

*RSIS Commentary is a platform to provide timely and, where appropriate, policy-relevant commentary and analysis of topical and contemporary issues. The authors' views are their own and do not represent the official position of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the author(s) and RSIS. Please email to Mr Yang Razali Kassim, Editor RSIS Commentary at [RSISPublications@ntu.edu.sg](mailto:RSISPublications@ntu.edu.sg).*

## **Myanmar Instability: Emerging Reactions in East Asia**

*By Alistair D. B. Cook and Joel Ng*

### **SYNOPSIS**

*The military coup in Myanmar has caused widespread human insecurity. The reaction of Asian countries and investors will influence Myanmar's prospects, but further deterioration will compound difficulties.*

### **COMMENTARY**

THREE WEEKS since the ASEAN Special Summit issued a five-point consensus on Myanmar, the crisis in the member state is only deepening amid delays in appointing an ASEAN envoy. Reports indicate that dissidents have begun military training amongst Myanmar's ethnic armed organisations. The opposition-led National Unity Government (NUG) is refusing ASEAN talks with the Tatmadaw, and the State Administration Council has declared the NUG a "terrorist" organisation.

Beyond the devastating impact on human life that has already occurred, the economic fallout threatens to spiral out of control – far beyond what the Civil Disobedience Movement hoped to achieve with its strikes and worker slowdown campaign – as the security situation deteriorates.

### **Growing Human Displacement**

The Asian Development Bank (ADB) calculated Myanmar's growth rate in 2020 at 3.3 percent during the pandemic. Last month, the Asian Development Outlook forecast a contraction of 9.8 percent for Myanmar compared to other Southeast Asian countries' growth forecasts of between 2.5 to 6.7 percent.

This is in stark contrast to the World Bank's prediction in December 2020 just prior to the coup that Myanmar's economy could recover at around seven percent growth from

March 2021. There are disproportionate impacts on poorer households in Myanmar affecting their access to necessities. The closure of borders, increasing domestic transportation costs, and widespread insecurity have inhibited production and consumption.

Recent surveys suggest there are an escalating number of households skipping meals and reducing daily food intake. Over 800 individuals have been killed and 4,100 people are believed to be detained by security forces as at 17 May 2021. There is limited access to healthcare and emergency treatment for injuries, tuberculosis, HIV/AIDS and COVID-19.

Over 60,000 people have been displaced since the coup adding to an estimated 1.3 million people displaced prior to the coup; disproportionately Rohingya refugees in Bangladesh. Disruptions in the finance and banking sectors have restricted people's access to savings and remittances.

### **Investor Dynamics: Getting Out?**

Over the past decade Myanmar diversified its partnerships in Asia that allowed the country to raise the quality of inward investment. Yet the scramble out of Myanmar since the coup has been stark.

From 2016 until the coup, Singapore was the largest foreign investor with US\$11.4 billion, Japan fifth with \$1.4 billion, Thailand sixth with \$950 million, and South Korea eighth with \$600 million in permitted enterprises, according to Myanmar's Ministry of Investment and Foreign Economic Relations.

Divesting particularly in military-linked companies in Myanmar is picking up pace with Rothmans Myanmar Holdings Singapore, Japan's Kirin Holdings Company, and South Korean firm Posco C&C all announcing their pull out. Thai investment in Dawei Special Economic Zone has been suspended.

Amata Corporation stopped its \$4.5 million investment in the eight square kilometre industrial park project in Yangon Amata Smart and Eco City. Suzuki suspended all operations at two factories in Myanmar. In 2019, it had 60% of new car sales in the country.

### **Loss of Confidence**

In March 2021, foreign investors in Myanmar shifted from a Myanmar-only to a region-wide investment strategy with Vietnam as the likely main beneficiary according to Cambodia-based Obor Capital. Vietnam was Myanmar's fourth largest foreign investor in projects worth an estimated \$1.5 billion. Now that Vietnam looks likely to gain from redirected Myanmar-intended investment, it is unlikely to expand its Myanmar footprint.

Over the past decade, the two successive governments in Myanmar created a business-friendly environment that saw interest in the country spread across multiple sectors from a range of mostly Asian countries and investors. This environment strengthened Myanmar's ability to fulfil its non-aligned and neutral foreign policy

ensuring it was not overly dependent on one country to provide economic investment and development support. This is no longer a realistic prospect under current conditions.

Despite military reassurances, Myanmar has lost the confidence of Asian countries and investors. While the military coup has not caused Asian countries to implement targeted sanctions, investor confidence in Myanmar has collapsed, undoing the country's nascent links with the global economy.

The freefalling economy and the acts of violence committed by the military goes against their mantra of protector of the state and place them as antagonist of the people in Myanmar. Meanwhile, even this post-coup situation has not reached its lowest ebb with further unrest and deterioration seeming imminent as both sides harden their positions.

### **Development to Aid**

What is notable is that developed Asian economies have been consistently messaging their rejection of the military takeover. There is widespread agreement that the military's acts of violence against its own citizens are unacceptable and must end; the military has veered widely off course from its inherent duty; and all call for peaceful resolution of the situation.

At the end of March, Japan's Foreign Minister Toshimitsu Motegi announced the suspension of all new Overseas Development Aid projects in Myanmar. Japanese development aid totalled \$1.7 billion in fiscal year 2019. This is the largest contribution by far other than China, which does not disclose corresponding data.

South Korea provides a significant amount of development aid which is now under review. Both signal a shift to redirecting their development aid to humanitarian projects that support people in Myanmar.

Asian countries are reassessing their projects and the potential to withhold proceeds until the current situation is resolved. Suspending overseas development assistance and redirecting it towards humanitarian aid for the people in Myanmar is now forefront in the minds of Asian development partners.

The impact of Asian investors on Myanmar's economic outlook needs to be considered alongside official government policies in the region. Asian countries and investors will continue to react to the bleak prospects for Myanmar unless the military changes its current trajectory.

---

*Alistair D. B. Cook is Coordinator of the Humanitarian Assistance and Disaster Relief Programme and Senior Fellow at the Centre for Non-Traditional Security Studies and Joel Ng is a Research Fellow at the Centre for Multilateralism Studies, both of the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore.*

---

T: +65 6790 6982 | E: [rsispublications@ntu.edu.sg](mailto:rsispublications@ntu.edu.sg) | W: [www.rsis.edu.sg](http://www.rsis.edu.sg)