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PERSPECTIVE

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Veterans' Affairs in Myanmar's Reform Process[1]

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EXECUTIVE SUMMARY

- Myanmar is one of the most militarised societies in the world, with over 3 million people currently or potentially impacted by initiatives to support veterans.
- Veterans of the Myanmar state military and their families sit within a complex and patchy web of pensions, commercially-oriented social welfare arrangements and support associations which oblige members to act as 'reserve forces'.
- The budget of the Ministry of Defence does not cover veteran pensions, despite it receiving more than 14 percent of the total government budget in 2017-2018. Instead, the funding for military pensions derives from the civilian-run Ministry of Planning and Finance, highlighting the role of non-military institutions in supporting veterans after active deployment.
- Military conglomerates are a major source of employment for retired soldiers. Yet few veterans receive more than a small piece of the profits from the main military conglomerate that supposedly supports veterans, namely Union of Myanmar Economic Holdings Limited (UMEHL).
- Obligatory or semi-coerced contributions from active-duty soldiers are a source of cash flow for UMEHL, effectively constituting a transfer from the government budget to the military's off-budget entities.

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INTRODUCTION

Veteran affairs affect millions of people in Myanmar, one of the most highly militarised societies in Southeast Asia and, indeed the world.[2] The livelihood of almost 3 million people currently derives from a range of support systems for veterans.[3] Furthermore, the lives of nearly 85,000 ethnic armed group soldiers and their dependents – potentially over 350,000 people – may also be shaped by these systems were they to be extended to ethnic armed group veterans in the future.[4] Former soldiers and their dependents thus make up a significant social and political constituency, comprising at least 6 per cent of Myanmar's population.[5]

What assistance is currently provided to veterans and their dependents? This paper is informed by more than 35 interviews conducted between September and November 2018 with veterans, civil servants, business-people, policy-makers, researchers and others with experience of military affairs and conglomerates. These interviews, along with a review of existing literature and documents, suggest that former soldiers and their families sit within a complex web of partly commercially-derived social welfare arrangements. The sections that follow assess the patchwork of legal entitlements as well as more informal or sporadic forms of support, including state pensions, employment and holdings of shares in military conglomerates, and periodic aid from veterans' organisations. Analysing veteran affairs exposes some constraints that exist on reforming civil-military relations in Myanmar and illuminates the possible bearing of those affairs on the country's peace process.

PENSIONS

The most significant form of institutional support for veterans are pensions disbursed to those who had served more than ten years in the Myanmar military. These pensions are paid by the civilian-financed Department of Pensions in the Ministry of Planning and Finance (MoPF) until the end of the life of the entitled person. Many former military personnel currently serving in the civil service including the General Administration Department and other government agencies draw pensions if they formally 'retired' from active duty prior to their transfer. Surviving widows and widowers or children younger than 18 are technically entitled to receive the pension of an entitled person after their death. In practice, however, such transfers require complex paperwork that veterans claim is often difficult to navigate without assistance and informal brokerage.

The amount that pensioners receive is determined by rank and period of service. An additional medical pension is also provided to soldiers who suffer from permanent disabilities, with the amount determined by a schedule of injury severity set by the Ministry of Defence (MoD). The Department of Pensions in MoPF paid out 233 billion kyats (US$172 million) to a total of 274,000 former military service pensioners in 2017-2018.[6] The average yearly payment was around 846,000 kyat per year (US$626), or just over 70,000 kyat (US$52) per month. As military pensions are paid at a higher rate than civilian pensions, these payments constitute 45 per cent of the total budget of the Department of Pensions despite covering only 29 per cent of total beneficiaries in the system.[7]

As with civil service pensions, prior to 2011 military pensions were insufficient even to cover basic needs – netting out at around 7000 kyat a month (US$7 at the early 2000s black market

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rate; US$1150 or so at official rates) for many mid-ranking officers and far less for lower ranking soldiers.[8] Since the civil service reforms of President Thein Sein, which repeatedly increased salaries and pensions for public sector workers including soldiers, veteran pensions have increased substantially.[9] Pensions still vary substantially, from less than 50,000 kyats (US$37) per month for many lower-ranking soldiers to more than 400,000 kyats (US$296) for higher-ranking retired soldiers. The total expenditure on military pensions and gratuities comprised 38 per cent (278 billion kyat or US$205 million) of the total Department of Pensions expenditure for 2017-2018 of 741 billion kyat or US$548 million. The Department of Pensions is funded and operated by the Ministry of Planning and Finance, and thus the costs of veteran pensions are not included in the 14 per cent of government budget already directed to the Ministry of Defence in the 2017-2018 fiscal year. Though pensions have increased and inched closer to providing a more ‘liveable’ income in recent years, for most retired soldiers, they are only a small piece of a larger puzzle of income and livelihood that relies upon substantial commercial activity.

MILITARY CONGLOMERATES (MEHL & MEC)

The military-owned conglomerates, Union of Myanmar Economic Holdings Limited (UMEHL) and Myanmar Economic Corporation (MEC), are major sources of non-pension income support for many veterans. The Tatmadaw formed the two companies in the 1990s to provide off-budget financing for the military while also supporting veterans in retirement.[10] It established UMEHL in 1990 under the 1950 Special Company Act to engage in light industry and trading.[11] According to existing research, the Director of Defence Procurement and active and veteran defence personnel jointly own the company.[12] MEC was founded in 1997 to ensure domestic production of heavy industry materials as well as essential supplies for the Tatmadaw. Current scholarship suggests that the Ministry of Defence Quartermaster General Office wholly owns MEC while a board of active-duty and retired military personnel operates it.[13]

MEHL and MEC together control some of the largest companies in Myanmar. They have sole or joint ventures in mining, gems, jade, banking, manufacturing, heavy industry including ammunition production, livestock and fisheries, trading, logistics, pharmaceuticals and consumer goods.[14] Many MEHL and MEC constituent businesses are formerly state-owned enterprises that were privatised to conglomerates at concessional prices during the 1990s and 2000s.[15] Though both conglomerates and their subsidiaries were under US sanctions until October 2016, they have since 2011 received sizable international investment through a range of joint ventures following a period of political and economic reform.[16]

Information about the structure, business practices and profitability of MEC and MEHL is sparse as neither company releases annual reports to the public. Until 2011, both conglomerates were also exempt from paying income and commercial tax.[17] However, a series of reforms implemented by the Thein Sein administration in 2011 sought to regularise defence affairs and military businesses. Apparently modelled on similar reforms in post-Soeharto Indonesia, these reforms obliged both companies and their subsidiaries to pay income and commercial taxes and saw permission being granted to non-military domestic companies to compete in sectors previously dominated by the military.[18] Consequentially, MEHL, MEC and a number of their highly profitable constituent companies are now ranked annually on the Internal Revenue Department's list of top local tax payers.[19] The prominence of these companies in the income tax payer list – holding five of the top 25 spots – highlights their profitability relative to other local companies. The ranking of four military-linked companies in the top 25 commercial tax payers in the country also demonstrates their dominance in high-volume and consumer goods sectors.

Despite these reforms, MEC- and MEHL-linked companies continue to net considerable off-budget revenue for the Tatmadaw in addition to the state budget. When both income and commercial taxes paid by military companies listed in the top 25 taxpayers are combined, the total contribution to consolidated government revenue in 2017-2018 was only 91.5 billion (US$67.8 million).[20] Meanwhile, the most profitable MEHL-owned companies involved in the highly lucrative jade and gems sector paid less than US$1.9 million (2.5 billion kyats) in commercial and income tax combined in 2017-2018.[21] As Myanmar has the lowest ratio of tax revenue relative to gross domestic product (GDP) in the Association of Southeast Asian Nations (ASEAN), the minimal state revenue captured from Myanmar's economic growth in recent years – especially from profitable military conglomerates – demonstrates the enormous fiscal constraints and administrative challenges faced both by regulators, elected legislators and the executive.[22]

Employment in military conglomerates

Since their formation, both military conglomerates have disproportionately recruited retired soldiers as employees. As both MEC and MEHL entered into increasing competition with other non-military owned companies since 2011, they adopted stricter policies of employing veterans only with the requisite skills.[23] While many officers who have retired from the military since 2011 but were not offered jobs in the civil service often took up jobs in MEHL and MEC, former soldiers who did not pass their final secondary-school exams have found it increasingly difficult to get jobs in military conglomerates.[24] Despite these shifts, the current proportion of former military personnel in MEC is estimated at around 50 per cent of current employees by sources close to the company, with a slightly smaller proportion in the more openly-competitive context of MEHL.[25] Military companies thus provide a source of employment for a sizable proportion of veterans. The possibility of integrating veterans from ethnic armed groups into these companies will depend on the companies' capacity and ability to absorb more employees in a more competitive environment.

Shares in UMEHL

In addition to being the beneficiary of concessionary privatisation, another major source of capital for UMEHL during the 1990s and 2000s was the sale of shares to active-duty and retired personnel, military units and veteran organisations.[26] Within the Tatmadaw, this fundraising campaign was organised at the regiment level, with ranking officers directed by senior commanders to collect funds from soldiers in order to purchase shares in MEHL. These shares were then held either by regimental 'Welfare Funds' or by individual soldiers. An annual dividend payment equivalent to 30 per cent of the total value of shares was then promised annually to the entity or individual holding shares. Along with local business activities, at a regimental level, MEHL payments subsequently became a major source of revenue used to support soldier 'welfare' during a period when rapid military expansion meant that regiments were encouraged to be 'self-sufficient'.[27] Veterans' organisations at township and national level were also permitted to purchase MEHL shares during the 1990s and 2000s.

There are a number of conditions involving MEHL shares which distinguish them from typical holdings in 'public' companies. First, shares cannot be sold to civilians.[28] Consequentially, the market value of shares is difficult if not impossible to determine. Secondly and relatedly, the value of shares purchased by a soldier or veteran is fixed, regardless of fluctuations in the market valuation of MEHL companies or assets. Third, and as noted, dividend payments are based not on the overall annual profits of MEHL but on a proportion of the kyat amount contributed at the time when an individual or institution purchased shares. Fourth, possession of shares does not entitle shareholders to influence decision-making, for example by electing members of the board of directors.[29] As inflation has run at an annual average of almost 6 per cent since 2010, however, the real value both of dividends and overall holdings in MEHL are likely to have dropped by around 45 percent since the transition to partial civilian rule in 2011, and will continue to drop in real terms over time.[30]

Restrictions also govern the number of shares that an individual can hold.[31] Nevertheless, it is likely that the main individual, non-institutional beneficiaries of MEHL dividends are higher ranking officers. Indeed, a large proportion of veterans probably own few or none at all.[32] The primary reason for this outcome is that the monthly salaries of junior ranking officers were insufficient during the 1990s and 2000s for them to afford purchasing any or more than the bare minimum number requested by their commanding officers. Additionally, many soldiers – including some senior ranking officers – doubted the capacity of MEHL in the 1990s to turn a profit and return the promised dividends. As a result, these soldiers often made relatively small contributions.[33] Veterans encountered who did receive dividends thus typically owned less than 50,000 kyat in MEHL shares, meaning they receive 15,000 kyat or less in yearly payments – the equivalent of around US$1 per month at mid-2018 rates.

Obligatory or semi-coerced contributions from the salaries of active-duty soldiers are a major source of cash income for MEHL, effectively constituting a contribution to off-budget military revenue for Myanmar's military. A number of soldiers in regiments across the country reported being requested or commanded to contribute a sizable proportion of their monthly salaries to MEHL. The specific proportion deducted and the extent of individual choice in these contributions appears to vary by regiment.[34] It was not clear to many soldiers who had salaries deducted how they might benefit from these 'contributions' in the future – for example via regimental welfare funds or individual dividends.[35] Regardless of the level of coercion involved in 'contributions' or 'purchases', annual dividends disbursed to MEHL shareholders are likely to derive at least in part from voluntary or obligatory deductions from the pay of active-duty soldiers. As salaries of military personnel come from the annual budgetary allocation to the Ministry of Defence, constituting around 14 per cent of the total government budget in 2017-2018, the collection and redistribution of soldier salaries in this manner is effectively a transfer of on-budget funds to MEHL, an off-budget military-run commercial entity.

Some MEHL shareholders interviewed expressed concern about the ongoing capacity of the company to disperse dividend payments. Though MEHL does issue an annual report for shareholders which provides a breakdown of revenue and expenditures, many veterans

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wonder how sustainable the 30 per cent dividend payment will be in the future. Though tax-payer data suggest that the company is profitable, it is unclear whether the distribution of dividends exceeds its actual profits. One high-ranking veteran predicted that as MEHL finds itself in an increasingly competitive economic situation, it may seek to reduce dividend payments, potentially pegging the rate at just above that offered by government bonds.[36] Despite concerns regarding lack of transparency in how MEHL functions, the bulk of veterans interviewed expressed support for Myanmar's military conglomerates. Most saw them as efficient means of ensuring funding for defence and support for veterans, especially given that they also viewed civilian politicians as either reluctant to support the Tatmadaw and its retired personnel or openly antagonistic toward it.

THE MINISTRY OF DEFENCE

Various support structures provided by the Ministry of Defence are also essential to the welfare of veterans. The most important aspect of these is the parallel system of hospitals and clinics run by the MoD across the country, to which veterans and their families are permitted access. The standard of care provided in these facilities is generally considered to be better than that offered in civilian-run Ministry of Health and Sport clinics and hospitals. This is primarily due to a lower ratio of staff to patients and the clinics offering a higher proportion of costs for medicines, food and other expenses free of charge. In contrast, the patient-staff ratio in civilian health facilities is generally far higher, and the family of patients in Ministry of Health and Sport facilities often incur significant costs for medicines, advanced treatments and meals.[37]

Despite the higher standard of care and lower costs of treatment in MoD facilities, chronic service-related injuries can still financially cripple veterans and their families. For instance, one veteran who lost his leg in a land-mine accident while on active-duty in the mid-2000s was hospitalised for four months in 2017 after his amputated leg developed complications. While most of the costs of his hospitalisation was covered by the military hospital, his inability to collect a salary for one third of the year deprived his family of much needed income. Though additional monthly payments are provided by the Department of Pensions to veterans who are permanently disabled, in most cases encountered during research these payments comprised less than 50,000 kyat (US$37) per month – far less than the income foregone by veterans during periods when disabilities complicate employment. The MoD also provides funds for the construction of housing for veterans, especially amputees, with sizable villages in Yangon, Naypyitaw and throughout provincial areas of Myanmar. However, the demand for this housing from veterans far exceeds the current supply.

THE MYANMAR WAR VETERANS ORGANISATION

The Myanmar War Veterans Organisation (MWVO, B: *sitmhudanhaungabwe*) is the major non-governmental organisation involved in providing veteran welfare and mobilising retired soldiers for reservist activities. The MWVO is a federated entity regulated by a 1989 legal order.[38] It is headquartered in Naypyitaw and also has more than 300 township-level offices across the country. Membership in the organisation is voluntary, and only honourably discharged members of the Tatmadaw and their family are permitted to join.

The organisation provides a range of support programmes to veterans. As of mid-2018 this aid included special assistance to members over the age of 75 and to disabled members, as well as the provision of prostheses for veteran amputees. The organisation also disburses funds and provides support to veterans' dependents, including payments to war widows, and educational assistance and prizes for the children of retired soldiers. [39]

Funds for the activities of the MWVO derive from a range of contributions as well as the business activities of the organisation. The MWVO claims total assets of 28.4 billion kyats (US$16.3 million) including sizable agricultural, livestock breeding, commercial and industrial businesses. [40] The Ministry of Defence, especially the Office of the Commander-in-Chief, is also a major supporter of MWVO initiatives.[41] Donations made to the MWVO by commercial entities are legally tax-deductable up to 25 per cent of the total value of a company or individual's income tax bill.[42] MEC and MEHL make regular contributions to support the work of the MWVO, though the amounts donated have apparently declined since 2011.[43] Additionally, the MWVO receives yearly dividends from MEHL by virtue of being an institutional shareholder. In recent years, the MWVO has also sought to expand its own sources of revenue through various business activities, including micro-credit loans for veterans. The organisation plans to expand these initiatives further in the future.

At a township level, MWVO offices run a range of programmes and initiatives which vary by locality. These operations are funded by a range of commercial revenue sources, including dividends from shares and income from land earlier donated by local military commanders and rented out. Though wealthier veterans who have found success in business often make contributions to support various initiatives, members of township-level branches of the MWVO are not required to donate. In some townships, arrangements have developed with local welfare groups whereby a small proportion of monthly veterans' pensions are collectively donated to support the work of charitable funeral and ambulance services – ostensibly for anyone in the township, though veterans have special entitlement. Poorer and more remote townships tend to have fewer sources of potential commercial revenue, resulting in more restrictive support arrangements in these regions.

Many veterans choose not to join the MWVO. As of 31 May 2018, the organisation claimed a total of 100,972 members, equivalent to just over 35 per cent of veterans who received a monthly pension (274,000 in 2017). It also reported another 133,305 auxiliary members, largely dependents of retired soldiers.[44] One reason for this fairly low membership rate is that many veterans attempt to start businesses or take up jobs outside the military to supplement their gratuity or pension, and thus have little time for involvement in MWVO activities. Numerous veterans also reported being reluctant to "take part as a reserve force… for national defence and security", one of the central objectives of the MWVO charter, given their other obligations and responsibilities.[45] The role of veterans in mobilising in defence of the military has been evident in the wake of atrocities committed by security personnel in Rakhine State since August 2017. Following the September 2018 UN Report recommending an investigation of the Tatmadaw for genocidal intent against the Rohingya, veterans – including amputees – have appeared repeatedly at public events holding banners supporting Commander-in-Chief Min Aung Hlaing. Though some veterans may mobilise quite willingly in support of the Tatmadaw and 'national causes', trauma associated with deployment and anger at the institution may help explain why many veterans do not join the MWVO.

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CONCLUDING

Soldiers and veterans constitute a major segment of Myanmar society. Support for veterans comes from a patchwork of sources, including formal entitlement to service pensions and shares, commercially-derived income and veterans' associations. Debates regarding support for veterans – both of the Tatmadaw and also of ethnic armed organisations – are likely to be central to the future political trajectory of Myanmar, including the peace process. Progress in Myanmar's negotiations will depend in part on the resolution of the questions of whether and how veterans of ethnic armed organisations are integrated into pension systems and benefit from military capitalism. The lack of transparency in the way that military conglomerates function and redistribute their profits, including to shareholders, prompts questions regarding the optimal means of supporting the welfare of retired soldiers. Given that so little benefit from military conglomerates trickles down to lower-ranking soldiers, there is reason to question whether the objectives of veteran support are being efficiently met through the military's corporate interests.

Veteran affairs thus offer a useful prism through which to understand the impacts and limits of Myanmar's transition to partial civilian rule. It requires far more scrutiny on the part of scholars and policy-makers.

[1] Thanks to Andrew Selth, Ye Htut and an anonymous reviewer for sharing their in-depth knowledge of the Tatmadaw, military and civil service affairs and offering insightful feedback on earlier versions of this piece.
[2] See Steinberg, D. 2007. 'Political Legitimacy in Myanmar/Burma'. In N. Ganesan and Kyaw Yin Hlaing, *'Burma: State, Society and Ethnicity'*. Singapore, Institute of Southeast Asian Studies and Hiroshima Peace Institute. Pg. 127.
[3] The figure of 2.85 million people figure derives from the estimated number of active duty soldiers and officers (400,000), Tatmadaw veterans on monthly pensions (274,400 in 2017-2018 budget) as well as their dependents (674,000 active-duty soldiers and veterans multiplied by the average family size of 4.2, based on United Nations data). This figure is conservative as it does not include the number of Tatmadaw soldiers who received gratuities for less than ten years of service but are not entitled to ongoing assistance. For discussion of active-duty troop number estimates see Selth, A. 2015. "'Strong, Fully Efficient and Modern': Myanmar's new look armed forces". Regional Outlook Paper No. 49. Brisbane, Griffith Asia Institute. Pg. 5.
[4] ISP. 2017. 'Ethnic Armed Organisation's estimated force and status: Updated 1st June 2017'. Data compiled by Institute of Strategy & Policy Myanmar. Yangon.
[5] Total of 3.2 million of Myanmar's 53 million population if active duty Tatmadaw and ethnic armed group soldiers, veterans and their dependents are combined into a single constituency. This percentage would be even higher if the number of veterans who have taken gratuities but do not receive a regular pension were to be included.
[6] All US amounts cited here are calculated at an average conversion rate throughout 2017/2018 of 1350MMK to USD.

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[7] See Department of Pensions beneficiary and dispersal data for 2017-2018, Ministry of Planning and Finance. Naypyitaw. http://bit.ly/2PmXzcK. Note that these calculations do not include people who serve less than 10 years and receive an annualised 'gratuity' paid out at the end of service.

[8] Historical rates for the SLORC/SPDC period are quoted as the official government rate in the late 1990s and early 2000s of 6 kyats to US$1. However, the black-market rate throughout this period appreciated from around 100 kyat to US$1 in the 1996 to over 1000 kyat to US$1 after 2002 and was thus far weaker than the official rate suggested. Amounts cited must therefore be assessed alongside the black market value.

[9] See Kyaw Hsu Mon. 2014. 'Thein Sein Plans $20 Salary Increase for Civil Servants, Pensioners'. The Irrawaddy. 8 January.

[10] For fuller discussion of the origins and evolution of MEHL and MEC, see Bunte, M. 2017. 'The NLD-Military Coalition in Myanmar: Military Guardianship and Its Economic Foundations'. In Chambers and Waitoolkiat (eds), Khaki Capital: The Political Economy of the Military in Southeast Asia. Copenhagen, NIAS Press. Pg. 93-129; Aung Min and Kudo, T. 2014. 'Business Conglomerates in the Context of Myanmar's Economic Reform' in Lim and Yamada (eds.) Myanmar's Integration in the Global Economy: Outlook and Opportunities. Bangkok: Bangkok Research Centre, pg 138-172; Ford, M., Gillan, M. and Htwe Htwe Thein. 2016. 'From Cronyism to Oligarchy? Privatisation and Business Elites in Myanmar'. Journal of Contemporary Asia. 46.1, pg. 18-41; Renshaw, C. 2017. 'Top-down Transitions and the Politics of Sanctions'. In Crouch (ed), The Business of Transition: Law Reform, Development and Economics in Myanmar. Cambridge, Cambridge University Press. Pg. 161-178.

[11] See ICG. 2012. *'Myanmar: The Politics of Economic Reform'*. Jakarta/Brussels: International Crisis Group. 27 July. Pg. 11; Aung Min and Kudo, ibid, pg. 155.

[12] Aung Min and Kudo, ibid, pg. 155 report that UMEHL comprises 54 subsidiaries, join-venture companies and factories across a diverse range of sectors, netting annual profits of US$48 million in 2010-2011. Ford et al (ibid, pg. 36) cite 51 MEHL subsidiaries and claim the MoD's "Office of Defence Industries" operates the company.

[13] The opacity of military conglomerates is evident in conflicting scholarly accounts of their structure and ownership. Ford et al (ibid, pg. 36) cite MEC as owned and managed by "MoD's Quartermaster General Office" and claim the company comprised 34 subsidiaries across a range of industries including extractives and banking as of 2015. Bunte, ibid, pg 117 claims MEC is "operated under MoD's Director of Defence Procurement", is wholly owned by active-duty personnel. For the most detailed discussion of MEHL and MEC published prior to liberalization, see Maung Aung Myoe. 2009. Building the Tatmadaw. Institute of Southeast Asian Studies, Singapore, pg. 176-184.

[14] See Ford et al, ibid, pg 36; Renshaw, ibid, pg. 169-170.

[15] See Ford et al, ibid; Aung Min and Kudo, ibid, pg. 155.

[16] In 2013, Singapore-based Fraser and Neave Limited (F&N) purchased a majority 55 per cent stake in Myanmar Brewery from MEHL. After an ownership dispute led to arbitration, in 2015, Japan's Kirin Holdings entered into a joint-venture with MEHL by purchasing F&N's stake in Myanmar Brewery for US$585 million. See Daga, A. 2015. 'Kirin buys $560 million stake in Myanmar's top brewer from F&N'. Reuters. 19 August. MEHL is also one of 18 major partners involved in development of the 50,000 acre (20,000 hectare) Thilawa Special Economic Zone near Yangon; see Aung Min and Kudo, ibid, pg. 155. In June 2018 Vietnamese military-owned telecommunications company Viettel launched Myanmar's fourth telecommunications operator MyTel in partnership with MEC subsidiary Star High and a consortium of 11 other Myanmar companies. 49 per cent of shares in the company are owned by Viettel, 28 per cent by MEC subsidiary Star High and 23 per cent by local consortium Myanmar National Telecom Holding. See Thurein Hla Htway. 2018. 'Myanmar and Vietnam militaries launch MyTel mobile carrier'. Nikkei Asian Review. 11 June.

[17] ICG ibid, pg. 12.

[18] Interview with Thein Sein era law-maker, October 2018. See also ICG ibid: 12, and Callahan, M. 2012. 'The Generals Loosen Their Grip'. Journal of Democracy. 23.4. Pg. 128-129.
[19] MEHL, MEC and their most profitable subsidiaries (listed separately) occupy 4 spots in top 25 commercial tax payers and 5 spots in top 25 income tax payers for 2017-2018. These companies as listed in Internal Revenue Department data for top 1017 local taxpayers are: MEHL (13th for commercial tax; 5th for income tax), MEC (22nd for commercial tax; 13th for income tax), Myawaddy Bank (unlisted for commercial tax; 3rd for income tax), Myawaddy Trading (2nd for commercial tax; 6th for income tax), and Dagon Beverage Company (1st for commercial tax; 17th for income tax).
[20] Military companies listed in the top 25 income-tax payers collectively paid up to 36.5 billion kyats (US$27 million) in 2017-2018. Income tax is levied at 25 per cent of income, minus deductions for expenses and exemptions, highlighting that many of these companies are profitable. Meanwhile companies in the top 25 commercial-tax payers collectively paid up to 55 billion kyat (US$40.7 million) in 2017-2018. As income and commercial taxes paid are only listed in brackets for privacy reasons, sums cited are the uppermost-thresholds of those brackets.
[21] MEHL-owned Myanmar Imperial Jade Company is listed as the 36th highest local income tax payer for contributing around 2 billion kyats (US$1.5 million). It is not listed in the top 1017 commercial tax payers for 2017. Myanmar Ruby Enterprise is listed at 336 for commercial tax after paying 400 million kyats (US$296,000) in 2017 and at 776 for income tax for paying around 100 million kyats (US$74,000). For an in-depth assessment of the Myanmar government's inadequate taxation of extractive industries, especially gems and jade, see Global Witness report: 2015. 'Jade: Myanmar's "Big State Secret"'. London.
[22] See Maulia, E. 2017. 'IMF: ASEAN incentives risk 'rice to the bottom' on tax revenue'. Nikkei Asian Review. 14 July.
[23] Interviews with sources close to military conglomerates. September and October 2018.
[24] Interviews with Myanmar War Veterans Organisation (Naypyitaw) and various veterans. September and October 2018.
[25] Interviews, sources close to military conglomerates. September and October 2018.
[26] For an in-depth discussion of MEHL share structure, including the distinction between "A" shareholders (MoD and Directorate of Procurement) and "B" shareholders (active-duty personnel, military units, retired personnel and veterans organisations), see Maung Aung Myoe, ibid, pg 175-181.
[27] Interview with high-ranking veteran. September 2018. See also Maung Aung Myoe, ibid, pg. 175-176.
[28] Though under specific conditions, shares can be transferred to dependents of active-duty or retired military personnel. Interviews with Myanmar War Veterans Organisation (Naypyitaw) and various veterans. September and October 2018.
[29] These factors suggest that 'shares' purchased in MEHL may be closer to 'perpetual bonds' in which an agreed amount is paid out annually in perpetuity to bond holders.
[30] See annualized International Monetary Fund inflation data for Myanmar during this period at https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=MM
[31] These limits were imposed during initial share sales in the 1990s and 2000s to prevent senior officers from purchasing the bulk of the float. One high-ranking veteran interviewed claims to have only been able to purchase around 20 lakh kyat, equivalent to around US$2000 in USD terms at the time.
[32] Interviews with various veterans. September and October 2018.
[33] Interview with various veterans. September and October 2018.
[34] Some officers reported being *encouraged* but not *required* by their commanding officers to dedicate around 10 per cent of their monthly salary for the purchase of MEHL shares, for which they received paperwork and annual dividend payments. A number of lower ranking soldiers claimed that before they received their salary, between 15 and 25 per cent was automatically 'deducted' as a

'contribution' to MEHL. Communications with active-duty Tatmadaw members, September, October and November 2018.

[35] It is possible that some commanding officers take a paternalistic approach and establish 'savings' accounts on behalf of their subordinates with funds deducted from their subordinates pay. However, another explanation may lie in the fact that regional commanders and service chiefs have partly decided promotion on the amount that regimental officers have raised from regiments and soldiers under their command for MEHL and welfare funds. Promotion criteria may thus produce strong incentives for officers to either encourage or redirect soldier salaries to MEHL, suggesting that this source of ongoing cash income is central to the functioning of the company. Interview with senior officer (retired) and various military-linked sources. September, October and November 2018.

[36] Annual interest rates for 5 year bonds issued by the Central Bank of Myanmar stand at 9.5 percent at time of writing in November 2018.

[37] These factors help to contribute to the catastrophic debt many households in Myanmar often find themselves. A household survey in Magwe found that Myanmar people pay the highest proportion of out-of-pocket expenses for health care in the region, a burden that is a major cause of catastrophic household financial debt. See Inn Kynn Khaing, Malik, A., Myo Oo and Hamajima, N. 2015. Healthcare Expenditures of Households in Magway, Myanmar. Nagoya Journal of Medical Science. 77:1-2, p 203-212.

[38] According to the association's official history, the origins of the War Veterans Organisation runs back to a 1973 attempt to unify diverse veteran associations into a single organization. Soon after it was formally integrated into the Burma Socialist Programme Party regime with a 1975 Charter, though this was later superseded by the current 1989 State Law and Order Restoration Council (SLORC) legal provision. See MWVO. 2018. 'Myanmar War Veterans' Organization: Brief History'. Naypyitaw. Pg 1-2.

[39] MWVO. 2018. 'Myanmar War Veterans' Organization: Brief History'. Naypyitaw. Pg 8.

[40] MWVO. 2018. 'Myanmar War Veterans' Organization: Brief History'. Naypyitaw. Pg 10-11.

[41] Myawady Daily http://myawady-myawady.blogspot.com/2016/02/construction-of-karuna-kaba-home-for.html and MWVO. 2018. 'Myanmar Report to VECONAC'. 7 Sept 2018. http://veconac.org/uploads/files/VECONAC_-_Myanmar_Country_Report_-_07_10_18_pdf.pdf

[42] Interviews with Myanmar tax specialists and Myanmar War Veterans Organization (Naypyitaw), October 2018.

[43] Interview with Myanmar War Veterans Organization (Naypyitaw), October 2018.

[44] MWVO. 2018. 'Myanmar War Veterans' Organization: Brief History'. Naypyitaw. Pg 11. However, 2018 VEECONAC report cites 101088 'other rank' veterans, 9112 officers and 135,293 ancillary members (pg 2).

[45] MWVO. 2018. 'Myanmar War Veterans' Organization: Brief History'. Naypyitaw. Pg 6-7. Interviews with various non-MWVO veterans. September and October 2018.

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