

## CHAPTER III

### POWER OF ECONOMY

This chapter analyzes the economic power of Khin Nyunt and Military Intelligence in relation to the rest of the military. The relationship between Myanmar's economy and the *Tatmadaw* goes back to the country's independence. Since then the military has taken the central role in the economy. When SPDC made its lengthy explanation for the arrest of Khin Nyunt and the dismantling of Military Intelligence, a major section was on the economic undertakings of Military Intelligence. The briefing, moreover, was made specifically to a group of major entrepreneurs and businessmen in Myanmar. If the inseparable relationship between the military and the economy had existed long before, what was it that was new and different about the economic undertaking of the Military Intelligence, which was seen as intolerable for SPDC?

The chapter argues that the Military Intelligence was an emerging economic power within the military. Economically, Military Intelligence was small compared to the much larger Army, which had long been involved with heavy industry, the agricultural sector and natural resources. However, with the arrival of the "information age", Military Intelligence found business opportunities in the emerging economy such as Information Technology and media. Khin Nyunt and Military Intelligence were perceived as virtually monopolizing the enormous capital that was to be brought in with their new partnership with partners such as Thailand. Finally, the military intervened in Military Intelligence's economic activities by force.

#### **3.1 Military Intelligence's "Illegal" Economic Undertakings**

"Post-war Burmese regimes have been made up of war fighters who never mastered the art of politics enough to win a single election."<sup>1</sup> Callahan's fundamental view of the military government of Myanmar is compelling. The military government, by nature, is not politically shrewd. When the military announces something, they do

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<sup>1</sup> Callahan, *Making Enemies*, p8

not carefully and sophisticatedly craft a story. Their intentions can usually be easily perceived from their statements. When Thura Shwe Mann explained the sacking of Khin Nyunt, he did not hide the fact that it was Military Intelligence's economic activities SPDC found problematic;

On 30-9-2004, Head of State in the combined cabinet meeting personally instructed Ministries that they should not set up economic ventures to raise funds, giving welfare as an excuse. He reminded them that an additional amount of 5,000 kyats had already been provided each month to all government servants since December 2003. Similarly, in December 2003 he gave instructions that with the exception of designated amount of income allowed from farming and live stock breeding, all economic undertakings were to cease by 31-3-2004. Some of these enterprises were to be handed over to the Ministries concerned. If enterprises could not be transferred then they were to be abolished.

In keeping with the instructions, the Office of the Commander-in-Chief of Army issued a directive on 1-10-2004 calling on all departments to review and submit an explanation regarding economic undertakings by 14-10-2004.....we learnt that General Khin Nyunt was deeply aggrieved by the directive.<sup>2</sup>

There can be entrepreneurs who have joint business with the former Office of the Chief of Military intelligence Headquarters or former Prime Minister General Khin Nyunt, his family as well as families of other persons.....The entrepreneurs should inform separately.....Only then will the entrepreneurs be free of responsibility of fault. Therefore if you write and submit separately to the new Chief of Military Intelligence, Yangon Command Commander Maj Gen.Myint Swe, unnecessary interrogation will not be conducted and help in protecting those who will work together with us.<sup>3</sup>

What Thura Shwe Mann referred to in the first and second paragraphs was the economic activities of each governmental department. The monthly salary of civil

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<sup>2</sup> "Complete Explanation on the Developments in the Country" given by Thura Shwe Mann, p4-5, 24 October 2004

<sup>3</sup> Ibid., p13-14

servants in the government had been very low; on average around 5 US dollars<sup>4</sup>, not enough for a family to survive on for a month. To supplement this, the government provided each employee monthly quotas of rice and edible oil, which the employees could consume, or more often sold on the market for extra cash. However, the government gradually reduced the supply and by 2002 completely stopped providing these quotas. Instead, each department was unofficially encouraged to conduct businesses to generate additional earnings for the employees. Each ministry had to be responsible for obtaining the much-needed extra earnings. Against this backdrop, Military Intelligence, too, sought opportunities to be involved in business activities.

According to Thura Shwe Mann's explanation, SPDC issued directives to each department to cease those activities by the end of 2003. (No reason was given for the decision.) This was not taken well by Khin Nyunt. The third paragraph meant that those entrepreneurs who had set up joint ventures with Khin Nyunt or Military Intelligence had to come forward and cooperate with the government by giving information on their activities. Otherwise they would face interrogation and might put their business at risk. This explanation made it clear that SPDC was not satisfied with the business activities of Khin Nyunt and Military Intelligence. Those who had anything to do with business with Khin Nyunt or Military Intelligence had to change their business partners and transfer business to the rest of the military.

### **3.2 *Tatmadaw* and Economy – Historical View**

In Myanmar, the military's involvement in business was nothing new. The involvement of the military in business had existed since the country's independence. This is because the military is the only cohesive institution that has existed in the country since then. Before 1962, a commercial venture established by the Ministry of Defence, known as the Defence Services Institute (DSI) became successful. DSI described its activities as "catering for the welfare and needs of the troops and for the maintenance of morale".<sup>5</sup> DSI ran a huge economic complex including banking,

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<sup>4</sup> Author's interview with civil servants, Yangon, October 2005. In March 2006, SPDC gave a directive that from April, salaries of civil servants would increase by 10 folds. It gave a list of levels of salaries which ranged from Kyats 3, 000 to 15,000 (about 3 – 15 USD). Speculations are that this decision might cause inflation in the market.

<sup>5</sup> Thaug, 'Army's Accumulation of economic Power' p.18 quoted in Selth, *Burma's Armed Forces* p144

shipping, the largest import-export operation in the country, fisheries and poultry distribution, construction and the largest department store chain in Burma.<sup>6</sup>

During Ne Win's socialist era, all private businesses were taken over by the regime including DSI, and the economy was organized into twenty three state corporations controlled by the armed forces.<sup>7</sup> The military controlled all state-operated economic enterprises, and used them either directly or indirectly to support its military activities.

The difference between the socialist era and the post-1988 period was that the government introduced a market economy after 1988 and opened the market to foreign investment, enabling joint ventures with foreign capital. In 1990, SLORC established the Union of Myanmar Economic Holdings Ltd (UMEH) under the Adjutant General's Office, "with the object of carrying on business internally and abroad and making investment in the interest of the State and the citizens."<sup>8</sup> According to Maung Aung Myoe, from 1990 to 1998 UMEH established forty-nine joint ventures with foreign firms, including gem production to marketing, garment factories, wood industries, food and beverage and other trading, supermarkets, banking, hotels and tourism, transportation, computer and telecommunications, real estate, construction, and automobiles. The capital investment over 4018 million kyats; the major shareholder is the Directorate of Procurement (responsible for arms procurement), and the rest of the investors are serving or retired military personnel and regimental welfare organizations.<sup>9</sup>

Another military-backed economic organization, the Myanmar Economic Corporation (MEC), which was established under the Ministry of Defence in 1997, was authorised to undertake economic activities in areas where the government had the sole rights. MEC, with a capital of 10 billion kyats, has activities in trading and commercial

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<sup>6</sup> Wiant and Steinberg, 'Burma: The Military and National Development' p. 310, quoted in Selth, *Burma's Armed Forces*, p146

<sup>7</sup> Ibid 146p

<sup>8</sup> Government of the Union of Myanmar, Ministry of Trade, Notification No. 7/90, Rangoon, 19 February 1990, quoted in Taung, 'Army's Accumulation of Economic Power,' p.22, quoted in Selth, p146

<sup>9</sup> UMEH Annual Report 1999, quoted by Maung Aung Myoe, in *The Tatmadaw in Myanmar Since 1988: An Interim Assessment*

enterprises, agricultural trading enterprises, heavy industry, construction, hotel and tourism, transport, gems and metals, banking and financing, exploration, and the extraction and sale of petroleum and natural gas.<sup>10</sup>

These commercial activities were carried out in the name of welfare for the military personnel,<sup>11</sup> scales of which scales differed from large natural resource exploitation to running an ice-block factory or leasing a building.<sup>12</sup> Since 1988, as Selth points out, changes to the country's economic policies and foreign trade laws have encouraged the military to develop a number of new vehicles for pursuing its commercial interests. Historically, the *Tatmadaw*, the Army in particular, has been entrenched in the economic fabrication of Myanmar and has remained as the dominant player in its economy.

### 3.3 Military Intelligence as an Emerging Economy

In comparison with the regular Army, Military Intelligence was an emerging economic power at the threshold of the twenty first century. In 1988, Military Intelligence was a small group of units of only 2,000 personnel. It did not have the resources or even opportunities to be involved with large scale construction, natural resource exploitation or heavy industry as the regular Army did. As their power base grew, the economic power of Khin Nyunt and Military Intelligence expanded.

Their new power base was the former enemies or potential threats of the *Tatmadaw*, such as the armed ethnic groups, the foreigners from the western countries who would not have been able to visit the country until the current regime opened up the country for tourists.

Through negotiating and striking deals over ten years with armed ethnic groups, many of which had their own sources of wealth such as opium production, border-trade or natural resources such as precious stones, the ethnic groups came to provide the economic power base for Khin Nyunt and Military Intelligence. After the ethnic groups

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<sup>10</sup> Selth, *Burma's Armed Forces*, citing Maung Aung Myoe, p147

<sup>11</sup> Maung Aung Myoe cites Senior Gen.Than Shwe's speech: "Welfare is also an organizational activity. It supplements discipline. It also boosts morale. Therefore, welfare is essential in strengthening the *Tatmadaw's* capabilities". in *The Tatmadaw in Myanmar Since 1988* , Working paper NO. 342,(Canberra: 1999), p11

<sup>12</sup> Ibid.,p11

struck ceasefire deals with Khin Nyunt, many of them were allowed to set up their representative offices in major cities such as Yangon and Mandalay and to establish their businesses officially, including commercial banks and construction companies. They were said to become close economic allies with Khin Nyunt and Military Intelligence. In the border trade, too, for instance, Military Intelligence was reportedly involved in importing automobiles without proper import licenses through the Thai border with help from armed ethnic groups.

Since the mid 1990's, the flow of foreign travellers had increased, bringing in hard currency to the country. Military Intelligence established a travel company called Phoenix Group, which organized tours for foreign travellers to areas under the control of armed ethnic groups, where foreigners are usually prohibited from entering. Military Intelligence gave special permission to the travelling group of foreigners, arranged by Phoenix, and profit was shared by both sides. Military Intelligence also started upmarket restaurants and hotels in Yangon, Mandalay or Bagan, targeting foreign customers. Military Intelligence's business basically was a niche market, taking advantage of the chances the new open-door policy provided to earn hard currency.

In addition to the new inflow of foreign investment and travellers, there came the waves of the information age, which brought Military Intelligence the greatest economic opportunities. Information in the twenty first century meant business. Military Intelligence did not fail to take this chance. However, these economic opportunities brought about the weaknesses that led to its demise.

### **3.4 Monopoly of Information Technology**

#### ***3.4.1 Military Intelligence vs. Cyber Activism***

During the democratic uprising (or for the military 'the disturbances') of the late 1980's, Khin Nyunt and Military Intelligence agents found out that computers could be a source of threat to their existence. When Military agents raided the residence of U Ye Htoon, whom they suspected of being a core member supporting the resistance movement, they found a set of computer equipment together with floppy disks. "It was found that U Ye Htoon used a computer for keeping records. He used a programming

technique which enabled him to keep secret the file directory which indicated what kinds of records were kept in a diskette.” Those records allegedly were letters, accounts of expenditure on the organizational set-ups of his “underground” movements.<sup>13</sup>

If this was the first encounter for many Military Intelligence agents with a computer, their involvement in Information Technology was largely a reaction against internet activism targeting the military government. The first regular source of information on Myanmar available on the Internet was BurmaNet. According to Tiffany Danitz and Warren P Strobel, BurmaNet took shape in neighbouring Thailand in October 1993.<sup>14</sup> At the Internet Center of Chulalongkorn University, student Douglas Steele perused an on-line Usenet newsgroup called *soc.culture.thai* and started putting together reports on Myanmar from *The Bangkok Post*, *The Nation* and other sources and sending them out on the Internet without comment. Steele received a grant from the Soros Foundation's Open Society Institute to purchase modems and electronic mail accounts to train the large Burmese exile community in Thailand to be active on-line.

BurmaNet was significant in networking many people from Myanmar in exile around the world for the first time, and giving them the same up-to-date information and a means to communicate. Steele was quoted as saying there were “a lot of Burmese in exile, but they weren't together and the Net allows them, in one way, to be together.”<sup>15</sup> The number of electronic subscribers expanded from a handful to 400 in its second year, until it was no longer possible to keep track of the readership. This was the beginning of the internet activism against the military regime that later evolved into campaigns which led to the Massachusetts selective purchasing legislation of June 1996 and Pepsi boycott by which Pepsi pulled out completely from Myanmar in May 1997.

The military government felt the pressure. In October 1994, U Thaung, who was then based at the Myanmar Embassy in Washington DC and was later appointed as Minister for Science Technology, reported to Khin Nyunt about the new information

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<sup>13</sup> Ministry of Information, Myanmar, *The Conspiracy of Treasonous Minions within the Myanmar Naing-Ngan and Traitorous Cohorts Abroad.*, p18 U Ye Htoon was jailed, and released in 1992.

<sup>14</sup> “Networking Dissent: Cyber-Activists Use the Internet to Promote Democracy in Burma” accessed 10 January 2006 at [http://www.rand.org/pubs/monograph\\_reports/MR1382/MR1382.ch5.pdf](http://www.rand.org/pubs/monograph_reports/MR1382/MR1382.ch5.pdf), p134

<sup>15</sup> *Ibid.*, p135

technology and the internet activism which was gaining momentum in the West, suggesting that the government should resort to the same method to counter-attack.<sup>16</sup>

With Khin Nyunt's approval, Military Intelligence opened one account with AOL (America On Line) with five different log-in names. Military Intelligence officers made direct overseas calls to different providers in the U.S. to log onto AOL and used e-mails or surfed the internet. "Our organization started engaging in cyber warfare from then on."<sup>17</sup> Using the account, a team of a handful of staff equipped with computer related knowledge was assigned to send out information. The same year, the pro-democracy activists had to choose whether to allow these representatives of the military government to subscribe to BurmaNet and post their messages. They decided was to allow SLORC to join, 'in the interests of free speech and full debate.'<sup>18</sup>

Having joined the newsgroups, Military Intelligence sent out four or five on average, sometimes up to ten stories daily, including excerpts from *New Light of Myanmar*, the Information Sheet (official information issued by Military Intelligence) and relevant stories picked up from various news agencies. Military Intelligence agents were working daily in three shifts of four staff each. Two of the four selected excerpts from *New Light of Myanmar*, while the other two chose world news from the internet, relevant to Myanmar, world events, and ASEAN. The first shift monitored news at 6 am in the morning, then reported through the Deputy Head of the Department to Khin Nyunt in the morning briefing. An agent recalled, "He was well briefed, and knew what was going on in the world".<sup>19</sup> The team then sent out relevant news items to the news group on the internet.

In October 1995, with Khin Nyunt's approval, Military Intelligence set up a website, [www.myanmar.com](http://www.myanmar.com), registered in Laurel Maryland with the help of a Burmese-American citizen. It featured pictures of the country and information about tourism, business and development in an apparent effort to promote Myanmar's image as an attractive investment and tourist destination.

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<sup>16</sup> Author's interview with a former military officer, January 2006

<sup>17</sup> Author's interview with a former military officer, January 2006

<sup>18</sup> 'Networking Dissent', p136

<sup>19</sup> Author's interview, January 2006



### *3.4.2 Eagle Group – First E-mail Service in Myanmar*

In late 1995 and in 1996 Myanmar saw a surge in investment, arrivals of foreign businessmen and tourists. On 10 July 1995, Aung San Suu Kyi was released after 6 years of house arrest. Myanmar was seen as the last frontier in an economically growing Southeast Asia. Even though Suu Kyi had urged foreign businesses to wait for political reforms before investing in the country<sup>20</sup>, there was now a constant flow of foreign businessmen seeking for new investment opportunities. The military regime pursued its “open door policy” wherever it suited their needs. Pat James, a native of Texas who was a former helicopter pilot for oil exploration projects in Myanmar, had started his business in Yangon in the early 1990’s. He established a group of companies called Eagle Group, which expanded from café, investment and real estate into Information Technology.

Around 1993, he bought a set of iPStar satellite equipment<sup>21</sup> from Shin Satellite<sup>22</sup> in Thailand and brought it back to Yangon. Using the equipment, he set up Myanmar’s first e-mail service system in 1996, together with a few other expatriates. James, having worked in Myanmar for 8 years, had a plenty of contacts with the military, especially with Military Intelligence personnel. James recalled, “Eagle Group agreed with the Military Intelligence that our customers would be only foreign expatriates and no Burmese; that Military Intelligence could freely come in and out of our office, and that Military Intelligence would take fifty percent of the profit”.<sup>23</sup>

Eagle’s e-mail service was “officially illegal”, but since it was the only e-mail service available for those who could afford it and since it “profited Military Intelligence economically, no one seemed to mind” recalled James. Eagle Group trained human resources by sending “many Burmese staff of Eagle Group” to Singapore or Malaysia for Information Technology training courses. Eagle Group charged customers US \$1 per kilobyte of data, while it was costing one US cent, and the economic future of their business seemed “very promising”.<sup>24</sup>

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<sup>20</sup> Robert Horn , “Investors ignore plea by Suu Kyi not to rush healong into Burma” AP, 29 July 1995

<sup>21</sup> iPSTAR satellite terminals consist of a satellite modem and outdoor unit (satellite dish) set.

<sup>22</sup> An affiliated company of Shin Corp which Prime Minister Thaksin Shinawatra founded in 1984.

<sup>23</sup> Author’s interview with Pat James, 3 February 2006

<sup>24</sup> Author’s interview with Pat James, 3 February 2006

### 3.4.3 Setting IT as Nation's Priority

While Military Intelligence staff was engaged in Cyber warfare, counter-arguing with the opposition camp on the internet, Khin Nyunt took steps to dominate the IT sector by setting up new regulations which made the IT industry as a government monopoly.

In 1996 the government passed the Computer Science Development Law and formed the Council of Myanmar Computer Development, which is a statutory body having legal powers and responsibilities which include formulation of policies for the growth of the IT sector and for promoting the use of IT in the country. Khin Nyunt became Chairman of the Council. The law has objectives such as contributing to the emergence of a modern developed state through computer science and implementing measures necessary for the development and dissemination of computer science and technology. The law also laid down the foundations for the government's monopoly. It stipulates that the Council of Myanmar Computer Development has powers to determine policy with respect to information technology and "to abolish any computer association formed or existing not in compliance with the provisions of this law or any computer association not functioning in conformity with the provisions of this Law."<sup>25</sup>

The law also forbids anyone from possessing a computer without authorization from the government. It stipulates that "whoever imports or keeps in possession or utilizes any type of computer prescribed under sub-section (a) of section 26, without the prior sanction of the Ministry of Communications, Posts and Telegraphs shall, on conviction be punished with imprisonment for a term which may extend from a minimum of 7 years to a maximum of 15 years and may also be liable to a fine," and that "whoever sets up a computer network or connects a link inside the computer network, without the prior sanction of the Ministry of Communications, Posts and Telegraphs shall, on conviction be punished with imprisonment for a term which may extend from a minimum of 7 years to a maximum of 15 years and may also be liable to a fine."<sup>26</sup>

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<sup>25</sup> K.J. Joseph, *Development of Enabling Policies for Trade and Investment in the IT sector of the greater Mekong Sub-region*, UN Economic and Social Commission for Asia and the Pacific (Bangkok: 2004), Extended unedited version accessed at <http://www.unescap.org/tid/projects/gms.ap> on Feb 25 2006.

<sup>26</sup> see for details <http://www.myanmar.com.gov/laws/computerlaw.html>

Setting the agenda to pursue its own Information Technology, the military government sent six officials to the U.S. for computer training courses in 1998. They declared themselves to the American authorities as engineers from the Ministry of Post and Telecommunication (MPT), which was only partially true – three of them were MPT officials and the rest were from Military Intelligence.<sup>27</sup> The six personnel were divided into three teams of two – each team had one from MPT and the other from Military Intelligence. Two of the teams received training from two internationally well-known American computer companies for up to two months. The other team went on a study tour around the country. Upon their return, those from MPT were put in charge of setting up an Internet Service Provider (ISP) for MPT. A set of equipment was bought in November 1998 to establish the first official ISP in the country.

#### ***3.4.4 Military Intelligence's Takeover of Eagle Group***

For Eagle Group, the new regulations of 1996 were ominous. Military Intelligence till then had not only turned a blind eye to its activities but was profiting from the service. By this law, Eagle Group's activities were now officially illegal because it did not have an official concession from MPT. Eagle Group had grown rapidly. By 1999 it had 300 staff, of which 80 were employed in the IT department. It was developing a plan for an educational intranet service to connect schools in remote areas via VSAT services using SingTel's ST-1 satellite.<sup>28</sup> Eagle Group gave demonstrations in front of 2,000 school teachers, Military Intelligence, Army's Signal Corps and the Ministry of Education in early 1999.<sup>29</sup> The Group had also obtained a Top Level Domain ( .mm) and started an internet service in addition to e-mail in 1999. James had a bigger plan. "The company was preparing to go public in Hong Kong in early 2000. We had already finished a very detailed report for that to be materialized. If the plan had gone ahead, Eagle Group would have made profit gain of 20% every quarter. Within a few years, it was aiming to make 'millions of dollars'. The plan never materialized.

On 14 December 1999, James and other foreign staff were summoned to MPT office to negotiate a final deal for future cooperation between the two. After they had

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<sup>27</sup> Author's interview, January 2006

<sup>28</sup> Paul Budde Communication Pty Ltd, *Myanmar (Burma) - Telecoms Market Overview & Statistics. 2005* (Bucketty, Australia: 2006) p8

<sup>29</sup> *New Light of Myanmar*, 6-7 January 1999

arrived and were waiting for the meeting to start, three offices of Eagle Group were simultaneously raided in their absence by Military Intelligence units. Many of the local staff were put under house arrest and were interrogated and all the equipment, from computers and modems to generators, was confiscated. James was treated well and never questioned, but he essentially had to close down his business and left the country in mid 2000. “They never explained the reason for their decision to raid and terminate our business so abruptly”.<sup>30</sup> As for the country code, the Top Level Domain, which had been registered in the name of Eagle Group, was signed over to MPT. MPT became the sole ISP providing internet and e-mail service in the country.

This episode demonstrates the incessant pattern of military interventions. Military Intelligence allowed certain activities to continue even when they were not in accordance with the law, as long as it brought benefits. When they felt the need to terminate it, they did not hesitate to resort to forceful intervention. The new law Khin Nyunt had formed specifically stated that it could *abolish any computer association formed or existing not in compliance with the provisions of this law*.

### **3.5 Bagan Cybertech – The Beginning of the End**

#### ***3.5.1 The Arrival of the IT age in Southeast Asia***

The latter half of the 1990’s saw the fast expansion of internet usage throughout the world. In countries of the Association of South East Asian Nations (ASEAN), the fervency for IT was catching up. Myanmar became a member of ASEAN in 1997. In the following year at the ASEAN summit, leaders agreed to improve the Information Technology infrastructure. In November 1999, the ASEAN leaders endorsed the e-ASEAN initiative. “E-ASEAN aims to develop a broad-based and comprehensive action plan including the physical, legal, logistical, social and economic infrastructure needed to promote an ASEAN e-space, as part of an ASEAN positioning and branding strategy. E-ASEAN would cover the economy, society and government.”<sup>31</sup>

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<sup>30</sup> Author’s interview with James, January 2006

<sup>31</sup> “Toward E-ASEAN”, Manila, November 1999, accessed <http://www.aseansec.org/6268.htm> accessed on 3 March, 2006

Khin Nyunt foresaw a huge potential in what IT could bring to his country's battered economy. According to the IT Master Plan for 2010 drafted in 2002 by Myanmar Computer Science Development Council, of which he served as Chairman, "IT will surely play an important role in implementing the political, economic and social objectives in Myanmar. IT will be the basic input for economic development." "The value of IT products and services is expected to reach \$2 trillion in the twenty first century from \$ 530 billion in 1996. While the world IT industry is expected to grow 10 per cent annually, it is expected to have 20 percent annual growth in the South East Asia region".<sup>32</sup> While calling for creating an "environment for fair competition", Military Intelligence's plan to create the first semi-government joint venture, which would undertake nation-wide IT infrastructure construction, was under way.

### *3.5.2 The Grey Start of Bagan Cybertech*

As the first semi-government joint venture, the brainchild of Khin Nyunt was called Bagan Cybertech. There does not seem to have been any official day for the establishment of Bagan Cybertech Co. Ltd, or a clear explanation as to how it was formed. At best there is a very sketchy outline. According to the *Myanmar Encyclopaedia of 2003* (published by Myanmar Book Society, owned by the Ministry of Information), Bagan Cybertech "is a semi-government organization, jointly formed with Myanmar Communication Enterprise and the private IT Companies. The e-National Task Force formed in October 2000 was transformed as Bagan Cybertech." *Yangon Directory* explains, "Bagan Cybertech, a semi-government business enterprise formed in 2000, emerged as a second ISP and made email and Internet access available to a large part of the local populace." <sup>33</sup> Bagan Cybertech's website only adds to the confusion by giving two dates, September 2000 and February 2001 as dates of "founding Bagan Cybertech Co.,Ltd". <sup>34</sup> This greyness is precisely because Bagan Cybertech originally emerged as a purely Military Intelligence-owned group in its early stage and only later became a semi-governmental enterprise.

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<sup>32</sup> K.J. Josh, p149-152

<sup>33</sup> Public Relation and Information Department, Yangon City Development Committee, *Yangon Directory 2004* (Yangon, 2003)

<sup>34</sup> <http://www.bagan.net.mm/company/milestones.asp>, accessed on 5 January 2006

According to reliable sources, Military Intelligence founded Bagan Cybertech in early 2000. It was not an officially registered company. Bagan Cybertech was to become an independent ISP, second to MPT. The license for the ISP was granted to Military Intelligence within the Defence Ministry by MPT. Bagan Cybertech started a web portal, <bagan.net.mm> in May 2000. The main officers in charge of Bagan Cybertech were the Head of External Affairs Department, Brig. Gen. Thein Swe and the Deputy Head of IT Department, Col. Tin Oo, both of whom would become board members of Bagan Cybertech when it was officially launched. Thein Swe was one of the key figures who incorporated and managed new Military Intelligence economic undertakings. In 1997 this business minded senior officer described a new policy as “Productive Establishment” ready for times of “peace or war” in the post-Cold War era. It was to revive the *Tatmadaw* as a major player in the new market-oriented economies both through its involvement in individual projects and a new military –backed company such as UMEH as noted previously.<sup>35</sup> Thein Swe had embarked on materializing what he had advocated through Bagan Cybertech.

### ***3.5.3 IT Business Monopolized and Personalized***

Military Intelligence’s business partner in Bagan Cybertech was going to be none other than the son of Khin Nyunt. Khin Nyunt and his wife Daw Kin Win Shwe placed an advertisement in the official government paper, *New Light of Myanmar*, in February 1998. It was an announcement disowning one of their two sons, Ye Naing Win, for “his inexcusable deed”, with the signature of both parents.<sup>36</sup> Ye Naing Win had married a Singaporean air hostess who used to fly on Myanmar’s flag carrier Myanmar Airways. The announcement was understood as Khin Nyunt’s gesture of condemning his son for marrying a foreigner. Khin Nyunt had so often portrayed Aung San Suu Kyi as a conspirator with the West because of her marriage to a British scholar. Another possible explanation was that a clause in the drafted new constitution stipulated that those who marry foreigners, as well as their parents, cannot be included in the government. Whatever reasons there were, though, it would soon appear to be a mere gesture.

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<sup>35</sup> Thein Swe, ‘The Role of the Armed Forces’, in Ministry of Defence, Human Resource Development and Nation-Building in Myanmar (Yangon, 1997), p158, cited in Robert H. Taylor (ed), *Burma: Political Economy under Military Rule*, p22

<sup>36</sup> *New Light of Myanmar*, 25 February 1998

After Military Intelligence established Bagan Cybertech, Ye Naing Win set up a company named Maykha Network Pte Ltd in January 2001. Maykha Network and Bagan Cybertech made a joint operational deal in April 2001. The agreed deal was that Maykha would provide all facility and technical staff to Bagan Cybertech, which held the license to be the ISP. Under the agreement, they set up what they called a “semi-government joint-venture”.<sup>37</sup> A company with the official name *Bagan Cybertech IDC and Teleport* was established in December 2001. At this moment, Ye Naing Win became the Chief Executive Officer of Bagan Cybertech.

Neither Bagan Cybertech’s business deals nor the details of holders of the shares were made public. Reliable sources suggest that Military Intelligence, on behalf of the Defence Services, held 30% of the shares, whereas the other 70% were held by Maykah Network Ltd. In 2002, when the company was expanding rapidly, more investors started cashing in on the business. Military Intelligence kept 30%, and one of the major private banks of Myanmar, Kanbawza bank, chipped in 15%. Some shareholders including foreign technicians of Bagan Cybertech held 15%, and the other 40% was held by Maykah Network. According to sources, the size of investment totalled 20 million USD. Its capital was enormous by Myanmar standard.<sup>38</sup> This is by far the biggest single business Military Intelligence was involved in.

By this time, Bagan Cybertech had a Board of Directors with four members from Military Intelligence, namely Birg. Gen. Thein Swe, Col. Tin Oo, Maj. Thein Win and Maj. Theik Soe. The shares were in their individual names, although the license for ISP was in the name of Military Intelligence on behalf of the Defence Services. This “could have been the perfect target of attack by the military leadership if or when they chose to do so”,<sup>39</sup> for the individuals appeared to monopolize the profit of the new business.

### ***3.5.4 Myanmar as Potential Market***

While Military Intelligence was preoccupied with the idea of developing IT in Myanmar, regional players such as Thailand and Singapore viewed Myanmar as an

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<sup>37</sup> A published interview with Bagan Cybertech Administrative Director, (Col.) Tin Oo, *Living Colour Magazine*, no. 82, March 2002

<sup>38</sup> Author’s interview, January 2006

<sup>39</sup> Author’s interview, January 2006

attractive market with great potential at the threshold of twenty first century. Myanmar had a population of fifty three million where with a telephone density of only 0.6% and internet users estimated only to be around 50,000.<sup>40</sup> The telecommunication industry in general is tightly regulated by all countries because it has direct links with national security. Business depends on concessions from the government or regulatory authority and thus makes the industry deeply intertwined with power. If a politician (or a military general, in the case of Myanmar) holds the power to monopolise the concessions, he or she could make money by selling or utilizing the power.

For Thailand's Shin Satellite (a public company affiliated with Shin Corp Plc, the telecommunication group originally established by current Thai Prime Minister Thaksin Shinawatra in 1984), the first groundbreaking deal with Myanmar's military government came in 1998 when Myanmar's national television MRTV switched the broadcasting satellites from Hong Kong's Asiasat to Shin Sat's Thaicom. Since then throughout the period of Thaksin's administration up to the time of writing, Shin Satellite's dealings with the Myanmar's regime repeatedly appeared in headlines in Thai newspapers, at times with tones of criticism. Executives of Shin Satellite have frequently written to newspapers in response to the criticisms. On 20 June 2002, Yongsit Rojsrivichaikul, then Chief Commercial Officer and Vice President (Marketing-Sales) defended the deals of the company; "Our sales team spent a lot of time in Rangoon a few years earlier to do the work to win the contract (of MRTV's switch to Thaicom) "<sup>41</sup>and stressed that Prime Minister Thaksin had nothing to do with the deal.

Whether Prime Minister Thaksin did or did not influence the business policy of Shin Satellite, it was apparent that Khin Nyunt admired the way its neighbouring Thailand was heading with its telecommunication and information technology. Khin Nyunt, on his first official trip to Bangkok in September 2001,<sup>42</sup> visited Shin Satellite's Thaicom satellite station to see the process of Thailand's high tech communication industry " as a model for development in his own country", according to then Thai

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<sup>40</sup> Presentation made by a staff officer of Myanmar Posts and Telecommunication Department at APT Seminar on ICT Technologies and Broadband Applications, August 2005.

<sup>41</sup> Yongsit Rojsrivichaikul's letter to *The Nation*, 20 June 2002

<sup>42</sup> He was given audience with HM King Bhumipol of Thailand at the Royal Palace.



Defence Minister Chavalit Yongchaiyudh said.<sup>43</sup> Seven months later, Shin Satellite signed a thirteen million USD deal with Bagan Cybertech. Under the contract, Bagan Cybertech would purchase a complete iPSTAR system package, including an iPSTAR gateway and 5,000 terminals, for the provision of rural telephony services throughout Myanmar. It was Khin Nyunt's son and CEO of Bagan Cybertech, Ye Naing Win, who inked the deal with Shin Satellite, stating "We have confidence in iPSTAR technology and will deploy iPSTAR user terminals for four major projects, including a rural telephony project for more than 3,000 villages that still have no communication services."<sup>44</sup> It is of interest to note that a day earlier, *New Light of Myanmar* reported only on "the cooperation agreement signed between Bagan Cybertech and Shin Satellite in Yangon". It did not say that it was a big shopping deal for Bagan Cybertech, but only that it was for "cooperation" between the two.<sup>45</sup>

### ***3.5.5 Cordial Relationship with Thailand***

Khin Nyunt's cordial relationship with Thailand's Prime Minister Thaksin was a new power base for Khin Nyunt, as pressure on Myanmar's military government from the international community mounted.

On 30 May 2003, Aung San Suu Kyi, who had been released from house arrest a year before, was attacked by a pro-government mob and was detained in Depayin, Sagain Division. She had been travelling around the country speaking to people in each region. According to the military government, the NLD entourage clashed with anti-NLD civilians and four people were killed. Thus, for the sake of Suu Kyi's safety, she was put under government custody. She was brought back to Yangon in a military helicopter and put into a facility at Insein prison. Many accused the military government of having made a carefully planned attack. The U.S. State Department Spokesman Richard Boucher went as far as noting that "the new prime minister (Soe Win) was reportedly directly involved in the decision to carry out the brutal attack on Aung San Suu Kyi on May 30, 2003." If this was a planned attack, the timing was carefully chosen so that it would coincide with the planned visit of UN Envoy Tan Sri Razali.<sup>46</sup>

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<sup>43</sup> 4 September 2001, *AP*

<sup>44</sup> Shin Satellite's press release on 15 May 2002

<sup>45</sup> *New Light of Myanmar*, 14 May 2002.

<sup>46</sup> Myanmar's possible chairmanship of ASEAN in 2006 was in many people's mind at this time already. Tan Sri Razali felt that "Myanmar could not possibly chair ASEAN if the military won't change

For Khin Nyunt, as the front man of the government dealing with the outside world, the event caused mounting pressure. Colin Powell, then U.S. Secretary of State called the military government “a bunch of thugs” at the ASEAN Regional Forum in Phnom Penh, Cambodia in June, and this was followed by the strengthening of economic sanctions by the Bush administration in August 2003. Thailand’s Prime Minister Thaksin came forward to defend Khin Nyunt against the barrage of criticism from the West.<sup>47</sup>

When Thailand hosted the APEC summit in Bangkok in October 2003, the world’s eyes were on what U.S. President George W. Bush had to say to Myanmar’s military government regarding Aung San Suu Kyi and to ASEAN, which had taken a soft stance toward Myanmar. Prime Minister Thaksin volunteered to represent the voice of ASEAN in the bilateral talk with President Bush. ASEAN leaders agreed to Thaksin’s proposal. His position was that “we have to live with Myanmar as a neighbour, which is different from America. We have to deal in a different way but the ultimate goal to encourage democratization in Myanmar is the same as America”.

The U.S.-Thailand relationship could not be better at the time. Two months prior to the APEC summit, Thailand cooperated with the U.S. to successfully arrest Hambali, one of the alleged masterminds of the Bali bombing of 2002, in his hiding in Ayuttaya, Central Thailand.<sup>48</sup> Thailand had already dispatched four hundred soldiers to the city of Karbala, central Iraq, in cooperation with the U.S. in its efforts to rebuild Iraq. Thaksin

any of the status quo” and had in his mind to have that as leverage in persuading the military government. Interview, 26 May 2003, 4 days before the incident in Depayin, Kuala Lumpur, Malaysia.

<sup>47</sup> Thaksin’s qualification as the new regional leader was a much written and debated issue both in the press and academic circle, such as ‘Thaksin stakes a claim to be the regional leader’ by Simon Montlake, South China Morning Post, Hong Kong on 23 October 2003, or ‘Thailand: Thaksin is riding high – maybe too high’ by Philip Bowring, International Herald Tribune, 7 January 2004. Jennifer Amyx argues in her paper “A Regional Bond Market for East Asia? The Evolving Political Dynamics of Regional Financial Cooperation” (Pacific Economic Papers, No. 342, 2004, Australian National University); ‘In his role on the bond market initiative, Thaksin is also clearly positioning himself to emerge as the new political leader within ASEAN. Former regional leaders such as Singapore’s Lee Kuan Yew and Malaysia’s Mahathir bin Mohamed have now retired. Indonesia’s Megawati Sukarnoputri is weak and struggling for political survival. Thaksin clearly seeks to fill the regional leadership vacuum with his proposals to make Asia strong and independent through measures such as the development of an Asian bond market.’

<sup>48</sup> Bali Bombing took place in Kuta, Bali, Indonesia on 12 October 2002, killing 202. It was called “9/11 for Australia” because the highest toll, 88, was the Australians. Riduan Isamuddin, better known as Hambali, was sought after by the U.S. as the leader of the Indonesian Islamic militant group JI (Jemmah Islamiyah) who was said to have the close tie with Al Qaeda.

was confident in his defence of ASEAN's position in his talks with President Bush. (Bush could not even pronounce Suu Kyi's name properly in front of laughing reporters in prior to the bilateral talk.) "We talked about a wide range of issues, including Burma and our deep desire for freedom to take place in Burma. We care deeply about Aung San Suu Kyi and the status of Aung San Suu Kyi, and we would like to see her free. I appreciate the sympathetic hearing I got from the Prime Minister. We share the same goal; the government assured us of that, and I thank him for that"<sup>49</sup>, President Bush remarked after the meeting. It was a success for Thaksin.

"Thaksin is OK", admitted one Military Intelligence officer in Yangon after the APEC summit, "we were thankful for that (his defence). As long as we don't have major problem at the border, Thailand is fine". Another officer said of Thaksin, "friends in need are friends in deed"<sup>50</sup>.

The relationship between Myanmar and Thailand was further enhanced when the Bagan Summit, on Thaksin's initiative, was held one month after the APEC summit, in the ancient city of Bagan in November 2003. This summit of leaders of four regional countries, Thailand, Myanmar, Laos and Cambodia, later evolved into ACMECS. In the author's observation this summit was the highlight of Khin Nyunt's premiership. It was the first international summit the military government had held since 1988. All the major pagodas in Bagan were beautifully lit up at night when the leaders had a gala dinner along the Ayeyarwady River. The Myanmar government organized entertainment for the leaders on the river, putting an illuminated flotilla on the water. From the other bank, thousands of candle-lit lanterns were flown into the dark sky. It was said that for the military government, this smaller scale summit, with its security, logistical and press arrangements, the gala dinner and the grand entertainment, was the first rehearsal for the ASEAN summit that the junta expected to host three years later. (Due to the pressure from other ASEAN member countries, Myanmar decided to renounce its chairmanship of 2006, in the ASEAN Ministerial Meeting in Laos in July 2005.)

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<sup>49</sup> Remarks by President Bush in a Photo Opportunity with Prime Minister Thaksin of Thailand, at Grand Hyatt Erawan Bangkok, Bangkok, Thailand, 19 October 2003

<sup>50</sup> Personal communication, Myanmar

### ***3.5.6 The Deal with Prime Minister Thaksin – Critical Fall Factor***

The cosy relationship with regional major players such as Thailand's Thaksin was a double edged sword for Khin Nyunt. On one hand, it served him as a safety blanket, with which Thailand and ASEAN defended Myanmar in face of criticism from the West. It facilitated Myanmar's attempts to be an active participant in international forums such as the Bagan Summit. It also gave Myanmar access to better economic cooperation with its neighbours. It made Khin Nyunt a recognized face as a key political figure in Southeast Asia. International recognition became his power base.

However, the cosy relationship had negative bearings which cost Khin Nyunt's career in the military. Prime Minister Thaksin and Shin Corp's deal with Khin Nyunt and Bagan Cybertech came under heavy scrutiny by the press, opposition parties and the public of Thailand throughout Thaksin's administration. Thaksin's premiership had been tarnished, from the very beginning, with reoccurring allegations of tax evasion involving Shin Satellite or Shin Corps.<sup>51</sup> Being involved with Shin's business meant that Khin Nyunt's deals too, would be exposed in the Thai and international press, something which SPDC could not ignore.

Regardless of how many times Shin Satellite rejected the allegations that the company was favoured in winning business in other countries by the founder's position as Prime Minister,<sup>52</sup> it was the perception of the Thai public that could preserve or damage the longevity of a political leader's life in a democratic society. On the other side of the border, the perception of the public had nothing to do with the legitimacy of longevity of the power of a general. It solely depended on the perception of other generals who were as powerful as, or more powerful than Khin Nyunt.

While Khin Nyunt pushed for the development of the IT industry, Bagan Cybertech expanded rapidly, introducing new technologies and services to the country

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<sup>51</sup> At the time of writing the paper, Shin Corp deal with Singapore's Temasak in January 2006 had ignited the mass protests demanding Prime Minister Thaksin's resignation and rocking the political scenes of Thailand. Snap election is to be held on 2 April which is a virtual one-horse race for Thaksin's Thai Rak Thai as all other major oppositions parties decided to boycott the election. The outcome is yet to be seen.

<sup>52</sup> Such as 'ShinSat denies help from Thaksin', *Nation*, 12 Jun 2002 citing Shin Satellite's statement: "There have been suggestions that the company has secretly benefited from government activities, while in fact we have been doing business transparently and professionally".

such as Broadband Wireless Access, the first toll-free dial-up service, iPSTAR applications for telephony to villages in remote areas and providing technical support to all cyber cafes that emerged in 2003.<sup>53</sup> It had no rivals in the private sector. Military Intelligence officials involved in Bagan Cybertech business appeared to be so busy that they looked more like obsessed businessmen than professional spies.

Khin Nyunt's delegated authority by SPDC was perceived as taken advantage for the business of his son and Military Intelligence. In June 2004, Khin Nyunt was invited to Bangkok on another official visit, during which both Prime Ministers agreed on the four billion baht (100 million USD) credit line from Thailand to develop infrastructure in Myanmar, with the condition that materials should be purchased from Thailand and that the loans be paid back within twelve years at an interest of three percent.<sup>54</sup> Controversy erupted again in Thailand when it was revealed that the 600 million-baht-loan (15 million USD) out of the four billion baht credit line was approved by the Export-Import Bank of Thailand in September 2004. The loan was for a deal, which Bagan Cybertech and Shin Satellite inked with much fanfare in 2002, for Bagan Cybertech to purchase broadband internet access and a long-distance calling service in Myanmar, using the iPSTAR system of Shin Satellite. The president of the Ex-Im Bank of Thailand, Sataporn Jinachitra, testified to a Senate Committee, "We have no choice but to follow government policy. This is not a business to which the Ex-Im Bank usually grants loans".<sup>55</sup> The Thai loan was going to be made for a project that would profit Bagan Cybertech, owned by Khin Nyunt's son and Military Intelligence, and Shin Satellite, owned by the family of Prime Minister Thaksin' family.

This paper has pointed out that the military's involvement was nothing new. Many observers argue that cronyism is nothing new in Myanmar, either. For instance, families of senior generals, such as Than Shwe and Maung Aye are also involved in various businesses.<sup>56</sup> Selth admits that "it is now very difficult to establish any major business in Burma without the support of senior military officers, many of whom have their own

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<sup>53</sup> *Yangon Directory 2004*,  
[http://www.yangondirectory.com.mm/ydg\\_generalinfo/communications.asp](http://www.yangondirectory.com.mm/ydg_generalinfo/communications.asp) accessed on 22 February 2006.

<sup>54</sup> The Export-Import Bank of Thailand's testimony, cited in *The Nation*, 2 September 2004.

<sup>55</sup> *The Nation*, 2 September 2004.

<sup>56</sup> See, for reference, the list of military personnel on travel ban and other sanctions by European Union and see how senior military officers are involved in major businesses, at <http://www.gov.im/lib/docs/treasury/customs//sanctionsnotice7updatedto24f.pdf>

interests in private companies throughout the country”.<sup>57</sup> However, what made the case of Bagan Cybertech and Thailand stand out was the virtual monopoly of a considerable amount of bilateral economic assistance, which was given such public exposure.

In Thailand what mattered was the perception of the public, the stakeholders in the democratic government. In Myanmar, it was how this was perceived by other senior generals in the leadership that was critical. According to Thura Shwe Mann’s briefing on 30 September 2004, the cabinet ministers were instructed by Than Shwe to stop all economic ventures which “aggrieved Khin Nyunt”.<sup>58</sup> Bagan Cybertech was already one of the major targets of attack by the rest of the *Tatmadaw* leadership at the time. The cordial relationship with Thailand was on its way to serving Khin Nyunt as a new economic power base. The *Tatmadaw* did not let that materialize.

### 3.6 Conclusion

On the night of 18 October 2004 when Khin Nyunt was detained, Military Intelligence Headquarters and the office of Bagan Cybertech were raided simultaneously. Ye Naing Win was arrested and put into jail. All four board members of Bagan Cybertech were also put into prison. Khin Nyunt and Military Intelligence were stripped of their economic power by the military intervention.

As Khin Nyunt and Military Intelligence gained new power base from the new alliance with the armed ethnic groups, the western businessmen and tourists, the neighbouring countries and the regional group such as ASEAN, the economic power of Khin Nyunt and Military Intelligence grew from very small to the scale unprecedented and disproportionate to the military power they had. The internationalization of the economy, though limited, and the more contacts with the outside world brought economic benefits to Khin Nyunt and Military Intelligence, which the rest of the *Tatmadaw* perceived as their monopoly, threatening the existed prerogative structure of the *Tatmadaw*.

The new economic power of Military Intelligence became the source of weakness for Khin Nyunt and for Military Intelligence as such; First, the new emerging economy

<sup>57</sup> Selth, *Burma's Armed Forces*, p 148

<sup>58</sup> Thura Shwe Mann’s briefing, 24 October 2004



appeared to be monopolized; Information Technology industry became a virtual monopoly for Khin Nyunt and Military Intelligence. The business became a personal fief of Military Intelligence personnel when in fact it was on concession in the name of the Defence Services.

Second, blatant cronyism became highly visible; Bagan Cybertech was a joint venture of Khin Nyunt's son and the personnel of Military Intelligence. Through the deal of Bagan Cybertech with Thailand, the wealth was seen to be enjoyed only by Khin Nyunt's family and a close circle of Military Intelligence.

Third, Myanmar was perceived as being exploited by Thailand; in the eyes of other generals in the leadership of Myanmar, the case of Bagan Cybertech with Shin Satellite may have been perceived as particularly grave. Myanmar was the market where Shin Satellite sold its products, which Myanmar would borrow money from Thailand to buy. The leadership of SPDC may have seen it as a dangerous move for Myanmar to be thus exploited by its neighbour, Thailand.

Fourth, Military Intelligence was distracted by the new economic opportunities created by the new information age. Senior Military Intelligence officials simply appeared to be obsessed with the new business. The distraction was so serious that their intelligence was incapable of preventing the imminent danger.

In the briefing by SPDC on what had happened to Khin Nyunt, the new Prime Minister, Soe Win, ended his comment by saying "He (Senior Gen. Than Shwe) urged that in order that the working class can live properly and comfortably, there should be fair and equal profit sharing between the State and each and every entrepreneur."<sup>59</sup> When the military found that there was not fair and equal profit sharing between the State and entrepreneurs, they intervened. In the case of Khin Nyunt and Military Intelligence, SPDC perceived that Khin Nyunt and Military Intelligence monopolized the new business and did not share the profits; hence the military resorted to the forceful intervention.

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<sup>59</sup> 'Complete Explanation on the Development.....' p.11