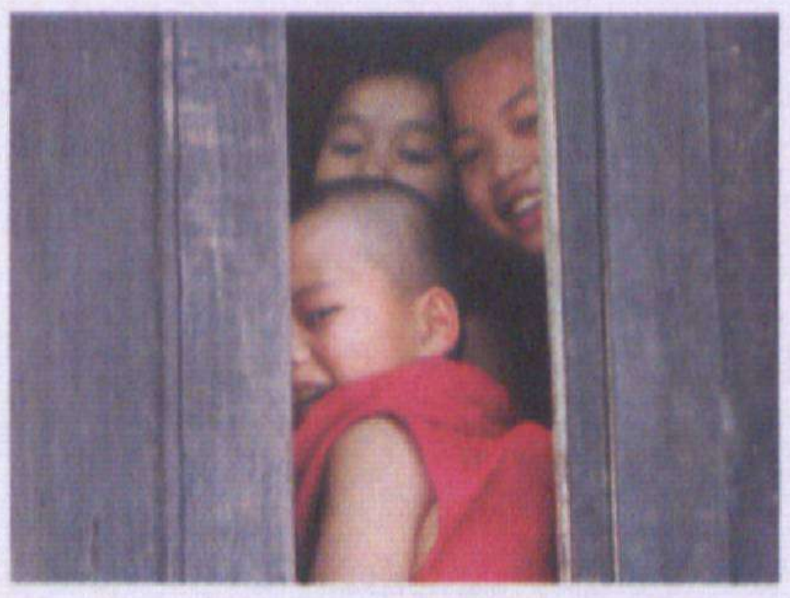
Myanmar and America

The ultimate endorsement

Its commitment to reform has been impressive, but stern tests lie ahead for Myanmar



WHEN Thein Sein was picked by his fellow generals to lead Myanmar a little over two years ago, the country was a pariah state, ostracised by the West, shut off from the mainstream of Asian prosperity and ground down after decades of brutal, corrupt and inept military rule. Yet this week Mr Thein Sein was welcomed to the White House, chatting with Barack Obama and soaking up the American president's praise for Myanmar's bold and fast-moving reforms.

The top-down transformation

As our special report this week shows, Myanmar has undergone a remarkable transformation. Ruled by the generals, the country, which many know as Burma, was a blank space. Now it is finding its place again at a nexus between China, the Indian subcontinent and South-East Asia. The neighbours are pouring in with road- and port-building projects to reconnect Myanmar to its region. And now that they have lifted nearly all sanctions, Europeans and Americans are also excited, sizing up a country of 64m people that is rich in resources and market potential. Empty rooms in the rundown hotels of the commercial capital, Yangon, are suddenly as rare as hen's teeth.

The precursor to this was a profound change in Myanmar's politics under Mr Thein Sein. In late 2010 Aung San Suu Kyi was released from house arrest. Thousands of other political prisoners are also free. Dozens from Miss Suu Kyi's National League for Democracy, once persecuted, now sit in a parliament that people thought would be a poodle but which has shown real bite. A once-stifled press has found its voice and politics, a topic that was long taboo, is part of common conversation. At last, ordinary Burmese can aspire to share a better future—quite possibly with Miss Suu Kyi as president in 2015.

Myanmar's is a top-down revolution and many of its motives are unclear. But at the least Mr Thein Sein and his allies lamented the dead end into which their country was driven, first by military-led socialism and then, under Mr Thein Sein's pitiless predecessor, Than Shwe, by army cronies plundering the country's wealth. In regional meetings with prosperous neighbours, Myanmar's backwardness was a mounting humiliation. Above all, isolation had allowed the Chinese, much resented, to gain economic dominance.

Mr Thein Sein's bravest act was to face up to the fact that Mr Than Shwe's notions of a "disciplined democracy" and strictly rationed freedoms would lead nowhere. They could never bring round Miss Suu Kyi, with her huge moral force at home and abroad. And without her approval the West would never drop its crippling sanctions. So, in a famous meeting about which both are tight-lipped, Mr Thein Sein and Miss Suu Kyi talked in August 2011 and found that they trusted each other. The pace of change accelerated from that point. Both deserve credit. So, too, does American diplomacy, for using calibrated concessions to draw the rulers out of their seclusion, culminating in Mr Thein Sein's visit to Washington this week.

Yet Mr Thein Sein and Miss Suu Kyi both have much more to do. Army assaults on ethnic groups and communal unrest—in particular violence by Buddhist mobs against the Muslim Rohingya—underscore how far Myanmar is from achieving peace and democracy. So far change has come largely to the Burman-dominated centre. Around the periphery, home to ethnic groups that make up two-fifths of the population, little has changed. Now Myanmar must find peaceful ways to end long-running civil conflicts. A new constitution creating a federal state and guaranteeing equal rights to all, Rohingya included, is essential. Until it is in force, everything so far achieved will remain in jeopardy. ■

The World Bank

Stand up for "Doing Business"

The president of the World Bank should support one of its most useful products

A YEAR ago, when Jim Yong Kim was appointed president of the World Bank, this newspaper had doubts about the choice. Mr Kim, then head of Dartmouth College, was a health expert who had run innovative AIDS projects in poor countries, but had no background in economics or finance. He once wrote that the "quest for growth in GDP" had "worsened the lives of millions of women and men". For the boss of the world's premier development bank, this was a curiously sceptical view of what economic growth might do for the poor.

Mr Kim has since assuaged some of those doubts. He has focused the bank on eliminating extreme poverty and has promised that the sprawling organisation will be more "scientific" in delivering its services. But a big test lies ahead: a showdown over the "Doing Business" report, one of the bank's most successful research products, but one which some shareholders would like to see watered down or scrapped. How Mr Kim handles this will show whether he understands the importance of growth, has a sensible idea of the bank's role in supporting it—and is a strong leader or a supine one.

Since 2003 "Doing Business" has shone an annual spotlight on regulations. Now covering 185 countries, it looks at the complexity of rules (such as the cost and time involved in starting a ▸▸

firm) and the strength of legal institutions (how well contracts are enforced, say). It ranks countries on these measures and on the overall ease of doing business. Singapore comes top, the Central African Republic bottom. Thanks to these rankings, "Doing Business" is influential. Presidents and prime ministers do not like to be low in the league, so they demand that red tape be cut. In the past decade almost 2,000 liberalising reforms have been undertaken in areas covered by the report.

Pulling rank

Alas, not everyone thinks that is the right response to a poor score. The rankings irk countries that do not do well—notably China, which comes 91st. Several attempts have been made to weaken the report. Mr Kim's predecessors rebuffed these efforts. He chose instead to set up a panel of outsiders to make recommendations on the future of the report.

Unfortunately, there are signs that the panel, led by Trevor Manuel, a South African cabinet minister, may be predisposed against "Doing Business". It has appointed two critics of the report as advisers. Its recommendations, due soon, are expected to include ditching the rankings, or even handing "Doing Business" to another organisation.

Mr Kim should reject any such ideas, for three reasons. First, the report spurs countries to useful reforms. Several studies show a clear relationship between improved scores in "Doing Business" and faster growth. Granted, its methodology is not perfect, and changes in rules do not always match conditions on the ground (some think Georgia, say, is flattered by its rise to ninth place). But the answer is to improve the research behind the rankings, not to suppress them.

Second, an enfeeblement of "Doing Business" would cast doubt on Mr Kim's commitment to the bank's research. Now that ever more emerging economies can borrow in private capital markets, the bank's usefulness lies in its intellectual leadership as much as in its lending. "Doing Business" has helped deepen economists' understanding of how legal institutions and regulations affect growth. Rather than weaken this work, Mr Kim ought to encourage more of it.

Third, by caving in to China's complaints Mr Kim might appease a powerful critic but he would also open the door to further self-serving complaints. And he would infuriate his largest shareholder, America. The "Doing Business" report is one of the few bank products that has broad support in Congress—the chief funder of the bank's soft loans. Fear of losing funding should not push a World Bank president to do the wrong thing. But it should stiffen Mr Kim's spine to do the right thing. ■

Another Indian corruption scandal

Lessons from cricket

The mismanagement of Indian cricket reveals India's wider failings

CRICKET is like a religion in India, it is said—especially by Indians, who take almost as much delight in their love of the sport as in the contest between bat and ball. Nothing, they suggest, unites their vast and varied country so much as its devotion to what was once an English summer game. That is one reason why the epic mismanagement of Indian cricket matters. The other is that it gets to the heart of the cronyism and high-level abuse that plague India more widely.

Every cricket season brings news of a fresh scam or intrigue including, on May 16th, the arrest of three cricketers and a dozen bookmakers for alleged match-fixing in the country's most popular domestic tournament, the Indian Premier League (IPL). Investigators in Delhi hint that the players were paid indirectly to underperform by the Mumbai gangsters who control much of India's enormous illegal gambling industry (betting on cricket is against the law in India). If they are right, the nexus between racketeers, bookmakers and greedy cricketers, exposed in 2000 in one of the biggest scandals in modern sport, remains in place. This would not be surprising: India's government and the men who run cricket there have done almost nothing to dismantle it.

They are often the same people. In recent years politicians have flocked to join the Indian cricket board, which claims a monopoly on the game in India, and earns about $200m a year. Yet its rulers appear to spend more time jockeying for position than cleaning up the mess. They also provide a miserable example of governance: the current president of the Indian board, a Tamilian businessman, N. Srinivasan, also owns an IPL team, the Chennai Super Kings.

India's mismanagement is bad for cricket elsewhere. The financial dominance of India has given its rulers a de facto veto on how the game is run globally. But India takes no responsibility for the Indian bookies corrupting cricket. The cricket board appears to view the collaborative culture of international cricket mainly as a threat to its interests.

As the global field most marked by India's economic rise, cricket is worryingly indicative of how the country conducts much of its official business. Negotiations on trade, energy and climate change, in which India is increasingly important, have been similarly buffeted by the intransigence of the elite.

More than just a game

What is to be done? As so often in India, the solutions are easy to state and hard to enact. The government should legalise betting on cricket, in order to control and regulate it. The cricket board must also be regulated more tightly, as the commercial operation it is, not the volunteer organisation it claims to be. It should recognise that the longer it fails to stamp out corruption, the more tightly it will be controlled. It should start by cracking down on the alleged cheats—not, as in previous scandals, seeking to exonerate them after the dust has settled.

Such reforms would be opposed by the same powerful people who aspire to run everything in India, from politics to cricket to banking (see page 77). That is why they are so important. International confidence in India's ability to uphold the rule of law and fight corruption is at an all-time low. To improve their country's reputation, its rulers should start by cleaning up their favourite game. ■