

Myanmar Roundtable 2012

Understanding the Changes, Realizing the Opportunities

Emerging Myanmar: New Political & Economic Developments

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Objectives

- To explain some of the recent political and economic developments in Myanmar, which are favorable for local and international business sectors



“New Democratically Elected Government”

- Sworn in on the 30th March 2011
 - State-building, institutional capacity building, introduction of democratic culture, reforms and establishment of parliamentary system already in place, at various stages
 - Clean Government, Good Governance – slogan of the new administration
 - Release of prisoners, the independent legislative, executive and judiciary
 - Freedom of Speech & Media (Very Noticeable)
- Market Information – more accessible and very supportive for stakeholders in the market, Private Sector Associations have more say in policy formulations
- Rural Development – reconsidered, main agenda (National Workshop on poverty alleviation – laid down policies for stronger micro-finance, stronger rural cooperatives, effective and efficient agricultural development by encouraging integrated farming and development of SMEs, SMIs
 - Political Inclusiveness – Free & Fair By-election in 2012
 - Income distribution reconsidered, opportunities for all
 - Promote Trade & Investment
 - Managed “Floating Exchange Rate Regime” based on market



Myanmar starts new FX regime at **835 kyat per dollar** (1 June 2012)



YANGON | Mon Apr 2, 2012 3:54am EDT

(Reuters) - Myanmar's central bank set a reference exchange rate of **835 kyat per dollar** on Monday, the first business day under a managed float currency regime that is the most dramatic economic reform yet by a one-year-old civilian government.

Political Inclusiveness & Freedom



President U Thein Sein's Second Reform Initiatives Speech on 19th June 2012

- Based on nation's current economic situation, the five-year short-term plan from fiscal year 2011-2012 to 2015-2016, the government has projected:
 - **7.7 percent annual average GDP growth** based on 2010-2011 market prices;
 - decrease of agricultural sector ratio in GDP from 36.4 percent to 29.2 percent; and an increase of industrial sector ratio in GDP from 26.0 percent to 32.1 percent and of services sector ratio from 37.6 percent to 38.7 percent respectively;
 - 1.7 to 3 fold rise in per capita GDP when compared with the base year.
 - Job creation, inviting foreign investment, loans and aids
 - Equal opportunities for all Regions and States
 - Peace Negotiation-National Reconciliation- top priority

Daw Aung San Suu Kyi's remark at Westminster Hall

- By-election: “April Fools joke turned out to be an April of New Hope. The voting process was largely free and fair, and I would like to pay tribute to President U Thein Sein for this, and for his commitment and sincerity in the reform process”

USA-Myanmar hailed a “New Chapter” of relations



Historic visit of British Premier as the first Western Leader to visit Myanmar after U Thein Sein's government took office



A version of the Growth Commission's list of common policies associated with sustained economic growth is given below.

- 1. Macroeconomic stability, including a fairly valued exchange rate.**
- 2. High levels of savings and investment.**
- 3. Connection to the world economy through trade, capital flows and ideas.**
- 4. Use of markets to allocate most spending and investment.**
- 5. High levels of governance with effective and honest governments.**
- 6. Investment in health and education sufficiently to create a productive labor force.**
- 7. Equality of opportunity**

Political reform measures are taking place with amazing speed and need to push economic reforms with momentum.

- 1) Inclusive economic development is closely linked to peace and security;
- 2) Nationally owned and led cease-fire agreements are being reached and conflict resolution is gaining momentum;
- 3) Long lasting peace process through political dialogue needs to be continued;

AGENDA FOR INCLUSIVE ECONOMIC DEVELOPMENT

1. Ongoing reform measures, with the instituting of several new laws and regulations to promote private sector, foreign investment and to expand exports, have been changing many facets of Myanmar economy;
2. Current reform efforts are aimed to push Myanmar economy to a higher growth path on which majority of population enjoy substantially better income and living standards;
3. The Question is whether we are pushing the economic reforms too fast or too slow? Will it lead to inclusive development?

AGENDA FOR INCLUSIVE ECONOMIC DEVELOPMENT IN MYANMAR

MYANMAR ECONOMY IN BRIEF

- 1) Economic growth driven by investment: need to be more broad-based**
 - i. Economy grew by 5.3% in 2010 and 5.5% in 2011 – government spending rather than private consumption
 - ii. Expected 6.2% growth in 2012 – recent reforms and easing of sanctions help attract greater FDI and development assistance;
 - iii. Unify and float exchange rate in April 2012;

AGENDA FOR INCLUSIVE ECONOMIC DEVELOPMENT IN MYANMAR

- 2) Inflationary pressures easing in line with food prices, but administered prices rising**
 - i. Inflation declined from 7.7% in 2010 to 4.2% in 2011- inflation expected to pick up in 2012
 - ii. Prices more stable in recent years;
- 3) Fiscal and monetary policies in early stages of transition**
 - i. Dominance of inefficient state-owned enterprises and large holding companies still exists-monopoly removed
 - ii. Significance increase in public health and education spending in 2012 budget
 - iii. CB interest rate decreased from 12% to 10%

AGENDA FOR INCLUSIVE ECONOMIC DEVELOPMENT IN MYANMAR

- 4) Exchange rate reform and expected easing of sanctions to help trade and investment**
 - i. Foreign investment led by China, Korea and Thailand, particularly in power, oil and gas
 - ii. Current account deficit widening, reaching 4.3% of GDP in 2011 and appreciation of kyat and volatility of commodity prices constrains export
- 5) Renewed focus on rural development and poverty reduction is encouraging**
 - i. Targeted to lower poverty levels to 16% by 2015 from the current 26%

AGENDA FOR INCLUSIVE ECONOMIC DEVELOPMENT IN MYANMAR

Priority Agenda for Action

- 1. Increasing Productive Capacity;** energy, infrastructure, private sector development
- 2. Agriculture and Rural Economy Development;**
- 3. Trade and Commodities;**
- 4. Human and Social Development;**
education and training, water and sanitation, social protection
- 5. Good Governance at all levels**

Increasing Productive Capacity: to overcome limited productive capacities constraining the ability to produce efficiently and effectively and to diversify the economy

1. Increasing the value addition in natural resource-based industries with particular attention to employment generation;
2. Diversifying and building critical mass of competitive productive capacity in agriculture, manufacturing and services sectors to benefit from regional and global integration and increase resilience to shocks;
3. Increasing energy production and distribution capacities and infrastructure, in particular rural infrastructure;

4. Promoting public-private partnership for the development and maintenance of transport and ICT infrastructure and their sustainability
5. Strengthening science, technology and innovation and mainstreamed into national and sector development policies to bridge the digital divide and technological gap in support of rapid and sustainable development;
6. Promoting an enabling environment for private sector development including SMEs through a transparent and rule-based regulatory framework;
7. Making available financial services, including banking and insurance, to enhance private sector development and investments across sectors;

Agriculture and Rural Economy Development: contributing 35% to GDP, employing 66% of the total work force with direct linkages to poverty reduction of 70% of the total population residing in rural areas and producing commodities for export and value-added agro-based processing industries;

1. Enhancing land tenure, access to credit, farm inputs particularly seeds and agrochemicals, markets, infrastructure and irrigation;
2. Restructuring and strengthening institutions and human capacity to boost productivity and competitiveness of commodities;
3. Promote responsible foreign investment and call for investors to conduct Global Impact and GAP practices for fairness and environmental sustainability;

Trade and Commodity: significantly relying primarily on agricultural or on the extraction of very few natural resources and primary products for export makes vulnerable to external trade shocks due to high volatility of commodity prices;

1. Removing and reducing constraints on the private sector including trade distorting measures as well as broadening and diversifying the export base;
2. Strengthen and adopt commodity specific policies and strategies to enhance productivity and vertical diversification and ensure value addition;

Human and Social Development:

1. People are greatest assets whose potential as both agents and beneficiaries of development must be fully realized.
2. Meeting most of the internationally and nationally targeted development goals, including MDGs is essential.
3. Ensuring universal access to free primary education and increasing access to secondary, tertiary and vocational education and skill development training are priority
4. Increasing the quality of education and training high on agenda;
5. Implementing social protection policies by ensuring allocation of adequate resources and capacity building;

Good Governance at all levels:

'good governance' and the 'rule of law' at the national and local levels are essential for sustained, inclusive and equitable economic growth, sustainable development and the reduction of poverty.

1. Strengthening good governance, the rule of law, human rights and democratic participation, including by enhancing the role of parliaments;
2. Implementing effectively measures to prevent corruption and to increase transparency of budgets and expenditures through institutional and human capacity building;
3. Building durable peace and ensure stability, security and sustainable and inclusive development through political dialogue;

Conclusion

- **Cautious optimism.** The recent by-election, political will of the President and his cabinet, reform initiatives, peace negotiations and the release of many political prisoners are welcome signs of reform.
- Further and fundamental reform will ultimately lead to the freedom, democracy and rule of law which the rest of the developed world has so long enjoyed and the people of Myanmar have too long attempted to possess.
- There is an Asian saying that a journey of a thousand miles must start with a single step. Myanmar is taking one such step and needs more international support to sustain her steps and to protect the backwardness.
- Myanmar is moving towards broader economic reforms and liberalization. Myanmar has not yet entered the community of vibrant business environments in ASEAN, but there are many potentials and opportunities to join the Club of Wealthy ASEAN nations before too long

Thank You Very Much!