

Burma's economic protests turn political and now threaten to erupt into a mass movement against the regime

By Larry Jagan

Wednesday, September 12, 2007

September 12, 2007 - Ironically the Burmese junta's recent efforts to introduce a measure of Western-inspired economic liberalization, by withdrawing fuel subsidies, seems to have backfired and brought people out onto the streets in a series of rare public protests demanding that fuel and food prices be reduced.

It would seem that the country's top military leaders did not foresee the possible consequences of their policies. Much now depends on their reaction to the protests, and whether or not public anger over the sudden and unexplained price increases snowballs into a mass movement that could eventually threaten their grasp on power.

Sporadic, irregular public protests against the country's soaring inflation have rocked the regime since the government's sudden increase in fuel prices. Small, peaceful, protest marches have continued in many parts of Burma's main commercial city, Rangoon. In the past few weeks these demonstrations, demanding lower fuel and food prices have spread to several other parts of the country. In the worst incident a hundred monks took to the streets of the small town of Pakhokku in northern Burma not far from Mandalay, the second largest city of Burma, and were fired on by the security forces.

These protests are very rare in Burma as the military regime keeps a tight grip on the population. But the numbers joining these marches have grown since more than a hundred people joined the first demonstration demanding that the government immediately lower fuel and food prices more than four weeks ago.

"The government has raised fuel prices without giving any prior notice, and due to this hike all the people are suffering. Therefore, we, the 88 generation students, NLD members, university students, high school students and civilians are protesting and demanding an immediate roll back in the prices of fuel," said one of the protesters at the first march on Sunday the 19th of August.

Bus fares and taxi charges doubled immediately in Rangoon, Mandalay and Moulmein. Traffic in the cities is generally substantially reduced as a result of the astronomic rise in the cost of black market petrol, which many Rangoon residents depend on to fuel their cars.

The increase in bus fares has severely affected the poor. Manual workers and day-laborers in the country's main cities, who earn less than 2,000 kyat (\$2) a day, now have to pay more than half their wage in travel costs, he said. In some cases it may even be as much as three-quarters of their daily income.

Many workers who live in the poor areas on the outskirts of Rangoon – after the government razed the slums and moved the homeless out there in 1988 - are now choosing to walk to work. "Many workers are taking more than an hour and a half to walk to work," said a Burmese economist based in Rangoon. "Some even spend up to three hours walking to their factories."

There are many more people living rough on the streets of Rangoon, workers who have day jobs and cannot afford to go home, a Japanese businessman and regular visitor to Rangoon recently observed.

Already in Rangoon food prices have risen steeply. Rice has risen by nearly 10%, edible oils by 20%, meat (pork and mutton) by around 15%, garlic and eggs both by 50%, according to aid workers in Rangoon who monitor the local market. An unofficial Consumer Price Index, maintained by a leading Burmese journal in Rangoon and based on a basket of essential commodities, showed a 35% increase after the fuel price increase.

"These price rises are crippling for most residents in Rangoon," a Burmese economist told Mizzima. "They could hardly afford food before, now their weekly budget for essential foodstuffs

is going to buy even less - their purchasing power has been reduced by more than 20% virtually overnight."

"These price increases are likely to be the result of speculation and anticipation, rather than a real increase in costs," the top UN official in Rangoon, Charles Petrie told Mizzima.

But there is no doubt that the price increases are hitting everyone hard, even the middle classes. "When we went shopping on the weekend we bought mainly vegetables at the market as meat was too expensive now, and anyway they are more nutritious," wrote a young student in her home-work essay, a week after the fuel prices rose.

More than ninety percent of the population spends most of the family income on food -- at least sixty percent and in the poorest border areas over eighty percent -- according to UN surveys conducted throughout the country. These studies were carried out before the last two spurts in prices, as a result of the government increasing fuel prices -- in 2005 and now. "I estimate that now the vast majority of Burmese people are spending over eighty percent of their monthly salary on food," a leading UN economist based in Rangoon told Mizzima, but declined to be identified.

This means that the recent fuel and food price increases have made it virtually impossible for most Burmese families to survive. "Malnutrition will increase as a result," said a UN official.

"People will no longer be able to afford to go to the doctor when they are sick, and certainly cannot afford the medicines they are prescribed. While people will not starve, there will be a slow increase in deaths from diseases which should not be terminal -- it will especially affect children and the elderly," he predicted.

"It is difficult to fathom why the government has increased fuel prices, and why they have done it at this time," said a Western diplomat based in Rangoon. "It can only mean the government is strapped for cash."

The Burmese government is reportedly finding it difficult to find the funds to finance the massive expenditure on the new capital Naypyidaw - some four hundred kilometers north of Rangoon. Now they are also heavily committed to the construction of a new Internet and communications technology center - along the lines of the US's Silicon Valley - known as Yadanapon Cyber City - near the new capital. In fact many key ministries are to move there later this year.

"I have long suspected that the cost of building Naypyidaw was bleeding the government's coffers dry," a specialist on the Burma economy, Sean Turnell of Macquarie University in Australia, told Mizzima.

"The government is acutely short of revenue. The cost of Napyidaw is itself absorbing more than the increase in income from gas revenues. On top that, there is the dramatic pay rises in government salaries of last year, as well as now the potentially large expenditure needed for the planned nuclear reactor," he said.

But many senior financial and business analysts in Rangoon believe the increase in fuel price, because of the withdrawal of government subsidies, is part of the government's economic liberalization policies recommended by the International Monetary Fund (IMF) and World Bank.

Over the past year the government has been trying to introduce a measure of financial regularity into government economic policy. The main aim has been to reduce government expenditure and increase government revenue.

The IMF and World Bank also warned the regime this time last year that if they did not reduce their extraordinarily high budget deficits - which they traditionally covered by literally printing money - economic development would suffer. They predicted an increase in inflation and a further erosion of living standards.

"Living standards are low, and inflation is increasing. The prospects for sustained growth in real incomes are constrained by inflation, structural rigidities, weak economic policies and low investment," the IMF team warned after a mission to the country last year.

There is no doubt that the country's economic tsar, the number two in the military regime, Gen Maung Aye, has tried to implement some of the IMF's recommendations over the past two years or so. There has been an aggressive campaign to collect taxes, especially from small businesses. Earlier this year, the authorities mounted a major investigation into businesses suspected of tax evasion.

Some of Rangoon's biggest companies, including Max Myanmar, AA Pharmacy, the Peace Myanmar Group and International Beverage Trading, were targeted by the investigation. Several leading Burmese businessmen were arrested. But companies close to senior members of the military regime escaped scrutiny, according to business sources in Rangoon.

Last year, the IMF reported that Burma's revenue collection had risen slightly, and the budget deficit had dropped to around 4% of the gross domestic product or national income. "The tax revenue increases are real, but they're from such a low base they're more a 'promise' of a better fiscal future than one now," said Mr Turnell.

What is more critical, according to Burmese economists, is for the junta to reduce government expenditure. But the regime cannot contemplate cutting back on military spending, the building of Naypyidaw and the new Cyber City, or the construction of bridges, dams and the nuclear reactor, so reducing government subsidies is the only option left.

The IMF also strongly advised the Burmese regime to reduce government subsidies, especially on fuel. It is one of the international financial body's main tenets - the liberalization of the energy market. Curiously the increase in fuel prices came just ahead of this year's IMF/World Bank annual mission to Burma. They arrived in Rangoon in the middle of last week and it may be no coincidence the government acted when it did.

The burden of maintaining the subsidies on fuel was also beginning to tell. The government has long been committed to keeping diesel prices artificially low. In fact even with the recent increases in diesel, gas and petrol prices, they remain the lowest in the region - and well below the market prices for these fuels in Thailand.

But with the growing prosperity of the emerging middle class and senior military officers through corruption and kickbacks, the demand for diesel has increased over the years - hence the need to shell out ever increasing amounts of money in subsidies at a time when the cost of importing diesel, petrol and gas is also increasing. This is putting increased pressure on the government's budget which cannot be paid from the revenue of existing gas and petroleum exports.

Some analysts in Rangoon also believe that the move was a necessary part of the government's plans to privatize the country's fuel distribution system - as advocated by the IMF. Under the scheme, retail outlets for diesel, petrol and gas would be sold to major private companies, which would buy the fuel products from the government at a wholesale price and sell it onto the public through this retail network.

This could only be a profitable venture for the prospective investor if the retail prices were higher than they are now. "The previous margin - between the government wholesale price and the retail price was too small because the price was unrealistically low due to the government's subsidies," a Burmese economist told Mizzima on condition of anonymity. So this move may be part of the government's privatization plans - and to help attract increased investment.

"The government did the right thing but the way it did it seems irrational," said a leading local financial expert who wanted to remain anonymous. "The government must stop all subsidies, but not without prior warning," he added. Consumers and the private sector in particular need time to adjust to the increased costs, he insisted.

While the increase in fuel prices over three weeks ago is bound to increase the hardship and suffering of the country's people, particularly the poor peasants, it reflects a commitment to introducing more sound economic policies.

"In the past, the Burmese government regularly just printed money when funds were needed, but over the last year or so there has been a greater effort to introduce fiscal responsibility into government economic policy," Mr Turnell told Mizzima.

"Instead of simply printing money they have also tried to reduce expenditure on subsidies (on goods and fuel) and improve revenue collection."

While food and transport prices have already soared, most observers in Rangoon believe it will only be a matter of time before the government also increases electricity rates. Burma's business community is clamoring for the government to consider increasing fuel imports from other sources, especially diesel from China.

So far the fuel crisis is confined to Rangoon and Mandalay, and is not dramatically affecting the rural population as they are dependent on the black market for their fuel supplies, according to observers in Rangoon. But they expect the black-market rates to be affected in the near future and that will really hurt the country's farming community.

In the meantime the street protests are continuing despite the junta's crackdown. Since the protests erupted nearly a month ago, the authorities have arrested hundreds of people for organizing and participating in the small demonstrations that have taken place all over Burma. The junta has also used pro-government thugs to violently disperse demonstrators.

The vigilantes are part of the pro-government community group, the Union Solidarity and Development Association (USDA), which the regime frequently uses to give it a veneer of public popularity. These thugs are the same ones who launched the violent assassination attack on Aung San Suu Kyi in May 2003 when she was touring in the north of the country.

More ominous now is the USDA's special security force, the Swan Arrshin. "The members of this group have been specially trained in crowd control and the violent suppression of protests," a Western diplomat in Rangoon told Mizzima. "We have had reports of its foundation, to act as a security and intelligence wing, since the beginning of the year," she added.

Many of its members are recently released criminals, straight from Rangoon's notorious Insein prison. At least 600 criminals were released from Rangoon's Insein jail over the last few months and recruited as vigilantes, according to diplomatic sources. The pro-democracy opposition in Rangoon put the figure at closer to 2,000.

"The current protests are still economic for sure," a leading Burmese activist based in Thailand with close links to the organizers of the protests, Khin Ohmar, told Mizzima. "But everyone recognizes that the root cause of inflation is the junta's economic mismanagement."

While she believes that nothing dramatic is likely to happen in the near future – this is certainly the beginning of the end for the junta. "Burma is a social volcano ready to erupt," according to a leading Burmese businessman. "These price increases may just be the spark that ignites it."

<http://www.mizzima.com/MizzimaNews/News/2007/Sep/51-Sep-2007.html>