

Inya
Economics

**Potential impacts on Myanmar's economy due to the
2021 Military Coup D'état**

Recommendations for the public during the Political Crisis

1. An overview of Myanmar's current economic situation

After King Thibaw being taken to Ratanakiri and losing independence, Burmese citizens together with the political forces under the leadership of General Aung San fought for independence for many years during the British colonial era. Looking back at the previous political systems, the taste of freedom and development is less likely to be enjoyed in any era than in the days of democracy.

Myanmar's economy can be striving for recovery only after 2010 although it still remains as the least developed country at the moment. Since 2010, the successive governments implemented a series of economic reforms for the country, which had previously suffered from years of sanctions.

At present, the country's economy depends on natural resources, and some agricultural and industrial products rather than the tax revenue. Yangon and Mandalay regions are at the heart of its economy. It can be divided by three major sectors including agriculture, industry and services.

Farming, fisheries and livestock are key to the agricultural sector while construction and garments to the industrial sector, and financial services, digital technology and entertainment to the service sector.

2. Brief background of the 2021 Military Coup D'état

Controversy erupted over the Union Election Commission (UEC)'s voter lists. UEC's failure to settle this matter has hampered the country's democratic development. According to the military, 27% of the number of the eligible voters are at risk of electoral fraud is a major obstacle to accepting the election results.

In the current situation, the Tatmadaw announce the Proclamation No. 1/2021 that it will continue to work After the coup d'etat: (1) reorganizing UEC; examining the voter lists and doing other necessary actions; (2) extending the COVID-19 preventive measures; (3) quickly treating the businesses hurt by the COVID-19; and 4) sustaining the peace process based on the NCA; and (5) holding the general election after conducting the emergency provisions as well as resuming the state duties. [1]

3. Potential Impacts of the coup d'etat on Myanmar's economy

Following the coup d'etat, the short-term repercussions on the economy began. On February 1, 2021, where the coup took place, the banking industry was shut down due to the temporary closure of telecommunications networks. As the Yangon Stock Exchange was suspended for two days, it can be generally assumed that the stock prices have fallen. At the same time, public concern has risen

along with the purchase of dry food, a basic commodity. In the days after the coup, 10,000 kyat and 5,000 kyat banknotes demonetization rumors were widely spreaded, causing instability in the financial markets to some extent.

Less passenger traffic has led to commodity price speculation and push the market into chaos. Due to the existing international sanctions, the country's goods are less likely to be exported while the domestic demand on these goods are also limited by the economic hardship of the public due to the COVID-19 pandemic. Most notably, there will be no more international investment on them and capital and a lot of uncertainty for the existing domestic investment.

On the one hand, the possibility of global economic and other sanctions are likely to happen. In the past, they were targeted only at the top military leaders, but this time around, they are more likely to target military-related businesses. In this regard, the foreign investors will be reluctant to invest in Myanmar for fear of being sandwiched. These facts are analyzed from the possible impacts following the blockages of the West. The new US government that inaugurated in 2021 has threatened sanctions. [2] However, the previous sanctions showed that they could only harm the public and lead to economic deterioration. Nevertheless, Myanmar is enjoying more investment from the Asian countries than the West.

Profitable foreign investment policies should be extended. At the moment, because of absence of work and out of work due to the COVID-19 pandemic, a great grief is to the different social classes, not limited to the employers and employees. Economics is highly concerned with the people's behavior. With the advent of technology, the youths comprise the majority of the population of the country who embrace the concept of independence. Not only because of the COVID-19 pandemic but also because of the current situation, the future of the youths are dark and hopeless and their participation in this political unrest causes a more miserable situation. It is important for the country to continue pushing the establishment of the government agencies which are not solidified yet. Rather than the basic needs of the people including the basic infrastructure like roads and electricity, the situation is even more worrying as the public trust in the government is declining. This crisis can weaken the economy, and on the other side, it is an advantage for the neighboring countries. However, the Chinese investment is likely to continue. Nonetheless, the balanced economic development model and the economic growth of the regions and states must be considered.

China is Myanmar's main trading partner. As of November 2020, the trade value (both imports and exports) totaled US \$ 1,763 million [3]. Considering this crisis, the only countries that would work with the military government are China and some ASEAN countries. According to the updated investment data of the Directorate of Investment and Company Administration, the biggest investors in the country are Singapore (45%), China (14%) and Hong Kong (10%) [4]. The largest investors in the Special Economic Zone (SEZ) are Japan (32.36%), Singapore (30%) and Thailand (12.7%) [5].

No one can predict how much the Burmese Army's Interpretation of Democracy would work in resource allocation. If resources cannot be distributed equally and effectively, inequality, low living standards and a shortage of skilled workers in the long run would be likely to suffer and can erupt a general crisis within the country. The public would no longer accept economic methods that can create crony capitalism again. Incentives are important in economics. They must be considered for every effort to strengthen the country and of the nation-builders. Expecting economic growth would be imaginary in a political system that fails to create such incentives which would benefit the country.

4. Recommendations for the public and the businesses

- (a) Use the austerity method. Austerity method can use for the personal, household and for business. Theoretically, saving is equal to investing. Accumulating resources such as money, makes you ready to rehabilitate after the tough times. Saving also contributes to the country's GDP and economic infrastructure.
- (b) Take heed of the reliable business news. Rumors cause financial instability. Try to consult with the friend or the family before trusting news and doing something. In addition, a sudden rise or fall in the value of money and the commodity prices should be viewed as a risky investment, rather than an opportunity.
- (c) Local businesses need to rely only on the domestic demand. Basic commodities such as foodstuffs are resilient due to the strong domestic demand. Therefore, businesses that rely on the foreign demand need to reconsider the domestic demand.
- (d) Building a digital business. Opening a business page on Facebook even for a family-owned business is like creating an opportunity. In addition, an online banking system should be used for the money transferring and withdrawing processes.
- (e) Invest in the service businesses. To start such businesses, it can be based on expertise and is likely to be able to work as small and medium enterprises. For example, go through this political crisis by thinking entrepreneurial ideas and realizing them such as language classes; part-time online accounting; food and household goods delivery; in-home hair styling services.

Appendix

Key Facts and Data of the 2020 Multi-Party Democratic General Election

No	Title	Number of People	Percentage
1.	Total Population of Myanmar	51486253	-
2.	Number of Eligible Voters	38271447	-
3.	Number of Voters	27512855	Voter Turnout - 72%
4.	Cases of Voter Fraud claimed by Tatmadaw voter fraud	10482116	27% of Number of Eligible Voters
5.	Number of seats in both legislative chambers	1117	-
6.	Number of seats won by the National League for Democracy	920	82%
7.	Number of seats won by the Union Solidarity and Development Party	71	6%
8.	Number of seats won by the Shan Nationalities League for Democracy	42	4%
9.	Number of seats won by other parties and independent candidates	84	8%

Note: The number of eligible voters is calculated in the cases of voter fraud in No.4.

Sources

(၁) ၂၀၁၄ခုနှစ် မြန်မာနိုင်ငံလူဦးရေနှင့် အိမ်အကြောင်းအရာသန်းခေါင်စာရင်း၊ သန်းခေါင်စာရင်းက ညွှန်းဆိုသော မြန်မာ့ပုံရိပ်၊ သန်းခေါင်စာရင်း အစီရင်ခံစာ အတွဲ (၂-က)၊ ပြည်သူ့အင်အားဦးစီးဌာန၊ လူဝင်မှုကြီးကြပ်ရေးနှင့် ပြည်သူ့အင်အားဝန်ကြီးဌာန၊ ၂၀၁၅ခုနှစ်၊ မေလ

(၂) ပြည်ထောင်စုရွေးကောက်ပွဲကော်မရှင်၊ ကြေညာချက်အမှတ် (၂၆၆/၂၀၂၀)၊ ၂၀၂၀ပြည့်နှစ်၊ နိုဝင်ဘာလ၊ ၁၇ရက်

(၃) ပြည်ထောင်စုရွေးကောက်ပွဲကော်မရှင်၊ ၂၀၂၀ပြည့်နှစ် ပါတီစုံဒီမိုကရေစီ အထွေထွေရွေးကောက်ပွဲဆိုင်ရာ စာရင်းယေးများနှင့် ရာခိုင်နှုန်းများကို နေ့စဉ်ထုတ်သတင်းစာများတွင် ထည့်သွင်းဖော်ပြပေးမည်ဖြစ်ကြောင်း အသိပေးကြေညာခြင်း၊ ၁ရက်၊ ဒီဇင်ဘာလ၊ ၂၀၂၀ခုနှစ်

(၄) တပ်မတော်သတင်းမှန် ပြန်ကြားရေးအဖွဲ့၊ တိုင်းဒေသကြီး ပြည်နယ်တစ်ခုနှင့် တစ်ခု အပြန်အလှန်စစ်ဆေးမှု(Cross Check)အရ စိစစ်တွေ့ရှိချက်အပါအဝင် မဲစာရင်း စိစစ်တွေ့ရှိစုစုပေါင်း ထုတ်ပြန်ချက်၊ ရက်စွဲ၊ ၂၈ရက်၊ ဇန်နဝါရီလ၊ ၂၀၂၁ခုနှစ်

References

[1] တပ်မတော်ကာကွယ်ရေးဦးစီးချုပ်ရုံး၊ ကြေညာချက်အမှတ် (၁/၂၀၂၁)၊ ၂၀၂၁ခုနှစ်၊ ဖေဖော်ဝါရီလ၊ ၁ရက်

[2] US threatens to impose sanctions on Myanmar after military coup, <https://www.ft.com/content/1934605c-ecf1-4e7b-aac7-45ad8031b879>

[3] Ministry of commerce, the Republic of the Union of Myanmar, <https://www.commerce.gov.mm/en/article/national-trade-situation-myanmar-2011-2012-fical-year-2020-2021-fical-year-november-monthly>

[4] Foreign investment of Permitted Enterprise from FY 2016-2017 to 2020-2021 (December), DICA

[5] Foreign investment of Permitted Enterprise from FY 2016-2017 to 2020-2021 (December), DICA

Myanmar's sustainable economic development can definitely become only in the context of the democratically accountable political system.

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