned Myanmar Posts and Telecommunications and the military-controlled conglomerate MEC (*Myanmar Times*, July 31, 2013). As the process plays out, the extent to which the latter can use formal and informal influence at various institutional levels to stymie foreign competitors will be closely observed as a test case for managing risk associated with foreign direct investment in Myanmar.[14]

These developments suggest a balance between imperatives for reform and liberalisation and the ongoing role of established and even military-controlled business conglomerates, reflected in the more cautious view of some analysts concerning the extent to which reforms have fostered actual change. Jones (2014, 24), for instance, has suggested that "structural constraints" such as the continued centrality of the military and the unresolved politics of the nation's borderlands continue to shape and limit the scope for political reform. In the economic sphere, meanwhile, he highlights the persistence of "crony capitalism," arguing that the prospects of reformed economic management and policy are likely to be "constrained by dominant interests." Our analysis supports this assessment in so far that, following such substantial wealth transfers through privatisation and other means, the prospect of the emergence of a "level playing field" where conglomerates established under the military regime may have to play a "diminished role" (International Crisis Group, 2012, 6, 9) is very unlikely. However, the Myanmar case calls for a more dynamic conception of the

internal composition and characteristics of business elites than offered by Jones, who uses the terms “oligarch” and “crony” interchangeably and does not consider the fact that the resources amassed by some conglomerate owners means that they are no longer exclusively reliant upon a select group of military patrons in their exercise of influence and power.

The prospect of the rapid internationalisation of the economy has created incentives for nascent oligarchs to begin to assert this relative autonomy and reposition themselves politically in order to defend and/or extend their wealth. Several of Myanmar’s wealthiest businessmen remain under sanctions imposed by the United States government, via a list of “specially designated nationals” (SDN) not approved for business engagement. The centrality of domestic conglomerates within Myanmar’s economy means that isolating them via sanctions is near impossible, as was evident in February 2013 when United States-owned businesses were licensed by their own government to access banking services and develop commercial partnerships with banks controlled by individuals on the SDN list.[15] However, this designation remains an impediment to their ambitions for the internationalisation of their business activities and their ability to access global finance and collaborate with international capital in Myanmar (*The Irrawaddy*, January 28, 2013; *Associated Press*, June 2, 2013; *Myanmar Times*, July 29, 2013). Tay Za from the Htoo Group, for example, has spoken publicly about his frustration in being unable to find a suitable foreign business partner to expand and redevelop his extensive holdings of resorts and hotels as a result of his inclusion on the SDN list (*Forbes*, September, 2011).

It is perhaps not surprising then that various business conglomerates and identities have sought to rehabilitate their image and even to attempt to distance themselves from their past and current reliance on military patronage (*The Irrawaddy*, January 28, 2013). Tay Za and U Zaw Zaw of the Max Myanmar Group have been the most prominent individuals to do so. In several media interviews they have acknowledged – yet sought to downplay – their personal support and connections with the military, emphasising their apparently new-found sympathy for democracy and activism.[16] U Zaw Zaw has also indicated that his Max Myanmar group of companies was restructuring its business strategy to reduce dependence on government-awarded construction projects, instead prioritising tourism, finance and services (*The Irrawaddy*, July 31, 2012), and even pledged to return some plots of land where questions had been raised over the legality of their acquisition (DVB Multimedia Group, June 25, 2013). Many conglomerates that benefitted from the second phase of privatisation have also increased their commitment to corporate social responsibility initiatives and contributions to charitable foundations in an attempt to legitimise their role in Myanmar’s economy and society (*The Irrawaddy*, January 28, 2013; *The Irrawaddy*, September 10, 2013). Moreover, in at least one instance the owner of a major conglomerate has publicly criticised the decision-making of a senior official in the former military regime. In an interview with

Forbes Asia, Serge Pun, who controls the SPA and First Myanmar Investment Group (see Table 2), was reported as representing himself as a "principled businessman who says no to corruption and isn't afraid to make enemies" (*Forbes Asia*, September 2, 2013).

Such manoeuvres are clearly self-serving. They also reveal the incentives for, and capacity of, such business elites to engage more autonomously in the political sphere. In other words, the opening up of space for civil society and electoral politics has not only allowed for critical discussion of the role and the dominance of "cronies" but created new avenues through which they can engage in the politics of wealth defence. These conglomerates and their high-profile owners, along with several other firms, have sought to build relationships with opposition parties, most significantly the NLD. Indeed, the latter was criticised in January 2013 for accepting donations from "crony" firms for party-controlled charitable trusts working in health and education. Aung San Suu Kyi responded not only by defending the donations, which she said would be used for good purposes, but by arguing that businesses that had benefited from cronyism should be given an opportunity to "reform" (*Eleven Myanmar*, January 10, 2013; *The Irrawaddy*, January 11, 2013). The efforts of high-profile individuals like Tay Za and Zaw Zaw to cultivate a relationship with the NLD, including public appearances by the latter with Aung San Suu Kyi, have reportedly caused anger amongst some senior military personnel (Zaw 2013; *The Irrawaddy*, September 10, 2013). This has not deterred them from pursuing this strategy while also taking up opportunities to exert influence on the business regulation and economic policy settings of the Thein Sein government in order to maintain or extend the strength of their business holdings (The Irrawaddy, February 24, 2014).

None of this is to suggest that Myanmar's business elites are genuinely committed to democracy and/or enhanced capacity for political expression in civil society, nor that they do not continue to maintain – and prosper from – various personal affiliations with governing elites. Rather, the manoeuvres described above support Winters' description of oligarchy as wealth defence in a variety of state formations and regime types. Thus while these individuals are widely referred to in popular discourse as "cronies," they are in fact now best described as nascent oligarchs, since they are clearly no longer reliant on a sole patron-client relationship. As we have shown, this transformation has occurred because of internal and external incentives to do so but also because of the consolidation of their economic power and presence through privatisation and other means.

Table 2. Business groups in Myanmar

Business conglomerate	Chairman/managing director	Alleged patron	No. of subsidiaries	Industries	Major gains from privatisation and special licences	Partnerships with foreign investors	US government's "specially designated nationals" list
Htoo Trading	U Tay Za	Former head of SPDC General Than Shwe; Former Vice Chairman of SPDC General Maung Aye	14	Agriculture, timber, airlines, hotels and tourism, heavy machinery, banking, trading, real estate, fuel	Real estate; fuel importing licence and retailing	Airline business (proposed joint venture with a Japanese airline)	Yes
Kanbawza Group	U Aung Ko Win	Former Vice Chairman of SPDC General Maung Aye	11	Mining, cigarettes, construction, garments, banking and finance, insurance, oil, cement, airlines, communication, fuel retailing	Airline (gained 80% stake in formerly state-owned international carrier MAI in 2010)		No
Max Myanmar	U Zaw Zaw	Former Vice Chairman of SPDC General Maung Aye and family members of former head of SPDC General Than Shwe	9	Forestry, mining, construction, engineering, transportation, hotels and tourism, agriculture (rubber), banking	Fuel retailing; land for tourism development; banking licence	Failed attempt to sell Max Strategic Investments Pte Ltd to Singapore's Aussino Group Ltd; partnership with Accor group to develop Novotel Yangon Max	Yes

(*continued*)

Table 2. (*Continued*)

Business conglomerate	Chairman/managing director	Alleged patron	No. of subsidiaries	Industries	Major gains from privatisation and special licences	Partnerships with foreign investors	US government's "specially designated nationals" list
The Asia World Group	U Tun Myint Naing (Also known as Steven Law and Lo Ping Zhong)	Son of alleged drug lord Lo Hsing Han (deceased). Long-established relationships with Ministers and senior military officers	6	Hotel, industrial development, dam construction, real estate, infrastructure, transportation (ports), electricity, trading, retailing, garment, manufacturing, agriculture	Fuel import and retailing; licence to build and operate terminals at Thilawa and Yangon ports; development of Thilawa special economic zone	Branch office in Singapore (to channel FDI from Singapore to Myanmar); extensive investment links with China including a joint venture with the China Power Investment Corp to build the Myitsone dam	Yes
The IGE Group	U Nay Aung and U Pyi Aung	Founded by sons of former Minister U Aung Thaung	8	Forestry, agriculture, energy, electricity, chemicals, banking, hotels, telecommunications and construction, trading	Property and hotel acquisitions; banking licence	Registered in Singapore	No
Shwe Taung Group	U Aik Htun	Various	10	Real estate, construction, cement, energy, infrastructure, trading, retailing and hospitality	Fuel retailing, property, cement and road development	Partner with construction companies from around Asia	No
SPA and First Myanmar Investment (FMI) Group	Serge Pun	Various connections but considered not to be reliant on patronage	30	Distribution and servicing automobiles, real estate, services, tourism, retailing, banking and finance and agriculture	No significant gains from privatisation but regained retail banking licence in 2012	Partnerships with Mitsubishi and Sumitomo; partnership with Ooredoo telecommunications	No
IBTC Group	U Aung Moe Kyaw	No data available	2	Alcoholic beverages, automobile sales and servicing	No data available	Joint venture with Heineken	No

(*continued*)

Table 2. (*Continued*)

Business conglomerate	Chairman/managing director	Alleged patron	No. of subsidiaries	Industries	Major gains from privatisation and special licences	Partnerships with foreign investors	US government's "specially designated nationals" list
Myanmar Economic Corporation (MEC)	Retired Brig. Gen. Thant Swe (Managing Director)	Owned and managed by Military of Defence (Quartermaster General Office)	34 (estimate)	Transportation, hotels and tourism, construction, trading, services, banking, extraction enterprises (gas, petroleum, gem, metal) steel and coal plants, manufacturing (cement, marble slabs, oxygen, sugar, wire, tyre, methanol, pharmaceuticals, roofing sheets, brewing)	Numerous enterprise and property acquisitions; rice export licence; telecom licence	Various joint ventures with foreign partners	Yes
Union of Myanmar Economic Holdings Ltd (UMEHL)	Joint ownership by Ministry of Defence, Directorate of Defence Procurement, and active and retired defence personnel	Owned and managed by Military (Office of Defence Industries)	51 (estimate)	Mining, banking, manufacturing, livestock and fisheries, trading, transportation, food and beverages, steel and pharmaceuticals, retail	Numerous enterprise and property acquisitions; fuel importation and retailing; development of Thilawa special economic zone; acquisition of shipping company; port privatisation	Various joint ventures with foreign partners	Yes

Sources: Min and Kudo (2014); Din (2011); Prager-Nyein (2014); various company websites; United States Treasury, Specially Designated Nationals List. Accessed May 20, 2014. http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx.
Note: The table lists ten major business groups but these are not ranked by size or revenue as reliable comparative financial data is not available. The table is not a comprehensive list of significant business conglomerates but rather follows Min and Kudo (2014) in selecting business groups that are within the top income and commercial taxpayer lists published by the Internal Revenue Department of the Ministry of Finance.

Conclusion

Privatisation, typically presented by its advocates as a rational and objective process that builds and extends the reach of markets or even a broader process of transition towards a market-based economy, can also serve a political purpose. Market rationales for the privatisation of state-controlled assets in Myanmar were not irrelevant in so far that some SOEs have suffered from widely recognised problems. What is more significant, however, is that the ostensibly market-supporting process of privatisation not only provided an opportunity for powerful governing and business elites to absorb many of the most profitable assets and business sectors, but resulted in the fundamental transformation of the country's political economy.

Claims with regard to the precise nature of the juncture between political reform and these accelerated economic transfers remain speculative given the difficulty of establishing a definitive causal link between the two processes. It is clear, however, that privatisation has contributed to a fundamental shift in the relationship between Myanmar's political elites and their erstwhile cronies. As we have suggested here, privatisation has consolidated the power of a business elite to the point that they are no longer mere "proxies of the military regime" (International Crisis Group, 2012, 9). While most continue to benefit from personal associations and patronage they are no longer so entirely dependent on this for the accumulation of wealth or for its defence. Moreover, within the context of transitions in governance they now have incentives and motives for asserting themselves directly as political actors. In short, Myanmar's business elites now have the opportunity to actively influence political process rather than simply relying from the channelling of resources as a consequence of dependent relationships with military personnel. The fact that privatisation, along with other marketisation initiatives, has been both a process of economic restructuring and a mechanism for the emergence and consolidation of a form of capitalist oligarchic influence is thus highly significant not only for Myanmar's economy, but also for its political landscape.

The implications of this process are fundamental, as they signal a transition from the political economy of cronyism to the political economy of wealth defence. It is by no means certain that all Myanmar's nascent oligarchs will successfully navigate the politics of wealth defence in this new context. Some may in fact fail to adapt to an

environment where unadulterated cronyism no longer guarantees wealth accumulation. The extent to which international sanctions, civil society activism or political mobilisation may mediate the power and wealth of these oligarchs is also far from pre-determined. What is clear, however, from our analysis is that further theorisation of the relationship between oligarchy and capitalist development is required to support greater nuance and clarity in empirical discussions of the seeming dependence of "cronies" and the relative autonomy of "oligarchs" in transitional polities like Myanmar. Our analysis also points to the need for further research on the conditions under which transitions occur within business elites, most especially at the point at which massive wealth accumulation enables a crony to transform the power relationship with his or her erstwhile patron and the significance of shifts in governance and politics in requiring them to do so.

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Notes

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[1] World Bank studies of privatisation acknowledge that little is known about distributional effects of privatisation (Bourguignon and Sepulveda 2009, 1).

[2] The SLORC recast itself as the "State Peace and Development Council" (SPDC) in 1997 and was dissolved by an official decree in March 2011.

[3] Sanctions led to a select group of Asian nations dominating investment as well as various informal mechanisms for subverting the sanctions regime such as widespread yet technically illegal border trade with nations such as Thailand. For details see Thein and Pick (2009, 45-48).

[4] The use of the term "crony" was widespread among activists, journalists and others interviewed in a separate round of interviews in Myanmar in January 2013. There is no doubt that the term is in wider usage with citizens with some familiarity with the English language and with English language media but it would appear to be a term that is extending itself into local use. See also Denyer (2013) for the growing use of the term.

[5] For overviews of the first wave of privatisation in Southeast Asia, see Yuen and Wagner (1989) and Milne (1991). For a comparative overview of the different models of privatisation adopted in East Germany, Hungary, Czechoslovakia and Poland, see Bartlett (1992).

[6] Fifteen interviews were conducted with businesspeople, economists and government officials from relevant ministries based in Yangon and Nay Pyi Taw (the new capital city) in August 2011. Due to the sensitive nature of the topic, the names of the participants and the specific dates of the interviews are not included in the text. Htwe-Htwe Thein was responsible for the collection of interview data.

[7] For discussions of whether cronyism is always detrimental, see Kahn and Formosa (2002) but also Li (2009) and Sajó (2003).

[8] Tun is the Director of the Project Appraisal and Progress Reporting Department in the Ministry of National Planning and Economic Development. He set out both these underlying principles of the first phase in a paper presented at a regional group of experts meeting on privatisation in Brunei in December 2002.

[9] Relevant laws included the Foreign Investment Law (1988); the Myanmar Tourism Law (1990); the Private Industrial Enterprise Law (1990); the Financial Institutions of Myanmar Law (1990); and the Promotion of Cottage Industries Law (1991). Moves were also made to establish industrial zones around Yangon and Mandalay and to re-establish the Union of Myanmar Chambers of Commerce & Industry in 1989. Government policies and their implementation were characterised by most international economic observers as inconsistent, confusing and ineffective which detracted from market-led development. See, for instance, McCarthy (2000).

[10] According to a local media report, the government released figures that suggest that 2009 was the year in which the largest number (300) of enterprise privatisations took place during this period (*Eleven Myanmar*, January 16, 2013).

[11] Requirements favouring national capital are not restricted to countries like Myanmar. Bartlett (1992), for example, reports that there was an evident bias towards West German capital in the privatisation of East German assets. Similarly Livingstone (1997, 232) notes that, in addition to restrictions on foreign ownership of state land, considerations included the political impact of the involvement of foreign, but especially Thai, interests. In the case of Myanmar, according to one government official, it was not unknown for foreign investors to silently partner with a Myanmar national to circumvent the regulation (Interview, August 2011).

[12] A slight variation of interpretation places more emphasis on the possible decentralisation of power and authority structures envisaged by the 2008 Constitution where leaders of the various states and divisions throughout Myanmar were to be granted enhanced control over the assets located in their respective geographic areas. According to some analysts, this concern was a key motivator in the government's rush to privatise businesses, most especially in resource sectors such as mining and hydro-power (Kaung 2010; International Crisis Group 2010).

[13] In January 2010, the Fuel Oil Importers and Distributors Association (FOIDA) was formed as an association vested with the responsibility of overseeing the importation, distribution and pricing of fuel including gasoline and diesel. The association was dominated by prominent businesses and owners linked to the military regime (*The Irrawaddy*, January 27, 2010).

[14] While there are SOEs that continue to have a monopoly over key sectors such as power generation and oil and gas, in many industries the role and significance of SOEs has diminished considerably as a consequence of privatisation (International Monetary Fund 2012, 9-10).

[15] In February 2013 the United States Treasury department issued General Licence No.19, which allowed for the partial circumvention of sanctions so that United States-owned businesses could access banking services from four Myanmar banks, two of which (Asia Green Development Bank and Ayeyarwady Bank) are owned by high profile businessmen: Tay Za and U Zaw Zaw.

[16] For relevant interviews with Tay Za see *Forbes*, September 28, 2011, *The Washington Times*, May 19, 2011; and *The Irrawaddy*, January 28, 2013. For interviews with Zaw Zaw see *Associated Press*, June 2, 2013; *Reuters*, 12 April, 2012; and *The Irrawaddy*, April 24, 2013.