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MYANMAR'S POLITICAL AND ECONOMIC REFORMS

*Economic Reforms in Myanmar: Challenges, Opportunities, Dividends
And Consequences*

by

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Introduction

In 2011, President U Thein Sein was elected to become the President of the Republic of Union of Myanmar under the new constitution drawn up in 2008. In his inaugural speech, President U Thein sein outlined a strategic vision for New Myanmar and chartered a series of reforms to achieve the national goal of peaceful and prosperous Myanmar. He also paved the way for process of national reconciliation with the democratic opposition and welcomed Myanmar diaspora to return to the country to help the efforts of national reconstruction.

Myanmar used to be a case of concerns for many international observers and regional players—the discussions on Myanmar in the venues such as Asia-Pacific Roundtables were about repression, repercussions and regional despair. U Thein Sein's administration introduced a new chapter for Myanmar, and our participation to this prestigious roundtable is a testimony of international recognition to important changes happening in Myanmar.

Economic Reforms in Myanmar

Nowadays, we are working very hard to prove that “Myanmar can change,” and I am proud to present you the challenges, opportunities and consequences of economic reforms which I am deeply involved since 2011. When Myanmar introduced reforms in 2011, we were compared to other countries in transition, notably the countries of Arab Springs. Today, we are one of the few surviving countries of spring countries that is still marching steadily to her destiny despite of all daunting challenges of transition.

Myanmar's challenges are serious. We had a heavy legacy of the past. In Asia, Myanmar experienced one of the longest colonial administrations over 100 years. It suffered the greatest loss during the Second World War – Myanmar was the fieriest battle ground for marching Japanese troops and retreating allied forces in 1942, and the reverse happened in 1945—causing a huge complication to reconstruction efforts of post-independent Myanmar. Then, we were isolated from the rest of the international community since 1962, and various international sanction regimes since 1990 further exacerbated that isolation. Yet, Myanmar became “rice bowl of Asia” in 1930s under British colonial rule; and played a major role in international diplomacy in 1960s in spite of her domestic struggles with national development. Today, we are repeating this historical resilience and working very hard to restore our rightful place in the global community.

Myanmar fully recognizes that the road ahead of us is not easy. Myanmar is currently undertaking what many observers noted as “triple transitions”—democratic transition from guided democracy to inclusive multi-party system, economic transition from state-led, planned economy to free market systems and war-to-peace transition from severe ethnic conflicts to post-conflict reconstruction & reconciliation. Many doubted our ability to overcome these fault lines. However, there are many international observers who note our prospects in the near horizon. For instance, McKinsey recently estimated that, if we follow the current pattern of transition, we could increase our GDP four times in the next twenty years potentially reaching to \$200 billion plus by 2030. We have the potential to achieve 19 million members of the consuming class while increasing 10 million additional non-agricultural jobs by 2030.

In this regard, Myanmar will keep her eyes on the prize. Towards that end, the Government of Myanmar introduced the Framework of Economic and Social Reforms (FESR) in 2012 to achieve the short-term objectives of economic transition to put the country under stronger foundation to steer its long-term plans to transform the country. The government drew up a long-term plan namely the National Comprehensive Development Plan (NCDP) and the parliament is presently reviewing it. In both plans, we emphasize not only the usual planning targets, but also key result areas the country must achieve during this transition and the importance of making process rights in achieving these results. Huge amount of best practices that could fit into our transition framework were applied in implementing the reform programs. In essence, we are promoting participatory reform processes to achieve people-centered development results that can sustain inclusive growth in the medium term.

When we introduced our reforms, we did not forget that we are a late comer in this region. We prepared ourselves to learn lessons and inspire successes from our neighbors while leapfrogging in knowledge and technology to contribute towards greater speed in catching up with the region. We must also maximize strategic location of the country situated in the middle of the world’s most dynamic economic powers to gain market access as well as to provide a gateway for the global partners. We must work hard not to lose the momentum of international sympathy in extending economic cooperation and assistance to us by managing effective aid coordination. The whole country is now being mobilized to achieve all these potentials, and in order to boost the trends, the government has reallocated huge public investments to health, education and social sectors as well as building strategic policy capacity in managing and implementing reforms from the dividends of sustainable and shared resource endowments. In this regard, it is not a coincidence that we have weathered many difficult storms in the last three years – it is hard work of our people to aspire to succeed the transition, which sustained momentum and forward-looking strategies of reforms.

Challenges and Opportunities of Reforms

Earlier this year, the International Monetary Fund concluded that Myanmar has just achieved “sustained, strong and inclusive growth” in its second review of staff-monitored program. Our inflation is contained within a manageable range of 6-8%; our foreign reserves gradually grows to achieve more than 3-month of imports, and GDP is achieving over 7% and expected to grow faster in the coming year. The registered FDI commitment now stands at US\$ 40 billion—the amount we could register in the last three years surpassed the total amount we received for more than twenty years in the past. For the

first time, the amount of FDI flowing into service and manufacturing sector surpassed the one into the mining sector—reflecting the investors' confidence in Myanmar's ability to restructure the economy.

Of course, there are serious "binding constraints" to the ongoing reforms. One is the capacity to implement reforms – the capacity gaps can be found in every society level and economic sector—the government has recently came up with an innovative mechanisms to deliver the reforms. Although the earlier achievements in economic reforms were promising enough to attract FDIs and external trade deals; internally, these results were not tangible and concrete enough to manage high expectations of the public. That is why the government is now prioritizing seven key result areas to produce visible and early benefits for the people on the street through what we just formed "ministerial delivery units" across the government. The government's fiscal capacity is too weak that we are now giving priority in fixing the tax policy and administration towards a new social contract. Our ongoing peace negotiations face greater challenges of constitutional reform and political settlement; yet, the dividends from ceasefires were not yet felt by the populations severely affected by the past conflicts. We teach our entrepreneurs about the benefits and of course, adverse effects, of economic integration with the ASEAN and the larger global economy.

Consequences of Reforms

Economic reforms in Myanmar have been perceived to achieve modest gains in terms of improvements of people's daily lives and struggles; they have nevertheless contributed many important consequences to the society. Among them, I like to highlight three consequences that are of particular interests to the Asia Pacific Roundtables.

First is its contribution to boost democratization of the country. It is one of the most significant untold story of Myanmar's reforms where the role of media, political parties, civil society and the government's political liberalization were praised for their advancement of democracy. Now that political tensions get high and our neighboring Thailand demonstrates the fragility of democratic rules, more and more observers began to speculate the possibility of "sliding back" in Myanmar. Although we may experience ups and downs in our political lives, I want to assure you that our economy has fundamentally shifted to a level where there is no possibility of return to the past. Thanks to President U Thein Sein, when he introduced economic reforms, he also emphasized governance reforms—which can address the trappings of resource curse affecting my country for the last twenty years. When we introduced regulatory reforms, trade liberalization and fiscal disciplines, we not only followed conventional macro-economic stabilization strategies but also ensured that all rental heavens that generate rents—from resource rents, monopoly rents to transfer rents—which used to form the basis of authoritarianism in Myanmar—no longer pose a huge cost to the present day's economic transactions. We even make sure that our external commitment such as our latest membership to the Extractive Industrial Transparency Initiative, ASEAN Economic Community and IMF's Staff Monitored Programs help reinforce this fight against corruption.

Second is our contribution to a potential win-win strategy for regional connectivity and common interests, as our rapid development in infrastructure should serve in filling missing links between South Asia, East Asia and Southeast Asia. The vision of pan-Asia transport and infrastructure networks was so

remote when Myanmar was isolated, and now is becoming a reality. However, there are many challenges to address before this ambitious scheme can be realized. Lack of multi-lateral cooperation and coordination, financing and technical shortcomings as well as security and social implications still pose significant barriers to achieve this.

Last not least, although Myanmar's transition was made possible by home-grown initiatives, I must also acknowledge that there are many helping hands that contributed towards sustaining the reforms. For example, Japan's support for Paris Club negotiations was so crucial for us to achieve substantial debt relief and our reengagement with the international financial institutions. Our two great neighbors – China and India—not only increased trade and investments but also opened up further opportunities in terms of access to market, low-cost technology and financing. The quick decision from the EU to roll back the sanctions and to increase assistance to reforms was an important catalyst for our reintegration to the international community. The recognition from President Obama to our reforms was sealed during his most symbolic trip to Myanmar in 2012, and it still serves as a reassuring guide to Washington circles for a realistic policy toward Myanmar. And recently, the helping hands from our fellow ASEAN members to our role in performing the duties of chairmanship need to be appreciated.

Way Forward

These three consequences of reforms in Myanmar made me think of what Myanmar can offer to the great powers of the international and regional community—to cooperate and coordinate in their assistance toward successful transformation of Myanmar. In our modern history, our late prime minister U Nu served the plights of developing countries by co-sponsoring the principles of non-aligned movement while late UN Secretary General U Thant contributed to world peace at the height of turbulent cold war. This time, we offer an opportunity to implement a model process of shared peace and inclusive development where the international powers can share their contributions. Not long ago, Cambodia and East Timor were models of regional and international cooperation. History can repeat and we can be part of it.