

## CHAPTER IV

### HINTERLAND ECONOMIC DEVELOPMENT AND CAPITAL RELOCATION TO PYINMANA NAYPYIDAW

Even though politico-military security has played very significant roles as motives for the move from Yangon to Naypyidaw, economic development, especially in the hinterland is also an important factor. After the decline of the national economy due to the mismanagement of 'Burmese Way to Socialism' which led to the 1988 uprising, the SLORC/SPDC abolished the socialist economic system and took economic reform measures with more focus on free-market capitalism in order to recover the situation after the fall of socialist regime, develop the nation in modern circumstances and more importantly, earn income to ensure a strong military regime.

According to the assessment of Economic Intelligence Unit and the Myanmar government, national economic growth and development is deeply dependent on agriculture, forestry, irrigation, minerals and energy but the utilization of these natural resources is limited by the lack of human resources, transportation, infrastructure and the ineffectiveness of economic reform.<sup>1</sup>

Under these circumstances, the current military regime claims to be a 'development regime' and has constantly improved and expanded agricultural areas, energy supplies and transportation networks throughout the country, especially in the dry zone which has been continuously improved by the government as the centre of hinterland development. In this regard, moving the capital from coastal Yangon to inland Pyinmana is significantly connected to the policy of economic development and the strategy of economic security. Moreover, it will open a new chapter of economic expansion in the heartland of Myanmar. There are three main enlargements about capital relocation in the context of the country's development.

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<sup>1</sup> Udom Kerdphibul, *Myanmar in Foreign Economic Relations*, Chotanaprint, Chiang Mai, 2006, p. 46.

#### 4.1 The Enlargement of Agricultural Development

Agriculture is the dominant sector of the Burmese economy.<sup>2</sup> In the past, the former kings of Myanmar had foresight and vision and fully recognized the importance of providing adequate water for agricultural purposes. They gave much effort to establishing irrigation networks and were successful in their endeavors.<sup>3</sup>

After the arrival of British colonialism, agricultural development expanded greatly. The colonial rulers established a new system of transportation and rice cultivation throughout Lower Burma orientated towards exports. British policy dramatically increased the significance of Lower Burma as a centre of rice production for international trade and many farmers in Central and Upper Burma increasingly migrated southwards to Lower Burma which brought about a demographic imbalance between the hinterland and coastal areas that has continued until this day. As a consequence, the centre of Burmese agriculture automatically shifted from the dry zone to the delta.

Although the British also reconstructed irrigation networks and expanded agricultural areas in the dry zone, for example, in cotton, sugar cane, beans, groundnuts, sesame, tobacco, etc., the concentration of agricultural projects was still less than in Lower Burma which was the rice basket of the British colony, particularly after the opening of the Suez Canal in 1869. The British played a vital role in Burmese agricultural development, although the benefits accrued to the British and Indians while most Burmese people were exploited and lived in poor conditions.

Soon after the Revolutionary Council came to power in March 1962, an agricultural development program aimed at abolishing landlordism and improving the social and economic conditions of the peasantry was launched. "However, under the

<sup>2</sup>Khin Maung Kyi, Ronald Findlay, R.M. Sundrum Mya Maung, Myo Nyunt, Zaw Oo, *Economic Development of Burma: A Vision and A Strategy*, Centre of Business Research and Development (CBRD), National University of Singapore, 2000, p. 37.

<sup>3</sup> Department of Irrigation (Myanmar), *Irrigation*, Available from: <http://www.irrigation.gov.mm/works/gallery.html>

Burmese Way to Socialism, agriculture became highly controlled and directed by the state. The state and cooperative sectors were major players rather than the land holding peasant class. In fact, as all firms in the trade and industrial sectors were nationalized, the government began to exercise a great deal of control over the agricultural sector as well."<sup>4</sup>The heavy intervention by the government and the inward looking policy led to low levels of investment in infrastructure and production, to chronic foreign exchange difficulties and to low levels of productivity. Failure of the government policy led to the ineffectiveness of agricultural development, especially in the dry zone and Upper Burma.

After the new military regime came to power in 1988, the SLORC declared an end to socialism in the political system and introduced the open door market-oriented economic system in order to reconstruct Myanmar as a modern and developed nation and enhance economic power to ensure a strong regime. Subsequent changes in policy, from welfare-first to growth-first, have had a marked effect on the agriculture sector, which are "the economic base of the country and the largest generator of output, income and employment."<sup>5</sup>

The SLORC/SPDC has applied both traditional and modern concepts to develop the agricultural sector. The ruling government always claims that they have made serious efforts towards improving the irrigation system of Burma, with the implication that they followed in the tradition of Burmese kings as the most famous and powerful ones always had distinguished themselves as builders of waterworks such as canals, dams, weirs, and tanks. On the other hand, the ruling junta has paid more attention to modernization and the free-trade economy. More explicit strategies for the achievement of agricultural policies have been formulated and implemented with strong government support since the beginning of the first four year plan in 1992/93. As a result, some farmers even grew three crops in the year, with two wet season crops and one dry

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<sup>4</sup> Quoted in Khin Maung Kyi, Ronald Findlay, R.M. Sundrum Mya Maung, Myo Nyunt, Zaw Oo, *Economic Development of Burma: A Vision and A Strategy*, p. 40.

<sup>5</sup> Quoted in Tin Htut Oo, *Myanmar Agriculture under the Economic Transition: Present Situation and Emerging Trends*, Institution of Developing Economies, 1996, p. 4.

season crop in between, and the total summer irrigated rice growing area increased to 3.1 million acres in 1994-95.<sup>6</sup>

Although agricultural productivity has continuously increased, growth became stagnant in 1998-1999 as a result of population increase and a lack of technology, quality seeds and energy supplies. In order to overcome these problems, the SPDC has conducted a new agricultural policy to enhance agricultural areas and open new agricultural frontiers by developing many uncultivated areas in the dry zone. The ruling government has aimed at turning the dry zone into a "green area" and spurring a more equitable distribution of population between the dry zone and the delta. The Ministry of Agriculture and Irrigation has adopted the policy of import substitution to promote and expand cropping areas, planting sesame, groundnuts and sunflowers in Mandalay, Sagaing and Magway divisions.<sup>7</sup>

Several irrigation systems have been developed by, for example, the construction of new reservoirs, the renovation of existing irrigation networks to raise storage capacity and the construction of dams and sluices to impound the backwater of major river systems. Moreover, some major large-scale schemes have already been initiated phase by phase with locally available resources. These new projects include the Mu River Valley Project, the Sittang Valley Project, and the Paunglaung Multipurpose Dam Project (in Pyinmana).<sup>8</sup> "As a result, nearly 150 dams have been built in the nation which are irrigating over 1.64 million acres. Many areas which were dry in the past have become lush and green at the present."<sup>9</sup>

In this respect, moving the capital to an interior situation in the dry zone can be perceived as the imitation of ancient traditions of Burmese monarchs of turning back to the agricultural heartland where Burmese state constantly develops and the attempt of

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<sup>6</sup> Khin Maung Kyi, Ronald Findlay, R.M. Sundrum Mya Maung, Myo Nyunt, Zaw Oo, *Economic Development of Burma: A Vision and A Strategy*, p. 42.

<sup>7</sup> Udom Kerdphibul, *Myanmar in Foreign Economic Relations*, p. 42.

<sup>8</sup> Tin Htut Oo, *Myanmar Agriculture under the Economic Transition: Present Situation and Emerging Trends*, p. 22.

<sup>9</sup> Quoted in *Myanmar Today*, May 2001, Volume 4, No. 2, p. 55.



the current government to open new agricultural frontiers in the core region for developing the nation and enlarging the agricultural network to supply the armed forces in the time of warfare. It is very important to have the centre of agriculture in the area to be developed. This will bring increasing growth to fragmented and underdeveloped plantations in the dry zone, especially in the Irrawaddy and Sittang valleys.

Urban areas remain reliant on the products and services of the rural hinterland. Rural progress is pivotal to urban development and in turn, overall national prosperity is interdependent on urban advancement.<sup>10</sup> Thus, establishing the new urban centre of agricultural development in rural hinterland will make a more equitable contribution to poor farmers in the dry zone of Burma, particularly in Mandalay, Sagaing, Magway divisions and some areas dominated by Burmans in the Shan plateau. In this context, Pyinmana is not only established as the national capital but also the hinterland agricultural capital in Central Myanmar located at the southern edge of the dry zone linking Burman and frontier areas. It is also the most important area for sugarcane and the location of the national university of agriculture.

The Sittang Valley has a high potential for agricultural development because the area has black alluvial-soils with high clay content. Most of these soil types are found in the dry zone where annual rainfall is between 500 and 1000 mm, and represent some 30 percent of the total cultivated area.<sup>11</sup> Pyinmana is believed by the government to be the most likely choice for the establishment of small and big scale irrigation systems combined with power generation on the tributary streams of the Sittang River. As Pegu Yoma is already ecologically barren, not much further damage can be done. On the other hand, conserving the water of these streams and using it for winter or dry season cropping will usher in a new era of development to the Sittang valley.<sup>12</sup> Moreover, the location of Pyinmana in the fertile areas of Yamethin allows the government to extend

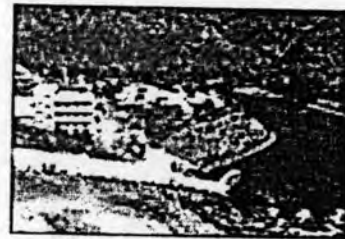
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<sup>10</sup> See in <http://www.irrigation.gov.mm/works/gallery.html>

<sup>11</sup> Tin Htut Oo, *Myanmar Agriculture under the Economic Transition: Present Situation and Emerging Trends*, p. 12.

<sup>12</sup> Khin Maung Kyi, Ronald Findlay, R.M. Sundrum Mya Maung, Myo Nyunt, Zaw Oo, *Economic Development of Burma: A Vision and A Strategy*, p. 53.

agricultural development to cover granary areas of Kyaukse, Minbu, the Mu valley, Tonplon (Mandalay) and Meikthila in the Irrawaddy valley and some areas on the periphery of Shan, Karen and Kayah states. Thus, agricultural policy based on geographical proximity in the dry zone is an important factor for the rise of Pyinmana as the new Myanmar capital and more specially, the fertility of the Sittang valley and the enlargement of agricultural networks throughout the dry zone can strategically support Pyinmana as a self-sufficient capital during the time of warfare with both internal and external enemy.



Picture 5 Ngalaik Reservoir in Pyinmana Township    Picture 6 Khetlan Dam in Nwahtogyi Township

Source: <http://www.irrigation.gov.mm/works/gallery.html>

In fact, implementation of irrigation works has been accorded special emphasis since the State Law and Order Restoration Council assumed responsibility of the country. The greening of 9 areas in the central arid zones of Myanmar-Monywa and Sagaing Districts in Sagaing Division; Yamethin, Meiktila and Myingyan Districts in Mandalay Division and Pakkoku, Minbu, Magway and Thayet Districts in Magway Division is in progress, under special projects, in conformity to guidelines given by Senior General Than Shwe.<sup>13</sup> Many dams, reservoirs and weirs have been renovated or constructed by the government throughout the dry zone which has Pyinmana as the centre of agricultural development, for example, Ngalaik and Yezin reservoirs in Pyinmana Township of Mandalay Division, (for both agriculture and urban water supplies) Thison reservoir in Yamethin Township of Mandalay Division, Natmauk and Sin Chaung dams in Magway Division, and Samon and Salun dams in Mandalay Division. Hence, the enlargement of irrigation systems throughout the dry zone can

<sup>13</sup> See in <http://www.irrigation.gov.mm/works/gallery.html>

enrich and enhance agricultural productivity in the hinterland and moving the capital to Pinyinmana situated in a geometric position in the hinterland will open new agricultural frontiers in the Sittang and Irrawaddy valleys.

In addition, relocating a capital to Pinyinmana in the country's geographical centre will bring a long-dormant region into effective settlement by spurring a migration to the centre, creating a more equitable distribution of population and above all foster in the growth of a core region in and around which the idea of a state could develop. The move to Pinyinmana is very similar to the capital relocations in Turkey, Brazil and Nigeria. These countries relocated their national capital to reduce population density in coastal areas and increase the population in the hinterland and to open new agricultural frontiers by establishing a new capital in a geographically central location. In case of Myanmar, the majority of the population is concentrated in the lowland plains and delta areas, while the upland mountains and plateau areas are sparsely populated.<sup>14</sup> Thus, the current capital relocation has the significant connection with the policy of population settlement.

The legacy of British colonization and demographic transformation in the 20<sup>th</sup> century has concentrated Burmese population in the delta, especially in Yangon and Moulmein, while increasing Chinese influence via overland trade has also created dense settlements in many big cities in Upper Burma, particularly Mandalay. This makes the central and the southern edge of the dry zone lightly inhabited. In order to equalize the pattern of Burmese settlement, a new capital in a geographically central position can create a Burmese migration northward and southward to the periphery of the new capital. The relocation policy may reduce population density in the delta and Upper Burma while agro-business projects and activities can attract Burmese farmers to settle the dry zone. Furthermore, moving a capital close to ethnic frontier states will increase the concentration of Burmese population over ethnic minority groups and the government can conduct the "Burmanization" policy more effectively.

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<sup>14</sup> Tin Htut Oo, *Myanmar Agriculture under the Economic Transition: Present Situation and Emerging Trends*, p. 11.

#### 4.2 The Enlargement of Energy and Natural Resources Development

Myanmar is a country rich in natural resources. The most important resources of Myanmar are in agriculture, forestry and minerals. The country is rich in minerals. Petroleum is found east of the Irrawaddy in the Dry Zone. "Tin and tungsten are mined in Eastern Myanmar; the Mawchi mines in Kayah State are also rich in tungsten. In the Shan State, northwest of Lashio, are the Bawdwin mines, the source of lead, silver, and zinc."<sup>15</sup> Rubies and sapphires have been mined in the northern Shan Plateau since pre-colonial times, especially in Mogok, while gold mining at Moditaung in Yamethin Township has constantly developed.

Since the end of the Cold War, the current government has continuously prospected for various kinds of natural resources in the mountainous areas and river valleys, especially in the dry zone and ethnic states in eastern border. Abundant natural resources are not only the main driving force for national economic growth but can also provide increasing income for military leaders to build their regime and maintain a political monopoly. The SLORC/SPDC has planned to develop the hinterland region by focusing on agricultural productivity and the effective utilization of mineral deposits which are scattered along river valleys in the central plains and border areas. The ruling government views the dry zone as the economic heartland of Myanmar. It is also much closer to all the most important deposits and other natural resources whose future development will be increasing, not decreasing.<sup>16</sup>

In this respect, moving the capital nearer to mineral deposits can automatically expand the logistics and transportation networks and can balance demand-supply conditions because the increasing demand from the establishment and the construction of the new capital will stimulate the expansion of mining projects in the hinterland such as cement, steel, hydrocarbons and metals while the surplus supply from overproduction

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<sup>15</sup> Quoted in *Myanmar Minerals*, Available from: <http://www.encyclopedia.com/doc/1E1-Myanmar.html>

<sup>16</sup> Michael Aung-Thwin, *From Rangoon to Pyinmana, It's not fear of a US invasion, it's simply a return to the location of the traditional, pre-colonial seat of power*, Bangkok Post, 28 November, 2005, Available from <http://www.burmanet.org/news/2005/11/28/bangkok-post-from-rangoon-to-pyinmana>.



in the future will reduce the demand of population in the new capital and natural resources will be distributed to other inland strategic cities throughout the dry zone. Therefore, the new capital will function as a balance in demand-supply fluctuations in the interior of Myanmar. Additionally, shifting the capital to the core region can symbolize that despite the expansion of mining projects in the context of open-market economy, the government still has a strong position in controlling and managing natural resources in the hinterland which must be in the hands of the State.

According to geographical surveys, the dry zone and mountainous areas, especially Shan, Karen and Kayah states, have a clear geographical demarcation in terms of natural deposits. Agricultural products, oils, petroleum and special kinds of ore can be found in the dry zone while forest products, such as teak, herbs, gems and special kinds of ore can be found in mountainous areas. So, moving the capital to a location between the plains and hills can increase the capability of the government to control natural resources effectively.

Energy also plays a vital role in economic development. Energy development is a major economic policy of SPDC in order to bring about national prosperity and earn income to ensure a strong regime. "The government intends to wean Myanmar off its reliance on gas for electricity generation and make hydropower the country's sole source of electricity by 2030."<sup>17</sup>

The ruling government has increased energy supplies by focusing on hydroelectric power throughout the dry zone and frontier regions. The SPDC has set up a national grid system to distribute electric generation in the Irrawaddy and Sittang valleys of the dry zone and in the Salween valley in the Shan plateau. The military regime wants to sell hydroelectricity to neighboring countries, particularly Thailand and China, which will bring large sums of money to the regime. In order to implement national energy policy, many hydroelectric dams have been constructed throughout the hinterland of Myanmar, especially in Mandalay Division, which has been selected by the government as the centre of inland energy development.

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<sup>17</sup> Quoted in Kyaw Thu, *Govt goodbyes gas for hydropower*, December 2006, Available from: <http://www.myanmar.com/myanmartimes/MyanmarTimes17-324/b001.htm>

Prime Minister Lt-Gen Soe Win said that Mandalay Division is one of the most important regions of Myanmar as well as her economic hub. Because of the dry weather, agriculture is hard work in the most populous region of the nation. After studying the flow of water in the rivers and creeks of the division, dams and diversion weirs have been built to harness the water resources to the greatest possible degree, with hydro power stations attached to them if possible. Mandalay Division now has 42 dams and 70 water pumping stations.<sup>18</sup>

In the Sittang valley, many dams have been built on the Sittang River and its tributaries. Recently, Paunglaung dam was constructed as the centre of hydro power in central Myanmar. The irrigation department's director general, U Kyaw San Win, said the Paunglaung dam in Mandalay Division and the Mone dam in Magwe Division would have a combined capacity of 355 megawatts.<sup>19</sup> Electricity from the Paunglaung dam would be fed into the national grid through a relay station at Pyinmana. The Paunglaung Dam is the first underground hydro power plant in the country. All sizes of tunnels stretching 3.29 miles were jointly built by the Ministry of Electric Power and the Ministry of Agriculture and Irrigation with the use of modern technique and heavy machinery. The plant can generate 280 megawatt and Senior General Than Shwe gave a guidance that it is necessary to complete the projects as soon as possible.<sup>20</sup> The project will generate power at full capacity and the electricity will be distributed through the national grid. In addition, "The project will help create 35,000 more acres of croplands in the surrounding areas of Pyinmana and together with Yezin and Ngalaik dams. The Paunglaung will benefit both the nation and the region."<sup>21</sup>

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<sup>18</sup> See in *Inauguration Ceremony of Paunglaung Multi-purpose Dam Project*, Available from [http://www.mofa.gov.mm/news/mar25\\_05\\_1.html](http://www.mofa.gov.mm/news/mar25_05_1.html)

<sup>19</sup> May Thandar Win and Myo Lwin, *K23b hydro power projects due to be completed in July*, 2006, Available from <http://www.myanmar.gov.mm/myanmartimes/no222/MyanmarTimes12-222/011.htm>

<sup>20</sup> See in *Inauguration Ceremony of Paunglaung Multi-purpose Dam Project*, Available from: [http://www.mofa.gov.mm/news/mar25\\_05\\_1.html](http://www.mofa.gov.mm/news/mar25_05_1.html)

<sup>21</sup> Ibid.



Picture 7

Picture 8

Picture 9

**Picture 7-9** The officials were to improve systematic distribution of electric power and inspect Sub-power stations in Pyinmana Township

Sources: [www.myanmar.gov.mm](http://www.myanmar.gov.mm)

In the Irrawaddy valley, many gigantic hydroelectric dams have been constructed by the SLORC/SPDC, for example, Kinda multi-purpose dam, Kyauktalone dam and Natmauk dam. Electrification projects have rapidly spread throughout the dry zone in a circular direction covering Minbu, the Mu valley, Kyaukse, Meikthila and Yamethin, while in the Salween valley; the ruling government has aimed to construct hydroelectric dams cooperating with neighboring countries. The Salween River, 1,350 miles in length, is the longest river in Southeast Asia that has not yet been dammed. Salween River has very high potential to be the centre of energy development because the rapid flow along rocky narrows provides a high pressure for the effective electricity generation and the valley shares a geographical proximity to northern Thailand and south-western China. So electricity can cross the border to neighboring countries.

China wants to develop the Yunnan autonomous region as the gateway to the Andaman Sea and sharing an energy supply with Myanmar government is very important for economic expansion because the Chinese government wants to combine hydroelectric dams in Salween Valley with the building a huge cascade of dams on the Upper Mekhong Valley for energy development in the future while Thailand has already cooperated with Myanmar in planning a Salween dam on the border. The Thai government wants to purchase 1,500 MW of electricity from Myanmar by 2010.<sup>22</sup> Even though building dams on the Salween has been the subject of a lengthy campaign by

<sup>22</sup> Ibid.

minority, regional and international groups, Both Thai and Myanmar government have already launched the project to construct dams on the Salween River and its tributaries.

Transferring the capital to the Sittang valley, which sits between the Irrawaddy and Salween valleys, will open a new chapter of hydroelectricity energy development in the hinterland of Myanmar. Pyinmana is located in Mandalay Division which is considered as a strategic area for building hydroelectric dams between the central and frontier region. It is also situated not far from the Salween valley in Shan, Kayah and Kayin states where the ruling government can combine economic and military strategy by building hydroelectric dams near ethnic communities in mountainous areas. Many minority people have been forced to migrate from their native communities to military camps for more effective control while the battlefields of the past have been gradually changed into the new sites for electricity generation.

More importantly, the ruling government can send electricity to neighboring countries, especially China which has political and economic ties with military junta, while Thailand is considered as new partner in energy cooperation along the border. The sale of electricity will provide a large income to the military government. Pyinmana will function as a gateway to developing electric power in Myanmar's rural hinterland of the Sittang and Irrawaddy basins and receive income to enhance the regime's strength through the Salween valley. In fact, moving the capital is rational in terms of energy development. The SPDC will control over the gas fields and the onshore facilities around the Gulf of Martaban by having Yangon\* as the centre of development while they can control over natural resources and energy supplies by having Pyinmana as the centre of hinterland development. This can answer the question why the military government established the new capital in the dry zone near ethnic states instead of in the nucleus core of Myanmar in Minbu or Kyaukse region. The ruling junta is concerned about the income from hydroelectric power which can strengthen their economic and political power in the future. They want to extend tight control over

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\* In 2004, the government authorized Shanghai Jingqiao Export Processing Zone Development Corporation (China) to create plans for Myanmar's largest Special Economic Zone, to be built in Thanlyin Township, adjacent to Thilawa Port (in Syriam, opposite Yangon). The plans were finished in 2006, and approval is pending. The current military government aims to transform Yangon as the centre of free trade and international logistics based on the concept of a market economy and establish Pyinmana as the centre of inland development between the dry zone and the frontier.



natural resources in the frontier areas and develop energy networks in the dry zone at the same time.

#### 4.3 The Enlargement of Transportation Systems

Transportation is an important factor for economic growth and plays a very significant role in national development. Under the present Myanmar government, infrastructure development has been much emphasized. One declared national task was “to develop secure and smooth infrastructure network through out the Union” with the special objective of reducing or eliminating the development gap between different regions. Major infrastructure projects are designated as “special projects” and given priority in budget allocation and coordinated by highest authority.<sup>24</sup> Although Myanmar lacked adequate infrastructure in the past, Government investment in public works and infrastructure development in the present has been constantly high and rapid growth is seen in the railway and road sectors.

The SPDC believes that the transportation sector in particular plays an important role in building a new modern and developed nation, allowing more progress in the economic, trade and social sectors. Therefore, priority is being given to the construction of roads and bridges. Moreover, transportation development can expand the government’s military and political power throughout the country. The construction of roads and bridges can bring prosperity and security to the nation at the same time. The ruling government has aimed to enlarge the road system in parallel with agricultural and national resource development by focusing on the dry zone which is considered as the core region of Myanmar. As a result, the ruling junta announced publicly the development of the economic heartland by renovating and constructing the transportation system throughout the dry zone of Myanmar.

During the current regime, many roads have been renovated and constructed, for example, the highway from Yangon to Mandalay, the road from Toungoo to Yamethin, Pyinmana to Meiktila, Mandalay to Bhamo, Mandalay to Lashio and Magway to Sittwe.

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<sup>24</sup> Khin Maung Kyi, Ronald Findlay, R.M. Sundrum Mya Maung, Myo Nyunt, Zaw Oo, *Economic Development of Burma: A Vision and A Strategy*, P. 166-167.

Moreover, many connecting routes have been constructed in mountainous regions, especially in Shan, Kayah and Kayin states for the effective control over natural resources in frontier areas.<sup>25</sup>

The ruling government has established a ring road system covering the dry zone which allows easy access to important towns and cities in every state along the frontier. The junta has come to realize that the Irrawaddy River is an important obstacle for the development, especially the western shore.<sup>26</sup> As a result, many bridges across Irrawaddy River and connecting routes have been constructed to open new frontiers of hinterland development and ensure military control over the heartland of Myanmar, for example, the Balamintin bridge linking the road from Myintgyinar to Bhamo, the Bo Myat Tun bridges to link the road from Yangon to Pathei and the Anowratha bridge expand the transportation network in Magway Division.

Furthermore, several bridges have been built crossing tributaries in the Sittang valley and several streams in border areas, particularly in Shan, Kayin and Kayan states. After 1988, altogether 170 bridges were opened during the time of the Tatmadaw government.<sup>27</sup> Bridges can also contribute towards the development of agriculture and other trade and of production in industrial zones.<sup>28</sup>

Relocation of the capital from Yangon to Pyinmana is relevant to infrastructure development in the dry zone of Myanmar. The establishment of Pyinmana as a new capital comes from the expansion of road and bridge construction under the Tatmadaw government. The government can employ its prominent location to expand the ring road system throughout the country. The new capital will function as the new hub of inland transportation which can contribute to agricultural, natural resource and energy development in the plains and mountainous regions. More specially, it will serve as

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<sup>25</sup> Author's interview with ethnic minority groups along Thai-Myanmar border, August 2006.

<sup>26</sup> Wirat Niyomdham, *Irrawaddy: Unique Stream and the Politics of Unity*, Knowing Myanmar, Myanmar Studies Centre, Naresuan University, 19 January 2003, p. 2

<sup>27</sup> Ministry of Information, Myanmar Today, May, 2001, Volume 4, No. 2, p. 26

<sup>28</sup> Ibid.

the strategic centre of military transportation and the ruling government can effectively move the battalions throughout the country in all directions.

Even though at present Pyinmana can not compete with Yangon and Mandalay in terms of economic capacity, it is situated in the middle of the highway and railway from Yangon to Mandalay and very close to Shan, Kayin and Kayah states which are areas of abundant mineral deposits and energy supplies. Hence, Pyinmana is perceived by the ruling government as a strategic centre for inland economic development in the future. In fact, the choice of Pyinmana as the new capital is influenced by the connection between the internal transportation system, especially in the dry zone, and the Asian transportation network, resembling the Silk Road in the past and popularly known as the Trans Asian Highway.

“The Trans Asian Highway network is a network of 141,000 kilometers of standardized roadways crisscrossing 32 Asian countries with linkages to Europe. The project was initiated in 1959 with the aim of promoting the development of international road transport in the region. During the first phase of the project (1960-1970) considerable progress was achieved, however, progress slowed down when financial assistance was suspended in 1975.”<sup>29</sup> “By April 2004, the agreement had already been signed by 27 countries while some key members, including Japan, China, South Korea, Vietnam, Myanmar, Sri Lanka and Cambodia, have also ratified it.”<sup>30</sup> “Route AH1 is proposed to extend from Tokyo to the border with Bulgaria west of Istanbul, passing through both Koreas, China and other countries in Southeast, Central and South Asia. The corridor is expected to improve trade links between East Asian countries, India and Russia. To complete the route, existing roads will be upgraded and new roads constructed to link the network.”<sup>31</sup>

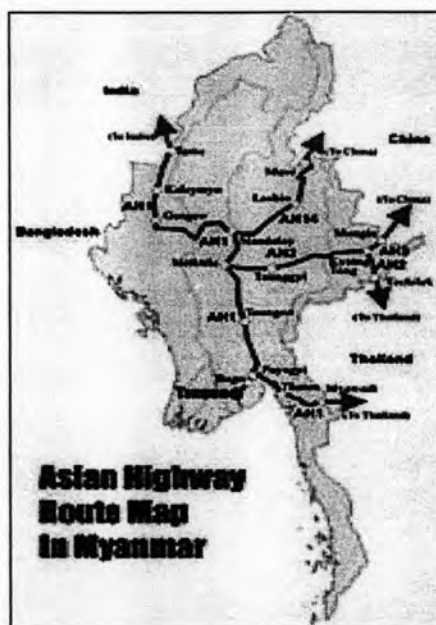
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<sup>29</sup> Quoted in Madan Bandhu Regmi, *About the Asian Highway*, Available from: <http://www.unescap.org/tdw/index.asp?MenuName=AsianHighway>

<sup>30</sup> Quoted in Marwaan Macan-Markar, *Asia's highway gets going*, Available from: [http://www.atimes.com/atimes/Asian\\_Economy/GG06Dk01.html](http://www.atimes.com/atimes/Asian_Economy/GG06Dk01.html)

<sup>31</sup> *The Asian Highway Project*, Available from: [http://en.wikipedia.org/wiki/Asian\\_Highway\\_Network](http://en.wikipedia.org/wiki/Asian_Highway_Network)

It is conceivable that the Myanmar military government perceives the Trans Asian Highway project as a great geopolitical transformation in the post Cold war era. The emergence of a new Silk Road will transform the old fragmented landscape to the new united Eurasian space linking Europe and Asia together. The expansion of continental trade routes can create a new chapter of regional economic development by focusing on trade and energy security. Consequently, the current military leaders come to realize that Myanmar is a country rich in energy and mineral deposits located in a strategic position between India, China and Southeast Asia. The Trans Asian Highway network is a great opportunity for enormous income which can enhance the power of military regime to rule the Union. In this regard, it is conceivable that the military leaders not only look back to the past from a traditional perspective but they also look forward to the future in order to stabilize the country and expand their absolute power.



Map 12 the Networks of Trans Asian Highway in Myanmar

Source: <http://www.myanmar.gov.mm/myanmarimes/no214>

In the future, Myanmar will be a strategic centre of inland transportation in Asia through the Trans Asian Highway system. The highway network comprises more than 2,000 kilometers in Myanmar (some part is finished and some part is in construction)



and provides links to China, India and Thailand.<sup>32</sup> Furthermore, economic cooperation agreements such as GMS, BIMSTEC and ACMECS have increased the importance of regional transportation by having Myanmar as the centre of international logistics linking South, Southeast and East Asia together. The North-South corridor passing from China to the Andaman Sea and the East-West corridor passing from Vietnam, Thailand to India geographically cross at Myanmar and more interestingly the international routes connect with local transportation systems in Myanmar by having the dry zone as the centre of inland transportation.

In these circumstances, relocating the capital to Pyinmana is strategically related to the enlargement of the Trans Asian Highway network which is intended to connect India, China and Thailand. The cities and towns on the highway will include Yangon, Bagan and Mandalay.<sup>33</sup> Myanmar's most important highway, between Yangon and Mandalay, was already two lanes for most of the way between the two cities. The highway was being rebuilt on a new route which would bypass most towns and cities between Yangon and Mandalay.<sup>34</sup> Pyinmana Naypyidaw lies midway along this highway and will play a crucial role as the new centre of logistics in the southern edge of the dry zone. It is considered as a strategic gateway between Upper Myanmar concentrated at Mandalay and Lower Myanmar concentrated at Yangon.

The enlargement of the Trans Asian Highway network will transform Myanmar's inland transportation. Mandalay has increasingly developed as the centre of continental trade along the main route from Assam (India) to Lashio (Upper Myanmar in Shan Plateau) and Xiaguan (Yunnan-China), Meiktila is more important as the gateway to Taunggyi, the Shan capital, and particularly to some parts of China, Laos and Thailand through the Salween valley while Yangon has developed as the centre of maritime trade in the Gulf of Martaban and the centre of logistics from the western coast of Arakan State to Myawadi (Karen State) and Maesot (Tak Province, Thailand).

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<sup>32</sup> Xinhua, *Surveys on Asian highway network underway in Myanmar*, Available from: [http://english.people.com.cn/200507/11/eng20050711\\_195423.html](http://english.people.com.cn/200507/11/eng20050711_195423.html)

<sup>33</sup> Kerry Howley, *Myanmar signs on to UN plan for Asian highway link to Europe*, Available from: <http://www.myanmar.gov.mm/myanmartimes/no214/MyanmarTimes11-214/003.htm>

<sup>34</sup> Ibid.

In this respect Mandalay, Meiktila and Yangon are the prominent centers of logistics in an west-east line but Pyinmana is strategically more prominent because it sits in a midway position and is established as the centre of logistics in a south-north line from Yangon to Meiktila and Mandalay. "A further explanation could be that the main arteries of the proposed Trans-Asia super highways connecting India in the West, China in the Northeast, and Thailand in the South, would have to cross somewhere in central Myanmar. From this perspective, Pyinmana is much better located. It is also better positioned to enable control of the country, especially the rebellious ethnic group areas."<sup>35</sup>

Several connecting routes have been constructed in the Sittang valley and border areas in an east-west line making Pyinmana the new hub of transportation. Thus, the new capital is established as a centre of logistics both north-south and east-west axes. Its location commands transportation covering the dry zone, the delta, Upper Myanmar and the eastern frontier regions. Moving the capital to Pyinmana is strategically a reasonable decision of the current government to extend the scope of transportation based on the combination of internal and Trans Asian Highway networks. More significantly, the military leaders will be in a critical position to determine economic policies and military strategies through the networks of inland transportation centered at Pyinmana which can easily support the ruling government to access to all parts of the country and ensure the economic power of the regime in controlling the whole country.

#### 4.4 Conclusion

Hinterland economic development is one of the most important factors in the relocation from Yangon to Pyinmana. The ruling government strongly believes that the dry zone is a core region where Myanmar will develop and moving the capital can ensure the military regime and bring economic prosperity to the nation at the same time.

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<sup>35</sup> Kanbawza Win, *How will the Generals handle the current heavy weather as the new capital begins to take shape?*, Available from:  
<http://www.aseanfocus.com/asiananalysis/article.cfm?articleID=911>

The current junta has integrated agricultural, natural resource, energy and transportation development programs, with Pyinmana as the new centre of inland development. The junta selected Pyinmana as the new capital because of its appropriate location. In order to extend inland economic development, the location between the dry zone and frontier mountainous areas with abundant natural resources is very important for strengthening the SPDC's economic power.

Moving the capital will open new agricultural frontiers, create a more equitable distribution of population, develop mineral deposits and energy supplies and extend transportation networks. The southern edge of the dry zone in the Sittang Valley is the most suitable place for an economic stronghold vis-à-vis frontier regions and hinterland economic development. Pyinmana, in the centre of Myanmar, is geographically and strategically located for the development of the country. However, development in this sense must be under the tight control of current military regime. Thus, inland economic development can be perceived as an integral part of a security strategy to ensure a strong military regime in the future.