



MYANMAR TRADE AND INVESTMENT STRATEGY

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MYANMAR TRADE AND INVESTMENT STRATEGY

Paper presented to the government
and people of Myanmar

February 2015

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Executive summary

This paper sets out policy recommendations for accelerating the development of the Myanmar economy by expanding international trade and foreign investment, and through greater integration into the regional and world economies. Openness will move the Myanmar economy towards its comparative advantages and facilitate the inflow of technology and ideas, lifting production, domestic consumption and community welfare.

Myanmar's trade performance has considerable 'catch-up' potential. Analysis shows that, with greater openness, the country could double its exports and imports. Moreover, if Myanmar is able to match or exceed the rates of productivity growth experienced by East Asia's most successful industrialisers during their periods of domestic reform and economic liberalisation, more than doubling its per capita income within a decade is a realistic prospect.

A well-functioning private sector is the fundamental engine of such growth. Myanmar should lay the foundation for private sector-led economic development by enhancing macroeconomic stability, deepening financial markets, creating an enabling regulatory environment, improving the education, skills and health of its workforce and overall population and improving access to markets, electricity, infrastructure, credit and technology.

The government's ability to provide economic stability and public investment to meet the development priorities that are critical to private sector growth is limited by low revenues, weak policy review capacity, underdeveloped public financial management and a centralised governance structure. This paper provides strategies to overcome these problems through improved institutional capacity for policy review, government decision-making and macroeconomic management and increased fiscal and administrative capacity. This will also support the growing political autonomy being conferred on state and regional governments.

Greater economic openness will have a fundamental effect on the composition of the Myanmar economy. It offers the prospect of diversifying the economy by reducing dependence on natural resource exports in favour of other activities in the rural, manufacturing and services sectors. Complementing greater openness, domestic reform that encourages improvements in agricultural productivity would raise incomes for the majority of the population in the near term. Facilitating labour-intensive manufacturing and supporting service activities would further raise trade, investment and income-earning opportunities.

Attracting foreign investment is critical to transforming Myanmar's economy and growth outlook. The country's success in attracting and benefiting from foreign direct investment will ultimately depend on the development of the infrastructure and institutions that are fundamental to the broader reform effort. They should be transparent, be liberalising and reflect a principles-based approach to regulating both domestic and foreign investment.

Substantial and strategic investment in infrastructure is needed to support the development of Myanmar's domestic markets and their integration into the international economy. This will be a challenging task, requiring a nationally coordinated approach to prioritise projects. While such integration will intensify the forces concentrating activity in the central states and regions, development need not be similarly concentrated. Active steps to share the gains from growth will help sustain that growth, underpin peace and raise welfare for all of Myanmar's people.

Myanmar's transition is supported and embraced by its regional neighbours and increasingly by the global community. Its membership of ASEAN should be the guiding focus in a trade and investment diplomacy

that emphasises broad and non-preferential liberalisation and seizes vital opportunities for regional and global engagement to reinforce domestic reform.

This paper provides a vision of how Myanmar can more than double the incomes of its people over the next decade. By getting national development strategy right, Myanmar can sustainably raise living standards, improve the welfare of all of its people and re-establish its weight and role in the international community in the decades to come.

Key recommendations

This paper sets out a package of recommendations for fundamental economic reform and for building key institutional structures within government. The recommendations are aimed at the intersection of private and public sector activity in the Myanmar economy, resetting the role of government to managing economic policy transparently, promoting efficient, stable and inclusive growth and increasing economic activity while laying the foundations for a robust, innovative, empowered and rapidly growing private sector.

These policies are interdependent. Getting the entire package of reforms right will allow the Myanmar economy to seize the ample opportunities presented by trade and investment liberalisation. Only by accessing these benefits will Myanmar build lasting peace and prosperity for all of its people. The key reforms recommended in the paper to facilitate such growth are as follows.

1. Build a platform for private sector development by increasing **central bank independence and the effectiveness and credibility of fiscal and monetary policy to improve macroeconomic stability**, removing barriers to private sector activity, deepening financial markets and easing restrictions on foreign banks while creating an enabling regulatory environment.
2. Increase public investment in growth and prosperity by improving tax collections and setting up a **comprehensive tax review** to guide future tax policy, establishing an independent policy review institution (the **Myanmar Economic Review Commission**) to provide apolitical, rigorous and transparent advice on the economy-wide implications of economic policy, **continuing decentralisation** and improving budget transparency, coverage and oversight.
3. **Continue trade liberalisation and externally oriented reform** by developing labour-intensive industry and services activities that can support higher productivity, exports and urbanisation. While the reform effort should be broad-based, **special economic zones** can contribute to labour-intensive industrial and service sector development under the right conditions.
4. Invest in Myanmar's development by **considering options for a notification-and-approval screening system for foreign investment**, centralise decision-making authority within the **Myanmar Investment Commission**, establish an independent investment promotion and facilitation agency and support the agency's domestic investment strategy through international agreements.

5. Connect the domestic economy to international markets by creating a coordinating transport infrastructure body (the **Myanmar Infrastructure Assessment Authority**) to plan, prioritise and seek finance for nationally important infrastructure projects, and **consider establishing a state and region development fund** to finance the expansion of priority health, education, transport and other services in the states and regions.
6. Engage in trade and investment diplomacy by creating an enabling domestic environment for external engagement, prioritising non-discriminatory regional and international trade opportunities and **prioritising reforms that align with ASEAN Economic Community initiatives**

Chapter summaries and key messages

Chapter 1: The opportunities and issues

Myanmar is a resource-rich but low-wage, low-income economy. Its comparative economic advantages currently lie in the production and export of natural resources and agricultural goods in exchange for a full range of manufactured consumer and capital goods. In the coming decade, the objective should be a fundamental restructuring of the economy that allows substantial growth in the production and export of labour-intensive manufactured goods and supporting services.

A growth trajectory approaching 10 per cent in real incomes per head per annum over the decade to 2025 is within reach. Realising this potential will require a substantial change in development strategy to put in place the institutions and infrastructure that can support the associated urbanisation, along with regional and social policies that ensure the spread of the benefits of growth throughout the nation. Foreign economic diplomacy needs to be shaped so as to connect international trade and investment opportunities with domestic development goals.

If growth and development are to include all the peoples of Myanmar, there will need to be a major change in Myanmar's constitution to encourage the building of an effective economic federation and substantial investment in infrastructure to connect the nation as a whole to the international economy.

By getting the national development strategy right, Myanmar can sustainably raise living standards, improve welfare for its people, and re-establish its weight and role in the international community in the decades to come.

KEY MESSAGE

Myanmar can catch up economically to its neighbours and partners in the region by entrenching open trade and investment strategies if it chooses the right national development strategy and learns from the experience of economies that have trodden the same path.

ECONOMIC POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- **Capturing the gains from trade for economic growth** requires commitment to the development of a market economy. The effective operation of a market economy is premised upon an array of institutions and laws that, among other things, secure title over property for individuals, enterprises and the state and provide for the enforcement of contracts. It is also premised on robust, transparent government institutions and a strong regulatory framework that both supports market institutions and ensures the equitable distribution of the gains from growth.

Chapter 2: Current performance and future potential

Myanmar's isolation from the global economy over the past decades cost the country greatly. However, its status as a latecomer to economic modernisation provides a unique opportunity for accelerated growth to catch up quickly with more advanced economies. Neighbouring economies in Southeast Asia and East Asia more broadly provide a model for rapid economic development and catch-up through opening up borders to trade and investment and undertaking continuous reform behind the border. Openness to trade, investment and e-commerce was a fundamental element in the successful economic development of East Asian economies.

By benchmarking Myanmar's openness to trade, estimating a trade performance measure and comparing it with neighbouring countries and the rest of the world, it is evident that Myanmar's ideal location between neighbouring economic giants—China and India—provides significant opportunities for trade that Myanmar has not yet embraced. Using a population–participation–productivity framework to estimate growth possibilities, it is clear that strong growth in productivity is essential in Myanmar's ability to reach its real potential.

To unlock this potential, Myanmar must continue opening up to the rest of the world and implementing domestic reforms that will allow the country to benefit most from liberalisation. The rest of this paper identifies the key reform priorities needed to facilitate this process.

KEY MESSAGE

Myanmar's economic development currently lags behind that of neighbouring countries. This offers significant opportunities to leverage off the economic success of the region and accelerate growth to catch up to its neighbours. Analysis of Myanmar's current and potential trade performance shows that the country has considerable 'catch-up' potential as long as it continues opening up to trade and investment. Leveraging greater economic openness to spur more efficient allocation of resources, realise comparative advantages and access global technology and ideas is a sustainable way to achieve faster growth and realise Myanmar's potential, laying a strong foundation for a prosperous, open and modern state.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar's significant catch-up potential can be realised by **opening to, and integrating with, global markets** and allowing market-driven structural change to shape a more labour-intensive, productive and higher income economy.
- **Higher productivity growth** must be the foundation for increasing per capita GDP and welfare. Myanmar can make major gains if it is able to match or exceed rates of productivity growth experienced during the reform and opening-up periods of East Asia's most successful industrialisers.

Chapter 3: Building a platform for private sector development

A well-functioning private sector is the engine of economic growth, providing expanded opportunities for households to access employment, higher wages and goods and services to improve their quality of life. As growth accelerates and the structure of the economy shifts towards market-oriented manufacturing and supporting services, the income and consumption tax bases and attendant revenues can expand. Governments will then be more able to fund essential priorities in health and education and make investments in institutions, infrastructure and public services. Such investments reinforce the market-based economy, sustaining momentum for further growth and development.

Laying the foundations for a market-based system led by the private sector is essential if Myanmar is to benefit from greater openness to international trade and investment and attain its broader national and social goals. Part of this rests on the existence of institutions, policies and a regulatory environment that promote good governance and deter rent-seeking and corruption. This cannot happen overnight, although the significant steps Myanmar has made early in its reform process demonstrate that committed reform efforts can deliver strong results even in the short term.

To entrench progress, three broad areas should be prioritised to provide a stable and enabling environment for private sector growth: **enhancing macroeconomic stability, deepening financial markets** and **creating a more enabling regulatory environment**.

Macroeconomic stability makes the economy more resilient to economic shocks and gives investors more certainty about their returns. In Myanmar, previous episodes of macroeconomic instability had lasting negative impacts on the development of the private sector. The key to its improvement is continuing to build the Central Bank of Myanmar as a macro-policy institution. Priorities include strengthening its independence and reinforcing its ability to target inflation with modern monetary tools. Fiscal policy needs to support this through improved capacity to deliver robust budget outcomes in the medium term and to manage revenue and expenditure risks. Greater transparency in the operation of both aspects of macroeconomic policy will be essential for good policy outcomes.

Sound, efficient **financial markets** are crucial for economic development, as they help to ensure that funds flow to their most productive uses. Particularly important in the context of a developing country is the ability to link domestic operations to global capital markets as a source of funds. Financial markets also help firms and individuals manage risk and help households save for their future or unforeseen events. While Myanmar's financial sector has been growing strongly since the initiation of reforms, it remains underdeveloped by international standards, partly reflecting a legacy of heavy and outdated regulation. This is a major impediment to private sector development.

For the private sector to flourish and deliver socially desirable outcomes, it needs to operate in an **enabling regulatory environment**. Central to this is the rule of law, which requires a comprehensive and transparent framework of laws and regulations that are enforced uniformly, reliably and fairly. Myanmar's system is characterised by gaps in legislation and regulations, unclear or opaque processes and inconsistent enforcement, all of which hamper business operations. Addressing these shortcomings will require more resources for enforcement and consultation with stakeholders to deliver priority legislation and help to clarify processes.

KEY MESSAGE

Establishing the conditions for market forces to drive productivity growth and structural change is a prerequisite for accessing the gains from greater openness. To provide a supportive environment for development led by the private sector, Myanmar should focus on taking steps to enhance macroeconomic stability, progressively deepen its financial markets, build more robust budgetary processes and establish a predictable, transparent and uniformly enforced regulatory environment for businesses and investors. These domestic reforms are necessary to build international confidence in the growth of commercial and investment ties with Myanmar and to lift the country's trade and growth potential.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar should work to ensure **macroeconomic stability** to provide the certainty necessary for private sector growth. Central bank independence is critical for effective monetary policy. The development of a treasuries market is central to having effective monetary policy and will aid the development of the financial sector. The development of a medium-term fiscal framework, incorporating sustainable tax and expenditure policies and robust risk assessment, will also improve fiscal policy outcomes consistent with maintaining macroeconomic stability.
- Reforms to create an **enabling regulatory environment** are critical to the success of a market economy. The development of a robust and systematic legislative framework would create greater certainty and would be supported by further development of the Law Reform Commission. Gaps in the application of law should be identified, and processes should be clearly articulated. Reforms to state-owned economic enterprises, such as removing their regulatory functions and limiting their scope to what is needed to achieve a clear public purpose, will level the playing field for the private sector.
- Myanmar has made significant progress in removing barriers to an **efficient financial market system**. Putting the Basel principles into practice in the prudential regulatory framework would further enable greater credit provision by the financial sector and improve market stability. A larger role for foreign banks would significantly increase access to finance.
- Greater **consultation and engagement with the private sector** in the development of regulatory reform will reduce uncertainty and improve the operating environment for business.

Chapter 4: Public investment in growth and prosperity

With a stable macroeconomic environment and enabling regulatory settings in place, gains from trade-oriented growth led by the private sector will accrue to individuals and households, raising productivity and living standards across Myanmar. The task for Myanmar's government in supporting this process goes far beyond reducing its currently pervasive role in the economy, erecting the basic structures of a market economy and simply allowing development to take its course.

Targeted and efficient government spending in social and physical infrastructure is critical to developing Myanmar's human and natural resources and developing the public goods and endowments that the nation needs to succeed as a trade-oriented economy. Myanmar's ability to design policy and deploy funds to target these priorities is currently limited by low revenues, weak policy review capacity, underdeveloped public financial management and a centralised governance structure in which key decisions are taken far away from the communities that government programs are designed to serve. The current reforms offer an important opportunity to address these shortcomings.

Myanmar is fortunate to have a rich endowment of natural resources that can be leveraged to start making these public investments. However, those natural assets, while abundant, are ultimately finite, costly to exploit and subject to the vagaries of global markets. The advantage that natural resources provide should be neither taken for granted nor squandered. Clear and strict rules for their management must be put in place.

Building and expanding efficient tax bases that are not over-dependent on returns from natural resources and that are tailored to expected changes in Myanmar's economic structure and position is crucial to mobilising public funds for longer term public investments and expenditure. A comprehensive tax review is desirable and should relate near-term revenue measures to longer term sustainable and efficient tax policy and administration. Improved public decision-making and accountability—and particularly strengthening the government's capacity for policy development and review—are key priorities for maximising the efficiency and effectiveness of public investment and expenditure.

Establishing a policy analysis and review agency would provide an important mechanism for injecting independent and rigorous advice to government and informing stakeholders and the public debate in a non-partisan way. Analysis that takes an economy-wide view of the trade-offs inherent in the reform process would be a major step forward, especially as reforms start to touch on the privileges of powerful stakeholders. This will be important for sustaining the momentum of reform.

Reforming Myanmar's **budget decision-making process** will also enable a direct link between the policy choices and spending priorities of the central government and ministries, as well as those of state and regional governments.

Increasing the **political, fiscal and administrative autonomy** of state and regional governments, in the context of more integrated, transparent and forward-looking budget processes at all levels of government, is another major step in strengthening policy effectiveness, accountability and the prospects for political stability and peace, and in encouraging economic development across regions.

KEY MESSAGE

Effective public investment, policy-making and power sharing are fundamental to sustainable trade-oriented growth, the development of the capacities and welfare of Myanmar's people and the peace and political settlement necessary to sustain growth in the long term. Myanmar's ability to make investments in human capital and physical infrastructure to support growth and stability is restricted by limited revenue, weak financial management and endemic governance issues. The government's ability to achieve its priorities can be increased by improving transparency and accountability in the management of Myanmar's resources and reforming the tax system over time to provide a stronger and more efficient revenue base. This needs to be supported by improved policy development and policy decision-making at the central level, with an emphasis on developing effective policy review mechanisms and processes, and measures to support growing political autonomy for state and regional governments through increased fiscal and administrative capacity.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar needs to **invest in the priority development areas** of health, education and infrastructure. Physical infrastructure is critical, as it connects Myanmar's people and regions to national and global markets; human capital investments in education and health will aid the nation's economic transition and improve the wellbeing of the population.
- In the near term, Myanmar should implement reforms that will improve tax collection to strengthen its currently weak taxation base. In the longer term, it should focus on laying the foundations for **a tax system that can deliver increased revenues** in an efficient manner as the nation's economic structure changes. A comprehensive **tax review** could help guide the longer term development of value-added, corporate and personal income taxes as those tax bases develop over time.
- Myanmar should establish an independent national **policy review institution** to better inform government decision-making and public debate and to enhance the transparency of policy outcomes, and public and international confidence in those outcomes.
- Improving **budget transparency, coverage and oversight** will lead to stronger, more transparent and more accountable revenue mobilisation and expenditure decisions at the central and subnational levels.
- Continuing the **decentralisation** of political and administrative responsibilities to state and regional governments will deliver more efficient and accountable government services. The greater devolution of political responsibility must be accompanied by well-defined fiscal and administrative responsibilities at the national, state and regional levels that suit local conditions and that are needed to make the relationship between the central and state and regional governments work in practice.

Chapter 5: Trade liberalisation and externally oriented reform

For the past three decades, East Asia has demonstrated the value of trade-oriented economic growth. The region's industrialisation has been built upon increased integration with the world economy. Growth averaged around 8 per cent per annum in the emerging economies in the region over most of this period. According to the International Monetary Fund, total East Asian GDP in purchasing power parity terms was US\$3.9 trillion in 2013. While there were state interventions that ran counter to open trade strategies at some stages in some East Asian economies, it remains broadly correct to characterise the East Asian industrialisation process as one in which the trend towards economic openness and deeper integration into the world economy contributed to highly successful economic growth, leading to massive reductions in poverty.

A lesson from East Asia and elsewhere is that, except in very small economies, inclusive economic growth (meaning growth that generates significant benefits for the majority of the population) must be based on using the country's most important resource—its people. Growth must be employment-creating and it must be trade-oriented. In the long term, it cannot be based primarily on exploiting natural resources and it cannot be inward-looking. A transition must occur from Myanmar's current trade pattern of exports based on state-controlled natural resource-based exports to one that is employment-generating and able to spread the benefits of trade and economic growth to the majority of the people.

There is scope to improve the performance of the country's natural resources sectors, but the main impetus for growth over the coming decades must come from elsewhere. The government has set a target to attain middle-income status by 2030. Diversifying Myanmar's sources of growth is critical to achieving this target. At this stage, the country's comparative advantages lie mainly in the production and export of resources and agricultural goods in exchange for a range of manufactured consumer and capital goods. In the coming decade, the objective should be a fundamental restructuring of the economy to build substantial production and exports of agricultural goods as well as manufactured goods and supporting services.

Two things are required. First, Myanmar needs to transform its moribund agricultural sector into the efficient, export-oriented food basket of Southeast Asia that it once was. A sustained increase in agricultural productivity is vital to this transformation and can be achieved through reforms to infrastructure provision, research and development, securing access to land and access to credit. Second, Myanmar needs to develop an outward-oriented light manufacturing sector that utilises its abundant labour supply.

The public sector has a crucial supporting role in reforming the operation of state-run enterprises, establishing an enabling regulatory environment, investing in infrastructure and reforming the banking system to enable financing. Special economic zones (SEZs) provide a policy tool that will help in attracting export-oriented manufacturing investment that would not otherwise happen. Myanmar has already begun the development of three SEZs. It must now manage them better to unlock the immense growth potential that trade openness offers. The reform measures underpinning the growth in SEZs should be extended to the broader economy as quickly as possible.

At the same time, Myanmar needs to develop a regime for mobilising the returns from its resource assets for investment that supports these broader-based developments.

KEY MESSAGE

Externally oriented reform can support improved productivity in Myanmar's large agricultural sector and expand the employment-creating, labour-intensive manufacturing and supporting services sectors. To make the most of outward-looking liberalisation and seize opportunities to increase incomes through more labour-intensive activities, Myanmar needs to reduce remaining impediments to trade and structural change to support stronger performance in agriculture and capitalise on strong prospects for rapid growth in export-oriented manufacturing industries and services.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Reducing restrictive trade practices remains crucial, but Myanmar must also improve its **trade logistics and facilitation** performance to take full advantage of the opportunities provided by greater liberalisation.
- Strong **natural resources exports** can play a vital role in Myanmar's development. A well-regulated resource sector can generate strong growth in income, investment and trade. If well managed, it can support investment in public goods and institutions, laying a foundation for the diversification of exports and domestic activity over time.
- Sustaining increased **agricultural productivity** through supply-side reform is fundamental to improving Myanmar's economic and trade performance and to alleviating poverty. Major barriers to accessing agricultural credit and land must be addressed and infrastructure must be improved.
- The development path of neighbouring economies highlights the importance of developing **labour-intensive industry** that can support the more productive use of labour, exports and urbanisation. Greater openness provides opportunities for investment-led growth in manufacturing and supporting services, but this has to be coupled with adequate infrastructure and human capital and an enabling regulatory environment.
- **Special economic zones** can contribute to labour-intensive industrial development when the conditions are right and if they become part of the overall strategy for development—but this requires costly investment in infrastructure and skills and takes time. It is unrealistic to expect SEZs to promote development in remote regions or spur the growth of industry outside the zones unless fundamental barriers to development in those areas are addressed. Arrangements that prove successful in enabling development in SEZs should be extended to the broader economy as quickly as possible.

Chapter 6: Connecting the domestic and international markets

As the Myanmar economy intensifies its regional and global trade and investment links, the government will need to facilitate the rollout of infrastructure to develop robust private sector activity and ensure that households have access to basic services, transport and opportunities to enhance their living standards. These priorities are crucial for ensuring stronger growth and stable development and ensuring that the opportunities and the benefits from greater openness are accessed and distributed in a manner that enriches and engages all of Myanmar's regions and people.

Myanmar faces considerable infrastructure deficits, the details of which vary substantially across its diverse states and regions. Myanmar's geography includes mountainous regions, deltas, coastlines and forests. Despite its rich resource endowment, years of underinvestment in basic services, difficult terrain and sparse populations—together with the consequences of armed conflict—have resulted in people in those areas lagging behind people in the central areas on most development indicators.

The connectivity challenge faced by Myanmar spans multiple levels. Agricultural areas require productivity-enhancing infrastructure, such as rural roads and regional links, to raise productivity and complement other supply-side reforms. Industrial areas and cities with growing services sectors need reliable electricity, communications and physical connections to other domestic centres of commerce, as well as links to the regional value chain. Myanmar is also an important link in the international regional infrastructure network, and prioritising the completion of these links will allow domestic centres of production to access international capital and technology and gain from specialisation. Across the board, the provision of such infrastructure is a national priority to leverage trade and investment openness for sectoral development and job creation.

All of Myanmar's people and resources need to be connected to opportunities from increased trade and growth, and active steps need to be taken to enhance the mobility and welfare of people in remote and disadvantaged communities to take advantage of growth opportunities. This is about not only basic transportation links and other physical infrastructure but also access to health, education and other services—including telecommunications—that will enable an increasingly healthy, skilled and connected population to make the most of new opportunities in the local area and more broadly.

In addressing these priorities, it is important that Myanmar not divert scarce resources to make public investments in iconic but expensive transport or other networks that are unlikely to deliver the economic, social or political benefits offered by more practical alternative investments. Nor should it resist the dynamic processes of urbanisation and industrialisation, which are likely to lead to greater, rather than less, concentration of economic activity as Myanmar develops into an open trading economy. Increased concentration is positive for economic growth and should be facilitated, rather than resisted through attempts to mandate or encourage at additional cost the establishment of new production centres away from existing areas with further potential. A major part of the provision of efficient infrastructure will therefore be in building and improving transport links between major cities and industrial areas, in addition to completing and maintaining those links already identified in the ASEAN Transport Master Plan (the Brunei Action Plan). The development of transportation infrastructure links needs to occur alongside what the government has already acknowledged is the priority: expanding access to reliable electricity and telecommunications services across the nation, along with other key social services.

KEY MESSAGE

As trade and investment links between Myanmar and the regional and global economies strengthen, the government will need to invest heavily in economic infrastructure, such as transport, telecommunications and electricity, to enable domestic producers to raise their productivity and access regional markets. The key to meeting this challenge is to build a framework for planning, prioritising and financing the delivery of those services. As economic development dynamically shapes and concentrates Myanmar's economic activity, mechanisms to share the benefits of income growth across the nation, including but not only through the provision of basic physical and social infrastructure, will become increasingly important to reinforce peace and sustainable growth. This will require significant intergenerational commitment from Myanmar, from its neighbours and through international agencies, given the magnitude of some of these projects.

ECONOMIC POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar should **prioritise building transport infrastructure that is of national importance**. This includes completing missing links in the ASEAN road and rail network, and building priority roads to connect rural areas to large domestic and regional markets and to connect major industrial sites to one another.
- **The rollout of physical infrastructure to special economic zones** should be considered a priority only where those zones are likely to be successful in attracting private sector activity and serve as the beachhead for a larger industrial hub.
- Significant disparity in living standards across Myanmar is neither desirable nor sustainable, and **the gains from liberalisation should be shared** with all states and regions. Ensuring that major population centres are physically connected to production centres is crucial to enable the bulk of the population to participate in opportunities resulting from increased openness. However, higher spending on public investments in physical infrastructure, education, health care and other services at the local level—as part of broader moves to enhance political and fiscal federalism—is likely to be more effective than attempts to roll expensive, extensive physical infrastructure networks out to all corners of the country.
- Myanmar should **create an infrastructure assessment authority** to plan, prioritise and seek finance for nationally important transport and other physical infrastructure projects. This body should use rigorous cost–benefit analysis and have strategic oversight of all nationally important infrastructure.
- Myanmar could **consider establishing a state and region development fund** to finance the expansion of health, education, transport and other services in the states and regions. The use of such funds would require the enunciation of principles for political and fiscal arrangements between the states and regions and the Union.

Chapter 7: Investing in Myanmar's development

Attracting and sustaining foreign investment is the key to attaining Myanmar's economic potential. Myanmar has significant scope to increase foreign investment inflows substantially as a share of GDP. Foreign capital can complement scarce domestic savings to fund productive investments and industrial development, while capital inflows and commercial partnerships will help Myanmar forge regional and global economic relationships that can support growth and development. Foreign investment offers capital, technology, market linkages and know-how—all of which Myanmar needs to develop competitive and internationally integrated domestic industries and sustain growth in productivity and incomes.

Seizing the opportunities offered by foreign investment is important to any economy, but particularly so for Myanmar at this time, after a long period of relative isolation from the global economy has limited its access to capital and technology and restricted its participation in global trade and supply chains. The next few years will be a once-in-a-generation opportunity for Myanmar's government, private sector and public to engage with foreign investors in the next phase of the nation's reform and growth. Much of this will hinge on getting the investment strategy right.

Myanmar's relatively low labour costs, strategic location and significant domestic market potential, as well as its links to even larger ASEAN marketplaces, make it an attractive destination for investment, but significant barriers to investment remain. These range from investment-specific issues involving approval processes, contract enforcement and the cost and complexity of doing business, right through to the development of the economic, financial and physical foundations for a market-based system that allows all investors, firms and workers to compete and thrive.

Both sets of issues matter, and there is much that can and should be done to address procedural and other barriers to investment in the near term. The overall quality of policy and the stability of the economic and political environment, however, are likely to be more important in attracting and maintaining investment than the foreign investment procedural regime, narrowly defined. A successful investment strategy therefore fundamentally depends on both economic and political reform. Myanmar needs to develop an investment strategy that can strengthen trade and growth during the initial period of opening up and development, while fostering a broader institutional environment that allows investors to compete openly and fairly and attracts high-quality and reputable long-term investors. Higher domestic incomes associated with efficient investment offer to spread the benefits of investment to Myanmar's public more broadly.

High-quality investment facilitated by sound policy and strong institutions will produce a growth dividend that supports ongoing reform. Over time, this will allow Myanmar to make further improvements to its investment and policy climate that will attract further investment and spread the benefits broadly.

The 2012 *Foreign Investment Law* and its supporting regulations and current initiatives to develop a single, unified law governing both domestic and foreign investors are a starting point. As part of this process, Myanmar should commit to a principles-based approach to regulating all investment. This should be underpinned by a framework for attracting foreign investment that recognises the value of maintaining strong labour and environmental protection standards, the potential costs of preferential treatment of certain sectors, and the costs of investment incentives that reduce the fiscal resources that Myanmar needs to fund infrastructure and national development.

KEY MESSAGE

Attracting foreign investment is the key to developing the trade links and labour-intensive production that can transform Myanmar's growth outlook and economy. Despite an underdeveloped investment climate, the country has strong prospects as an investment destination. Myanmar's success in attracting and benefiting from foreign direct investment in the long term ultimately depends on the development of the infrastructure and institutions that are fundamental to the broader reform effort, as well as a transparent, liberal and principles-based approach to regulating both domestic and foreign investment.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Short-term measures to improve Myanmar's **business and investment climate** should be complemented by the **development of infrastructure and institutions** to provide a stable basis for attracting and benefiting from investment, from physical connectivity through to high-quality regulation and the rule of law.
- Myanmar should commit to a **principles-based investment strategy** that highlights the importance of simple and non-discriminatory rules and transparent and accountable decision-making.
- As it progresses towards **unified and non-discriminatory treatment of domestic and foreign investors**, Myanmar should strengthen investor protections, minimise sectoral restrictions on foreign investment, reduce joint venture requirements and review the costs of generous incentives to invest, including tax holidays.
- Myanmar should consider options for a notification-and-approval **screening system for foreign investment**, which would provide greater clarity and reduce administrative burdens while retaining appropriate (and transparent) discretion for dealing with rare proposals that may not be in the national interest.
- Myanmar should **centralise decision-making authority within the Myanmar Investment Commission**, while reducing currently high and opaque levels of discretion and improving accountability.
- Myanmar should **establish an independent investment promotion and facilitation agency** that can provide a coordinated approach to promotion and facilitation activities.
- Myanmar should seek opportunities to **support its domestic investment strategy through international agreements**, provided they are tailored to Myanmar's circumstances and do not unduly restrict policy autonomy.

Chapter 8: Trade and investment diplomacy

Myanmar's transition is supported and embraced by its regional neighbours and the global community. Until recently, its development and international economic engagement had been limited by the dual constraints of autarkic policies and external sanctions. As it re-emerges from decades of isolation, it faces significant opportunities to develop and strengthen trade and economic integration in the region and the global economy.

Although some developed economies still maintain sanctions, and Myanmar maintains restrictions that hamper effective interaction with other governments and organisations, its incorporation within ASEAN provides a diplomatic and economic window to the world through which there can be continuing progress towards overcoming these obstacles to international engagement.

Myanmar's location gives it considerable potential to participate in regional supply chains through increased trade and investment linkages. As a result, its development is intrinsically linked to the economic performance of its neighbours and their successful economic integration, as well as its ability to seize the opportunities that this offers.

Building deep and effective regional engagement, particularly with its ASEAN partners, is essential to Myanmar's development, including across the many policy priorities identified in this paper. Recent policies that remove distortionary trade policies and confirm commitments to domestic structural reform have signalled its commitment to promoting an outward-looking approach to growth and development.

While economic and political liberalisation have been met with an easing of economic sanctions by the United States and European Union as well as broader trade and investment ties, this signals merely the first step in reciprocal commitment to re-engaging Myanmar with the global economy. Its chairmanship of ASEAN and participation in the G20 in 2014 reinforced this trend, credibly underlining its capacity and commitment to the reform process and to participating in broader regional economic integration. To capitalise on success to date, Myanmar must follow up recent progress with a strategy to ensure that regional and global engagement and diplomacy continue to support its economic transition.

While unilateral steps towards greater openness and domestic reform will continue to be the basis of Myanmar's development, international initiatives—particularly those that provide opportunities to widen and deepen engagement and integration with the Asian region on a non-discriminatory basis—can provide economic and political support to the domestic reform process. Through greater regional engagement, Myanmar has the opportunity not only to unleash forces for increased competition, productivity and income growth, but also to draw on the experiences and expertise of many neighbouring economies that have undertaken similar processes of reform.

The key for Myanmar will be in ensuring that new regional and global commitments are consistent with and reinforce its domestic economic and political reforms. Among the particular attractions of engaging with the diverse and rapidly growing ASEAN region is the close alignment of initiatives under the ASEAN Economic Community with Myanmar's domestic policy priorities. Myanmar will also benefit from engagement with region-wide initiatives such as the Regional Comprehensive Economic Partnership, as well as multilaterally through the World Trade Organization and international banks. In its bilateral engagement, Myanmar's focus should be on improving key relationships, market access and information flows and on capacity building, rather than on negotiating preferential bilateral agreements that can complicate the politics and process for broader opening up and add to the costs of doing business.

KEY MESSAGE

Myanmar's strategic location in the heart of Asia provides powerful opportunities and incentives for it to engage effectively in the region to advance trade, investment and development goals. Its membership of ASEAN should be the guiding focus in a trade and investment diplomacy that emphasises broad and non-preferential liberalisation and seizes vital opportunities for regional and global engagement and agreement to reinforce the domestic reform process.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Creating an **enabling domestic environment for external engagement** and ensuring that participation in regional and global initiatives is **consistent with domestic reform priorities** are the foundations for effective trade and investment diplomacy.
- Myanmar should prioritise **non-discriminatory regional and international trade agreements** that facilitate the greatest domestic gains from trade and can support broadly beneficial regional integration.
- The **ASEAN agenda** should be the centrepiece of Myanmar's economic diplomacy. ASEAN's size, diversity and economic complementarity, along with its commitment to open regionalism and its ambitious agenda for increased cooperation and integration, mean that it is an essential priority for building deep and effective engagement in Southeast Asia and beyond. This should be reinforced by participation in broader regional initiatives, such as the Regional Comprehensive Economic Partnership, that broaden ASEAN-style integration across the wider region.
- Within this approach, Myanmar should **prioritise reforms that align with ASEAN Economic Community initiatives**. Core elements of the ASEAN Economic Community Blueprint, including liberalised flows of goods, services and capital, improved domestic investment climates and efficient and integrated regional infrastructure linkages, align strongly with some of Myanmar's most pressing development priorities.

အစီရင်ခံစာအနှစ်ချုပ်

နိုင်ငံတကာကုန်သွယ်မှု နှင့် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ချဲ့ထွင်နိုင်ခြင်း၊ ဒေသတွင်း နှင့် ကမ္ဘာလုံးဆိုင်ရာ စီးပွားရေးအသိုင်းအဝန်းများနှင့် ပေါင်းစည်းနိုင်ခြင်းဖြင့် မြန်မာနိုင်ငံ၏ စီးပွားရေး ဖွံ့ဖြိုးတိုးတက်စေရန် ဤစာတမ်းမှ မူဝါဒပိုင်းဆိုင်ရာ အကြံပြုချက်များ တင်ပြထားပါသည်။ ကုန်သွယ်မှုအခွင့်အလမ်းများ ပိုမိုဖွင့်ပေးခြင်းဖြင့် မြန်မာနိုင်ငံ၏ စီးပွားရေးသည် နှိုင်းယှဉ်အားသာမှုများကို ရယူနိုင်ပြီး နည်းပညာ နှင့် အကြံဉာဏ်များ စီးဝင်စေမည့်အပြင် ကုန်ထုတ်စွမ်းအား၊ ပြည်တွင်းစားသုံးမှု နှင့် လူမှုရေးရာ ဆောင်ရွက်မှုများ တိုးတက် လာမည်ဖြစ်ပါသည်။

မြန်မာနိုင်ငံ၏ ကုန်သွယ်မှုကဏ္ဍသည် "အမီလိုက်နိုင်" သည့် အစွမ်းအစများ အတော်အတန်ရှိပါသည်။ သုံးသပ်ချက်များအရ ကုန်သွယ်မှုအခွင့်အလမ်းများ ပိုမိုဖွင့်ပေးခြင်းဖြင့် နိုင်ငံ၏ ပို့ကုန် နှင့် သွင်းကုန်များကို နှစ်ဆအထိ မြှင့်တင်နိုင်မည် ဖြစ်သည်။ ထို့ပြင် စက်မှုဖွံ့ဖြိုးမှုများ အောင်မြင်စွာ ဆောင်ရွက်နိုင်ခဲ့သော အရှေ့အာရှနိုင်ငံများ၏ ပြုပြင်ပြောင်းလဲရေးကာလ နှင့် စီးပွားရေးဖြေလျှော့မှုများပြုလုပ်ခဲ့သည့် ကာလများအတွင်း ရရှိခဲ့သည့် ဖွံ့ဖြိုးတိုးတက်မှုနှုန်းကို မြန်မာနိုင်ငံမှ အမီလိုက်နိုင် သို့မဟုတ် ကျော်လွန်နိုင်ခဲ့ပါက ဆယ်စုနှစ်တစ်ခုအတွင်း လူတစ်ဦးချင်းဆီ၏ ဝင်ငွေကို နှစ်ဆမြှင့်တင်နိုင်မည်ဖြစ်ပါသည်။

ကောင်းမွန်စွာ လည်ပတ်နေသည့် ပုဂ္ဂလိက ကဏ္ဍသည် တိုးတက်မှုများအတွက် အဓိက မောင်းနှင်တံတစ်ခု ဖြစ်ပါသည်။ မြန်မာနိုင်ငံအနေဖြင့် ပုဂ္ဂလိကကဏ္ဍမှ ဦးဆောင်သည့် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှုအတွက် အခြေခံအုတ်မြစ်များတည်ဆောက်ရာတွင် မက်ခရိုစီးပွားရေးတည်ငြိမ်မှု၊ ငွေကြေးဈေးကွက်များ ပီပြင်စွာ ပေါ်ထွန်းလာမှု၊ ထိန်းချုပ်ကွပ်ကဲသည့်စနစ်များ တည်ဆောက်ခြင်း၊ လုပ်သားအင်အား နှင့် ပြည်သူ့လူထု၏ ပညာရေး၊ စွမ်းရည် နှင့် ကျန်းမာရေးအဆင့်အတန်းများ မြှင့်တင်ခြင်း နှင့် ဈေးကွက်၊ လျှပ်စစ်၊ အခြေခံ အဆောက်အအုံ၊ ဈေးငွေ နှင့် နည်းပညာများ ရရှိနိုင်စေခြင်းများမှတစ်ဆင့် အလုပ်သမားအင်အား ပညာရေးကဏ္ဍမြှင့်တင်ခြင်းဖြင့် ဆောင်ရွက်ရမည်ဖြစ်ပါသည်။

ပုဂ္ဂလိကကဏ္ဍ တိုးတက်စေရန် ဖွံ့ဖြိုးရေးဦးစားပေးအစီအစဉ်များဖြစ်သည့် စီးပွားရေး တည်ငြိမ်မှု နှင့် ပုဂ္ဂလိက ရင်းနှီးမြှုပ်နှံမှုများမြှင့်တင်နိုင်ရန်အတွက် ပြည်သူ့ဘဏ္ဍာဝင်ငွေစီးဆင်းမှုနည်းပါးခြင်း၊ မူဝါဒသုံးသပ်ချက်များ အားနည်းခြင်း၊ ပြည်သူ့ဘဏ္ဍာစီမံခန့်ခွဲမှုစနစ် ဖွံ့ဖြိုးမှုမရှိသေးခြင်း နှင့် ဗဟိုမှချုပ်ကိုင်ထားခြင်းစသည့်အချက်များကြောင့် အစိုးရ၏ဆောင်ရွက်ချက်များသည် ကန့်သတ်ချက်များနှင့် ရင်ဆိုင်နေရသည်။ ဤစာတမ်းတွင် အဆိုပါ ပြဿနာများကို ကျော်လွှားနိုင်သည့် နည်းလမ်းများဖြစ်သည့် မူဝါဒသုံးသပ်ရာတွင် အဖွဲ့အစည်းပိုင်း ဆိုင်ရာ စွမ်းဆောင်ရည် မြှင့်တင်ခြင်း၊ အစိုးရ၏ အဆုံးအဖြတ်ပေးသည့်စနစ်များ ကောင်းမွန်စေခြင်း၊ မက်ခရိုစီးပွားရေးစီမံခန့်ခွဲမှု တိုးတက်စေခြင်း နှင့် ဘတ်ဂျက် နှင့် အုပ်ချုပ်ရေးစွမ်းရည် ကောင်းမွန်စေခြင်း စသည်တို့ကို တင်ပြထားပါသည်။ အဆိုပါဆောင်ရွက်ချက်များဖြင့် တိုင်းဒေသကြီး နှင့် ပြည်နယ် အစိုးရများထံ လုပ်ပိုင်ခွင့်များ ပိုမိုပေးအပ်မှုအပေါ် အထောက်အကူပြုစေမည်ဖြစ်ပါသည်။

စီးပွားရေးအရ ပိုမိုဖွင့်လင်းလာခြင်းဖြင့် မြန်မာနိုင်ငံ၏ စီးပွားရေးကို အခြေခံကျကျ ပြောင်းလဲနိုင်မည်ဖြစ်သည်။ ထိုသို့ဆောင်ရွက်ခြင်းဖြင့် သဘာဝသယံဇာတ ပို့ကုန်များအပေါ် မှီခိုမှုလျော့ချနိုင်ပြီး ကျေးလက်ဒေသရှိ အခြားစီးပွားရေးလုပ်ငန်းများ၊ ကုန်ထုတ်လုပ်ငန်းများနှင့် ဝန်ဆောင်မှုလုပ်ငန်းများ ဖွံ့ဖြိုးလာစေမည်ဖြစ်သည်။ လယ်ယာကုန်ထုတ်စွမ်းအားကို မြှင့်တင်နိုင်သည့် ပြည်တွင်းပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းများ လုပ်ဆောင်

ခြင်းဖြင့် ရေတိုကာလအတွင်း လူဦးရေအများစု၏ ဝင်ငွေများကို မြှင့်တင်ပေးနိုင်မည့်အပြင် မိုမို ကုန်သွယ်မှုအခွင့်အလမ်းများ ပွင့်လင်းလာမှုကိုလည်း အထောက်အကူပြုစေမည်ဖြစ်သည်။ အလုပ်သမားဦးရေ အများအပြားလိုအပ်သည့် ကုန်ထုတ်လုပ်ငန်းများ နှင့် ဆက်စပ်ပန်ဆောင်မှု လုပ်ငန်းများမှတစ်ဆင့် ကုန်သွယ်မှု ရင်းနှီးမြှုပ်နှံမှု နှင့် ဝင်ငွေ အခွင့်အလမ်းများကို မြှင့်တင်ပေးနိုင်မည်ဖြစ်သည်။

မြန်မာနိုင်ငံ၏ စီးပွားရေးကို ပြုပြင်ပြောင်းလဲတိုးတက်နိုင်ရန် နှင့် ရေရှည်ဖွံ့ဖြိုးတိုးတက်စေရန် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်နိုင်စေရန် အရေးကြီးသည်။ နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်နိုင်ရန် နှင့် အကျိုးခံစားခွင့်များ ရရှိနိုင်စေရန် အခြေခံအဆောက်အအုံဖွံ့ဖြိုးတိုးတက်စေရေး နှင့် ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းများကို ဦးဆောင် အကောင်အထည်ဖော် ဆောင်ရွက်နေသည့် အဖွဲ့အစည်းအများအပေါ် မူတည်နေပါသည်။ ၎င်းတို့အနေဖြင့် ဖြေလျော့မှုများ ပြုလုပ်ရာတွင် ပွင့်လင်းမြင်သာမှုရှိပြီး မူဝါဒများကိုအခြေခံလျက် ပြည်တွင်း/ပြည်ပ ရင်းနှီးမြှုပ်နှံမှုများကို ထိန်းချုပ်ကွပ်ကဲ နိုင်ရမည်ဖြစ်သည်။

မြန်မာနိုင်ငံ၏ ပြည်တွင်းဈေးကွက်ဖွံ့ဖြိုးရေး နှင့် နိုင်ငံတကာစီးပွားရေးအသိုက်အဝန်း နှင့် ပေါင်းစည်းနိုင်ရေးအတွက် အခြေခံအဆောက်အအုံဖွံ့ဖြိုးတိုးတက်စေရန် အကောင်အထည်ဖော်ရာတွင် သိသိသာသာ မဟာဗျူဟာကျကျ ရင်းနှီး မြှုပ်နှံရန် လိုအပ်သည်။ အဆိုပါလုပ်ငန်းစဉ်တွင် စိန်ခေါ်မှုများရှိနေပြီး စီမံကိန်းများကို ဦးစားပေး အဆင့်များသတ်မှတ်နိုင်ရန် အမျိုးသားညှိနှိုင်းမှုဆိုင်ရာချဉ်းကပ်မှုလိုအပ်နေသည်။ အဆိုပါ ပေါင်းစည်းမှုများဖြင့် ပြည်နယ် နှင့် တိုင်းဒေသကြီးများအတွင်းရှိ စီးပွားရေးအင်အားစုများ၏ လှုပ်ရှားမှုများကို စုစည်းမြှင့်တင်နိုင်မည် ဖြစ်သော်လည်း တစ်ဘက်တွင်မူ ဖွံ့ဖြိုးရေးလုပ်ငန်းများသည် ထိုသို့စုစည်းရန် မလိုအပ်ပါ။ ဖွံ့ဖြိုးမှုမှ ရရှိသည့် အသီးအပွင့်များအား လျင်မြန်ထက်မြက်စွာ မျှဝေပေးနိုင်ခြင်းဖြင့် ရေရှည်တည်တံ့ဖွံ့ဖြိုးမှု၊ ငြိမ်းချမ်းရေး နှင့် မြန်မာပြည်သူများ၏ အိုးအိမ်စည်းစိမ်များကို မြှင့်တင်ပေး နိုင်မည် ဖြစ်သည်။

မြန်မာနိုင်ငံ၏ အသွင်ကူးပြောင်းရေးလုပ်ငန်းစဉ်များကို ဒေသတွင်းအိမ်နီးချင်းနိုင်ငံများနှင့် နိုင်ငံတကာ မိသားစုတို့ကပါ ထောက်ခံပြီး မျှဝေခံစားလျက်ရှိကြပါသည်။ ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုများ ချဲ့ထွင်ခြင်း နှင့် ဖြေလျော့ခြင်းတို့ပြုလုပ်ပြီး ဒေသတွင်း နှင့် နိုင်ငံတကာအခွင့်အလမ်းများကို အမိအရ ဖမ်းဆုပ်ရာတွင် အာဆီယံအဖွဲ့ဝင်နိုင်ငံတစ်နိုင်ငံဖြစ်သည့်အားလျော်စွာ အာဆီယံမူဝါဒလမ်းစဉ်များကို လမ်းညွှန်များအဖြစ် သတ်မှတ်ပြီး ပြည်တွင်းပြုပြင်ပြောင်းလဲမှုများဖြင့် အားဖြည့်ဆောင်ရွက်သွားရမည်ဖြစ်သည်။

ဤစာတမ်းအနေဖြင့် ဆယ်စုနှစ်တစ်ခုအတွင်း မြန်မာပြည်သူများ၏ ဝင်ငွေကို နှစ်ဆတိုးမြှင့်နိုင်ရေး မျှော်မှန်းချက်ကို အကောင်အထည်ဖော်နိုင်ရန် တင်ပြထားခြင်းဖြစ်ပါသည်။ အမျိုးသားဖွံ့ဖြိုးမှု မဟာဗျူဟာ များကို မှန်မှန်ကန်ကန် ချမှတ်နိုင်ခြင်းဖြင့် မြန်မာပြည်သူများ၏ အိုးအိမ်စည်းစိမ် နှင့် လူနေမှု ဘဝ အဆင့်အတန်းကို မြှင့်တင်နိုင်မည်ဖြစ်ပြီး လာမည့်ဆယ်စုနှစ်များတွင် နိုင်ငံတကာအသိုင်းအဝန်း၌ မြန်မာ နိုင်ငံ၏ နေရာပြန်လည်ရရှိလာနိုင်မည်ဖြစ်သည်။

အဓိကအကြံပြုချက်များ

ဤစာတမ်းသည် စီးပွားရေးဆိုင်ရာပြုပြင်ပြောင်းလဲမှုများ အခြေခံကျကျဆောင်ရွက်နိုင်ရန် နှင့် အစိုးရ အဖွဲ့အစည်းများအတွင်း ဖွဲ့စည်းမှုပိုင်းဆိုင်ရာ တည်ဆောက်မှုများနှင့်ပတ်သက်၍ အကြံပြုချက်များကို တစ်စုတစ်စည်းတည်း တင်ပြထားခြင်းဖြစ်ပါသည်။ အကြံပြုချက်များ၏ ရည်ရွယ်ချက်များမှာ မြန်မာ့စီးပွားရေး၏ အစိုးရ နှင့် ပုဂ္ဂလိကကဏ္ဍများ ပေါင်းစည်းနိုင်ရန်၊ အစိုးရအနေဖြင့် စီးပွားရေးဆိုင်ရာမူဝါဒများအား ပွင့်လင်းမြင်သာစွာ စီမံခန့်ခွဲနိုင်စေရန်၊ အချိန်တိုနှင့်အကျိုးများပြီး တည်ငြိမ်၍ အားလုံးပါဝင်သော ဖွံ့ဖြိုးတိုးတက်မှု နှင့် သွက်လက်ပြီး လုပ်ကိုင်နိုင်စွမ်းရှိ၍ ထက်မြက်သော ပုဂ္ဂလိကကဏ္ဍ ပေါ်ထွန်းလာစေရေး အခြေခံကောင်းများ ပေါ်ထွက်လာမည့် စီးပွားရေးလုပ်ငန်းများ အကောင်အထည်ဖော်နိုင်ရန် ရည်ရွယ်ပါသည်။

အဆိုပါမူဝါဒပိုင်းဆိုင်ရာ အကြံပြုချက်များမှာ တစ်ခုနှင့်တစ်ခု ဆက်စပ်နေပါသည်။ ပြုပြင်ပြောင်းလဲရေးဆိုင်ရာ လုပ်ငန်းစဉ်များ မှန်ကန်စွာ အကောင်အထည်ဖော်နိုင်မည်ဆိုပါက မြန်မာ့စီးပွားရေးအနေဖြင့် ကုန်သွယ်မှု နှင့် ရင်းနှီးမြှုပ်နှံမှု ဖြေလျော့မှုများမှ အခွင့်အလမ်းများ ရယူနိုင်မည်ဖြစ်သည်။ ယင်းအခွင့်အလမ်းများမှ ပေါ်ထွက်လာမည့် အကျိုးကျေးဇူးများကို ရယူနိုင်မှသာလျှင် မြန်မာနိုင်ငံအနေဖြင့် ၎င်း၏ ပြည်သူများအတွက် ထာဝစဉ်တည်တံ့သည့် ငြိမ်းချမ်းရေး နှင့် သာယာဝပြောမှုများကို ရရှိနိုင်မည်ဖြစ်သည်။ ဖွံ့ဖြိုးတိုးတက်ရေးအတွက် ဤစာတမ်းတွင် ထည့်သွင်းဖော်ပြထားသည့် ပြုပြင်ပြောင်းလဲရေးဆိုင်ရာ အဓိက အကြံပြုချက်များမှာ အောက်ပါအတိုင်းဖြစ်သည်-

1. ပုဂ္ဂလိကကဏ္ဍ ဖွံ့ဖြိုးရေးအတွက် မက်ခရိုစီးပွားရေးတည်ငြိမ်မှုရှိစေရန် ဗဟိုဘဏ်၏ လွတ်လပ် ခွင့် နှင့် ထိရောက်မှုရှိပြီး ယုံကြည်လက်ခံနိုင်သည့် ဘဏ္ဍာရေး နှင့် ငွေကြေးဆိုင်ရာ မူဝါဒများကို တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်ခြင်း၊ ပုဂ္ဂလိကကဏ္ဍအပေါ် အတားအဆီးဖြစ်စေသည်များကို ဖယ်ရှားပေးခြင်း၊ ငွေကြေးဈေးကွက်များ ပီပြင်အောင် ဖန်တီးခြင်း၊ နိုင်ငံခြားဘဏ်များအပေါ် ကန့်သတ်ချက်များကို လျော့ချပေးခြင်း နှင့် တစ်ချိန်တည်း တွင် ထိန်းချုပ်ကွပ်ကဲနိုင်သည့် စနစ်များတည်ဆောက်ခြင်း၊
2. အခွန်ကောက်ခံမှုစနစ်တိုးတက်ကောင်းမွန်အောင်ဆောင်ရွက်ခြင်း နှင့် အနာဂတ်အခွန်မူဝါဒ အတွက် အခွန်စနစ်အလုံးစုံပြန်လည်သုံးသပ်မှုများပြုလုပ်ခြင်းတို့ဖြင့် အစိုးရရင်းနှီးမြှုပ်နှံမှုများ တိုးမြှင့်လာစေခြင်း၊ မူဝါဒပိုင်းဆိုင်ရာ လွတ်လပ်စွာဆန်းစစ်သည့်အဖွဲ့အစည်းတစ်ရပ် (ဥပမာ မြန်မာ့စီးပွားရေးသုံးသပ်မှုကော်မရှင်) ဖွဲ့စည်းတည်ထောင်ပြီး စီးပွားရေးမူဝါဒများ၏ အကျိုးသက်ရောက်မှုများနှင့်ပတ်သက်၍ နိုင်ငံရေးဆိုင်ရာအကြံပြုချက်များကို ပွင့်လင်းမြင်သာစွာ ထက်ထက်မြက်မြက် ပုံစံပေးခြင်း၊ ဗဟိုချုပ်ကိုင်မှုစနစ်လျော့ချမှုများဆက်လက်လုပ်ဆောင်ခြင်း နှင့် ပြည်သူ့ဘဏ္ဍာစီမံခန့်ခွဲမှုစနစ် ပွင့်လင်းမြင်သာမှု၊ အကျိုးသက်ရောက်မှု၊ ထိန်းကျောင်းမှု တို့ကို တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်ခြင်း၊
3. ကုန်သွယ်မှုဆိုင်ရာ ဖြေလျော့မှုများ နှင့် နိုင်ငံတကာနှင့် ထိတွေ့ဆက်ဆံမှုရှိသည့် ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များ ဆက်လက်ဆောင်ရွက်ခြင်း၊ ထိုသို့ဆောင်ရွက်ရာတွင် လုပ်သားအင်အားအခြေပြုသည့် စက်မှုလုပ်ငန်းများ၊ ဝန်ဆောင်မှုလုပ်ငန်းများကို ဖွံ့ဖြိုးစေခြင်းဖြင့် ကုန်ထုတ်စွမ်းအား နှင့် ပို.ကုန်ပမာဏများ မြှင့်တက်လာပြီး မြို့ပြကဏ္ဍဖွံ့ဖြိုးလာစေခြင်း၊ ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များသည် ကျယ်ကျယ်ပြန့်ပြန့်ဆောင်ရွက်နေချိန်တွင် အထူး

စီးပွားရေးဖွံ့ဖြိုးမှုများတွင် လုပ်သားအင်အားအခြေပြု စက်မှုလုပ်ငန်းများ နှင့် အခြေအနေ ပေးပါက ဝန်ဆောင်မှုလုပ်ငန်းများကို အာရုံစိုက်ဆောင်ရွက်စေခြင်း၊

4. **မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးရေးအတွက် ရင်းနှီးမြှုပ်နှံနိုင်ရန် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများ စိစစ်ခြင်း နှင့် ခွင့်ပြုခြင်းဆိုင်ရာ နည်းစနစ်များကို ပြန်လည်စဉ်းစားခြင်း၊ မြန်မာ့ရင်းနှီးမြှုပ်နှံမှုကော်မရှင် အား ဗဟိုမှချုပ်ကိုင်ဆုံးဖြတ်ခွင့်ပေးခြင်း၊ ရင်းနှီးမြှုပ်နှံမှု မြှင့်တင်ရေး နှင့် ညှိနှိုင်းရေးအတွက် လွတ်လပ်သည့် အဖွဲ့အစည်းတစ်ရပ်ဖွဲ့စည်းခြင်း နှင့် နိုင်ငံတကာရင်းနှီးမြှုပ်နှံမှုသဘောတူညီချက်များမှတစ်ဆင့် ပြည်တွင်းရင်းနှီးမြှုပ်နှံမှု နည်းဗျူဟာများကို ပံ့ပိုးပေးနိုင်ခြင်း၊**
5. **ပြည်တွင်းစီးပွားရေးကဏ္ဍ နှင့် နိုင်ငံတကာဈေးကွက်တို့အား ချိတ်ဆက်ပေးနိုင်ရန် ပို့ဆောင်ရေး ဆိုင်ရာ ညှိနှိုင်းမှုအာဏာပိုင်အဖွဲ့အစည်း (ဥပမာ မြန်မာ့ အခြေခံအဆောက်အအုံ ဆန်းစစ်ရေး အာဏာပိုင်) တစ်ရပ်ဖွဲ့စည်းပြီး အမျိုးသား အခြေခံအဆောက်အအုံ စီမံကိန်းများအတွက် စီမံကိန်း ရေးဆွဲခြင်း၊ ဦးစားပေးအဆင့်များသတ်မှတ်ခြင်း နှင့် ရန်ပုံငွေရှာဖွေပေးခြင်း၊ နှင့် ကျန်းမာရေး၊ ပညာရေး၊ ပို့ဆောင်ရေး နှင့် အခြားဝန်ဆောင်မှုများအတွက် ဦးစားပေးသည့် တိုင်းဒေသကြီး နှင့် ပြည်နယ်များဖွံ့ဖြိုးရေးရန်ပုံငွေများ ထူထောင်ခြင်း၊**
6. **ပြည်တွင်း ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍများအနေဖြင့် နိုင်ငံတကာနှင့်ထိတွေ့ဆက်ဆံနိုင်ရန် ပတ်ဝန်းကျင်ကောင်းများဖန်တီးပေးခြင်း၊ ခွဲခြားဆက်ဆံမှုမရှိသည့် ဒေသတွင်း နှင့် နိုင်ငံတကာ ကုန်သွယ်ရေးအခွင့်အလမ်းများ၊ အာဆီယံစီးပွားရေးအသိုက်အဝန်း နှင့် လျော်ညီသည့် ပြုပြင်ပြောင်းလဲရေးအစီအစဉ်များ ရေးဆွဲခြင်း၊**

အကျဉ်းချုပ် နှင့် အဓိကကောက်နုတ်ချက်များ

အခန်း (၁) အခွင့်အလမ်းများနှင့်ပြဿနာများ

မြန်မာနိုင်ငံသည် သယံဇာတ ပေါကြွယ်ဝသော်လည်း ဖွံ့ဖြိုးမှုအနည်းဆုံး နိုင်ငံများထဲမှ တစ်နိုင်ငံဖြစ်ပါသည်။ ၎င်း၏ လတ်တလော နှိုင်းယှဉ်အားသာချက်မှာ သဘာဝဓာတ်ငွေ့ နှင့် လယ်ယာထွက်ကုန် ပစ္စည်းများ ထုတ်ယူခြင်း နှင့် တင်ပို့ခြင်းတို့ဖြစ်ပြီး အပြန်အလှန်အားဖြင့် အမျိုးအမည်စုံလင်သည့် လူသုံးကုန် ပစ္စည်းများနှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာပစ္စည်းများကို တင်သွင်းပါသည်။ လာမည့်ဆယ်စုနှစ်အတွင်း စီးပွားရေးကို ပြန်လည်ဖွဲ့စည်းထူထောင်ရာတွင် လုပ်သားအင်အားစုကို အခြေပြုသည့် ကုန်ထုတ်လုပ်ငန်းများ နှင့် ဆက်စပ် ဝန်ဆောင်မှုလုပ်ငန်းများအား သိသိသာသာဖွံ့ဖြိုးလာစေရန် အာရုံစိုက်သင့်ပါသည်။

၂၀၂၅ အထိ လာမည့်ဆယ်စုနှစ်တာကာလအတွင်း လူတစ်ဦးချင်းဝင်ငွေ တစ်နှစ်လျှင် ၁၀% တိုးတက်ရရှိနိုင်ခြေရှိ ပါသည်။ ယင်းအလားအလာကို အကောင်အထည်ဖော်နိုင်ရန် ဖွံ့ဖြိုးရေးမဟာဗျူဟာများ ဆောင်ရွက်ရာတွင် မြို့ပြဖွံ့ဖြိုးရေးဆိုင်ရာ အဖွဲ့အစည်းပိုင်း နှင့် အခြေခံအဆောက်အအုံများ၊ ဖွံ့ဖြိုးမှုအသီးအပွင့်များကို တစ်နိုင်ငံလုံး အတိုင်းအတာဖြင့် ခံစားနိုင်စေရန် ဒေသတွင်း နှင့် လူမှုရေးမူဝါဒများတို့ သိသာစွာ ပြောင်းလဲရန် လိုအပ်ပါသည်။ နိုင်ငံတကာနှင့်စီးပွားရေး အရ ချိတ်ဆက်ဆောင်ရွက်ရာတွင် ပြည်တွင်း ဖွံ့ဖြိုးရေးရည်မှန်းချက်များကို နိုင်ငံတကာ ကုန်သွယ်မှု နှင့် ရင်းနှီးမြှုပ်နှံမှုများမှ ရရှိလာမည့် အခွင့်အလမ်းများနှင့် ချိတ်ဆက်ပေးရမည်။

စီးပွားရေးတိုးတက်မှု နှင့် ဖွံ့ဖြိုးမှုဖြစ်စဉ်များတွင် မြန်မာပြည်သူတစ်ရပ်လုံး ပါဝင်လာနိုင်စေရန် မြန်မာနိုင်ငံ၏ ဖွဲ့စည်းပုံအခြေခံဥပဒေအား ပြင်ဆင်မှုများပြုလုပ်ပြီး ထိရောက်သော စီးပွားရေးဆိုင်ရာ ဖက်ဒရယ်စနစ်တစ်ရပ် ထူထောင်၍ အခြေခံအဆောက်အအုံများတွင် ရင်းနှီးမြှုပ်နှံမှုများ သိသိသာသာ စီးဝင်လာစေခြင်းဖြင့် နိုင်ငံတကာ စီးပွားရေး အသိုင်းအဝန်းနှင့် မြန်မာနိုင်ငံအား ချိတ်ဆက်ပေးနိုင်မည်ဖြစ်ပါသည်။

အမျိုးသားဖွံ့ဖြိုးမှု မဟာဗျူဟာများကို မှန်မှန်ကန်ကန် ချမှတ်နိုင်ခြင်းဖြင့် မြန်မာပြည်သူများ၏ လူနေမှု ဘဝ အဆင့်အတန်းကို မြှင့်တင်နိုင်မည်ဖြစ်ပြီး လာမည့်ဆယ်စုနှစ်များတွင် နိုင်ငံတကာ အသိုင်းအဝန်း၌ မြန်မာ နိုင်ငံ၏ နေရာပြန်လည်ရရှိလာမည်ဖြစ်ပါသည်။

အဓိကကောက်နုတ်ချက်များ
မြန်မာနိုင်ငံအနေဖြင့် အမျိုးသားဖွံ့ဖြိုးမှုမဟာဗျူဟာများမှန်ကန်စွာချမှတ်နိုင်ပြီး ယခင်ကရှိခဲ့သည့် စီးပွားရေးဆိုင်ရာ ခါးသီးသော အတွေ့အကြုံများမှ သင်ယူမည်ဆိုပါက ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍများမှတစ်ဆင့် အိမ်နီးချင်း နိုင်ငံများ နှင့် ဒေသတွင်းမိတ်ဖက်နိုင်ငံများနှင့် စီးပွားရေးအရ အမိလိုက်လာနိုင်မည်ဖြစ်ပါသည်။

ဦးစားပေးစီးပွားရေးမူဝါဒများ နှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာ မဟာဗျူဟာများ

- စီးပွားရေးဖွံ့ဖြိုးတိုးတက်ရန်အတွက် ကုန်သွယ်မှုမှ အခွင့်အလမ်းများကို အဓိအရဆုပ်ယူရန် ဈေးကွက်စီးပွားရေး စနစ်ဖွံ့ဖြိုးရန်လိုအပ်ပါသည်။ ထိရောက်သော ဈေးကွက်စီးပွားရေးစနစ်သည် သက်ဆိုင်ရာအဖွဲ့အစည်းများ၊ ဥပဒေ နှင့် စည်းမျဉ်းစည်းကမ်းများအပါအဝင် ပုဂ္ဂလိက၊ အဖွဲ့အစည်း နှင့် နိုင်ငံတော်တို့၏ ပိုင်ဆိုင်ခွင့် နှင့် စာချုပ်များ အသက်ဝင်စေရေး စသည့်အချက်များ အပေါ်တွင် မူတည်ပါသည်။ ထို့အပြင် သွက်လက်ပြီး ပွင့်လင်းသည့် အစိုးရအဖွဲ့အစည်းများ နှင့် အားကောင်းသည့် ထိန်းချုပ်မှု စနစ်များဖြင့် စီးပွားရေးဖွံ့ဖြိုးမှု အသီးအပွင့်များကို သာတူညီမျှ ခံစား နိုင်မည်ဖြစ်ပါသည်။

အခန်း (၂) လက်ရှိစွမ်းဆောင်နိုင်မှု နှင့် အနာဂတ်အလားအလာ

နိုင်ငံတကာစီးပွားရေးအသိုင်းအဝန်း နှင့် ဆယ်စုနှစ်အတော်ကြာ ကင်းကွာနေခဲ့ခြင်းသည် မြန်မာနိုင်ငံအပေါ် ကြီးမားသော အကျိုးသက်ရောက်မှုများ ရှိခဲ့ပါသည်။ သို့သော်လည်း စီးပွားရေးအားခေတ်မီအောင်ဆောင်ရွက်ရာတွင် "အကြံတူနောက်လူသာစမြဲ" ဆိုသည့်အတိုင်း နောက်ကျမှစတင်သည့်နိုင်ငံဖြစ်သည့်အတွက် စီးပွားရေးဖွံ့ဖြိုးမှု အရှိန်အဟုန်ဖြင့် အခြားသော အဆင့်မြင့်စီးပွားရေးဖွံ့ဖြိုးနေသည့်နိုင်ငံများနှင့် လျင်မြန်စွာ အမီလိုက်နိုင်ရန် အခွင့်အလမ်းများ ရရှိထားပါသည်။ ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုများအတွက် နယ်နိမိတ်များကို ဖွင့်လှစ်ပေးခဲ့ပြီး ပြည်တွင်း ပြုပြင်ပြောင်းလဲမှုများကို ဆက်တိုက်ပြုလုပ်ခဲ့သည့် အိမ်နီးချင်းနိုင်ငံများဖြစ်သော အရှေ့တောင်အာရှ နှင့် အရှေ့အာရှနိုင်ငံများ၏ စီးပွားရေး ဖွံ့ဖြိုးတိုးတက်မှုဆိုင်ရာ ဖြစ်စဉ်များသည် မြန်မာနိုင်ငံအတွက် ဖော်ဒယ်များ ဖြစ်ပါသည်။ ကုန်သွယ်ရေး၊ ရင်းနှီးမြှုပ်နှံမှု နှင့် e-commerce တို့ကို ပွင့်လင်းစေခဲ့ခြင်းသည် အရှေ့အာရှနိုင်ငံများ စီးပွားရေးအောင်မြင်မှု၏ အဓိကအချက်များဖြစ်ပါသည်။

ထိပ်တန်း စီးပွားရေး နိုင်ငံများ ဖြစ်သည့် တရုတ် နှင့် အိန္ဒိယနိုင်ငံအကြားတွင် အချက်အချာကျကျ မြန်မာနိုင်ငံရှိနေသော်လည်း မြန်မာနိုင်ငံ၏ကုန်ထုတ်စွမ်းအား နှင့် အခြားသော အိမ်နီးချင်းနိုင်ငံများ နှင့်သော်လည်းကောင်း ကမ္ဘာ့နိုင်ငံများနှင့်သော်လည်းကောင်း နှိုင်းယှဉ်ပြီး မြန်မာနိုင်ငံ၏ ကုန်သွယ်မှုကဏ္ဍ ပွင့်လင်းမှုအခြေအနေကို လေ့လာမည်ဆိုပါက မြန်မာနိုင်ငံအနေဖြင့် ကုန်သွယ်မှုမှ အခွင့်အလမ်းများ အပြည့်အဝ ခံစားအသုံးချနိုင်ခြင်း မရှိသေးသည် ကိုတွေ့ရပါသည်။ လူဦးရေ- စီးပွားရေးတွင်ပူးပေါင်းပါဝင်ဆောင်ရွက်မှု-ကုန်ထုတ်စွမ်းအား စသည့် အချက် ၃ချက်ကို အခြေခံသော မူဘောင်ဖြင့် စီးပွားရေး ဖွံ့ဖြိုးမှုကို ခန့်မှန်းရာတွင် မြန်မာနိုင်ငံ အနေဖြင့် ၎င်း၏ အခွင့်အလမ်းများကို အပြည့်အဝအသုံးချနိုင်ရန် ကုန်ထုတ်စွမ်းအား မြှင့်တင်ရန် လိုအပ်ပါသည်။

ယင်းအခွင့်အလမ်းများ ရရှိခံစားနိုင်ရန် မြန်မာနိုင်ငံအနေဖြင့် ကမ္ဘာ့နိုင်ငံများနှင့် တံခါးဖွင့်ဆက်ဆံပြီး ပြည်တွင်း တွင်လည်း ဖြေလျော့မှုများမှတစ်ဆင့် အကျိုးခံစားနိုင်သည့် ပြုပြင်ပြောင်းလဲမှုများကို လုပ်ဆောင်ရမည် ဖြစ်ပါသည်။ ဤစာတမ်းတွင် အဆိုပါလုပ်ငန်းစဉ်များ အကောင်အထည်ဖော်နိုင်ရန် ပြုပြင်ပြောင်းလဲရေး ဦးစားပေး အစီအစဉ်များကို ဖော်ပြထားပါသည်။

အဓိကကောက်နုတ်ချက်များ

လတ်တလောအနေအထား၌ မြန်မာနိုင်ငံ၏စီးပွားရေးဖွံ့ဖြိုးမှုသည် အခြားသော အိမ်နီးချင်းနိုင်ငံများထက် နောက်ကျကျန်နေပါသည်။ သို့သော်လည်း ဒေသတွင်း အိမ်နီးချင်းနိုင်ငံများ၏ စီးပွားရေးအောင်မြင်မှုများ နှင့် ဖွံ့ဖြိုးမှုများကို အမီလိုက်နိုင်ရန် အခွင့်အလမ်းများ သိသိသာသာ ရှိပါသည်။ မြန်မာနိုင်ငံ၏ လက်ရှိ ကုန်သွယ်မှု အခြေအနေ နှင့် အလားအလာများကို လေ့လာသုံးသပ်ပါက ကုန်သွယ်မှု နှင့် ရင်းနှီးမြှုပ်နှံမှုများကို ဖွင့်လှစ်ပေးပါက အမီလိုက်နိုင်မည့် အလားအလာများရှိပါသည်။ စီးပွားရေးကို ဖွင့်လှစ်ပေးခြင်းဖြင့် အရင်းအမြစ်များကို ပိုမို ထိရောက်စွာ ခွဲဝေပေးနိုင်ပြီး နှိုင်းယှဉ်အားသာချက်များကို အကောင်အထည်ဖော်နိုင်၍ နိုင်ငံတကာ နည်းပညာများ ရရှိလာနိုင်ပါသည်။ အဓိကရည်ရွယ်ချက်မှာ ပွင့်လင်းမြင်သာပြီး အေးချမ်းသာယာ၍ ခေတ်မီသော မြန်မာနိုင်ငံ ပေါ်ထွန်းလာရေးအတွက် ရေရှည်တည်တံ့သည့် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှု ရရှိစေရေးဖြစ်ပါသည်။

ဦးစားပေးမှုဂါဒါများ နှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ

- ကမ္ဘာ့ဈေးကွက်ကို ဖွင့်လှစ်ပေးခြင်း၊ ပေါင်းစည်းနိုင်ခြင်း နှင့် ဈေးကွက်စီးပွားရေးစနစ်မှ ဦးဆောင်ပြီး လုပ်သားအင်အား အခြေပြုပြီး ကုန်ထုတ်စွမ်းအားမြင့်မားသော ဝင်ငွေမြင့် စီးပွားရေးတစ်ရပ် ဖော်ဆောင်ခြင်းဖြင့် မြန်မာနိုင်ငံအနေဖြင့် အမီလိုက်နိုင်မည့် အလားအလာများကို အကောင်အထည်ဖော်နိုင် မည် ဖြစ်သည်။
- ကုန်ထုတ်စွမ်းအားတိုးတက်ရေးသည် လူတစ်ဦးချင်းအသားတင်ဝင်ငွေ တိုးမြှင့်စေရေး နှင့် လူမှုဘဝမြှင့်တင်ရေးတို့အတွက် အခြေခံကျသည်။ မြန်မာနိုင်ငံအနေဖြင့် အောင်မြင်သော စက်မှု ဖွံ့ဖြိုးဆဲနိုင်ငံများဖြစ်သည့် အရှေ့အာရှနိုင်ငံများ၏ ပြုပြင်ပြောင်းလဲရေး နှင့် ပွင့်လင်းလာသည့် ကာလများတွင် ရရှိခဲ့သည့် ကုန်ထုတ်စွမ်းအားမျိုးကို ရရှိ/ကျော်လွန်မည်ဆိုပါက ယင်းအကျိုးကျေးဇူးများ ခံစားနိုင်မည်ဖြစ်သည်။

အခန်း (၃) ပုဂ္ဂလိကကဏ္ဍ မြှင့်တင်နိုင်ရေးအတွက် အခြေခံများတည်ဆောက်ခြင်း

ကောင်းမွန်စွာလည်ပတ်နေသည့် ပုဂ္ဂလိကကဏ္ဍသည် အလုပ်အကိုင်အခွင့်အလမ်း၊ မြင့်မားသောဝင်ငွေ နှင့် လူမှုဘဝမြှင့်တင်နိုင်သည့် ကုန်ပစ္စည်းများ နှင့် ဝန်ဆောင်မှုများကို ဆောင်ကြဉ်းနိုင်ပြီး စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှု၏ မောင်းနှင်တံဖြစ်သည်။ စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှု ရရှိလာသည်နှင့်အမျှ စီးပွားရေးစနစ်သည် ဈေးကွက်အခြေခံသည့် ကုန်ထုတ်လုပ်ငန်းကဏ္ဍ နှင့် ဝန်ဆောင်မှုလုပ်ငန်းများသို့ ပြောင်းလဲလာပြီး ဝင်ငွေ နှင့် သုံးစွဲမှုအပေါ် ကောက်ခံသည့် အခွန် နှင့် အစိုးရဝင်ငွေများလည်း မြင့်တက်လာမည်ဖြစ်သည်။ ထိုအခါ အစိုးရများအနေဖြင့် ဦးစားပေးရန် လိုအပ်သည့် အစီအစဉ်များဖြစ်သည့် ကျန်းမာရေး နှင့် ပညာရေးတို့ကို တိုးမြှင့်သုံးစွဲနိုင်ခြင်း၊ အဖွဲ့အစည်းများ၊ အခြေခံအဆောက်အအုံများ နှင့် ပြည်သူ့ရေးရာဝန်ဆောင်မှုလုပ်ငန်းများတွင် ရင်းနှီးမြှုပ်နှံခြင်းတို့ ပြုလုပ်နိုင်မည် ဖြစ်သည်။ အဆိုပါ ရင်းနှီးမြှုပ်နှံမှုများသည် ဈေးကွက်စီးပွားရေးစနစ်တွင် ရေရှည်တည်တံ့သည့် အရှိန်အဟုန်ဖြင့် ဖွံ့ဖြိုးတိုးတက်ရေးကို အားဖြည့်ပေးစေပါသည်။

မြန်မာနိုင်ငံအနေဖြင့် နိုင်ငံတကာကုန်သွယ်မှု နှင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍများ နှင့် ပိုမိုပွင့်လင်းစွာထိတွေ့ဆက်ဆံခြင်း မှကျယ်ပြန့်သော အမျိုးသားအဆင့် ဦးတည်ချက်များ နှင့် လူမှုရေးရည်မှန်းချက်များစသည့် အကျိုးကျေးဇူးများ ခံစားနိုင်ရေးအတွက် ဈေးကွက်စီးပွားရေးစနစ်ကို ပုဂ္ဂလိကကဏ္ဍမှ ဦးဆောင်နိုင်စေရေးအတွက် အခြေခံများ တည်ဆောက်ရန် လိုအပ်သည်။ ထိုသို့လုပ်ဆောင်ရာတွင် ကောင်းမွန်သောအုပ်ချုပ်မှုစနစ်ကို မြှင့်တင်ပေးပြီး လူတစ်စုကောင်းစားစေသည့် အမူအကျင့်များ နှင့် အကျင့်ပျက်ခြစားမှုများကို တိုက်ဖျက်မည့် ရှိရင်းစွဲ အဖွဲ့အစည်းများ၊ မူဝါဒများ နှင့် ထိန်းချုပ်ကွပ်ကဲသည့် စနစ်များသည် အရေးကြီးလှပါသည်။ နေ့ချင်းညချင်း ပြီးစီးအောင်မြင်နိုင်မည်မဟုတ်သော်လည်း မြန်မာနိုင်ငံအနေဖြင့် ၎င်း၏ ပြုပြင်ပြောင်းလဲရေး အစောပိုင်းကာလများ အတွင်း အရေးကြီးသည့် လုပ်ငန်းစဉ်များကို ဆောင်ရွက်ခဲ့ပြီး စိတ်အားထက်သန်သည့် ပြုပြင်ပြောင်းလဲရေး လုပ်ငန်းစဉ်များကြောင့် ကာလတိုအတွင်း ခိုင်မာသော ရလဒ်ကောင်းများ ထွက်ပေါ်စေခဲ့ပါသည်။

တိုးတက်မှုရလဒ်များကို ခိုင်မာစေရန် တည်ငြိမ်ပြီး စွမ်းဆောင်ရည်ရှိသည့် ပုဂ္ဂလိကကဏ္ဍ တိုးတက်ရေးအတွက် ဦးစားပေးနယ်ပယ်ကဏ္ဍ (၃) ခုကို အလေးထားဆောင်ရွက်သင့်ပါသည်။ ၎င်းတို့မှာ - **မက်ခရိုစီးပွားရေးတည်ငြိမ်မှုကို အားပေးခြင်း၊ ငွေကြေးဈေးကွက်များ ပီပြင်စွာပေါ်ထွန်းလာစေခြင်း နှင့် ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲနိုင်သည့် ပတ်ဝန်းကျင် ဖန်တီးခြင်းတို့ဖြစ်ပါသည်။**

မက်ခရိုစီးပွားရေးတည်ငြိမ်မှုသည် စီးပွားရေး၏ ကိုယ်ခံအားကောင်းစေပြီး စီးပွားရေးတည်ငြိမ်မှု ရုတ်ခြည်း ပြောင်းလဲခြင်းတို့ကို ကြုံကြုံခိုင်နိုင်ပြီး ရင်းနှီးမြှုပ်နှံမှုများ နှင့် အမြတ်အစွန်းရရှိနိုင်မှုအပေါ် ယုံကြည်မှုများ ပေးနိုင် ပါသည်။ မြန်မာနိုင်ငံ၏ ယခင်ကရှိခဲ့သည့် မက်ခရိုစီးပွားရေး မတည်ငြိမ်မှုများသည် ပုဂ္ဂလိကကဏ္ဍ ဖွံ့ဖြိုးရေးအပေါ် ဆိုးကျိုးသက်ရောက်စေခဲ့ပါသည်။ ပုဂ္ဂလိကကဏ္ဍကို မြှင့်တင်ရာတွင် မြန်မာနိုင်ငံတော်ဗဟိုဘဏ်အား မက်ခရို စီးပွားရေးထိန်းကျောင်းသည့် အဖွဲ့အစည်းအဖြစ် တည်ဆောက်ရေးမှာ အဓိကကျပါသည်။ ထိုသို့လုပ်ဆောင်ရာတွင် ဦးစားပေးအစီအစဉ်များအဖြစ် ဗဟိုဘဏ်၏ လွတ်လပ်ခွင့် နှင့် ခေတ်မီသည့် ငွေကြေးစီမံခန့်ခွဲမှုနည်းလမ်းများဖြင့် ငွေကြေးဖောင်းပွမှုအား ထိန်းချုပ်ကွပ်ကဲခွင့်တို့ကို ဆောင်ရွက်သင့်သည်။ ကာလလတ်အတွင်း ရရှိလာမည့် ခိုင်မာမှုကန်သောဘဏ္ဍာရေး ဆိုင်ရာ ရလဒ်များ နှင့် ပြည်သူ့ဘဏ္ဍာဝင်ငွေ နှင့် အသုံးစရိတ် ဆိုင်ရာစီမံခန့်ခွဲမှုများ စသည့် ဘဏ္ဍာရေးဆိုင်ရာမူဝါဒများဖြင့်

မက်ခရိုစီးပွားရေး တည်ငြိမ်မှုများကို အထောက်အပံ့ပေးနိုင်ရန်လိုအပ်သည်။ ထို့အပြင် မက်ခရိုစီးပွားရေးမူဝါဒများကို အကောင်အထည်ဖော်ရာတွင် ပွင့်လင်းမြင်သာမှုဖြင့် မူဝါဒဆိုင်ရာ ရလဒ်ကောင်းများ ပေါ်ထွက်လာမည်ဖြစ်သည်။

ပီပြင်သည့်ငွေကြေးဈေးကွက်များပေါ်ထွန်းမှသာ ငွေကြေးအရင်းအမြစ်များသည် ကုန်ထုတ်စွမ်းအားမြင့်မားသည့် နေရာများသို့ စီးဆင်းစေမည်ဖြစ်ပြီးသောကြောင့် ပီပြင်သည့်ငွေကြေးဈေးကွက်များ ပေါ်ထွန်းလာခြင်းသည် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှုအတွက် အရေးကြီးပါသည်။ ဖွံ့ဖြိုးဆဲနိုင်ငံတစ်နိုင်ငံ အနေဖြင့် ပြည်တွင်းစီးပွားရေးလုပ်ငန်းများသည် ၎င်းတို့ငွေကြေးအရင်းအမြစ်များ ရရှိနိုင်ရန် ကမ္ဘာ့ငွေကြေး ဈေးကွက်နှင့် ချိတ်ဆက်နိုင်ရန် အရေးကြီးပါသည်။ ငွေကြေးဈေးကွက်များသည် စီးပွားရေးအဖွဲ့အစည်းများ နှင့် လူတစ်ဦးချင်းစီ၏ စွန့်စားရမှုများကို ဖြေလျော့ပေးပြီး မိသားစုများ၏ အနာဂတ်ကို မမျှော်လင့်သော အဖြစ်အပျက်များကြောင့် မထိခိုက်စေရန် ဆောင်ရွက်ပေးနိုင်ပါသည်။ မြန်မာနိုင်ငံ၏ ငွေကြေးကဏ္ဍသည် ပြုပြင်ပြောင်းလဲရေး စတင်ဆောင်ရွက်ချိန်မှစ၍ ခိုင်မာစွာတိုးတက်လာနေသော်လည်း နိုင်ငံတကာစံနှုန်းများနှင့် နှိုင်းယှဉ်ကြည့်ပါက ဖွံ့ဖြိုးမှုမရှိသေးဘဲ ခေတ်နောက်ကျပြီး တင်းကြပ်သည့် စည်းမျဉ်းစည်းကမ်းများရှိနေပါသည်။ ယင်းအချက် သည် ပုဂ္ဂလိကကဏ္ဍ ဖွံ့ဖြိုးတိုးတက်ရေးကို အထူးထိခိုက်စေပါသည်။

ပုဂ္ဂလိကကဏ္ဍဖွံ့ဖြိုးတိုးတက်ပြီး လူမှုရေးဆိုင်ရာ ရလဒ်ကောင်းများ ဆောင်ကြဉ်းပေးနိုင်စေရန် ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲနိုင်မှုရှိသည့် ပတ်ဝန်းကျင်တစ်ရပ် လိုအပ်ပါသည်။ ယင်းအတွက် ပြည့်စုံပြီး ပွင့်လင်းမြင်သာမှုရှိသည့် ဥပဒေမူဘောင် နှင့် စည်းမျဉ်းစည်းကမ်းများသည် တစ်ပြေးညီ ယုံကြည်စိတ်ချစွာ နှင့် တရားမျှတစွာ ဖြင့် တရားဥပဒေစိုးမိုးရန် လိုအပ်ပါသည်။ မြန်မာနိုင်ငံတွင် ဥပဒေကြောင်း နှင့် စည်းမျဉ်းစည်းကမ်းဆိုင်ရာ လိုအပ်ချက်များရှိနေသေးခြင်း ၊ လုပ်ငန်းစဉ်များ ပိုမို တိကျရေရာမှု ရှိရန်လိုအပ်ခြင်း နှင့် အကောင်အထည်ဖော်ရာတွင် တစ်ပြေးညီရှိရန်လိုအပ်ခြင်း စသည့်အချက်များက စီးပွားရေးလုပ်ငန်းများ၏ ရေရှည်ဖွံ့ဖြိုးတိုးတက်မှု ကို ထိခိုက်စေပါသည်။ အဆိုပါလိုအပ်ချက်များကို ဖြည့်ဆည်းရာတွင် အကောင်အထည်ဖော်နိုင်ရေးအတွက် အရင်းအမြစ်များ လိုအပ်ပြီး ဦးစားပေးရမည့် ဥပဒေ နှင့် လုပ်ငန်းစဉ်များ ရှင်းလင်းတိကျရေးအတွက် သက်ဆိုင်ရာ ပါဝင်ပတ်သက်သူများနှင့် ဆွေးနွေးမှုများပြုလုပ်ရမည်ဖြစ်ပါသည်။

အဓိကကောက်နုတ်ချက်များ

စီးပွားရေးပွင့်လင်းမှုမှ တစ်ဆင့်အကျိုးကျေးဇူးများ ရရှိခံစားနိုင်စေရေးအတွက် ကုန်ထုတ်စွမ်းအားတိုးမြှင့်ရေး နှင့် အခြေခံ ကျကျ ပြုပြင်ရန် ဈေးကွက်တွင်ပါဝင်သည့် အင်အားစုများအတွက် ပတ်ဝန်းကျင်ကောင်းတစ်ရပ်ကို တည်ဆောက်ပေးရန် လိုအပ်သည်။ ပုဂ္ဂလိကကဏ္ဍမှ ဦးဆောင်သည့်ဖွံ့ဖြိုးတိုးတက်မှုကို အထောက်အကူဖြစ်စေရန် မြန်မာနိုင်ငံအနေဖြင့် မက်ခရိုစီးပွားရေး တည်ငြိမ်စေခြင်း၊ ငွေကြေးဈေးကွက်များပီပြင်စွာပေါ်ထွန်းလာစေခြင်း၊ ပြည်သူ့ဘဏ္ဍာရေးစနစ်တိုးတက် ကောင်းမွန်စေခြင်း၊ စီးပွားရေးလုပ်ငန်းများ နှင့် ရင်းနှီးမြှုပ်နှံသူများအတွက် ထိန်းချုပ်ကွပ်ကဲသည့် စနစ်များအား ခန့်မှန်းနိုင်ပြီး ပွင့်လင်းမြင်သာမှုရှိ၍ တစ်သမုတ်တည်း အရေးယူဆောင်ရွက်ခြင်း စသည့်စနစ်များ ပေါ်ထွန်းလာစေရန် လိုအပ်သည်။ အဆိုပါ ပြုပြင်ပြောင်းလဲမှုများသည် နိုင်ငံတကာနှင့် မြန်မာနိုင်ငံ ကူးသန်းရောင်းဝယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံရေးဆိုင်ရာကိစ္စရပ်များကိုဆောင်ရွက်ရာတွင် နိုင်ငံတကာ၏ ယုံကြည်မှုများကို မြှင့်တင်ပေးနိုင်ပြီး နိုင်ငံ၏ ကုန်သွယ်ရေး အခွင့်အလမ်း အလားအလာများကိုလည်း တိုးမြှင့်စေမည်ဖြစ်သည်။

ဦးစားပေးမှုဝါဒများ နှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ

- မြန်မာနိုင်ငံအနေဖြင့် ပုဂ္ဂလိကကဏ္ဍ ဖွံ့ဖြိုးတိုးတက်ရေးအတွက် အဓိကလိုအပ်သည့် မက်ခရိုစီးပွားရေး တည်ငြိမ်မှု ရှိစေရန် လုပ်ဆောင်ရမည်ဖြစ်သည်။ ထိရောက်သော ငွေကြေးမူဝါဒများ ချမှတ်နိုင်ရန် ဗဟိုဘဏ်၏ လွတ်လပ်ခွင့်သည် အရေးပါသည်။ ထို့အပြင် ငွေကြေးသက်သေခံ ချေးငွေစာချုပ် ဈေးကွက်ပေါ်ထွန်းလာရေးသည် ထိရောက်သော ငွေကြေးမူဝါဒများ ချမှတ်နိုင်ရန် အဓိကကျသည့်အပြင် ငွေကြေးအရင်းအနှီးဈေးကွက် ဖွံ့ဖြိုးရေးအတွက်လည်း အထောက်အကူပြုနိုင်မည်ဖြစ်ပါသည်။ ကာလလတ်အဆင့်ရှိ ပြည်သူ့ဘဏ္ဍာ စီမံခန့်ခွဲမှုဆိုင်ရာမူဘောင်များ ဖော်ဆောင်ခြင်း၊ ရေရှည်တည်တံ့သည့် အခွန်စနစ်များပေါ်ပေါက်လာစေခြင်း၊ ထိရောက်သောအသုံးစရိတ်မူဝါဒများချမှတ်ခြင်း နှင့် မမျှော်လင့်နိုင်သော ကိစ္စရပ်များ အပေါ် အကဲဖြတ်သည့်စနစ်များစသည့် ဘဏ္ဍာရေးမူဝါဒပိုင်းဆိုင်ရာ ရလဒ်များဖြင့် မက်ခရိုစီးပွားရေး တည်ငြိမ်မှုကို ထိန်းသိမ်းရာတွင် တိုးတက် ကောင်းမွန်စေမည်ဖြစ်ပါသည်။
- ဈေးကွက်စီးပွားရေးစနစ် အောင်မြင်စေရန် ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲမှုစနစ်ရှိသည့် ပတ်ဝန်းကျင်တစ်ရပ် ဖန်တီးရန် အရေးကြီးသည်။ ထိုသို့ ဖန်တီးနိုင်ရန် ဥပဒေပြုပြင်ပြောင်းလဲရေးကော်မရှင် တစ်ရပ်ဖွဲ့စည်းပြီး ထက်မြက်သည့် ဥပဒေဆိုင်ရာမူဘောင်တစ်ရပ်ကို စနစ်တကျ တည်ထောင်နိုင်မည်ဖြစ်သည်။ ဥပဒေများ အသုံးပြုရာတွင် လိုအပ်ချက်များကို ဖော်ထုတ်ပြီး လုပ်ငန်းစဉ်များကိုလည်း တိကျစွာ ဖော်ပြထားသင့်ပါသည်။ နိုင်ငံပိုင် စီးပွားရေးလုပ်ငန်းများကို ပြုပြင်ပြောင်းလဲခြင်းများဖြစ်သည့် ၎င်းတို့၏ ထိန်းချုပ်ကွပ်ကဲမှုအာဏာများကို လျော့ချ ဖယ်ရှားခြင်း နှင့် ကန့်သတ်ခြင်း တို့ဖြင့် ပုဂ္ဂလိကကဏ္ဍအနေဖြင့် ယှဉ်ပြိုင်ရာတွင် လက်ရေတစ်ပြင်တည်း ဖြစ်စေမည်ဖြစ်သည်။
- မြန်မာနိုင်ငံအနေဖြင့် ပီပြင်သော ငွေကြေးဈေးကွက် ပေါ်ထွန်းလာစေရန် အတားအဆီးများကို သိသိသာသာ ဖယ်ရှားခဲ့ပါသည်။ ထိန်းချုပ်ကွပ်ကဲသည့်မူဘောင်များတွင် နိုင်ငံတကာငွေကြေးဈေးကွက်မူဘောင်များ (Basel Principles) ကျင့်သုံးခြင်းဖြင့် ငွေကြေးအရင်းအနှီးဈေးကွက်ကဏ္ဍမှ ချေးငွေများ ပိုမိုရရှိနိုင်စေပြီး ဈေးကွက်တည်ငြိမ်မှုကို အထောက်အကူပြုစေမည်ဖြစ်သည်။ ထို့အပြင် နိုင်ငံခြားဘဏ်များ၏ အခန်းကဏ္ဍကို မြှင့်တင်ပေးခြင်းဖြင့် ငွေကြေးအရင်းအမြစ်များ ပိုမိုရရှိစေမည်ဖြစ်သည်။
- ထိန်းချုပ်ကွပ်ကဲမှုဆိုင်ရာ ပြုပြင်ပြောင်းလဲမှုများ ပြုလုပ်ရာတွင် ပုဂ္ဂလိကကဏ္ဍ နှင့် တွေ့ဆုံဆွေးနွေးခြင်း နှင့် ထိတွေ့ဆက်ဆံခြင်းတို့ဖြင့် မရေရာမှုများကို လျော့ချနိုင်ပြီး စီးပွားရေး ပတ်ဝန်းကျင်ကောင်းတစ်ရပ်ကို ဖန်တီးပေးနိုင်မည်ဖြစ်သည်။

အခန်း (၄) ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍ နှင့် ဖွံ့ဖြိုးတိုးတက်ခြင်း နှင့် သဘာဝပြောင်းလဲခြင်း

မက်ခရိုစီးပွားရေးတည်ငြိမ်နေပြီး ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲသည့်စနစ်ရှိနေပြီးဖြစ်ပါက ပုဂ္ဂလိကကဏ္ဍမှ ဦးဆောင်သည့် ကုန်သွယ်မှု တိုးမြှင့်လာခြင်းမှ ရရှိလာသည့် အကျိုးအမြတ်များဖြင့် မြန်မာနိုင်ငံအတွင်းရှိ လူတစ်ဦးချင်း နှင့် မိသားစုများ၏ ကုန်ထုတ်စွမ်းအားများ နှင့် လူနေမှုအဆင့်အတန်းများကို မြှင့်တင်လာနိုင်မည်ဖြစ်သည်။ မြန်မာအစိုးရ အနေဖြင့် အဆိုပါဖြစ်စဉ်ကို အထောက်အကူပြုနိုင်ရန် စီးပွားရေးတွင် ၎င်း၏ပါဝင်မှုကို လျှော့ချပြီး ဈေးကွက်စီးပွားရေး အခြေခံများကို ထူထောင်၍ ဖွံ့ဖြိုးမှုများပေါ်ထွက်လာစေရန် ဆောင်ရွက်ရမည်ဖြစ်သည်။

လူမှုရေး နှင့် ရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံများတိုးတက်ဖွံ့ဖြိုးတိုးတက်စေရန်အတွက် ဦးတည်ချက်ရှိပြီး အကျိုးရှိသည့် အစိုးရ၏ အသုံးစရိတ်များ သည် ကုန်သွယ်မှုကို အခြေခံပြီး မြန်မာနိုင်ငံ၏ လူသား နှင့် သဘာဝအရင်းအမြစ်များ နှင့် ပြည်သူ့ရေးရာဝန်ဆောင်မှုများကို ဖွံ့ဖြိုးစေရန် ဆောင်ရွက်ရာတွင် အရေးကြီးသည်။ အစိုးရဝင်ငွေနည်းပါးနေသေးခြင်း၊ မူဝါဒရေးဆွဲ သုံးသပ်မှုများ အားနည်းနေသေးခြင်း၊ ပြည်သူ့ဘဏ္ဍာစီမံခန့်ခွဲမှုစနစ် တိုးတက်မှုမရှိသေးခြင်း နှင့် အစိုးရ၏ ဗဟိုမှ ထိန်းချုပ်သည့် စနစ်များတို့ကြောင့် မြန်မာနိုင်ငံအနေဖြင့် အဆိုပါ မူဝါဒများကို ရေးဆွဲခြင်း နှင့် ရန်ပုံငွေရှာဖွေခြင်းတို့ ဆောင်ရွက်ရာတွင် ကန့်သတ်ချက်များနှင့် တွေ့ကြုံနေရပြီး အရေးပါသည့် ဆုံးဖြတ်ချက်များ သည် ၎င်းတို့အတွက် ရည်မှန်းလုပ်ဆောင်နေသည့် လူမှုအဖွဲ့အစည်းများနှင့် ဝေးကွာနေပါသည်။ လက်ရှိ ပြုပြင်ပြောင်းလဲရေး လုပ်ငန်းစဉ်များသည် အဆိုပါကန့်သတ်ချက်များကို ကျော်လွှားနိုင်ရန် အခွင့်အလမ်းကောင်း တစ်ခုဖြစ်ပါသည်။

မြန်မာနိုင်ငံအနေဖြင့် သဘာဝသယံဇာတပေါကြွယ်ဝသည့်အတွက် ၎င်းတို့ကို အသုံးပြုပြီး ရင်းနှီးမြှုပ်နှံမှုများ ပြုလုပ်နိုင်ပါသည်။ သို့သော်လည်း သယံဇာတများမှာ ကုန်ခမ်းနိုင်ပြီး ထုတ်ယူရန် ငွေကြေးကုန်ကျကာ နိုင်ငံတကာ ဈေးကွက် အတက်အကျပေါ်တွင်လည်း မူတည်နေပါသည်။ သို့ဖြစ်၍ သဘာဝသယံဇာတမှ ရရှိမည့် အကျိုး ကျေးဇူးများကို တထပ်ချမှတ်ယူမထားသင့်သလို ဖြန့်တီးပစ်ခြင်းလည်း မပြုသင့်ပါ။ ရှင်းလင်းပြီး ခိုင်မြဲသည့် စည်းမျဉ်းများချမှတ်၍ စီမံခန့်ခွဲဆောင်ရွက်ရမည်ဖြစ်သည်။

ထိရောက်သည့် အခွန်စနစ်များ တည်ဆောက်ခြင်း နှင့် တိုးချဲ့ခြင်း တို့ဖြင့် သဘာဝသယံဇာတမှ ရရှိသည့် အမြတ်အစွန်းများကို အလွန်အကျွံမရှိခြင်း မပြုဘဲ မြန်မာ့စီးပွားရေးတွင် ရေရှည်ရင်းနှီးမြှုပ်နှံနိုင်ရန် နှင့် သုံးစွဲနိုင်ရန် အရင်းအမြစ်များကို လှုံ့ဆော်နိုင်မည်ဖြစ်သည်။ ကာလတိုမှ ကာလရှည် အဆင့်များအလိုက် ရေရှည်တည်တံ့ပြီး ထိရောက်သည့် အခွန်မူဝါဒ နှင့် စီမံခန့်ခွဲမှုစနစ်များ ပေါ်ထွန်းလာစေရန် အခွန်စနစ်အား အလုံးစုံ ပြန်လည် ဆန်းစစ်သင့်ပါသည်။ အစိုးရ၏ ရင်းနှီးမြှုပ်နှံမှု နှင့် အသုံးစရိတ်များ ထိရောက်မှုရှိစေရေးအတွက် ဦးစားပေးအစီအစဉ်များ သတ်မှတ်ဆောင်ရွက်ရာတွင် အစိုးရ၏ မူဝါဒရေးဆွဲမှု နှင့် ပြန်လည်ဆန်းစစ်မှုဆိုင်ရာ ဆုံးဖြတ်ခြင်း နှင့် တာဝန်ခံခြင်းတို့တွင် တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်ရမည်ဖြစ်သည်။

မူဝါဒပိုင်းဆိုင်ရာ လေ့လာဆန်းစစ်သည့် အဖွဲ့အစည်းတည်ထောင်ခြင်းဖြင့် ပြည်သူများပါဝင်ဆွေးနွေးနိုင်ပြီး နိုင်ငံရေး၊ ပါတီစွဲ ကင်းဝေးပြီး အစိုးရ နှင့် သက်ဆိုင်သူများထံ လွတ်လပ်ပြီး ထက်မြက်သည့် သုံးသပ် အကြံပြုချက်များကို ပံ့ပိုးပေးနိုင်မည်ဖြစ်သည်။ ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များ အကောင်အထည်ဖော်ရာတွင် သြဇာအာဏာကြီးမားပြီး ယခင်က အကျိုးခံစားခဲ့သူများ၏ အကျိုးစီးပွားများကို အနည်းနှင့်အများ ထိခိုက်လာစေမည်ဖြစ်သဖြင့် စီးပွားရေးစနစ် တစ်ခုလုံးကို

ကျယ်ကျယ်ပြန့်ပြန့် သုံးသပ်ပေးနိုင်ခြင်းဖြင့် ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များကို ပိုမိုပီပြင်လာစေမည် ဖြစ်သည်။ ထိုသို့ လုပ်ဆောင်ခြင်းဖြင့် ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းများ ရေရှည်တည်တံ့သည့် အရှိန်အဟုန် ကို ရရှိစေမည်ဖြစ်သည်။

မြန်မာနိုင်ငံ၏ ပြည်သူ့ဘဏ္ဍာအသုံးစရိတ်ဆိုင်ရာ ဆုံးဖြတ်မှုလုပ်ငန်းစဉ်များကို ပြုပြင်ပြောင်းလဲခြင်းဖြင့် မူဝါဒပိုင်းဆိုင်ရာ ဦးစားပေးအစီအစဉ်များ၊ ပြည်ထောင်စုအစိုးရ၊ ဝန်ကြီးဌာနများ၊ တိုင်းဒေသကြီးနှင့် ပြည်နယ်အစိုးရများ အကြား တိုက်ရိုက်ချိတ်ဆက်ပေးနိုင်မည်ဖြစ်သည်။

တိုင်းဒေသကြီး နှင့် ပြည်နယ်အစိုးရများသို့ နိုင်ငံရေး၊ ဘဏ္ဍာရေး နှင့် အုပ်ချုပ်ရေးဆိုင်ရာ ကိုယ်ပိုင် အုပ်ချုပ်ခွင့်အာဏာများ တိုးမြှင့်ပေးအပ်ခြင်းဖြင့် အစိုးရအဖွဲ့အဆင့်ဆင့်တွင် ပေါင်းစည်းမှု၊ ပွင့်လင်းမြင်သာမှု နှင့် ရေရှည်မျှော်တွေးသည့် ပြည်သူ့ဘဏ္ဍာစီမံခန့်ခွဲသည့်လုပ်ငန်းစဉ်များ ပေါ်ထွန်းလာပြီး မူဝါဒပိုင်းဆိုင်ရာ ထိရောက်မှု၊ တာဝန်ခံမှုတို့ကို ခိုင်မာစေပြီး နိုင်ငံရေးတည်ငြိမ်မှု နှင့် ငြိမ်းချမ်းရေးကို ရေးရှုသည့် စီးပွားရေးတိုးတက်မှုများကို ဖြစ်ပေါ်စေရန် အထောက်အကူပြုနိုင်မည်ဖြစ်သည်။

အဓိကကောက်နုတ်ချက်များ

ကုန်သွယ်ရေးကို အခြေခံသည့် ရေရှည်တည်တံ့သောဖွံ့ဖြိုးမှု၊ မြန်မာနိုင်ငံ ပြည်သူများ၏ စွမ်းဆောင်ရည် နှင့် လူမှုဘဝများဖွံ့ဖြိုးမှု၊ ရေရှည်တည်တံ့သည့် ငြိမ်းချမ်းရေး နှင့် နိုင်ငံရေးအခင်းအကျင်းတို့ ဖြစ်ပေါ်လာစေရန် ထိရောက်သော ပြည်သူ့ရေးရာ ရင်းနှီးမြှုပ်နှံမှုများ၊ မူဝါဒရေးဆွဲမှုများ နှင့် အာဏာခွဲခြင်းတို့သည် အဓိကကျပါသည်။ မြန်မာနိုင်ငံ၏ လူ့အရင်းအမြစ် နှင့် ရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံများကို ဖွံ့ဖြိုးစေရန် နှင့် ဓာနုဗေဒတည်ငြိမ်မှုရှိစေရန် ဆောင်ရွက်ရာတွင် အစိုးရဝင်ငွေ ကန့်သတ်ချက်၊ ဘဏ္ဍာရေးစီမံခန့်ခွဲမှု အားနည်းခြင်း နှင့် အခြား အုပ်ချုပ်မှုပိုင်းဆိုင်ရာပြဿနာများကြောင့် ကန့်သတ်ချက်များနှင့် ရင်ဆိုင်နေရပါသည်။ အစိုးရ၏ ဦးစားပေးအစီအစဉ်များအား အောင်မြင်အောင် အကောင်အထည်ဖော်ရာတွင် မြန်မာနိုင်ငံ၏ သဘာဝသယံဇာတများ စီမံခန့်ခွဲရာ၌ ပွင့်လင်းမြင်သာပြီး တာဝန်ခံမှု နှင့် အခွန်စနစ်အားကို ပြုပြင်ပြောင်းလဲမှုတို့ဖြင့် ဆောင်ရွက်နိုင်ပြီး အချိန်ကြာလာသည်နှင့်အမျှ ခိုင်မာပြီး ထိရောက်သည့် ဝင်ငွေရရှိနိုင်သောနည်းလမ်းများ ပေါ်ထွန်းလာမည်ဖြစ်သည်။ ထိုသို့ ဆောင်ရွက်ရာတွင် ဗဟိုအဆင့်တွင် မူဝါဒရေးဆွဲမှု နှင့် ဆုံးဖြတ်မှုလုပ်ငန်းစဉ်များအား ပိုမိုကောင်းမွန်စေခြင်း အထူးသဖြင့် မူဝါဒရေးရာပြန်လည်ဆန်းစစ်မှု လုပ်ငန်းစဉ်များ ထိရောက်စေရေး နှင့် တိုင်းဒေသကြီး နှင့် ပြည်နယ် အစိုးရများအား ဘဏ္ဍာရေး နှင့် အုပ်ချုပ်ရေးအာဏာများ ပိုမိုခွဲဝေပေးခြင်းဖြင့် နိုင်ငံရေး ကိုယ်ပိုင်အုပ်ချုပ်ခွင့်များ တိုးမြှင့်ပေးခြင်းတို့ကို ဆောင်ရွက်သင့်သည်။

ဦးစားပေးမူဝါဒများနှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ

- မြန်မာနိုင်ငံအနေဖြင့် ဖွံ့ဖြိုးရေးဦးစားပေးအစီအစဉ်များအဖြစ် ၎င်း၏ ကျန်းမာရေး၊ ပညာရေး နှင့် အခြေခံအဆောက်အအုံကဏ္ဍများတွင် ရင်းနှီးမြှုပ်နှံမှုများ ပြုလုပ်သင့်သည်။ ရုပ်ပိုင်းဆိုင်ရာ အခြေခံ အဆောက်အအုံများသည် မြန်မာနိုင်ငံ၏ ပြည်သူများအကြား နှင့် နိုင်ငံတကာဈေးကွက်များသို့ ချိတ်ဆက် ပေးနိုင်ခြင်း၊ လူသားအရင်းအမြစ်ပိုင်းဆိုင်ရာ ပညာရေး နှင့် ကျန်းမာရေးကဏ္ဍများတွင် ရင်းနှီးမြှုပ်နှံမှုများဖြင့် စီးပွားရေးအသွင်ကူးပြောင်းမှု အထောက်အကူပြုပြီး လူထုတစ်ရပ်လုံး၏ လူမှုဘဝကို တိုးတက် ကောင်းမွန် စေမည်ဖြစ်သည်။

- လာမည့်နှစ်အနည်းငယ်အတွင်း မြန်မာနိုင်ငံအနေဖြင့် ၎င်း၏ အခွန်ကောက်ခံမှုစနစ် အားနည်းချက်များအား တိုးတက်ကောင်းမွန်အောင် အခွန်ဆိုင်ရာပြုပြင်ပြောင်းလဲရေးများ ဆောင်ရွက်သင့်ပါသည်။ ရေရှည်အတွက်မူ စီးပွားရေးအသွင်ကူးပြောင်းမှုနှင့်အတူ အစိုးရ၏ ဝင်ငွေတိုးပွားလာစေသည့် အခြေခံကောင်းများကို အလေးထား တည်ဆောက်သွားရမည်ဖြစ်သည်။ အခွန်စနစ် အလုံးစုံပြန်လည်သုံးသပ်မှုများ ပြုလုပ်ခြင်းဖြင့် ကာလရှည်တွင် တန်ဖိုးမြှင့်အခွန်၊ ကုမ္ပဏီအခွန် နှင့် ဝင်ငွေခွန်စနစ်များ တိုးတက်ကောင်းမွန်လာပြီး အချိန်ကြာလာသည်နှင့်အမျှ အခွန်ထမ်းဦးရေလည်း မြင့်တက်လာမည်ဖြစ်သည်။
- မြန်မာနိုင်ငံအနေဖြင့် လွတ်လပ်သည့် အမျိုးသားမူဝါဒပြန်လည်သုံးသပ်ရေးအဖွဲ့အစည်းတစ်ရပ်အား ထူထောင် ခြင်းဖြင့် အစိုးရမှ ဆုံးဖြတ်ချက်ပေးရာတွင် အချက်အလက်များ ပံ့ပိုးပေးနိုင်ပြီး မူဝါဒရေးရာ ရေးဆွဲ အကောင် အထည်ဖော်ရာတွင် ပွင့်လင်းမြင်သာမှုရှိစေရေးအတွက် ပြည်သူများပါဝင်သည့် ဆွေးနွေးပွဲများ ကျင်းပပေးနိုင်သည့် အပြင် ပြည်သူ နှင့် နိုင်ငံတကာတို့၏ ယုံကြည်မှုများ တိုးပွားလာနိုင်မည်ဖြစ်သည်။
- အဓိကကျပြည်သူ့ဘဏ္ဍာစီမံခန့်ခွဲမှုဆိုင်ရာကိစ္စရပ်များတွင် ပွင့်လင်းမြင်သာမှု၊ လွှမ်းမိုးမှုနှင့် ထိန်းချုပ်ကွပ်ကဲမှု စနစ်များကို တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်ခြင်းဖြင့် ပွင့်လင်းမြင်သာပြီး တာဝန်ခံမှုများ ခိုင်မာစေကာ ဝင်ငွေ အရင်းအမြစ်များကို လှုံ့ဆော်နိုင်မည်ဖြစ်သည့်အပြင် ပြည်ထောင်စု နှင့် ဒေသန္တရအဆင့် အသုံးစရိတ်ဆိုင်ရာ ဆုံးဖြတ်ချက်ချမှတ်မှုများလည်း အားကောင်းလာမည်ဖြစ်သည်။
- ဗဟိုချုပ်ကိုင်မှုလျှော့ချပြီး တိုင်းဒေသကြီး နှင့် ပြည်နယ်အစိုးရများထံ နိုင်ငံရေးနှင့် အုပ်ချုပ်ရေးတာဝန်များကို ခွဲဝေပေးခြင်းဖြင့် ပိုမိုအကျိုးများပြီး တာဝန်ခံသည့် အစိုးရဝန်ဆောင်မှုများကို ဆောင်ကြဉ်းပေးနိုင်မည်ဖြစ်သည်။ နိုင်ငံရေးအရ အာဏာများ ပိုမိုခွဲဝေပေးရာတွင်ဘဏ္ဍာရေး နှင့် အုပ်ချုပ်ရေးတာဝန်များကို ပြည်ထောင်စုအဆင့်၊ တိုင်းဒေသကြီးနှင့် ပြည်နယ်အဆင့်များ တိတိကျကျ သတ်မှတ်ထားပြီး လက်တွေ့အခြေအနေနှင့် ကိုက်ညီ သော ချိတ်ဆက်မှုများ ကိုဖော်ဆောင်ရမည်ဖြစ်သည်။

အခန်း (၅) ကုန်သွယ်ရေးဖြေလျှော့မှုများ နှင့် နိုင်ငံတကာသို့ ဆန့်ကျင်ဘက်မည့် ပြုပြင်ပြောင်းလဲရေးများ

လွန်ခဲ့သည့် ဆယ်စုနှစ်သုံးခုတာကာလအတွင်း အရှေ့အာရှသည် ကုန်သွယ်ရေးကိုအခြေခံသည့် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှုကို ရရှိခဲ့သည်။ ဒေသတွင်း စက်မှုကဏ္ဍဖွံ့ဖြိုးလာခြင်းသည် နိုင်ငံတကာစီးပွားရေးနှင့် တိုးမြှင့်ပေါင်းစည်း နိုင်ခဲ့ခြင်းကြောင့် ဖြစ်သည်။ အဆိုပါကာလများအတွင်း ဒေသတွင်းရှိ ထွန်းသစ်စနိုင်းများ၏ ပျမ်းမျှ စီးပွားရေးဖွံ့ဖြိုးမှုနှုန်းမှာ တစ်နှစ်လျှင် ၈% ခန့် ရှိခဲ့ပါသည်။ အပြည်ပြည်ဆိုင်ရာငွေကြေးရန်ပုံငွေအဖွဲ့၏ ခန့်မှန်းချက် အရ အရှေ့အာရှဒေသ၏ GDP (PPP) တန်ဖိုးမှာ ၂၀၁၃ ခုနှစ်တွင် အမေရိကန်ဒေါ်လာ ၃.၉ ဩဇာလီယံရှိခဲ့ပါသည်။ အရှေ့အာရှနိုင်ငံများ၏ စီးပွားရေးအဆင့်အချို့တွင် နိုင်ငံတော်မှ ဝင်ရောက်စွက်ဖက်ခဲ့သည်များရှိသော်လည်း ယေဘုယျအားဖြင့် အရှေ့အာရှနိုင်ငံများ၏ စက်မှုဖွံ့ဖြိုးရေးလုပ်ငန်းစဉ်များသည် စီးပွားရေးအား ပွင့်လင်းအောင် ဆောင်ရွက်ပြီး နိုင်ငံတကာစီးပွားရေးအသိုင်းအဝန်းနှင့် ချိတ်ဆက်နိုင်ခဲ့သဖြင့် ဆင်းရဲမွဲတေမှုကို အကြီးအကျယ် လျော့ချပေးနိုင်ခဲ့သည်။

အရှေ့အာရှ နှင့် အခြားဒေသများ၏ သင်ခန်းစာများအရ သေးငယ်သောစီးပွားရေးစနစ်များမှအပ အားလုံး ပါဝင်စေသည့် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှု (တစ်နည်းအားဖြင့် ပြည်သူလူထုအများစု အကျိုးခံစားရသည့် တိုးတက်မှု) အတွက် နိုင်ငံ၏ အရေးကြီးဆုံးသော အရင်းအမြစ်ဖြစ်သည့် ၎င်း၏ပြည်သူများကို အခြေခံရမည်ဖြစ်သည်။ ဖွံ့ဖြိုးတိုးတက်မှုသည် အလုပ်အကိုင်အခွင့်အလမ်းများကို ဖန်တီးပေးခြင်းဖြစ်ပြီး ကုန်သွယ်မှုကို အခြေခံရမည် ဖြစ်သည်။ ရေရှည်တွင် သဘာဝသယံဇာတထုတ်ယူသည့်အပေါ်တွင်သာ အဓိကမှီခိုအားထားပြီး ပြည်တွင်းကိုသာ အာရုံစိုက်မနေသင့်ပါ။ မြန်မာနိုင်ငံ၏ လက်ရှိကုန်သွယ်ရေးပုံစံဖြစ်သည့် သဘာဝသယံဇာတများ တင်ပို့နေမှု အစား အလုပ်အကိုင်အခွင့်အလမ်းများ ဖန်တီးပေးပြီး ကုန်သွယ်ရေး နှင့် စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှုမှ ပြည်သူတစ်ရပ်လုံး အကျိုးခံစားရနိုင်သည့် ကုန်သွယ်မှုပုံစံသို့ အသွင်ကူးပြောင်းရမည်ဖြစ်သည်။

နိုင်ငံတော်၏ သဘာဝသယံဇာတကဏ္ဍအနေဖြင့် စွမ်းဆောင်ရည်မြှင့်တင်နိုင်ခြေရှိသော်လည်း လာမည့်ဆယ်စုနှစ်များ အတွင်း ဖွံ့ဖြိုးတိုးတက်ရေးအတွက် အဓိကဦးဆောင်မည့်ကဏ္ဍမှာ အခြားကဏ္ဍမှဖြစ်ရပါမည်။ အစိုးရအနေဖြင့် အလယ်အလတ်အဆင့်ဝင်ငွေရှိသည့် နိုင်ငံအဖြစ်သို့ ၂၀၃၀ ခုနှစ်တွင် ရောက်ရှိရန် မျှော်မှန်းထားပါသည်။ မြန်မာနိုင်ငံအနေဖြင့် နည်းလမ်းမျိုးစုံဖြင့် ဖွံ့ဖြိုးတိုးတက်ရေးအတွက် ဆောင်ရွက်ခြင်းသည် အောင်မြင်မှုအတွက် သော့ချက်တစ်ခု ဖြစ်သည်။ လတ်တလောတွင် နိုင်ငံ၏ နှိုင်းယှဉ်အားသာချက်မှာ သဘာဝသယံဇာတများ နှင့် လယ်ယာထွက်ကုန်ပစ္စည်းများ ထုတ်လုပ်ခြင်း နှင့် တင်ပို့ခြင်းတို့ဖြစ်ပြီး လူသုံးကုန်ပစ္စည်းအမျိုးမျိုးနှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာပစ္စည်းများ ပြန်လည်ဝယ်ယူတင်သွင်းခြင်းဖြစ်သည်။ လာမည့်ဆယ်စုနှစ်များအတွင်း လယ်ယာ ထွက်ကုန်ပစ္စည်းများ ထုတ်လုပ်ခြင်း နှင့် တင်ပို့ခြင်းတို့သာမက ကုန်ထုတ်လုပ်ငန်း နှင့် ဝန်ဆောင်မှုလုပ်ငန်းများကို အသွင်ကူးပြောင်းနိုင်ရေးအတွက် စီးပွားရေးဦးတည်ချက်များ ထားရှိသင့်ပါသည်။

ထိုသို့လုပ်ဆောင်ရာတွင် အရေးကြီးသည့် အချက် (၂) ချက်ဖြည့်ဆည်းရန် လိုအပ်သည်။ ပထမအချက်မှာ မြန်မာနိုင်ငံ၏ လယ်ယာကဏ္ဍအား ထိရောက်ပြီး ပို.ကုန်အပေါ် အာရုံစိုက်ပြီး တစ်ချိန်က ဖြစ်ခဲ့သည့် အရှေ့တောင်အာရှ၏ စားနပ်ရိက္ခာအိုးအဖြစ် ရောက်ရှိရန် အသွင်ကူးပြောင်းခြင်းဖြစ်သည်။ ရေရှည်တည်တံ့သည့် လယ်ယာထွက်ကုန်စွမ်းအား မြှင့်တင်နိုင်ရေးအတွက် အခြေခံအဆောက်အဦများ၊ သုတေသနနှင့်ဖွံ့ဖြိုးတိုးတက်ရေး၊ မြေယာ နှင့် ချေးငွေများ ရရှိမှုတို့တွင် လိုအပ်သည့်

ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းများ ဆောင်ရွက်သင့်သည်။ ဒုတိယအချက်အနေဖြင့် မြန်မာနိုင်ငံ၏ လုပ်သားအင်အား အများအပြားရှိနေမှုကို အသုံးပြု၍ ပြည်ပသို့ ဆန့်ထုတ်နိုင်သော ပေါ့ပါးသည့် ကုန်ထုတ်လုပ်ငန်းကဏ္ဍကို ဖော်ဆောင်သင့်သည်။

ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲမှုစနစ်တစ်ရပ် ထူထောင်ခြင်း၊ အခြေခံအဆောက်အအုံများတွင် ရင်းနှီးမြှုပ်နှံခြင်း နှင့် ရန်ပုံငွေရရှိနိုင်ရန် ဘဏ်လုပ်ငန်းစနစ်များကို ပြုပြင်ပြောင်းလဲခြင်းတို့ဖြင့် နိုင်ငံပိုင်လုပ်ငန်းများကို ပြုပြင် ပြောင်းလဲမှုများလုပ်ဆောင်ရမည်ဖြစ်သည်။ အထူးစီးပွားရေးဇုန်များသည် ပို.ကုန်အထူးပြုသည့် ကုန်ထုတ်လုပ်ငန်းများ အတွက် ရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်နိုင်စွမ်းရှိပါသည်။ လက်ရှိမြန်မာနိုင်ငံတွင် အထူးစီးပွားရေးဇုန် (၃) ခုကို ဖော်ဆောင်လျက်ရှိပါသည်။ ကုန်သွယ်မှုမှ ရရှိလာမည့် အခွင့်အလမ်းများကို ဆောင်ကြဉ်းပေးနိုင်ရန် အထူးစီးပွားရေးဇုန်များကို လိုအပ်သလို စီမံခန့်ခွဲသွားရမည်ဖြစ်ပြီး အထူးစီးပွားရေးဇုန်များ ဖွံ့ဖြိုးလာခြင်းမှသည် စီးပွားရေးတစ်ခုလုံး ကျယ်ပြန့်စွာ အကျိုးသက်ရောက်မှုရှိစေရန် ဆောင်ရွက်ရမည်ဖြစ်သည်။

တစ်ချိန်တည်းမှာပင် မြန်မာနိုင်ငံအနေဖြင့် ကျယ်ပြန့်သော ဖွံ့ဖြိုးတိုးတက်မှုကိုဖြစ်စေရန် ၎င်း၏ အရင်းအမြစ်များတွင် ရင်းနှီးမြှုပ်နှံထားမှုများမှ အမြတ်အစွန်းများ ရရှိအောင် ဆောင်ရွက်ရမည်ဖြစ်သည်။

အဓိကကောက်နုတ်ချက်များ

ပို.ကုန်ကို အလေးထားသည့် ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များဖြင့် မြန်မာနိုင်ငံ၏ လယ်ယာကဏ္ဍအား စွမ်းဆောင်ရည်မြှင့်တင်နိုင်သလို အလုပ်အကိုင်နေရာများ ဖန်တီးနိုင်သော အလုပ်သမား အများအပြားလိုအပ်သည့် ကုန်ထုတ်လုပ်ငန်း နှင့် ဝန်ဆောင်မှုလုပ်ငန်းများကိုလည်း ချဲ့ထွင်ရမည်ဖြစ်သည်။ ပို.ကုန်ကို အလေးထားသော ဖြေလျော့မှုများ နှင့် လုပ်သားအင်အား အများအပြား အသုံးပြုရသော စီးပွားရေးလုပ်ငန်းများမှ ရရှိလာမည့် အခွင့်အလမ်းများကို အမိအရဆုပ်ယူနိုင်ရန် မြန်မာနိုင်ငံအနေဖြင့် ကုန်သွယ်မှုဆိုင်ရာအဟန့်အတားများကို လျော့ချပြီး လယ်ယာကဏ္ဍ နှင့် ပို.ကုန်ကဏ္ဍ မြှင့်တင်သည့် ကုန်ထုတ်လုပ်ငန်းများ နှင့် ဝန်ဆောင်မှုလုပ်ငန်းများ ဖွံ့ဖြိုးရေးအတွက် အရင်းအမြစ်များ ရရှိစေရန် အသွင်ကူးပြောင်းရေးလုပ်ငန်းများကို ဆောင်ရွက်ရန် လိုအပ်သည်။

- ဦးစားပေးမှုပါဒများနှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ**
- ကုန်သွယ်မှုကို ကန့်သတ်ထိန်းချုပ်စေသည့် လုပ်ငန်းစဉ်များကို လျော့ချသင့်သည်။ သို့သော်လည်း မြန်မာနိုင်ငံအနေဖြင့် ဖြေလျော့မှုများမှ ပေါ်ထွက်လာမည့် အခွင့်အလမ်းများကို အမိအရ ဆုပ်ကိုင်နိုင်ရန် ကုန်သွယ်ရေးဆိုင်ရာ အုပ်ချုပ်ဆောင်ရွက်မှုများကို တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်ရမည်ဖြစ်သည်။
 - သဘာဝသယံဇာတပို.ကုန်များ တိုးမြှင့်တင်ပို့နိုင်ခြင်းသည် မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးမှုကို အထောက်အကူ ပြုနိုင်မည်ဖြစ်သည်။ ထိရောက်စွာ ထိန်းချုပ်ကွပ်ကဲနိုင်သည့် သယံဇာတကဏ္ဍမှ ဝင်ငွေများ တိုးပွားစေပြီး ရင်းနှီးမြှုပ်နှံမှု နှင့် ကုန်သွယ်မှုတို့ကို တိုးတက်စေမည်ဖြစ်သည်။ အစိုးရ၏ ရင်းနှီးမြှုပ်နှံမှုများ နှင့် အဖွဲ့အစည်းများအပေါ် ပံ့ပိုးပေးနိုင်ရန် ကောင်းမွန်စွာ ထိန်းချုပ်စီမံနိုင်ခဲ့ပါက ပို.ကုန်များ အမျိုးအမည် စုံလင်ရေးနှင့် ပြည်တွင်းလုပ်ငန်းများကို အခြေခံကောင်းများ ရရှိစေမည်ဖြစ်သည်။

- မြန်မာနိုင်ငံ၏ စီးပွားရေးနှင့် ကုန်သွယ်ရေးစွမ်းဆောင်မှုများကို မြှင့်တင်နိုင်ပြီး ဆင်းရဲမွဲတေမှုလျော့ချနိုင်ရန် ထုတ်လုပ်ခြင်းကဏ္ဍဆိုင်ရာ ပြုပြင်ပြောင်းလဲရေးလုပ်ငန်းစဉ်များဖြင့် ရေရှည်တည်တံ့သည့် လယ်ယာ ထွက်ကုန်စွမ်းအားမြှင့်တင်နိုင်ရေးသည် အခြေခံကျသည်။ လယ်ယာကဏ္ဍတွင် မြေ နှင့် ငွေကြေးအရင်းအမြစ်များကို ဟန့်တားစေသည့်အချက်များကို ဖြေရှင်းဆောင်ရွက်ပြီး အခြေခံ အဆောက်အအုံများကို တိုးတက်ကောင်းမွန်အောင် ဆောင်ရွက်သင့်သည်။
- လုပ်သားအင်အား အခြေပြုသည့်စက်မှုလုပ်ငန်းများဖြင့် အလုပ်သမားများ၏ စွမ်းရည်၊ ပို.ကုန် နှင့် မြို့ပြပေါ်ထွန်းမှုတို့ကို မြှင့်တင်ပေးနိုင်သည်ဆိုသည်ကို အိမ်နီးချင်းနိုင်ငံများ၏ ဖွံ့ဖြိုးရေးလမ်းကြောင်းများက ထင်ဟပ် စေပါသည်။ ပိုမိုတံခါးဖွင့်ပေးခြင်းဖြင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍမှ ဦးဆောင်သည့် ကုန်ထုတ်လုပ်ငန်း နှင့် ဆက်စပ်ဝန်ဆောင်မှုလုပ်ငန်းများမှ အခွင့်အလမ်းများပေါ်ထွက်လာမည်ဖြစ်ပြီး ၎င်းတို့ဖြစ်ထွန်းစေရန် လုံလောက်သော အခြေခံအဆောက်အအုံ၊ လူသားအရင်းအမြစ်နှင့် ထိရောက်သော ထိန်းချုပ်ကွပ်ကဲနိုင် သည့် ပတ်ဝန်းကျင်တစ်ရပ်လိုအပ်သည်။
- အထူးစီးပွားရေးဇုန်များ သည် အခြေအနေနှင့်ကိုက်ညီပြီး ဘက်စုံဖွံ့ဖြိုးရေးမူဝါဒများနှင့် ဟန်ချက်ညီပါက အလုပ်သမားအခြေပြုသည့် စက်မှုလုပ်ငန်းများကို ဖွံ့ဖြိုးစေသည့် ရေခဲမြေခံကောင်းများဖြစ်စေပါသည်။ သို့သော်လည်း အခြေခံအဆောက်အအုံကဏ္ဍတွင် အရင်းအနှီးကြီးမားသည့် ရင်းနှီးမြှုပ်နှံမှုများ၊ စွမ်းရည် နှင့် အချိန်တို့လိုအပ်ပါသည်။ ဝေးလံခေါင်ဖျားသည့်ဒေသများရှိ အထူးစီးပွားရေးဇုန်များသည် ဖွံ့ဖြိုးမှုကို မြှင့်တင်နိုင်စွမ်းမရှိပါ။ ထို့အပြင် ဖွံ့ဖြိုးမှုများကို အထူးစီးပွားရေးဇုန်ပြင်ပသို့ ကူးစက်ရောက်ရှိစေရန် အခြေခံ အတားအဆီးအချို့ကို ရင်ဆိုင်ဖြေရှင်းရမည်ဖြစ်သည်။ အထူးစီးပွားရေးဇုန်များ ဖွံ့ဖြိုးလာခြင်းမှသည် စီးပွားရေးတစ်ခုလုံး ကျယ်ပြန့်စွာ အကျိုးသက်ရောက်မှုရှိစေရန် ဆောင်ရွက်ရမည်ဖြစ်သည်။

အခန်း (၆) ပြည်တွင်း နှင့် နိုင်ငံတကာဈေးကွက်များ ချိတ်ဆက်ခြင်း

မြန်မာနိုင်ငံ၏ စီးပွားရေးသည် ဒေသတွင်း နှင့်သာမက နိုင်ငံတကာကုန်သွယ်မှုစနစ်များ၊ ရင်းနှီးမြှုပ်နှံမှုစနစ်တို့ဖြင့်တိုးမြှင့်ထိတွေ့ဆက်ဆံလာသည်နှင့်အမျှ ပုဂ္ဂလိကကဏ္ဍ ဖွံ့ဖြိုးတိုးတက်စေရန် နှင့် ပြည်သူများအနေဖြင့် အခြေခံဝန်ဆောင်မှုများ၊ ပို့ဆောင်ရေး နှင့် လူနေမှုအဆင့်အတန်းမြှင့်တင်မှုများကို ဆောင်ရွက်နိုင်ရန် အခြေခံ အဆောက်အအုံများကို အဆင့်မြှင့်တင်ရမည်ဖြစ်သည်။ ယခင်ထက်ပိုမိုပွင့်လင်းလာမှု နှင့် ခိုင်မာတည်ငြိမ်သည့် တိုးတက်မှုမှတစ်ဆင့် ရရှိလာမည့် အခွင့်အလမ်းများ နှင့် အကျိုးကျေးဇူးများကို တစ်နိုင်လုံးရရှိ မြန်မာပြည်သူများ ခံစားခွင့်ရရှိစေရန်အတွက် အဆိုပါအချက်များကို ဦးစားပေးဆောင်ရွက်ရမည်။

မြန်မာနိုင်ငံတွင် အခြေခံအဆောက်အအုံလိုအပ်ချက်များ သိသိသာသာရှိနေပြီး တိုင်းဒေသကြီးနှင့် ပြည်နယ် တစ်ခုချင်းအလိုက် လိုအပ်ချက်များမှာ အတော်အတန်ကွာခြားပါသည်။ မြန်မာနိုင်ငံ၏ ပထဝီအနေအထား အရ တောင်တန်းများ၊ မြစ်ဝကျွန်းပေါ်ဒေသများ၊ ကမ်းရိုးတန်းများ နှင့် သစ်တောများဖြင့် ဖုံးလွှမ်းလျက်ရှိပါသည်။ ထိုသို့ သယံဇာတများဖြင့် ပြည့်လုံနေလင့်ကစား ပထဝီဒေသများအရ သွားရေးလာရေးခက်ခဲပြီး လူဦးရေနည်းပါးသည့် ဒေသများတွင် အခြေခံဝန်ဆောင်မှုများအပေါ် နှစ်ပေါင်းများစွာ ရင်းနှီးမြှုပ်နှံမှု နည်းပါးခဲ့ခြင်း နှင့် လက်နက်ကိုင် ပဋိပက္ခများ၏ အကျိုးဆက်များကြောင့် အဆိုပါဒေသများရှိ ပြည်သူများအနေဖြင့် ပြည်မ ရှိပြည်သူများထက် ဖွံ့ဖြိုးမှုအညွှန်းကိန်းများတွင် နိမ့်ကျနေခဲ့ပါသည်။

မြန်မာနိုင်ငံအနေဖြင့် အဆင့်ဆင့်တိုင်းတွင် ချိတ်ဆက်မှုဆိုင်ရာစိန်ခေါ်မှုများနှင့် ရင်ဆိုင်ရလျက်ရှိပါသည်။ လယ်ယာကဏ္ဍအနေဖြင့် ကုန်ထုတ်စွမ်းအားမြှင့်တင်နိုင်သည့် အခြေခံအဆောက်အအုံများဖြစ်သော ကျေးလက်ဒေသ ဆက်လမ်းများ နှင့် ဒေသဆက်လမ်းများလိုအပ်ပါသည်။ စက်မှုဇုန်များ နှင့် မြို့ပြဒေသများသည် ပုံမှန် ရရှိသည့် လျှပ်စစ်ဓာတ်အား၊ ဆက်သွယ်ရေး နှင့် ဒေသတွင်းကူးသန်းရောင်းဝယ်ရေးအတွက် လိုအပ်သည့် လမ်းပန်း ဆက်သွယ်ရေးတို့လိုအပ်ပါသည်။ နိုင်ငံတကာ၏ ဒေသတွင်း အခြေခံအဆောက်အအုံအဖွဲ့အစည်းကွန်ယက်များတွင် မြန်မာနိုင်ငံ အနေဖြင့် အဓိကချိတ်ဆက်သည့်နေရာ၌ ပါဝင်နေပါသည်။ သို့ဖြစ်၍ အဆိုပါကွန်ယက်များတွင် ပါဝင်နိုင်ခြင်းဖြင့် ပြည်တွင်းဈေးကွက်များအနေဖြင့် နိုင်ငံတကာမှ အရင်းအမြစ် နှင့် နည်းပညာများတို့နှင့် ချိတ်ဆက်နိုင်မည်ဖြစ်သည်။ ကုန်သွယ်ရေးနှင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍ ပွင့်လင်းလာခြင်းဖြင့် အလုပ်အကိုင်နေရာများ နှင့် ဖွံ့ဖြိုးမှုများ တိုးမြှင့်လာစေရန် အဆိုပါအခြေခံအဆောက်အအုံများကို ဦးစားပေးအစီအစဉ်ဖြင့် ဆောင်ရွက်သင့်သည်။

ကုန်သွယ်ရေးကဏ္ဍ တိုးတက်လာမှုကြောင့် ရရှိလာမည့် အခွင့်အလမ်းများသည် မြန်မာပြည်သူများ နှင့် သယံဇာတ အရင်းအမြစ်များနှင့် ချိတ်ဆက်ထားနိုင်ပြီး အားနည်းသည့် လူမှုအဖွဲ့အစည်းများထံသို့လည်း ဖွံ့ဖြိုးမှုဆိုင်ရာ အသီးအပွင့်များ ခံစားမှုရှိစေရန် ဆောင်ရွက်ပေးရမည်။ ထိုသို့ဆောင်ရွက်ရာတွင် အခွင့်အလမ်းသစ်များကို အသုံးပြုနိုင်စေရန် ပို့ဆောင်ရေးကဏ္ဍ နှင့် အခြားသော ရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံအဖွဲ့အစည်းတင်မဟုတ်ဘဲ ကျန်းမာရေး၊ ပညာရေး နှင့် အခြားဝန်ဆောင်မှုများဖြစ်သည့် ဆက်သွယ်ရေးစသည်တို့လည်း ပါဝင်ပြီး ဒေသတွင်းရှိ ပြည်သူများအား ကျန်းမာရေး၊ စွမ်းဆောင်ရည်ရှိကာ အချင်းချင်း ချိတ်ဆက်မှုရှိစေမည်ဖြစ်သည်။

အဆိုပါဦးစားပေးအစီအစဉ်များကိုဆောင်ရွက်ရာတွင် မြန်မာနိုင်ငံအနေဖြင့် စီးပွားရေး၊ လူမှုရေး နှင့် နိုင်ငံရေးအရ အကျိုးဖြစ်ထွန်းမှု မပေးနိုင်သည့် တန်ဖိုးကြီးအခြေခံအဆောက်အအုံအဖွဲ့အစည်းတွင် ရှားပါးသည့် အရင်းအမြစ်များကို

သုံးစွဲခြင်းမပြုဘဲ လက်တွေ့ဆန်သည့် ရင်းနှီးမြှုပ်နှံမှုများ ပြုလုပ်သင့်သည်။ ထို့အပြင် မြန်မာနိုင်ငံ၏ ကုန်သွယ်မှုစနစ် ဖွံ့ဖြိုးလာသည်နှင့်အမျှ မြို့ပြ နှင့် စက်မှုဖွံ့ဖြိုးရေး အစီအစဉ်များသည် စီးပွားရေးလုပ်ငန်းများကို စုစည်းပေးနိုင်မည် ဖြစ်သည်။ စီးပွားရေးလုပ်ငန်းများကို စုစည်းပေးနိုင်သည့်နေရာများ ဖန်တီးပေးနိုင်ခြင်းသည် စီးပွားရေး ဖွံ့ဖြိုးတိုးတက်မှုကို အထောက်အကူပြုစေမည်ဖြစ်သည်။ သို့ဖြစ်၍ ထိုသို့ စုစည်းမှုများဖြစ်ပေါ်လာစေရန် ရှိရင်းစွဲ စုစည်းမှုများကိုကျော်လွန်၍ အသစ်စုစည်းမှုများနှင့်ပြုလုပ်မှုများကို ထိန်းကျောင်းသင့်သည်။ ကောင်းမွန်သည့် အခြေခံအဆောက်အအုံစနစ်တွင် အာဆီယံပို့ဆောင်ရေးပင်မစီမံကိန်း (ဘရူနိုင်းလုပ်ငန်းစဉ်) တွင် ဖော်ပြထား ချက်များအပြင် မြို့ပြဒေသများ နှင့် စက်မှုဒေသများအကြား ချိတ်ဆက်ပေးသည့် ပို့ဆောင်ရေးကွန်ယက်များလည်း ပါဝင်သည်။ ပို့ဆောင်ရေးဆိုင်ရာ အခြေခံအဆောက်အအုံများကို ဖြည့်ဆည်းဆောင်ရွက်ရာတွင် အစိုးရမှ ဦးစားပေးဆောင်ရွက်မည့် အခြားအစီအစဉ်များဖြစ်သည့် လျှပ်စစ်မီး နှင့် ဆက်သွယ်ရေးလုပ်ငန်းများ နှင့် အခြားလူမှုဝန်ဆောင်မှုများနှင့်အတူ တစ်ပြိုင်တည်း အကောင်အထည်ဖော်ရန် လိုအပ်သည်။

အဓိကကောက်နုတ်ချက်များ

မြန်မာနိုင်ငံ၏ စီးပွားရေးသည် ဒေသတွင်း နှင့် နိုင်ငံတကာကုန်သွယ်မှုစနစ်များ နှင့် ရင်းနှီးမြှုပ်နှံမှုစနစ်များတို့နှင့် တိုးမြှင့်ထိတွေ့ဆက်ဆံလာသည်နှင့်အမျှ ပြည်တွင်းကုန်ထုတ်သူများ စွမ်းရည်မြှင့်တင်နိုင်ရန် နှင့် ဒေသတွင်း ဈေးကွက်များသို့ ချိတ်ဆက်ပေးနိုင်ရန် အစိုးရအနေဖြင့် စီးပွားရေးဆိုင်ရာ အခြေခံအဆောက်အအုံများဖြစ်သည့် ပို့ဆောင်ရေး၊ ဆက်သွယ်ရေး နှင့် လျှပ်စစ်ဓာတ်အား စသည့်ကဏ္ဍများတွင် သိသိသာသာ ရင်းနှီးမြှုပ်နှံမှုများ ပြုလုပ်ရန် လိုအပ်သည်။ အဆိုပါစီမံခန့်ခွဲမှုကိုရင်ဆိုင်ရာတွင် စီမံကိန်းရေးဆွဲခြင်း၊ ဦးစားပေးခြင်း နှင့် ရန်ပုံငွေရှာဖွေခြင်းဆိုင်ရာ မူဘောင်များ ဖန်တီးရန်လိုအပ်သည်။ မြန်မာနိုင်ငံ၏ စီးပွားရေးဖွံ့ဖြိုးတိုးတက်လာသည် နှင့်အမျှ ဝင်ငွေတိုးတက်လာမှုအပါအဝင် အသီးအပွင့်များကို တစ်နိုင်ငံလုံး မျှဝေခံစားနိုင်ရန် စနစ်များရေးဆွဲ ဖန်တီးရန် လိုအပ်သည်။ သို့မှသာ ရုပ်ပိုင်းဆိုင်ရာ နှင့် လူမှုရေးဆိုင်ရာ အခြေခံအဆောက်အအုံများသာမက ငြိမ်းချမ်းရေး နှင့် ရေရှည်တည်တံ့သည့် တိုးတက်မှုများကိုပါ ဆောင်ကြဉ်းပေးနိုင်မည်ဖြစ်သည်။ ထိုသို့လုပ်ဆောင် ရာတွင် လုပ်ငန်းစဉ်မဟာမိတ် ကြီးမားသည့်အလျောက် ရေရှည် လုပ်ဆောင်ရမည်ဖြစ်ပြီး နိုင်ငံတကာ မိတ်ဖက်အဖွဲ့အစည်းများလည်း ပါဝင်ရန် လိုအပ်သည်။

ဦးစားပေးမှုပါဒများနှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ

- မြန်မာနိုင်ငံအနေဖြင့် နိုင်ငံတော်၏ လိုအပ်ချက်အရ ပို့ဆောင်ရေးအခြေခံအဆောက်အအုံများကို ဦးစားပေးအဆင့်များ သတ်မှတ်သင့်ပါသည်။ ထိုသို့လုပ်ဆောင်ရာတွင် အာဆီယံလမ်းမကြီးများ ကွန်ယက်တွင် ပျောက်နေသည့်လမ်းမများ နှင့် ရထားလမ်းများ ဆောက်လုပ်ခြင်း နှင့် ကျေးလက် ဒေသများအား ဒေသတွင်းဈေးကွက်များ၊ စက်မှုဇုန်များနှင့် ချိတ်ဆက်နိုင်ရန် ဆောင်ရွက် ခြင်းတို့ ပါဝင်သည်။
- အထူးစီးပွားရေးဇုန်များသည် ပုဂ္ဂလိကကဏ္ဍကို ဆွဲဆောင်ပြီး စက်မှုလုပ်ငန်းများကို ဖွံ့ဖြိုးစေသဖြင့် အထူးစီးပွားရေးဇုန်အတွက် ရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံများကို ဦးစားပေးအစီအစဉ်များအဖြစ် သတ်မှတ်သင့်သည်။

- မြန်မာနိုင်ငံတွင် တိုင်းဒေသကြီး နှင့် ပြည်နယ်များအကြား လူနေမှုအဆင့်အတန်း ကွာခြားနေခြင်းသည် ရေရှည်တည်တံ့မှုကို မဖြစ်စေဘဲ ဖြေလျော့မှုများမှ ရရှိလာမည့် အကျိုးကျေးဇူးများသည် တိုင်းဒေသကြီး နှင့် ပြည်နယ်များအားလုံး မျှဝေခံစားသင့်ပါသည်။ ပြည်သူ့လူထုအနေဖြင့် စီးပွားရေးပွင့်လင်းလာမှုကြောင့် ကိုယ်တိုင်ကိုယ်ကျ ပါဝင်နိုင်ရန် ကုန်ထုတ်လုပ်မှုဒေသကြီးများနှင့် ရုပ်ပိုင်းဆိုင်ရာ ဆက်သွယ်မှုရှိစေရန် အရေးကြီးသည်။ မည်သို့ပင်ဖြစ်စေကာမူ ရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံများ၊ ပညာရေး၊ ကျန်းမာရေး နှင့် အခြားသော ဝန်ဆောင်မှုများအား နိုင်ငံရေး နှင့် ဘဏ္ဍာရေးဆိုင်ရာ အာဏာများခွဲဝေနိုင်ရေးကို ရှေးရှု၍ ရင်းနှီးမြှုပ်နှံခြင်းသည် အကျိုးဖြစ်ထွန်းမှုမပေးနိုင်သည့် တန်ဖိုးကြီးမားသော ရင်းနှီးမြှုပ်နှံမှုများထက် ပိုမိုထိရောက်စေပါသည်။
- မြန်မာနိုင်ငံအနေဖြင့် အခြေခံအဆောက်အအုံဆန်းစစ်ခြင်းဆိုင်ရာအာဏာပိုင်အဖွဲ့အား အမျိုးသားအဆင့် အရေးကြီးသည့် ပို့ဆောင်ရေး နှင့် အခြားရုပ်ပိုင်းဆိုင်ရာ အခြေခံအဆောက်အအုံများအတွက် စီမံကိန်း ရေးဆွဲခြင်း၊ ဦးစားပေးအဆင့်သတ်မှတ်ခြင်း နှင့် ရန်ပုံငွေရှာဖွေခြင်း လုပ်ဆောင်နိုင်ရန် ဖွဲ့စည်းသင့်သည်။ အဆိုပါအဖွဲ့သည် စီမံကိန်းများတွက်ချက်နိုင်မှု ရှိ-မရှိကို တိကျစွာ ဆန်းစစ်ပြီး နိုင်ငံတော်အတွက် အရေးကြီးသည့် အခြေခံအဆောက်အအုံအဖွဲ့အစည်းနှင့်ပတ်သက်၍ ထိန်းချုပ်ကွပ်ကဲမှုများကို ဆောင်ရွက်သွား သင့်ပါသည်။
- မြန်မာနိုင်ငံအနေဖြင့် တိုင်းဒေသကြီး နှင့် ပြည်နယ်များအတွက် ကျန်းမာရေး၊ ပညာရေး၊ ပို့ဆောင်ရေး နှင့် အခြားဝန်ဆောင်မှုများအတွက် ရန်ပုံငွေများ ရှာဖွေပေးနိုင်ရန် တိုင်းဒေသကြီး နှင့် ပြည်နယ်ဖွံ့ဖြိုးရေးရန်ပုံငွေ ထူထောင်ရေးကို စဉ်းစားသင့်သည်။ အဆိုပါရန်ပုံငွေများကို သုံးစွဲရာတွင် ပြည်ထောင်စု၊ တိုင်းဒေသကြီး၊ ပြည်နယ်အစိုးရများအကြား နိုင်ငံရေး နှင့် ဘဏ္ဍာရေးဆိုင်ရာ အာဏာ ခွဲဝေသည့်စနစ်များ ပါဝင်ရန် လိုအပ်ပါသည်။

အခန်း (၇) မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးတိုးတက်မှုတွင် ရင်းနှီးမြှုပ်နှံခြင်း

မြန်မာနိုင်ငံ၏ စီးပွားရေးအလားအလာများကို ဖွင့်လှစ်နိုင်ရန် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်ခြင်း နှင့် ရေရှည်တည်တံ့အောင်ဆောင်ရွက်နိုင်ခြင်းတို့သည် အဓိကကျပါသည်။ မြန်မာနိုင်ငံအနေဖြင့် ဂျီဒီပီတွင် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုပါဝင်သည့်ပမာဏအား သိသိသာသာ တိုးမြှင့်နိုင်သည့် အခြေအနေရှိပါသည်။ ရင်းနှီးမြှုပ်နှံမှု နှင့် စက်မှုကဏ္ဍများကို ဖွံ့ဖြိုးအောင်ဆောင်ရွက်ရာတွင် နိုင်ငံခြားမှ ရင်းနှီးမြှုပ်နှံမှုများသည် ရှားပါးသည့် ပြည်တွင်း အရင်းအမြစ်များကို ကာမိစေမည်ဖြစ်သည်။ နိုင်ငံခြားမှစီးဝင်သည့် ငွေကြေးများ နှင့် စီးပွားရေးပူးပေါင်းဆောင်ရွက်မှုများသည် ဒေသတွင်း နှင့် နိုင်ငံတကာစီးပွားရေးဆက်ဆံမှုများကို ခိုင်မာစေပြီး စီးပွားရေးတိုးတက်မှု နှင့် ဖွံ့ဖြိုးမှုတို့ကို ဆောင်ကြဉ်းပေးနိုင်မည်ဖြစ်သည်။ နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများသည် ငွေကြေးအရင်းအမြစ်၊ နည်းပညာ၊ ဈေးကွက်ချိတ်ဆက်မှု နှင့် အသိပညာများကို ယူဆောင်လာပြီး မြန်မာနိုင်ငံအတွက် ယှဉ်ပြိုင်မှုကို မြှင့်တက်စေပြီး နိုင်ငံတကာနှင့်ချိတ်ဆက်နိုင်ပြီး ကုန်ထုတ်စွမ်းအား နှင့် ဝင်ငွေများ တိုးမြှင့်ပေးနိုင်ပါသည်။

နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများမှ ယူဆောင်လာသည့် အခွင့်အလမ်းများကို အမိအရဆုပ်ယူနိုင်ရေးမှာ စီးပွားရေးစနစ် တိုင်းအတွက် အရေးကြီးပါသည်။ နိုင်ငံတကာစီးပွားရေးစနစ်နှင့် ဝေးကွာခဲ့သည့် မြန်မာနိုင်ငံအနေဖြင့် အရင်းအမြစ် နှင့် နည်းပညာကန့်သတ်ချက်များရှိပြီး နိုင်ငံတကာ ကုန်သွယ်ရေး နှင့် ထောက်ပံ့ရေးကဏ္ဍများတွင် အဆက် ပြတ်နေပါသည်။ ပြုပြင်ပြောင်းလဲမှု နှင့် စီးပွားရေးတိုးတက်မှုများအကြား လာမည့်နှစ်အနည်းငယ်တွင် မြန်မာနိုင်ငံ အတွက် ကြိုတော်ကြိုခဲအခွင့်အလမ်းအဖြစ် ပုဂ္ဂလိကကဏ္ဍ နှင့် အစိုးရကဏ္ဍတို့သည် နိုင်ငံခြား ရင်းနှီးမြှုပ်နှံသူများနှင့် ထိတွေ့ဆက်ဆံနိုင်တော့မည်ဖြစ်သည်။ ထိုသို့လုပ်ဆောင်ရာတွင် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ မဟာဗျူဟာများ မှန်ကန်စွာချမှတ်နိုင်ရန် အရေးကြီးပါသည်။

မြန်မာနိုင်ငံ၏ လုပ်အားအခကြေးငွေနည်းပါးမှု၊ မဟာဗျူဟာမြောက်သည့်နေရာတွင်ရှိနေမှု၊ သိသာသော ပြည်တွင်း ဈေးကွက်တစ်ရပ်ရှိနေမှု နှင့် အာဆီယံဈေးကွက်နှင့် ချိတ်ဆက်နိုင်မှုတို့သည် ရင်းနှီးမြှုပ်နှံမှုကို ဆွဲဆောင် နိုင်သော်လည်း ရင်းနှီးမြှုပ်နှံမှုကို ဟန့်တားစေသည့်အချက်များ သိသိသာသာရှိနေပါသည်။ အဆိုပါ ကန့်သတ်ချက်များမှာ ရင်းနှီးမြှုပ်နှံမှုတစ်ခုချင်းအလိုက် သက်ဆိုင်သည့်ကိစ္စရပ်များဖြစ်သည့် ခွင့်ပြုမိန့်လုပ်ငန်းစဉ်၊ ကန်ထရိုက်စာချုပ် နှင့် စီးပွားရေးလုပ်ရာတွင် ရှုပ်ထွေးပွေလီခြင်း မှသည် ဈေးကွက်စီးပွားရေးတွင် ရင်းနှီးမြှုပ်နှံသူများ၊ အဖွဲ့အစည်းများ နှင့် အလုပ်သမားများ ယှဉ်ပြိုင်နိုင်စွမ်းမြင့်မားစေသည့် စီးပွားရေး၊ ဘဏ္ဍာရေး နှင့် ရုပ်ပိုင်းဆိုင်ရာ အခြေခံကောင်းများ လိုအပ်နေပါသည်။

အထက်ပါကန့်သတ်ချက်များမှာ အရေးကြီးပြီး လုပ်ထုံးလုပ်နည်း နှင့် အခြားရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ အဟန့်အတားများကို မကြာမီကာလများအတွင်း ကိုင်တွယ်ဖြေရှင်းရန် လိုအပ်သည်။ မူဝါဒပိုင်း နှင့် နိုင်ငံရေး၊ စီးပွားရေးတည်ငြိမ်မှုများသည် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်ရာတွင် အခြားသော လုပ်ထုံးလုပ်နည်း ပြဿနာများထက် ပိုမိုအရေးကြီးသည်။ သို့ဖြစ်၍ အောင်မြင်သော ရင်းနှီးမြှုပ်နှံမှု မဟာဗျူဟာတစ်ခုသည် နိုင်ငံရေး၊ စီးပွားရေး ပြုပြင်ပြောင်းလဲနိုင်မှုအပေါ်တွင် မူတည်သည်။ မြန်မာနိုင်ငံ၏ ရင်းနှီးမြှုပ်နှံမှုမဟာဗျူဟာတစ်ရပ် ရေးဆွဲရာတွင် ကနဦးဖွင့်စကာလများတွင် ကုန်သွယ်ရေး နှင့် စီးပွားရေးတိုးတက်မှုကို အလေးပေးပြီး နောက်ပိုင်းတွင် ပွင့်လင်းပြီး တရားမျှတ၍ အရည်အသွေးမြင့်မားစွာ ယှဉ်ပြိုင်နိုင်သည့် ပတ်ဝန်းကျင် နှင့် ထိန်းကျောင်းမည့် အဖွဲ့အစည်းများ ပေါ်ထွန်းလာရေး နှင့် နာမည်ကောင်းရှိသည့် ရေရှည်ရင်းနှီးမြှုပ်နှံမှုများပေါ်ထွန်းလာရေးကို ဦးစားပေးသင့်ပါသည်။ ထိရောက်သော

ရင်းနှီးမြှုပ်နှံမှုများနှင့် ပြည်တွင်းဝင်ငွေမြင့်မားလာမှုတို့သည် ရင်းနှီးမြှုပ်နှံမှု ကြောင့် ရရှိလာမည့် အကျိုးကျေးဇူးများအား မြန်မာလူထုထံကျယ်ပြန့်စွာ ဖြန့်ဝေပေးနိုင်မည် ဖြစ်သည်။

ခိုင်မာသည့်မူဝါဒများ နှင့် ထိန်းချုပ်ကွပ်ကဲသည့်အဖွဲ့စည်းများကို ကျောထောက်နောက်ခံပြုထားသော အရည်အသွေး မြင့်မားသည့် ရင်းနှီးမြှုပ်နှံမှုများသည် လက်ရှိဆောင်ရွက်နေသည့် ပြုပြင်ပြောင်းလဲရေး လုပ်ငန်းစဉ်များအပေါ် အထောက်အကူပြုမည်ဖြစ်သည်။ အချိန်ကြာလာသည်နှင့်အမျှ ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ မူဝါဒများကို တိုးတက် ကောင်းမွန်အောင် ဆောင်ရွက်ပြီး အကျိုးရလဒ်များကို ချဲ့ထွင်နိုင်မည်ဖြစ်သည်။

၂၀၁၂ ခုနှစ်၊ နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုဥပဒေ၊ ဆက်စပ်စည်းမျဉ်းစည်းကမ်းများ နှင့် ပြည်တွင်း/ပြည်ပ ရင်းနှီးမြှုပ်နှံသူများအတွက် ပေါင်းစည်းထားသည့် တစ်ခုတည်းသော ဥပဒေကို ထုတ်ပြန်နိုင်ရေး လက်ရှိ ဆောင်ရွက်နေသည့် အစီအမံများမှာ ကနဦးခြေလှမ်းများ ဟုဆိုနိုင်ပါသည်။ အဆိုပါလုပ်ငန်းစဉ်များအရ မြန်မာနိုင်ငံအနေဖြင့် ထိန်းချုပ်ကွပ်ကဲမှုစနစ်တွင် ရင်းနှီးမြှုပ်နှံမှုအားလုံးကို မူ အရသာ ထိန်းချုပ်ကွပ်ကဲရန်ဖြစ်သည်။ ယင်းလုပ်ငန်းစဉ်ဖြင့် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်ရာတွင် အလုပ်သမား နှင့် ပတ်ဝန်းကျင်ထိန်းသိမ်းရေး စံညွှန်းများကို ထိန်းသိမ်းခြင်း၊ ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍများအတွက် အထူးအခွင့်အရေးများပေးအပ်ခြင်း နှင့် အခြေခံအဆောက်အအုံ နှင့် အမျိုးသားဖွံ့ဖြိုးတိုးတက်ရေးအတွက် လိုအပ်သည့် ဘဏ္ဍာအရင်းအမြစ်များကို လျော့ကျစေသည့် ရင်းနှီးမြှုပ်နှံမှု ဆိုင်ရာ မက်လုံးများကို ဟန်ချက်ညီညီ ကျောထောက်နောက်ခံပြု၍ ဆောင်ရွက်သွားရမည်ဖြစ်သည်။

အဓိကကောက်နုတ်ချက်များ

ကုန်သွယ်မှုကို မြှင့်တင်ခြင်း နှင့် အလုပ်သမားအခြေပြုသည့်လုပ်ငန်းများဖြင့် မြန်မာနိုင်ငံ၏ စီးပွားရေးကို အသွင်ကူးပြောင်းရာတွင် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်နိုင်ရေးသည် အရေးကြီးသည်။ ရင်းနှီးမြှုပ်နှံမှု ပတ်ဝန်းကျင်ကောင်းများ ပေါ်ထွန်းလာခြင်း မရှိသေးသော်လည်း မြန်မာနိုင်ငံအနေဖြင့် ရင်းနှီးမြှုပ်နှံမှုနေရာ တစ်ခုအဖြစ် ပေါ်ထွန်းလာနိုင်ခြေများရှိပါသည်။ ကာလရှည်အတွင်း နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်နိုင်ပြီး အကျိုးကျေးဇူးများကို အောင်မြင်စွာရယူနိုင်ရေးသည် မြန်မာနိုင်ငံ၏ အခြေခံအဆောက်အအုံများ နှင့် အဖွဲ့အစည်းများ ပြုပြင်ပြောင်းလဲနိုင်မှု နှင့် ပွင့်လင်းမြင်သာ၍ လွတ်လပ်သောမူဝါဒအပေါ်တွင်သာ အခြေခံသည့် ပြည်တွင်း/ပြည်ပ ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ ထိန်းချုပ်ကွပ်ကဲမှုစနစ်များပေါ်တွင် မူတည်နေပါသည်။

- ဦးစားပေးမူဝါဒများနှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ**
- မြန်မာနိုင်ငံ၏ စီးပွားရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ ပတ်ဝန်းကျင်တစ်ရပ် ပေါ်ထွန်းရေးအတွက် ရေတိုဆောင်ရွက်ချက်များသည် အခြေခံအဆောက်အအုံများ၊ အဖွဲ့အစည်းများနှင့် ဟန်ချက်ညီရန်လိုအပ်ပြီး ရင်းနှီးမြှုပ်နှံမှုများကို ဆွဲဆောင်ရန် ရုပ်ပိုင်းဆိုင်ရာ ချိတ်ဆက်မှုများမှသည် အရည်အသွေးမြင့်မားသော စည်းမျဉ်းစည်းကမ်းများ နှင့် တရားဥပဒေစိုးမိုးရေးတို့အထိ ပါဝင်သည်။
 - မြန်မာနိုင်ငံအနေဖြင့် ခွဲခြားမှုမရှိသည့် စည်းမျဉ်းများ နှင့် ပွင့်လင်းမြင်သာပြီး တာဝန်ခံသည့် ဆုံးဖြတ်မှုစနစ်ဖြင့် မူဝါဒအပေါ်တွင်သာအခြေခံသည့် ရင်းနှီးမြှုပ်နှံမှုမဟာဗျူဟာတစ်ရပ်ကို ဖော်ဆောင်သင့်သည်။

- ပြည်တွင်း/ပြည်ပရင်းနှီးမြှုပ်နှံသူများအကြား ခွဲခြားမှုမရှိသည့်ဆက်ဆံမှုမျိုးပေါ်ထွန်းလာစေရန် ဆောင်ရွက်ရာတွင် မြန်မာနိုင်ငံအနေဖြင့် ရင်းနှီးမြှုပ်နှံသူများကို အကာအကွယ်ပေးခြင်း၊ ကဏ္ဍအလိုက်ကန့်သတ်ချက်များကို လျှော့ချခြင်း၊ ဖက်စပ်လုပ်ငန်းလုပ်ကိုင်ရမည့်ကန့်သတ်ချက်များကို လျှော့ချခြင်း နှင့် အခွန်ကင်းလွတ်ခွင့်များ အပါအဝင် ရင်းနှီးမြှုပ်နှံမှုမက်လုံးများကို ပြန်လည်သုံးသပ်ခြင်းတို့ လုပ်ဆောင်သင့်သည်။
- ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ အဆိုပြုချက်များသည် အမျိုးသားအကျိုးစီးပွားနှင့် ကိုက်ညီမှု ရှိ-မရှိကို စိစစ်နိုင်ရန် အချို့ကိစ္စရပ်များမှအပ အုပ်ချုပ်မှုဆိုင်ရာဝန်ထုပ်ဝန်ပိုးများကို လျှော့ချနိုင်ပြီး ပိုမိုရှင်းလင်းသည့် နိုင်ငံခြား ရင်းနှီးမြှုပ်နှံမှုများကို စိစစ်သည့်စနစ်တစ်ရပ် ဖော်ဆောင်ရန် စဉ်းစားသင့်သည်။
- မြန်မာနိုင်ငံရင်းနှီးမြှုပ်နှံမှုကော်မရှင်တွင် ဆုံးဖြတ်ချက်များချမှတ်ရာတွင် ဗဟိုမှတိုက်ရိုက်ထိန်းချုပ်ဆောင်ရွက်ပြီး အဆင့်ဆင့်တိုင်းတွင် မရေရာမှုများလျှော့ချနိုင်ပြီး တာဝန်ခံမှုအားကောင်းလာစေမည်ဖြစ်သည်။
- မြန်မာနိုင်ငံအနေဖြင့် ရင်းနှီးမြှုပ်နှံမှု မြှင့်တင်ခြင်းနှင့် ညှိနှိုင်းဆောင်ရွက်ခြင်း ကိစ္စရပ်များကို ဆောင်ရွက် ပေးနိုင်သည့် ရင်းနှီးမြှုပ်နှံမှုမြှင့်တင်သည့် လွတ်လပ်သောအေဂျင်စီတစ်ရပ်အား ထူထောင်သင့်ပါသည်။
- နိုင်ငံရေးလွတ်လပ်ခွင့်ကို မထိခိုက်စေဘဲ မြန်မာနိုင်ငံ၏အခြေအနေနှင့်ကိုက်ညီမှုရှိသည့် နိုင်ငံတကာ သဘောတူညီချက်များဖြင့် ပြည်တွင်းရင်းနှီးမြှုပ်နှံမှုမဟာဗျူဟာများကို အထောက်အပံ့ဖြစ်စေပြီး အခွင့်အလမ်းများ ရှာဖွေဖော်ထုတ်သင့်ပါသည်။

အခန်း (၈) ကုန်သွယ်ရေးနှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ ဆက်ဆံရေး

မြန်မာနိုင်ငံ၏ အသွင်ကူးပြောင်းရေးလုပ်ငန်းစဉ်များအား ဒေသတွင်းအိမ်နီးချင်းနိုင်ငံများနှင့် နိုင်ငံတကာမိသားစုတို့မှ ထောက်ခံပြီး လက်ခံယုံကြည်ကြပါသည်။ လက်ရှိအနေအထားတွင် မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးတိုးတက်မှုနှင့် နိုင်ငံတကာစီးပွားရေးအသိုင်းအဝန်းနှင့် ထိတွေ့ဆက်ဆံနိုင်မှုတို့မှာ ၎င်း၏ မူဝါဒများနှင့် ပြင်ပမှ ပိတ်ဆို့မှုများကြောင့် ကန့်သတ်ချက်များနှင့် ရင်ဆိုင်နေရပါသည်။ ဆယ်စုနှစ်ပေါင်းများစွာ အထီးကျန်နေခဲ့မှုကို အဆုံးသတ်ခဲ့ပြီးနောက် ဒေသတွင်းနှင့် နိုင်ငံတကာစီးပွားရေးနယ်ပယ်နှင့် ကုန်သွယ်မှုဖြင့်တင်ပြီး စီးပွားရေးပေါင်းစည်းရန် အခွင့်အလမ်းများ ထွက်ပေါ်လျက်ရှိပါသည်။

ဖွံ့ဖြိုးပြီးနိုင်ငံအချို့မှ မြန်မာနိုင်ငံအား ပိတ်ဆို့အရေးယူမှုများ ဆက်လက်ထားရှိနေပြီး မြန်မာနိုင်ငံအနေဖြင့်လည်း အခြားအစိုးရများ၊ အဖွဲ့အစည်းများနှင့် ထိရောက်သော ထိတွေ့ဆက်ဆံမှုကို တားဆီးစေသည့် ကန့်သတ်ချက်များ ဆက်လက်ထားရှိဆဲဖြစ်ပါသည်။ သို့သော်လည်း အာဆီယံတွင် ပါဝင်ခြင်းဖြင့် သံတမန်ရေးရာနှင့် စီးပွားရေးပြတင်းပေါက်များကို ဖွင့်လှစ်နိုင်ခဲ့ပြီး နိုင်ငံတကာနှင့်ထိတွေ့ဆက်ဆံမှုများတွင် တိုးတက်မှုများ ရရှိခဲ့ပါသည်။

မြန်မာနိုင်ငံ၏ ပထဝီအနေအထားကြောင့် ဒေသတွင်းကုန်စည်စီးဆင်းရာတွင် ပါဝင်နိုင်ပြီး ကုန်သွယ်မှုနှင့် ရင်းနှီးမြှုပ်နှံမှုများ ချိတ်ဆက်နိုင်သည့် အလားအလာများရှိပါသည်။ မြန်မာနိုင်ငံ၏ စီးပွားရေးဖွံ့ဖြိုးတိုးတက်မှုသည် အိမ်နီးချင်းနိုင်ငံများ၏ စီးပွားရေးစွမ်းဆောင်မှု၊ ပေါင်းစည်းနိုင်မှုနှင့် ၎င်းတို့၏ စီးပွားရေးအင်အား တို့အပေါ်တွင်လည်း မူတည်နေပါသည်။

ဒေသတွင်း အထူးသဖြင့် အာဆီယံအဖွဲ့ဝင်နိုင်ငံများနှင့် ထိရောက်သော ထိတွေ့ဆက်ဆံမှုများသည် ဤစာတမ်းတွင် ဖော်ပြထားသည့် ဦးစားပေးမူဝါဒများကို အကောင်အထည်ဖော်သည့်နေရာတွင် မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးတိုးတက်မှုအတွက် အရေးကြီးပါသည်။ ကုန်သွယ်ရေးကိုထိခိုက်စေသည့် မူဝါဒများကို ပယ်ဖျက်ခြင်းနှင့် ပြည်တွင်းစီးပွားရေး ပြုပြင်ပြောင်းလဲမှုများစသည့် လတ်တလောမူဝါဒအပြောင်းအလဲများသည် ပြင်ပနှင့်ထိတွေ့ဆက်ဆံခြင်းဖြင့် တိုးတက်မှုနှင့် ဖွံ့ဖြိုးမှုတို့ကို မြှင့်တင်သွားမည်ဆိုသည်ကို ဖော်ညွှန်းလျက်ရှိပါသည်။

စီးပွားရေးနှင့် နိုင်ငံရေးဆိုင်ရာ ဖြေလျော့မှုများပြုလုပ်ရာတွင် အမေရိကန်ပြည်ထောင်စုနှင့် အီးယူတို့မှ စီးပွားရေးပိတ်ဆို့မှုများ ဖြေလျော့ပေးခဲ့ပြီး ကုန်သွယ်မှုနှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ ဆွေးနွေးမှုများလည်း ပြုလုပ်နိုင်ခဲ့ရာ နိုင်ငံတကာစီးပွားရေးအသိုင်းအဝန်းသို့ မြန်မာနိုင်ငံပြန်လည်ဝင်ရောက်လာမှုကို ထင်ဟပ်လျက်ရှိပါသည်။ ၂၀၁၄ ခုနှစ်တွင် မြန်မာနိုင်ငံမှ တာဝန်ယူခဲ့သည့် အာဆီယံဥက္ကဋ္ဌရာထူးနှင့် G20 တွင် ပါဝင်ခဲ့ခြင်းတို့သည် အထက်ပါအချက်များကို ခိုင်မာစေခဲ့ပြီး မြန်မာနိုင်ငံ၏ စွမ်းဆောင်ရည်နှင့် ပြုပြင်ပြောင်းလဲရေးအတွက် ဒေသတွင်းစီးပွားရေးပေါင်းစည်းရန်အတွက် စိတ်အားထက်သန်မှုများကို ပြသနိုင်ခဲ့ပါသည်။ အဆိုပါ အောင်မြင်မှုများကို ထပ်ဆောင်းနိုင်ရန်နှင့် စီးပွားရေးအသွင်ကူးပြောင်းမှုကို အထောက်အကူဖြစ်စေရန် ဒေသတွင်းနှင့် နိုင်ငံတကာစီးပွားရေးအသိုင်းအဝန်းနှင့် ထိတွေ့ဆက်ဆံခြင်းအတွက် မဟာဗျူဟာတစ်ရပ်ချမှတ်ဆောင်ရွက်ရန် လိုအပ်ပါသည်။

မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးရေးအတွက် ပိုမိုပွင့်လင်းခြင်းနှင့် ပြုပြင်ပြောင်းလဲခြင်းတို့ကို တစ်ဘက်သတ် ဆောင်ရွက်ခြင်းသည် အခြေခံကျသော်လည်း နိုင်ငံတကာအစီအစဉ်များ အထူးသဖြင့် အာဆီယံဒေသနှင့် ခွဲခြားဆက်ဆံမှုများ မပါဝင်သည့် ထိတွေ့ဆက်ဆံမှုများနှင့် ပေါင်းစည်းမှုများကို သံတမန်နည်းလမ်းအရ ပိုမိုနက်ရှိုင်းစွာ ဆောင်ရွက်ခြင်းဖြင့် ပြည်တွင်းပြုပြင်ပြောင်းလဲရေး လမ်းစဉ်များအပေါ် နိုင်ငံရေးနှင့်

စီးပွားရေးအရ ထောက်ခံမှုများ ရရှိလာနိုင်ပါသည်။ ဒေသတွင်းပိုမိုထိတွေ့ ဆက်ဆံခြင်းဖြင့် မြန်မာနိုင်ငံအနေဖြင့် ယှဉ်ပြိုင်နိုင်စွမ်း၊ ကုန်ထုတ်စွမ်းအား နှင့် ဝင်ငွေများ တိုးတက်လာရုံမျှမက အိမ်နီးချင်းနိုင်ငံများ၏ ၎င်းတို့အသွင်ကူးပြောင်းရေးကာလ အတွေ့အကြုံများနှင့် စွမ်းဆောင်ရည်တို့ကိုပါ မျှဝေရရှိနိုင်မည်ဖြစ်သည်။

ဒေသတွင်း နှင့် နိုင်ငံတကာ ကတိကဝတ်များသည် ပြည်တွင်း စီးပွားရေး၊ နိုင်ငံရေးပြုပြင်ပြောင်းလဲမှုများ နှင့် ညီညွတ်နေစေရန် အရေးကြီးသည်။ အထူးသဖြင့် လျှင်မြန်စွာပြောင်းလဲနေသော အာဆီယံဒေသတွင်း အကောင်အထည်ဖော်နေသည့် အာဆီယံစီးပွားရေးအသိုင်းအဝန်း နှင့် မြန်မာနိုင်ငံ၏ ပြည်တွင်းဦးစားပေးမူဝါဒများ နီးစပ်စွာ သဟဇာတဖြစ်နေရန် လိုအပ်သည်။ ထို့ပြင် Regional Comprehensive Economic Partnership ကဲ့သို့သော အခြားသော ဒေသတွင်းအစီအစဉ်များတွင်ပါဝင်ခြင်း၊ ကမ္ဘာ့ကုန်သွယ်ရေးအဖွဲ့ နှင့် နိုင်ငံတကာဘဏ်များမှတစ်ဆင့် ထိတွေ့ဆက်ဆံမှုပြုလုပ်ခြင်းများမှလည်း အကျိုးကျေးဇူးများ ရရှိနိုင်ပါသည်။ နှစ်နိုင်ငံချင်းအလိုက် ထိတွေ့ ဆက်ဆံရာတွင် မြန်မာနိုင်ငံအနေဖြင့် နိုင်ငံရေးပိုမိုရှုပ်ထွေးစေပြီး ကျယ်ပြန့်စွာပွင့်လင်းအောင်ဆောင်ရွက်မည့် လုပ်ငန်းစဉ်များ နှင့် စီးပွားရေးလုပ်ငန်းများ၏ ကုန်ကျစရိတ်များကို မြင့်တက်လာစေမည့် ဦးစားပေးဆက်ဆံမှုများ စသည်တို့ကို ဆွေးနွေးခြင်းထက် ဆက်ဆံရေးတိုးတက်ကောင်းမွန်ရန်၊ ဈေးကွက်ဝေစု နှင့် သတင်း အချက်အလက်များ ရရှိရန် နှင့် စွမ်းဆောင်ရည်မြှင့်တင်ခြင်း တို့ကို ဦးစားပေးဆွေးနွေးသင့်သည်။

အဓိကကောက်နုတ်ချက်များ

အာရှတိုက်တွင် မြန်မာနိုင်ငံ၏ မဟာဗျူဟာကျသည့် ပထဝီအနေအထားအရ ဒေသတွင်းနိုင်ငံများနှင့် ကုန်သွယ်ရေး၊ ရင်းနှီးမြှုပ်နှံမှု နှင့် ဖွံ့ဖြိုးရေးကဏ္ဍများ ထိရောက်စွာဆက်ဆံနိုင်သည့် အခွင့်အလမ်းများနှင့် ဆွဲဆောင်မှုများ ရှိနေပါသည်။ ကုန်သွယ်ရေးနှင့် ရင်းနှီးမြှုပ်နှံမှုကဏ္ဍများတွင် အာဆီယံအဖွဲ့ဝင်ဖြစ်ခြင်းကို အသုံးပြု၍ ခွဲခြားဆက်ဆံခြင်း မပြုသည့် ဖြေလျော့မှုများ နှင့် ဒေသတွင်း နှင့် နိုင်ငံတကာ ကတိကဝတ်များဖြင့် ပြည်တွင်း ပြုပြင်ပြောင်းလဲမှုများကို အားဖြည့်သွားနိုင်မည်ဖြစ်သည်။

- ဦးစားပေးမူဝါဒများနှင့် အဖွဲ့အစည်းပိုင်းဆိုင်ရာမဟာဗျူဟာများ**
- ပြင်ပနှင့်ထိတွေ့ဆက်ဆံနိုင်မည့် ပြည်တွင်းအခြေအနေတစ်ရပ်ဖန်တီးရန်၊ ဒေသတွင်း နှင့် နိုင်ငံတကာ အစီအစဉ်များသည် ပြည်တွင်းပြုပြင်ပြောင်းလဲရေး ဦးစားပေးအစီအစဉ်များနှင့် ညီညွတ်စေခြင်းဖြင့် ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ ထိတွေ့ဆက်ဆံမှုများကို ထိရောက်စေမည်ဖြစ်သည်။
 - ကုန်သွယ်ရေးမှ အကျိုးကျေးဇူးများ အများဆုံးရရှိစေပြီး ဒေသတွင်းပေါင်းစည်းရေးကို အထောက်အကူပြုစေနိုင်သော ခွဲခြားဆက်ဆံခြင်းမပြုသည့် ဒေသတွင်း နှင့် နိုင်ငံတကာ ကုန်သွယ်ရေး သဘောတူညီချက်များကို မြန်မာနိုင်ငံအနေဖြင့် အလေးထားသင့်သည်။
 - အာဆီယံနှင့်ထိတွေ့ဆက်ဆံခြင်းသည် မြန်မာနိုင်ငံ၏ နိုင်ငံခြားစီးပွားရေးဆက်သွယ်ရေးဆိုင်ရာ ဗဟိုချက် ဖြစ်သင့်သည်။ မြန်မာနိုင်ငံအနေဖြင့် အရှေ့တောင်အာရှနှင့် ဒေသတွင်းကိုကျော်လွန်၍ ဆက်ဆံရာတွင် အာဆီယံ၏ အကျယ်အဝန်း၊ မတူကွဲပြားမှု နှင့် စီးပွားရေးတို့အပြင် ၎င်း၏ ရည်မှန်းချက်ကြီးမားပြီး စိတ်အားထက်သန်သည့် ပူးပေါင်းဆောင်ရွက်ရေးနှင့် ပေါင်းစည်းမှုအစီအစဉ်များကြောင့် အာဆီယံနှင့် ထိရောက်သော ထိတွေ့ဆက်ဆံမှုများကို နက်နက်ရှိုင်းရှိုင်းဆောင်ရွက်သင့်သည်။ ထိုသို့ဆောင်ရွက် ရာတွင် Regional Comprehensive Economic Partnership ကဲ့သို့သော ဒေသတွင်း အစီအစဉ်များ သည် အာဆီယံကဲ့သို့ ကျယ်ပြန့်သော ဒေသအတွင်း ပေါင်းစည်းရေးတို့ကို ဆောင်ရွက်နိုင်ပါသည်။

- ထိုသို့ဆောင်ရွက်ရာတွင် မြန်မာနိုင်ငံအနေဖြင့် အာဆီယံစီးပွားရေးအသိုင်းအဝန်းအစီအစဉ်များနှင့် သဟဇာတဖြစ်သည့် ပြုပြင်ပြောင်းလဲရေးများကို ဦးစားပေးဆောင်ရွက်သင့်ပါသည်။ အာဆီယံစီးပွားရေး အသိုင်းအဝန်း၏ အဓိကအစိတ်အပိုင်းများဖြစ်သည့် blueprint အသေးစိတ်စီမံချက်အပါအဝင် အရင်းအနှီး၊ ကုန်ပစ္စည်း နှင့်ဝန်ဆောင်မှုများ စီးဆင်းမှုများကို ဖြေလျော့ပေးခြင်း၊ ပြည်တွင်းရင်းနှီးမြှုပ်နှံမှု ပတ်ဝန်းကျင် တိုးတက်ကောင်းမွန်စေခြင်း နှင့် ဒေသတွင်းအခြေခံအဆောက်အအုံများနှင့် ထိရောက်သော ပေါင်းစည်း ချိတ်ဆက်မှုများဆောင်ရွက်ခြင်း တို့ဖြင့် မြန်မာနိုင်ငံ၏ ဖွံ့ဖြိုးရေး ဦးစားပေးအစီအစဉ်များကို ခိုင်မာစွာပံ့ပိုးနိုင်မည်ဖြစ်ပါသည်။

1 The opportunities and issues

KEY MESSAGE

Myanmar can catch up economically to its neighbours and partners in the region by entrenching open trade and investment strategies if it chooses the right national development strategy and learns from the experiences of economies that have trodden the same path.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- **Capturing the gains from trade for economic growth** requires commitment to the development of a market economy. The effective operation of a market economy is premised upon an array of institutions and laws that, among other things, secure title over property for individuals, enterprises and the state and provide for the enforcement of contracts. It is also premised on robust, transparent government institutions and a strong regulatory framework that both supports market institutions and ensures the equitable distribution of the gains from growth.

1.1 Introduction

Myanmar is a resource-rich, low-wage, low-income economy. Its comparative economic advantages currently lie in the production and export of resources and agricultural goods in exchange for a range of manufactured consumer and capital goods. In the coming decade, the objective should be a fundamental restructuring of the economy that builds substantial production and exports of labour-intensive manufactured goods and supporting services, accompanied by substantial improvements in agricultural industry productivity.

A trajectory approaching 10 per cent growth in real incomes per head per annum over the decade to 2025 is within reach. Lifting Myanmar's growth to realise this potential will require a substantial change in development strategy, putting in place the institutions and infrastructure that can support the accompanying urbanisation, and regional and social policies that ensure the spread of its positive effects throughout the nation. Foreign economic diplomacy needs to be shaped to connect international opportunities with domestic development goals.

If growth and development are to include all the peoples of Myanmar, there will need to be major change in the constitution of the state to encourage the building of an effective economic federation, with effective devolution of responsibilities to Myanmar's state and regional governments for the delivery of local public goods and substantial investment in infrastructure that connects the nation as a whole to the international economy.

By getting the national development strategy right, Myanmar can sustainably raise living standards, improving welfare for its people and re-establishing its weight and role in the international community in the decades to come.

1.2 Opportunities for growth and development

The Government of Myanmar has committed to economic and political transformation aimed at building a modern and prosperous state with a representative political system that guarantees the freedoms and participation of all its peoples. Essential to success will be openness to trade, investment and commerce

with the rest of the world and especially the building of deep and effective engagement with Myanmar's neighbours and partners in the Association of Southeast Asian Nations (ASEAN).

This paper sets out the opportunities for accelerating the development of the Myanmar economy through development that is inclusive of all its peoples and regions and through deeper integration into the regional and world economies, resulting in expanded international trade and foreign investment. The success of other economies in East Asia, including Japan, South Korea and Taiwan, other economies in Southeast Asia and, most recently and remarkably, China, provides a basis for understanding what achievements might be possible for Myanmar.

The first lesson to be drawn from the experience of successful East Asian economies is the critical role of international trade. Trade yields gains for growth via at least three main channels. The first channel of growth through trade derives from the opportunity that trade specialisation offers to exploit comparative advantage. The resource reallocation that comes with increased trade specialisation in response to differences in international relative prices lifts productivity and increases the range of choice in consumption and investment. The more skewed the resource base of an economy that is opening up to foreign trade and the greater its initial isolation from the world economy, the larger are the potential gains from its opening up to trade and the impact on its incomes and welfare. An economy that is largely closed to international trade and commerce cuts itself off from the chance to lift incomes through reallocating resources in response to the differences between domestic relative prices and world relative prices. Myanmar enjoys this large potential for growth from opening up.

A second channel of growth from trade is via its impact on the flow of ideas, knowledge and technologies. Trade is linked with the discovery of new ways of doing things, in both production and consumption. A third channel of growth from trade, of special importance to economies at the early stages of industrialisation, such as Myanmar, is via the delivery of lower cost capital goods embodying best-practice technologies from international suppliers. Growth is fostered by the accumulation of capital, and openness to foreign investment further accelerates the process of capital accumulation and growth through efficient trade specialisation.

These opportunities derive from the direct impact of international commerce on income through more efficient use of resources by realising comparative advantage, especially through access to lower cost capital goods embodying the best technologies in the world; access to international markets that lift the incomes of producers of export goods; drawing upon international capital and technology that add to the capacity to generate national income; and using the knowledge and experience of partners and multilateral development organisations in developing the strategies and institutions that help to maximise these benefits.

No economy in the modern world can aspire to achieve development and welfare levels for its people that approximate, say, those among OECD economies without being substantially open to international trade and international investment.

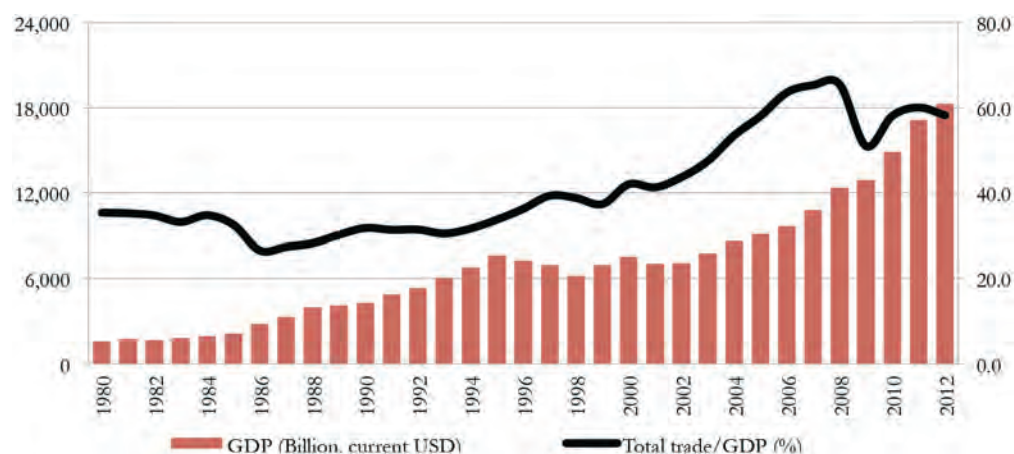
In the early 1960s, Myanmar was among the richest economies in the region and relatively open to international commerce. The period of inward-looking policies that followed saw the economy go backwards. In 2013, nominal per capita income was estimated at US\$834 (at current US dollar values), ranking it 161st in the world, and lowest among the member countries of ASEAN. There are other estimates that put Myanmar's per capita income higher, at US\$1,113 in 2013 and \$1,270 in 2014 (IMF World Economic Outlook, 2014), because of a re-estimation of the country's population base, although those estimates do not fundamentally alter Myanmar's low global ranking (156th or 153rd, respectively). In the decades prior to commitment to reform, the ratio of Myanmar's trade to GDP steadily fell.

A large number of studies find a positive association between openness and economic growth. Open economies have experienced faster growth in real GDP per capita. The estimated annual growth premium from openness is very high (nearly 2.5 percentage points) and is estimated to be considerably higher for the lowest income countries, implying that openness promotes a narrowing of income gaps. Measures of openness may be affected by factors other than trade policy, but these findings on the effect of open trade and investment policy strategies on growth cannot be ignored if a country is seeking to reach its growth and income potential.

In the past 30 years or so, East Asia stands out as an exemplar of successful trade-oriented economic growth. The region's industrialisation has been built upon increased integration with the world economy. According to the IMF, total East Asian GDP in purchasing power parity terms was US\$3.9 trillion in 2013, and the emerging economies in the region experienced average growth of around 8 per cent per annum over most of this period. While there were state interventions that ran counter to open trade strategies in East Asian economies, the characterisation of the East Asian industrialisation process as one in which the trend towards economic openness and deeper integration into the world economy accompanied highly successful economic growth is largely correct.

Figure 1.1 shows the growth of East Asian industrialising economies' overall trade dependence and East Asian real income growth over the past 30 years. High growth and rising trade dependence were associated with marked reductions in average tariff levels—a key indicator of openness—over the same period.

Figure 1.1: GDP and trade dependence for East Asian economies, 1980 to 2012



Note: East Asian economies are China, Japan, South Korea, Hong Kong, Taiwan and the ASEAN 5 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam).

Source: World Bank WDI Database, Taiwan National Development Council (Statistical Data Books 2011, 2012).

The prospect is that Myanmar can catch up quickly to its neighbours and partners in the region by entrenching open trade and investment strategies.

There are considerable advantages for countries such as Myanmar in catching up with their neighbours in the region. As the examples of Korea, Taiwan and recently China all suggest, countries that are catching up industrially commonly enjoy faster growth and development than those that have been frontrunners in industrialisation and development. The trick is to choose the right national development strategy and learn from the experience of economies that have trodden the same path, to optimise the introduction of well-established know-how and technologies, and to shape foreign economic diplomacy so as to connect the international opportunities with domestic development goals.

Myanmar's path to a high growth trajectory can be benchmarked against the achievements of economies that started, in recent times, from a similar base, especially countries in the same neighbourhood. Higher incomes and growth can be achieved by transforming trade and industrial structure through international trade and investment.

1.3 Towards a stronger economy

Myanmar is currently a resource-rich, labour-rich, low-wage, low-income economy. Its comparative economic advantages initially lie in husbanding the production and export of resources and agricultural goods in exchange for a range of manufactured consumer and capital goods. In the coming decade, the objective should be a fundamental restructuring of the economy that builds substantial production and exports of labour-intensive manufactured goods and supporting services, while achieving productivity improvements in primary industries. Male and female workers would be drawn into growing urban employment; rural and regional areas would also have their income-earning opportunities increased.

Benchmarked against its Southeast Asian neighbours when they committed to trade-oriented development strategies, Myanmar has the potential to more than double per capita income over the coming decade, achieving a per capita income of US\$2,600 by 2025. A growth trajectory of 10 per cent real growth in incomes per head, which would lift per capita income to US\$3,300 by 2025 or US\$5,300 by 2030, is within reach. Lifting Myanmar's growth trajectory to this level will require a substantial change in development strategy, putting in place the institutions and infrastructure that can support the accompanying urbanisation through substantial rural-to-urban migration, and regional and social policies that ensure the spread of its positive effects throughout the nation.

If growth and development are to include all the peoples of Myanmar, there will need to be major change in the constitution of the state to encourage the building of an effective economic federation, including the devolution of responsibilities to state and regional governments for the delivery of local public goods and substantial investment in infrastructure that connects the nation as a whole to the international economy. Otherwise, development will be concentrated in some areas, and disparities among the regions and their peoples will increase. Policies to ensure that growth is nationally inclusive in this way, including through the facilitation of increased urbanisation, are critical to success in an outward-looking development strategy.

The vision of a prosperous and growing economy that is increasingly integrated into the international economy is not one that can be narrowly economic. It will be delivered only if there is national and international confidence in the nation's ongoing commitment to political and social change. Success will be closely tied to steady progress with constitutional change and national reconciliation around a common goal of integration and the development of a more prosperous Myanmar. But economic reform can reinforce success in social and political reform.

Capturing the gains from trade for economic growth requires commitment to the development of a market economy. A market economy is distinguished by the use of the price mechanism to coordinate resource use and add value to output. The effective operation of a market economy is premised upon an array of institutions and laws that, among other things, secure title over property for individuals, enterprises and the state and protect the enforcement of contracts. An efficient market economy typically involves the resolution of prices, production and consumption decisions through the market.

Institutions and policies that minimise corruption and rent-seeking behaviour and promote good governance are therefore important to making an open economy achieve its objective of lifting living standards for everyone. This requires strong state regulation, including through a judicial system that

protects property, enforces contracts over time and promotes law and order both nationally and in relation to the nationals of foreign countries.

These conditions are necessary to promote confidence in trade and commerce with people from other nations. Market institutions are important to realising the gains from trade for growth because they allow the revelation of the real comparative advantages of an economy and help to ensure efficient specialisation in trade.

A major step in emergence from economic closure is institutional change that entrenches the operation of a market economy domestically. In Myanmar, this is centred on constitutional reform and other related legal and regulatory reforms. There will need to be strong government support, encouragement and action to achieve these objectives.

Policy institutions that allow stable macroeconomic management without excessive inflation, a sound and well-operating financial system for mobilising and allocating savings for investment, and a foreign exchange regime that is market-aligned are also crucial to realising the benefits of openness.

One asset of critical importance to mobilising the gains from trade for growth is education. Education has strong pay-offs in the development of sound market institutions and policies, but it is also crucially important to facilitating the creation and absorption of know-how and technologies.

In almost all respects, the opening of an economy is likely to reinforce the improvement of institutions and the policy regimes necessary to support it. This is in part because the adaptation and absorption of foreign institutional best practice can provide low-cost and speedy way of national advancement. Given the evidence that openness makes possible the introduction of institutional and policy best practice, even if it does not guarantee it, the case for trade liberalisation as a central part of a pro-growth policy package is powerful.

This case is widely accepted around the world. Each country faces its own circumstances and has to make its own choices in economic policy strategy, but these principles and this analysis are relevant to the circumstances in all countries, including those in Myanmar.

1.4 A vision for growth

This paper provides a vision of how Myanmar can more than double the incomes of its people and build a prosperous society by 2025, re-establishing its weight and role in the international community in the coming decades. Understanding the scale of what can be achieved and the structure of the economic, political and social changes that will have to go with it is crucial to success. The critical element is getting things right at home: policy settings; institutions and regulatory systems; confidence in the way markets work; protecting property rights; entrenching the rule of laws that are fair and equitable; ensuring access to opportunity right across the nation and all its peoples; and building priority infrastructure, sanitation and other basic community services.

There is a strong alignment of national objectives in economic reform that links the national development agenda to international engagement and political reform that creates a vibrant and open society.

Myanmar's location in Southeast Asia, on the bridge of the continent between East and South Asia, provides strategic advantage in mobilising external resources for national development and infrastructure. Its integration into the ASEAN Economic Community provides a confident external framework for the development of a foreign economic diplomacy that has immediate traction.

The vision encompasses the challenge of national integration as core to capturing the international opportunities for national growth and development in a confident, open society.

2 Current performance and future potential

KEY MESSAGE

Myanmar currently lags behind its neighbours in economic development, but this offers significant opportunities to leverage off the economic success of the region and accelerate growth to catch up to the region economically. Analysis of its current and potential trade performance shows that there is considerable catch-up potential for Myanmar as long as it continues opening up to trade and investment. Leveraging greater economic openness to spur more efficient allocation of resources, realise comparative advantages and access global technology and ideas is a sustainable way to achieve faster growth and realise Myanmar's potential, laying a strong foundation for a prosperous, open and modern state.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar's significant catch-up potential can be realised by **opening to and integrating with global markets** and allowing market-driven structural change to shape a more labour-intensive, productive and higher income domestic economy.
- **Higher productivity growth** must be the foundation for increasing per capita GDP and welfare. Myanmar can make major gains if it is able to match or exceed rates of productivity growth experienced during the reform and opening-up periods of East Asia's most successful industrialisers.

2.1 Introduction

Myanmar's economic and political isolation from the global economy over the past decades cost the country greatly. However, its status as a latecomer to economic modernisation provides a unique opportunity for accelerated growth to catch up quickly with the more advanced economies. Neighbouring economies in Southeast Asia and East Asia more broadly provide a model for rapid economic development and catch-up through opening up borders to trade and investment and continuous reform behind the border. Openness to trade, investment and e-commerce was a fundamental element in the successful economic development of East Asian economies.

By benchmarking Myanmar's openness to trade, estimating a trade performance measure and comparing it with those of neighbouring countries and the rest of the world and taking into account its proximity to the economic giants of China and India, it is evident that Myanmar has significant opportunities for trade that have not yet been embraced. Using a 'population-participation-productivity' growth framework makes it clear that strong growth in productivity is essential to Myanmar's ability to reach its income-generating potential.

To unlock this potential, Myanmar must continue opening up to the rest of the world, as well as implementing domestic reforms that will allow it to benefit most from liberalisation. The rest of this chapter identifies the key reform priorities essential to facilitating this process.

2.2 Assessing Myanmar's trade performance

To examine the scope for trade to play a greater role in Myanmar's development, this chapter seeks to quantify Myanmar's trade potential and measure how much of it is being realised. Of course, the goal of opening up the economy is not only the narrow one of expanding Myanmar's trade intensity. The more fundamental objective is to access the income gains from trade and the flow of technology and know-how that are associated with it, as discussed in Chapter 1, supported by reforms discussed throughout this paper.

The analysis of these effects uses the gravity model of trade in conjunction with stochastic frontier analysis. The gravity model of trade is one of the most widely used models in international economics. Its main finding is that trade between two countries, on average, is higher the larger they are economically and the closer they are geographically. The application of the frontier model allows a benchmark of potential trade to be estimated. How much of this potential is being realised is measured by comparing the value of actual trade between any two trading partners against the estimated potential.

Potential trade is defined by the characteristics of the most liberal trade relationships globally, based on modelling aggregate trade flows between all countries against trade determinants such as economic size, distance apart and other factors, drawing on the vast literature on these subjects. The larger a country's GDP is, or its trading partner's GDP is, the larger is the estimated potential trade. For a given amount of bilateral trade, a rise in the GDP of one or both countries means that estimated trade potential is higher. Without an increase in trade, trade performance (the ratio of actual to potential) falls as the denominator increases.

Table 2.1 shows the average ratio of actual imports to potential imports for selected countries in East Asia, and the ASEAN, South Asian and world averages. These estimates reveal that on average Myanmar was achieving only between around 17.5 per cent to 27 per cent of its import potential between 2005 and 2012. The estimate is closer to 18 per cent in recent years, and that is lower than all its Southeast Asian neighbours listed, including Cambodia and Lao PDR. It is less than half the ASEAN average, which has been close to 40 per cent in recent years. Trade performance results are calculated for each bilateral trade flow.

The world average is lower than the ASEAN average, with around 35 per cent of trade potential being achieved in 2012. Singapore is the closest to potential in the sample, reflecting its openness and role as a major trading hub. Thailand, Vietnam and Malaysia have higher realisation of import potential than the ASEAN average, while Indonesia is close to the ASEAN and world averages.

China's economy is very open to trade after accounting for its size and distance from its trading partners. India is becoming more open, while Japan's realisation of import potential is below that of ASEAN on average.

Table 2.2 tells a similar story about Myanmar's realisation of its **export** potential. Myanmar's export performance (the ratio of actual to potential export trade) was around 17 per cent to 23 per cent over the period from 2005 to 2012. The ASEAN average realisation of export potential was around 45 per cent over the same period.

Most ASEAN members have higher realisation of potential exports than of imports, reflecting the export-oriented nature of policies across the region. Singapore, Malaysia, Thailand and Vietnam stand out with over 50 per cent of export potential realised, while Indonesia and Cambodia are close to the ASEAN average. The export performance results for Myanmar are similar to those of landlocked Lao PDR in recent years.

Table 2.1: Import performance (actual relative to potential imports), 2005 to 2012

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|------|------|------|------|------|------|------|------|
| China | 40.6 | 40.1 | 40.0 | 39.7 | 40.0 | 41.0 | 42.6 | 44.3 |
| Japan | 31.4 | 33.3 | 33.5 | 34.1 | 32.2 | 31.7 | 34.0 | 35.3 |
| India | 31.4 | 37.6 | 35.1 | 39.3 | 37.3 | 36.7 | 38.8 | 41.8 |
| Cambodia | 23.8 | 25.6 | 23.9 | 22.4 | 26.4 | 27.4 | 25.6 | 27.8 |
| Indonesia | 32.1 | 31.5 | 30.3 | 33.4 | 32.6 | 33.2 | 36.0 | 35.4 |
| Lao PDR | 28.4 | 25.6 | 25.3 | 22.9 | 22.9 | 23.2 | 25.6 | 27.2 |
| Malaysia | 36.4 | 39.1 | 38.9 | 38.8 | 38.8 | 41.4 | 41.8 | 43.5 |
| Myanmar | 26.5 | 26.7 | 24.8 | 21.1 | 19.5 | 17.5 | 18.0 | 17.8 |
| Philippines | 34.0 | 34.9 | 30.7 | 29.8 | 31.1 | 31.4 | 31.2 | 31.9 |
| Singapore | 51.9 | 51.7 | 52.0 | 52.2 | 51.9 | 51.9 | 52.9 | 52.7 |
| Thailand | 44.0 | 43.3 | 40.9 | 41.7 | 40.6 | 41.2 | 42.5 | 45.2 |
| Vietnam | 42.7 | 43.4 | 48.2 | 49.9 | 51.8 | 51.5 | 51.4 | 50.4 |
| ASEAN5 | 39.3 | 39.8 | 38.2 | 38.8 | 38.6 | 39.4 | 40.6 | 41.5 |
| ASEAN | 36.7 | 37.4 | 36.3 | 37.0 | 37.4 | 36.6 | 39.0 | 39.9 |
| South Asia | 31.8 | 30.9 | 31.1 | 30.4 | 28.4 | 28.4 | 28.2 | 29.3 |
| World average | 32.3 | 32.3 | 32.2 | 32.3 | 32.5 | 32.4 | 33.7 | 34.6 |

Note: ASEAN5 refers to Indonesia, Malaysia, Philippines, Thailand and Singapore. ASEAN, ASEAN5 and South Asia figures are arithmetic averages for the regions.

Source: Calculations for this study by Shiro Armstrong and Son Chu.

Indian export performance has nearly caught up to the ASEAN average over the period, while China has achieved over 50 per cent of its potential since 2006. Despite Japan's industrialisation and modernisation relying heavily on trade, in recent decades it has failed to liberalise its agricultural, services and other markets. As a result, Japanese trade performance is similar to the world average.

Asian economies have realised more of their trade potential through their participation in international value chains, allowing them to achieve deeper economic specialisation in the regional economy. Openness at the border is only one condition in joining the value chains. Supply-chain or value-chain trade involves close interdependence between investment, trade in goods, trade in services, adequate infrastructure and liberalisation behind the border.

Myanmar's Southeast Asian neighbours, as well as its neighbouring economic giants, India and China, show that much more trade can be realised, given the scale of Myanmar's economy and its location in the world economy. Being in a region that is achieving more of its potential than global average trade, given its endowments and scale, Myanmar has significant trade growth potential. Achieving average global performance by these measures would boost imports and exports significantly and deepen integration into the regional and global economies. Becoming integrated into regional supply chains would allow Myanmar to further realise much higher imports and exports and incomes for its people.

Table 2.2: Export performance (actual relative to potential exports), 2005 to 2012

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|------|------|------|------|------|------|------|------|
| China | 49.7 | 50.8 | 51.6 | 51.3 | 50.7 | 50.5 | 51.1 | 51.7 |
| Japan | 33.7 | 35.1 | 36.4 | 36.8 | 33.8 | 34.6 | 35.1 | 36.0 |
| India | 38.9 | 39.2 | 37.9 | 40.8 | 40.1 | 38.9 | 41.4 | 43.1 |
| Cambodia | 31.2 | 33.0 | 33.5 | 33.8 | 37.5 | 37.6 | 42.4 | 44.1 |
| Indonesia | 44.6 | 43.1 | 42.3 | 43.2 | 42.1 | 40.9 | 41.8 | 42.2 |
| Lao PDR | 24.3 | 21.7 | 21.6 | 24.4 | 23.7 | 21.7 | 25.0 | 26.1 |
| Malaysia | 51.4 | 51.5 | 52.4 | 51.9 | 52.8 | 53.2 | 53.8 | 53.4 |
| Myanmar | 21.7 | 18.6 | 21.0 | 18.5 | 18.2 | 17.3 | 18.8 | 22.6 |
| Philippines | 35.4 | 35.1 | 35.8 | 34.0 | 32.5 | 33.6 | 35.1 | 34.4 |
| Singapore | 60.7 | 60.4 | 59.6 | 61.1 | 59.7 | 59.5 | 59.9 | 59.6 |
| Thailand | 52.8 | 53.1 | 53.1 | 53.5 | 53.6 | 53.2 | 54.5 | 54.5 |
| Vietnam | 51.9 | 52.7 | 53.0 | 55.8 | 56.6 | 56.0 | 57.5 | 57.9 |
| ASEAN5 | 48.8 | 48.5 | 48.5 | 48.5 | 48.1 | 48.0 | 48.9 | 48.7 |
| ASEAN | 44.4 | 44.5 | 44.4 | 44.7 | 44.7 | 43.9 | 45.6 | 45.7 |
| South Asia | 32.9 | 32.5 | 32.9 | 32.9 | 32.5 | 30.9 | 33.0 | 36.4 |
| World Average | 34.8 | 34.7 | 34.6 | 34.7 | 34.9 | 34.9 | 36.3 | 37.5 |

Note: ASEAN5 refers to Indonesia, Malaysia, Philippines, Thailand and Singapore. ASEAN, ASEAN5 and South Asia figures are arithmetic averages for the regions.

Source: Calculations for this study by Shiro Armstrong and Son Chu.

The method used here allows an estimation of trade performance based on core determinants of trade, such as the location and size of trading partners. It also explains trade performance across different trade relationships based on factors that can be influenced by policy, such as reductions in trade costs, ease of doing business and trade policy measures. An expanded analysis can help to quantify the effects of different policy measures that help open up the economy to trade and investment.

2.3 Foreign direct investment

Myanmar also has scope to attract greater inflows of investment from abroad, which would reinforce increased trade and faster growth.

The stock of foreign direct investment (FDI)¹ into Myanmar was US\$730 million in 1990. Following the liberalisation of foreign investment laws, this increased ten-fold over the subsequent decade to US\$7,394.8 million in 2000. Most of the rapid growth occurred in the first half of the 1990s and in the primary and tertiary (services) sectors—that is, in natural resources and domestically oriented (mostly non-traded) sectors. Notably, cumulative approved FDI into the manufacturing sector increased almost five-fold to US\$1,117 million between 1995 and 1996. However, growth of FDI into manufacturing has largely stagnated.

Table 2.3 shows the inward FDI stock by sector between 2007 and 2012, indicating the sporadic changes in FDI. There was an episode of FDI growth between 2004 and 2005 in which the stock of FDI almost doubled to US\$13.8 billion. The growth in FDI in 2005 occurred in the power and utilities sector, which

¹ FDI stock data account for depreciation and disinvestment, and so do not always show positive growth.

was not open to foreign investment until 2005, but then saw US\$6 billion invested by foreign sources in that first year.

FDI into Myanmar then started to increase rapidly after 2009 as economic sanctions were removed (see Table 2.3), and the stock of FDI more than doubled in one year from 2009 to 2010. The growth was once again in the services sector (driven by foreign investment into power and utilities) and the primary sector, but not in the manufacturing sector.

The lack of FDI into Myanmar's manufacturing sector represents significant unrealised potential. Neighbouring Southeast Asian economies have been successful at attracting FDI to develop their manufacturing base—much of it from advanced economy sources, which bring technology and know-how. Typically, this first occurs in low-skilled manufacturing, bringing with it rapid employment growth, and then progresses gradually up the value chain as incomes and skills rise.

As Chinese wages rise and FDI from Japan and other sources looks to relocate to other destinations for assembly and other manufacturing with the aim of exporting, it is an opportune time for Myanmar to welcome FDI into its manufacturing sector. To do that, openness to trade—both imports and exports—is important for sourcing materials, parts and components that are produced more efficiently elsewhere, and for easy export to larger markets. But to attract FDI into manufacturing, most importantly Myanmar needs to provide an attractive environment in which to invest. Domestic reforms that will facilitate this are the subject of the next chapter.

Table 2.3: Foreign direct investment stock, by sector, 2007 to 2012 (US\$ million)

| Sector/industry | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Primary | 4,142.1 | 5,112.1 | 5,393.2 | 17,107.0 | 17,374.6 | 17,714.4 |
| Agriculture, hunting, forestry and fishing | 358.5 | 358.5 | 358.5 | 497.25 | 497.25 | 512.5 |
| Mining and quarrying | 540.0 | 1396.0 | 1398.5 | 2794.6 | 2814.5 | 2829.8 |
| Oil & gas | 3,243.6 | 3,357.6 | 3,636.2 | 13,815.2 | 14,062.9 | 14,372.1 |
| Secondary (manufacturing) | 1,629.0 | 1,629.2 | 1,662.4 | 1,728.7 | 1,761.0 | 2,161.7 |
| Tertiary | 8,970.2 | 8,985.2 | 9,000.5 | 17,219.0 | 21,563.6 | 22,242.6 |
| Power and utilities | 6,311.2 | 6,311.2 | 6,311.2 | 14,529.7 | 18,873.7 | 19,237.9 |
| Construction | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 |
| Hotels and tourism | 1,063.2 | 1,078.2 | 1,093.5 | 1,093.5 | 1,093.5 | 1,393.5 |
| Transport, storage and communications | 313.3 | 313.3 | 313.3 | 313.3 | 314.0 | 314.0 |
| Real estate | 1,028.0 | 1,028.0 | 1,028.0 | 1,028.0 | 1,028.0 | 1,028.0 |
| Other services (industrial estate) | 193.1 | 193.1 | 193.1 | 193.1 | 193.1 | 193.1 |
| Unspecified | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 38.5 |
| Total | 14,741.3 | 15,726.5 | 16,056.1 | 36,054.7 | 40,699.2 | 42,118.7 |

Note: Sector and industry names are combined and numbers are consolidated from different data sources. Data refer to cumulative approved investment under the 1988 *Foreign Investment Law* and are reported for fiscal years beginning 1 April and ending 31 March. Columns may not sum to totals due to rounding.

Source: CEIC Database; UNCTAD WID Country Profile: Myanmar, 2002; http://unctad.org/sections/dite_fdistat/docs/wid_cp_mm_en.p.

2.4 Growth framework—the role of productivity

One way of thinking of Myanmar’s economic potential is to decompose growth into contributions from various sources. Detailed modelling of the potential growth in national output in Myanmar would require more comprehensive data than is presently available. Nevertheless, a modified version of a population–participation–productivity methodology provides one means of identifying the broad potential drivers of growth.

This framework considers three factors in GDP growth: labour productivity, population growth and labour force participation.

The following accounting identity makes this approach explicit:

$$\frac{\text{GDP}}{\text{Population}} = \frac{\text{GDP}}{\text{Employed Persons}} \times \frac{\text{Employed Persons}}{\text{Labour Force}} \times \frac{\text{Labour Force}}{\text{Population}}$$

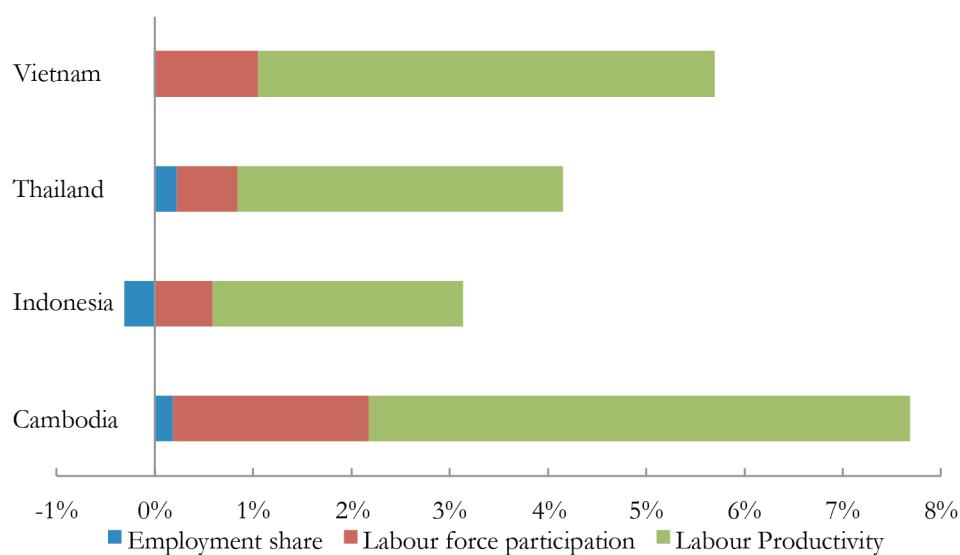
The first term on the right-hand side is **labour productivity**, the second is the **employment rate**, and the third is the **labour force participation rate**. On the left-hand side, per capita income completes the identity. In countries with more complete data, this identity can be further decomposed by considering the proportion of the population that is of working age and the average hours worked per worker. However, since those data are unavailable for Myanmar, here we stick to the simple identity above.

Decomposing Myanmar’s per capita income in this way and comparing the historical experience of other Asian economies that have undergone reform and liberalisation provide a sense of the kinds of income gains Myanmar could attain through a similar program of reform. Given the paucity of detailed economic data on aspects of Myanmar’s economy, this gives an indication of the possibilities for increasing output from a productivity- and growth-oriented agenda.

GDP estimates are sourced from the IMF’s *World economic outlook*, while Myanmar’s population is from preliminary results from the 2014 census. Labour force figures are estimates based on projections from the 1990 Labour Force Survey, the most recent survey of this kind (the International Labour Organization will assist Myanmar to conduct a fresh survey in the near future). For other countries, labour force figures are derived from the International Labour Organization’s model estimates, and population data are from UN statistics.

As Figure 2.1 shows, over the period from 1998 to 2008, real per capita GDP growth in Vietnam, Thailand, Indonesia and Cambodia was largely a function of labour productivity growth, although in Cambodia there was also a significant contribution from labour force participation.

Figure 2.1: Components of real per capita GDP growth, 1998–2008

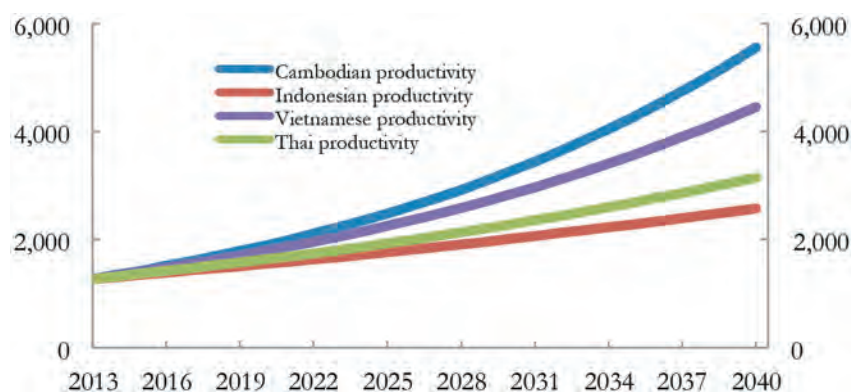


Sources: IMF, World Economic Outlook database, International Labour Organization, UN, authors' calculations.

What kind of growth in real per capita income might Myanmar experience if it had labour productivity growth of the magnitude seen in other regional economies? Figure 2.2 shows possible trajectories.

This projection assumes per capita GDP of US\$1,270 in 2013. The population is estimated to grow at the same annual rates as forecast in the 'medium' projections of the UN's 2012 *Population possibilities* report (although from the initial population estimated by the Myanmar census, rather than the UN estimate). The labour force is projected to grow at the rate of the population aged 15–64 (these rates were also taken from the *Population possibilities* report). The employment share is assumed to remain constant. Labour productivity is then assumed to grow at the rate at which Cambodian, Indonesian, Thai and Vietnamese productivity grew during the period from 1998 to 2008.

Figure 2.2: Projected per capita GDP in Myanmar based on experiences of selected Southeast Asian neighbours from 1998 to 2008 (2013 \$US)



Source: Calculations by Shiro Armstrong and Son Chu for this study.

A high rate of labour productivity growth, such as that experienced by Cambodia over the 1998–2008 period, could see Myanmar's real per capita GDP almost double from \$1,270 to \$2,342 by 2025 and increase to \$5,237 by 2040, from labour productivity improvements alone. A more modest rate of labour productivity growth, such as that experienced by Indonesia over the same period, would see Myanmar's real per capita income increase to \$1,766 by 2025 and then to \$2,576 by 2040 as a result of labour productivity improvements alone.

Clearly, a high rate of labour productivity growth has the potential to increase Myanmar's national income and the living standards of its citizens significantly. A high rate of labour productivity growth is by no means guaranteed but, given the catch-up advantage Myanmar has, the right policy strategies can mean rapid growth in per capita income. These are modest estimates of Myanmar's growth potential: higher rates of productivity growth have been achieved in other economies, such as Taiwan, South Korea and China, at similar stages of development. A program of economic liberalisation that could help Myanmar achieve this potential is laid out in the remainder of this paper.

2.6 Conclusion

The realisation of Myanmar's trade potential will be achieved with trade and investment liberalisation at the border and domestic regulatory reforms behind the border. Improvements in trade facilitation, more efficient and flexible markets, and improvement in areas highlighted by the Ease of Doing Business Index will help realise higher potential trade. Easing the entry of new firms—whether foreign or domestic—will increase international connectivity, productivity and trade.

The realisation of Myanmar's growth potential, measured in terms of per capita output and incomes, will in turn rely on increased participation of the population in the workforce and the achievement of higher labour productivity through capital investment and the progressive take-up of international best-practice technologies and ways of working. Impediments to these developments will hamper Myanmar's growth and income opportunities.

Myanmar has the advantage of being in a position to learn from its neighbours' experiences of opening up to the regional and global economies and managing that process. Myanmar is in the most dynamic economic region globally, and regional economic integration has commonly been an organising locus of reform programs that have promoted trade, economic growth and higher incomes.

3 Building a platform for private sector development

KEY MESSAGE

Establishing the conditions for market forces to drive productivity growth and structural change is a prerequisite for accessing the gains from greater openness. To provide a supportive environment for private sector led development, Myanmar should focus on taking steps to enhance macroeconomic stability, progressively deepen its financial markets, build more robust budgetary processes and establish predictable, transparent and uniformly enforced regulations for businesses and investors. These domestic reforms are necessary for international confidence in the growth of commercial and investment ties with Myanmar and for lifting its trade and growth potential.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar should work to ensure **macroeconomic stability** to provide the certainty necessary for private sector growth. Central bank independence is critical for effective monetary policy. The development of a treasuries market is central to this and will aid the development of financial sector. The development of a medium-term fiscal framework, incorporating sustainable tax and expenditure policies, coupled with robust risk assessment, will also improve fiscal policy outcomes consistent with maintaining economic stability.
- Reforms to create an **enabling regulatory environment** are critical to the success of a market economy. The development of a robust and systematic legislative framework would create greater certainty and would be supported by the development of the Law Reform Commission. Gaps in the application of law should be identified, and processes should be clearly articulated. Reforms to state-owned economic enterprises, such as removing their regulatory functions and limiting their scope to what is needed to achieve a clear public purpose, will level the playing field for the private sector.
- Myanmar has made significant progress in removing barriers to an **efficient financial market system**. Putting the Basel principles into practice in the prudential regulatory framework would enable greater credit provision by the financial sector and improve market stability. A larger role for foreign banks would significantly increase access to finance.
- Greater **consultation and engagement with the private sector** in the development of regulatory reform will reduce uncertainty and improve the operating environment for business.

3.1 Introduction

A market-oriented economic system is a sustainable path to economic development and poverty reduction. The success of a market-based system relies on a vibrant, competitive private sector that allocates resources efficiently by responding to market prices. This can only occur in a system in which people have confidence about the returns from their efforts and key inputs to economic activity can be accessed with few transaction costs.

A well-functioning private sector is the engine of economic growth, providing expanded opportunities to households to access employment, higher wages and goods and services to improve their quality of life. As growth accelerates, the structure of the economy shifts towards manufacturing; tax bases, such as income and consumption tax revenues, expand; and governments are more able to fund essential

priorities in health and education and make investments in institutions, infrastructure and public services. Those investments reinforce the strength of the market-based economy, sustaining momentum for further growth and development. Laying the foundations for a private-sector led, market-based system is essential if Myanmar is to benefit from greater openness to international trade and investment and attain its broader national and social goals. Part of this rests on the existence of institutions, policies and a regulatory environment that deter corruption and promote good governance. This cannot happen overnight, although the significant steps Myanmar has made early in its reform process demonstrate that committed reform efforts can deliver strong results even in the short term.

To entrench this progress, there are three broad priority areas provide a stable and enabling environment for private sector growth: enhancing macroeconomic stability, deepening financial markets and creating a more enabling regulatory environment.

Macroeconomic stability makes the economy more resilient to economic shocks than it would otherwise be and gives investors more certainty about their returns. Uncertainty adds to the costs of economic activity and can discourage investment and employment. In Myanmar, previous episodes of macroeconomic instability had lasting impacts on the development of the private sector. The key to its improvement is to continue to build the Central Bank of Myanmar as a macro-policy institution. Priorities include strengthening its independence and reinforcing its ability to target inflation with modern monetary tools. Fiscal policy needs to support this through improved capacity to deliver robust budget outcomes in the medium term and to manage revenue and expenditure risks.

Sound, efficient **financial markets** are crucial for economic development, as they help to ensure that funds flow to their most productive uses. Particularly important for a developing country is the ability to link domestic operations to global capital markets as a source of funds. Financial markets also help firms and individuals manage risk and help households save for their future or unforeseen events. While Myanmar's financial sector has been growing strongly since the initiation of the reform process, it remains underdeveloped—a key impediment to private sector development. This partly reflects a legacy of heavy and outdated regulation. Replacing this that regulation with modern prudential regulation is critical to building confidence in the sector and allowing a broader range of products to be developed. The injection of skills and capital from international banks will be critical in achieving growth in financial services.

For the private sector to flourish and deliver socially desirable outcomes, it needs to operate in an **enabling regulatory environment**. Central to this is the rule of law, which requires a comprehensive and transparent framework of laws and regulations that are enforced uniformly, reliably and fairly. However, Myanmar's system is characterised by gaps in legislation and regulations, unclear processes and inconsistent enforcement, all of which hamper business operations. Addressing these shortcomings will require more resources for enforcement and consultation with stakeholders to deliver priority legislation and help clarify processes.

3.2 Macroeconomic stability

Economic growth is projected to accelerate on the back of the economy's inherent strengths. Realising and sustaining this growth will require a modern set of monetary policy tools coupled with sustainable and credible fiscal policy. Successful reform in these areas will assist in containing inflationary pressures and reinforce the efficacy of macro-policy tools to buffer the economy against shocks.

The priority for achieving stable inflation is an effective monetary policy regime. In this regard, reinforcing the role of the Central Bank of Myanmar (CBM) as an independent monetary policy authority is particularly important. The transition towards greater independence, resources and capability for the CBM is indispensable to Myanmar's ability to maintain low inflation and a stable exchange rate, manage

capital inflows and facilitate productive long-term trade and investment flows. Critical to this are a movement away from the role of the CBM as merely an instrument for printing money to finance government deficits and the development of robust legal and institutional frameworks for its monetary policy operations.

Reform of Myanmar's fiscal frameworks will contribute to stability, particularly while monetary policy remains weak as the CBM becomes more strategic in monetary policy implementation, especially in the absence of effective discipline on the supply of money or the exercise of control over the price or rate of interest at which credit is supplied. Of particular note is the absence of a medium-term fiscal framework. While the Ministry of Finance has recently made positive steps in this direction, the absence of a comprehensive medium-term fiscal framework continues to undermine fiscal credibility as well as effective budget planning. These steps are important to enhancing the transparency of macroeconomic management and thereby to public and international confidence in economic outcomes. Priorities include developing a more comprehensive fiscal framework, effectively managing the government's fiscal risks, and developing a domestic bond market to ensure that government deficits have a non-inflationary source of finance.

Making monetary policy more effective

In July 2013, Myanmar's parliament passed the *Central Bank of Myanmar Law* to grant substantial independence to the central bank—a measure widely employed elsewhere (especially in transition economies seeking to establish monetary credibility). Before the law was passed, the CBM was a division of the Ministry of Finance and little more than a money-printing institution to fund state deficits. The new law sets out a number of measures designed to grant independence to the CBM, including the establishment of a nine-member policy-setting board of directors; the elevation in status of the governor of the CBM to the equivalent of a cabinet minister; and creating transparency and accountability in the CBM's operations via the submission to the parliament of frequent reports on its activities and on monetary conditions in the country more broadly.

Central Bank autonomy needs to be reinforced

The operational autonomy of the CBM will depend not only on appropriate legislation, but on the CBM's genuine escape from being the funding vehicle of the government's budget. No credible monetary policy can be enacted by the CBM while it has to engage in 'printing money'.

The CBM is yet to be liberated in this way, and its purchase of government Treasury bills remains the 'balancing item' in Myanmar's public accounts. Table 3.1 shows the still critical role played by the CBM in this context. In 2013–14, amounts raised through Treasury bond issuances were around one-third of total Central Bank lending to government. This compares to only around 0.0000003 per cent for Indonesia in roughly the same year. While the situation improved in the latest financial year (March 2013 to March 2014), the IMF expects the CBM to continue its expansionary lending to the government from 2014–15.

The CBM's longstanding role as the default financier of state spending remains the most important barrier to the conduct of an appropriate monetary policy in Myanmar and is a priority area for reform. To overcome this barrier, two sets of reforms are required: genuine operational independence of the CBM and the introduction of a credible medium-term fiscal policy (as outlined in this chapter), underpinned by sound expenditure control processes and tax policies (such as those discussed in Chapter 4).

Table 3.1: State financing and the Central Bank of Myanmar, 2005–06 to 2013–14 (kyat, millions)

| Year | Central Bank lending to government | Government Treasury bonds outstanding |
|---------|------------------------------------|---------------------------------------|
| 2005–06 | 2,165,154 | 78,961 |
| 2006–07 | 2,762,626 | 117,614 |
| 2007–08 | 3,534,687 | 179,777 |
| 2008–09 | 3,880,765 | 297,358 |
| 2009–10 | 4,727,436 | 896,119 |
| 2010–11 | 6,021,410 | 1,311,463 |
| 2011–12 | 7,673,849 | 1,816,077 |
| 2012–13 | 8,318,476 | 2,033,405 |
| 2013–14 | 7,292,670 | 2,803,545 |

Sources: IMF, *International financial statistics*; Myanmar Central Statistical Organization.

Modern monetary policy institutions and instruments are needed

Monetary policy institutions and instruments should be developed in parallel with reforms to strengthen the CBM. Given Myanmar’s historical legacy of monetary instability, arbitrary policy-making and public mistrust of monetary institutions, these developments should be clearly and carefully communicated to the public.

After the CBM’s role in deficit financing, the four most pressing issues preventing the modern and effective conduct of monetary policy in Myanmar are that interest rates are fixed without consideration of market conditions, interbank and money markets are thin, CBM lending to the banks is too readily available, and reliable government debt instruments for open market operations are absent. To address these issues, four sets of reforms are recommended:

- **Liberalise lending and deposit rates.** Widening the bands of the administratively determined deposit and lending rates, with a view to removing them completely in the medium term, will be a necessary change. Coupled with the creation of market instruments and interbank liquidity, this will make market-based monetary policy possible.
- **A plausible and viable monetary policy target.** For the short term, this should simply be reserve-money targeting—a simple measure largely controllable by Myanmar’s monetary authorities. In the longer term, and along with all the reforms above, more sophisticated metrics could be targeted with a view to achieving the ultimate goal of price and monetary stability.
- **The creation of a fully functioning interbank market for liquidity.** There is currently little interbank activity in Myanmar. Instead, liquidity is (over)supplied by the CBM via its discount window. This window could be repriced (at present, the discount rate is a too-low 10 per cent) to make it genuinely of ‘last’ rather than ‘first’ resort, and to encourage Myanmar’s banks to support each other on commercial terms.
- **The development of instruments for the interbank market.** An interbank market needs instruments to trade. Myanmar must develop a government bond and bill market for fiscal management, and the use of auctions to set prices on government-issued debt is a priority. This reform will also have the benefit of creating the instruments required for market-based monetary policy along the way.

Foreign exchange reserves should be consolidated in the CBM

The move to a managed float in April 2012 was the first significant economic reform of Myanmar's current government. Myanmar's previous dual exchange rate system, under which there was an 'official' rate that set the kyat at around K6:\$US1, compared to an unofficial market rate that mostly fluctuated around K1,000:\$US1, had been a public symbol of the country's economic eccentricities. While the effective floating of the kyat has proved a significant policy success, the necessary reforms to Myanmar's foreign exchange arrangements are incomplete.

For instance, a parallel market for the kyat continues to exist (and an informal exchange rate along with it) because many buyers and sellers of the currency continue to transact among themselves, rather than through the banks and other authorised foreign exchange dealers. The continuing existence of a parallel market also complicates matters for the CBM in its efforts to promote orderly movements of the kyat.

Much importance also attaches to the ways in which Myanmar's foreign exchange reserves are managed and allocated. If the CBM is to be able to manage the kyat float effectively, it needs to be able to determine and use the country's holdings of foreign reserves. The IMF recommended the concentration of foreign exchange in the CBM in its most recent (September 2014) Article IV discussions with Myanmar government officials (IMF 2014a).

Strengthening fiscal policy and frameworks

Predictable and sustainable fiscal outcomes are needed to contain inflationary pressures and, by helping to anchor inflation expectations, provide a strong foundation for investment led by the private sector. Key budget aggregates (Table 3.2) show Myanmar to be a nation of low spending but even lower taxation. In the current budget year (2014–15), the deficit for the general government sector is projected to widen beyond 5 per cent—the level that the government has set as the fiscal limit.

Table 3.2: Myanmar's fiscal position, 2011–12 to 2015–16 (per cent of GDP)

| | 2011–12 | 2012–13 | 2013–14 | 2014–15 | 2015–16 |
|---|---------|---------|---------|---------|---------|
| Consolidated budget (including SOEs) | | | | | |
| Revenue and grants | 12 | 23.3 | 24.8 | 24.2 | 24 |
| Expenditure | 16.6 | 25 | 26.5 | 28.7 | 28.6 |
| Overall balance | –4.6 | –1.7 | –1.6 | –4.5 | –4.6 |
| General government (excluding SOEs) | | | | | |
| Revenue | 6.6 | 9.6 | 11.4 | 10.4 | 10.3 |
| Tax | 3.9 | 7.1 | 7.2 | 7.3 | 7.4 |
| SOE transfers | 2.3 | 1.6 | 1.5 | 0.8 | 1.3 |
| Expenditure | 10.4 | 13.5 | 14.3 | 16.3 | 16.4 |
| Recurrent | 4.5 | 7.4 | 8.7 | 10.4 | 10.4 |
| Overall balance | –3.9 | –3.9 | –2.7 | –5.5 | –5.7 |
| Public debt | 50 | 47.4 | 39.8 | 39.3 | 39.5 |

Source: IMF (2014b).

Following the partial forgiveness of debt through the 2013 Paris Club, Myanmar's debt is judged to pose a low risk of debt distress. Nevertheless, Myanmar has limited fiscal space to support a stable macroeconomic environment (IMF 2014).

State-owned enterprises (SOEs) are a key feature of the country's fiscal affairs and its economy more broadly. The contribution of SOEs to government finances is substantial and also volatile, as it is largely sourced from natural resources. However, their precise contribution to general government revenue cannot be determined, as only their dividend (20 per cent of profits) is separately identified and their corporate tax collections are not publicly known. While SOEs are no longer able to borrow from the government, their weak oversight has the potential to create indirect debt exposure for the government.

The government's fiscal strategy to maintain the deficit at no more than 5 per cent of GDP is generally regarded as an appropriate balance between development needs and macroeconomic stability. However, the budget deficit currently exceeds the target threshold, following increases in transfers to states and concessional changes to commercial tax in the recent budget. In part, this reflects Myanmar's current inability to set and meet fiscal targets, undermining fiscal credibility and macroeconomic stability. To make its fiscal strategy more credible, Myanmar should develop a comprehensive framework for medium-term fiscal policy, effective risk monitoring and managing risk and debt.

A medium-term fiscal framework is required

Developing a robust fiscal framework will help to keep government finances on a sustainable trajectory. A key weakness of the current system is its single-year horizon for budgeting. Most decisions affect the budget over multiple years, and a lack of visibility over long-term costs can lead to unsustainable commitments being made. A medium-term budgeting framework is needed. This should involve stronger feedback between the recurrent and capital budgets and a unified approach for forecasting medium-term costs. An assessment of sustainable debt levels could also be integrated into the overall approach. The significance of natural resources as a source of Myanmar's revenue makes them worthy of consideration in their own right (see Box 3.1 and Chapter 5).

Box 3.1: Resource wealth and fiscal policy

While a lack of transparency means that the contribution of natural resources to Myanmar's economy and budget is not known precisely, it is clearly significant. The recorded value of exports of gas, oil, coal, jade, gems, metals and wood comprised 70 per cent of national exports in 2012–13 (Lynn and Oye 2014). Natural gas is the dominant source in the figures. A significant (though unknown) share of export revenue (US\$4.2 billion in 2013–14) accrues to the government and may be the largest source of government funds (total tax revenue was US\$3.9 billion in 2013–14). This position is expected to strengthen in line with projected growth in gas production and significant exploration that is underway.

Mineral resources are likely to become an even larger share of Myanmar's economy. Jade production alone was estimated to be around US\$6–9 billion in 2011 (Dapice and Thanh 2013). However, due to substantial illicit trade and the low effective rates of taxation being applied to official sales, the Myanmar Government receives little of this (jade revenue was US\$550 million in 2011). As mineral resources are often located in areas of civil conflict (such as the jade mines in Kachin State), more effective use of natural resource rents will depend on developments in the peace process.

To manage gas revenues better, a priority is the development of robust, multi-year forecasts of revenue that disclose key assumptions and include sensitivity analysis. This would complement the increased transparency and reporting discussed in this paper. Better knowledge of resource revenue flows is critical for understanding the risks to Myanmar's fiscal position and would also enable better long-term planning of budgetary decisions.

Myanmar needs to develop analytical tools and fiscal institutions and rules to ensure that natural resource revenues are invested in an effective and sustainable manner that does not undermine macroeconomic stability or squander temporary resource wealth. As discussed in Chapters 4 and 5, resource revenues can play a vital role in meeting Myanmar's major public investment needs in infrastructure and many other areas. However, without clear

and strict rules to govern the use of such funds, this spending could be ineffective or even counterproductive. In particular, the limited absorptive capacity of the domestic economy means that major outlays could exacerbate inflationary pressures, while the volatility of natural resource prices and therefore revenues could lead to fiscal vulnerabilities if unsustainable long-term spending commitments are made. Governance issues and administrative constraints also mean that there is a limit to how effectively large-scale spending can be deployed in the near term. In this context, continued research and the discussion of options for natural resource revenue management and related expenditure are very high priorities. Options include fiscal rules to smooth the macroeconomic impact of resource price cycles and sustainable investing tools that analyse the macroeconomic effects of spending, taking into account factors including limited absorptive capacity and the productivity of public investment. In addressing these issues, Myanmar should also explore the advantages and disadvantages of formalised stabilisation and sovereign wealth funds and consider options for tailoring such structures to Myanmar's circumstances.

Risks need to be recognised and managed

The government balance sheet is exposed to the risks taken by SOEs and subnational governments through either explicit or implicit guarantees of their operations. These contingent liabilities can undermine the fiscal stability of the central government, since the balance sheet can deteriorate rapidly if and when those risks materialise.

For SOEs, their capacity to take on debt or share risk with the private sector under limited oversight creates risk to revenue, with the possibility of default. For exposure to subnational governments, key issues are the immature state of federal fiscal relations and uncertainty about their borrowing.

An important initial step is for the government to develop a comprehensive list of the risks it faces. This should record the type of exposure and where possible quantify the exposure from economic conditions, guarantees and contingent liabilities, and exposure to SOEs and state governments.

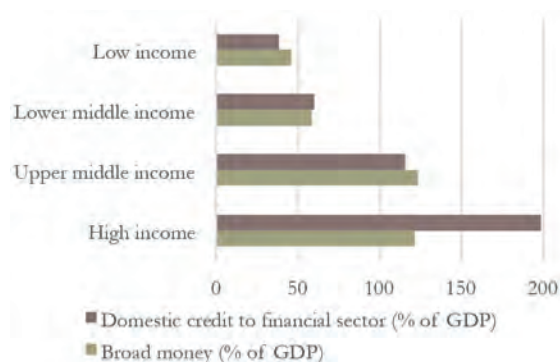
To manage new risk better, the government should develop a policy framework for assessing risks and determining which types of risks it should (or should not) take on. Current processes also allow line ministries to take on risk on behalf of the government without central oversight. Exposing government finances to new risk (such as providing guarantees to banks) should only occur after careful analysis. Effective risk management requires central sign-off on new risk instruments and integration with the budget process.

3.3 Myanmar's banking system and the financial sector

A critical component of any national strategy for economic growth and development is a well-functioning financial system. In such a system, banks and other financial institutions marshal a country's financial assets, allocate them to productive investment, create the instruments that fund government, mitigate risk and foster technological change and improvements in productivity. A well-functioning financial system can also offer the means by which ordinary people can help protect themselves against some of the vagaries of life through secure savings accounts.

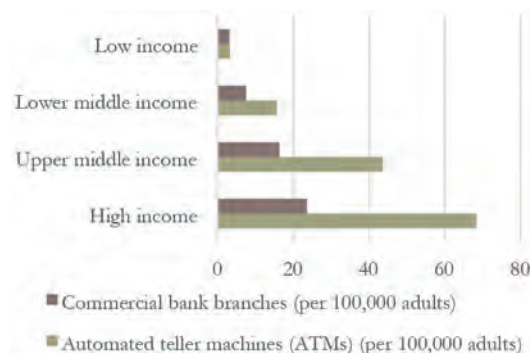
Financial development, as measured by the ratio of credit to GDP and the ability of citizens to access financial services, is strongly correlated with higher incomes (Figures 3.1 and 3.2). While financial development is vital, it also carries risks. High levels of financial development can be associated with increased volatility in growth (IMF 2009). While Myanmar is a long way from this problem, the banking crisis of 2003 showed that risks need to be managed no matter what the level of development.

Figure 3.1: Financial deepening, 2012



Source: World Bank (2014).

Figure 3.2: Financial access, 2012



Source: World Bank (2014).

This section focuses on the banking sector, which dominates the financial sector—it held 99.9 per cent of financial assets in 2011 (GIZ 2013). A long-term consequence of the 2003 crisis has been the adoption of burdensome regulations that restrict finance to those who already have wealth and prevent banks from lending to viable businesses on the basis of risk assessment. Developing prudential regulation in line with international standards will support credit creation and help to build confidence in the sector.

Of the remaining formal financial sectors, microfinance is most developed, although it is affected by conflicting regulatory limitations. While lax barriers to entry have created a large number of under-regulated operators, significant operational restrictions curtail the amount of credit that microfinance can provide. Myanmar does not have an effective capital market, although a securities exchange and stock exchange are in development.

Lending restrictions must be removed

Myanmar's financial system has come a long way in recent times, as is evident from the newly installed ATMs on street corners, rapidly expanding bank branch networks and a proliferation of point-of-sale terminals, foreign exchange counters, and even billboards (electronic and otherwise) extolling internet and mobile banking services.

Structurally, Myanmar's banking sector is a hybrid, comprising a mix of state-owned, semi-official and privately owned banks (Table 3.3). Although Myanmar's private banks account for just a third of system assets and suffer from all manner of constraints, they have been driving product and service development.

Although the consumer experience of banking in Myanmar has been revolutionised, only around 10 per cent of Myanmar's population have a bank account. Despite progress in extending banking networks, the activities of commercial banks do not extend across the economy to intermedicate the creation and allocation of capital. At this stage, the reach of their operations is not sufficient to support transformational growth and economic development.

Various standard measures are commonly used to make intercountry comparisons of the extent to which banking systems fulfil their role as the creators and allocators of capital. Among the most widely used of them (and one that is consistent with the point above) is the private credit to GDP ratio. For Myanmar, this ratio is around 8 per cent. Cambodia's equivalent ratio is around 25 per cent, Lao PDR's 27 per cent, Vietnam's 120 per cent, and Thailand's 150 per cent (World Bank 2014). Meanwhile, the ratio of bank credit to bank deposits—a measure of the efficiency with which a country's banking system converts savings into loans to the private sector—is similarly small, at 49 per cent. This compares to a global

average of over 80 per cent for all countries, and over 60 per cent for the world's cohort of poorest nations.

Table 3.3: Myanmar's commercial banks

| State-owned banks | 'Semi-official' banks | Private banks |
|---------------------------------------|---|---------------------------------|
| Myanma Economic Bank | Myawaddy Bank | Asia Green Development Bank |
| Myanma Investment and Commercial Bank | Small and Medium Industrial Development Bank | Asian Yangon International Bank |
| Myanma Foreign Trade Bank | Innwa Bank | Ayeyarwady Bank |
| Myanmar Agricultural Development Bank | Global Treasury Bank | Co-Operative Bank |
| | Rural Development Bank | First Private Bank |
| | Yadanabon Bank | Myanma Apex Bank |
| | Yangon City Bank | Myanmar Citizens Bank |
| | Myanmar Microfinance Bank | Myanmar Oriental Bank |
| | Myanmar Construction and Housing Development Bank | Tun Foundation Bank |
| | Naypyitaw Sabin Bank | United Amara Bank |
| | | Yoma Bank |

Source: Turnell (2013).

A related problem is the substantial proportion of the balance sheet of Myanmar's commercial banks that is devoted to financing the state (Table 3.4). Over 2013–14, there was some improvement as state revenues improved and private-sector lending increased, but the problem has long been chronic and is likely to persist without substantial fiscal reform in Myanmar. Meanwhile, the banks' ability to raise funds through both deposits and capital has greatly advanced.

Table 3.4: Commercial bank lending (kyat, billions)

| | Lending to government | Lending to the private sector | Commercial bank deposits | Bank capital |
|---------|-----------------------|-------------------------------|--------------------------|--------------|
| 2011–12 | 2,061.44 | 3,170.76 | 7,227.00 | 366.74 |
| 2012–13 | 5,666.29 | 4,697.26 | 10,741.32 | 2,366.49 |
| 2013–14 | 4,736.28 | 7,443.00 | 14,971.23 | 2,760.74 |

Source: IMF, *International financial statistics*.

The major impediments to Myanmar's banking sector reaching its potential in financial intermediation stem from a regulatory set-up that is ill-suited to the establishment and operation of a modern financial system. Devised at a time when Myanmar had only hesitatingly left behind the policies of state socialism, the nation's regulatory framework (much of which finds legal authority in the *Financial Institutions of Myanmar Law 1990*) imposes a range of restrictions upon the banks, including:

- a cap and floor on the interest rates they can charge, and must pay, on deposits and loans;
- a ban on banks lending for terms of more than one year;
- a ban on the granting of uncollateralised loans;
- a narrow range of allowable collateral;
- excessive requirements on collateral margins (a 40 per cent loan to collateral valuation ratio is the norm); and
- restrictions on private banks lending to farmers and cultivators.

The biggest impact of the restrictions on banks is on the lending side of the banks' activities (which is most important in driving private-sector capital formation). The collateral requirements are especially problematic—not only in ruling out a great many potential borrowers, but also in exacerbating the dominant culture within many of Myanmar's banks, which focuses lending decisions on the worth of collateral and away from true credit assessment of the commercial worth of proposed projects. More general problems—including the broader business environment, borrower capacities, lack of secure land and other property rights, lack of a reliable court system to enforce contracts, relatively high inflation, poor infrastructure, and widespread corruption—contribute variously to banks' difficulties in making loans to any but privileged, known and trusted customers (many of which are components of the conglomerates to which the banks themselves belong).

State-owned banks need to be revitalised

Myanmar has four fully state-owned banks: the Myanmar Economic Bank (MEB); the Myanmar Foreign Trade Bank (MFTB); the Myanmar Investment and Commercial Bank (MICB), and the Myanmar Agricultural Development Bank (MADB, which is discussed in more detail in Chapter 5).

The MEB is a broad commercial bank with a large branch network, soft lending standards, indifferent management and obsolete systems. It functions primarily as a funding vehicle for state-owned enterprises. It is sure to have significant bad loans on its books and, despite its branch network, would struggle to hold depositors in a genuinely competitive banking environment. A recent audit report of the MEB revealed that it has not been profitable since 1990 (Eleven News Myanmar, 2014).

Following recent reforms to Myanmar's exchange rate system, the MICB and MFTB have lost much of their previous dominance of formal foreign exchange business. Like the MEB, they would find it hard to survive in their current structure in a truly competitive environment. With their activities hitherto centred on 'rationing' funds (especially foreign exchange) and ensuring the implementation of regulation (such as determining evidence of foreign earnings under Myanmar's former 'export first' policy), they are likely to lose market share to their more customer-focused competitors. Merging these institutions into the Central Bank of Myanmar (in the case of the MFTB) and a revitalised and restructured MEB (in the case of the MICB) would seem reasonable options.

A new *Banking and Financial Institutions Law*

A new *Banking and Financial Institutions Law* has been drafted by the CBM with the assistance of the IMF. The new law is a much-needed update to the *Financial Institutions of Myanmar Law*, and passage of this law through parliament and its implementation would be a major step forward in modernising the financial system in Myanmar. This process has been much delayed and surrounded by great controversy, largely about the question of foreign bank entry. This issue has tended to obscure what should be a relatively straightforward adaptation to local conditions of the latest Basel Accord on bank supervision, which functions as a global standard. While the CBM has for some time formally adhered to the Basel Accords, they are largely ignored in practice.

With the multilateral financial institutions (especially the IMF and World Bank) currently providing assistance to the CBM, some improvement on the supervisory front can be expected. A good first step, however, would be for the CBM to be transparent in its approach to supervision by making publicly available a 'core set' of financial soundness indicators that is disseminated by almost all countries following best practices (centred on the capital adequacy component of the Basel Accords, but also including measures related to liquidity, interest rate margins, profitability and so on). Elsewhere, such indicators are designed to allow market participants (as well as regulators) to distinguish 'good' and 'bad'

banks, but in Myanmar's case the objective should also be about promoting systemwide prudence and reliability.

The role for foreign banks in Myanmar should be expanded

The role that foreign banks might play in Myanmar's future is a matter that has excited much conjecture and controversy. Kept out of the country since 1962, when their long presence in Myanmar came to an end in nationalisation and expulsion, a limited number of foreign banks were authorised to return in 2014.

The CBM has made it clear, however, that the activities of these banks will be circumscribed. Foreign banks are not allowed a retail presence, and their services are limited to the provision of wholesale (business) banking, only to foreign firms and individuals, and only in foreign currency. Foreign banks will also be restricted to a single office. Minimum paid-up capital for a foreign bank licence is set at \$US75 million. In May, the forty-plus foreign banks with representative offices in Myanmar were invited to tender for an operating licence, from which nine were selected in a tender process run by a German consultancy firm (under the auspices of the CBM). As with an earlier tender for foreign telecoms licences, the foreign bank selection process was well run and highly regarded. The names of the nine 'winning' banks were announced on 30 September 2014:

- Australia and New Zealand Banking Group (Australia)
- Bangkok Bank (Thailand)
- Bank of Tokyo–Mitsubishi UFJ (Japan)
- Industrial and Commercial Bank of China (China)
- Malayan Banking Berhad (Malaysia)
- Mizuho Bank (Japan)
- Overseas Chinese Banking Corporation (Singapore)
- Sumitomo Mitsui Banking Corporation (Japan)
- United Overseas Bank (Singapore).

The return of foreign banks to Myanmar generated heated opposition from the existing local banks. Their campaign through the media and other channels hinged on the idea that Myanmar's banks would be unable to compete against the cashed-up and technology-savvy foreigners. A fear that foreign banks would cherry-pick the best customers was voiced frequently, as was the notion that they would 'poach' local staff.

Such fears are greatly exaggerated and miss the key issues. For the most part, the foreign banks are highly specialised, are often concerned to facilitate the activities of foreign investors, and are not in competition with domestic institutions. To the extent that they seek out domestic firms to lend to, the consensus of recent studies in similar transition environments is that foreign bank borrowers will be young and dynamic firms of the sort that are currently ignored by local banks. These are the types of firms that are the real engines of growth, but that often lack the political connections that serve as the true collateral in many countries, including Myanmar.

Curtailing foreign banks' operations in Myanmar also limits the exposure of domestic banks to better and more modern banking practices, products and business structures. Such technology transfer would benefit domestic banks in the long run more than sheltering them from competition and would improve the functioning of the whole economy.

Given community concerns over the entry of foreign banks, it is advisable that the scope of operations of such banks be expanded in a step-wise manner. Initially, foreign banks could be allowed to partner up with domestic banks to provide expanded services. Over the next year, the operations of foreign banks should be liberalised. In this area, the CBM's independence and adequate resourcing for the oversight of the financial sector are of critical importance, highlighting the need for prioritising those reforms.

Continue to develop non-bank sources of finance

Myanmar is host to an array of microfinance institutions (MFIs). Most are small, charity-oriented schemes that are attached to various international and local non-government organisations. Some, however, are large even by global standards and may have the potential to be the foundations for transformational change with respect to financial inclusion. The most important development affecting microfinance in Myanmar under the new government has been the promulgation, in November 2011, of the *Microfinance Law* (Pyitaungsu Hluttaw No.13, 2011) to legalise and formalise the sector. The law authorises the establishment of microfinance institutions to carry out a liberal array of activities, including to:

- extend micro-credit;
- accept deposits;
- receive and accept remittances;
- carry out insurance business;
- borrow locally and from abroad; and
- carry out 'other' financial activities.

Formalising the sector has imposed some costs associated with reporting requirements, minimum capital standards, licence fees, and other prudential and regulatory controls. However, it has also expanded the MFIs' permitted operations. For example, previous regulations prevented them from accepting deposits, which was a significant brake on not just their financial sustainability but their effectiveness. The authorisation of micro-insurance and the ability to engage in the remittance business are likewise at the permissive end of good-practice MFI activity.

One of the greatest potential dangers facing Myanmar's microfinance sector is that it could become the subject of a 'gold rush' of investors. Since the political opening of the past couple of years, Myanmar has attracted a great deal of interest from international investors, NGOs and global charities, the multilateral lending institutions and the development agencies of a number of governments. Many of them promote microfinance as a sector into which they will allocate funds. However, such an influx of funds into microfinance, especially into relatively underdeveloped sectors that lack supporting infrastructure, can be destructive of financial prudence and good practice. As Roodman (2012) attests, the disasters created by excessive flows of donors' funds into microfinance lending is a 'long list' that includes recent crises in Bangladesh, Bosnia, India, Mexico, Nigeria and Pakistan.

For microfinance, another significant downside to easy access to donor funds is that it discourages MFIs from the business of savings mobilisation. Given the inherent virtues of saving for clients of microfinance (much recent research suggests that providing MFI clients with a safe place to keep small savings may be more important to them than giving out loans), this is itself a problem—but it also undermines the incentives for MFIs to become donor-independent, financially self-sufficient institutions.

The potential for MFIs to evolve into financial pillars in Myanmar means that formalisation is a positive step that expands their allowable operations. Resourcing the CBM to provide adequate prudential oversight of the sector is critical, given the risks associated with a nascent financial sector and institutions.

Equity financing in Myanmar is hampered by a policy that establishes that the presence of even a single foreign investor in a Myanmar company renders it a foreign entity—and accordingly subject to a number of restrictions, not least in the use and ownership of land. Such a policy discourages foreign equity investment and should be reviewed in line with the principles discussed in Chapter 7.

It is unclear whether stock markets are desirable for countries at Myanmar's stage of financial sector development, since property rights are not yet securely embedded in tradeable legal claims. Stock exchanges in Cambodia, Lao PDR and (to some extent) Vietnam vividly demonstrate such shortcomings. In July 2013, a new *Securities Exchange Law* was enacted by Myanmar's parliament. Drafted with the assistance of Japan's Policy Research Institute, the law established the Myanmar Securities and Exchange Commission to regulate securities markets, set out the procedures for obtaining a securities trading licence, and set out the legal framework for the Yangon Stock Exchange (Than Htike Oo 2014). Of course, updating Myanmar's company law remains a significant item on the 'to do' list (along with what will emerge as reporting requirements) before the Yangon exchange could be considered a better bet than the neighbouring countries' exchanges.

3.4 Modernising and streamlining the regulatory environment

It is widely recognised that the rule of law is a necessary component of a modern market economy. By underpinning property rights and clearly demarcating the rights and obligations of commercial entities, the rule of law increases certainty for businesses, encourages investment and incentivises entrepreneurial effort. The current regulatory environment in Myanmar is a long way from this ideal. The *Doing Business report* provides a window on the regulatory challenges facing Myanmar, ranking the country 177 out of 189 as a place to do business (World Bank 2015). This assessment reflects poor performance across the typical steps in the lifecycle of business—registering a company, acquiring land, building on it, accessing finance, enforcing contracts and managing insolvency.

The Myanmar Government recognised the importance of this issue in the Framework on Economic and Social Reforms. Since then, improving Myanmar's ranking as a place to do business has explicitly driven a process to simplify the business environment and achieve some 'quick wins'. In response to the 2014 *Doing Business* report, the government established a large number of delivery units that can progress reforms in a range of policy areas and engage with the private sector across a range of policy areas. Meeting the challenge will require a significant change in approach from the system of permissions and controls inherited by the government.

Further, supporting private sector activity is best achieved through broad-based improvement to the regulatory environment, rather than through special assistance targeted at selected sectors. In environments that have limited capacity and lack transparency, sectoral policies tend to be ineffective and channel resources to a well-connected few. Limiting the use of input subsidies or production incentives to develop or sustain particular sectors will lead to a more flexible private sector and not trap resources in unproductive uses. The most effective sectoral strategies to supplement private-sector development are those that focus on improving market institutions and the provision of essential public goods.

Establishing the rule of law for business

Myanmar's laws are notable for their complexity. Sectors or activities are regulated in a fragmented fashion involving multiple laws, sometimes with inconsistencies between them. For example, six laws regulate different types of investment and many more affect the use of land (OECD 2014a and Leckie 2009). There are also key gaps in the legal framework, such as the absence of a competition policy and or

a modern approach for managing insolvency. While the current parliament has been very active in passing new legislation to address some of these gaps, several problems remain.

Much of the legislation passed (both old and new) is minimalist, leaving key elements of policy to the supporting regulation. This gives the executive significant scope to define how laws operate, which does little to improve legal certainty. Compounding this is the tendency for regulations and rules to follow legislation after a lengthy delay. Similarly, international treaties signed by Myanmar often lack domestic enforcement, as they are not followed by domestic legislation. The process of reform is patchy; while there are examples of good consultation (such as for the telecommunications laws), it remains inconsistent in practice, and is too often limited to the selective engagement of well-connected groups.

Deficiencies in practice are arguably of greater importance than the laws themselves. The ambiguity of laws grants significant discretion over how they are applied, and there is generally a lack of policy or statements of principle to provide guidance in their application. The legacy of military rule compounds this, and decisions on administrative matters often need to be elevated to senior civil servants or ministers. Rules developed by ministries continue to regulate matters of private rather than public interest, such as requiring business plans for company registration or checking the legality of contracts between two parties to allow registration. These factors combine to create a system that is focused on permissions and relies on active decisions rather than compliance measures to regulate private-sector behaviour. Dismantling the permissions-based system of activity and limiting it to sectors of genuine public interest would benefit all businesses in Myanmar. A permissions-based system lacks transparency, adds cost and uncertainty to private investment and diverts valuable bureaucratic resources.

Administrative processes are often confusing, and complying with them is time-consuming. These steps are often determined by internal ministerial rules or practice and can be non-transparent—neither the decisions nor their rationale is made public. Processes that involve multiple ministries, such as approvals for a new hotel or factory, are particularly complex to negotiate, and inconsistent advice about the appropriate sequence is common. Practitioners report that sometimes government agencies may attempt to assist with letters outlining indicative approval, although this underscores a lack of concern with legal formality. Partly because of the speed of reform in the country, sometimes processes simply do not exist. For example, while foreigners are formally able to take security in real estate, no process exists for that security to be registered.

Partly as a consequence of these challenges, a number of laws have been developed to overcome uncertainty in key sectors of the economy. While this is understandable in the case of national development priorities, such as telecommunications, it is not a comprehensive approach. Further, laws such as the *Special Economic Zone Law* and the *Private Industrial Enterprise Law* also offer a range of inducements, which are commonly available only to large investors. This approach conflates the benefits of providing regulatory clarity with a view that big business is exceptional and in need of special promotion.

There are several weaknesses in the system after the decision-making stage. First, there is no right to appeal most administrative decisions affecting business, such as the award of permits or licences. As well as being integral to the consistent application of law, appeals can expose undue influence over decision-making to wider scrutiny.

Second, in contrast to the significant administrative energy committed to assessing the right to start businesses, regulatory enforcement once businesses are in operation is weak, particularly in the areas of tax and environmental regulation. Significant discretion can be applied, and requirements are sometimes unenforced due to lack of administrative capacity. Enforcement that appears arbitrary and variable adds to regulatory risk.

Third, weakness in the court system makes it very difficult to enforce property rights. One measure of this is time: it takes over three years to enforce a contract, more than twice as long as in other ASEAN countries. More significantly, there is little confidence in the impartiality of the judiciary, which is afflicted by allegations of corruption. While the 2008 Constitution formally separated the judiciary, the executive maintains significant influence and there has been only limited work to increase the independence of the judiciary. Reforms in this area are critical, but well beyond the scope of this report, as they touch on constitutional issues and relate to broader questions of fairness in the criminal law system and human rights.

Finally, the very limited access to alternative dispute resolution offers little support for enforcing rights. Arbitration is widely regarded as unreliable, and there is no domestic mechanism for enforcing the results of international arbitration. However, the recently announced draft law is regarded as broadly consistent with model law.

Developing the effective rule of law for business activity will require a series of steps:

- **Legislative gaps need to be identified and addressed.** A legislative reform process of identifying gaps and working through them systematically should be initiated. The development of a law reform commission would be one way to direct and provide structure to this work, and would build on the establishment of the Parliamentary Committee on the Rule of Law, Peace and Stability. While the legislative task appears urgent, it is more productive for newly developed legislation to be comprehensive, or at least involve the concurrent development of regulations; the gains from efficacy offset the longer time needed to produce it.
- **Improve consultation processes to enhance the quality of legislation.** Engaging the private sector and civil society would aid the identification of legislative gaps and assist with prioritisation. Stakeholder dialogue should be conducted throughout the reform process, and draft laws and regulations should be shared transparently. One way to do this would be to consult on priority legislation through industry bodies, such as chambers of commerce and industry. Alternatively, for sector-specific consultations, stakeholder panels can be constituted to make written submissions into the drafting process.
- **Improve transparency over regulatory processes.** Developing central repositories of the current stock of rules and processes would make it easier to engage with the system. This could be initiated by publishing all new notifications and rules online, and broadened to a stocktake of existing decisions. Process maps in key areas should be developed in consultation with stakeholders (possibly using the mechanisms above), published and widely distributed. They need to cover areas that involve cooperation across ministries and other government agencies. To enforce effective coordination and drive change, it may be necessary to assign certain ministries or delivery agencies overarching responsibility for a particular process.
- **Invest more resources in enforcement.** Shifting the focus of resources from up-front checks to improved enforcement is likely to improve policy outcomes and lower business costs. To emphasise self-regulation, the system must demonstrate that there are consequences to law-breaking. This requires following up breaches in a consistent, commensurate and transparent way.

Reform of state-owned enterprises

Stimulating private-sector growth will require levelling the playing field between state-owned enterprises (SOEs) and private businesses. The state is a powerful competitor, with greater access to finance at lower rates of interest and an ability to smooth revenue and absorb losses more readily than an individual business. These advantages make it difficult for private businesses to compete in sectors where there is a

dominant public-sector player. In addition, the state maintains legislative and executive powers that may make operations in a certain sector impossible.

Box 3.2: OECD guidelines on the corporate governance of state-owned enterprises

I. ***Ensuring an effective legal and regulatory framework for SOEs***

The legal and regulatory framework for SOEs should ensure a level-playing field in markets where SOEs and private sector companies compete in order to avoid market distortions. The framework should build on, and be fully compatible with, the OECD Principles of Corporate Governance.

Ensuring an effective legal and regulatory framework requires, among other things, a clear separation between the state's ownership and its other functions, especially regulatory functions, and purely commercial relationships between the SOE and other state-owned companies such as banks. Stakeholders, including competitors, should have access to efficient redress when they consider that their rights have been violated.

II. ***The state acting as an owner***

The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness.

This includes allowing the SOE full operational autonomy, the government distancing itself from the SOE's day-to-day activities, respecting the independence of SOE boards and clearly identifying the exercise of ownership rights.

III. ***Equitable treatment of shareholders***

The state and SOEs should recognise the rights of all shareholders and in accordance with the OECD Principles of Corporate Governance ensure their equitable treatment and equal access to corporate information.

IV. ***Relations with stakeholders***

The state ownership policy should fully recognise the SOEs' responsibilities to stakeholders and request that they report on their relations with stakeholders.

Source: OECD guidelines on corporate governance of state-owned enterprises, 2005.

The *State-owned Economic Enterprise Law* specifies economic activities that are reserved for the state, and the prescribed areas cover almost all sectors of the economy. The government has opened up most sectors to private-sector participation, and private domestic businesses are able to operate in those areas with the approval of the government. Foreign investors can apply to the Myanmar Investment Commission for permission to operate in those sectors.

The government has been active on SOE reform, including by sharply cutting direct subsidies to SOEs and removing easy credit from state banks. SOEs are also compelled to use the market-based exchange rate instead of the previous administered rate. There is a priority need for phasing in future reforms that balance the benefits of preparing sectors for competition with the need for profit-based incentives to be a cornerstone of economic activity in those sectors.

Privatising or commercialising SOEs in different sectors will require tailored approaches because of the varying public-interest considerations in play. For example, transparency and reporting are critical in relation to SOEs in the extractive industries, while issues of vertical integration and natural monopolies are more relevant for utilities and transport. Generally, reform should be informed by guidelines and

principles such as the *OECD guidelines on the corporate governance of state-owned enterprises* (Box 3.2). For all privatisations, transparent and competitive tender processes need to be adopted to ensure that the new owners are effective managers who can improve the productivity of their firms, and not merely well-connected individuals.

SOEs play a dominant role in the exploitation of natural resources, and greater transparency in their activities (such as through the Extractive Industries Transparency Initiative, which is discussed in the Chapter 5) is a key issue. A further inhibitor of effective private-sector development is the monopoly rights that natural resource companies have over activities. This can extend beyond the role of managing the resource or economic rents relating to the sector to ancillary services, such as Myanmar Oil and Gas Enterprise (MOGE) rights to supply services to the sectors. Similarly, removing the regulatory function of SOEs will enable private-sector development and improve their business performance, and there are plans in place to do so for MOGE.

Reforming SOEs in the transport sector will be important for delivering infrastructure services that are critical for sustaining growth over the next decade. For subsectors such as railways, where SOEs may be justified due to natural monopolies, forcing SOEs to operate on a commercial basis and clearly defining subsidies for community services will increase efficiency and quantify the budgetary cost of social services. Critically, reform in the transport sector will intersect with financing possibilities and the potential for private-sector involvement. For example, many fares are set centrally and controlled (ADB 2012), leading to some sectors recording losses and discouraging private-sector participation. Vertical integration of these SOEs with the regulating ministries increases the possibility of conflicts of interest and political influence in the running of the SOEs. Removing that vertical integration, rationalising regulated fares and building an effective regulatory agency are all necessary steps to reforming SOEs in the transport sector. Strategic oversight in sequencing and phasing could be located within the new infrastructure coordination body proposed in Chapter 6.

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4 Public investment in growth and prosperity

KEY MESSAGE

Effective public investment, policy-making and power sharing are fundamental to sustainable trade-oriented growth, both in improving the capacities and welfare of Myanmar's people and in maintaining the peace and political settlement necessary to sustain growth in the long term. Myanmar's ability to make investments in human capital and physical infrastructure to support growth and stability is restricted by limited revenue, weak financial management and endemic governance issues. Improving transparency and accountability in the management of Myanmar's resources and reforming the tax system over time to provide a stronger and more efficient revenue base as Myanmar's economy evolves can increase the government's ability to meet these priorities. This needs to be supported by improved policy development and policy decision-making at the central level, with an emphasis on developing effective policy review mechanisms and processes, and measures to support growing political autonomy for state and regional governments through increased fiscal and administrative capacity.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Myanmar needs to **invest in the priority development areas** of health, education and infrastructure. Physical infrastructure is critical as it connects the nation's people and regions to national and global markets, and human capital investments in education and health will help prepare Myanmar's economic transition, as well as improving the wellbeing of the population.
- In the near term, Myanmar should implement reforms that will improve tax collection to strengthen its currently weak taxation base. In the longer term, it should focus on laying the foundations for **a tax system that can deliver increased revenues** in an efficient manner as Myanmar's economic structure changes. A comprehensive tax review could help guide the longer term development of value-added, corporate and personal income taxes as those tax bases develop over time.
- Myanmar should establish an independent **national policy review institution** that will better inform government decision-making, inform public debate and enhance the transparency of, and public and international confidence in, policy outcomes.
- Improving **budget transparency, coverage and oversight** will lead to stronger, more transparent and more accountable revenue mobilisation and expenditure decisions at the central and subnational levels.
- Continuing the **decentralisation** of political autonomy and administrative responsibilities to state and regional governments will deliver more efficient and accountable government services. To strengthen Myanmar's developing federal structure, and the contribution it can make to peace and stability, increased devolution of political responsibility must be accompanied by well-defined fiscal and administrative responsibilities at the national, state and regional levels that suit local conditions and that are needed to make the relationship between the central and state governments work in practice.

4.1 Introduction

With stable macroeconomic settings and strong regulatory settings in place, gains from trade-oriented growth led by the private sector will accrue to individuals and households, raising productivity and living standards across Myanmar.

The task for Myanmar's government in supporting this process goes far beyond reducing its currently pervasive role in the economy, erecting the basic structures of a market economy and simply allowing development to take its course. The government has an indispensable role to play in ensuring that the opportunities and gains from domestic and international economic liberalisation spread across Myanmar's economy and society over time. This requires not only making effective public investments to support growth and welfare, but also ensuring that policy and institutional reforms, liberalisation, growth and the peace process are mutually reinforcing, providing a foundation for the long-term political stability that is needed for the country to prosper.

Targeted and efficient government spending on social and physical infrastructure is critical to developing Myanmar's human and natural resources and developing the public goods and endowments that the nation needs to succeed as a trade-oriented economy.

Myanmar's ability to design policy and deploy funds to target these priorities is currently limited by low revenues, weak policy review capacity, underdeveloped public financial management and a centralised governance structure in which key decisions are taken far away from the communities that government programs are designed to serve. The current reform process offers an important opportunity to address these shortcomings.

Myanmar is fortunate to have a rich endowment of natural resources that can be leveraged to start making these public investments. However, those natural assets, while abundant, are ultimately finite, costly to exploit and subject to the vagaries of global markets. The advantage that natural resources provide should neither be taken for granted nor squandered. Clear and strict rules for their management must be put in place. Looking ahead, **building and expanding efficient tax bases** that are not dependent on returns from natural resources and that are tailored to predictable changes in Myanmar's economic structure and position is crucial to mobilising public funds for longer term public investments and expenditure. A comprehensive tax review is desirable, and should relate near-term revenue measures to longer term sustainable and efficient tax policy and administration.

Improved public decision-making and accountability—and particularly strengthening the government's capacity for policy development and review—are key priorities for maximising the efficiency of the use of national resources and the effectiveness of public investment and expenditure.

Myanmar should establish a policy analysis and review agency as an important mechanism for injecting independent and rigorous advice into government and informing stakeholders and public debates in a non-partisan way. This will enhance transparency in policy decision-making and confidence in policy strategies. Analysis that takes an economy-wide view of the trade-offs inherent in the reform process would be a major step forward, especially as reforms start to touch on the privileges of powerful stakeholders. It will be an important step in sustaining the momentum of reform.

Expert policy advice and review can only be useful if key policy trade-offs are debated and decisions are taken at the appropriate level of government, and if expenditures that follow are controlled and directed in a manner that is consistent with the government's policy goals. Reforming Myanmar's **budget decision-making process** will enable a direct link between the policy choices and spending priorities of the central government and ministries, as well as those of state and regional governments.

Increasing the **political, fiscal and administrative autonomy** of the latter, in the context of more integrated, transparent and forward-looking budget processes across all levels of government, is another major step forward for strengthening policy effectiveness and accountability as well as prospects for political stability and peace and the encouragement of economic development opportunities across

regions. Political and fiscal federalism are the keystones to peace, but the roadmap towards them is incomplete and complex.

4.2 The priority areas—education, health and infrastructure

Myanmar's growth prospects depend on the ability of its people to take maximum advantage of economic opportunities presented by its increasing openness and trade and investment liberalisation. The ability of households to access better jobs with higher wages, invest in new financial products and start businesses requires government investments in education, health and infrastructure. Not only are good education, health and infrastructure services important for households in their own right, but they are also crucial for continued economic growth.

Myanmar's educational performance, while strong when measured using literacy rates (at around 90 per cent of the adult population), is poor by other simple measures, such as total years of schooling for the average person over 25 (at four years in 2010). This is around half of the total years of schooling in the Philippines and around two-thirds of that in Thailand, Vietnam and Indonesia (Barro and Lee 2013). Improving these education outcomes in conjunction with policies to promote openness can accelerate growth. The literature suggests that openness and education not only boost growth individually, but also have a significant positive effect in combination (Hanushek and Woessmann 2007).

Empirical evidence suggests that there is no 'silver bullet' for education policy—broad-based education is important for growth, as is the concentration of high performers. In other words, different dimensions of knowledge and education seem to contribute independently to growth. The good news is that improving the quality of education does not necessarily require large expenditure outlays. Significant progress can be made through a combination of budget reallocation, good educational policy, quality teachers and appropriate incentive structures.

Like education, good health is important for welfare in its own right. It also makes an important contribution to economic growth by contributing to a more productive workforce with longer life expectancy and healthier (and better educated) children. However, total health expenditure in Myanmar is the lowest among countries in the World Health Organization Southeast Asia and Western Pacific regions, at 2–2.4 per cent of GDP between 2001 and 2011 (APOPHSP 2014).

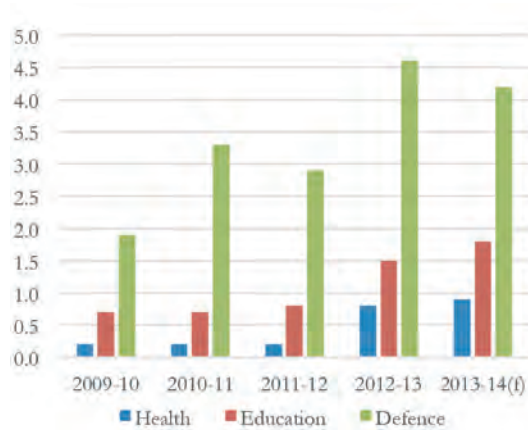
Good health and education outcomes can be supported by providing infrastructure services to households, such as sanitation, access to clean water and reliable power, as well as transport and communications services to enable them to access these services. Infrastructure plays a key role in forming the economic backbone of an economy, linking internal markets together and filling regional connectivity gaps. Myanmar's relatively large landmass, centrally located in a dynamic region, makes infrastructure investment an urgent priority (this is discussed in further detail in Chapter 6).

Increasing public expenditures in the priority development areas

Currently, Myanmar's overall expenditure is not well tuned to these development needs, and several aspects of its composition indicate weaknesses in budget processes. First, there is room to increase overall government expenditure levels. While government expenditure in Myanmar has increased in recent years to around 25 per cent of GDP, it remains significantly below international and Asian levels (the world average is 34 per cent; the average in emerging and developing economies is 30 per cent) (Economy Watch 2014).

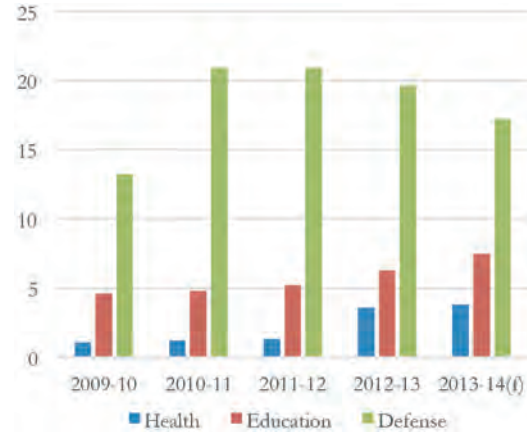
Defence spending dominates the budget allocation, although the government has rapidly increased expenditure on health and education over the past few years, both as a percentage of GDP and as a percentage of total expenditure (Figures 4.1 and 4.2).

Figure 4.1: Expenditures in health, education and defence, 2009–10 to 2013–14 (per cent of GDP)



Source: World Bank (2013a).

Figure 4.2: Expenditures in health, education and defence, 2009–10 to 2013–14 (per cent of expenditure)



Source: World Bank (2013a).

The budget share allocated to education in Myanmar is low compared to the share in its regional neighbours, and only the Philippines spends less on health (Table 4.1). After Myanmar's history of prolonged underinvestment in education and health, recent increases are just the beginning. Significant work is underway to improve outcomes in these sectors, such the Comprehensive Education Sector Review. The delivery of these reforms is expected to involve significant increases in spending; in education alone, the Asian Development Bank suggests that education spending will triple from 1 per cent of GDP in recent years to 3 per cent of GDP by 2015 (ADB 2014). While infrastructure spending as a proportion of the total budget is also high, it remains low in absolute terms, given that it is a key priority, and the Asian Development Bank estimates the investment gap at up to US\$4.7 billion per year (ADB 2014).

Table 4.1: Budget shares of selected Southeast Asian countries, 2013

| | Cambodia | Malaysia | Myanmar | Philippines | Thailand |
|----------------|----------|----------|---------|-------------|----------|
| Agriculture | 1.5 | 2.6 | 4.0 | 5.5 | 1.9 |
| Education | 13.7 | 21.6 | 11.0 | 13.9 | 21.2 |
| Health | 12.2 | 7.5 | 6.0 | 2.5 | 10.5 |
| Infrastructure | 1.1 | 10.4 | 27.0 | 18.6 | 1.8 |
| Defence | 22.7 | 11.1 | 14.5 | 5.2 | 14.4 |
| Other | 48.8 | 46.8 | 37.5 | 54.3 | 50.2 |

Source: ADB (2014), *Myanmar Union Budget Law* (2014–2015).

Spending increases of this magnitude can only be achieved with a more reliable public revenue base, which is discussed in the next section. While foreign aid will play a role in financing Myanmar's economic development needs, Myanmar should work towards developing its own sources of public finance in its transition towards a stronger economy. In addition, large-scale financing will be limited by Myanmar's record of public financial management, including historical and current debt levels. While Myanmar's

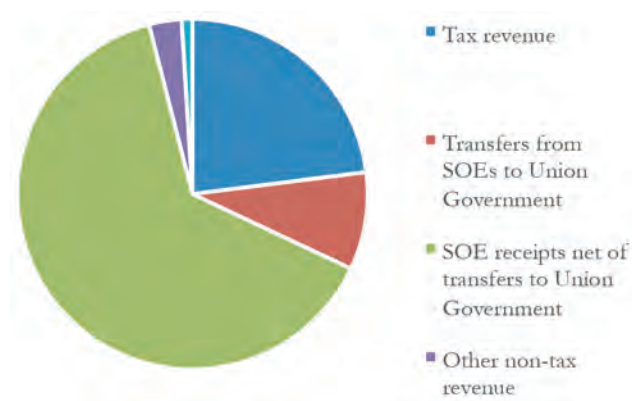
government debt to GDP ratio has fallen from around over 100 per cent of GDP in the early 2000s, it still stood at around 43 per cent in 2014 (Trading Economics 2014). Improved fiscal capacity and credibility will be important for attracting concessional sources of international credit.

4.3 Increasing fiscal resources through the tax system

While Myanmar is fortunate to be a resource-rich country that can leverage off its natural resources assets to finance critical public investments, natural resource revenues are currently under-harvested and an unreliable source of income in the long run, as their potential relative importance will decline. To ensure sustainable economic growth as it continues its trade and investment liberalisation, Myanmar should prepare to reduce its dependence on natural resources as a source of income.

The opaqueness of the budget and the operation of state-owned enterprises (SOEs) means that is impossible to determine the exact share of Myanmar's revenue that is currently derived from natural resources. Major enterprises effectively owned by agencies of the state yield little to no tax to consolidated revenue. The leakage of potential tax revenues to corrupt officials is a major problem. Much of the revenue generated from the nation's natural resources simply does not enter the budget. Natural resource gains that flow to the budget are limited to tax revenues and dividends from SOEs, while most of the earnings are managed separately by SOEs and are therefore off-budget. According to the IMF, natural resource revenues contributed less than 1 per cent of total budget revenue in 2008 (ERI 2009). The proportion of total government revenues from SOE receipts (mostly derived from SOEs operating in the extractive industries) far outweighs the revenues gained from tax and non-tax revenues, even when the transfers from SOEs to the Union Government have been accounted for (Figure 4.3).

Figure 4.3: Sources of general government revenue, 2013–14



Source: Lynn and Oye (2014).

With a large proportion of the government's revenue off-budget, those funds cannot be effectively mobilised into productive investments. There are two ways to address this issue. First, there is an urgent need to expand budget coverage in order to utilise natural resource incomes for economic development and more effectively set fiscal priorities. This is discussed in Section 4.5.

Second, there is need to expand the proportion of tax receipts as a source of government revenues more generally. Such actions will increase the level of fiscal resources, which are sorely needed to finance public investments that are critical to underpinning Myanmar's trade and investment growth path.

Myanmar needs to reform its tax system now to prepare for the opportunities that will emerge from greater trade and investment openness. It has one of the lowest tax revenue collections in the world. Tax bases for income tax should be broadened; taxes, royalties or both on extractive rents should be

enhanced; commercial tax should be simplified and restructured; and tax exemptions should be minimised. The Myanmar Government has acknowledged this as a priority and has committed to increasing tax revenue to 10 per cent of GDP by 2018, from an estimated 4.4 per cent of GDP in 2013–14.

This chapter identifies two main priorities for strengthening tax revenues to increase fiscal resources. In the near term, Myanmar should make practical and feasible changes to existing tax arrangements and administration and review costly tax expenditures, such as the corporate income tax holiday arrangements for foreign investors. As part of a longer term reform process to increase revenue adequacy and reduce inefficient taxes, Myanmar should conduct a tax review to recommend how to recalibrate tax policy over time in the light of Myanmar's changing economic structure and public investment priorities. When developing both near-term and longer term tax reforms, the principles of a good tax system as set out in Box 4.1 might be considered.

Box 4.1: Principles of a good tax system

An efficient tax system that is non-distortionary and supports economic growth

Taxation imposes economic costs on society when it creates incentives for individuals and businesses to alter their private decisions about how much they work, how much and in what way they choose to save and invest, and how much and what they consume. A tax system that levies relatively low rates of taxation on broad tax bases is therefore more likely to raise adequate revenues while reducing the drag on growth from taxation.

The most efficient tax systems have a limited number of taxes that apply to each of the main tax bases (income, consumption, capital and land). Examples include *sales tax* or *value added tax*, with a broad base and low flat rate, levied on the consumption of most goods and services; *land or property tax*, at a low rate, levied on the value of all land; *corporate income tax* at a fairly low flat rate, with a broad base to cover all corporate profits; *personal income tax*, with a broad base, to cover all kinds of income from wages, investments and profits at fairly low but progressive rates, with a tax-free threshold; *specific excise taxes* on some goods, such as tobacco, petrol or alcohol, at moderate rates; and *user charges* or *fees* on specific goods or infrastructure, such as local levies or rates for the provision of local services, or low-rate trade or customs taxes at the central level.

A fair tax system that allocates a fair tax burden among taxpayers

The two principles of tax fairness are:

- *Benefit*: people should pay taxes to fund the public benefit of goods and services from government. For example, people should pay taxes to fund government services such as local roads, sewerage, public health services and free school education, to benefit all people.
- *Ability to pay*: people should pay taxes in accordance with their ability or capacity to pay. This means that people should pay a fair share of tax based on their level of income, or the value of their land or other assets. Overall, high-income people should pay more tax than low-income people, who have less capacity to pay.

For the principle of fairness that is critical to ensuring political feasibility and therefore sustainability, the following elements should underlie the tax system:

- Taxes should be used (and be perceived to be used) to deliver public services and infrastructure. For example, at the local level, showing a direct connection between property tax and local services such as sewerage and roads is important, while the delivery of improved health or education is important to get taxpayer compliance with a broad-based goods and services tax.

- All individuals must be seen to pay their share of taxes under the law. This means that the tax administration is perceived to be properly enforcing the system.
- It is particularly important that individuals with high income or assets pay sufficient taxes and are not seen as being beyond the law.
- Low-income individuals should not face excessively high indirect tax burdens (for example, in excises, fees or high-rate consumption taxes on some products).
- Businesses that pay commercial tax and (possibly in future) goods and services tax should perceive that they are not bearing the whole burden of business tax or administering the tax system for the government.
- Large businesses, especially large foreign investors and SOEs, should pay and be perceived to pay a fair and sufficient amount of tax.

A tax system that is easy to understand, administer and comply with, for both the tax agency and taxpayers

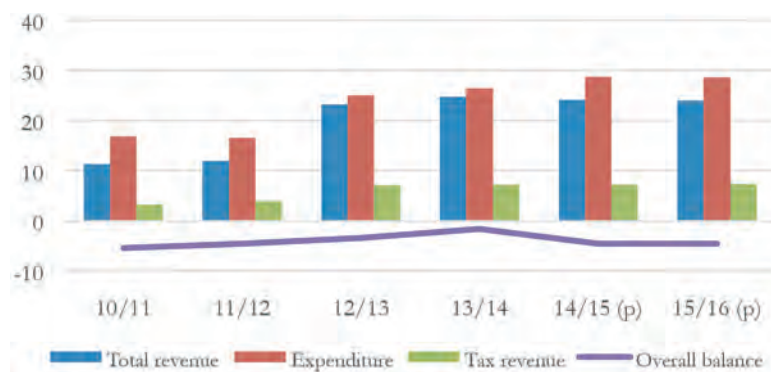
Tax collections can be raised by stronger administration. A tax system that is complex and weakly enforced will be perceived as unfair because tax payment appears negotiable and often arbitrary. The administration of many tax exemptions, and small taxes and charges by many different departments of the government, is complex, difficult and therefore inefficient; it will fail to raise enough revenue, while increasing the risk of uncertainty, non-transparency and corruption.

It is also imperative that the tax administration be conducted in accordance with the rule of law, ensuring equal treatment of taxpayers, transparency and the protection of taxpayers' rights. This means that the tax system must be based on clear laws that are published and accessible for the taxpayer population and their advisers. A clear system of review and appeals from tax assessments and decisions of the taxation authority should be established in the court system.

Addressing weakness in the current tax system in the near term

Comprehensive tax system reforms should be on the government's agenda. The reform effort should reflect two overarching ambitions. The first is to improve the design and administration of the tax system in the near term to raise the higher revenues that are needed now to fund urgent policy priorities. The second is to lay the foundations for a longer term process of tax system review and reform that has as its goal the development of an efficient and stable tax system that will serve Myanmar well not only in the years but in the decades to come. While measures to increase revenues over the immediate budget horizon are necessary, it is vital that they are consistent with and occur alongside tax system changes that have less impact now but that will become increasingly important to the revenue base as the structure of Myanmar's economy changes and its bureaucratic and administrative capacities develop over time.

Myanmar's revenue–expenditure gap has narrowed in recent years (Figure 4.4). This has been driven largely by substantially higher revenues that reflect higher resources-related receipts. However, total revenues still fall short of what is needed to fund expenditure at current levels, let alone underpin the expansion of public investment required to meet pressing economic and development challenges. Current weaknesses of the tax system, as well as options for near-term reforms, are identified below.

Figure 4.4: Fiscal revenue and expenditure, 2010–11 to 2015–16 (per cent of GDP)

Source: IMF (2013).

Resource revenues

The most urgent task is to ensure accountability for revenues or profits from the resources sector. The most important priority is to put in place separate budget treatment for the oil and gas sectors so that the revenues are identifiable and to increase the amounts that enter the budget. The government should push forward with the EITI process to kickstart accountability for resource revenues and expenditure. Priority should be given to achieving full transparency and tracking of revenues in the biggest earning sectors of oil and gas. Only when those sectors are comprehensively addressed should EITI efforts be extended to other sectors. The importance of strengthening the management of resource revenues is discussed in detail in Chapter 5.

Commercial tax

Because of the shortcomings in the current tax system and administration, it is most realistic to suggest a staged approach to strengthen revenue. The Special Commercial Tax is a good start based on business turnover. However, it is complicated because it combines two taxes that are traditionally separate: a tax on turnover and an excise tax on specific goods such as alcohol, tobacco and other goods for other policy reasons. This leads to a highly complex system with multiple rates and clawbacks and low revenue.

As preparation for a comprehensive tax review, the Myanmar Government, as a priority, should separate this tax into a broad flat-rate turnover tax and excises on specific goods. The excise tax regime should focus on specific goods, such as alcohol, tobacco, petroleum products, motor vehicles and gemstones.

Corporate tax

It is important to strengthen the administration of corporate income tax, especially for large companies in the extractive sector. However, large SOEs play a significant role in the economy and, as part of the public sector, are generally outside the corporate income tax net. To ensure that these enterprises are efficiently and profitably operated on behalf of the community, transparency in their activities and earnings are of critical importance (as discussed in Chapter 3 in the discussion of SOEs).

Tax administration

In the short term, to improve revenue collection the Myanmar Government should proceed with its various tax administration reforms. Myanmar can make effective use of technical assistance from the IMF aimed at modernising the revenue agency. These reforms should be fully implemented, but there is evidence of progress, including:

- the establishment of the Special Large Taxpayer Office in April 2014 and the introduction of self-assessments for tax returns for large business taxpayers.
- the upgrade of the tax administration system from a paper-based system to a computer-based system.
- improvements to the administration of commercial tax, including by a tax label (with sticker and serial number) for restaurants.
- the implementation of the E-RTS (e-Revenue and Taxation System) for income tax on wages, and
- general improvements to the quality of service for taxpayers

As a diverse range of taxes and fees is administered in ministries and departments other than the Internal Revenue Department (IRD), where possible the government should aim to centralise the collection of existing taxes in the IRD, which can provide improved and more efficient tax collection.

The Myanmar IRD is to be lauded for having established a website with information for taxpayers. However, because most people in Myanmar have only limited access to the internet but have a high level of literacy, it is important for the IRD to conduct tax education campaigns, for example by providing paper leaflets, notices and other guidance and distributing them widely through the regions where tax will be paid. The IRD can use its publications to encourage tax payment and explain why taxes will deliver government services for the public.

Identification and measurement of tax incentives

As part of improved budgeting, the government should identify all specific tax exemptions or incentives in each tax base and aim to estimate the tax revenue forgone by the exemptions. This ‘tax expenditure budgeting’ aims to give a true picture of the revenues lost if special tax holidays, reduced rates or concessions are introduced. Any impacts of removing tax incentives on the level of investment in Myanmar should be considered as part of this assessment. This task will require adequate statistics and modelling capabilities, so the government should aim to improve both aspects through training and assistance, both internally and from other countries. The reports should be made publicly available.

Personal income tax

At present, the tax base for personal income tax is mostly wages in the formal economy (paid to government employees and employees of large companies). Administrative reform should expand the withholding system so that employers withhold tax on salaries paid to all employees and remit it to the government.

International tax cooperation

There is scope for Myanmar to increase its engagement in the Asian region and with major trading partners or potential investors—including, for example, South Korea, Japan, China and Australia. This could include the negotiation of suitable double tax treaties. However, such treaties take a long time to negotiate and will involve Myanmar giving up some jurisdiction or lowering withholding tax rates. Myanmar could take initial steps to join the Global Forum on Tax Cooperation to build administrative cooperation with other countries. Chapter 8 includes further discussion of the importance of international engagement for domestic reforms.

A comprehensive tax review in the longer term

In the longer term, more radical and comprehensive changes to the tax system are necessary to ensure that Myanmar is able to fund its continued development needs. The expansion of the productive capacity of its agricultural and manufacturing sectors and a reduction in reliance on its extractive industries as it transitions along its economic development path will require changes to the tax system that need to be put in place now. The transition in the structure of the economy in this direction is discussed in Chapter 5, and is consistent with what has happened in other countries in the region that have followed a trade-oriented development model.

It is recommended, therefore, that the Myanmar Government plan for and initiate a comprehensive Tax Review in 2016. The purpose of the Tax Review would be to examine how the system as a whole needs to be redesigned and improved over time in a manner consistent with fostering and capturing the gains from openness, trade and development.

The tax review should include analyses of all taxes raised by the central government and local governments and consider the allocation of taxing and spending responsibilities to different levels of government. The review should consult widely and issue options papers to assist in developing options and informing public discussion and understanding. A staged approach to reform would sensibly follow the adoption of recommendations of the Tax Review. The estimated time frame for the review is 18 months. The review should aim to make recommendations in 2018; the implementation of reforms for fairness and economic efficiency should begin in a staged process commencing in that year.

It would be beneficial for the Tax Review to draw on experience in other countries in the region and elsewhere that use different kinds of taxes and tax collection methods. As far as possible, the Tax Review should also be supported by additional data collection and analysis within Myanmar. Some key points and issues to be considered in carrying out the Tax Review and implementing reform are noted below.

Broad-based, low-rate goods and services tax or value-added tax

The Tax Review should explore replacing the commercial tax with a broad-based, low-rate goods and services tax as part of an overall package of reform. It is stated in Myanmar's recent IMF Article IV Consultation report (IMF 2014) that a value-added tax (VAT) is proposed for implementation in 2018–19.

Experience in other countries suggests that VAT reform is important, but also very challenging. Issues of fairness, administration and transition all need careful attention. New taxes such as a VAT, which is ideal in the sense of economic efficiency, can be complex to administer. The capability of both government and business needs to be taken into account in tax reform. This reform proposal should aim to implement a tax reform that can be administered and complied with but still be consistent with the principle of being broadly based, even if it does not meet the 'ideal' design. The VAT reform requires significant preparation by the tax administration and in businesses, which must collect and remit the tax. It is important to plan for a transition period of at least two years.

Corporate tax

The Tax Review should examine in detail how to update Myanmar's corporate and international tax system as it applies to large business taxpayers, so that it is capable of effectively taxing income from foreign direct investment. Those flows are expected to increase significantly as Myanmar and other countries in the region continue their liberalisation measures.

Tax incentives are not needed to attract foreign investment into areas in which Myanmar has a comparative advantage. It is better to have a reasonably low flat rate and a broad base. As discussed in more detail in Chapter 5, international evidence shows that tax incentives are a low priority for investors and that the business environment and infrastructure are more important in foreign investment decisions. As an interim measure, it would be most efficient for the IRD to administer all tax aspects of the *Investment Law*, as it will have the investigative and enforcement powers to ensure that the conditions are properly met by investors. It would be even better to unwind inefficient business tax incentives.

Myanmar can have an efficient business tax system to foster growth in the manufacturing sector with a broad-based and low-rate corporate tax that includes reasonable depreciation for investment in capital equipment, deductions for expenses and the carrying forward of losses for start-up businesses.

It will be important for Myanmar to be prepared to protect its corporate tax base from international tax planning, base erosion and profit shifting. Issues that will need to be addressed in the longer term include transfer pricing rules, limitations on deductions for interest expenses, and international withholding taxes on royalties and dividends at a reasonable rate to ensure that tax is paid in Myanmar.

Resource taxation

The Tax Review should examine more efficient models of resource taxation or royalties for the longer term to ensure that Myanmar's natural resource wealth can be best mobilised into much-needed public investments that will enhance the nation's economic growth in the long term. A shift towards a resource rent type tax in future will encourage exploration for future gas production. It is also possible to design a value-added type royalty that is more efficient than a basic per-ton royalty system. There is significant international experience in resource taxation on which Myanmar can draw. It will be important to consider the reform of resource taxation in the context of the federal system and the allocation of resource revenues to the central as well as state and regional governments. These considerations are discussed in more detail in Chapter 5.

Tax filing, penalties, assessments and debt collection

The Tax Review should include a review of tax assessment, time limits, penalties, tax courts and administrative reviews, and debt collection systems. If penalties are seen as too high and arbitrary, compliance will be damaged. The government will be able to re-target the tax system to focus on educating the mass of businesses and individual taxpayers who must pay taxes about how they can most easily do so. Reform of these aspects can generate positive support among businesses and individuals for broader tax reform.

Property taxes and other local taxes

A key goal of improving the tax system for Myanmar is to have efficient taxes at both state and regional and Union government levels. Instead of 'decentralisation', in Myanmar's case it is more accurate to describe this goal as improving tax-raising capacity across all levels of government, including the central, state and regional and local governments, to equip the nation to raise revenue to deliver the infrastructure and other services it needs to provide to communities across the country.

The Review should examine how tax reform can enable local governments to raise some revenues for local public goods and services. The property tax should be a basis for local government financing, so that local governments can raise their own revenue for the delivery of local infrastructure and services and consider how best to strengthen local area tax bases.

For example, the existing farm land tax is very low, and stamp duty is not efficient. The Tax Review should aim to support state governments to establish a local property tax together with a broad modernisation and improvement of the system of land title, registration and valuation.

As a colonial legacy, stamp duties are applied across Myanmar. They generally operate to deter the registration of land, which is an impediment to economic growth. They fall into two categories, levied as:

- fixed-rate payments levied at varying rates for the registration of different items (K500 for a bill of lading, K150,000 for the articles of a company); and
- a given percentage of a transaction, such as conveyancing (3 per cent, plus 2 per cent in major cities) mortgages, leases and bonds.

The flat-rate charges could be replaced with local council rates or, where practicable, user charges for services such as rubbish collection or sewerage. The *ad valorem* charges have significant impact on the property sector because they discourage registration and should be phased out with the development of a property tax. The 30 per cent tax on unassessed income also operates as a significant disincentive to registering transactions in property because it is uncertain and unfair. In Myanmar, this tax may also provide perverse incentives to launder money from illegal activities.

Customs and tariffs

As it opens its economy, Myanmar should reduce its high levels of protection in order to make the most from trade. It could be useful to phase high and variable tariffs to a uniform but fairly low tariff. A uniform low-rate tariff applied on a ‘most favoured nation’ basis, while still acting as a barrier to trade, can be a useful source of revenue if customs duties are properly administered at the border. Tariffs on items currently attracting a zero tariff (including capital goods and inputs to industry) should not be changed. The aim is to have a fairer system that prevents or regularises ‘informal’ trade while raising some revenue. As other, more efficient sources of government revenue are developed, the remaining customs tariff could be progressively phased out. Ultimately, tax revenue on imports should be raised through the broad-based low rate VAT that would apply in a non-discriminatory manner to domestically produced and imported supplies.

Leadership and democratic processes in tax reform

It is usual that the executive government should take the lead on tax reform and tax administration reform. The legislative branch also has a significant role to play in effective tax reform. Active engagement and consultation on tax reform between the executive leadership and the parliament would be a positive sign for Myanmar’s democracy and is likely to lead to more successful reform.

Any major tax reform, especially a VAT reform, should be done in a full review and consultation process. This will help the wider public, the parliament, businesses and provincial governments to understand the proposal and provide their views. In the early stages of implementing a successful tax reform, it can be helpful to engage with the tax profession, including local and international tax advisers in the accounting and legal professions, as well as business associations. This will be important in a VAT reform, as tax advisers and business associations can help to establish systems and gain acceptance for the tax.

It is likely that tax reform will be more successful if a broad tax reform package—that is seen as raising revenue in a fair way across individuals and businesses—is developed. A comprehensive Tax Review is an opportunity to enable the government to propose a package of tax reforms, including the VAT.

4.4 Building capacity for policy analysis and development

Fiscal resources raised through the tax system and other means need to be spent on the priority development areas identified in Section 4.2. This requires bureaucratic capacity to develop effective policies that can best achieve improvements in education, health and infrastructure, bearing in mind cost-efficiency, interactions between policies (including impacts on private-sector incentives), and distributional and social impacts. It also requires capacity to review existing policies to evaluate their continued effectiveness, efficiency and viability.

Myanmar's policy development and analysis capacity remains weak. The current government structure is complex, with 36 line ministers and cabinet-level appointments, compared with a median of 22 for other ASEAN countries (ADB 2014). This over-large ministry structure is also not well coordinated, resulting in overlapping responsibilities and ineffective consultations between related departments. After decades of military rule, the civil service has limited capacity to manage a modern economy—a fact that is recognised by the Myanmar Government. Beyond its constitutional role, parliament is critical to shaping policy debate. While it has been taking a more active role in developing the longer term reform agenda, it lacks the institutional capacity to keep up the pace of legislative change and requires the support of additional suitably qualified staff and improved resources.

As a result of these two problems, the executive draws heavily on external think tanks and international agencies for strategic advice on complex, longer term reforms.

It is in the Myanmar Government's long-term interests to develop in-house capacity for policy analysis and development, using technical assistance from international organisations and other countries where it is available. While external advisory bodies can assist by identifying areas of health, education and infrastructure investment critical to Myanmar's growth, the government still needs capabilities to assess for itself the merits of external advice in the light of the nation's domestic circumstances.

A priority is to develop domestic capabilities to identify interrelationships between policies with a whole-of-economy perspective, to determine how to best design and implement policies that are effective and cost-efficient, and to review ongoing policies and amend their design and implementation where necessary to boost their effectiveness and efficiency. Enhancing the capacity of the bureaucracy to offer such advice, while maintaining effective economic coordination mechanisms in the short to medium term, is especially important as reforms are implemented and pressure on the bureaucracy intensifies.

Establishing an independent national policy review institution

The first step towards building these capacities is to establish an independent national policy review institution led by experienced and independent economists. The role of the institution is to conduct policy analyses and reviews at arm's length from the government, taking into account broad public considerations in a publicly available and transparent way, and ultimately providing advice to the government to inform its decision-making with the aim of improving policy efficiency and implementation.

The establishment of an independent institution would help to ensure that the inquiry and research functions are undertaken with the full authority of government, while the institution's independence and integrity are protected and its findings and recommendations are embedded into the policy-making process. The strength of such an institution would lie in its ability to assess policies in the interests of the nation as a whole through economic, social, environmental and other lenses, independently of immediate political considerations. Its findings and recommendations would also provide a benchmark for policy evaluation. The appendix to this chapter expands on the benefits of establishing a national policy review

institution and considerations that should be taken into account when designing such an institution for Myanmar. Over time, heightened capabilities within the institution will have spillover effects on the quality of the public service as a whole, thereby spreading the capabilities developed within the institution across all dimensions of government policy-making.

A statutorily independent national policy review body is not the only type of organisation that could carry out this supporting function of policy review. Government departments can develop open consultation mechanisms to inform their policy-making, and other authoritative and independent policy advisory bodies can be established to assist in government decision-making. As long as they have the critical attributes of being independent, having a community- and economy-wide perspective, and conducting transparent processes, such arrangements could share the attributes of a national policy review body. For example, China has a number of government-affiliated and independent research institutions that complement the work of the Development Research Center of the State Council, including the Chinese Academy of Sciences, the Chinese Academy of Engineering, and the Chinese Academy of Social Sciences.

Whichever method is chosen, there are considerable advantages in ensuring the statutory independence of the process of policy review.

4.5 Delivering policy priorities through effective public financial management

The development of good policies through a national policy review institution will not be enough to achieve outcomes that support Myanmar's continued economic development if those policies are not delivered effectively through the budget process.

The budget should act as a policy tool that enables government to set priorities against an overall budget constraint. The outcome of the budget process should be a set of government decisions that determine how the nation's limited fiscal resources should be allocated to competing policy priorities. Ministries then gain authority from the parliament to spend public funds in accordance with those decisions. An effective budget process is therefore critical to allow trade and investment gains to be efficiently distributed and reinvested into the economy.

For budgets to be effective policy instruments, they need to be comprehensive, transparent and subject to central coordination and oversight. As noted by the World Bank (2013b), the critical dimensions of an open and orderly public financial management system are the credibility of the budget; comprehensiveness and transparency; policy-based budgeting; predictability and control in budget execution; proper accounting; recording and reporting; and external scrutiny and audit. Such a system can achieve effective control of budget totals and the management of fiscal risks, which will help to maintain aggregate fiscal discipline; planning and execution of the budget in line with identified national priorities that are consistent with the government's objectives; and efficient service delivery and value for money.

The fiscal regime inherited by the current government in 2011 was deficient in these respects. Budget deficits were large and often financed through money printing, budgets were not made public, and the dual exchange rate system hid the true value of SOEs. The 2008 Myanmar Constitution introduced a number of changes to the public financial management landscape. State and regional governments now have to prepare their own budgets and have some authority to collect their own revenues. In the 2011–12 fiscal year, the Budget Department implemented for the first time the Union budget, seven region budgets and seven state budgets.

While some of the most obvious deficiencies have been addressed in line with the Framework for Economic and Social Reforms, current practice remains far from the ideal outlined in the World Bank's

comprehensive *Public financial management report* (World Bank 2013b). This is recognised by the government in its 2013 Public Financial Management Reform Strategy—a program projected to run for 15 years.

Establishing a central decision-making committee

Ministries and organisations currently prepare their own budgets. They set their own budgetary ceilings and devise expenditure proposals independently of future resource availability, making it difficult to track aggregate and sectoral spending proposals during budget preparation. The budgets are then vetted by one of the Vice-Presidents and submitted to the Union Financial Commission for scrutiny. State and region budgets are vetted by the other Vice-President and also submitted to the commission. The commission scrutinises the budgets, determines how much budget support each state and region will receive from the Union fund, and then recommends the budget to the President for submission to the cabinet, or the chief minister of the relevant state or region in the case of state and region budgets. The budget is then submitted for approval to the Union Parliament or to the state or region parliament for formal parliamentary approval.

The independent preparation of each ministry's and organisation's budget means that the ability to strategically direct fiscal resources is limited. While the Union Financial Commission is designed to oversee the allocation of resources among states and regions, there is no process in which individual budgeted expenditures are assessed against other budgeted expenditures across ministries to ensure that the expenditures of ministries are complementary and do not overlap, and that overall government spending is in line with national priorities. While a number of review processes follow the submission of the independently prepared budgets, it is unclear where the real decision-making point is. Expenditure control focuses on the transactional level at the expense of ensuring that service delivery is effective and in line with government decisions and national priorities. This hampers the ability of the budgeting process to deliver on identified policy priorities, and often results in policy inefficiency and the misallocation of limited fiscal resources.

Oversight at an aggregate level is hampered by the manual nature of budget preparation, which slows the production of financial reports and hinders analysis across the 5,400 spending units involved. A budget classification system that is underdeveloped and inconsistent with international standards does not support decision-making. Feedback to the Ministry of Finance and Revenue other than through the reports of the Auditor General is limited. The information that is currently collected focuses on cash management and is not well suited to assessing policy effectiveness. A significant use of supplementation and virement (adjustments across budget lines) takes place. This is indicative of a system in which planning is incomplete and shows an inability of control systems to deliver policy in accordance with existing decisions.

As Myanmar's revenues are already very low, the efficient use of fiscal resources is critical. For the Union budget, the various stages of budget review need to be rationalised into one main decision-making cabinet committee comprising the main political actors (for example the Vice-President, the Minister of Finance and other key portfolio ministers). The committee would be responsible for prioritising the nation's expenditure needs and allocating funds within the overall budget constraint consistent with a national strategic plan. Funding requests could be submitted by ministries, and could be kept to new policy proposals and large spending programs. This process will need to be supported by developed cost-benefit analyses prepared by ministries. A similar process could be put in place at the state and regional levels.

Expanding budget coverage

As noted in Section 4.3, a key area of concern is the extensive use of off-budget ‘other accounts’ held by ministries and SOEs at the Myanmar Economic Bank. More than 13,000 accounts are used to manage entities’ ‘own-source’ revenue.

The largest portion of this revenue derives from natural resources controlled by SOEs. Myanmar’s natural resources are assets that provide finite fiscal resources that should be used in public investments critical for economic development. However, revenues generated through these accounts can be spent at the minister’s discretion, resulting in the nation’s valuable resources being dissipated by a range of ministries for their users’ fees or commercial activities.

According to the IMF, natural resource revenues contributed less than 1 per cent of total budget revenue in 2008. If all such revenues were included in the budget, they would have amounted to around 58 per cent of total budget revenue (ERI 2009). The lack of budget coverage for such substantial revenues means that the associated spending has no central government oversight and is not subject to audit. It is unclear who is responsible for it, and even the split between SOEs and ministries is unclear. Off-budget spending by ministries is estimated to exceed 10 per cent of budgeted expenditure (World Bank 2013b). Diverting such a substantial share of public revenue undermines the capacity of the government to set strategic priorities and has obvious fiduciary risks. In particular, the ability of the government to deliver the public investments necessary to support its economic development path is severely hampered.

In addition to improving the flow of funds from SOE profits to the national budget through tax and SOE reforms, accountability for off-budget expenditures should be enhanced by including these funds in budget processes. This should be accompanied by reporting requirements (for example, through supplementary information that aggregates the budget and off-budget sectors and auditing requirements for SOEs to make their processes and reporting more credible).

Improving budget transparency

A lack of budget transparency impedes effective resource allocation and external assessments of government activities. Increasing transparency is crucial to building stakeholder, investor and donor confidence in the country and is a critical precursor to several reforms. Compared to other reforms to public financial management, improvements in transparency are relatively simple to deliver. They are also a signal of the government’s commitment to reform.

While the budget is now a public document, it contains only rudimentary information that does not support analysis. The budget publishes aggregate revenues and expenses by ministry, transfers to states and regions, and the aggregate debt financing required. The parliament receives more detailed breakdowns on spending by ministries and some further information on request. Underlying assumptions, balance sheet information and current or previous year spending are not published. The Myanmar Government should consider adopting international fiscal reporting standards, or referring to those standards, as a basis for improving its budget transparency. As suggested by the International Budget Partnership, the production and public release of mid-year budgets and pre-election budgets are important for enhancing budget transparency.

Box 4.2: Myanmar's 2012 Open Budget Survey outcomes

The Open Budget Survey provides independent, comparative and regular measures of budget transparency, participation and oversight. The 2012 Open Budget Survey gave Myanmar a score of 0 out of 100, compared to an average score of 43 for the 100 countries surveyed. This indicates that the government provides the public with scant information on the national budget and its financial activities, making it challenging for the citizens to hold the government accountable for its management of public money.

Figure 4.5: Open Budget Survey results for selected ASEAN economies, 2012



The International Budget Partnership recommended that Myanmar:

- **improve budget transparency** by publishing the budget reports that are currently produced for internal use only, and produce and publish a pre-budget statement and a citizens' budget
- **improve budget oversight** by developing capacity to conduct budget analyses and formal pre-budget policy debates to determine budget priorities, and empower its audit institution
- **expand public engagement in budgeting** by introducing consultative processes.

Source: IBP (2012).

The transparency of SOEs is underdeveloped and also a cause for concern. Information is presented at ministry level, and it is unclear which firms are profitable and which are not. Information related to SOEs in the Ministry of Defence is not disclosed at all. As well as their finances, their activities and purposes are also not transparent. Thus, it is difficult to determine what proportion of the large revenues that they command is spent on expenditures for public purposes. This is especially an issue because a large proportion of the nation's natural resource revenues are channelled through SOEs.

Publishing this information is not as technically complex as other recommended reforms, and could affirm the government's commitment to reform in public financial management. Consistent with that recommendation, strict reporting and auditing rules should be implemented for SOEs. This should build on the Extractive Industries Transparency Initiative (discussed further in Chapter 6).

Improving budget coordination

Ministries do not use a consistent set of macroeconomic parameters for preparing expenditure plans. Major policy proposals are not required to be fully costed, and long-term estimates are not made. Planning and the preparation of the capital budget are centralised under the Ministry of National Planning and Economic Development, while the preparation of the current and financial budgets is the responsibility of the Ministry of Finance and Revenue. The links between the recurrent and capital budgets are weak, and relevant cost estimates are not shared across those budgets. While implementing the Framework for Economic and Social Reforms has led to the elaboration of sectoral development plans, the plans are not costed or linked into the budget process.

This lack of coordination and consistency needs to be addressed to enhance the effectiveness of the budget process. Capacity building at the ministry level is the key. This includes enforcing budget allocations and constraints, centralising the preparation of macroeconomic parameters, developing policy costings, enhancing budget systems and building the capacity to report in accordance with international budgeting standards

4.6 Strengthening the delivery of public investments across the nation through fiscal federalism

Improvements to public financial management should be accompanied by fiscal federalism to enhance the delivery of public investments across the different states and regions. This is particularly the case because employment, development and income gains are likely to be concentrated in a few production centres as Myanmar moves towards more open trade and investment. The government has a role to play in redistributing such gains across the nation to ensure that every citizen benefits from the nation's economic development.

A recent survey conducted by the Asia Foundation (2014) found that understanding of the term 'federalism' is low in Myanmar, despite prominent discussions about federalism and political power-sharing arrangements during recent peace negotiations. It found that only 14 per cent of those surveyed had heard of the term, and only around half of those who had heard of it understood what it meant. A lack of clarity about federalism among the population and especially among those involved in the negotiations hampers the effective prosecution of the negotiations.

Federalism is the division of power between Union and state and regional governments. This is facilitated through political, fiscal and administrative decentralisations—respectively, the distribution of decision-making power, the distribution of authority, responsibility and financial resources, and the distribution of revenues or revenue-raising powers from the Union government to the state and regional governments. These forms of decentralisation need to be transparent and clear, and should go hand-in-hand for effective federalism.

Decisions that are made closer to the people affected by them are likely to be more effective, since state and regional governments can be more responsive to direct community needs. This means that if expenditure decisions made at the Union level do not best meet the needs of each state, decisions made at the state and regional levels can do so. However, for decisions to be executed, this decision-making power needs to be accompanied by revenue and expenditure autonomy or certainty. Hence, with an effective federal structure, public services can be delivered with greater awareness of local needs and the preferences of the populace, and accountability can be strengthened. Myanmar's transition towards a more developed federal structure can assist in distributing the gains from trade and investment to communities across the nation by delivering public investments that account for the individual circumstances of each state.

Federal structures can also improve legitimacy and policy efficiency. Formulating, funding and implementing reforms to deliver growth and development across the whole of Myanmar requires strong coordination of fiscal and human resources as well as the effective dispersal of power, responsibility and accountability across the local, regional and national levels of government. Federal structures can also incorporate distinctive forms of government at subnational levels, reflecting different local conditions, priorities and relationships with the central government. They can promote the political stability of large nations with diverse backgrounds, providing a stronger basis for economic development and growth.

While the building blocks of an effective federation are well understood and established federal structures are associated with higher incomes (Égert and Blöchliger 2013), the process of decentralisation is often fraught. New federal structures often do not live up to potential (Eaton et al. 2010), and there is no single model or process for successfully transitioning to a more decentralised political structure. Local context is critical: successful decentralisation efforts take into account political drivers, institutional starting points and the initial capability of the system (Local Development International 2013).

Constitutional changes in Myanmar in 2008 were the start of a process of political power-sharing and reform, opening the way for further decentralisation over time. A small degree of autonomy was introduced to subnational governments. Each state has a regional assembly, a chief minister and cabinet executive, judicial institutions and its own budget.

However, the extent of political and especially fiscal and administrative decentralisation remains limited, and complex and interrelated challenges remain on all three fronts. The devolution of political power is very limited, and significant power remains with the Union. State assemblies are only partially elected, most positions are Union government appointments, and the chief ministers are accountable to the President. The Union government retains policy autonomy over key issues, including health and education, and remains central to the administration of local and state government through the role of the General Administration Department (GAD).

These issues bear directly on the peace process (discussed in Box 4.3), which is fundamentally important to Myanmar's economic development. This makes addressing the challenges of broadening decentralisation along political, fiscal and administrative lines all the more complex and pressing.

While the devolution of political power to states and regions remains limited, the real constraint is the states' and regions' lack of ability to independently plan, implement and administer policies and to do so without graft. It is clear that effective devolution cannot take place unless administrative capability and resources at the state and regional levels are addressed.

While addressing constitutional issues remains of utmost importance, this section focuses on practical measures to strengthen resources and accountability for subnational governments, along with a set of principles that can guide the development of fiscal and administrative federalist structures over time.

Box 4.3: Political federalism, power sharing and the peace process

The transition towards federalism raises difficult and sensitive political issues for Myanmar, given the ethnic and geographical complexities that featured prominently in its pre-colonial and colonial politics and persist through to the present day. Inadequate or contested power-sharing between regions and the centre has been a major cause of civil conflict that has devastated the country for 65 years. For many ethnic groups, central control of their areas during British or pre-colonial rule was limited. Therefore, political autonomy and distribution of national resources in a way regarded as equitable are key requirements for their willing participation in a unified country.

Increased trade, productivity and incomes associated with the early stages of opening up and reform can improve welfare and resources and strengthen prospects for political reform, but sustainable economic and political progress requires power sharing and peace as a stable platform for growth in the long term.

Constitutional reform in 2008 was a first step towards more stable and effective sharing of political power in Myanmar. However, the Constitution was created in circumstances that were hostile to its legitimacy. It was drafted in an era of political repression, with restrictions on speech and assembly. The draft was available only one month before the constitutional referendum, which was widely criticised for being held in the aftermath of Cyclone Nargis and for being neither free nor fair.

The 2008 constitutional changes have created valuable opportunities for a wider set of interests and voices to participate in the political process at all levels and provide an important platform for further progress. The autonomy of state and regional governments is still limited. Major factors include heavy top-down influence on executive appointments, the retention of control of key policy areas at the Union level, a high degree of bureaucratic centralisation, the pervasive administrative role of General Administration Department in local and regional government, and the limited fiscal and other resources of subnational governments. In particular, the limited autonomy afforded to state and regional governments in education, health, land policy and natural resource development inherently restricts their policy and political autonomy over the issues that are most directly relevant to regional autonomy, culture, wealth and security.

Current levels of political decentralisation and power sharing fall short of the autonomy, security and wealth that armed groups and ethnic minorities require if they are to be persuaded to participate in a sustainable peace process. Fundamental doubts about the legitimacy and direction of the reform process are likely to endure without further changes to reinforce the progress that has already been made. With the substantive autonomy of subnational governments further restricted by their limited fiscal and administrative capacity, there is a danger that a damaging mismatch could arise between what is expected of current levels of decentralisation and what they can deliver in practice. This is relevant not only for Myanmar's citizens but also for external stakeholders—including investors, trading partners and donors—who are closely monitoring the nation's progress on power sharing, peace and reform.

These issues will continue to come to the fore in debates about options for further constitutional reform, and will need to be addressed over time if the recent progress Myanmar has made towards achieving peace and economic growth is to be sustained. Views on the speed and shape of further constitutional reform are likely to differ considerably, and the process will inevitably be sensitive and contentious. As a minimum, Myanmar needs to establish a credible process and commitment to addressing key structural issues that go to the heart of peace and power sharing, and therefore Myanmar's prospects for sustainable development and growth, in the medium term.

Strengthening de-concentration

The assignment of responsibilities is a fundamental principle in shaping a federation. However, the responsibilities that have been formally devolved to state and regional governments in Myanmar are unclear and very limited in scope. In the Constitution, there are ambiguities in the allocation of areas of policy responsibility to the Union and states and regions. In policy areas of shared responsibility, the different levels of government do not have separate and clearly defined roles, which is a prerequisite for delivering effective outcomes. The areas devolved to the states and regions tend to be relatively minor and are not sensitive. Large service delivery areas, such as health and education provision, remain the responsibility of the Union, as do mining and timber extraction, which can have significant impacts on local populations. This limited devolution of responsibility is evident in the state share of total expenditure in the 2014–15 budget (at 15 per cent).

In addition to direct devolution, Union responsibilities are increasingly being de-concentrated in key areas, and ministries have been directed to engage state and regional governments. Ministries such as health and education have de-concentrated delivery to regions, increasing both the numbers and responsibilities of staff in regional areas. Some of those responsibilities are important (for example, the ability to hire and fire teachers was devolved in 2013). Progress has been more limited for capital expenditure, for which the process involves wish lists being sent up to central decision-makers and the states and regions being advised of outcomes after they are settled. This means that local preferences are not well integrated into budgeting processes and the shortened window for planning limits spending options.

While these moves to de-concentrate functions are positive, the process behind de-concentration appears to be *ad hoc* and lacks a guiding framework. Because de-concentrated activities remain part of the Union budget, the transparency of which is very limited, it is not clear how extensive the process has been.

A key component of reform is the further de-concentration of core functions, specifically health and education, as identified by Nixon and Joeline (2014). De-concentration is a pragmatic priority for several reasons. It will help to build capacity, particularly in regional areas, and should lead to improved outcomes in key services. It can also be achieved in a timely fashion. Myanmar's low capacity in decentralised governing is the direct result of its history of central control, and local capabilities can be built effectively only through experience.

The starting point is the development of a coherent policy framework to guide the process. This will involve identifying the specific functions that can be separated (such as standard setting, delivery and monitoring), using common criteria to assess what is most effective to de-concentrate, and assessing the costs of delivering those activities. The steps need to be worked through in a staged way and be accompanied by appropriate capacity development to support change. These reforms will need to involve central ministries to ensure that they are designed consistently and incorporated into Union budget management processes. Establishing consultation guidelines with state and regional governments and transparently reporting the state and regional components of Union budgets would facilitate engagement in the process.

Enhancing the capacity of states and regions to deliver existing responsibilities

Developing greater administrative capacity across the states and regions, including effective civil service rules, financial management and coordination procedures, is an important prerequisite for further decentralisation. The lack of an effective civil service undermines the autonomy and effectiveness of state and regional governments. State and regional government ministers do not have their own ministries and are instead supported by elements of Union ministries assigned according to their areas of policy responsibility. Senior civil servants have two masters, as departments that are supposed to serve state and regional governments remain part of larger Union ministries, and those ministries often include departments that serve Union ministers. For example, in the Ministry of Agriculture and Irrigation's state and regional offices, the agriculture department is a state and regional unit, but the irrigation department remains with the Union. The Union is responsible for hiring and firing civil servants, undermining state and regional control.

As an immediate priority, clear lines of accountability within existing policy areas should be developed. This would involve clarifying the responsibilities of state and regional departments through law and separating them so that they are managed independently from Union ministries and report to state and regional ministers. It is likely that state and regional executives will need additional support to enable effective policy coordination and budgeting across their ministries.

The large role played by GAD in state and regional government functions also limits the ability of states and regions to develop their own administrative capacity. GAD provides administrative support (financial and human resources) to state and regional government departments and provides coordination support for both the chief ministers and the state and regional assemblies. It is also the main vehicle through which government reaches down to the township level. As GAD was created to enable the previous State Law and Order Restoration Council government to administer the country, its officers are formally accountable to the Ministry of Home Affairs, which is controlled by the Commander-in-Chief of Defence Services. Reforms to GAD have been limited since the decentralisation process began, and its central role in local and regional administration means that in practice subnational governments continue to rely heavily on the Union apparatus for their ability to function.

One way to build capacity and expand resources is to deploy GAD officers into state and regional offices. Deploying GAD officers with experience and technical expertise would immediately boost the administrative capability of state and regional offices and allow capacity to be built in the longer term. In partnership with other agencies, GAD could also provide training on accountability, transparency and public service to reduce the risk of corruption. The longer term objective would be to develop state and regional civil services that could advise on, implement and administer policy decisions taken at the state and regional levels.

Lifting fiscal capacity

The assignment of revenue sources is also fundamental to effective decision-making and to ensuring accountability for taxation. The key considerations are economic efficiency, equity, administrative feasibility and revenue needs.

Taxes that are relatively immobile between jurisdictions are the most effective for lower levels of government, with property, payroll, excise and sales taxes are preferred in that order. Most other taxes are best levied nationally, such as taxes on profit (due to its mobility) and income (for equity reasons). Because the efficiency costs of decentralised taxation exceed expenditure, full fiscal autonomy through own-source revenue is not often an appropriate objective (Boadway et al. 1994). To provide a level of accountability, it is important that subnational governments have autonomy over a portion of their revenue and the capacity to adjust it to meet their policy objectives. User charges are important for lower levels of government, as many of their services are private in nature and users should be charged for the costs of delivery.

The Constitution assigns state and regional governments a range of revenue sources, including municipal taxes and taxes on land, excise, motor vehicles, dams and some natural resources, such as forest products and salt. Internationally, tax bases such as these are assigned to subnational governments for ease of administration and because of their limited mobility across jurisdictions. Apart from land, upon which taxes are levied at low rates, these tax bases have limited revenue-raising potential and together make up only 8 per cent of total state and regional own-source revenue. State and regional governments are able to collect user charges and levy tolls, such as on roads, making up 25 per cent of state revenue. The remainder of state and regional revenue comes from SOEs that are run by the regions. As with Union level budgets, fiscal transparency is weak and little detailed information on revenue sources is available.

As the states' own revenues represent only 58 per cent of the budget (Nixon et al. 2013), substantial work is needed to expand revenue sources for the states and regions to reduce their reliance on Union transfers. They do not have the ability to vary tax policy within their jurisdictions, and GAD is responsible for collection, generally through its township-level officers. Significantly, the states and regions retain only a fraction of revenue collected in their name. Most is returned to the union (90 per cent in the case of land and 75 per cent for motor vehicles). Together, these factors mean that the states and regions cannot mobilise funds to meet their priorities, undermining the benefits that autonomy over taxation can bring. The ambiguous ownership of tax bases is likely to weaken administration and contribute to the current low national level of collection.

While some degree of vertical fiscal imbalance will remain within an efficient tax–expenditure system of public finances, fiscal capacity in states and regions could be improved by strengthening states' policy authority over existing tax bases and developing more robust tax bases over time. States and regions need taxes with reasonable capacity, over which they have policy control, in order to operate with autonomy. Reforms to taxation need to be the focus, as it is generally inappropriate to adjust user charges or dividends from SOEs for revenue reasons.

Developing clarity about taxes is a priority to create more effective tax administration that is likely to support revenue collections across the country as a whole. As a first step, 100 per cent of taxes over which states and regions have collection authority should be available for their use. Policy authority over these bases will need to be developed in line with reforms that lift administrative capacity. Such issues should be considered in the longer term comprehensive tax review that is recommended in this chapter.

Increasing state engagement and autonomy in the budget process

Closely related to revenue adequacy, subnational borrowing is a crucial piece of fiscal architecture. Its most fundamental role is to enforce a hard budget constraint on subnational governments. The ability of subnational governments to borrow is necessary for their budgets to be considered as separate from the national budget. In addition, borrowing can also provide a source of funding that is appropriate for certain expenditures, such as infrastructure. However, if subnational governments expect and receive ‘bailouts’ when their expenses exceed their revenue, they will face little incentive to moderate or ensure efficiency in their expenditure or put effort into increasing taxes.

In Myanmar, the states and regions have only limited engagement and no autonomy over their budgets, which were first introduced in 2012–13. While state and regional governments have a formal role in drawing up budget proposals, in practice that role varies widely by state, in part reflecting the novelty of the process and lack of capabilities (Nixon et al. 2013). Because proposals are developed on a department-by-department basis, the budget process gives little scope for reallocating spending across sectors in line with local priorities. Budget proposals are vetted first by a Union Government Vice President and then by the Union Financial Commission, which comprises the President, senior Union ministers and the centrally appointed chief ministers of the states and regions. Thus, the key decision-making on state and regional budgets is largely conducted centrally.

The states’ and regions’ current budget systems are underdeveloped, and decisions are not well informed by information about resource availability. While formalising greater budget autonomy for state and regional governments would require constitutional change, other steps can be taken to improve their ability to use budgets as a decision-making tool. A priority would be to give them information on resource availability earlier in the budget preparation process by sharing fiscal projections. The Union Financial Commission could develop clear policies for the management of subnational budgets so that states and regions better understand the ‘rules of the game’. Greater use of ceilings below which they will be granted autonomy would be a valuable development.

Increasing the predictability and transparency of fiscal transfers

As a supplement to borrowing, intergovernmental transfer systems can be used to meet any gap between revenue capacity and expenditure need. Transfers can also promote equity across locations (for example, addressing the varying resource endowments of the states and regions) and to advance national policy objectives in subnational policy areas (such as equity objectives for education and health). As noted by Bahl and Martinez-Vazquez (2006), achieving revenue adequacy should be the primary focus for countries going through decentralisation.

The Union Government currently provides grants to the states and regions through two main channels: ‘aid’ or budget support of general state and regional functions, and development funds that target poverty alleviation. Aid to state budgets grew sharply to 11.8 per cent of the Union budget in 2014–15, up from 3.6 per cent in 2013–14. This growth was partly driven by directives from the President’s office to decentralise spending through increasing grants to states and regions, which is a positive sign of high-level commitment to decentralisation.

International experience suggests that ‘revenue-led’ devolution risks state and regional budgets being shaped by political quotas, rather than policy priorities, and exceeding the states’ and regions’ institutional capacity to spend the money effectively. A risk that is emerging in Myanmar is increased funding in state budgets in the absence of expanded responsibilities, which could redirect resources away from essential social and economic investments, such as education or health, to local services. This occurred in China in the mid-1990s, when local governments were well financed despite funding shortfalls at the central level (Nixon and Joelene 2014). Therefore, the issues of vertical fiscal imbalance associated with state responsibilities and efficient financing capabilities (whether through state taxes, borrowings or Union transfers) need to be considered together. Where state and regional spending responsibilities are narrow and do not change with the increased funding, as in Myanmar, it also risks overfunding those responsibilities at the expense of important central government responsibilities, such as health and education (Bahl and Martinez-Vazquez 2006)

The Myanmar Government has established a number of subnational development funds that are guided by several committees made up of community members and central government officials. While the funds have been established to reduce poverty and foster local participation, their design has been *ad hoc*, resulting in both the funds and the committees having overlapping responsibilities. The fragmented nature of these committees and their separation from regional decision-making processes undermines decision-making through a coordinated budget process.

Fiscal transfers are likely to remain the main source of state and regional government finance for some time. Moving away from the current approach to a transparent and predictable formula-based system is an integral step in the overall decentralisation process. The primary focus of a system of transfers is to take account of fiscal imbalances and ensure an adequate level of financing for the states’ and regions’ responsibilities. This can start by using their current responsibilities as a basis for determining their need for financing. This process would be supported by greater clarity about the current division of responsibilities, which can be achieved by articulating how ambiguities are to be interpreted. To provide incentives for fully using own-source revenue, transfers need to assume an average or minimum approach to revenue effort. Transparent and unconditional transfers will assist the states and regions to plan and will increase central fiscal policy integrity.

The design of grants has significant scope for improvement. The size of grants is driven by a combination of state and regional deficits and negotiation. Basing transfers on deficits creates a bias towards continuing current expenditure levels and does not take into account need. It also creates poor incentives, as it discourages states and regions from increasing local revenue and encourages overbidding. Furthermore, grants are usually determined during budget development, undermining forward planning by the states and regions.

The Poverty Reduction Fund and Constituency Development Fund also lend themselves to redesign as transfers that support equity across states without diminishing incentives for self-improvement and integration with the broader economy. However, as the amounts being divided are relatively small compared to the development task, improved distribution should be the immediate priority of reform. These grants should be unconditional, based on transparent benchmarks of need and distributed through state and regional budget processes.

Appendix: Establishing a national policy review institution

Many countries have established institutional capacity within government for independent policy review. These institutions are designed to achieve policy efficiency, ensuring that difficult but worthwhile reforms are identified, prioritised, initiated, implemented and sustained (Dee 2010). Examples in the Asia-Pacific region include the Productivity Commission in Australia, the Development Research Centre of the State

Council in China, the Institute for Development Studies in the Philippines and the Council on Economic and Fiscal Policy in Japan. These institutions have achieved varying degrees of success in improving the efficiency of policymaking at various points in time. The institutional setting, the scope of their work and their relationship to the government varies in line each country's unique institutional and political contexts.

The benefits of an independent, national policy review institution

A Myanmar policy review institution could begin by **reviewing current policy settings and identifying options and technical solutions** designed to maximise community-wide benefits.² In doing so, it should be actively involved in identifying policy issues, establishing desired policy objectives, assessing a range of policy alternatives using rigorous cost–benefit assessments, consulting extensively with all relevant stakeholders, recommending options that yield the greatest community benefits, and outlining an implementation strategy for the government. The institution should also be tasked with conducting post-implementation reviews to assess the performance of existing policies.

The institution should have adequate resources and analytical capability to ensure that its output is of the highest quality. This is essential to maintain its credibility and influence with the community and within the government's decision-making processes. Building and maintaining capacity for high-quality analysis and advice will be challenging, given current bureaucratic capacity constraints. One solution to this problem is to upskill people with the assistance of similar institutions around the world, with a view to transferring skills and training.

In the near term, the institution should focus on covering only one or two key economic policy issues that have welfare or budgetary impacts, identified as priorities by the government. The management of natural resource revenues, for example, is an urgent issue that cuts across a number of economic, social and environmental considerations. Decentralisation is another issue that would benefit from a detailed independent inquiry. Similarly to the operation of the Australian Productivity Commission (discussed below), **the government should discuss and agree on policies to be referred to the institution** for analysis or review. On the basis of such a work plan, it should formally issue to the institution directions to conduct the inquiries as well as Terms of Reference for each inquiry, outlining the objectives and scope. The Terms of Reference for each inquiry would be published at the time of issue. In the longer term, the capabilities developed within the institution will be spread to other parts of the public service, which should improve the policy analysis capabilities of the nation as a whole.

The institution would present an **opportunity for the government to receive advice that reviews policies in an open, rigorous and non-partisan context**. The public would perceive the parliament's establishment of the institution as a commitment to use unbiased analysis to maximise community welfare. This would foster wide acceptance of the institution's ideas and recommendations and strengthen arguments for good policy in the political debate. Public inquiry and reporting processes are critical in easing political constraints on policy efficiency. This initiative would strengthen accountability for government decision making processes—both with respect to decisions to adopt the recommendations or to defer to alternatives. The findings and recommendations of the institution could be used by government and oppositions alike, and would inform public debate and discussion.

² This section is based on Dee (2013).

Designing an independent, national policy review institution

The following attributes of statutory independence, community-wide perspective and transparent processes must apply if Myanmar were to establish an effective institution (Dee 2010):

- **Statutory independence.** As the institution should be independent of the government of the day so that it is not influenced or bound by government policy, it should be established under its own legislation that formally enshrines the necessary attributes of independence, community-wide perspective and transparency. Independence allows the institution to scrutinise government initiatives and policies without undermining the sovereignty of the parliament. The ability to provide an unbiased critique of current policy and policy options is a necessary first step in proposing beneficial reforms. As both perceived and actual independence are critical to the institution's credibility, it is essential that the government does not have control over it and cannot influence its day-to-day operations, funding and appointments of personnel. Nevertheless, the authority of the institution would rest with parliament through the institution's enabling legislation, as would its longer term funding.
- **Community- and economy-wide perspective.** The institution should have a mandate to improve living standards and achieve gains for the community and economy as a whole by looking beyond sectional interests. The following questions should be considered:
 1. Are the country's limited resources being directed to their best uses?
 2. Are unnecessary regulations and other red tape increasing costs to individuals, households, businesses, government and the community as a whole?
 3. What are the costs and benefits for each stakeholder group? Which group is the policy benefiting and who bears the costs? Can this be justified?
 4. Is the policy necessary and beneficial to the community as a whole?

Extensive consultations with a wide range of stakeholder groups should therefore be part of the institution's processes. Consultations within the executive would also help to coordinate views among line agencies.

- **Transparent processes.** The institution should have open and public processes to ensure the highest credibility. For example, it should hold public hearings to encourage and facilitate public participation, and its reports should be publicly available.

An example of a national policy review institution—Australian Productivity Commission

The Productivity Commission in Australia is an independent research and advisory body.³ It advises on a range of economic, social and environmental issues that affect the welfare of Australians. Its role is to help governments make better policies in the long-term interests of the Australian community by conducting public inquiries and making recommendations at the request of the Australian Government on key policy or regulatory issues that affect economic performance and community wellbeing.

The Productivity Commission adheres to the principles of independence, transparency and community-wide perspective outlined in this appendix. It operates under the powers, protection and guidance of its own legislation and is therefore independent of the government, although its authority is derived from the

³ This section is based on material available on the Productivity Commission website at <http://www.pc.gov.au>.

Australian Parliament. The Commission's chairman, deputy chairman and commissioners are appointed by the Governor-General (an apolitical office holder) on the recommendation of the government. It is funded through a single annual appropriation, which gives it flexibility in allocating its resources, and has its own permanent staff. The Commission's advice to the government, and the information and analysis on which the advice is based, are open to public scrutiny. It publishes draft reports and preliminary findings during inquiries and receives extensive public input and feedback through hearings, workshops and other consultative forums. The Commission is also obliged under its statutory guidelines to adopt a community-wide perspective.

Figure 4.6: The Australian Productivity Commissions' public inquiry process



Issues that are referred to the Productivity Commission are generally those that either have a significant impact on different groups in society, or are contentious or complex. Once the government agrees on the focus and scope of an inquiry, the Treasurer sends terms of reference to the Commission outlining what an inquiry is cover and how long the Commission has to report. Most inquiries specify a duration of 9–12 months to allow enough time for public submissions, extensive consultation and draft reporting. Public inquiries allow different points of view to be heard and considered and are widely advertised. This means that the success of an inquiry can depend upon the extent of active involvement by the community. A consultation draft is usually released for further consultations.

The Commission then presents the Government with a final report that includes its findings, policy options for addressing the issues referred to it, and specific recommendations. The final report is also publicly released. It is then the responsibility of the government to use the commission's findings and recommendations to assist in its policy-making. Even when the recommendations are not adopted, government policy-making is well served by the information gathering, public participation, scrutiny of different proposals and the ideas that the inquiry stimulates.

The following are two examples of recent Productivity Commission inquiries:

- *Bilateral and regional trade agreements:* The commission was tasked with undertaking a 12-month study into the impact of bilateral and regional trade agreements on trade and investment barriers and on Australia's trade and economic performance. The inquiry received 101 submissions in total. The final report, released in November 2010, made a number of recommendations on Australia's strategy when negotiating bilateral and regional trade agreements and on Australia's approach to implementing finalised agreements.
- *Mineral and energy resource exploration:* The Commission was tasked with undertaking a 12-month inquiry into the non-financial barriers to mineral and energy resource exploration. It received 73 submissions, and released its final report on 5 March 2014. It made 22 recommendations, which focused on effective and efficient regulation to reduce the regulatory burden on business and the overall costs that government regulation imposes on the exploration industry. The government subsequently released an interim response, which indicated the government's implementation of 6 of the 22 recommendations, either agreement or provisional agreement on 9, and the noting of 7.

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5 Trade liberalisation and externally oriented reform

KEY MESSAGE

Externally oriented reform can support improved productivity in Myanmar's large agricultural sector and expand employment-creating, labour-intensive manufacturing and supporting services sectors. To make the most of outward-looking liberalisation and seize opportunities to increase incomes through more labour-using activities, Myanmar has to reduce remaining impediments to trade and structural change to support stronger performance in agriculture and capitalise on strong prospects for rapid growth in export-oriented manufacturing industry and services.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Reducing restrictive trade practices remains crucial, but Myanmar must also improve its **trade logistics and facilitation** performance to take full advantage of the opportunities provided by greater liberalisation.
- Strong **natural resources exports** can play a vital role in Myanmar's development. A well-regulated resource sector can generate strong growth in income, investment and trade. If well managed, it can support investment in public goods and institutions, laying a foundation for the diversification of exports and domestic activity over time.
- Sustaining increased **agricultural productivity** through supply-side reform is fundamental to improving Myanmar's economic and trade performance and alleviating poverty. Major barriers to accessing agricultural credit and land, in conjunction with improved infrastructure, must be addressed.
- The development path of neighbouring economies highlights the importance of developing **labour-intensive industry** that can support the more productive use of labour, exports and urbanisation. Greater openness provides opportunities for investment-led growth in manufacturing and supporting services, but this has to be coupled with adequate infrastructure and human capital as well as an enabling regulatory environment.
- **Special economic zones** (SEZs) can contribute to labour-intensive industrial development when the conditions are right and if they become part of the overall strategy for development—but this requires costly investment in infrastructure and skills and takes time. It is unrealistic to expect SEZs to promote development in remote regions or spur the growth of industry outside the zones unless fundamental barriers to development in those areas are addressed. Arrangements that prove successful in enabling development in SEZs should be extended to the broader economy as quickly as possible.

5.1 Introduction

One lesson from East Asia's development and development elsewhere is that, except in very small economies, inclusive economic growth (meaning growth that generates significant benefits for most of the population) must be based on utilising the country's most important resource—its people. Growth must be employment-creating and it must be export-oriented. It cannot in the long term be based primarily on exploiting natural resources and it cannot be inward-looking. A transition must occur from Myanmar's current trade pattern of state-controlled natural resource-based exports, to one that is employment-creating so as to spread the benefits of trade and economic growth to the majority of the people.

There is scope to improve the performance of Myanmar's natural resource sectors, but the main impetus for growth over the coming decades must come from elsewhere. The government has set a target to attain middle-income status by 2030. Diversifying the sources of growth is critical to achieving this target. Myanmar's comparative economic advantages at this stage lie mainly in the production and export of a narrow range of resources and agricultural goods in exchange for a wide range of manufactured consumer and capital goods. In the coming decade, the objective should be a fundamental restructuring of the economy to build substantial production and exports of agricultural goods as well as manufactured goods and supporting services.

Two things are required. First, Myanmar needs to transform its moribund agricultural sector into the efficient, export-oriented food basket of Southeast Asia that it once was. A sustained increase in agricultural productivity is vital to this transformation, and can be achieved through reforms in infrastructure provision, research and development, secure access to land and access to credit.

Second, Myanmar needs to develop an outward-oriented light manufacturing and supporting services sector that utilises its abundant labour supply. The public sector has a crucial supporting role in reforming the operation of state-run enterprises, establishing an enabling regulatory environment, investing in supporting infrastructure and reforming the banking system to enable financing. Special economic zones (SEZs) provide a policy tool that can help in attracting export-oriented manufacturing investment that would not otherwise happen. SEZs can play a catalytic role in industrial development through providing a logistical hub, drawing a large country such as Myanmar into international value-chain production. Myanmar has already begun the development of three SEZs and must manage them well if it is to unlock the immense growth potential that trade openness offers. The reform measures underpinning the growth in SEZs should be extended to the broader economy as quickly as possible. While these developments are underway, Myanmar needs to develop a regime for mobilising the returns from its resource assets for investment that supports more broadly based development.

5.2 Barriers to trade reform priorities

Myanmar has relatively low applied tariffs, but this does not mean that trade protectionism is low. Some commodity imports are subject to high tariffs, and non-tariff restrictions on both imports and exports are very significant. Many of the non-tariff barriers are discretionary, leading to unpredictable costs and delays for importers. With the commencement of the ASEAN Economic Community (AEC) in 2015, Myanmar will be required to liberalise its tariff regime with other ASEAN members and to adopt the common external tariff regime.

The government has made progress in dismantling tariff and non-tariff barriers to trade. Before reforms in 2012, most exports required licences a 10 per cent tax (consisting of a commercial tax of 8 per cent and income tax of 2 per cent) was levied on all exports (consisting of a commercial tax of 8 per cent and income tax of 2 per cent). The reforms removed 152 items from the list of products requiring export licences. In September 2012, revised regulations removed 19 commodities from the banned list, and in February 2013 a further 166 import commodities were removed from the list of commodities requiring licences. The government should continue to dismantle restrictive barriers to trade identified in the WTO trade policy review (WTO 2014), including by taking advantage of regional and other multilateral forums (as discussed in Chapter 8).

Although dismantling restrictive trade practices is an important step in opening up the Myanmar economy, policies to facilitate trade across many product lines are needed to fulfil Myanmar's trade potential. In particular, strengthening trade supply chains is crucial for expanding international trade and commerce. These supply chains cover freight transportation, warehousing, border clearance, payment systems and other functions commonly outsourced by producers and merchants to specialist service

providers. According to the UNESCAP–World Bank bilateral trade cost database, logistics and connectivity are each more important determinants of trade costs in manufacturing and agriculture than tariffs.⁴

The role of these logistics services in promoting improved trade performance, with effects on economic growth and poverty reduction, is now well established. Although many of the above services are performed by private firms, their efficiency depends on government activities such as the provision of infrastructure, the provision of logistics services and cross-border trade facilitation.

The World Bank's 2014 report ranked the efficiency of Myanmar's trade-related logistics at 145th out of 160 countries in the world, indicating that Myanmar is one of the most difficult countries in the world in which to operate. This ranking placed it behind Mongolia, Iraq and Bhutan. Most countries that ranked similarly to Myanmar are in sub-Saharan Africa. The only Asian country ranked below it is Afghanistan. Improving performance requires action on many fronts: building efficient infrastructure, providing more accessible and effective public services, and improving access to commercial, financial and logistics services will all be important.

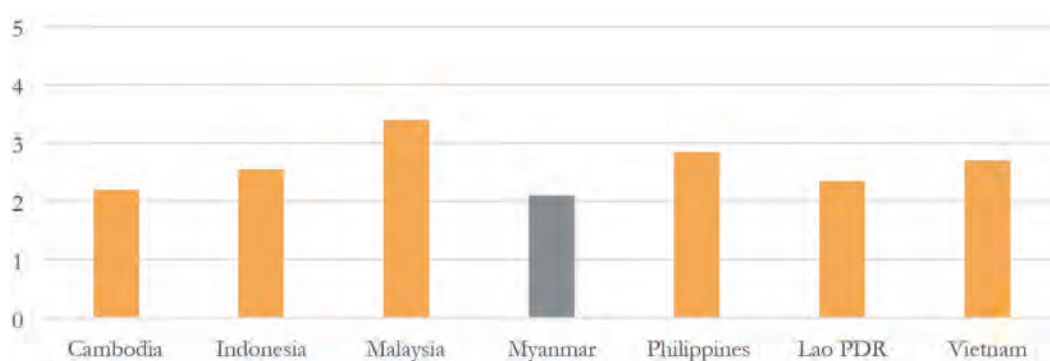
The main determinants of a country's trade logistics performance are infrastructure, services, border procedures, and supply chain reliability within the country and at gateways such as sea ports, airports and land borders. According to the World Bank, Myanmar ranks poorly on all four components, making the country less competitive internationally by raising the domestic costs of imported commodities and reducing the returns from its exports (World Bank 2014). Myanmar's National Export Strategy (MMC–ITC 2014) recognises the importance of these issues for the country's trade performance, noting that high trade costs and unpredictable delays are 'a significant obstacle to Myanmar benefiting from its trade potential'. The Strategy also states that 'uncertainty in customs decision-making, informal costs (including corruption), and backlog in trans-shipment ports ... also hinder trade facilitation.'

The importance of trade-related infrastructure is emphasised in the National Export Strategy (NES) report. Using World Bank data presented in the report, Figure 5.1 demonstrates that Myanmar's trade-related infrastructure is perceived by business agents as being below the standards of other ASEAN countries. In particular, the National Export Strategy notes the importance of the following issues that impede the efficiency of trade-related logistics in Myanmar:

- *Lack of adequate port facilities and warehousing near the ports.* Ports lack automated systems for cargo handling, scheduling and inspections. These deficiencies increase costs, cause delay and reduce predictability for exporters.
- *Lack of modern computerised systems, limited office hours and complicated documentation requirements.* These make customs handling unpredictable, raising costs.
- *Lack of a cold-chain management system (important for the fisheries sector), lack of an automated cargo manifest system for trucks and trains, and insufficient use of rail systems.*
- *Unpredictable transport times and costs caused by the poor state of the roads that surround the ports.*
- *Insufficient access by firms to modern financial tools and insurance.* In particular, firms have insufficient access to trade financing.
- *Lack of regulations for dispute settlement and excessive reliance on arbitration.*

⁴ Trade costs dataset, <http://data.worldbank.org/data-catalog/trade-costs-dataset>.

Figure 5.1: Quality of trade and transport-related infrastructure in selected countries



1 = low to 5 = high).

Source: Data from World Bank, *World development indicators*, 2013.

The NES identifies a range of actions needed to improve trade facilitation and logistics. They include adapting the regulatory framework to ensure the transparency and predictability of rules and regulations. Specifically, it recommends introducing up-to-date information and communications technology, together with improved management systems to increase efficiency in delivering logistics services. The strategy also recommends accelerating the improvement of infrastructure such as roads, rail lines, bridges, ports, intermodal terminals, dry ports, free economic zones and economic corridors and building mechanisms that enable public- and private-sector actors to coordinate activities and improve dialogue on the integration of transport facilities.

Many of these key issues are consistent with the priorities discussed in this paper. For example, Chapter 3 advocates further development of the financial sector, including leveraging the entry of foreign banks to modernise the sector and the financial products available. Chapter 3 also discusses steps to create a more enabling environment for private-sector activity. Infrastructure serves as the backbone of an open economy linked to regional value chains. Chapter 6 discusses institutional strategies to plan, prioritise and finance Myanmar's urgent infrastructure needs. While these strategies will help all businesses across the economy to operate more profitably and efficiently, the intersections of these priorities in Myanmar's most important sectors for trade and development (the extractive, agriculture and manufacturing sectors) are explored below.

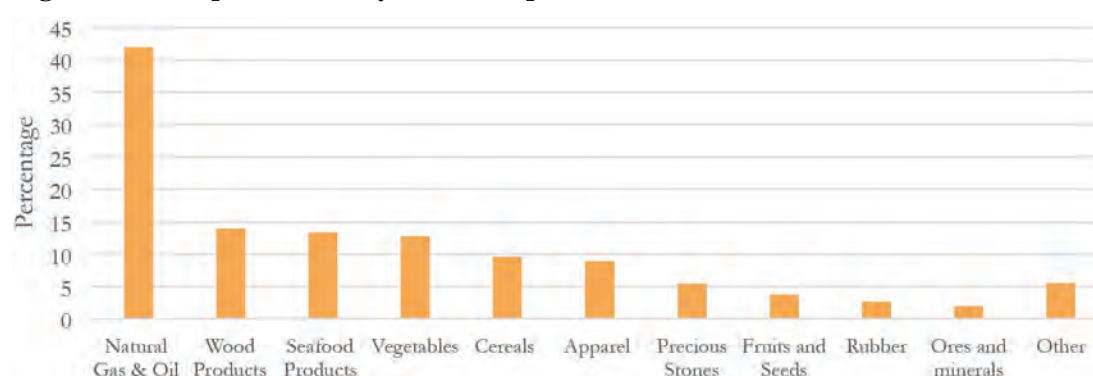
5.3 Myanmar's exports

Myanmar's exports are currently heavily tilted towards products based on natural resources (Figure 5.2). In 2011–12, natural gas and oil accounted for over 40 per cent of total exports. Wood products and seafood each accounted for about 15 per cent, and apparel accounted for less than 9 per cent.

This pattern of exports reflects the interaction of two related things: Myanmar's rich endowment of natural resources and the relative underdevelopment of the non-resource sectors of the economy. Compared with the exports of other Asian countries at a similar level of development (measured by per capita income), Myanmar's exports are very heavily dependent on natural resources and less reliant on agriculture and manufacturing. There is nothing intrinsically wrong with a heavy reliance on exports of natural resources, which increase income and provide investment opportunities that can support incomes and growth, including by funding investment in public goods and institutions as well as spurring private sector activity. Over time, however, the diversification of exports and of domestic economic activity in other sectors will be a necessary complement to the continued strong performance of Myanmar's resources sector. This will require not only the effective use of resource-related revenues and sound management of the resources sector, but policies to address current structural barriers to improved

productivity and growth in other sectors, such as agriculture and manufacturing. The policy priorities for reform in these sectors are discussed below.

Figure 5.2: Composition of Myanmar's exports, 2011–12



Source: UN COMTRADE data.

In 2013–14, Myanmar is estimated to have exported US\$3.3 billion worth of natural gas (37 per cent of total exports) and at least US\$1 billion of jade.⁵ The most striking feature of Myanmar's extractive industry is perhaps not its current size but its potential to assist development. New gas fields that are soon to begin extraction will provide additional estimated export revenues of US\$1.65 billion per year. In the mid to long term, exploration of other offshore plots and of largely unexplored onshore resources will result in a further surge in revenues.

Myanmar's rich endowment of natural resources is a valuable asset that, used appropriately, can form the basis for accelerated growth in income and prosperity and help to propel economic transformation over the coming decade. Not least, it offers the opportunity to obtain the foreign exchange badly needed to finance investment in productivity-raising infrastructure and to facilitate broader public-sector reforms. If the appropriate investments take place, natural resource exports can contribute significantly to Myanmar's development. The important point is that these exports generate revenues primarily in the hands of the government or SOEs, rather than the private sector. Their impact on Myanmar's development therefore depends in large measure on the way the government and its agencies choose to mobilise and deploy them. However, the opportunities for the misuse of that revenue on forms of expenditure that are not growth-inducing are very real.

Internationally, the record of natural resource-based exports in promoting economic development is poor, and the term 'resource curse' (see Box 5.1) has been coined to describe dependence on this source of export revenue (Frankel 2010). Natural resource exports are extractive and, with some exceptions, they generally employ few people and large amounts of capital. In many countries, such exports have not translated into benefits for the broader population because of the way government agencies receiving the export revenues dispense them.

In Myanmar's case, it is difficult to assess the way natural resource revenues have been used because the relevant government agencies have not been exposed to adequate reporting and transparency requirements. Greater transparency is needed to show the way these revenues are used so that they can be directed to productive investment. In this regard, the Extractive Industries Transparency Initiative (EITI) is a significant step towards greater transparency in the revenues and efficiency of government bodies in the extractive industries. Coupled with better government expenditure decision-making processes, the

⁵ Estimating the total size of the mining and gem trade is very difficult. Some suggest that the official-to-unofficial trade ratio could be close to 1:9.

EITI may become a crucial step in using these funds for the benefit of all people in Myanmar. This is discussed in Chapter 4.

Expenditure of the proceeds of natural resource-based exports can create competitiveness problems for other traded goods industries (Corden 1984). This phenomenon is known as the ‘Dutch disease’, in which the appreciation of a country’s real exchange rate, caused by inflows of foreign exchange from exports of natural resources or from receiving foreign assistance, can bankrupt other trade-exposed firms, such as those in manufacturing or agriculture. A frequent consequence of these impacts is a demand for the protection of the industries that are negatively affected. Such demands need to be resisted. The solution does not lie in trade policy but in effective and well-coordinated macroeconomic management. What is clear is that expenditures of the revenues from natural resource exports need to be growth-inducing and that, when productive opportunities for such investments are not immediately available, it is better to delay them than to spend the revenues poorly. The magnitude of the Dutch disease effects of natural resource exports on Myanmar has not yet been demonstrated empirically, but Indonesia faced a similar problem in the mid to late 1970s when it had large export earnings from petroleum. A large devaluation in 1978 moderated the effects, in effect slowing the absorption of the revenues from petroleum exports.

Table 5.1: Export composition of Asian economies at similar levels of development to Myanmar today (per cent of exports)

| | Natural resources | Agriculture | Heavy machinery | Manufacturing |
|------------------|-------------------|-------------|-----------------|---------------|
| Malaysia (1974) | 14.9 | 27.9 | 4.8 | 2.4 |
| Taiwan (1975) | <1 | 5.6 | 8.4 | 54.3 |
| Korea (1975) | 5 | 1.8 | 13.8 | 66.3 |
| Thailand (1984) | <1 | 49.6 | 2.5 | 15.3 |
| Indonesia (1993) | 28.2 | 18.3 | 3.9 | 16.1 |
| China (1999) | <1 | 7.3 | 26.7 | 30.5 |
| Vietnam (2007) | 20.7 | 42.2 | 10.1 | 36.7 |
| Myanmar (2014) | 56.1 | 10.8 | <1 | 11.9 |

Sources: Ng (2013); Hong (1980); Department of Statistics, Malaysia; International Monetary Fund, *World economic outlook*; World Trade Organization; UN COMTRADE dataset. Data for Korea are from World Bank, *World development indicators*. Data for Taiwan are from IMF, *World economic outlook*.

5.4 Natural resource extraction

Myanmar is geologically blessed with an abundance of natural resources. This includes an estimated 90 per cent of the world’s jade reserves, around 50 million barrels of proven crude oil reserves, and around 10 trillion cubic feet of proven natural gas reserves (Hendrix and Noland 2014). To put these numbers into perspective, Myanmar ranks 41st in the world in proven natural gas reserves and 78th for proven crude oil reserves, with large potential for further discoveries (Lynn and Oye 2014).

The opportunities and the challenges

Natural resource wealth has two unique characteristics. First, unlike other sources of wealth that require production or manufacturing, natural resources simply need to be extracted. This means that they provide an immediate source of income that is not reliant on human capital or specialisations that can take decades to develop. Second, natural resources are finite and non-renewable, making them a finite source of income (Humphreys et al. 2007). These characteristics give rise to a number of opportunities and challenges.

Natural resources have driven Myanmar's increasing trade and investment levels in recent years, particularly following reforms to open the economy. Official data show gas earnings of \$3.6 billion for 2011–12 and precious stones earnings of approximately \$3.4 billion in 2010, making those commodities a significant source of export income. Recent foreign direct investment in Myanmar has been concentrated in the oil and gas and the hydropower sectors; mining has been in third position by value (Allan and Einzenberger 2013).

These recent trends provide a snapshot of the potential contribution of the natural resources sector to Myanmar's trade and development. Myanmar's natural resource assets provide opportunities to increase investment, growth and export earnings, and a convenient and immediate source of fiscal resources badly needed to finance public investments critical for economic development. The resources sector has a key role to play as part of a broad agenda to increase income and prosperity and foster sustainable economic and social development.

To date, Myanmar has failed to fully leverage the income and public investment opportunities presented by its natural resource endowment. It is one of the least developed nations in the world, and the extent to which extractive activities within Myanmar have brought opportunities and benefits to date is unclear. Unsurprisingly, given the low labour intensity of the industry, the sector has made only a very limited contribution to employment. More importantly, export income from the sector does not appear to be reaching the nation's citizens. These problems result from poor management of the challenges intrinsic to managing natural resource wealth (Box 5.1).

There is empirical evidence that strong institutions and governance assist in managing the challenges and sensitivities involved in natural resource management (Barma et al. 2011). Well-governed institutions can manage the influx of wealth from a resources boom, turning resource income into public and private investment capital that facilitates economic growth. Without the right set of policies, institutional frameworks and governance systems to manage and mobilise these resources into productive investments in infrastructure, health and education, there is a risk that the nation's natural resource endowments will be depleted without the associated potential economic gains being realised.

Myanmar's inability thus far to transform its resource endowments into economic growth and prosperity suggests weaknesses in these areas. According to the 2013 Resource Governance Index, Myanmar ranks last out of 58 countries, with a failing score of 4 out of 100 (Revenue Watch Institute 2013). The priority is therefore to address these weaknesses and manage the nation's natural resources so that benefits are maximised and distributed across the nation fairly and transparently.

However, in the long run, economic diversification beyond the resources sector remains essential to sustainable economic growth in Myanmar.

The importance of transparency and accountability

Transparency of resource revenues and activities of the extractive sector are the key to maximising the returns to the nation from its natural resource assets, and ensuring that these monies are not misused. Currently, the exact share of Myanmar's tax and non-tax revenue derived from natural resources, and the split of Myanmar's extractive revenue between SOEs or private companies in the extractive sector, is opaque. The revenues of SOEs are aggregated at the level of the supervising ministry, thereby obscuring the performance of individual enterprises. Finally, the payments, royalties and fees collected by Union line ministries and subnational entities are not all uniformly recorded and publicly available (Lynn and Oye 2014).

Enhanced transparency will empower citizens and international organisations to hold extractive businesses and SOEs accountable for the amounts they are returning to the nation, and the government

accountable for how natural resource revenue is spent and distributed within the country. Over time, it should lead to less siphoning off of profits and other corrupt practices, freeing up more fiscal resources for the nation and allowing a fairer distribution of resource revenues across the nation in the form of productive public investments.

The Myanmar Government's decision to participate in the Extractive Industries Transparency Initiative (EITI) marked an important first step towards heightened transparency for the resources budget and demonstrated its commitment to better governance (Box 5.2). The initiative must now be fully implemented. In the long term, transparency for revenues or profits from the resources sector should be translated into transparency in national budget. Resource revenue transparency should be also be complemented by transparency in budgetary allocations.

Box 5.1: Challenges associated with natural resource wealth

The economic growth of countries with large endowments of natural resources tends to be lower than countries with fewer resources. This phenomenon has been termed the 'resource curse', and is generally attributed to poor management of the various challenges associated with the management of natural resource wealth that are set out below. Mismanagement of these challenges is not only a major missed opportunity, but can also do long-term damage to growth and development prospects.

- **Rent-seeking behaviour.** Individuals, businesses and governments have incentives to use political mechanisms to maximise short-term rents for themselves without considering the long-term negative impacts on overall economic development.
- **'Dutch disease'.** A sudden rise in foreign exchange inflows from natural resource exports can lead to appreciation in the real exchange rate, making other trade-exposed industries less competitive in world markets.
- **Unequal expertise.** Since resource exploration and extraction is both capital-intensive and technologically intensive, extractive industry firms with substantial expertise and closely held information are in stronger bargaining position than governments.
- **Volatility.** Natural resource revenues are volatile due to varying rates of extraction, variations in the timing of payments by businesses to the government, and fluctuations in natural resource prices.
- **Consumption of capital.** Because natural resources are finite, the spending of resource revenue equates to the depletion of the asset. This means that the extraction of natural resources is simply a shift in composition from an asset to income, with no net wealth effects.
- **Insufficient investments in education.** Investments in human capital tend to be neglected when a country's wealth is dependent on natural resources. However, this gap will be felt once resources begin depleting and the country shifts its reliance to manufacturing and services.
- **Corruption.** The short-run availability of large financial assets increases the opportunities for corruption. Those who control the assets can use that wealth to maintain power.
- **Grievances in producing regions.** The production of natural resources is liable to give rise to political frustrations within a country, particularly in producing regions.
- **Military challenges to governments and conflict.** Civil wars are statistically more likely to occur in resource-rich countries. This is because non-state actors have incentives to attempt to capture the state in order to benefit from resource wealth, often through the use of violence. These incentives are generally fuelled by the weak capacity and lack of legitimacy of the state.

- **Weak, unaccountable states.** Countries that are able to generate resource revenue are less reliant on taxation as a form of revenue. This means that the country has less need to develop a bureaucratic apparatus to raise revenue, thereby hindering the development of effective institutions.
- **Threats to democracy.** Countries rich in natural resources are less likely to have democratic systems. Access to resource wealth can allow leaders to suppress opposition and avoid having to relinquish power through electoral competition.

Source: Based on Humphreys et al. (2007).

Box 5.2: The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society working together to improve the transparency and accountability of natural resource revenue management. Complying countries publish reports that disclose the revenues from the extraction of the country's natural resources. Oil, gas and mining companies report payments to government (taxes, royalties and so on), and the government reports what it has received in an annual EITI report.

The obvious benefit of the EITI is greater transparency of resource revenues through the production of an EITI report, as well as more limited opportunities for corruption, as any discrepancies between companies' payment records and the government's revenue records will be identified by an independent third-party administrator. The report allows citizens to see for themselves how much their government is receiving from their country's natural resources, and they can then hold the government accountable for how the resources are used. A less apparent but equally significant benefit is enhanced cooperation and relationships between civil society, government and the extractive industry. Determining the scope of the EITI and mapping responsibilities for resource extraction and revenue flow in Myanmar are responsibilities of the multi-stakeholder group. Such processes are far from straightforward, given the opaqueness and complexity of Myanmar's extractive sector, but requiring stakeholders with divergent interests to negotiate and cooperate has already contributed to stronger relationships and networks.

Extracting maximum benefits from natural resources

Building a strong platform for private-sector development through macroeconomic stability, efficient financial markets and most importantly an attractive regulatory environment will help attract foreign investment to Myanmar's extractive sector, assisting the transformation of resources into income. When evaluating potential foreign direct investments into its extractive industry, Myanmar should also look favourably on foreign firms based in jurisdictions with strong anti-bribery laws and enforcement (Hendrix and Noland 2014) to leverage strong institutions and governance systems overseas.

The central challenge in designing a tax policy for natural resources is to create a stable fiscal framework that obtains a high share of rents for the nation while ensuring reasonable rates of return for investors who are faced with significant project risks. The policy must be able to cope with the uncertain revenue streams in the sector.

There are several options open to Myanmar that could increase resources revenues. Natural resources provide a rare opportunity to raise revenue in a non-distorting manner through resource rent taxes. Two leading forms of resource rent tax, as set out by the IMF (2012), are outlined in Box 5.3.

Box 5.3: Two leading forms of resource rent tax

There are two main variants of resource rent tax. The main difference is the timing of tax payments. Under the first model, tax is payable only when costs have been fully recovered, whereas under the second model it is payable as soon as the annual income covers the annual cost of financial capital.

The 'Brown tax' or 'R-based cash flow tax'

The tax base is all current receipts less all current expenses, with immediate refund or carry-forward at interest when this tax base is negative. All capital is immediately expensed and there are no deductions for interest and other financial costs. The two main variants are:

- In a *resource rent tax*, the investor receives an annual upwards indexation (uplift) on accumulated losses until these are recovered. Australia uses this scheme for its petroleum resource rent tax, and Angola uses this for its production-sharing scheme.
- With a *tax surcharge on cash flow*, accounting profit is adjusted by adding back depreciation and interest, as well as deducting capital expenditures in full, to yield a base of net cash flow. Rather than annual uplifts, a simple investment allowance could be added to capital costs at the start. This model is used in the United Kingdom.

Allowance for corporate equity or corporate capital schemes

The *allowance for corporate equity* is a form of corporate tax under which firms deduct not only interest paid, but also an imputed return to equity. This allows only a proportion of expenditures to be deducted as they are incurred. Expenses not deducted are carried forward and allowed to be carried forward with interest. Therefore, if a company's taxable income exceeds its economic income in any one year, it is compensated by a higher allowance in future years. This model is used by Belgium, Brazil and Italy as their main corporate tax.

The *allowance for corporate capital* scheme also gives the interest deduction at a notional rate. This means that distinctions between debt and equity finance are eliminated. This model underlies Norway's special petroleum tax.

Source: IMF (2012).

Despite the strong economic arguments for administering resource rent taxes, governments often rely more heavily on royalties because they are easier to administer and produce more stable revenues (Table 5.2). A fundamental issue is therefore to strike the right balance between a less efficient and more distortionary but relatively easy-to-administer royalty system, and a highly efficient and non-distortionary but complex-to-administer resource rent tax.

Table 5.2: Comparison of tax and royalty regimes for natural resource revenues

| Form | Advantages | Disadvantages |
|--|---|--|
| Unit-based (specific) royalties when the tax base is volume or weight | Generates stable revenue; administratively efficient; easy to audit | Economically inefficient and distortionary |
| <i>Ad valorem</i> royalties based on the value of production | Administratively simple; ensures revenue as long as there is production | Inefficient; unstable revenue stream |
| Profit-based royalty or tax when the tax base is an accounting measure of profit | Economic allocative efficiency | Unstable government revenue; high compliance costs for industry and government |
| Resource rent based tax, where the tax base is the economic rent | High level of economic allocative efficiency | Low revenue stability; complex implementation; may lead to compliance disputes |

Source: Based on Guj (2012).

Given the technical and administrative difficulty of designing and implementing a resource rent based tax, Myanmar could also consider near- and medium-term options for strengthening resource-related revenues. Well-designed profit-based tax measures that broadly mimic the efficiency and revenue-raising capability of rent-based taxes would increase the contribution of resources extraction to government revenues while avoiding some of the complexities associated with identifying and taxing economic rents.

Mobilising resource income for productive uses

It is essential that natural resource income is used effectively and strategically. As a rule, it should be either saved for future generations or invested to support the diversification of the economy. The bottom line is that fiscal rules and strong governance must be developed in order to ensure that these revenues are used in an effective and productivity-enhancing way, and not wasted.

The choice between saving and investing needs to be considered with reference to Myanmar's current absorptive capacity, which includes issues discussed in the Chapter 4 that relate to the ability to effectively budget for, allocate and spend money wisely in a way that maximises benefits to the country, the ability to manage the potential impacts on the economy (such as heightened inflationary pressures), and the administrative capacity to manage and govern a stabilisation fund.

Establishing a state natural resource fund to maximise the benefits from finite natural resources and insulate wealth from political pressure and current institutional weaknesses is one solution that has been adopted by a number of countries including Norway (Government Pension Fund Global), Russia (Russian National Wealth Fund), Azerbaijan (State Oil Fund) and Timor-Leste (Timor-Leste Petroleum Fund). At an EITI conference in October 2014 in Myanmar, the Government of Myanmar expressed interest in establishing a similar fund. As discussed in Box 3.1 in Chapter 3, given the limited absorptive capacity in Myanmar, a stabilisation fund may be a potential solution for Myanmar's natural resources challenge. The funds can then be used in the future when macroeconomic stability is achieved, when the governance of resource wealth has improved, and when government decision-making and allocation processes allow the funds to be used in a way that is beneficial to the long-term productive capacity of Myanmar. A stabilisation fund comes with its own challenges. It must be managed transparently and accountably and invested prudently so as to at least maintain the value of the fund.

Myanmar must be careful not to opt for sovereign wealth funds as an easy solution, although careful research and discussion of the best way forward are urgently needed. On the one hand, accumulating significant revenues in funds that could otherwise be effectively invested now would be inconsistent with meeting Myanmar's significant near-term investment needs and dealing with the nation's negative net debt position, low incomes and the potential role of resource wealth in fiscal federalism. With these pressing development needs, there is a strong argument that Myanmar should mobilise its resource income into productive investments that will accelerate its development. In Myanmar, as in developing countries generally, natural resource resources should be used to support immediate investments in priority areas that can support stronger growth, higher incomes and better living standards over time, such as infrastructure, health and education.

On the other hand, there are powerful political pressures to squander resource revenues without proper evaluation of investment options. The institutions and arrangements recommended in this paper are designed to constrain those pressures. The ability to forecast natural resource revenues is critical to planning how those revenues are used. It is therefore crucial that the Myanmar Government evaluate its circumstances and the advantages and disadvantages of options when determining how to best manage its natural resource funds, and when best to release them for injection into the nation's development. A fuller discussion of these issues and the case for thoroughly exploring alternative arrangements and rules for managing resource revenues is set out in MDRI-CESD (2015).

As noted above, a key challenge that needs to be considered when making public investments financed largely from natural resource revenues is how the benefits are distributed across the nation, particularly in the regional or ethnic areas where many resources are located. Local communities in the states of Kachin, Shan, Kayah, Kayin and Mon have suffered from social and environmental damage associated with resource extraction and exports, including the abuse of labour standards and human rights that has been prevalent in Myanmar's extractive industries. However, these states have often not received any benefits from extractive activities. This has been a recurring source of tension and continued instability and civil conflict in Myanmar. In this context, improved policy-making and budget capabilities (particularly revenue-sharing arrangements across the nation, as discussed in Chapter 4) become critical for the effective use of resource-related revenues. Implementing a nationwide system of revenue sharing to facilitate local economic development may be difficult because of regional and ethnic divisions, so efforts to do so must be predicated on collaboration between the central government and local authorities to build confidence in the evolving peace process. Other countries have overcome similar apparently insuperable difficulties. The resolution of Aceh separatist issues in Indonesia is an instructive example.

5.5 Agriculture

A sustained increase in agricultural productivity is vital for improved trade performance, economic growth and poverty reduction among Myanmar's vast rural population. The sector employs 61 per cent of the total workforce (WTO 2014), and accounted for only 31 per cent of GDP and 11 per cent of total exports in 2012–13. The large discrepancy between agriculture's shares of GDP and employment indicates the magnitude of the productivity gap between the agricultural and non-agricultural sectors of the economy. It also helps explain the very high rate of poverty incidence in rural areas (29 per cent) compared with urban areas (16 per cent), as estimated by a UN Development Programme survey in 2009–2010 (UNDP 2011). The low level of agricultural productivity in Myanmar, despite its rich agricultural resources, accounts for the small contribution of agricultural products to export earnings.

Research on the relationship between the growth of particular sectors of the economy and the rate of poverty reduction that results has shown that GDP growth originating from agriculture is the most poverty-reducing of any major sector (Warr 2014). The reasons are, first, that most poor people live in rural areas and their livelihoods are tied to agricultural performance, either directly or indirectly. Second, the agricultural industries are generally more labour-intensive than those in the manufacturing or services sectors (although there are exceptions). This means that with existing technologies an expansion of agricultural output raises the demand for unskilled labour, which is by far the most important asset of poor people. Improvements in productivity that elevate the economic performance of the agricultural sector therefore provide the most important pathway to poverty reduction and the availability of labour for other more productive uses. For Myanmar, inclusive economic growth is virtually impossible without substantial improvement in agricultural productivity.

Official data on agricultural production may understate the productivity deficit in Myanmar's agricultural sectors. For example, while official data show a doubling of rice output from 1995 to 2010, U Myint (2011) points out that in 2008–09 Myanmar's official rice output was 35.8 million tons (unhusked paddy). In the same year, rice exports were only 1 million tons. In neighbouring Thailand, with a larger rice-consuming population, rice production was also about 35 million tons, but exports were around 9 million tons. The discrepancy may be due to over-reporting of rice production in Myanmar, leading to overestimation of rice production and productivity. A similar situation exists in pulse production; in that sector, officially reported output has increased fourfold since 1995 but exports have remained static at about 1 million tons.

Raising Myanmar's agricultural productivity will require reforms in infrastructure provision, research and development, access to land and access to credit. The government should address the causes of low productivity to reduce poverty and raise incomes in rural areas. Restrictions on the trade in rice and protections for farmers in the form of floor prices, although possibly well meant, are distortionary and more likely to increase rural poverty than reduce it (Box 5.4). The best policy response to poor performance in agriculture is to stimulate agricultural production *without* raising the price of food—by raising agricultural productivity. The means to do this are well known. The government must invest in infrastructure, especially roads and irrigation facilities, improve access to land and land tenure, improve access to finance, and invest in knowledge through research and development.

Box 5.4: The price of rice and the incidence of poverty

The restoration of Myanmar's position as a major rice exporter is possible, but there are formidable problems. The experience of Vietnam is instructive. When Vietnam's economic reforms began in the late 1980s, the country was a net rice importer and dependent on supplementary supplies from the World Food Programme. Rice marketing was tightly controlled by the state, and farmers were required to sell to the government at unfavourable prices. Much of the rice produced never reached the market; some was fed to livestock and some was lost to pests and spoilage. The controls were removed and by 1990 Vietnam was a net exporter. Both production and exports have expanded and Vietnam has now joined Thailand and India as one of the world's three largest rice exporters (Dapice et al. 2011).

In contrast with Vietnam's record, Myanmar's is somewhat puzzling. Since the late 1980s, the marketing of agricultural products has been left largely to the private sector and has been relatively unrestricted. Compulsory rice procurement from farmers at fixed prices was suspended in 2003. In that year, the government also discontinued its monopoly on rice exports and permitted private-sector exports. Private-sector involvement in the domestic marketing of industrial crops, including cotton, sugarcane and rubber, was also permitted. But the expected supply response, similar to that seen in Vietnam, has apparently not occurred. The explanations for this outcome are not well established, but the main factors appear to be as follows:

- Rice prices have not kept pace with inflation. One report indicates that between 2006 and 2011 the inflation-adjusted price of paddy fell by 50 per cent (Dapice et al. 2011).
- Whereas the government of Vietnam invested in supporting infrastructure, reducing transport and marketing costs, and in agricultural research, Myanmar has not invested adequately.
- The quality of Myanmar's rice is reduced by the mixture of different varieties grown and by the high percentage of broken grains. Accordingly, its average export price tends to be around 25 per cent below that of rice from Vietnam or Thailand.
- Myanmar's farmers lack the financial resources and the economic incentives to invest in their own farms. Consequently, productivity-raising investments in land improvement, machinery, fertilisers and other chemicals that have raised agricultural productivity elsewhere in Southeast Asia have not occurred.

No quantitative research seems to be available on the relative importance of these four issues. One possible policy response is to protect agriculture through trade policy, raising domestic rice prices above international prices. This would benefit those farmers who are net sellers of rice. Some of those farmers are poor, but the largest net sellers, who are presumably not poor, would benefit the most.

It is important to recognise that most rural households, poor and non-poor alike, are net buyers of food, including rice. Raising rice prices would indeed stimulate an increase in agricultural production as sellers increase supply, but it would do so at the expense of raising the incidence of poverty among the majority of the country's rural people, more than 70 per cent of whom are net buyers of rice (Table 5.3). It would also greatly inhibit poverty reduction efforts in the medium to long term. Raising rice prices removes the incentive for businesses to produce a quality product, meaning that the quality of Myanmar's rice would fall, making it less internationally competitive. Fixing rice prices also inhibits competition between suppliers, which is the key to productivity growth, achieving economies of scale, improving international competitiveness and thus reducing poverty. This would also be a difficult policy to reverse in the future because it would encourage the participation of inefficient and low-quality producers, most of whom would struggle to compete if the price were determined by market forces. Such a policy would become a growing burden on the government budget.

Table 5.3: Net sales of rice among rural households of Myanmar (per cent)

| | Net sales < 0 | Net sales = 0 | Net sales > 0 |
|---|---------------|---------------|---------------|
| All rural households | 77.88 | 0.87 | 21.25 |
| All poor rural households | 79.03 | 0.77 | 20.19 |
| Poor rural households close to poverty line | 78.18 | 0.61 | 21.21 |

Source: Estimates by Peter Warr using data from UNDP (2011).

Rural infrastructure and research

High transport costs resulting from low-quality roads raise costs for farmers. Their effect is exacerbated by road and bridge tolls imposed by local governments. While there is nothing necessarily wrong with charging users for services, there are likely to be strong positive externalities from rural infrastructure and research and development in agriculture, the provision of which needs fiscal resources.

Some infrastructure issues affecting farmers include:

- high costs for farm inputs such as fertiliser, due to their control by inefficient SOEs;
- export restrictions operating through export licences;
- restrictions on inter-regional trade in rice (Turnell and Bradford 2013);
- continued local use of procurement orders, even though the central government now discourages them;
- poor irrigation facilities (only 20 per cent of cropland is irrigated, despite the extreme seasonality of rainfall);
- lack of electricity in rural areas, requiring the use of more expensive sources of power to be used; and
- weak research, extension and training facilities, meaning that Myanmar develops very few new agricultural technologies and is slow to adopt new technologies developed elsewhere (Warr 2000, 2006).

Evidence from Thailand points to the powerful productivity-raising and poverty-reducing effects of developing rural roads and other rural transport infrastructure. Similar evidence is available from Indonesia. Agricultural research is underfunded throughout most of the region, but the returns from this form of public good provision have been shown to be very high (Evenson and Pray 1991, Fuglie 2001). Both China and Vietnam have shown the substantial return on public investment in agricultural research and development designed to raise productivity. The recommendations for prioritising and financing infrastructure and increasing fiscal resources in Chapter 4 are highly relevant for the rural sector.

Providing these services requires additional government action in the context of already stretched government budgets, highlighting the urgent need to expand the government's available fiscal resources. In addition, bureaucratic expertise to plan, prioritise and finance infrastructure projects is essential to deliver infrastructure with the highest social returns. In this regard, the recommendations in Chapter 4 are critically relevant to reducing poverty and increasing income from trade in rural Myanmar.

Agricultural credit

The only formal financial institution authorised to lend to farmers is the Myanmar Agricultural Development Bank (MADB). The MADB is undercapitalised and under-resourced relative to its intended functions and is impeded in its operations by the restrictions applied to it. Recent reforms have included lifting the maximum credit that it can advance to cultivators to K100,000 per acre. This is more than four times the amount made available only a few years ago, but it continues to count for less than half of average per acre production costs.

Because of the restrictions on its operations, the reach of is limited and most farmers in Myanmar have no access to its loans. To the extent that any credit is available to the majority of farmers, it is mostly from friends and relatives or informal moneylenders at interest rates well above normal commercial rates. The rates vary widely, depending upon location, crop, the size of a farm and prevailing conditions, but are said to average around 10 per cent a month. Such interest charges limit the capacity of farmers to purchase inputs and invest, contributing to low output and productivity in agriculture and to rural poverty.

Myanmar's rural finance system needs radical reform to give farmers greater access to credit and other financial products. First, lending in the sector should be opened up to commercial banks. Second, the MADB requires reconstruction and recapitalisation along commercial lines. While this task will not be easy, Myanmar's problems are not unique: other Southeast Asian countries, including neighbouring Thailand, have faced the need to restructure state agricultural lenders of a similar kind. Their experience and lessons learned are available to Myanmar.

Access to land, land tenure and the structure of landownership

Myanmar's land access problems are important in both rural and urban areas. Access to land is regularly cited as a major constraint to doing business in Myanmar, coming a near second to access to finance in a recent survey (World Bank 2014). Myanmar's land problems extend beyond economic development, as they are also a major driver of conflict and disenfranchisement in ethnic groups. The key issues are that land-use rights are dependent on use, are often inconsistent with current practice, are difficult to achieve and can be revoked for poorly justified reasons. This undermines incentives to use and invest in land, particularly in rural and regional areas and areas with ethnic minorities. Even in urban areas, land registration is inconsistently applied and stymies the development of an effective market in land.

The 2008 Constitution maintains the formal government ownership of all land, as established during the socialist era. Land-use rights of variable duration and certainty are conferred through a complex legislative framework. The uncertainty in this system is greatest for rural land, causing the greatest impact on agricultural development and any other project requiring access to land, such as infrastructure development. For rural land, use rights can be granted through systems based on two recent laws passed in 2012: the *Farmland Law* and the *Virgin, Fallow and Vacant Land Law* (VFVL). The type of land determines which law applies. Forest land is managed separately through its own legislation.

Using multiple systems with overlapping responsibilities leads to inconsistent practices and uncertainty for land users. The categories of land are rigid and the process of converting land use from one category

to another is highly complex, which can result in classifications out of step with current practice, such as for former forest land used for agriculture. The lack of clarity undermines land tenure. The two recent laws made some advances in the rights that the law grants, such as allowing land mortgaging or the use of land as collateral. Nevertheless, the right to use land remains heavily prescribed. Permission is needed to change crops or to lease land, and can be revoked if these restrictions are not followed. Of particular importance for upland areas of the country, the laws do not recognise communal ownership of land and are ambiguous about the status of land managed using traditional practices, such as shifting-use cultivation. The combined effect of these limits and uncertainty about tenure is to discourage the development of land for productive uses.

A number of aspects of the VFVL Law are particularly problematic. Its focus is on enabling the appropriation of unused or underused land to provide large leases that support agribusiness or mining, continuing a practice starting under a related military-era law. The VFVL law has been cited as facilitating land grabbing because its provisions for compensation are weakly defined. Most fundamentally, the VFVL law presumes that direct intervention by government can boost productivity more effectively than well-regulated market forces. The effectiveness of this central planning mindset is not supported in practice and by undermining property rights, this approach hinders development. Because leases granted under the law are accompanied by generous concessions, there are serious questions about the true productivity of the larger projects.

In the application of the VFVL Law, there remains a preference for large industrial modern industrial farming rather than smaller enterprises, which skews the structure of landownership to the detriment of these smaller enterprises. The World Bank's 2014 Investment Climate Assessment Enterprise Survey found that, while lack of access to land and tenure security were not as significant an issue for larger enterprises, they were a particularly significant problem for medium, small and micro-enterprises. Denying access to land and tenure security to smaller enterprises will unnecessarily constrain the impact that agricultural growth will have in reducing poverty. Smaller firms will grow over time and boost productivity as they develop economies of scale and competition increases.

Only 20 per cent of land is formally registered. The registration of land is subject to significant disputes, and registries are not up to date with subdivisions made to the land (OECD 2014). For de facto owners, this contributes to problems of weak tenure and prevents them from using their property as collateral for financing loans, ruling out one of the few sources of credit that are currently available. Prospective buyers find it difficult to know whom to do business with. This problem applies to urban as well as rural land and is caused by a number of drivers.

The registration process is complex and is worked around in many cases, making it difficult to establish formal title. As noted above, land can be registered through multiple processes. The register is not managed centrally or even by states or regions, but by poorly resourced local authorities. A historical desire to avoid engaging with government is also thought to contribute to the avoidance of formal land registration. In urban areas, parties often use a special power of attorney to transfer usage rights to the land buyer while avoiding formally changing the registration, sometimes resulting in chains of such transfers linking back to the original title holder. A key driver of this behaviour is the tax system. Probably more important than stamp duty (5 per cent in Yangon and some other centres) is the tax on unsourced income (30 per cent) for people who cannot prove that their purchase uses money on which tax has previously been paid. In the light of these issues, Myanmar should focus on the following priorities for land tenure reform.

Reduce restrictions on land use and separate them from land titles

Restrictions on land use should be limited to clear public policy issues, such as externalities of land use, and controls on private decisions, such as those on crop planting, should be removed. Most importantly, restrictions on land use should be managed separately from title over land, such as through zoning, and enforced through penalties other than the loss of land. In addition, clear processes to approve changes in the use of land need to be developed. The development of a unified national legislative framework for managing land will be needed to deliver these changes in a consistent way. It is also important to establish an effective grievance and dispute settlement system, which will support the land reform process.

Develop a robust system for registering title

Several steps will be needed to develop robust title registration. The most important is to map land to record its actual use. This will need to be comprehensive, but starting in major cities and industrial zones would deliver immediate gains. In time, the system will need to be centralised or managed at the state or regional level and digitised so that it is easily searchable. These steps will be time-consuming and will be best developed in a phased way. In parallel, a systematic approach to encourage the use of the system is needed, and simplified processes for registration would be beneficial. A time-limited amnesty period could be used to encourage the registration of the current stock of unregistered land. This should be combined with legislative restrictions on the use of special powers of attorney to prevent the further erosion of the system. As part of wider tax reform, the government should move away from stamp duty towards property or land tax and replace the tax on undeclared income with less disruptive forms of compliance.

5.6 Manufacturing

No country of significant size has achieved sustained economic growth without focusing on the development of a manufacturing industry (Perkins 2012). The experience of East Asia provides important lessons in how this can best be done. Four points are central to this experience:

- Industrial development must be export-oriented and not primarily inward-looking. A strategy based on import substitution addresses a market that is far too small for efficiency (the domestic market) and lends itself to protectionist policies that impede the development of an internationally competitive industrial sector.
- Development must be open to labour-intensive activities, which means that the country's comparative advantage in labour-intensive development must guide policy formulation.
- SOEs seldom possess the management capacity, technology, outward orientation or dynamism required for the development of the export markets needed to sustain efficient, export-oriented industrialisation. At the enterprise level, the development must be led by the private sector.
- Foreign investment can play a catalytic role in providing the capital needed for efficient investment in manufacturing, experience in dealing in competitive export markets and the technology needed to deliver internationally competitive products. Myanmar cannot develop an efficient, export-oriented manufacturing sector without a large inflow of foreign direct investment.

The public sector has a crucial supporting role to play. It must establish the transparent regulatory environment and property rights protection needed to maintain vibrant, competitive markets domestically, and it must also invest in the infrastructure and human capital needed to support private sector-based industrialisation. Where appropriate, it must provide frameworks for the recognition of

appropriate product standards, occupational health and safety, hazardous waste management, pollution control and other standards for efficient manufacturing.

The lifting of international sanctions opens new opportunities for Myanmar to exploit its comparative advantage in labour-intensive manufacturing development. Nevertheless, there are significant problems in achieving that outcome. First, the existing industrial sector is dominated by **state-owned enterprises** (rice milling is one of the few exceptions). SOEs frequently operate at a loss, in so far as their non-transparent accounting procedures make it possible to assess their financial performance. The regulatory environment is so heavily biased in favour of these enterprises that it is impossible for the private sector to compete with them. In general, these enterprises appear to operate very inefficiently (Perkins 2012). They need to be turned over to commercially focused managers and progressively privatised. Non-commercial operations should be closed and their assets realised. The consumer goods manufacturing industries (for example, garments, electronics assembly, toys and footwear), together with many light-producer goods industries such as cement and steel, should be entirely in private hands. While protected SOEs continue to operate in these sectors, private investment in competition with them is likely to be well below potential, or non-existent.

China encountered this problem in the early stages of its post-1978 reform period. In the lead-up to China joining the WTO the government used the prospect of joining the organisation to force SOEs to shed millions of surplus workers. Concerns were expressed for those employed in these operations, but the expansion of more efficient privately owned industrial enterprises absorbed them. About 60 per cent went into foreign-invested firms in China's special economic zones. Foreign invested firms played an important role in absorbing the workers released from China's inefficient state-owned enterprises and in absorbing labour that came from the countryside as agricultural productivity improved.

A second problem is the **over-regulation of industry**. In many cases, regulations are unclear and even contradicted by other regulations, inevitably leading to corruption in their administration. Transparency International's Corruption Perception Index ranks Myanmar 180th out of 182 countries, and the World Bank's Governance Index ranks Myanmar alongside Afghanistan, North Korea and Somalia. These are not the perceptions that a country aspiring to attract foreign investment wants. The regulatory environment for industry needs an overhaul. According to Perkins (2012:10), the problem behind industrial regulation is familiar elsewhere in Asia: 'Military and "crony" companies apparently are involved in practices to stifle competition and gain control of particular markets that would be illegal in most countries.' The problem is not merely one of establishing clear legal prohibitions on such anti-competitive practices, which are currently absent, but of subsequently enforcing these laws.

A third major problem is the **poor state of infrastructure and utilities**. Roads are poor and transport costs high, meaning that the initial stages of industrialisation will necessarily be concentrated around Yangon and its port. Electricity supplies are costly and unreliable, even in Yangon (Dapice 2012a, 2012b). They are higher elsewhere, and that alone is a serious deterrent to the diffusion of industrial development. Manufacturing firms cannot survive without reliable electricity supplies. Dapice (2012a) projects that at current electricity prices demand is expanding at double the rate of supply. Investment in power generation is therefore essential, starting with Yangon and its immediate hinterland and then extending to outer regions, especially those with port access or border connections to neighbouring China and Thailand.

A fourth issue is the **financing of industrial development**. Myanmar's banking system currently extends private credit equivalent to about 5 per cent of GDP, which is extremely low by international standards. In Vietnam, it is 96 per cent, in Cambodia 45 per cent and in Lao PDR over 20 per cent, according to

World Bank data.⁶ Most bank credit goes to the government. Myanmar's banking system is not yet playing its necessary role of recycling domestic and foreign savings into efficient private-sector investment.

Finally, Myanmar needs to invest in **human capital**. Primary education participation rates are low by international standards, and it is difficult to sustain industrialisation process with an illiterate workforce. Labour-intensive manufacturing requires not only a supply of low-cost unskilled labour, but a complementary input of medium-level technicians and managers who can organise and supervise their work. Myanmar has the first of these in abundance, but not the second. The challenges of training and retraining are daunting, but the process of reform must begin now.

The policy reforms and public-sector investments needed to develop competitive, export-oriented manufacturing and supporting services capable of efficiently absorbing available labour will take time. This fact must be accepted. Sequencing will be an important issue. But maintaining the current policy regime, or anything like it, will not achieve the desired outcome. China's experience since the 1980s demonstrates the possibilities of economic growth based on industrial development that are now open to Myanmar.

5.7 The role of Special Economic Zones

SEZs are legal, logistical and tax arrangements intended to assist a country to attract export-oriented manufacturing investment (mainly foreign) that would not otherwise happen. Domestic conditions that would otherwise deter such investment include poor domestic infrastructure and utility services, inadequate security of investment, costly regulations and trade restrictions. The rationale for SEZs is to reduce the costs associated with these deterrents within a specific part of the economy—the zone and its connected hinterland—thereby attracting employment-creating investment that would not have occurred without the SEZ. The zone creates a favourable investment environment within a limited geographical area, but does not directly address problems existing within the investment climate outside the zone, or infrastructure insufficiency outside the zone, both of which discourage the foreign investment the country wishes to attract. For that reason, SEZs have often been called 'investment enclaves'.

Why not remove the impediments to investment within the entire economy, thereby eliminating the need for favoured enclaves? This argument has great force, but it takes time and resources to improve infrastructure across the whole nation and there may be political and budgetary constraints preventing the immediate reform of the other impediments to investment mentioned above. In the meantime, SEZs can generate *some* of the benefits available from broader economic reform. Moreover, they can do it without necessarily incurring the economic adjustment and political costs implied by broader economic reform. SEZs must therefore be seen as a transitional measure and not the main or ultimate target for industrial development. They are second-best because greater gains are available from economy-wide economic reform. They are transitional because it is hoped that the SEZ measures will later transform into the economy-wide reforms that will make the SEZs unnecessary. The creation of SEZs should not put off worthwhile reforms in the rest of the economy.

Special economic zones in the global economy

Since the 1960s, SEZs (also known as 'free trade zones' or 'export processing zones', depending on the details of their regulations) have grown rapidly in Asia, Latin America, the Caribbean and Africa. A universal feature of such zones is duty-free importation of intermediate goods, provided the output is

⁶ Source: <http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS>.

fully exported. According to the International Labour Office database on export processing zones (Boyenge 2007), in 1986 there were 176 such zones in 47 countries. Two decades later, in 2006, there were 3,500 in 130 countries. A total of 66 million people were employed in them, of whom 40 million were in China and 5.25 million were in Mexico and Central America; a further 3.25 million were in bonded factories in Bangladesh. The proliferation of SEZs means that new entrants wishing to attract foreign investment face vigorous competition.

Production fragmentation is a global development among internationally oriented manufacturing firms and has been facilitated by the growth of SEZs (Arndt and Kierzkowski 2001). It has boosted demand for the services that the zones offer.⁷ This phenomenon makes it possible for labour-intensive phases of the production of a good to be divided into many segments, or processes, which may differ widely in their cost structures. International trade in intermediate goods makes it possible for the individual processes to occur in different parts of the world, where costs also vary widely. The manufacturer's objective is to reduce the total cost of producing the final good by undertaking individual phases of production in the most suitable locations, which are not necessarily the countries where unskilled wages are lowest. Low-wage countries may have an advantage in attracting the most labour-intensive production processes, but not the most skill-intensive processes, because their workforce lacks the necessary abilities. Production fragmentation does not require SEZs, but the zones can provide a vehicle for attracting the phases of fragmented production processes most suited to an economy's comparative advantages.

The circumstances that induce multinational firms to locate particular phases of their overall production process in this or that country are multidimensional and can change quickly. For example, China's positioning as a low-wage production base for labour-intensive production processes is changing rapidly because of rising wages in China, which is itself a consequence of the country's successful industrialisation. Both Chinese and foreign firms are now looking to SEZs in less developed countries, such as Myanmar, as a means of reducing total production costs.

A further attraction of SEZs, from the viewpoint of investing firms, is their potential role as a reserve production base, where output can be increased quickly when operations in the firm's main base, in China, Thailand or elsewhere, are disrupted for some reason. Such reserve operations are often referred to as 'China-plus-one', 'Thailand-plus-one' and so forth. For example, in October 2013, flooding in Thailand's eastern provinces forced the temporary closure of at least 17 major enterprises in the Amata Nakorn Industrial Estate. Even more severe and more widespread flooding had occurred in 2011, severely disrupting operations. The disruptions were costly, preventing many firms from meeting production deadlines and jeopardising the production of final goods that depended crucially on each part of the supply chain being able to deliver. By having a reserve plant elsewhere and being able to ramp up production at short notice, the costs of this sort of disruption can be reduced. For this to happen, the reserve plant requires very good connectivity to the international market to make possible rapid input delivery and the export of finished products.

The benefits that host countries hope for in establishing SEZs lie overwhelmingly in employment creation. Depending on the industry, workers who initially possess low skill levels may also receive training that is useful for subsequent employment. Tax revenue may be raised from the firms operating in the zones, depending on the tax regime that is offered, and demand may develop for inputs that can be produced within the domestic economy (backward linkages) rather than be imported. In addition, in some countries, most notably China in the 1980s, SEZs were viewed initially as policy experiments, within which policy reforms could be tried out for possible later adoption in the wider domestic economy. That is indeed what happened in China, with dramatic results.

⁷ For a discussion in the context of Penang, Malaysia, see Athukorala (2014).

International experience with SEZs

Five decades of global experience with SEZs has produced a number of lessons that new entrants to the field need to consider.⁸

First, SEZs typically take at least 5–10 years before producing large-scale employment benefits that are hoped for. Farole (2011) emphasises that this incubation period was experienced even in the most successful SEZs, in China and Malaysia. Some patience is therefore needed.

Second, the SEZ experiment will succeed only if the zone offers significant cost advantages to internationally mobile manufacturers. The important comparison is not with the rest of the domestic economy, but with the firms' alternative international locations for their operations. It is important for planners to remember that many other countries are competing to attract the same firms. Moreover, the firms they wish to attract are not captives, even after they enter the SEZ. They have alternatives and will leave if the zone does not deliver the advantages they seek. After all, many of the firms that arrive in the SEZ have already exited another, often because the expectations that brought them there had not been realised or sustained.

Third, although many countries have offered generous tax holidays to firms entering the zones, these concessions have made surprisingly little difference to the investment decisions of the firms (Farole 2011). Since tax holidays are costly in fiscal terms, they are of dubious merit. The literature on fiscal incentives is clear in its conclusion that they affect investor decisions only at the margin, after factors such as the availability of suitable workforce, productivity, connections to markets, and political and macroeconomic stability are taken into account.

Fourth, SEZ firms often prefer to source their intermediate inputs internationally unless there is a clear cost advantage in doing otherwise. The reason is that the zone firms wish to retain their international mobility without disrupting their sources of inputs (Warr 1989). Accordingly, hopes for large backward linkages and substantial levels of technology transfer to local suppliers are often disappointed. These linkages tend to develop only in countries such as China and Thailand, where well-developed supporting industries, including local small and medium-sized enterprises, can be identified and can provide cost advantages from sourcing inputs locally. The international experience is that the existence of SEZs itself does not necessarily cause these local supporting industries to develop. If the induced creation of local industries of this kind is seen as a necessary condition for the success of the SEZ experiment, the international experience is not encouraging. Especially in poor countries, the principal benefits from establishing SEZs do not lie in this area.

Fifth, the domestic factors most important to firms' decisions to invest in SEZ operations, and subsequently to remain in them, are labour costs; labour relations, especially freedom from strikes; the reliability and cost of infrastructure, especially electricity; and the logistics of importing and exporting efficiently, without costly delays. Corruption at the border causes delay and raises costs. SEZ firms are especially sensitive to these matters.

Finally, SEZs have proven repeatedly to be ineffective instruments for promoting the development of the poorest, least developed regions of the host country. Those areas are usually underdeveloped because of their remoteness, high transport costs and poor infrastructure, including roads, ports and electricity supplies. These factors raise costs and usually doom attempts to attract internationally mobile foreign investment. It is difficult enough to attract firms into the most favoured parts of the domestic economy,

⁸ This summary draws heavily on Warr (1989) and Farole (2011).

where costs are much lower. Attempts to attract footloose manufacturing into remote and disadvantaged areas nearly always fail.

Assessment of special economic zones

The recent literature on SEZs emphasises the dynamic and indirect effects they might have. It has been heavily influenced by the ‘new economic geography’, which stresses skill formation, knowledge spillovers, technology spillovers and backward and forward linkages (Cheeseman 2012). This literature also emphasises cluster effects, in which similar firms group together, with positive spillovers of the kind hypothesised by the new economic geography.

It should be emphasised that this literature is largely theoretical. The few empirical examples offered are generally drawn from advanced and middle-income countries. Although there is a growing literature that identifies the importance of these benefits in China, its relevance to the circumstances of countries such as Myanmar is limited. It is often repeated that two criteria for the success and sustainability of SEZs are how effectively they address key constraints faced by investors to improve their competitive performance, and the extent to which enterprises in SEZs establish effective linkages with the rest of the economy to improve its overall competitiveness through supplier relations, transfers of technology, knowledge, and policy reform (Farole 2011). These two criteria for success are heavily based on *a priori* speculation rather than on empirical evidence, and they should be applied with caution to new entrants to industrial development, such as Myanmar.

On the first point, to attract the footloose labour-intensive phase of fragmented production processes the important point is not whether the SEZ marginally improves the investment climate within the zone compared with that prevailing in the rest of the host country, outside the zone. Rather, it is whether the environment within the zone is competitive compared with alternative *international* sites available to investors. If all the SEZ does is to encourage firms already operating in the country to relocate to the zone, it is not clear that anything significant has been achieved. It is in attracting *new* investment into the country, thereby generating *new* employment that would not exist in the absence of the SEZ, that a genuine contribution can be made.

On the second criterion, it is helpful to review the experience of another least-developed country, Cambodia. SEZs were established in Cambodia in late 2005 and by 2014 these zones employed around 70,000 people, out of a total manufacturing employment (dominated by garment production for export) of around one million. Experience to date indicates clearly that SEZ firms are *not* closely linked to the domestic Cambodian economy through forward and backward linkages, and are significantly *less so* than similar firms operating outside the zones. But this does not mean that Cambodia’s SEZs are failing. By increasing the overall demand for unskilled labour they contribute to the economic welfare of the Cambodian people, and they have the potential to increase this contribution.

Even if the value added per unit of output of SEZ firms is small and is confined to the labour-intensive enclave activities occurring in the zones themselves, this can be important if the total volume of output is large enough. By providing employment at higher wages than unskilled workers can obtain in alternative employment, which may be agricultural work in Myanmar or in neighbouring Thailand, the incomes of the people involved can be increased substantially. Of course, this alone is not the answer to Myanmar’s long-term development problems. It is at best a component, possibly temporary, of a package of policy measures designed to raise incomes, but it is valuable for the people concerned.

The role of SEZs as experimental sites for policy reform was apparently important in China. It could be important in countries such as Myanmar, too, if it is assumed that governments are able to learn only from events occurring within their own borders and not from events readily observable elsewhere.

The domestic policy measures needed to enhance the international competitiveness of the zones are similar to those needed in the rest of the economy. Infrastructure must be upgraded to reduce transport costs. Supporting services and trade facilitation must be improved to reduce costs and delays associated with importing and exporting. Electricity supplies, and especially the reliability of supply, must be improved. Corruption must be reduced and the rules of payment to government agencies clarified. The most important, but most difficult, task is to improve labour quality.

Myanmar's proposed special economic zones

No SEZs are in operation yet in Myanmar, but three sites are currently under development: Thilawa, adjacent to the main port of Yangon and the town of Thanlin; Dawei, in remote Taninthayri Division on the Andaman Sea coast, south of Yangon; and Kyaukphyu in Rakhine State.

Of the three, it seems that only the first is potentially viable in economic terms. The other two are in remote areas with limited electricity supplies and high transport costs, and without the necessary banking facilities, legal services and, most importantly, skilled industrial labour to supplement the local unskilled workforce. These disadvantages raise production costs. The siting of these two sites seems to be an example of the all-too-common assumption that authorities can locate SEZs anywhere they wish and that the entry of foreign firms will automatically follow. That assumption is a recipe for failure, leading to a waste of public investment funds. For example, the viability of the Dawei SEZ is currently in doubt following the withdrawal of the Italian Development Company in 2012 and a failure to attract alternative investors (Wood 2014).

If any SEZ can succeed in Myanmar, it is probably the Thilawa SEZ. The zone has its own port facilities close to Yangon's port, although they are currently underutilised. It is also close to Yangon's other supporting urban facilities and labour supply (it is 20 kilometres from Yangon city centre). Wood (2014) reports that around 12 firms have already signed up to locate in the zone and that the Japan International Cooperation Agency is committed to the site and signed a joint venture agreement for the Thilawa SEZ in April 2014. Unreliable electricity supply is currently a serious problem in Yangon; a new, publicly funded power plant is under construction close to the Thilawa site, but it is not yet clear whether it will be adequate to meet the zone's needs.

Economic benefits can be expected from the Thilawa SEZ, provided it is managed well and supporting utility and other services are available. In all likelihood, those benefits will be modest and will mainly accrue from the employment of relatively unskilled Myanmar people, mainly young women, at higher wages than they could earn in their best alternative occupations. But larger benefits will follow if the SEZ proves to be a successful beachhead for economic reform within the broader economy by demonstrating the efficacy of a more open economic policy guided by commercial imperatives. If it is successful in this respect, the benefits of the SEZ can be extended to the broader economy to greater overall benefit.

5.8 Conclusions: Learning from experience elsewhere in East Asia

For economic growth in Myanmar to be inclusive and sustainable, the agricultural, manufacturing and supporting service industries must be developed alongside the extractive resources sector. Providing productive employment opportunities to the country's working-age population in urban, rural and regional areas will be critical to this process.

The country enters this period of economic reform with both advantages and disadvantages compared to other countries that have made a similar transition. The disadvantages include the country's heavy reliance on export revenues from natural resource extraction and possible 'Dutch disease' effects on the profitability of other traded goods sectors, such as agriculture and manufacturing. In addition, the

domination of military and state-owned enterprises within the industrial sector virtually precludes the possibility of private-sector investment in the industries concerned. Third, the non-transparent and sometimes contradictory regulation of industry, combined with domination by military and state-owned enterprises that operate according to rules of their own, discourages investment and breeds corruption.

The advantages of being a latecomer to economic liberalisation and industrialisation include the availability of technologies that can be adopted in agriculture and manufacturing at relatively low cost. Furthermore, the fact that several of Myanmar's partners within ASEAN have undergone a comparable transformation towards a more liberalised economy means that lessons are available from their experience for Myanmar to learn, without having to repeat others' mistakes. There are specific lessons about what works and what does not work in promoting agriculture and labour-intensive manufacturing.

In agriculture, Myanmar needs to focus on supply-side measures directed at raising the productivity of land and labour. Rural infrastructure, along with the country's moribund agricultural research and extension facilities, requires heavy public investment. Attempts to raise agricultural prices through 'guaranteed price' schemes should be avoided because they raise food prices to consumers, who vastly outnumber producers.

Manufacturing and supporting services can develop only if the military and state-owned enterprises that currently dominate most industries vacate them. Substantial private investment in those industries will not occur until that happens. Beyond this, infrastructure such as roads, port facilities and especially electricity supplies must be developed. Finally, primary and lower secondary education must be revamped to improve the literacy, numeracy and skills base of the workforce. This will be costly and will take time. Much of it is also politically difficult.

In the meantime, SEZs can contribute by providing remunerative employment to Myanmar's population, albeit on a scale that is unlikely to match Myanmar's vast supply of relatively unskilled workers. The zones can attract footloose labour-intensive manufacturing in areas that are well supplied with port facilities and reliable electricity supplies and are close to the available labour supply. The potential role of SEZs is limited by those necessary conditions. It is unrealistic to expect that they will cause manufacturing to develop outside their boundaries, because the experience in other countries is that firms in the zones prefer to source their inputs internationally, unless there are strong cost advantages in doing otherwise. Furthermore, it is unrealistic to see SEZs as an engine for growth in remote regions of the country. Those regions have poor infrastructure, including roads, port access and electricity supply. Broader reform, infrastructure service provision and human capital development are needed to make inroads in the remote regions.

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6 Connecting the domestic and international markets

KEY MESSAGE

As trade and investment links between Myanmar and the regional and global economies strengthen, the government will need to invest heavily in economic infrastructure such as transport, telecommunications and electricity to enable domestic producers to raise their productivity and access regional markets. The key to meeting this challenge is to build a framework for planning, prioritising and financing the delivery of those services. As economic development dynamically shapes and concentrates Myanmar's economic activity, mechanisms to share the benefits of income growth across the nation, including but not only through the provision of basic physical and social infrastructure, will become increasingly important to reinforce peace and sustainable growth. This will require significant intergenerational commitment from Myanmar, from its neighbours and through international agencies, given the magnitude of some of these projects.

ECONOMIC POLICY PRIORITIES

- Myanmar should **prioritise building transport infrastructure that is of national importance**. This includes completing missing links in the ASEAN road and rail network and building priority roads to connect rural areas to large domestic and regional markets as well as connecting major industrial sites together.
- **The rollout of physical infrastructure to SEZs** should be considered a priority only where those zones are likely to be successful in attracting private-sector activity and serve as a beachhead for a larger industrial hub.
- Significant disparity in living standards across Myanmar is neither desirable nor sustainable, and **the gains from liberalisation should be shared** with all states and regions. Ensuring that major population centres are physically connected to production centres is crucial to enable the bulk of the population to participate in the opportunities from increased openness. However, enhanced spending on public investments in physical infrastructure, education, health care and other services at the local level—as part of broader moves to enhance political and fiscal federalism—is likely to be more effective than attempts to roll expensive, extensive physical infrastructure networks out to all corners of the country.

INSTITUTIONAL STRATEGIES

- Myanmar should **create an infrastructure assessment authority** to plan, prioritise and seek finance for nationally important transport and other physical infrastructure projects. This body should use rigorous cost-benefit analysis and have strategic oversight of all nationally important infrastructure.
- Myanmar could **consider establishing a state and region development fund** to finance the expansion of health, education, transport and other services in the states and regions. The use of the fund should be consistent with principles for political and fiscal arrangements between the states and regions and the Union outlined in Chapter 4.

6.1 Introduction

As the Myanmar economy strengthens its regional and global trade and investment links, the government will need to facilitate the rollout of physical and social infrastructure to support robust private-sector activity and ensure that households have access to basic services and transport that enable them to take advantage of expanded economic opportunities. These priorities are crucial for strong growth and stable development, and for ensuring that the opportunities and the benefits from greater openness are accessed and distributed in a manner consistent with sustained peace and the enrichment of all of Myanmar's regions and people.

Myanmar faces considerable infrastructure challenges, the details of which vary substantially across its diverse states and regions. Myanmar's geography includes mountainous regions, deltas, coastlines and forests. The composition of economic activity varies accordingly: industrial and agricultural activity takes place down the central part of the country, and natural resources are in many cases found in remote and sparsely populated areas. Despite Myanmar's rich resource endowment, years of underinvestment in basic services, difficult terrain and sparse populations—together with the consequences of armed conflict—has left ethnic minority populations lagging on many development indicators.

In this context, the additional connectivity required by Myanmar spans many levels. Agricultural areas require productivity-enhancing infrastructure, such as rural roads and regional links, to raise productivity and complement other supply-side reforms discussed in Chapter 5. Industrial areas and cities with growing services sectors need reliable electricity, communications and physical connections to other domestic centres of commerce, as well as links to the international value chain. From an international perspective, Myanmar is a vital link in the regional transport infrastructure network, and prioritising the completion of unfinished links will allow domestic centres of production to access the capital, technology and gains from specialisation discussed in Chapter 1. Across the board, the provision of such infrastructure is a national priority to leverage trade and investment openness for sectoral development and job creation.

Domestic physical and social infrastructure must also be part of the policy mix for addressing inequities in living standards across Myanmar's states and regions—and thus for enhancing prospects for sustainable peace and development. All of Myanmar's people and resources need to be connected to opportunities from increased trade and growth, and active steps need to be taken to enhance welfare for ethnic minority groups and address growing inequality. This is not just about basic transportation links and other physical infrastructure but also access to health, education and other services—including telecommunications—that will enable an increasingly healthy, skilled and connected population make the most of new opportunities arising from the reform process.

In addressing these priorities, it is equally vital that Myanmar does not divert scarce resources to make public investments in expensive, long-lived transport or other networks that are unlikely to deliver the economic, social or political benefits offered by alternative investments. Nor should it resist the dynamic processes of urbanisation and industrialisation that are likely to lead to more, rather than less, concentration of economic activity as Myanmar opens up. Trade and investment can facilitate dynamic agglomeration economies in growing production centres as average costs fall and returns to scale increase. Increased concentration is positive for economic growth and should be facilitated, rather than resisted through attempts to mandate or encourage at great cost the establishment of new production centres away from existing areas of great potential. A major part of the transport infrastructure challenge and a key national priority is therefore building and improving links between major cities and industrial areas, in addition to completing those links already identified in the ASEAN Transport Master Plan (the Brunei Action Plan). These economic infrastructure links need to occur alongside the priority work, already

acknowledged by the government, of expanding access to electricity and telecommunications coverage across the nation, along with other key services.

This chapter starts by analysing international, national and local infrastructure needs and priorities and how they relate to broader themes in Myanmar's development—chiefly, the imperatives to simultaneously attain the strongly reinforcing outcomes of growth and peace. It then considers particular challenges and priorities in the transport, electricity, telecommunications and basic services sectors. Those priorities should be identified as part of a national strategy. An enhanced capacity for cost–benefit analysis will aid the prioritisation and management of financing from private sources as well as bilateral and multilateral aid agencies. The chapter concludes with some options for institutional reform to help the government prioritise and plan these national infrastructure projects.

6.2 Myanmar's connectivity needs

This section looks at Myanmar's connectivity needs from the broad perspective of connecting activity across the region and within the country. While most of the links will be by road, rail and port facilities, Myanmar also has the advantage of additional transport modes in the form of inland waterways and air transport. More detailed sectoral priorities are explored in the next section. This section also discusses the implications for the distribution of health, education and basic services as the dynamic process of economic integration and development intensifies the forces shaping economic concentration in Myanmar.

International connectivity—Myanmar in Asia and the world

Effective and efficient connections between Myanmar and the rest of the world are fundamental to achieving gains from greater trade and investment. Myanmar's strategic location and large landmass mean that connecting it to the regional economy is not only a crucial domestic priority but an important international one.

High transport costs due to inefficient or expensive physical connections in Myanmar are a major impediment to the forces of trade and integration that have driven increased growth and living standards across ASEAN and beyond. For example, a 5 per cent increase in transport costs can produce a trade friction equivalent of an *ad valorem* tax of almost 50 per cent (Gallup et al. 1999). A 20 per cent reduction in logistics costs could increase the trade-to-GDP ratio by more than 10 per cent in Cambodia, China and Lao PDR, and by more than 15 per cent in Mongolia (Limao and Venables 2001). Transport costs are especially important for landlocked countries such as Laos; they have been found to be 50 per cent higher for landlocked countries because of the greater distances that must be travelled and, importantly, because of the requirement to coordinate investments with other countries (Radelet and Sachs 1998).

Myanmar is a priority agenda item for ASEAN transport cooperation. Recognising the important potential role for Myanmar in regional connectivity, the ASEAN Strategic Transport Plan 2011–2015 (the Brunei Action Plan) lists a number of investments in Myanmar's transport sectors. They include missing links in the Singapore–Kunming Rail Link (SKRL) (the dotted lines in Figure 6.1), road connections as part of the Greater Mekong Subregion initiative, and key ports. These specific initiatives are discussed in more detail below in separate sections focusing on road, rail and other transport infrastructure, while opportunities stemming from Myanmar's role in and importance to ASEAN are discussed in Chapter 8.

Figure 6.1: Singapore–Kunming Rail Link route



Source: Brunei Action Plan (ASEAN Strategic Transport Plan 2011–2015).

National connectivity—connecting key domestic markets to local communities and to global opportunities

These regional priorities need to be integrated with national transport and logistic infrastructure priorities that link internal markets to each other and to regional transport lines. Facilitating the virtuous cycle of agglomeration and development requires effective transport and other connections between major production centres, and also links between those centres and towns and villages to facilitate the movement of people and goods. These linkages are the core connective infrastructure that will enable Myanmar to foster the market-driven structural change, specialisation and trade that can underpin broad-based development.

These requirements also raise important questions about the distribution of growth and development geographically. Policy-makers face two tasks: achieving faster rates of growth that make large strides in living standards and welfare possible, and distributing the benefits of such growth geographically and socially so that development is broad-based and welfare gains are not narrowly confined to particular regions or groups.

There is inevitably some tension between these objectives in the short run. In the case of infrastructure, physical connectivity that paves the way for rapid growth by facilitating beneficial agglomeration and urbanisation is also likely to result in a concentration of economic activity over time, because such growth occurs primarily by intensifying activity in established centres of production. Alternatively, an aim to broaden growth and development geographically might suggest building transport and logistic infrastructure in areas targeted for new industrial development (including SEZs), or rolling out physical infrastructure more broadly to connect many remote areas in an attempt to facilitate multipolar industrialisation away from established centres.

For economic and political reasons, the solution is likely to involve elements of both of those options. However, Myanmar's public resources are constrained, and inevitably choices have to be made about which approaches to prioritise in pursuit of the twin goals of rapid growth and inclusive development. The key to making effective decisions is understanding the processes of growth and development, and then ensuring that the policy tools used to target them are proportionate and well calibrated to achieve the policy outcome in question. It is necessary to put in place the institutions that will allow the transparent consideration of these issues. In the case of infrastructure, this has particular implications for considerations of the role of hard connective infrastructure in pursuing political and social ends (discussed in the following section).

In infrastructure, as in other policy areas, while there may seem to be near-term tensions, they do not always necessarily represent hard trade-offs or alternatives. Strong growth cannot be maintained in Myanmar unless gains from trade and benefits from development are broadly dispersed, supporting peace and stability and transcending regional and ethnic divisions, while the gains in welfare and living standards needed to support political progress can only be supported by increased growth. Effective policy-making can help prompt a virtuous cycle that makes progress on each front mutually reinforcing, helping to sustain progress.

It is not surprising that the current concentration of industrial activity in Myanmar aligns closely with the population distribution. The most densely populated state or region is Yangon, followed by Mandalay, Ayeyawady, Nay Pyi Taw and Mon State. Yangon and Mandalay are the most important in this context: 60 per cent of all large industrial businesses in Myanmar are registered in one of those two cities.

This concentration of activity has already started to create both bottlenecks and expansion opportunities. For example, shipping bottlenecks in Yangon have highlighted the investments required for it to fulfil its role as a hotspot for attracting more private-sector investment and activity in light manufacturing and related services.

Myanmar's domestic connectivity, even between these important centres, is weak, reflecting major gaps and inefficiencies in key national infrastructure. Myanmar's low ranking in the World Bank's 2014 *Logistics performance report* reflects the missing transport infrastructure links and poor supporting services for trade-related activities (World Bank 2014a). Myanmar was ranked 145 out of 160 countries, indicating that it is one of the most difficult countries for businesses engaged in trade logistics. Myanmar was worse on all indicators compared to other low-income countries (customs, infrastructure, international shipments, logistics competence, tracking and tracing), with the exception of the 'timeliness' indicator.

The first step in addressing this problem is to improve the links between the current centres of activity and to continue to improve access to transport infrastructure, electricity and telecommunications in those areas. The provision of such infrastructure, coupled with an enabling business environment, will support private-sector provision of related services that are critical to efficient export business operations and multimodal transport solutions (discussed in more detail below).

The dynamic process of physical infrastructure provision and private-sector development will be important as greater openness prompts structural change in Myanmar's economy. Sound infrastructure is associated with positive feedback loops between demand, provision and growth through a process of increased concentration, rising demand and falling average costs that attracts further activity and growth (World Bank 2006). This dynamic process could be expected to continue and intensify not only in Yangon, but also Mandalay and other industrial and population centres. While the economic landscape may be somewhat altered by the development of the Kyaukphyu and Dawei SEZs, it is likely that Yangon, Mandalay, Ayeyawady and Nay Pyi Taw will continue to become ever more important centres of activity over the next decade. One issue that deserves careful national evaluation, given the considerable sunk costs in major infrastructure in Nay Pyi Taw, is how to reinforce its role as a key administrative and logistics hub serving a more deliberate economic agenda in Myanmar's heartland.

Industrial and economic concentration is a driving force in growth, and physical infrastructure is a necessary part of it. The growth generated by this process is not only due to economies of scale accessed by businesses. It is also a result of economic activity and demand for labour drawing labourers into urban areas.

This not only creates opportunities for the urban workforce to participate in expanding industries but also enables the participation of rural populations and generates growing tax bases to support enhanced infrastructure and other investment away from the core centres of growth. For this reason, the forces of agglomeration and growth, if appropriately facilitated and managed with effective infrastructure investment in both urban and rural areas, are not only consistent with broader development aims, but are a necessary aspect of a development process to create the opportunities and the resources needed to transform aspirations into results.

Infrastructure provision might not, however, be enough to prompt industrialisation and growth away from existing centres and corridors. An example that is clearly relevant in Myanmar's context is the development of SEZs (considered in Chapter 5). The Dawei SEZ in remote Taninthayri Division and the Kyaukphyu SEZ in Rakhine State raise some complex issues for the provision of infrastructure in Myanmar. On the one hand, the government must credibly commit to providing good infrastructure services, such as access roads, ports, water and reliable electricity, to the zones in order to attract foreign investment and private-sector development. On the other hand, those SEZs are located in remote areas with limited electricity supplies and high transport costs, and without the necessary banking facilities, legal services and skilled industrial labour to supplement the local unskilled workforce. These factors make infrastructure provision to those areas not only costly, but possibly also futile if they are inherently unable to attract foreign investment due to their non-infrastructure attributes.

The rollout of infrastructure to the SEZs therefore has to be approached with proper diligence and considered in conjunction with the underlying economic viability of the particular SEZ. To do this, the non-infrastructure attributes of the SEZ, such as the availability of appropriate labour inputs, a strategic location and possibilities of economies of scale, have to be assessed. Otherwise the government may use valuable development funds on long-lived infrastructure projects with very little social return (see the discussion in Chapter 5).

Local connectivity and opportunities—infrastructure and spreading the benefits of growth

Broader regional disparities in growth, economic activity and living standards are a core issue in Myanmar's history, which has been characterised by major geographical and ethnic imbalances in the distribution of infrastructure, income and social development. While improvements have been made over recent years, access to basic services varies significantly, and there have been corresponding disparities in outcomes on health, education and other key social indicators along geographical (and therefore ethnic) lines.

For example, the proportion of households with access to electricity, which on 2010 statistics was as high as 85 per cent in Yangon, is less than one-third in Ayeyarwaddy, Rakhine and Magway. In Magway and Rakhine, less than one-quarter of the population has access to secondary schooling. Despite high overall national rates of adult literacy of around 90 per cent, this indicator drops below 80 per cent in some regions. Access to improved sanitation and water sources also varies considerably, and there are large disparities between rural and urban populations.⁹ In line with these indicators, the incidence of poverty also varies sharply, with particularly high poverty rates in Chin State and elevated poverty in other states, including Ayeyarwaddy, Rakhine, Shan and Kachin (ADB 2014). This is despite the fact that many of Myanmar's most remote states and regions are also those that are rich in natural resources. This reflects a history of conflict and mismanagement that has meant that these resources enriched neither local communities nor the country as a whole (see the discussion in Chapters 4 and 5).

These disparities and the persistence of high rates of poverty are not only a major humanitarian and development issue for Myanmar, but also a pressing political and economic challenge. Failure to address persistent inequities between ethnic groups and regions will undermine economic development, which can only be sustained in the medium term upon a foundation of peace and stability that overcomes the conflicts and tensions that have marked Myanmar's history.

These imperatives raise particularly stark issues in the case of infrastructure, both in terms of physical links across Myanmar and broader infrastructure for power, water and sanitation, and social infrastructure, such as education and health care. Investment in crucial economic infrastructure to improve connections between Myanmar's major production centres and to enhance international linkages is necessary to access and disperse large potential gains from increased trade and investment. Equally, for humanitarian as well as economic and political reasons, enhancing basic connectivity to centres of production and trade and investing in basic social services for regional and ethnic communities are also critical. However, attempts by the Union government to roll out infrastructure and investment are extremely costly, particularly given the geography, isolation and low population density of many outlying states and regions where these issues are most pressing. Expensive regional infrastructure networks that divert resources from core, growth-enhancing economic infrastructure in the name of addressing social and political imperatives to distribute the benefits from growth may be counterproductive. Alternatives based on improving educational attainment and labour force mobility may be more cost-effective and better align with community preferences.

These difficult policy questions are best managed in the context of the reforms to fiscal management, power sharing and policy review discussed in Chapter 4, along with the major sectoral reforms discussed in Chapter 5. There is a key role for the central government in providing national economic infrastructure and establishing basic connectivity between regions and the core hubs of economic activity. Beyond that, the government's focus—with the support of enhanced decision-making and policy review capacity at the

⁹ Myanmar Information Management Unit (MIMU) database, available at <http://www.themimu.info/>.

central level—should be on developing mechanisms to share the benefits of growth across Myanmar by providing increased funding for investments in states and regions, including in crucial local infrastructure and services. Mechanisms for funding this investment could include a hypothecated state and region development fund that is able to be accessed by the states and regions on the basis of cost–benefit analysis that takes into account social as well as economic aims.

With adequate resources in place, it is likely that decisions on local priorities and trade-offs, including on local physical and social infrastructure needs and provision, will be best made at the local level. While Myanmar’s states and regions face many common challenges, their development needs, as well as their geography, resource endowments and cultural and political characteristics, are diverse. As the reform process widens, Myanmar should take advantage of the incipient ability of subnational governments to represent their constituencies and deliver policies and expenditure tailored to local needs. Economically and administratively, enhancing the political and fiscal capacity of subnational governments to deliver basic infrastructure and services is likely to deliver more efficient and effective public investments that are better aligned with local needs and preferences than centrally mandated plans, resulting in better outcomes. Just as importantly, the increased autonomy and policy space afforded to state and regional governments to make these investments would be consistent with broader trends towards a more decentralised federal structure and enhanced power-sharing (discussed in Chapter 4) that are crucial to the peace process and political stability.

Given the importance of agriculture in Myanmar, addressing distributional issues requires progressing key supply-side reforms to enhance agricultural productivity. It is likely that core policy issues in this area—including infrastructure—will require decisions at both the national and subnational levels. As discussed in Chapter 5, this requires a range of measures in land reform, access to agricultural credit, the introduction of technology, and research and development. Rural and regional infrastructure can also play a key role in this context, particularly in the form of rural roads. Networks of local roads connected to highway systems can link rural areas to larger domestic and regional markets and allow farmers to more easily access capital goods, fertiliser and other intermediate inputs into crop production.

Myanmar should take note of lessons from neighbouring countries on the importance of rural roads for reducing poverty in the agricultural sector and stimulating income growth. For example, building rural roads in West Bengal was found to help increase agricultural productivity, raising income levels and expanding household consumer choices among poor farmers (Raychudhuri 2004). Better transport in Henan Province in China was found to significantly improve local economies, increase tourist visits, promote the development of agricultural and non-agricultural industries and raise farm incomes (Fan and Yan 2004). For Myanmar, the highest returns on investment in rural roads and related irrigation (or water drainage and water management) are likely to be where population density is highest and agricultural output is greatest—that is, in the delta region in the centre of the country (Figure 6.2), Ayeyarwaddy and Bago East. Those regions have significant potential to expand rice production, distribute produce to local markets and export to neighbouring countries (for example, via the Greater Mekong Region East–West Economic Corridor).

Improved rural infrastructure and connectivity, with broader reforms to enhance agricultural productivity, will contribute to broader structural change and development. With better access, people in previously isolated rural areas become more mobile as transport infrastructure reduces the cost of rural-to-urban migration, broadening access to employment opportunities in bigger towns and cities. At the same time, transport infrastructure provides rural communities with greater access to health and education services available in larger urban centres. Concurrently, improvements in agricultural productivity not only raise rural incomes but free up labour to move into nearby urban and industrial areas. This will provide the

low-cost workforce needed for labour-intensive manufacturing to develop as trade and investment liberalisation and externally oriented reform progresses in Myanmar.

Figure 6.2: Land use in Myanmar



Source: Food and Agriculture Organization of the United Nations.

6.3 Sectoral infrastructure priorities

Addressing regional, national and local infrastructure gaps in transport, health, education and basic sanitation services requires a framework to prioritise investment and bureaucratic resources. Critically, it also requires the tools and capabilities to implement and deliver those services. Institutional issues are discussed in the next section, while this section looks at the aggregate deficit in the provision of these services and explores some sectoral priorities.

Overall, infrastructure needs for transport, communication technologies and water and sanitation services for Myanmar are estimated to be around 6 per cent of GDP, of which almost half the required investment is in transport infrastructure (Bhattacharyay 2010). This is likely to be an underestimate, as it does not take into account upgrades and the maintenance of existing infrastructure assets after decades of underinvestment and poor maintenance; nor does it include high depreciation costs as a result of adverse weather. In addition to this, longer term investment in health and education is needed: Myanmar lags in simple measures of human capital, such as total years of schooling and the government's very low expenditure on health as a share of GDP (discussed in Chapter 4). Each of these areas faces unique planning, delivery and financing requirements, which are discussed below.

Transport infrastructure

Myanmar has roads, rail lines, inland waterways, airports and sea ports, opening up the possibility of multimodal transport solutions for businesses and households. However, the current institutional structure governing transport infrastructure decisions is one of the most complex in the Myanmar Government, and this has hampered efficient infrastructure coordination and provision. Given the critical role that government must play in infrastructure provision and development, the first priority is to boost strategic capabilities by reforming the fragmented and overlapping institutional structures.

Rationalising the transport strategy will assist with the second priority of developing an overall transport sector strategy to prioritise investments and maintenance programs for the different transport modes available in Myanmar. This prioritisation should be done by conducting rigorous cost–benefit analysis and building capacity to manage private-sector involvement. Management and maintenance programs for existing infrastructure should be focused on achieving the greatest development benefits in the short to medium terms.

Roads

Road transport is the main focus of land transport for ASEAN, particularly given the limited role that inland waterways and railways currently play in ASEAN connectivity (ASEAN 2010). Currently, some 3,000 kilometres of road is identified for priority road improvement projects, some of which are related to the Greater Mekong Subregion initiative. This includes the completion of the East–West Economic Corridor by constructing the missing link in Myanmar (see Figure 6.1), the development of the Mekong–India Economic Corridor by constructing the Mekong Bridge in Neak Loung in Cambodia, and a highway between Kanchanaburi and Dawei.

These international road priorities sit alongside the national priorities of linking major activity centres and building and upgrading important rural roads. Connecting both rural roads and major activity centres to the regional network will also allow the efficient transport of rural commodities and, eventually, of value-added manufactures out of Myanmar. For example, the road link between Yangon, Mandalay and Nay Pyi Taw is not integrated into the regional network, and this should be an important priority because of their status as major growth centres.

The scale of the task of upgrading and building roads is daunting. Myanmar has around 130,000 kilometres of road per 1000 people, which is only one-fifth of the ASEAN average road density (AJTP, 2013). The extension of good-quality road networks into rural and local areas has been slow; while 48 per cent of the ‘core’ road network, which mostly runs north to south, is paved with an all-weather surface, only about 8 per cent of non-core secondary and local road networks is (ADB 2012a).

International investment has enabled some key roads to be built, alleviating some of the burden on the Myanmar Government in this task. For example, the Chinese firms Yunnan Construction Engineering Group and Yuzana Group won a contract in 2011 to build the 312 kilometre Myitkyina–Pangsau Pass, while Italian Thai Development recently completed a road linking Dawei with Kanchanaburi (in Thailand). This interest suggests that the roads subsector may be appropriate for private-sector involvement and financing, although, of course, the viability of such involvement depends on the particular infrastructure asset in question. The capability of the government in developing and managing PPPs is limited, and there is currently no established legislation relating to PPPs (although legislation is currently being drafted by the government). A key priority will be to develop this capability in the Myanmar Government to attract and manage further private-sector investment in infrastructure in Myanmar. Ways to do this are discussed in the next section.

The task of upgrading the road network is made more difficult by a highly complex bureaucratic structure governing road building and maintenance in Myanmar. Options to rationalise that structure are discussed in the next section. The Asian Development Bank notes that the institutional structure for the road subsector is particularly complex (ADB 2012a). It involves several ministries and agencies responsible for road infrastructure: the Ministry of Commerce; the Ministry of Rail Transportation; the Ministry for Progress of Border Areas and National Races and Development Affairs; the Ministry of Defence; the Ministry of Home Affairs; and the Yangon, Mandalay, and Nay Pyi Taw city development committees. The Public Works Department of the MOC is responsible for the design, construction and maintenance of the main and secondary roads (about 38,000 kilometres of the country’s overall 147,000 kilometre road network); the rest is the responsibility of the other agencies.

Rail

Regional rail connections are also important. The vision for the Singapore–Kunming Rail Link is to provide an alternative mode of land transportation, which is more environmentally friendly than road transportation (ASEAN 2010). The SKRL has two lines, the Western Line through Thailand and Myanmar (see Figure 6.1) and the Eastern Line through Thailand, Cambodia and Vietnam, with a spur line between Lao PDR and Vietnam. One of the main tasks to be undertaken to achieve this goal is to complete the missing link section between Myanmar and Thailand by constructing the Thanbyuzayat–Three Pagoda Pass section (111 kilometres) by 2020.

The national railway also needs priority reform. It has been expanded considerably over the past 20 years, and much of the expansion has been undertaken to provide rural and remote areas with transport services. This has been an expensive exercise, as the line traverses very mountainous terrain. The remaining funds have been insufficient to maintain rail networks and rail assets such as passenger and freight cars and signalling and communication systems. More than 40 per cent of locomotives are more than 40 years old and are difficult and expensive to operate and maintain (ADB 2012a). As the road network develops, the rail system will need to be more efficient to compete. The disparity between road and rail travel times illustrates the current performance gap—travel between Yangon and Nay Pyi Taw takes about 5 hours by road and around 9 hours by rail.

Inland waterways, ports and airports

Compared to roads and railways, there are fewer gaps in Myanmar's inland waterways and sea port and airport infrastructure. Myanmar has around 5,000 kilometres of waterways, around half of which makes up the navigable inland waterway network, which is serviced primarily by a state enterprise, Inland Water Transport. Inland waterways provide important transport services for rural inputs and produce, as well as passengers. Most state-owned vessels are old, and there are significant costs—such as those associated with clearing and dredging—involved in keeping inland waterways navigable. Notwithstanding these challenges, Myanmar's inland waterway system is essentially a roadway that could be an integral part of the solution to the nation's transport challenges.

Port infrastructure has expanded through private-sector investment in developing the port facility in Thilawa, near Yangon, which should help to alleviate the logistic bottleneck in Yangon. Deepwater ports are also under construction at Dawei and Kyaukphyu. Eight coastal ports administered by the Myanmar Port Authority are scattered along western and southeastern coasts and delta areas. Myanmar currently has a total of 69 airports (of which three are international), but only 32 are operational. The government has announced plans to add two new international airports under PPP arrangements in order to meet future demand in Bago (Hanthawaddy International Airport) and in the Dawei SEZ (Dawei International Airport).

The Brunei Action Plan also identified Yangon, Thilawa and Kyaukphyu as three of the 47 main ports in the trans-ASEAN transport network. They need to be supported by cargo-handling, storage and logistic services, and customs and other procedures need to be streamlined to make them efficient nodes in Myanmar's transport system and allow for multimodal transport solutions. The development of this infrastructure is a necessary first step, and business's ability to provide related services depends closely on the recommendations in Chapter 3 about providing a stable and enabling environment for private-sector development.

Myanmar is also a party to strategies and actions for air transport proposed in the Brunei Action Plan and the Implementation Framework of the ASEAN Single Aviation Market, which was adopted by the 17th ASEAN Transport Ministers Meeting in December 2011.

Telecommunications and electricity

Beyond transport infrastructure, other forms of infrastructure services such as telecommunications and electricity are essential for Myanmar's continued economic development. These are prerequisites for the wellbeing of the Myanmar population and fundamental to generating sustainable sources of economic growth. Priority should therefore be given to expanding access to them in Myanmar and increasing their affordability and quality.

There are several aspects to delivering this access. First, there is a lack of domestic resources and expertise to facilitate their development of the more technical and expensive infrastructure services such as telecommunications and electricity. Myanmar should therefore ensure that the domestic environment is attractive to foreign investments, as outlined in Chapter 3.

Second, each sector is inter-related. For example, telecommunications infrastructure cannot develop in the absence of access to reliable electricity and adequate transport infrastructure; human capital development needs telecommunications and electricity services; basic services such as a clean water supply are central to overall wellbeing and therefore cannot be neglected in favour of other forms of infrastructure development. Therefore, government efforts must not be concentrated in any one particular sector, and developments in each area must be considered jointly.

Third, institutional capacity is the key to the efficient delivery of all types of infrastructure services. Therefore, regulatory and policy fragmentation in each sector, as well as weaknesses in policy development and the budgeting process (as discussed in Chapter 4), needs to be addressed.

Last, policy-makers have to manage potential tension between rural development and fast economic growth. While the distribution of access and opportunities to rural communities is central to addressing Myanmar's development needs and improving the overall wellbeing of the nation, both the opportunity costs and the actual costs of servicing rural areas which are often more expensive should be considered in conjunction with the population and activity distribution. The government should aim to strike a balance between economic growth potential and impacts on overall wellbeing and aim to achieve the highest quality and widest delivery at the lowest cost.

Telecommunications

Mobile telecommunications services are significantly underdeveloped in Myanmar, and mobile roaming services are limited. At the current level of network deployments, the network covers only the major highways, the cities of Yangon and Nay Pyi Taw and parts of the Mandalay region.

Even where infrastructure is available, affordability has been an issue. Before recent deregulation, SIM cards were priced at around US\$150–200 in the market, which acted as a huge barrier in accessing mobile telecom services. Even after rapid growth in usage in recent years, only 12.3 per cent of the population is estimated to have access to a mobile phone (Heinrich 2014). For fixed telecommunications lines, there is only about 1 per cent penetration. The fixed telephone infrastructure is biased towards the bigger cities, such as Yangon and Nay Pyi Taw, and most villages in rural areas do not have fixed-line services. Use of the internet is even lower, at about 1.2 per cent of the population. Relevant statistics for the decade to 2013 are shown in Figures 6.3 to 6.5.

Figure 6.3: Mobile phone subscriptions per 100 inhabitants

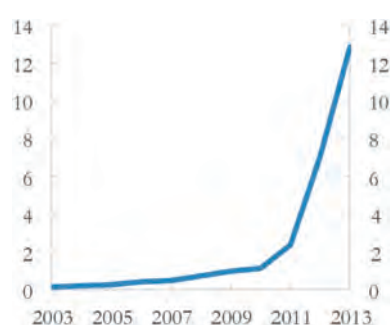
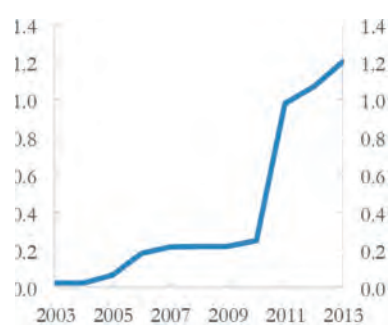


Figure 6.4: Fixed-line phones per 100 inhabitants



Figure 6.5: Percentage of people using the internet



Source: International Telecommunications Union, World Telecommunication Database

The government's recent efforts to liberalise the telecommunications sector are commendable. International companies are now permitted to form joint ventures with the government to build infrastructure and provide services, ending the monopoly by Myanmar Posts and Telecommunications. These actions will foster competition, thereby improving efficiency so that Myanmar is a step closer to affordable and universal telecommunications services. Again, the reforms to encourage private-sector investments outlined in Chapter 3 are crucial to facilitating this process.

As a result of the liberalisation efforts, two international companies—Ooredoo (a Qatar-based wireless carrier) and Norway's Telenor Group—have recently been granted telecommunications licences in Myanmar. They will be able to provide the financial and technical resources needed to develop the

necessary infrastructure. The two firms have mandatory coverage requirements due to licence obligations and have set aggressive coverage targets to capture market share and new subscribers. They aim to create a modern 3G network that reaches 90 per cent of the population, including rural villages, in just five years. It is expected that the subscriber base will grow to 40 per cent by 2017, and coverage will grow from 12 per cent of the population to 70 per cent by 2017. Already, the prices for SIM cards have dropped significantly, to US\$1.50 each.

The World Bank is working with Myanmar on the Telecommunications Sector Reform Project to improve the enabling environment for the telecommunications sector, extend coverage in selected remote pilot locations, and establish priority e-government technological foundations and institutional capacity for the government to embark on its public-sector reform program.

There are four components to the project:

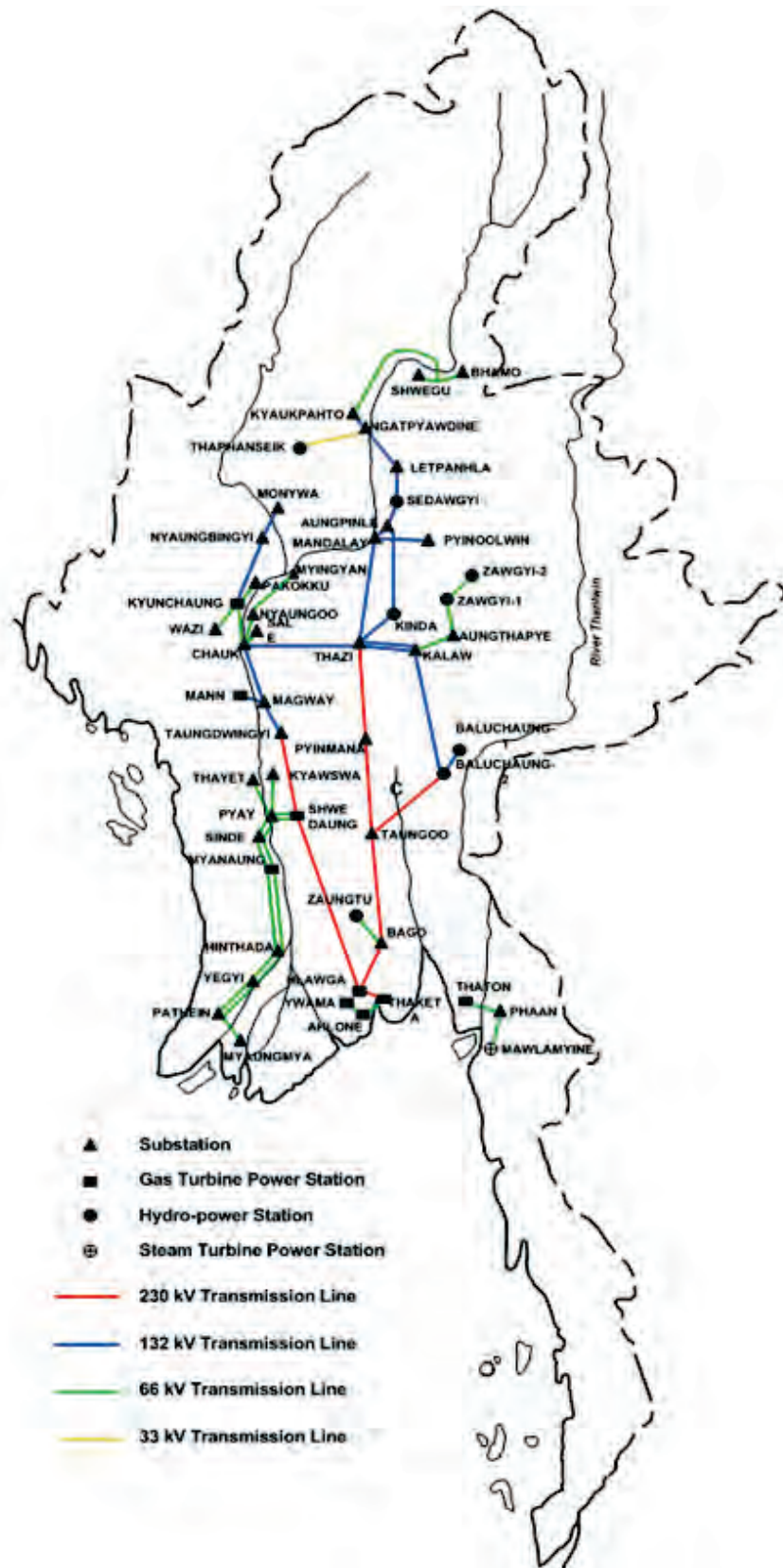
- *Creating an enabling environment for connectivity.* This component will focus on technical assistance for addressing policy and regulatory bottlenecks to maximise the benefits of the sector reform agenda. Technical assistance will be provided to Ministry of Communication and Information Technology on policy matters and to the regulator on various regulatory matters.
- *Extending connectivity to rural areas.* This component will support the development of the government's universal access strategy in order to accelerate the provision of telecommunications and internet services in remote areas of Myanmar.
- *Enabling e-government foundations.* This component aims to support the government's governance reforms by improving transparency and accountability. It will also place a stronger emphasis on the provision of government information and services for constituents, as the President has committed the government to.
- *Project implementation support.*

However, the limitations of Myanmar's electricity networks will limit the delivery and quality of telecommunications infrastructure. The limited reach of the power grid will lead to most of the telecommunications sites being deployed in off-grid areas, which will affect the quality of the telecommunications infrastructure. Therefore, the expansion of access to electricity must be accelerated to maximise telecommunications infrastructure development.

Electricity

While Myanmar has an abundance of energy sources, its electrification rate is one of the lowest in the world. Only around 30 per cent of the population has access to electricity. The urban–rural divide is large: more than 75 per cent of the population in urban areas, such as Yangon and Mandalay, have power, compared to only around 16 per cent in rural areas (World Bank 2014b). The reach of the central electricity grid is very limited; the transmission and distribution network reaches only the main cities and regions in the country (Figure 6.6).

Figure 6.6: Myanmar's national electricity grid



Source: Global Energy Network Institute, *National energy grid maps*, http://www.geni.org/globalenergy/library/national_energy_grid/index.shtml.

For those with access to electricity, supply is intermittent due to the seasonality of hydropower production and inadequate transmission and distribution infrastructure. The low access and supply levels are reflected in Myanmar's electricity consumption per capita being lowest in the world at about 160 kWh per year, which is one twentieth of the world average (World Bank 2014b).

The Myanmar Government has acknowledged the urgency of providing access to electricity and has committed to developing a National Electrification Plan with assistance from the Sustainable Energy for All Initiative, which is led by the World Bank and the UN. This work is jointly coordinated by the Ministry of Electric Power and the Ministry of Livestock, Fisheries and Rural Development.

The proposed National Electrification Plan aims to achieve universal access to electricity by 2030. The plan includes two main components: a Geospatial Least Cost Electrification Rollout Plan (grid and off-grid) and a Road Map and Investment Prospectus. The first component consists of a high-level geospatial rollout plan comprising a systematic grid network rollout connection plan and complementary spatial plans for mini-grids and individual systems. The second component includes long-term and intermediate targets for 2015–2030, an investment financing framework for the first five years, an action plan to address enabling policy and the institutional framework, and capacity-strengthening initiatives for key institutions and agencies.

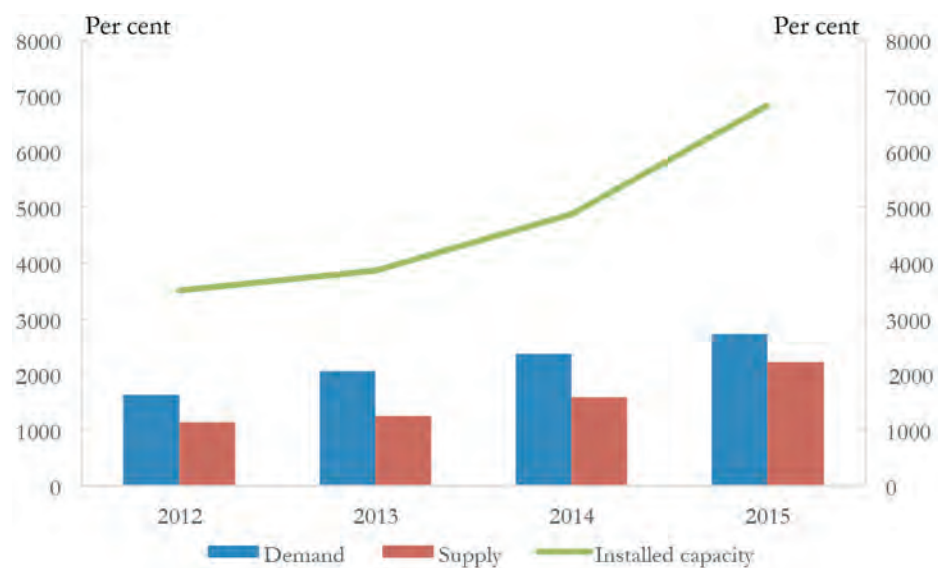
The total cost of the 16-year rollout is estimated at US\$5.8 billion, in addition to the generation and transmission investments required to meet the resulting energy demand. Investment in the power sector is important in order to create an environment that is attractive to foreign investment.

In addition, a new *Electricity Law* is being drafted with assistance from the Asian Development Bank. The existing law does not contain any provisions for the contractual framework between owners, producers, users, transporters and distributors of electricity. It does not address environmental issues, ownership, financing, tariffs, land use or other issues relevant to power projects. Because it does not set out any guidance on commercial, legal or economic terms for power projects under agreement with the government, most of those issues are left to the individual project contract. The new law aims to develop energy sustainability and promote renewable energy for rural electrification, with a focus on infrastructure and capacity development with potential for strategic international trade.

A key challenge for Myanmar is that electricity demand currently exceeds domestic supply (Figure 6.7). This gap will worsen without action to expand supply, especially as demand is forecast to continue increasing as the nation's economy grows.

The current capacity utilisation of power plants in Myanmar is less than 50 per cent, and this has had an impact on per capita power consumption in the country (160 kWh in 2012). At current power generation levels, Myanmar is confronted with a severe shortage of power supply because of ever-increasing demand for grid electricity (Figure 6.7). The shortage, currently around 500 MW during peak times, is managed by scheduled load shedding and blackouts to reduce the load. One priority is to maximise the use of installed capacity that is currently underutilised, largely due to seasonal factors (given the high reliance on hydro-energy) and poor maintenance of equipment.

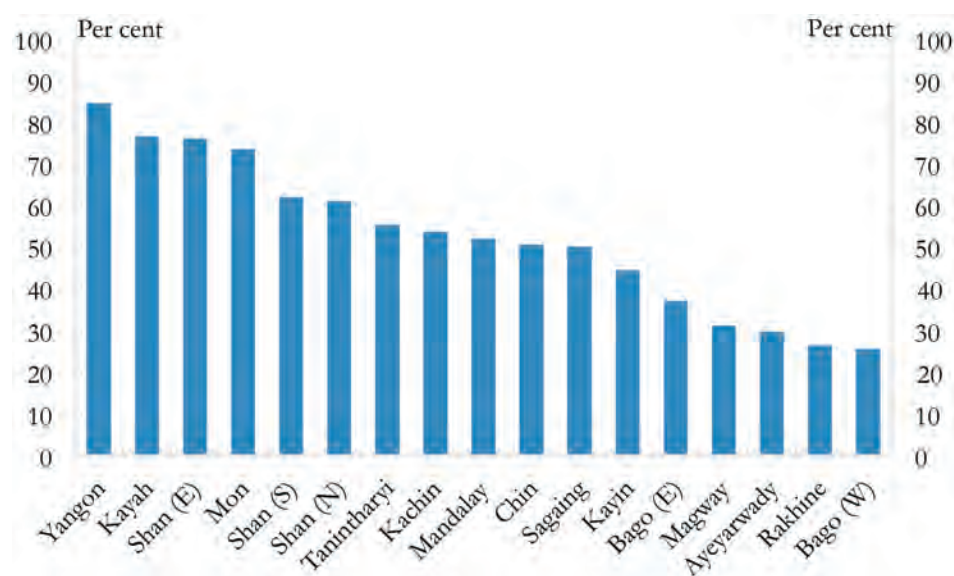
Figure 6.7: Projected demand, domestic supply and generation capacity of electricity in Myanmar, 2012 to 2015 (million kWh)



Source: GSMA-IFC (2014).

As emphasised throughout this chapter, infrastructure plays a role in connecting all communities with economic opportunities. In this context, the current inadequacies in electricity access in certain states and regions (Figure 6.8) need to be addressed.

Figure 6.8: Electrification, by state or region, 2011



Source: ADB (2012b).

Balancing the need to address unequal access to electricity with the need to ensure that investments are cost-effective will be the key to the implementation of the National Electrification Plan. Careful consideration of this issue is reflected in the priority given to completing the grid connection in the central corridor. Other signs that Myanmar prioritises centralised electricity supply and grid extension rather than the expansion of off-grid access are its recent focus on industrialisation and its potential shift to embrace nuclear power. Although about 70 per cent of its population, 64 per cent of its labour force

and 40 per cent of its export earnings are connected with the agricultural sector, Myanmar is seeking to industrialise—a path that would require investments in centralised electricity supply.

This is not to say that efforts cannot be made to develop non-grid sources of electricity for more rural areas, for example through a distributed generation model that uses local clean energy sources such as solar energy and micro-hydropower, as suggested by Fullbrook (2013), through a bottom-up approach managed by the states and regions. For the main cities, commercial-scale renewable energy (such as hydroelectricity, wind energy, bioelectricity and geothermal energy) should be prioritised; for the more rural areas, household-scale energy systems (such as the harvesting of fuelwood, off-grid micro-hydro and solar energy) should be prioritised. It is also worth noting that Myanmar has set a target of cutting primary energy consumption by 5 per cent from 2005 to 2020 and by a further 8 per cent by 2030 in accordance with ASEAN targets. In assessing alternatives to broaden access to electricity, such as boosting coal imports, Myanmar should be conscious not only of near-term development priorities but also of those longer term commitments.

For the fair distribution of power, affordability also needs to be addressed. According to Fullbrook (2013), while electricity is highly subsidised in Myanmar, affordability remains low. A new electricity connection costs US\$595, between half and three-quarters of annual per capita GDP. This is particularly an issue in rural areas, where more people live in poverty. A pricing structure that gives consideration to 'lifeline' rates for domestic household usage could be considered. Currently, there is wide discretion under the *Electricity Law* about the determination of the tariffs for energy production, transmission, distribution and use. This should be assessed in the amended *Electricity Law*.

Health, education and other basic services

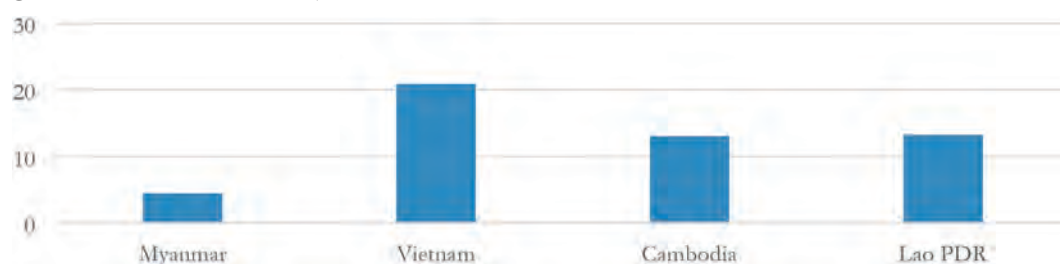
Infrastructure development in key public services—health, education and basic services—is critical to Myanmar's economic development as well as for basic humanitarian reasons.

The ability to access health and education services depends on the availability of facilities and has long-term impacts on the productive capacity of Myanmar. These key services and the physical infrastructure discussed in this chapter are interdependent. For example, health outcomes are influenced by the availability of water and sanitation services, and poor transport infrastructure can limit the ability to travel to health service providers. Health outcomes enhance schooling outcomes, while education generally improves health outcomes. Good health and education generally lead to better wellbeing, which is essential for economic development. The availability of electricity and telecommunications affects the provision and the quality of health, education and basic services.

Access to education and education outcomes

In Myanmar, educational opportunities are marginal and inaccessible to most citizens, partly as a result of significant underinvestment in recent decades. Myanmar's spending on education as a percentage of total government expenditure is significantly lower than that of its neighbours (Figure 6.9). As a priority, Myanmar should address the undeveloped, understaffed and fragmented educational system and ensure that future generations develop the capacities to enable them to contribute to its economic growth.

Figure 6.9: Education expenditure in selected countries in 2010 or 2011 (per cent of all government expenditure)

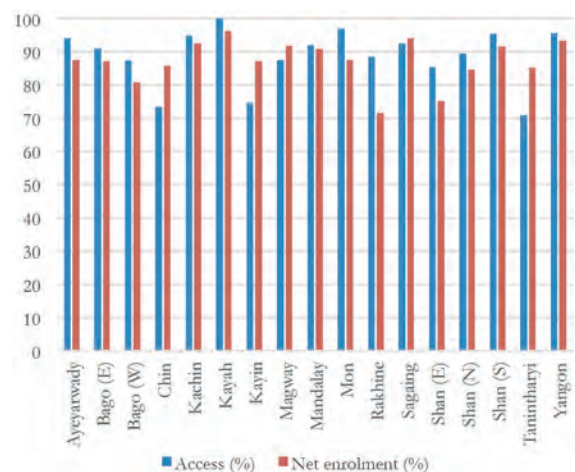


Note: Data for Myanmar are for 2011. Data for Vietnam, Cambodia and Lao PDR are for 2010.

Source: World Bank, *World development indicators*.

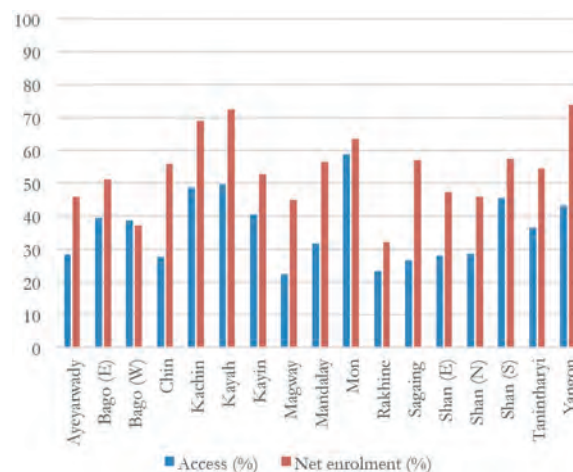
Access to educational opportunities varies among the states and regions, less so for primary schooling but more significantly for secondary schooling. Unequal access leads to unequal enrolment rates (Figures 6.10 and 6.11), thereby affecting overall educational outcomes.

Figure 6.10: Access to and enrolment in primary schooling, by state or region, 2010



Source: Myanmar Information Management Unit database.

Figure 6.11: Access to and enrolment in secondary schooling, by state or region, 2010



In tertiary education, the reopening of Yangon University to undergraduates in December 2013 after its suspension in the late 1990s has been a key development. Higher education plays a direct role in creating a highly skilled workforce that underpins longer term growth and development, and it has an indirect role in driving economic growth through innovation. Managed well, it can play a large role in developing future leaders of Myanmar and contribute significantly to the innovation and productivity levels necessary for growth.

Myanmar's education market is attractive to international institutions. For example, the Japan International Cooperation Agency has announced that it is funding a US\$13.5 million initiative to improve engineering education in Myanmar in association with seven Japanese universities, including by sponsoring guest lecturers from Japan. Myanmar will need to consider carefully all options proposed by international institutions and ensure that its educational system is driven by the priorities of its own reform agendas.

With Myanmar's significant skills gap, the vocational sector must not be neglected. However, resources must not all be diverted to vocational training rather than tertiary education, which provides longer term but potentially more significant gains in economic development.

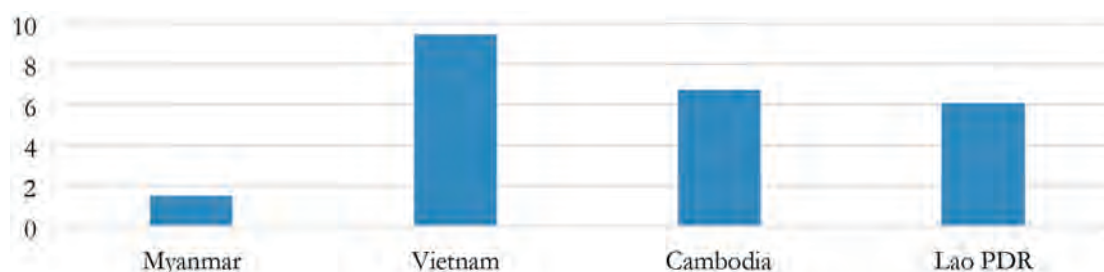
In the light of increasing and conflicting demands on government resources, it is important for the government to be able to deliver improvements to educational outcomes in the most cost-efficient way. The policy development and delivery processes discussed in Chapter 4 are critical to this. A mixture of public and private financing is needed, and the education system, the educational institutions and the departments that oversee the system must be well governed and managed. More equal and affordable access to educational opportunities must also be provided.

Access to health care

After two decades of very low public spending on health (discussed in Chapter 4), the prospects for universal health services coverage in Myanmar remain limited in the near term. Many remote populations are cut off entirely from health services, and Myanmar's rates of tuberculosis, malaria and maternal and child mortality are among the highest in Asia. Where access is available, service quality is often poor or even inadequate.

In 2012, the World Health Organization ranked Myanmar's health system last among 190 countries surveyed. Malaria is the leading cause of morbidity and mortality in the country. Many of these deaths are caused by a drug-resistant form of the disease common along the country's border with Thailand. Tuberculosis rates in Myanmar are estimated to be three times the global rate, and most cases are drug-resistant. Myanmar ranks poorly on health outcomes compared to the region and globally—particularly for HIV (357 cases per 100,000 people compared to the regional average of 185 cases per 100,000 people) malaria (2,743 cases per 100,000 people compared to the regional average of 1,462 per 100,000 people) and tuberculosis (489 cases per 100,000 people compared to the regional average of 264 per 100,000 people). Myanmar also spends proportionally less of its government funding on health than neighbouring economies (Figure 6.12)

Figure 6.12: Public health expenditure in selected countries, 2012 (per cent of all government expenditure)



Source: World Health Expenditure Database.

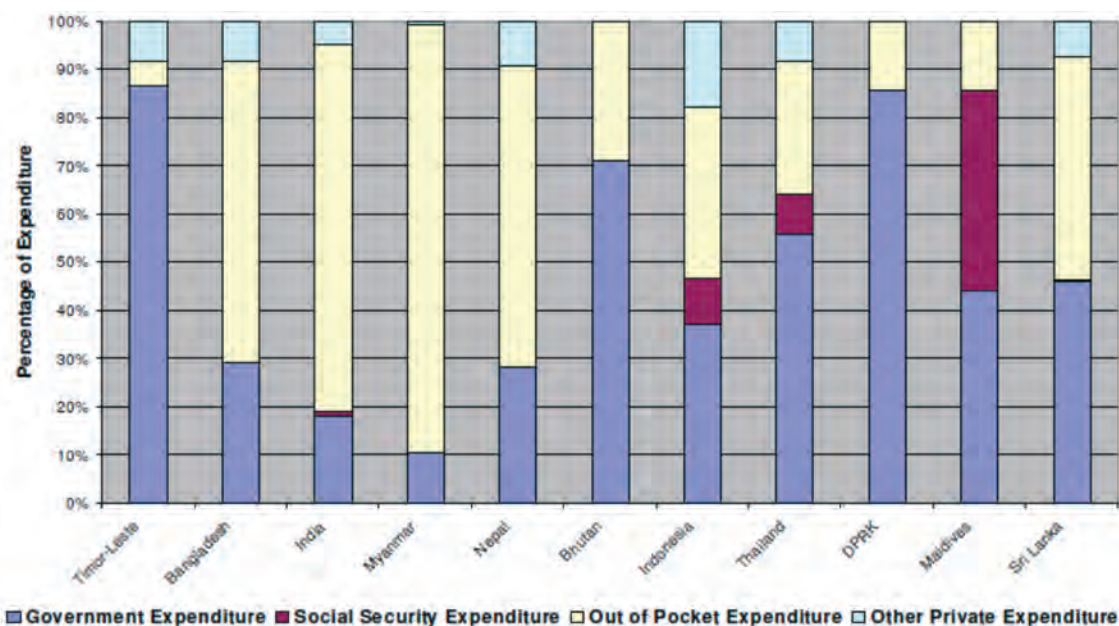
Myanmar's poor health outcomes can be attributed to poverty and a poor healthcare system that has consistently been underfunded. This has led to the degradation of infrastructure, poor services and a shortage of healthcare workers. Patients are forced to travel long distances and pay high prices for medical care. Health care is mostly funded out of pocket by citizens, and Myanmar's ratio of out-of-pocket expenditure to total expenditure is the highest in Asia. A significant overhaul of government spending priorities, together with continued overseas assistance to reform the nation's health system, will be needed if the statistics are to be improved.

Although 70 per cent of the population lives in rural areas, most health services are concentrated in the larger towns and cities. Even so, the country has few health services that are capable of treating complex cases. For patients with heart disease, one of the only ways to access treatment is by travelling to the Mae Tao Clinic on the Thai–Myanmar border for referral on by the Burma Children's Medical Fund.

Myanmar lacks public health administrative capacity, and there are some concerns about corruption in the sector. Questions about how new money will be spent, and who makes decisions about what to prioritise spending on, remain unanswered. Given the size and scope of the problems in Myanmar's health infrastructure, the Ministry of Health does not have a clear hierarchy of priorities that money should be directed to first. The policy development and budgeting processes discussed in Chapter 4 are relevant to this problem. The priority is therefore to continue developing those processes with the objective of increasing effective health spending.

In the longer term, a more developed health system that ensures adequate and affordable access to health care and medicines across the nation will need to be designed. National capacities in health will also need to be developed, for example by investing to train high-quality health service officers, nurses and doctors.

Figure 6.13: Health financing in Southeast Asia, 2009



Source: WHO, Health Financing Strategy for the Asia Pacific Region (2010–15), 2009.

Access to basic services

Access to basic services, including water and sanitation, is essential to maintaining basic health. A lack of access to or ineffective delivery of services can exacerbate poverty. The importance of water and sanitation is articulated in the Millennium Development Goals (MDGs), specifically in the MDG-7 target of halving the proportion of people without sustainable access to safe drinking water and basic sanitation.

Inadequate sanitation, coupled with poor hygienic practices, allows diseases to spread, leading to impoverishment and diminished opportunities. Dysentery and other waterborne diseases kill many people in Myanmar each year and make many others ill. Diarrhoea, caused by unsafe water and poor hygiene, is a major killer of children. Many villages get their water from open wells, springs, rivers or ponds. The task of fetching water usually falls to the women and children. During the dry season, the local water source may dry up, forcing them to walk several miles to the nearest well. Where water is scarce, some people are forced to drink contaminated water, as safe water is a luxury that they cannot afford.

Fortunately, access to basic services in Myanmar has improved significantly over recent years. One such improvement has been in access to improved sanitation (an improved sanitation facility is defined

as one that hygienically separates human excreta from human contact). Figure 6.14 shows current access to improved sanitation; Figure 6.14 shows substantial improvements since the early 1990s.

Figure 6.14: Access to improved sanitation, by state or region, 2011 (per cent of population)

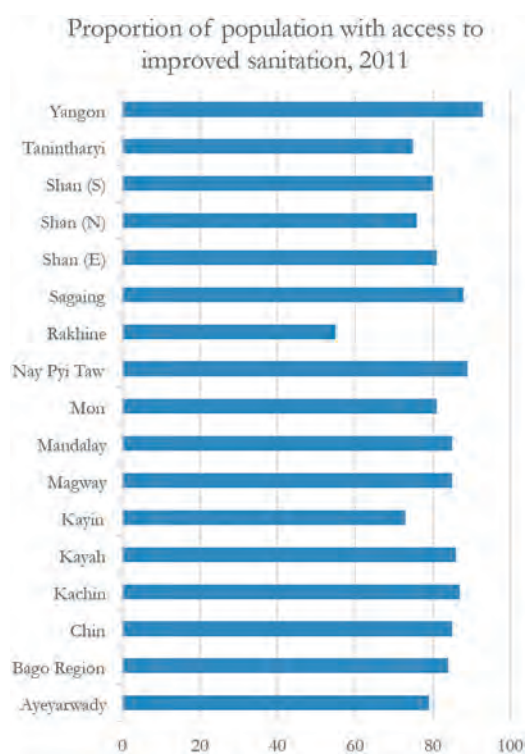
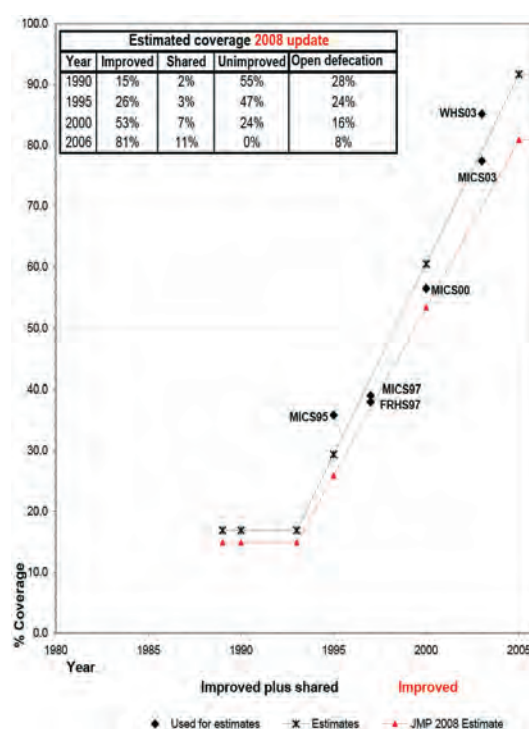


Figure 6.15: Access to improved sanitation, 1989 to 2005 (per cent of population)



Sources: WHO/UNICEF Joint Monitoring Programme and the World Bank Databank.

Myanmar should continue its efforts to improve the delivery of basic services in all the states and regions. A priority is the state of Rakhine, where the citizens continue to suffer from limited access to basic services as a result of continued conflict and violence. Myanmar's efforts towards fiscal federalism will continue to play a part in the delivery of these services.

6.4 Institutional strategies

As emphasised throughout this paper, institutional capacity is central to domestic reform. One key to meeting the infrastructure challenges that Myanmar faces is to build a framework for planning, prioritising and financing the delivery of infrastructure projects.

A central coordinating infrastructure body

An important weakness in the provision of infrastructure in Myanmar is the absence of a central coordinating body to plan, prioritise and consider financing options for infrastructure that is of national importance. Currently, Myanmar's transport sector is managed by six ministries and several city development committees, each with a different role in infrastructure provision and regulation. There is no agency with overall responsibility for the transport sector and there are no clear lines of responsibility. The ADB (2012a) has also identified fragmented bureaucratic structure as a major roadblock to effectively addressing Myanmar's infrastructure challenges. Each of the major ministries has its own five-year plan, and investment across the plans (and therefore Myanmar's transport modes) has not been prioritised.

Although rationalising the existing ministries would aid the prioritisation of competing infrastructure demands, this would require the overhaul of several large ministries. On the other hand, a body such as a ministerial body may be quicker to constitute but may not have the resources to build a national plan, conduct cost–benefit analysis on infrastructure projects or build expertise on PPPs. One option to address both the urgent need for national planning and the longer term need to build expertise would be to create an infrastructure assessment authority with the mandate of setting national priorities for the transport ministers. The authority could develop centres of expertise in cost–benefit analysis, managing and promoting PPPs, and effectively and strategically engaging multilateral agencies.

The authority should identify infrastructure projects of national priority through wide-ranging consultations and develop a national infrastructure plan that will guide private and public investments. This aggregated information, in conjunction with technical expertise, will allow the government to ensure the effective and efficient prioritisation and delivery of Myanmar’s infrastructure needs under current fiscal constraints.

The infrastructure body should also play a role in engaging and cooperating with multilateral development agencies and transport agencies in other countries. Multilateral development agencies are an important source of financing, risk mitigation, technical expertise and assistance in adopting prudent risk management and governance policies, as well as project design. Their strong financial position and preferred creditor status would provide certainty for private investors.

A priority for such a body should also be to develop, supervise and promote PPP projects. A specialised unit could be modelled on similar specialised PPP units and programs in the region (Box 6.1).

Box 6.1: Specialised PPP units and programs in the region

Many governments in East Asia have specialised units or programs designed to develop and supervise PPP projects. These bodies and the processes they use have generally been successful in promoting PPPs and developing PPP solutions. They have also built bureaucratic capacity by concentrating resources, experience and training on PPPs. They are integrated into decision-making in a range of ways, and have varying remits:

- **Indonesia:** The **National Development Planning Agency (Bappenas)** streamlines PPP project planning and implementation with an annual government plan. A dedicated PPP directorate has been created within the agency. Working beside Bappenas, the National Committee for the Acceleration of Infrastructure Provision functions as a ministerial forum for high-level decision-making on infrastructure issues, while the Ministry of Finance is in charge of financial support mechanisms.
- **Malaysia:** The **Public–Private Partnership Unit (3PU)** is a unit under the Prime Minister’s Department established in 2009 to plan, evaluate, coordinate, negotiate and monitor PPP project implementation.
- **The Philippines:** The **Public–Private Partnership Center of the Philippines**, attached to National Economic and Development Authority, was reorganised in 2010 to facilitate the coordination and monitoring of the PPP programs and projects.
- **Singapore:** The **Ministry of Finance** is the central coordination agency for PPP projects and oversees the role of each relevant government department in its establishment and implementation of PPP projects.

Source: UNESCAP (2014).

A state and region development fund

Myanmar’s infrastructure delivery system should address individual infrastructure needs in each state and region when the infrastructure in question is not a national economic priority but should be funded to achieve the rollout of essential infrastructure services at the local level, such as health, education and basic

sanitation. As each state and region has different developmental needs, decisions about service provision should be made close to the communities those decisions affect, transparently and accountably. This ties in closely with the reasons for fiscal federalism highlighted in Chapter 4.

As noted in Chapter 4, revenue adequacy is an issue for states and regions face when they are tasked with overwhelming responsibilities that are not funded by associated revenue streams. Infrastructure development to provide basic services is an example of expenditure that is not only critical to basic wellbeing and human development, but also essential to the nation's productivity and wellbeing more broadly.

Establishing a state and regional development fund is one possible way to address this issue. This would involve the Union hypothecating a proportion of revenues into the Fund, which could be accessed by state and region governments only for expenditure related to addressing their infrastructure needs, effectively as 'tied' grants. The proportion of Union revenues that should be allocated by the Fund could be determined through the budget process. The allocation of revenues to states would take into account their basic infrastructure gaps and the extent to which their revenues are inadequate. Transparency about how the funds are used is central to ensuring accountability, and this will need to be clearly shown in state budgets.

Initially, state and regional governments might not have adequate capacity to conduct cost–benefit analyses to determine their local infrastructure priorities within their budgets. The Union Government should keep this in mind when determining budgetary allocations to state and region governments for infrastructure delivery, in the broader context of efficiently mobilising fiscal resources. The Union Government should focus on partnership with state and regional governments and building their capacity to conduct infrastructure cost–benefit analyses, as well as efficiently designing and delivering the needed infrastructure services.

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7 Investing in Myanmar's development

KEY MESSAGE

Attracting foreign investment is the key to developing the trade links and labour-intensive production that can transform Myanmar's growth outlook and economy. Despite an underdeveloped investment climate, Myanmar has strong prospects as an investment destination. Its success in attracting and benefiting from foreign direct investment in the long term ultimately depends on the development of the infrastructure and institutions that are fundamental to the broader reform effort, as well as a transparent, liberal and principles-based approach to regulating both domestic and foreign investment.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Short-term measures to improve Myanmar's **business and investment climate** should be complemented by the **development of infrastructure and institutions** to provide a stable basis for attracting and benefiting from investment, from physical connectivity through to high-quality regulation and the rule of law.
- Myanmar should commit to a **principles-based investment strategy** that highlights the importance of simple and non-discriminatory rules and transparent and accountable decision-making.
- As it progresses towards unified **and non-discriminatory treatment of domestic and foreign investors**, Myanmar should strengthen investor protections, minimise sectoral restrictions on foreign investment, reduce joint venture requirements and review the costs of generous incentives to invest, including tax holidays.
- Myanmar should consider options for a notification-and-approval **screening system for foreign investment**, which would provide greater clarity and reduce administrative burdens while retaining appropriate (and transparent) discretion for dealing with rare proposals that may not be in the national interest.
- Myanmar should **centralise decision-making authority within the Myanmar Investment Commission**, while reducing currently high and opaque levels of discretion and improving accountability.
- Myanmar should **establish an independent investment promotion and facilitation agency** that can provide a coordinated approach to promotion and facilitation activities.
- Myanmar should seek opportunities to **support its domestic investment strategy through international agreements**, provided they are tailored to Myanmar's circumstances and do not unduly restrict policy autonomy.

7.1 Introduction

Attracting and sustaining foreign investment is the key to Myanmar reaching its economic potential. Myanmar has significant scope to increase foreign investment inflows as a share of GDP, particularly compared to its ASEAN peers. Foreign capital can complement scarce domestic savings to fund productive investments by industry and infrastructure service providers. Foreign capital flows and commercial partnerships will help Myanmar forge regional and global economic relationships that can support growth and development. Foreign investment offers capital, technology, market linkages and know-how—all of which Myanmar needs to develop competitive and internationally integrated domestic industries and sustain growth in productivity and incomes.

Seizing the opportunities offered by foreign investment is the key for any developing economy, but it is particularly important for Myanmar. The nation has had a long period of relative isolation from the global economy. This has limited its access to capital and technology and restricted its participation in global trade and supply chains. The next few years are a once-in-a-generation opportunity for Myanmar's government, private sector and public to engage with foreign investors as partners in the next phase of Myanmar's reform and growth. Much will hinge on getting the investment strategy right.

Myanmar's relatively low labour costs, strategic location and significant domestic market potential, as well as links to even larger ASEAN marketplaces, make it an attractive destination for investment, but significant impediments to efficient investment remain. They range from investment-specific issues involving the approval process, contract enforcement and the cost and complexity of doing business, right through to the need to build the economic, financial and physical foundations for a market-based system that allows all investors, firms and workers to compete and thrive.

There is much that can and should be done to address procedural and other barriers to investment in the near term. In the long term, the overall quality of policy and the stability of the economic and political environment are likely to be more important in attracting investment than the foreign investment climate or regime, narrowly defined. A successful longer term investment strategy therefore fundamentally depends on both economic and political reform. Myanmar's task is to develop an investment strategy that can strengthen trade and growth during the initial period of opening up and development, while facilitating a broader institutional environment that allows investors to compete openly and fairly, attracts high-quality and reputable long-term investors, and spreads the benefits of investment to Myanmar's public.

Progress will be self-reinforcing. High-quality investment facilitated by sound policy and strong institutions will produce a growth dividend. Over time, this will allow Myanmar to make further improvements to its investment and policy climate that will attract additional investment and enable the growth dividend to be spread broadly. This in turn should create a supportive political and commercial environment for sustaining foreign investment, and its benefits, over the long term.

The 2012 *Foreign Investment Law* (FIL) and its supporting regulations seek to develop a single unified law governing both domestic and foreign investors. As part of this process, Myanmar should commit to a principles-based approach to regulating all investment. This should be underpinned by a framework for attracting foreign investment that recognises the value of maintaining strong labour and environmental standards and avoids the potential costs of preferential treatment of certain sectors, and of investment incentives that reduce fiscal resources that Myanmar needs to fund institutional development.

Failure to build upon the improvements made in the FIL and *Myanmar Citizens Investment Law* would result in a smaller and murkier pool of foreign investment, channelled into projects that had questionable returns for both the investors and the public, and potentially undermining the entire reform process. Alternatively, developing and implementing a successful investment strategy will be a key sign that Myanmar is tackling not only economic reform and opening up but advancing improvements in governance, transparency and the rule of law.

7.2 Attracting and benefiting from foreign investment

This section examines the drivers of foreign direct investment (FDI), investors' perceptions of Myanmar as a suitable destination for investment capital, and ways Myanmar could attract more investment.

The drivers of foreign direct investment

Clearly understanding what attracts or discourages FDI is the key to designing a successful investment strategy. Theoretically, capital flows to locations where it is scarce and can generate the highest return. In practice, the situation is more complex. Paradoxically, capital-rich developed economies tend to attract the largest inflows of capital. In the developing country context, while the scarcity of capital means that potential returns are high, uncertainty and risks are also likely to be high, particularly over the longer time horizons usually associated with FDI. These are recurring themes in assessing Myanmar's investment strategy and environment.

While the relative abundance or scarcity of capital shapes the context for investment, the decision to undertake FDI ultimately hinges on firm-level factors. A firm will establish wholly or partially owned operations within a foreign market, rather than exporting to that market or licensing production there by a local firm, when it can combine the advantages of retaining ownership and opportunities for location-specific profits within a business model that allows it to internalise production processes and information flows (Box 7.1). Decisions to invest are influenced by the nature and specific assets of the firm and the characteristics of domestic inputs and markets. They are also influenced by how the policy and regulatory environment interacts with information that the firm needs to access (for example, about local patterns of demand and the labour market) and internalise (including proprietary information about branding, technology, production processes, and risk and uncertainty).

Empirical studies of the drivers of FDI reveal a broad range of proximate determinants, including strong economic growth, high per capita GDP, a large and growing population, low labour costs and adequate human capital development. Geography and a range of institutional, political and social factors have also been shown to be important in explaining patterns of investment. A significant insight from the literature is that the importance of these factors can vary significantly among firms, industries or sectors. An effective investment policy environment will therefore need to be non-discriminatory and to recognise that the factors driving different forms of investment (and the types of benefits that may flow from it) will vary.

Box 7.1: Determinants of FDI—location- and ownership-specific advantages

According to the established Dunning formulation (1981), FDI takes place when a firm can combine **ownership-specific advantages** with **location-specific advantages** with the benefits of **internalisation** of the production process. Ownership-specific advantages include firm-specific assets such as technology, management techniques and organisational skills and networks, while location-specific advantages include patterns of demand, factor endowments and knowledge particular to host-country markets. Advantages from internalisation stem from the attractiveness of combining these advantages and retaining key information (including about technology, specialised production processes or local markets) within a single operation. When these factors are combined, investing directly in a host country is likely to be more attractive than exporting or licensing production to a separate firm operating in that market.

Sources: Dunning (1981), Iwai and Thompson (2012).

Myanmar's attractiveness

Myanmar has strong potential as an FDI destination. Its large, young population and strong longer term growth potential make its domestic market an attractive long-term proposition for investors looking to produce for local consumption. Myanmar's large natural resource endowments, low labour costs and close proximity to other large production and consumption centres mean that it can be an attractive option for many export-oriented investors. Opportunities to take advantage of Myanmar's relatively low wage costs are particularly relevant at a time when rising costs in formerly low-wage Asian producers, such as China, are motivating investors to look elsewhere in the region.

Myanmar's geography is supportive on a broader level. Myanmar is at the centre of an emerging Asia that will drive growth in global trade, investment and middle-class consumption in coming decades. Its location as a physical and strategic bridge between large and rapidly growing markets in South Asia, China and Southeast Asia creates opportunities to play a major role in regional trade, investment, supply chains and politics. Myanmar's membership of ASEAN deepens its ties in a region that has very strong prospects for attracting record levels of investment in coming years (OECD 2014a), and offers an ambitious agenda for globally oriented integration and reform (discussed in detail in Chapter 8).

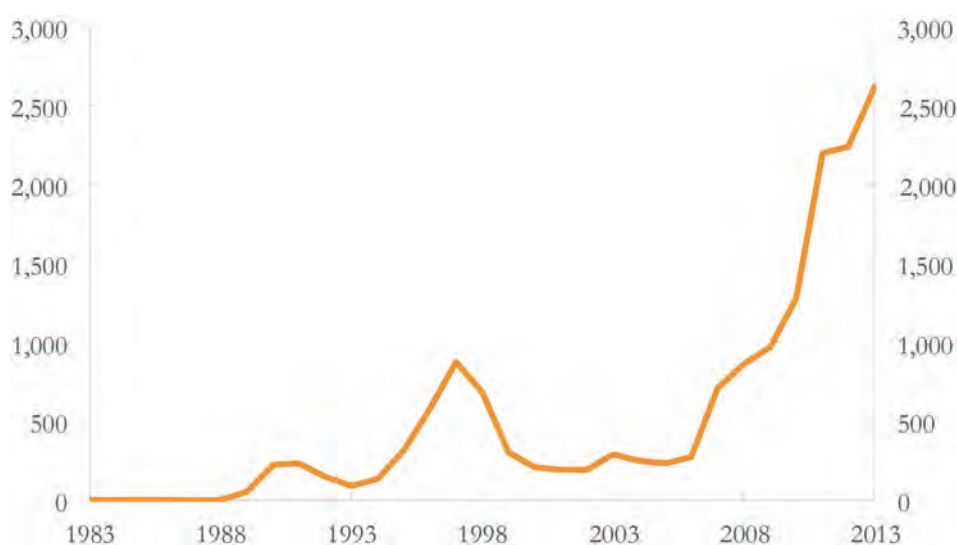
This supportive regional context is reinforced by global trends in production, investment and trade (see Chapter 8). The globalisation of production enabled by modern transport, communications technology and economic openness has resulted in highly segmented value chains (Yamin and Sinkovics 2009). This creates major opportunities to attract firms that want to establish specialised production centres offshore as part of broader supply chains. This includes highly mobile low-cost manufacturing processes that can be established quickly and at low set-up costs, providing much-needed capital and labour-intensive production.

Myanmar's liberalisation and reform will also strengthen its appeal, symbolically and substantively. There is strong evidence that, controlling for the level of development, commitment to structural reforms such as trade and financial market liberalisation and the privatisation of state-owned enterprises is associated with greater investment inflows (Campos and Kinoshita 2010). This highlights the benefits of making credible commitments to an ongoing process of opening up and institutional development, and the opportunity that it provides to attract investors that had not considered Myanmar in the past.

Taking these factors into account, Myanmar's potential to build on its early success in attracting increased investment inflows is clear. In the short to medium term, Myanmar has strong investment potential in two very different export-oriented industries. Relatively low labour costs and broadening liberalisation are opening up opportunities in low-cost manufacturing and supporting services. Natural resource endowments have already led to very strong investor activity in extractive industries, providing opportunities for further development.

In the longer term, prospects for rapid domestic growth and increased integration with large and expanding ASEAN and Asian markets suggests major opportunities to attract investment for domestically and regionally focused production. This potential has been reflected in the surge in investment that has accompanied political reform and economic opening up in recent years (Figure 7.1)

Figure 7.1: Myanmar's FDI inflows, 1983 to 2013 (US\$ million)



Source: UNCTAD.

Problems and barriers: the business climate and the importance of institutions

While recent trends and reform progress are encouraging, Myanmar needs to close significant policy and regulatory performance gaps to achieve its investment potential. The extent of the gaps and the scale of the reform task are vividly demonstrated by Myanmar's very weak performance on international measures of the ease of doing business and the quality of investment climates. For example, Myanmar ranked 182nd out of 189 economies in the World Bank's latest *Doing business report*, which measures the administrative and regulatory complexity of starting and operating a local firm, including accessing licences, electricity, credit and property, and the extent of investor protection (Figure 7.2). The World Bank's Enterprise Surveys also show that a substantial proportion of firms identify accessing finance and land and obtaining electricity as among the biggest obstacles to business (Figure 7.3). These results illustrate major deficiencies in Myanmar's business and investment climate and send a clear message that investing in Myanmar can be time-consuming, costly and risky.

This is a particular problem for Myanmar, given the regional competition it faces for investment, especially in non-extractive sectors. The flipside of opportunities stemming from proximity and integration with key Asian markets is that competition in ASEAN and beyond is fierce. Myanmar's main competitors for both export-oriented and domestic-market-oriented investment are those neighbouring Asian economies that also have considerable advantages and potential for investors, as well as more mature and developed investment climates. Myanmar needs to narrow and eventually eliminate shortcomings in the ease of doing business if it is to compete effectively in a dynamic region, despite its particular attractions.

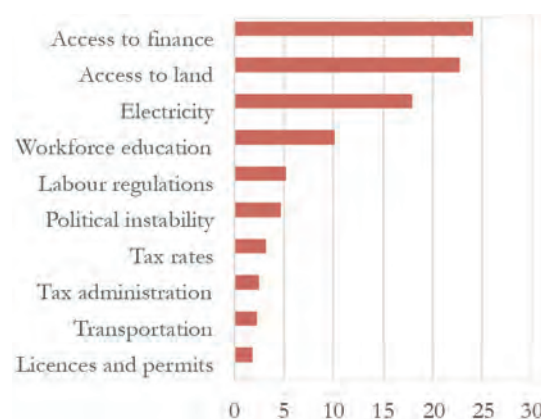
Myanmar's authorities rightly consider the findings from these surveys to be alarming, and there is a strong case for targeted measures to improve perceptions and ratings. The largest costs stem not from the visibility of Myanmar's poor rankings but from the underlying shortcomings in administration, institutions and infrastructure that they reflect. Similarly, the real gains will come from addressing these fundamental issues rather than by focusing solely on narrow measures to improve survey scores.

Figure 7.2: Myanmar's ease of doing business rankings

| Measure | 2015 Result | Change from 2014 |
|-------------------------------|-------------|------------------|
| Starting a business | 189 | No change |
| Construction permits | 130 | Improved (+4) |
| Getting electricity | 121 | Improved (+3) |
| Registering property | 151 | No change |
| Getting credit | 171 | Worsened (-2) |
| Protecting minority investors | 178 | No change |
| Paying taxes | 116 | Worsened (-1) |
| Trading across borders | 103 | Improved (+32) |
| Enforcing contracts | 185 | No change |
| Resolving insolvency | 160 | Worsened (-1) |

Note: Ranking is from 189 surveyed economies.

Source: World Bank, *Doing business report*, 2015.

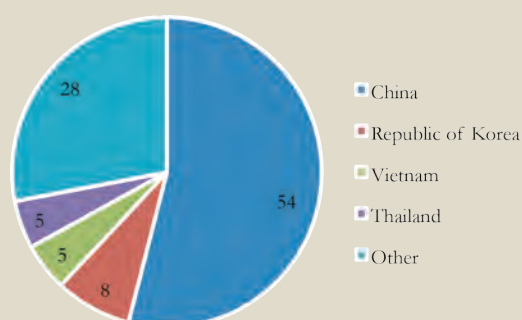
Figure 7.3: Obstacles facing private-sector firms

Note: Shows percentage of firms identifying each issue as the biggest obstacle facing their business.

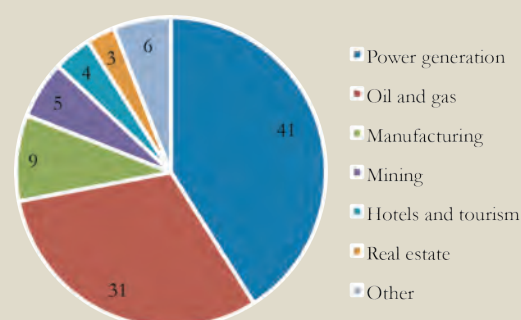
Source: World Bank, Enterprise Surveys.

Box 7.2: Who is investing in Myanmar?

FDI inflows have grown rapidly. In October 2014, the Myanmar Investment Commission revealed that FDI had already reached its total 2014–15 fiscal year target of \$4–5 billion. Recent inflows have been dominated by regional neighbours (Figure 7.4) and focused primarily in the telecommunications and gas sectors (Figure 7.5).

Figure 7.4: FDI by source country

Source: ADB (2014).

Figure 7.5: Foreign direct investment by sector

Source: ADB (2014).

Distinguishing between different types of investors will be important in developing a nuanced investment strategy. During the early stages of opening up, investment is likely to be dominated by investors who are prepared to tolerate the developing investment climate and associated risks. This includes regional and diaspora investors, as well as investors whose motives may go beyond near-term financial returns or who are accustomed to embracing emerging market opportunities in fragile economies. There are also investors who will be attracted to particular natural resources or certain sectors as liberalisation occurs, as evidenced by the recent prominence of investors in gas and telecommunications.

While these investors will continue to play a vital role, a successful investment strategy will hinge on also attracting investors with little or no existing engagement with Myanmar. Investors with partial or pending engagement in Myanmar may be particularly sensitive to how effectively and efficiently the foreign investment regime is administered. Attracting completely new investors will depend on their having access to information on the attractions of doing business in Myanmar. These issues—the bureaucratic structure for implementing the investment strategy and the crucial role of investment promotion and facilitation—are discussed in detail in Section 7.5.

Fundamentally, attracting investment depends on broad-based institutional development and reform.

High-quality institutions matter profoundly to investors. Strong institutions play a fundamental role in resolving inherent tensions between investors and the state. In some sectors, investors have high sunk costs: once an investment is in place, it is typically difficult and costly to reverse. This makes investors in those activities particularly sensitive to risks and uncertainties that can stem from 'poor government efficiency, policy reversals, and weak enforcement of property rights and of the legal system in general' (Bénassy-Quéré et al. 2007:765).

Developed institutions help to resolve these tensions by providing a basis for macroeconomic and regulatory certainty, and by placing credible and reliable limits on the state's exercise of power. Many of the former are discussed in detail in Chapters 3 and 4. The latter can encompass constitutional constraints on the executive, measures to ensure the transparency and accountability of government, effective and fairly applied regulation and reliable enforcement of property rights and contracts. Such institutions reduce risk and uncertainty by protecting against arbitrary changes to agreements, corrupt dealings or even expropriation. The same basic hallmarks of sound institutions—transparency, consistency, accountability and the efficient and open operation of state apparatus—are relevant right down to crucial day-to-day processes, such as the bureaucratic handling of forms and approvals to grant licences, access electricity or register a business.

Sound institutions have a significant positive impact on FDI inflows, even compared to well-established drivers of FDI such as GDP per capita and geographical proximity. One study found that moving from a low to a high level of institutional quality could have as much impact on bilateral investment flows as suddenly becoming a neighbour of a large source country (Bénassy-Quéré et al 2007:778).

Specific policy and institutional issues that are likely to detract from Myanmar's attractiveness as an investment destination include the following:

- **Human capital:** Myanmar ranks highly on basic literacy but weakly on broader measures of education and labour skills. Concern about this has been emphasised by those businesses struggling to attract a workforce with the right skill set. This issue is relevant for both high- and low-skill industries: there is evidence that a well-educated workforce is strongly valued in the locational choices of investors in low-skill industries (Blanton and Blanton 2012). The availability of adequately skilled labour is crucial to attracting firms engaged in export-oriented FDI, whose locational choices hinge on the quality of local inputs (including labour) rather than the attractiveness of domestic markets.
- **Rights and the rule of law:** The commercial and legal system in Myanmar falls short of that required for the efficient operation a modern economy. In the modern global investment climate, investors attach particular importance to labour and environmental standards, corporate governance and political stability. There is growing evidence that factors such as rights to collective bargaining, worker safety, education and due process and commitment to ethical, social and environmental norms provide an attractive and sustainable environment for investment. The suppression of rights can be associated with weak governance and political instability, undermining the investment climate (Blanton and Blanton 2012). As Myanmar's recent experience attests, the positive 'spotlight' effect of economic and political reform and commitment to corporate, social and environmental norms can be significant.
- **Infrastructure:** Myanmar's significant infrastructure deficit is a major barrier to economic activity, including foreign business investment. There are major shortfalls in both basic domestic infrastructure needed for production (including energy and internal transportation) and infrastructure needed to connect the domestic economy to global markets (including communications technology

and international transportation linkages). This is a particular shortcoming for firms seeking to connect Myanmar's resources and inputs with international supply chains. These shortcomings extend to the broader social and bureaucratic infrastructure needed to contribute to a well-functioning and attractive investment environment.

- **Financial markets:** The development of Myanmar's financial sector is limited. There is strong evidence that foreign investors favour destinations that have well-developed financial sectors. Some research points to a 'paradox of finance', in which multinational enterprises that can readily access capital systematically prefer investing in countries where financial constraints are not binding, despite having few requirements to use the local financial sector to access funds (Campos and Kinoshita 2010). One reason is that a deep, well-functioning financial sector creates a supportive domestic environment for all businesses, allowing attractive networks of domestic suppliers, inputs and markets to form.
- **Intellectual property protection:** Myanmar's intellectual property (IP) protection is weak and will be an impediment to some investors, particularly as Myanmar's industrial and service industry structure develops over time. Myanmar is a signatory to the Agreement on Trade Related Aspects of International Property Rights and other IP-related treaties, but this has not translated into substantial improvements in the legal framework for IP protection, and domestic mechanisms for IP protection and enforcement remain weak (OECD 2014b). Moves to implement domestic laws enacting basic internationally recognised IP standards and protections are crucial to the establishment and development of IP-using activities.

These impediments reflect two overarching factors that affect not only the investment environment but also Myanmar's broader reform agenda.

The first is Myanmar's **underdeveloped fiscal framework**, including low revenues and systemic weaknesses in responding to policy and expenditure priorities. This contributes to macroeconomic uncertainty and instability and impedes the development of the institutions and infrastructure needed to create a supportive environment for investment (OECD 2014b).

The second is the complexity of Myanmar's **economic, social and political reform** process. This will generate significant investor wariness of possible opportunities in Myanmar and, unless overcome, will impede the delivery of substantive benefits to investors. The reform of economic, social and political processes also involves inevitable uncertainties and risks. A rapidly changing political and policy environment will make investors cautious, even as the reforms themselves promise to have a positive long-term impact on the economy and investment climate. Policy reversals and or reform setbacks will be closely watched by investors, who will remain sensitive to potential sources of economic and political instability. It is vital that Myanmar adopts a well-articulated and well-managed transition strategy that lowers the level of uncertainty and risk.

Benefiting from FDI: types of investment and 'absorptive capacity'

Foreign investment can play a transformative role in developing Myanmar's industrial base and supporting income and export growth. Foreign investment will be crucial to rectifying the weak productivity performance and restricted export growth that have hindered Myanmar's development in recent decades. It also provides crucial opportunities for expanding incomes and employment through labour-intensive manufacturing production and supporting service activities. Simply put, there is no other way for Myanmar to access the capital and the full range of technology, expertise, management techniques and distribution channels that are delivered by international investors and the broader developmental benefits that they offer.

However, FDI is not an elixir for all developmental needs, and the benefits are not consistent or automatic. In particular, the potential for positive spillovers is influenced by a range of factors, including the nature and motivation of the proposed investment, the characteristics of the firm and sector involved, and the broader economic and institutional environment in which the investment takes place.

Spillovers are heavily influenced by the extent of the investor's linkages with domestic partner firms, employees, supply chains and the rest of the economy and by the robustness of the domestic labour market and other institutions. Broadly, technological and other spillovers are likely to be greater where domestic firms provide inputs to, compete with, or partner with foreign investors (Chen 2013). This means that the spillovers may vary according to the type of investment and the motivation for it. The international segmentation of supply chains has increased the prevalence of investment that is purely efficiency seeking—that is, seeking out the most efficient location for sourcing, incorporating or assembling given inputs as part of a wider production process—but because this typically requires fewer links with the domestic economy, this form of investment is less likely to support large spillovers beyond the direct (and possibly significant) positive impacts on employment and exports (Yamin and Sinkovics 2009).

The benefits from FDI are also influenced by the extent to which the domestic economy can absorb and internalise spillovers, which is known as 'absorptive capacity'. This is powerfully influenced by the levels of education, training and skills of the workforce directly employed by an investor, which can influence workers' ability to learn on the job and assimilate production techniques. It is also shaped by the broader characteristics of the labour force external to the investing firm, given the potential for knowledge and know-how to spill over into firms and industries connected to or competing with foreign investors. Empirical evidence suggests that the positive impacts on FDI may be conditional on a baseline level of human capital formation that allows workers to learn skills, techniques and technologies in ways that flow on to broader activity within the economy (Yamin and Sinkovics 2009). The characteristics of other firms, including their training practices, efficiency, market knowledge and technological endowments that enable them to collaborate or compete with foreign investors, also influence the nature and extent of spillovers.

Implications for investment strategy

This implies that establishing the conditions for realising the benefits and spillovers from FDI requires systemic coordination, long-term investment in public goods, and broader institutional and economic development (Narula and Driffield 2012). The crucial point is that the factors that develop and sustain absorptive capacity and therefore the benefits of FDI overlap significantly with the broader characteristics that not only attract FDI but also sustain economic development in the long term. This means that, for Myanmar, policy priorities for attracting foreign investment—including investing in infrastructure, macroeconomic stability, financial sector development, human capital, bureaucratic capacity, and the institutions of transparent and accountable government and a competitive market economy—will also result in increased ability to absorb the benefits of FDI over time. Just as significantly, these same priorities overlap significantly with the broader reforms needed to sustain Myanmar's transformation into a prosperous and open economy.

Given the transformative potential of efficient FDI, the conditions that lead to it, and Myanmar's significant productivity and development imperatives, foreign investments in genuinely internationally competitive activities are likely to be consistent with advancing the national interest. While the benefits of FDI can be large, they will not be uniformly, easily or costlessly transferred. Over time, Myanmar's potential to attract and benefit from FDI will only be realised if the right conditions are in place to ensure that such investment contributes to a well-regulated, competitive, open, market-based economy.

Delivering these conditions and reform priorities will be difficult, but progress is likely to be self-sustaining. When effective regulation and developed government institutions protect against monopoly profits, anticompetitive behaviour, corruption and special treatment, firms and businesses will prefer an environment in which investment spills over to more skilled and productive workforces, more efficient and competitive domestic marketplaces and industries, stronger growth and improved economic and social outcomes. And well-regulated and beneficial foreign investment that delivers demonstrable benefits to Myanmar's economy and people will create a sustainable and supportive environment for beneficial investment to continue in the long term.

7.3 The investment landscape—the *Foreign Investment Law*, regulations and investment incentives

This section considers the current legislative and regulatory environment for foreign investment in Myanmar, including the revised *Foreign Investment Law* (FIL) introduced in November 2012 and the subsequent regulations that clarify aspects of its operation and interpretation. Noting ongoing moves to unify the 2012 FIL and the 2013 *Myanmar Citizens Investment Law*, this section and the section that follows highlight major issues that should be addressed in revised investment legislation, regulation and processes.

Foreign Investment Law 2012—summary and major features

The 2012 FIL reforms were heralded as a major milestone in improving the legal and regulatory framework for investment in Myanmar, as well as a sign of the government's commitment to opening up the economy. In combination with the lifting of economic sanctions and key steps forward in the political reform process, this has been one of the defining features of the early stages of Myanmar's liberalisation.

Box 7.3 provides a broad overview of the investment approval process. The main feature of the updated legislation is increased openness to foreign investment in most sectors, but with notable complexities and exceptions in some areas. Foreign investors continue to be treated differently from domestic investors; that is, there has been no incorporation of a 'national treatment' principle that would grant foreign investors treatment no less preferential than that afforded to domestic investors. (Legislation governing domestic investors was being reviewed at the time the FIL was passed. The *Myanmar Citizens Investment Law* was introduced in 2014.) Until the process for unifying these laws is complete, Myanmar remains the only country in ASEAN to retain separate legislative treatment for foreign and domestic investors.

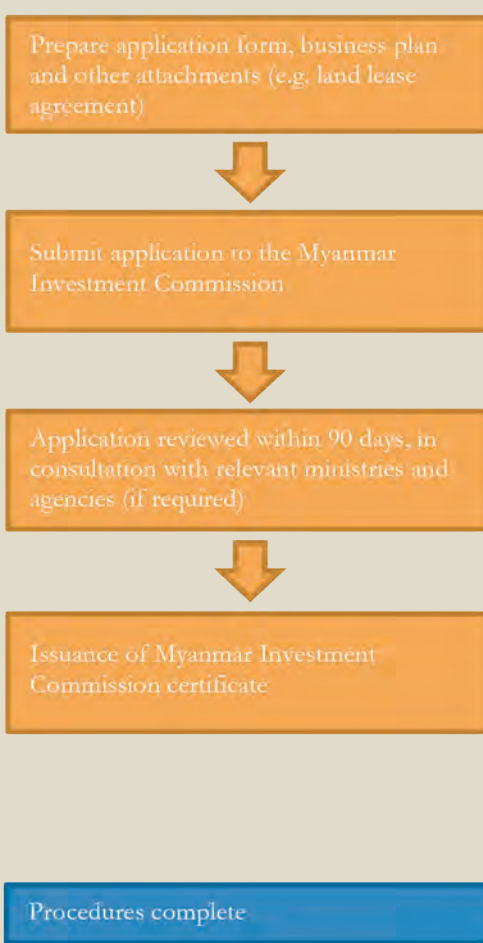
Box 7.3: Summary of the investment approval process

The FIL prohibits foreign investment if it relates to particular activities in manufacturing or services (described in Schedule 1 of the Regulations), agriculture/livestock breeding (described in Schedule 2 of the Regulations) or fisheries (described in Schedule 4 of the Regulations). The Myanmar Investment Commission notification also prohibits foreign investment in some additional activities and, for other activities, requires the foreign investment to take place only as part of a joint venture with a local partner. If foreign investment is permitted, the investor must register the company in Myanmar, obtain a business permit and receive approval from the Myanmar Investment Commission, which may also require consultation with relevant ministries and agencies.

Company registration and business permit



Obtaining approval from the Myanmar Investment Commission

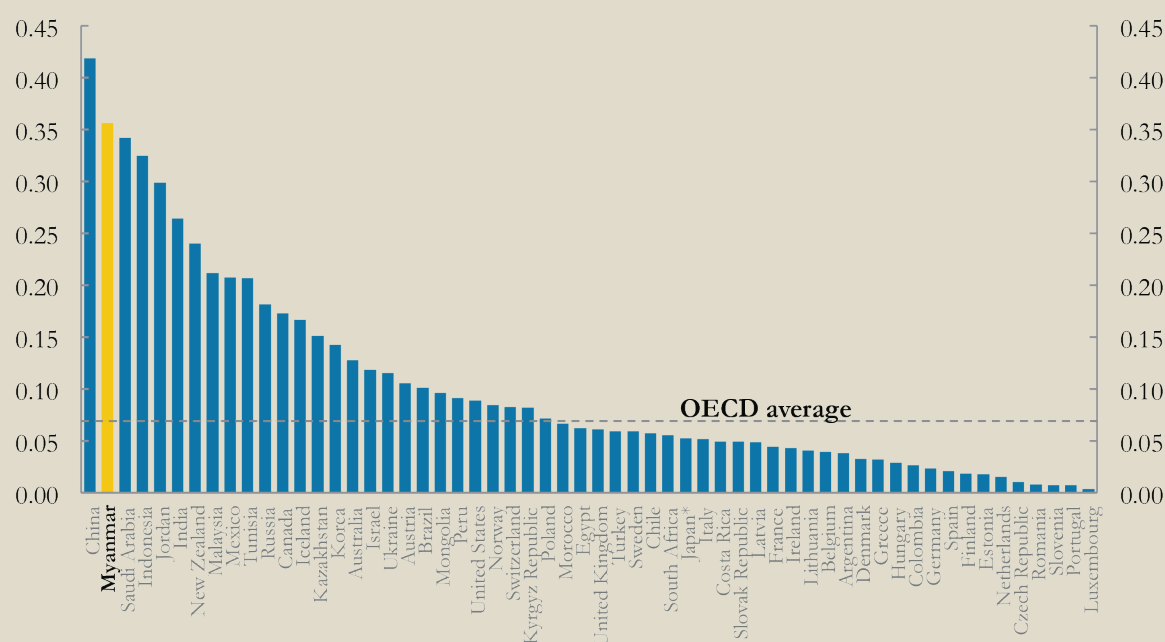


Despite the liberalisation entailed in the new FIL, foreign investment remains subject to many restrictions in law and in practice. The FIL notifications set out a list of activities that are prohibited or restricted, subject to joint venture requirements, or subject to other conditions or considerations. According to the OECD FDI Regulatory Restrictiveness Index, Myanmar retains more statutory restrictions on foreign investment than any of the 60 economies surveyed, with the sole exception of China (OECD 2013) (Box 7.4).

Box 7.4: FDI Regulatory Restrictiveness Index

Based on the OECD's 2013 FDI Regulatory Restrictiveness Index, Myanmar has the second-most restrictive FDI regulatory regime of 60 surveyed countries. This reflects high restrictions for all indicators measured in the index, including foreign equity limitations, screening and approval mechanisms, and operational restrictions on employing foreign personnel, landownership and capital repatriation. However, because the OECD index focuses primarily on the restrictiveness of investment rules and regulations in form rather than in practice, it is an imperfect measure. For example, economies that apply screening and approval mechanisms to inbound investment (including Myanmar and Australia) attract a high restrictiveness score for this aspect of the index, regardless of how liberally such a regime is designed and applied.

Figure 7.6: OECD FDI Regulatory Restrictiveness Index



Note: Closed = 1, Open = 0.

Source: OECD FDI Regulatory Restrictiveness Index, 2013.

High restrictiveness scores correlate to an extent with weaker investment inflows. In ASEAN, those countries with the most restrictions (the Philippines and Myanmar) attract the least investment, while those with the most open regimes as assessed by the OECD survey (Singapore and Cambodia) receive the largest inflows. The actual investment climate is, however, also affected by other factors not reflected in the index. For example, several countries assessed as having restrictive regimes, such as China and Australia, have been extremely successful in attracting FDI. This is a useful reminder that, as the OECD states, 'a good investment climate includes many different elements' (OECD 2014b: note 100, p. 22), going well beyond those considered in the index.

Other important features of the FIL include the following:

- The expanded role of Myanmar Investment Commission.** The commission is responsible for implementing the approval process, setting conditions for investment, administering incentives to invest and overseeing the implementation of the legislation and its associated rules (OECD 2014b). All investors seeking incentives (including those investing in sectors where they would otherwise not require the commission's approval) must apply to MIC, aside from those established in SEZs and joint ventures between foreign investors and SOEs, which are approved by the Central Working Body and relevant ministries, respectively. Investment in certain sectors (including agriculture, mining and transport) requires approval from the relevant line ministry.

- **Significant discretion is retained for decision-makers.** The discretion afforded to MIC in discharging its role, and related uncertainty about the interpretation of key FIL provisions and their capacity to be enforced, are characteristic of the wide discretion and uncertainty that are features of many aspects of the amended law. MIC has wide discretion to set minimum capital requirements for particular projects and maximum foreign equity shares. It also retains discretion 'by approval of the union government' to allow investment even in prohibited or restricted sectors under Article 5 of the FIL 'for the interests of the Union and citizens' (although in practice the circumstances in which this can occur remain unclear) and to extend incentives and other conditions under some circumstances. The rules and restrictions that MIC must apply in certain sectors remain complex, and its capacity to evaluate the wide and detailed range of criteria for assessing investment proposals is limited.
- **Weak investor protection.** Protection against expropriation in the FIL is limited, guaranteeing only against events of nationalisation in the permitted investment period (OECD 2014b). The legislation does not enshrine investor rights to compensation in the event of lawful expropriation, and contains no assertion of the state's right to regulate or to nationalise in the national interest, which could otherwise provide valuable guidance and certainty as to the circumstances in which the state may intervene.
- **Generous incentives to invest.** Companies are eligible to receive generous incentives after receiving a Myanmar Investment Commission permit. Notably, the FIL increased the tax holiday for foreign companies investing in Myanmar from three to five years, with the possibility for extension following the initial term. Further incentives and exemptions, requiring an additional application and granted at MIC's discretion, include exemption from income tax on profits that are reinvested, income tax relief for imported goods, increased depreciation allowances and exemption from customs duty in various circumstances.

The 2012 FIL, on paper, represents a promising first step. Rapid follow-up efforts to that legislation in relation to the governance of domestic investors, together with work on unifying the legislation for all investors, have solidified the progress made in the 2012 FIL. This gradual approach to reform is consistent with the approach taken by Vietnam and other countries in the region whose early years of openness to foreign investment included regular amendments to investment legislation to achieve greater certainty, predictability and liberalisation.

The key to avoiding the adverse experience associated with changes to the foreign investment regime in the early 1980s is to ensure that the form and intent of the current FIL are realised in practice, and that the law is implemented and developed over time in a way that enables foreign investment in Myanmar to reach its potential. The 1980s experience demonstrates the dangers of not following through with a sustained program of reforms. A repeat of earlier experiences would undermine domestic support for foreign investment and deter foreign firms, compromising the entire push for economic reform and development.

7.4 Principles for the investment strategy

Fully developing and implementing the reforms needed to sustain high investment inflows and spread the benefits will be a long-term task. As discussed above, there is considerable overlap between these reforms and the policy initiatives outlined in the other chapters of this paper.

This section identifies measures that can be taken in the near term, particularly in the areas of regulatory simplicity, efficiency, transparency and predictability. While many changes required are long-term ones, there are things that can and should be done now at relatively low cost to take advantage of the benefits that increased investment can offer at this crucial stage of Myanmar's opening-up process. This section

sets out a number of high-level principles that can help guide Myanmar's approach to the near- and long-term issues considered below.

The success of the investment strategy in attracting efficient investment will depend on the overall quality of economic policy and institutions and the broader reform path. While seizing this opportunity for investment to contribute to near-term growth and development is crucial, Myanmar cannot hope to sustain and spread the benefits of large investment inflows over time independently of the broader institutional development process. Ultimately, these changes depend on further political and social reforms to establish a stable environment for long-term development. Investment policy must be firmly embedded in this context and designed to reinforce broader policy and reform priorities. Some clear implications include the need to eliminate arbitrary or improper decision-making involving investment proposals, to carefully review the impact of incentives to invest on fiscal resources that could otherwise be used to support broad-based reforms, and to ensure that measures to address ease of doing business concerns 'take place within the context of, and not substitute for, broader policies for improving the investment environment' (OECD 2007:29).

A high-level commitment to broad economic reform **Myanmar should commit to an investment strategy that reinforces high-level commitment to broad economic reform.** Credible commitments to Myanmar's long-term reform path can provide reassurance for international investors during a promising but uncertain period of reform and transition, Myanmar has already made some progress on this front with the FIL, but there are many remaining issues to address. A principles-based investment strategy that clearly signals the future direction of reform would serve as a guide for policy-makers and potential investors on further regulatory, legislative and bureaucratic changes to the investment regime, and help in assessing potential shortcomings in current regulatory architecture and proposals for reform.

Simple, predictable and transparent

The investment strategy should be centred on simple, predictable and transparent rules, regulations and processes. The regulations governing investment and approval processes must be clearly stated, accessible and able to be administered. This applies to legislative provisions and regulations, the processes for applying for licences, incentives and approvals, the criteria for decision-making and the identity of the decision-makers. Clear rules and accountabilities would allow for more streamlined and predictable processing of applications, minimising inconsistency and reducing processing times and costs for all parties. While FIL legislation and regulations are readily available online, a simple and user-friendly summary of investment regulations, restrictions and processes would greatly assist investors who might be considering opportunities in Myanmar. This should be supported by broader efforts to improve information about broader regulatory arrangements and business conditions and opportunities in key sectors.

Aiming for clear, simple and predictable rules governing investment approval does not mean eliminating all scope for flexibility or discretion. At the approval stage, there is a legitimate case for retaining some flexibility to impose conditions on particular investment projects, or to reject proposals in the very rare circumstance that they are not deemed to be in the national interest. However, if discretion is not tightly circumscribed and combined with proper arrangements for transparency and accountability, it can undermine predictability and create scope for regression towards unduly restrictive decision-making. This could have profound negative impacts on the investment climate. The criteria and process for exercising discretion, such as the circumstances in which national interest or other considerations can be brought to bear in deciding on investment proposals, should be clearly identified. Parliamentary or executive oversight and transparency mechanisms must be clearly spelled out and observed.

Proportionate and non-discriminatory

Rules governing investment should be proportionate and non-discriminatory. The government should be clear on what policy priorities are within the scope of the investment screening system and strategy, and which are better dealt with through other policies. This is particularly relevant to discriminating between domestic and foreign investors. Discriminating across classes of investors—domestic versus foreign—or between different types of foreign investors imposes costs in terms of processing, competition and efficiency, and is likely to reduce the volume and quality of total investment. In general, the best way to deal with concerns about the potential impact of particular investments on competition, employment, revenue or other areas is through policy frameworks, institutions and regulations that are applied across the whole economy, rather than measures that single out foreign investors for different treatment. When there are exceptions, Myanmar's policy framework for investment should reflect the fact that such issues are limited, and target that narrower range of issues accordingly. Typically, these matters will be related to specific cases in which national security concerns are involved.

Myanmar is in the midst of major progress in this area. Its ambition to unify the treatment of national and foreign investors would make its approach consistent with practice across ASEAN, and represent another major step forward in its reform process. Even when the laws governing foreign and domestic investors are unified, many other pressing issues will remain. Further progress on business- and investment-specific issues, such as licensing, registration, property rights, and broader financial, physical, social institutions and infrastructure, should also be a priority. In the longer term, the economic and political sustainability of investment depends on having the domestic institutions in place to ensure that all investment, domestic and foreign, contributes to Myanmar's development and growth.

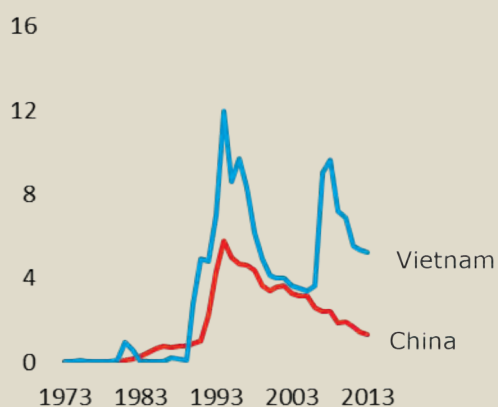
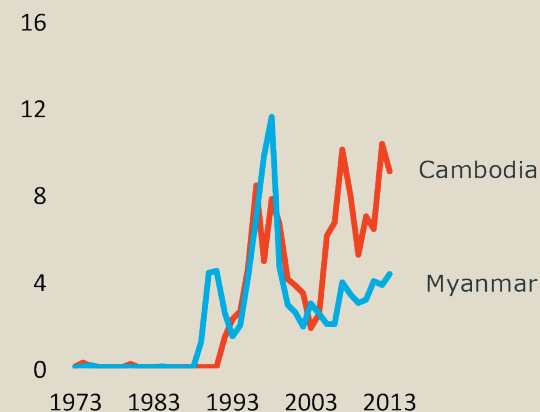
A neutral market-based system for investment is more likely to promote development in line with Myanmar's areas of comparative advantage and reduce distortions from the priority treatment of certain sectors.

Non-preferential treatment of investors regardless of sector, industry or region in a well-regulated and institutionally strong business climate is likely to produce more economically efficient investment outcomes than an investment strategy that selectively employs preferences, incentives or other favourable treatment to pursue particular developmental objectives.

In the longer term, the economic and political sustainability of investment depends on having the domestic institutions in place to ensure that all investment, domestic and foreign, remains attractive (see Box 7.5) and contributes to Myanmar's development and growth.

Box 7.5: Attracting and sustaining investment inflows

The experiences of many economies suggest that while attracting an initial inflow of FDI after liberalising the investment regime may be relatively easy, sustaining increased inflows over time is challenging. After experiencing a surge of FDI as restrictions on foreign investment were lifted, both China and Vietnam experienced a relatively long phase of declining inflows as a share of GDP, partly as difficulties encountered by the initial wave of investors became widely known (OECD 2014b) (Figure 7.7). Cambodia is another country where FDI inflows displayed a similar pattern, as indeed is Myanmar itself, with earlier peaks following partial reform in 1988 and again in 1997 followed by long periods of decline (Figure 7.8). More broadly, significant volatility in inflows relative to GDP has been a feature of the development experience of many economies across the world.

Figure 7.7: Inflows of FDI to China and Vietnam, 1973 to 2013 (per cent of GDP)**Figure 7.8: Inflows of FDI to Cambodia and Myanmar, 1973 to 2013 (per cent of GDP)**

Source: UNCTAD.

These experiences show that it can be difficult to sustain inflows over time, even after a successful initial phase of opening up and initial investment. This can reflect many factors, such as the exhaustion of pent-up demand, difficulties associated with investing in a developing investment climate, and broader issues such as financial or political instability, policy reversals and regional or global trends, crises or sanctions.

For Myanmar, the experience of other economies, as well as its own experience in the 1980s and 1990s, reinforces the importance of having a strategy in place not just to achieve 'big bang' opening up but to sustain investment over time. In particular, avoiding setbacks with the first wave of investors will be crucial, given the close attention paid to how earlier investors fare and the likelihood that many more risk-averse investors may be waiting on the sidelines to see how things develop. Myanmar should be alert to any signs of diminishing inflows, such as a decline in investment applications or the share of approved projects that are eventually realised. It should also engage closely with investors through MIC and the Directorate of Investment and Company Administration to ensure that any inconsistencies or uncertainties in the investment regulations and their implementation are ironed out as part of the ongoing reform process. At the same time, it must also retain its broader commitment to the steady development of the policy and institutional environment that is needed to attract subsequent waves of investment in the medium term.

7.5 Policy review and recommendations

Applying these principles to Myanmar's current investment policy settings suggests important near- and long-term priorities. They include enhancing investor protection, reassessing the provision of incentives to invest, limiting and clarifying the extent of sector-based restrictions, reviewing joint venture requirements, increasing MIC resources and accountability, and considering screening and approval mechanisms to facilitate investment in the national interest.

Review restrictions on foreign investment

Myanmar should **review existing restrictions on foreign investment**, including the unnecessarily restrictive sensitive sectors list and joint venture requirements in most sectors.

The FIL is a major and laudable first step in liberalising Myanmar's investment regime. However, the restrictions currently embodied in the law continue to artificially limit investment, distort incentives and create significant risks and uncertainty for investors. Myanmar needs to continue to address remaining shortcomings and concerns to ensure that recent progress is built upon.

Sectoral limitations on foreign investment remain both unduly restrictive and highly complex and opaque. The restrictions are also implemented in a manner that increases complexity and creates significant barriers to information flows and transparency. There is potential for a wide gap between the regulations and practice, as MIC retains broad discretion to allow or restrict particular investments. As well as addressing the administrative and bureaucratic dimensions of the investment approval process (discussed in detail below), there is a strong case for continuing to reduce sectoral restrictions on investment in areas that have no national security concerns or an obvious case for restricting investment on other national interest grounds. MIC should ensure that the set of restrictions and criteria used to assess investment applications are clearly set out and readily available to potential investors.

As part of the review, Myanmar should reconsider **joint venture requirements** currently in place in many sectors. The requirements are often used in attempts to broaden the spillovers and benefits from FDI by requiring foreign investors to partner directly with local firms. However, the impact of those requirements depends on the characteristics of the firms and industries involved and also on the broader institutional context in which the joint investments occur. For example, as discussed in Section 7.2, where IP protections are relatively weak, as in Myanmar, investors show a clear preference for operating through wholly owned subsidiaries because of their concerns about the misappropriation of brands, technology and other IP. Consequently, joint venture requirements that prevented firms from establishing wholly owned subsidiaries mean that the potential investment would be forgone. This is particularly relevant for firms in high-skill, high-technology industries with substantial intangible assets (see, for example, Chen 2013). Shortcomings in contract enforcement and other legal frameworks may have a similar impact on appetite to enter joint ventures. As a result, Myanmar's joint venture requirement will artificially restrict overall inflows, particularly in high-tech industries, which may have higher spillovers. To maximise spillovers, Myanmar would be better served by continuing to address shortfalls in IP regulation and the broader investment and institutional climate.

Clarify and centralise decision-making authority for foreign investments

Myanmar should **clarify and centralise decision-making authority** in relation to allowing investment within MIC, while clarifying MIC's discretionary powers and improving accountability mechanisms.

There is scope to reform current decision-making arrangements to improve certainty, transparency and accountability in the foreign investment review process. Despite enhanced power for MIC power under the FIL, line ministries and other actors in the system retain significant (and to some extent opaque) decision-making power in the approval process. Combined with complex and sometimes unclear criteria for approving investment and broad discretion, this increases the scope for inefficient and inconsistent application of the rules, which could undermine the broader investment strategy. Greater centralisation of decision-making power in MIC, where MIC is empowered to make final decisions according to a clear set of restrictions and criteria and following input from other ministries, would provide greater certainty and limit scope for improper decision-making, increasing attractiveness to investors.

There are three pre-requisites for greater centralisation to be effective:

- The first is to **reduce uncertainty** in the current framework by clarifying the significant amount of discretion currently enjoyed by MIC and reducing it where that discretion does not serve a specific purpose. At present, MIC has the power to apply a broad (and sometimes unclear) set of criteria to investment proposals and to decisions on the provision of incentives to invest. With central government approval, it can also approve projects even in prohibited sectors. This flexibility comes at the cost of creating significant uncertainty about decisions to approve investment and the criteria and conditions that might be applied (OECD 2014b:85). Policy flexibility would be better preserved

though a carefully designed screening or approval process (see below), rather than by vesting such broad discretion in MIC.

- The second is enhanced **transparency and accountability** in the decision-making process. As well as clarifying and publishing criteria for investment, MIC should be required to collect and publish information on the approval process and outcomes. There should also be clear provision for executive or parliamentary oversight of MIC activities. Such transparency and accountability are essential to ensure that the greater power that would be vested in the commission through the centralisation of the approval process delivers increased certainty and consistency.
- The third is that MIC must be **adequately resourced** to exercise its expanded powers properly and consistently. Adequate resourcing would help MIC overcome existing concerns about its ability to discharge its current responsibilities, but would entail competition for limited bureaucratic resources from other worthy causes within government. The call on MIC resources could be reduced by simplifying restrictions and criteria for approving investment (see above) and designing a screening and approval process with appropriate guidelines and thresholds to reduce administrative burden for classes of investment that are highly unlikely to be problematic (considered below). However, with the sheer volume of investment set to grow substantially, demands on MIC are only likely to increase.

An adequately resourced MIC with centralised authority would be in a position to take ownership of the broader investment strategy. This would include acting as a central point of engagement for foreign and domestic investors and stakeholders and as a source of evidence and expertise on the evolving investment regime. This would be aided by making the Directorate of Investment and Company Administration and other agencies responsible for investment promotion and facilitation (considered below), allowing MIC to implement the strategy as a whole.

Review the costs of incentives

Myanmar should **review the costs of incentives** that it offers to attract investment.

The generous incentives offered to MIC-approved investments reflect Myanmar's strong imperative to attract investment and a judgement that providing favourable tax and other treatment can help overcome disincentives in its developing investment environment. This is particularly relevant, given the highly competitive regional environment for investment, which has led to a proliferation of incentives (Jarvis 2012). Those incentives can be particularly costly for individual governments. As a priority, Myanmar, should strengthen efforts to collect and publish data on the incentives currently offered, as a foundation for analysing the costs and benefits of the current policy approach.

There is a strong argument on efficiency grounds that Myanmar should review its approach to investment incentives. As discussed in Chapters 3 and 4, to make the most of trade and investment led growth and development, the Myanmar Government needs to mobilise the fiscal resources needed to provide a sound institutional environment and effective public investment in infrastructure and human capital. Attracting a near-term growth dividend from increased investment is crucial, and offering incentives to boost investor returns in the face of investment climate shortcomings is one policy option for trying to generate such a growth dividend.

However, the responsiveness of investors to tax breaks is low relative to their responsiveness to other factors that may encourage or discourage investment. Tax considerations are likely to be secondary determinants after broader factors such as market size, regulatory frameworks, macroeconomic stability and the availability of skilled labour and other resources (OECD 2014a). The types of investors most influenced by tax incentives may also be those whose investments have the least positive spillovers. Highly footloose low-wage manufacturers may be more sensitive to low tax burdens simply because

of their sharp focus on finding the lowest near-term costs and their low stake in the longer term institutional development of the host country (Hecock and Jepsen 2013).

The fiscal costs of offering tax and other incentives to invest are also likely to be high. They include direct budget costs and the investment that would otherwise have occurred (the opportunity cost) if fiscal resources had instead been devoted to improving the overall investment and institutional climate. As the OECD concluded in its recent investment policy review of Myanmar, 'by lowering the tax burden on investment and subsidising investors, Myanmar is losing revenues that could instead be used to build up infrastructure, improve labour skills, strengthen governance, and address other elements of the business environment that are the real impediments to investment' (OECD 2014b:161).

In this broader context, particular priority should be given to reviewing the most generous aspects of the investment incentives that Myanmar offers. In particular, tax holidays are widely regarded as 'the most inefficient and damaging form of tax incentive' (OECD 2014b), given their susceptibility to tax planning, significant revenue leakages, their particular attractions for footloose investors and a litany of other problems. These arrangements may be particularly pernicious in sectors in which opportunities for sector-specific rents are very high, such as natural resources, and where existing tax arrangements are underdeveloped.

Commit to high-quality regulations

Myanmar should continue to commit to **high-quality labour, environmental and other regulations**, avoiding a 'race to the bottom'

Along similar lines, it is important that Myanmar avoids falling into the trap of offering or tolerating low-quality labour, environmental and other regulation in order to attract investment in the near term. There is strong evidence that any race to the bottom to attract investment would be misguided. Strong labour and other rights help to provide a stable and predictable set of expectations for potential investors (Kucera 2002) and help to avoid reputational damage to investors and the receiving economy as a whole. This is particularly important in Myanmar's case, given potential sensitivities about labour standards and other economic and political rights during the initial phases of opening up, which are likely to be heightened by the association between foreign investment in extractive industries and exploitative labour practices in the past. Any near-term advantages from low-quality regulation are therefore likely to be far outweighed over time by the benefits for investors and for the community from maintaining a strong set of commitments and regulations that are consistent with the broader economic and social vision for Myanmar's development.

Consider alternative approval processes

Myanmar should **consider alternatives to the current approval process**, including screening models used by other resource-rich economies that attract substantial investment inflows.

A clearly structured and transparent notification and screening process for foreign investment proposals, while involving costs, may have several advantages for Myanmar. On the cost side, centralised processes can increase time and other costs for investors and receiving countries due to requirements to submit detailed applications, and create uncertainty about whether particular projects will be approved. This can discourage foreign investors or cause them to be more risk-averse and pursue projects that are less uncertain but may have lower overall benefits for both parties (Productivity Commissions of Australia and New Zealand, 2012)

In Myanmar's circumstances, a well-managed screening process could reduce uncertainty and provide a clearer guide for investors and the government on how investment rules will be applied by reducing and

streamlining the current complex list of sectoral conditions and criteria, overlapping regulations and the high degree of discretion vested in MIC. It could also provide policy flexibility without the current wide dispersal of discretion and decision-making power and help to address valid community concerns about ensuring that investments are beneficial, fostering long-term public support for foreign investment. It could also provide a measure of public and political mediation by clarifying the terms upon which high-profile foreign investment is accepted in the national interest.

Investment screening arrangements remain particularly relevant in economies with large natural resource endowments, such as Myanmar. Natural resources are country-specific, limited in supply, and often subject to concerns about the economic, social and environmental impacts of extraction, including market power and pricing and the extent of linkages to higher value-added activities in the supply chain. Within the OECD, several countries with high primary resource endowments, including Australia, Canada and New Zealand, maintain screening arrangements. Those and other economies are able to attract and maintain a large amount of investment despite their screening processes, including extensive investment in primary industries, because they have processes that largely ensure openness and enjoy a significant measure of investor trust.

Well-functioning screening systems are underpinned by the understanding that the vast majority of investment—including that which triggers the requirement for screening and approval—is likely to be consistent with the economic and broader interests of the receiving country so long as a supportive institutional, policy and regulatory environment is in place. In these circumstances, regulators can be confident that only in very rare cases will foreign investment require the imposition of particular conditions or restrictions to be in the national interest, and screening processes can therefore be liberal.

The specific design of a screening system is beyond the scope of this paper. In general terms, a feasible option for Myanmar would be a system with a high threshold for triggering approval, above which a final decision-maker, on advice from MIC, could decide not to approve a particular investment if, on the basis of an established list of criteria, it is judged that the investment would not be in the national interest. This would reduce processing costs for investors and MIC for all but the largest or most significant investments. It would recognise that the vast majority of proposed investments are likely to be in the national interest, while providing some circumscribed and transparent discretion and flexibility for policy-makers to impose conditions or reject proposals in the rare cases in which such action is necessary. These issues and options are considered in more detail in Box 7.6.

Address the protection of investors

Myanmar should address investor protection provisions as a priority.

Strengthening protections offered to investors should be a key priority in upcoming reforms to unify legislation governing foreign and domestic investors. Protection against expropriation without fair compensation is a fundamental right for investors. Myanmar's existing provisions do not protect against 'indirect' expropriation (state decisions that have the effect of ousting the investor from effective ownership and control of their investment over time); nor do they specify or protect the state's sovereign right to expropriate property for circumscribed reasons, with compensation and due process.

As a first step, as recommended by the OECD (2014b:106), Myanmar should clarify the scope of the 'sufficient reasons' referred to in Chapter 13 of the *FIL* as providing an exception to the guarantee that the government will not cease a permitted investment before the end of its agreed term. Specifying whether the guarantee protects against only direct expropriations or has a broader scope would provide greater certainty and transparency for investors. If the latter, expanding on the notion of 'sufficient

reasons’—which appears to suggest public interest purposes for regulatory or other measures that affect investment—could provide vital clarity and certainty both for investors and for the government.

Promote and facilitate investment

Myanmar should reform its investment architecture and **increase resources for investment promotion and facilitation**.

To complement progress on the broader economic and institutional factors that can attract investment, Myanmar also needs to improve its investment promotion and facilitation capacity. These activities can only be as successful as the broader reforms of the institutional environment and the quality of the investment that occurs. But effective promotion and facilitation can play a vital role in attracting and sustaining investment relationships, and provides a vital feedback mechanism between business and government in the ongoing development of Myanmar’s investment policy architecture. The ability of investors to access reliable information about the investment climate, regulatory process, local markets and inputs into their business activities is crucial to their decisions on whether and how to invest. This has led to a proliferation of investment promotion agencies that seek to provide information and promote particular sectors or markets to potential investors. They play a particularly important role when the investment climate is weak and institutional frameworks are developing, as in Myanmar. In these circumstances, they can help to fill significant information and governance gaps, providing vital clarity and security to investors who are considering challenging investment environments (OECD 2014a).

The types of information and facilitation that are particularly relevant to different types of investors are discussed in Box 7.7. A key implication is that promotion and facilitation efforts need to be targeted to sectors, both in the information and services provided and in the capabilities and accountabilities of the agencies and teams responsible for the different types of investor.

Box 7.6: Investment screening processes—models and options

Notification and approval thresholds

Screening systems typically set particular thresholds for projects. When breached, the threshold triggers the requirement for approval to be sought. In most cases, the thresholds are financial, as in Australia, New Zealand and Canada. They are often subject to exceptions for key sectors, such as defence, telecommunications and other sectors in which national security or other national interest concerns may arise. Thresholds can also vary according to the type of investor. For instance, under Australia’s *Foreign Acquisitions and Takeovers Act*, all foreign government investors (defined to include corporations in which a foreign government has a share of 15 per cent or more, or otherwise exerts significant control) must notify and seek approval before making a direct investment in Australia, regardless of value.

In Myanmar’s case, adopting high thresholds for triggering approval requirements would be consistent with the desire to encourage investment and avoid high costs for processing all investment, both for investors and for Myanmar’s already stretched bureaucracy. At the same time, particularly large projects or those in sensitive sectors would trigger the approval process, allowing MIC to focus its resources on the proper consideration of the most important cases.

Nature of test

The nature of the test applied to decide whether particular investment proposals will be permitted once the approval threshold has been breached is fundamental to the operation of a screening system. Such tests differ in the criteria or conditions that are considered and in the onus of proof. In Australia, the test is based on an assessment of the 'national interest', which is undefined but typically includes matters relating to national security, competition, impacts on tax revenues, the economy and the community, and the character of the investor. Other countries employ a 'national security' test that is ostensibly narrower than considerations of 'national interest', but in which similar considerations may ultimately be brought to bear (Bath 2012).

Significantly, the onus of proof in establishing that a particular investment should be approved under the rest varies. For example, in Canada, the onus of satisfying the 'net benefit' test lies with the investor, while in Australia the onus is on the Treasurer to decide that the investment is 'contrary to the national interest'.

Decision-making process and discretion

Where approval processes are triggered, screening systems typically retain a high degree of discretion in the final decision-maker, in line with the political imperative to preserve flexibility.

Australia reviews proposals on a case-by-case basis above a high threshold, and courts have traditionally interpreted the relevant legislation as granting the Treasurer a wide range of discretion in forming the view that an investment proposal is contrary to the national interest. Similarly, in systems that do not use a screening system, government usually retains some discretion to reject particular projects on national interest or other grounds (as is the case in the United States).

Retaining wide discretion would raise some concerns in Myanmar's case, given that the attractiveness of a screening system rests partly on its ability to reduce complexity and uncertainty. Clear guidelines and transparency in the decision-making process, including an established process for consulting relevant agencies, are essential, as is a requirement for the final decision-maker to provide reasons for any rejection. Even with these processes in place, including any discretion means that decision-making in high-profile and contentious cases will inevitably be sensitive to political factors and public concerns. Such controversies are better handled within a system with clear rules providing for the exercise of discretion by a sole decision-maker, provided that discretion is transparent and not subject to improper influence, rather than in a system in which process and accountability are uncertain or unclear.

Box 7.7: Targeting investors by type

In practice, while the investment climate in general is a relevant consideration for all investors, the type of information and particular factors that will influence decisions to invest vary among investors of different types and investors in different sectors.

Existing investors

Investors with an established presence in Myanmar have a demonstrated willingness to engage in a developing investment climate, have an understanding of the opportunities, risks and challenges, and are relatively easy to engage. They are also important: UNCTAD estimates that 'reinvestments' by companies that have already established a presence account for around 60–70 per cent of total new investment. While this is likely to be smaller in Myanmar's case because the economy has opened up so rapidly, it is crucial to engage with existing investors to ensure that the positive experiences of the first wave of investors can contribute to a sustained rise in investment inflows in the medium term. *Priorities: Feedback on sector-specific developments and facilitation.*

Investors already considering Myanmar

Some investors may be actively considering projects in Myanmar, or may have received approval to invest but have not yet done so. Myanmar lacks a systematic approach to keeping tabs on investors who have approached government agencies for information. The creation of an investment pipeline would allow authorities to track potential investments through inquiry and approval processes and give them a chance to understand and address obstacles that prevent investments from progressing. This is a potentially serious problem for Myanmar, where the 'conversion' rate for approved investments has been low. Of all MIC-approved investment since liberalisation in the late 1980s, only around half has been implemented, and conversion rates have been particularly low since 2012. This reinforces the importance of engaging closely with prospective investors, including after approval and announcement, to navigate government procedures and start-up issues and ensure that investment is realised.

Priorities: Development of an investment pipeline and facilitation.

New investors

Achieving improvements in broader measures of Myanmar's business and investment climate is important to ensure that potential investors are not dissuaded. However, sector-specific information and considerations—the investment 'microclimate' in particular industries—are likely to be crucial for many investors. Understanding the factors that can deter large investors in key sectors would allow Myanmar to target its investment promotion efforts and prioritise a manageable number of high-impact reforms. *Priorities: Targeted promotion and reform strategies.*

Source: Myanmar National Export Strategy.

Myanmar should establish an **independent investment promotion agency**, as recommended in the recent Ministry of Commerce National Export Strategy (MMC–ITC 2014). Under Myanmar's current structures, the Directorate of Investment and Company Administration (DICA) acts as the government's key investment promotion agency, as a separate department within the Ministry of National Planning and Development. However, line ministries also have a role in promoting and facilitating investments in their sectors.

DICA also performs a number of regulatory functions, including managing applications for company registrations and joint venture arrangements. While its functions encompass some aspects of investment facilitation and advocacy for investment climate reforms, they do not include investor targeting or aftercare, both of which will be vital in securing and sustaining long-term investment. Global experience suggests that it is difficult for promotion agencies to achieve best practice when they combine promotion and regulatory functions, and when they are operated as ministerial subunits. The design of a separate agency should be consistent with rectifying the deficiencies in the current structure identified as part of the National Export Strategy and the principles-based guidance offered by the OECD's Policy Framework for Investment (OECD 2007).

Regardless of the structure, Myanmar should ensure that its investment regulation, approval and promotion architecture, in addition to being consistent with most-favoured-nation and 'national treatment' principles, is consistent with the following operational principles and priorities:

- expanding investment promotion activities, including a focus on sector-specific capabilities and strategies that can deliver and underpin proactive targeting of potential investors and processes for maintaining ongoing relationships with established investors;
- providing of accurate and up-to-date information that is easily accessible to existing and potential investors, including online;

- developing an investment pipeline to aid planning and to ensure that investment proposals are tracked and monitored to enable assistance and facilitation where necessary;
- focusing on skills and resourcing, and establishing clear lines of bureaucratic accountability;
- monitoring and reporting on the effectiveness of promotion strategies in delivering FDI, the cost of incentives to invest, and processing times for approvals and licensing;
- developing networks and feedback loops between agencies, domestic and international investors and government to identify priorities for the reform of investment law and processes; and
- linking with regional processes to streamline investment promotion and facilitation, and engaging globally to develop best practice in promotion activities.

Use international agreements

Myanmar should seek opportunities to support its domestic agenda through **international agreements** that are clear and consistent and do not unduly restrict policy autonomy.

As Myanmar's domestic policy architecture is developing in the areas of investor protection, intellectual property protection and copyright, international agreements that can provide reassurance on these commitments on a bilateral or multilateral basis will be attractive to Myanmar and to its external partners. These mechanisms can give investors confidence that they have recourse to internationally accepted contract enforcement and other protection and resolution mechanisms if disputes occur, reducing uncertainty and risk. They can also provide a broader credible commitment to the wider reform process. While external mechanisms should not be seen as a substitute for a strong domestic framework, or go beyond protections enshrined for domestic investors, they can play a vital interim role in encouraging investment as domestic regulations are being developed (OECD 2014b).

Myanmar has established a small number bilateral investment treaties with other countries, including Philippines, Lao PDR, China, India, Thailand, Vietnam and the United States (although only a subset of these treaties has been ratified) and is negotiating agreements with others. The operating agreements provide protections against direct and indirect expropriation that go beyond those available under the Myanmar Constitution and FIL. Despite the potential attractiveness of agreements that can provide a more secure and stable position for foreign investors, Myanmar should be selective and cautious in its approach to bilateral investment treaties. The empirical evidence on how much they increase investment flows is mixed, indicating that they have costs as well as benefits. Multiple agreements that overlap with domestic regulation can create complexity and administrative burdens, as well as potentially incurring costs (both direct and reputational) of international proceedings regarding potential breaches of treaty terms. In conducting negotiations and concluding agreements, a key principle is to ensure that bilateral frameworks are consistent and coherent with the domestic legal framework and do not restrict policy autonomy (there is some evidence internationally of investment treaties being used to restrict or constrain domestic reforms). Establishing a consistent model or template for bilateral investment treaties that takes these issues into account should be a priority for Myanmar if it seeks to sign more of them.

In general, effective domestic reform and multilateral agreements should be able to deliver many of the benefits offered by bilateral arrangements without creating as many potential risks. For example, ASEAN agreements to which Myanmar is a party, including the ASEAN Comprehensive Investment Agreement and ASEAN-plus trade agreements, contain investment chapters that offer protection standards to all investors in participating countries. They and other regional initiatives can provide a guide for the development of Myanmar's domestic legislative and regulatory framework and an opportunity to rectify deficiencies in areas of dispute resolution and investor protection in a manner that is consistent with

developing regional regulations and norms. There are also significant opportunities through the ASEAN Comprehensive Investment Agreement to collaborate regionally on investment promotion and facilitation.

Signing up to established international agreements on particular aspects of investment policy can also assist in strengthening the regulatory architecture for attracting investment in Myanmar. Myanmar's 2013 accession to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards provides an internationally recognised mechanism for the enforcement of international arbitral awards in Myanmar's courts. In combination with further reform of Myanmar's judiciary and legal profession, this can address a key area of concern and risk for foreign investors. Myanmar is also in the process of becoming a member of the World Bank Multilateral Investment Guarantee Agency to provide additional protections against expropriation and associated risks. Myanmar should also focus efforts on implementing legislation to fulfil the international commitments it has already made, for example under the Agreement on Trade Related Aspects of International Property Rights. Principles and priorities for Myanmar's international engagement and diplomacy are discussed in greater detail in Chapter 8.

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8 Trade and investment diplomacy

KEY MESSAGE

Myanmar's strategic location in the heart of Asia provides powerful opportunities and incentives to engage effectively in the region to advance trade, investment and development goals. Its membership of ASEAN should be the guiding focus in a trade and investment diplomacy that emphasises broad and non-preferential liberalisation and seizes vital opportunities for regional and global engagement and agreement to reinforce the domestic reform process.

POLICY PRIORITIES AND INSTITUTIONAL STRATEGIES

- Creating an **enabling domestic environment for external engagement** and ensuring that participation in regional and global initiatives is **consistent with domestic reform priorities** are the foundations for effective trade and investment diplomacy.
- Myanmar should prioritise **non-discriminatory regional and international trade agreements**, which facilitate the greatest domestic gains from trade and can support broadly beneficial regional integration.
- The **ASEAN agenda** should be the centrepiece of Myanmar's economic diplomacy. ASEAN's size, diversity and economic complementarity, along with its commitment to open regionalism and ambitious agenda for increased cooperation and integration, mean that it is an essential priority for building deep and effective engagement in Southeast Asia and beyond. This should be reinforced by participation in broader regional initiatives that broaden ASEAN-style integration across the wider region, such as RCEP that broaden ASEAN-style integration across the broader region.
- Within this approach, Myanmar should **prioritise reforms that align with ASEAN Economic Community (AEC) initiatives**. Core elements of the AEC Blueprint, including liberalised flows of goods, services and capital, improved domestic investment climates and efficient and integrated regional infrastructure linkages, align strongly with some of Myanmar's most pressing development priorities.

8.1 Introduction

Myanmar's transition is supported and embraced by its regional neighbours and increasingly by the global community. Until recently, the nation's development and international economic engagement had been limited by the dual constraints of autarkic policies and external sanctions. As it re-emerges from decades of isolation, Myanmar faces significant opportunities to develop and strengthen trade and economic integration in the region and the global economy. Although some developed economies still maintain sanctions, and Myanmar maintains restrictions that hamper effective interaction with other governments and international organisations, its incorporation within ASEAN provides an important diplomatic and economic window on the world through which there can be continuing progress towards overcoming these obstacles to international engagement.

Myanmar is strategically located in the midst of a vibrant, rapidly growing and dynamic Asian region that has emerged as a large, diverse and integrated regional marketplace. Its location gives Myanmar considerable potential to participate in regional supply chains through increased trade and investment linkages. As a result, its development is intrinsically linked to the economic performance of its neighbours and their successful economic integration, as well as its ability to seize the opportunities that this offers. Building deep and effective regional engagement, particularly with its ASEAN partners, is essential to

Myanmar's development, including across the many policy priorities identified in the earlier chapters of this paper.

Recent actions that remove distortionary trade policies and confirm Myanmar's commitments to domestic structural reform have signalled the nation's commitment to promoting an outward-looking approach to growth and development. While domestic economic and political liberalisation have been met with an easing of economic sanctions by the United States and European Union as well as broader trade and investment ties, this signals merely the first step in reciprocal commitment to re-engaging Myanmar with the world economy. Its chairmanship of ASEAN in 2014 reinforced this trend, credibly underlining its capacity and commitment to the reform process and to participating in broader regional economic integration.

To capitalise on success to date, Myanmar must follow up recent progress with a strategy to ensure that regional and global engagement and diplomacy continue to support its economic transition. While unilateral steps towards greater openness and domestic reform will continue to be central to Myanmar's development, international agreements and initiatives—particularly those that provide opportunities to widen and deepen engagement and integration with the Asian region—can provide economic and political support to the domestic reform process. Through such agreements, Myanmar has the opportunity not only to unleash forces for increased competition, productivity and income growth, but also to draw on the experiences and expertise of many neighbouring economies that have undertaken similar reforms. The key for Myanmar will be to ensure that new regional and global commitments are consistent with the domestic reform process and, where possible, reinforce both economic and political aspects of that process.

Among the particular attractions of engaging with the diverse and rapidly growing ASEAN region is the close alignment of initiatives under the ASEAN Economic Community (AEC) with Myanmar's domestic policy priorities. In particular, reforms focused on improving domestic trade and investment environments will support Myanmar's greater openness while enabling ASEAN collectively to build its status as a large, integrated and open marketplace. Myanmar will also benefit from engagement with region-wide initiatives such as the Regional Comprehensive Economic Partnership (RCEP), as well as multilaterally through the World Trade Organization (WTO) and international banks.

In Myanmar's bilateral engagement, its focus should be on improving key relationships, market access and information flows and on capacity building, rather than on negotiating preferential bilateral agreements that can complicate the politics and impede the process for broader opening up.

8.2 Principles for engagement

Myanmar has myriad opportunities to engage with international actors, from firms, non-government organisations and donors through to countries, regional groupings and multilateral institutions. As well as being involved in two emerging regional groups in ASEAN and the RCEP, Myanmar has growing links with the key regional economies of China, India and Japan (including through the ASEAN-plus framework), important relationships with the United States and European Union, and a keen interest in the priorities and governance of regional and global institutions such as the Asian Development Bank (ADB), the International Monetary Fund (IMF) and the WTO.

Effectively managing existing relationships, as well as taking advantage of the potential to broaden Myanmar's international engagement as it emerges from relative isolation, is essential to achieve the openness and integration needed to accelerate development. Doing so will be complex and difficult, and mistakes and missed opportunities could be costly. Strategic and strong international integration efforts will also motivate international organisations to extend aid and technical assistance to Myanmar, as those

efforts will indicate commitment to domestic reform and openness to the world. Engagements with multilateral development organisations will offer valuable knowledge and experience that will assist Myanmar in developing the strategies and institutions that will help to maximise the benefits of opening its economy to trade and investment.

International agreements and engagements are not all created equal—the details and the strategy matter (see Box 8.1). Myanmar’s engagement strategy must therefore be guided by a clear set of priorities and principles that can inform decisions on what opportunities Myanmar should pursue and what it should avoid. By carefully calibrating its economic and political engagement with partners in the region, Myanmar can reinforce domestic reforms needed to support greater openness and integration—hallmarks of the transformational economic development of many Asian economies over the past half-century.

This section sets out three key principles that the Myanmar Government should routinely consider in its external engagements.

Box 8.1: Myanmar’s trade and investment agreements

As a member of ASEAN, Myanmar is party to the ASEAN Free Trade Agreement (AFTA). The AFTA seeks to eliminate tariff and non-tariff barriers on qualifying trade between members and to attract more foreign direct investment to the ASEAN region. The AFTA comprises the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Framework Agreement on Services (AFAS), and the ASEAN Investment Area (AIA). Myanmar is also a signatory to the five ASEAN+ agreements listed in Table 8.1 and is a party to the Regional Comprehensive Economic Partnership (RCEP) that is currently being negotiated. Table 8.1 shows the tariff elimination outcomes for qualifying merchandise trade under the five ASEAN+ trade agreements for Myanmar.

Table 8.1: Percentage of tariff lines at zero on qualifying trade for Myanmar under ASEAN+1 trade agreements

| | 2017 | 2025 |
|--|-------|-------|
| ASEAN – Australia – New Zealand FTA | 4.1% | 86.1% |
| ASEAN–China Free Trade Area | 88.0% | 91.2% |
| ASEAN–India Free Trade Area | 3.9% | 73.4% |
| ASEAN–Japan Comprehensive Economic Partnership | 4.1% | 4.1% |
| ASEAN–Korea FTA | 77.5% | 81.8% |

Source: Australian Department of Foreign Affairs and Trade.

Myanmar is also a party to the Generalised System of Trade Preferences, which allows developing country exporters to pay less or no duties on their exports to the European Union. Its status was reinstated in 2012 (following the removal of its status in 1997) as a positive response to Myanmar’s domestic reform efforts since 2011.

Myanmar has bilateral investment treaties with China, India, Japan and the Philippines currently in force. It has also recently signed an agreement with South Korea, which has not yet come into force.

Principle 1: An enabling domestic environment

Continuing Myanmar’s domestic reform path, which creates an enabling domestic environment that stands ready for external interactions

First and foremost, in order to attract interest and support from the region and internationally, Myanmar’s priority should be to create an enabling domestic environment (Box 8.2), which is needed

to support greater openness and integration—hallmarks of the transformational economic development of many Asian economies over the past half-century. This involves facilitating a broad-based opening up of trade and investment that supports competition and productivity and reinforces an agenda for comprehensive structural reform behind the border. Over time, the domestic aspects of the reform agenda will help to disperse the benefits of trade and investment across the domestic economy, meaning that domestic and internationally oriented reforms can be mutually reinforcing.

Box 8.2: Creating an enabling domestic environment

Chapters 3 and 4 of this paper outline fundamental areas of domestic reform that can be undertaken unilaterally to facilitate and maximise the gains from trade and investment. They include the following:

- **Macroeconomic stability.** This can be achieved by strengthening both the role of the Central Bank of Myanmar as an independent monetary policy authority and its operation of monetary policy, and by ensuring predictable and sustainable fiscal policy outcomes.
- **A robust regulatory environment.** Regulations need to be clear and justified, property rights well defined, and contracts enforceable, transparent and equally applied.
- **An efficient and well-functioning financial market.** Central to this is the ability of the banking sector to play its role as a financial intermediary.
- **Effective public investment and decision-making.** This involves improving the allocation of the economy's funds towards uses that will most benefit economic growth by building capacity for better decision-making, as well as increasing the sources of funds through taxation reforms and improving the distribution of the economy's funds by moving towards fiscal federalism.

Principle 2: Consistency with the domestic reform agenda

Ensuring that Myanmar's participation in regional and international initiatives is consistent with, and does not inhibit or delay, its domestic reform agenda

Trade and other agreements should be understood not only in terms of what they can deliver in a narrow sense—market access and development assistance on a bilateral or regional basis, for example—but also in terms of the support they can provide to the broader reform process. To build upon Myanmar's efforts to date in domestic reform, it is crucial that Myanmar's agenda is not seen to, or actually be, dictated by external commitments. Rather, external commitments should be viewed as a means of providing support for home-grown institutional mechanisms and efforts to help generate successful domestic reforms (Drysdale 2010).

External agreements that align with domestic priorities assist in the reform process in several ways (Dee and McNaughton 2011). First, 'locking in' the process of liberalisation provides confidence to potential investors and can play an essential role as a signalling device and a means of credibly committing policy-makers to the reform process (see the discussion of the Chinese case in Box 8.3). Second, binding external mechanisms can assist in overcoming the inability of political institutions to bind themselves to long-term reforms in the public interest and can constrain the influence of short-term political interests. In addition, external commitments can help to neutralise domestic vested interests, as exporters who would gain from greater access into overseas markets can counter the pressure from those in import-competing industries who may be disadvantaged. For example, agreements to facilitate expanded access to foreign markets or capital can also operate as a *quid pro quo* for domestic constituencies whose interests might otherwise be harmed by domestic reform priorities or external commitments. Similarly, governments that implement policies that are inconsistent with domestic vested interests but in the overall economy's interests are likely to face less electoral harm if those policies are consistent with

external binding commitments. Finally, there is the additional benefit of buttressing relations with neighbours. An engagement strategy that can help to deliver support for domestic reform priorities in these ways will be crucial for sustaining reform momentum in Myanmar, given the uncertainties and risks that remain.

Just as international agreements and commitments can reinforce cascading domestic benefits from opening up and help build the economic and political case for further reform, flawed agreements can slow or set back reform. Trade, investment or other treaties can unduly restrain domestic policy autonomy, including the capacity to undertake further unilateral liberalisation where that would require the renegotiation of existing agreements. For example, agreements that preference particular businesses, activities or trading partners or reinforce domestic political and economic disparities will make broad liberalisation more difficult in the long term. They can also create international interests that, once having gained access to particular markets on preferential terms, benefit from seeking to deny the extension of the same liberalised access or treatment to their competitors. Overlying these risks, negotiating agreements is costly, time-consuming and complex, particularly given the multiplicity of overlapping bilateral, regional and multilateral institutions, mechanisms and options. This makes high demands on scarce bureaucratic capacities and carries the risk of reputational damage if commitments cannot be fulfilled.

The key to effectively leveraging the political opportunities from international engagement and diplomacy, therefore, is to ensure that the agreements that Myanmar participates in, and the political and economic dynamics that they can inspire, are consistent with Myanmar's reform priorities. If used effectively, participation in external agreements can add significant leverage to domestic reform efforts designed to help capture and broaden the gains from open trade and investment. Internationally, increasing access and incentives for foreign actors to engage in Myanmar's economy and ongoing domestic reform can create an influential international constituency to support reform.

Such principles can also be extended to the receipt of aid and technical assistance from other countries and international organisations. Myanmar has seen a significant increase in foreign aid and technical assistance in recent years. With further opening up of the economy and the relaxation of sanctions, Myanmar can expect this trend to accelerate, particularly for aid and assistance from the World Bank, the ADB, non-government organisations and bilateral donors. This will provide much-needed budgetary and technical support for the priority areas outlined in this paper, such as infrastructure, institutions, health and education. It will also pose a number of challenges that will need to be addressed.

The first challenge relates to macroeconomic stability, as discussed in Chapter 5. The inflow of the foreign exchange associated with foreign aid can have a 'Dutch disease' impact similar to that which occurs from exporting natural resources. As foreign exchange is absorbed and spent in the economy, the real exchange rate could appreciate, reducing the competitiveness of Myanmar's trade-exposed firms and sectors. Myanmar can manage this by absorbing and spending foreign exchange when it is ready to be directed towards activities that will enhance productivity, such as investment in infrastructure, health and education.

A second challenge is to ensure that the activities of donors are properly coordinated, harmonised, non-duplicative and in line with domestic reform objectives. Myanmar is already laying the groundwork for such an approach. In 2012, the government put in place the Foreign Aid Management Central Committee and the Foreign Aid Management Working Group Committee and chaired a successful first Development Cooperation Forum, which endorsed the Naypyitaw Accord for Effective Donor Cooperation. The government must build on these efforts, particularly as the scale of foreign assistance increases, and encourage donors to engage directly with these processes, rather than attempt to subvert them.

This relates to the third challenge: building the capacity of the Myanmar Government to channel and target assistance to where it is most needed. As donors use these systems and institutions, and provide technical assistance where appropriate, there will be a gradual improvement in their effectiveness and efficiency. This will have positive spillover effects on the efficiency of fiscal management in Myanmar, as discussed in Chapter 4.

Box 8.3: Supporting structural change through engagement—China and the WTO

China's admission to the WTO in 2001 was preceded by 15 years of negotiations, major unilateral liberalisations and the implementation of an unprecedented list of accession obligations. Those obligations required China to undertake a series of fundamental domestic reforms, including major institutional reforms, to liberalise and open its economy and offer a market-oriented and more predictable environment for trade and foreign investment. China's commitments as part of its accession package included the following:

Trade in goods and services

- All tariffs on imported goods to be eliminated or reduced, mostly by 2004.
- Tariffs on industrial goods to be reduced to an average of 9 per cent, and import quotas to be removed by 2005.
- Tariffs on agricultural goods to be lowered to an average of 15 per cent.
- Foreign access to trade in services to be ensured through transparent and automatic licensing procedures in various sectors, including banking and insurance, legal and other professional services, telecommunications and tourism.

Trading and investment regimes

- Removal of measures and practices that discriminate against imported products or foreign companies.
- Elimination of all forms of export subsidies that are inconsistent with WTO rules.
- Enforcement of intellectual property protection within China.

Although its accession package to the WTO was a continuation of China's 25-year domestic reform journey, it was widely held that China's motivation for joining the WTO was rooted in the realisation that it needed an external impetus to overcome domestic obstacles in furthering its domestic reform agenda (Adhikari and Yang 2002).

From 2001 to 2006, China successfully implemented the various requirements for its WTO admission. This was a major turning point and marked an important step in its integration with the world economy.

Source: Rumbaugh and Blancher (2004).

Principle 3: Non-discriminatory and most-favoured-nation provisions

Prioritising non-discriminatory regional and international agreements

Myanmar is likely to be faced with bilateral, regional and multilateral options for liberalising trade and investment arrangements, all of which could appear attractive in some contexts. Aside from unilateral reform, the most effective and efficient means of pursuing Myanmar's domestic structural reform agenda through engagement is non-discriminatory liberalisation associated with broad regional or multilateral agreements. This reflects the fact that the main benefits that flow from liberalisation do not stem from access to large external markets but rather from the reallocation of resources domestically to their most productive uses. Liberalisation also allows Myanmar to purchase goods and inputs from the most efficient international suppliers, thereby accessing lower cost sources of capital and exposing domestic firms and

industries to competition that can drive increased productivity and a more efficient utilisation of the economy's resources (Productivity Commission 2010).

Larger regional agreements, particularly those that emphasise multilateralising preferences extended to partner countries, are more likely to deliver substantial benefits. Empirical research shows that the wider the agreement, the greater the benefits of trade creation and the smaller the trade diversion (Hill and Menon 2008). These concepts are discussed further in Box 8.4.

Studies have consistently shown that these arrangements are more likely to facilitate greater trade both within country groupings and between members and the rest of the world. APEC and ASEAN are two examples: they have each been found to have created a significant proportion of trade with non-members. This suggests that the agreements have played a significant role not only in promoting intra-regional trade but also in the broader integration of the region and its member states into the global economy.

Conversely, the theoretical and empirical evidence suggests that improvements in national income from bilateral FTAs are likely to be limited (Productivity Commission 2010). Such agreements are likely to increase trade flows between partner countries, but are also susceptible to diverting existing trade from more efficient suppliers to whom preferences are not extended towards partner countries with an artificial competitive advantage. As well as risking significant trade diversion, bilateral preferential trade agreements that do not multilateralise concessions and access may be particularly problematic, given the rise of trade fragmentation and intra-industry trade. Complex and overlapping bilateral agendas and negotiations are likely to divert key resources and risk inconsistencies with the broader reform process, while providing only a fraction of the gains available from liberalisation that occurs through unilateral, open regional and multilateral initiatives. The costs of negotiating, assessing and implementing agreements, as well as managing domestic stakeholders, are likely to be significant and repeated in the case of bilateral agreements. These risks are relevant not only for trade agreements but also for bilateral investment treaties.

Box 8.4: Preferential trade agreements and trade diversion

Preferential reductions in tariff and non-tariff barriers can have two opposite effects on a country's trade flows:

- **trade creation**—increased trade flows between countries that are party to the agreement, due to reduced trade barriers
- **trade diversion**—displacement of trade from lower cost and more efficient suppliers that are not party to the agreement, to trade with higher cost and less efficient suppliers that are party to the agreement (the extent of trade diversion depends on the difference between preferential and non-preferential tariffs).

Economic literature generally recognises that, while preferential bilateral trade agreements can yield economic benefits through trade creation, the negative impacts of trade diversion mean that the net benefits from non-discriminatory multilateral negotiations and agreements based on most-favoured-nation status are much greater.

Analysis by the Australian Productivity Commission found that agreements that conduct 'open regionalism', such as APEC, ASEAN and the European Economic Community, had the most positive impacts on trade flows, whereas preferential agreements, such as the North American FTA and the Australia – New Zealand Closer Economic Relations Trade Agreement, had positive impacts on intra-group trade but came at the expense of trade with other trading partners (Productivity Commission 2010). It concluded that the offsetting effects of trade creation and diversion, as well as the resource allocation effects associated with preferential trade agreements, resulted in significantly smaller positive impacts on economic activity and income compared to non-preferential agreements.

Hill and Menon (2008) provide four arguments against preferential trade agreements:

- Trade deals are administratively very costly and distract policy-makers from the main game of multilateral and unilateral reform. This is particularly a burden for smaller and poorer countries.
- The transformation of preferential bilateral trade agreements into broader multilateral agreements is not impossible but is difficult to achieve because such agreements are heterogeneous. The likely outcome of consolidating a number of heterogeneous bilateral agreements is that only the ‘lowest common denominator’ will be achieved.
- The WTO remains the best forum to address difficult trade issues, due to the organisation’s facility to trade concessions across varied interests in a multilateral setting.
- Unilateral domestic reform is the best strategy, as more open economies perform better.

Sources: Based on Productivity Commission (2010), Hill and Menon (2008).

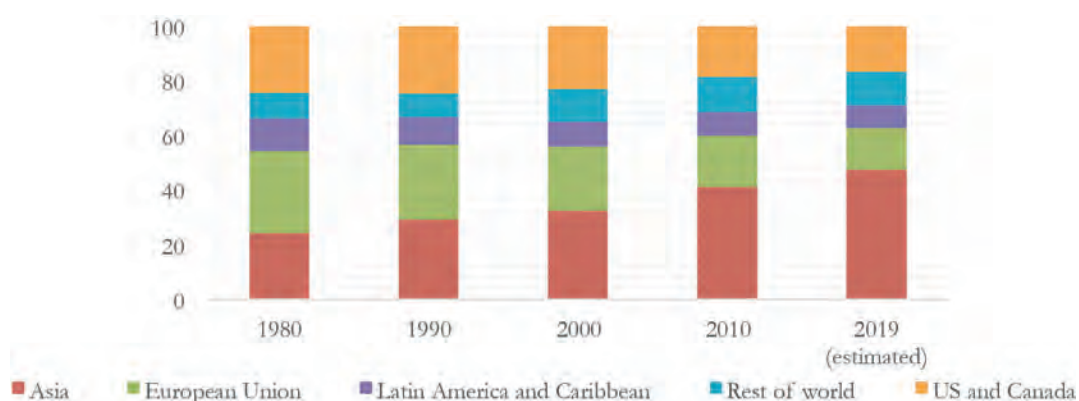
In practice, political and economic constraints mean that trade and investment are likely to be liberalised in a selective and piecemeal fashion. It is essential that a staged liberalisation process reflect the fact that the widest benefits from more open trade and investment are attainable only when liberalised access is offered to all partners on a most-favoured-nation basis, rather than preferentially to a select few. It is also essential that vital domestic reforms not be delayed or resisted in order to retain bargaining chips for trade and other negotiations, and broader liberalisation not be withheld in favour of selective preferences to preserve future negotiating space.

This is particularly important for Myanmar, given its membership of ASEAN, which along with APEC is the leading global example of ‘open’ regionalism (discussed below). There has been widespread multilateralisation of the trade preferences negotiated between ASEAN members, and the vast majority of them have been extended to non-members on a most-favoured-nation basis. As a result, tariffs and other restrictions have fallen dramatically both within and beyond the ASEAN grouping, enhancing the region’s already significant global trade and investment flows and minimising prospects for costly trade diversion. Continuing to strive for ambitious non-discriminatory tariff and other liberalisation within the ASEAN framework will be beneficial not only because of the liberalisation this mandates, but because of the broader liberalisation that the agreement indirectly promotes through the longstanding commitment of its members to openness. Less formalised and less legalistic approaches to liberalisation—such as those embodied in APEC—have been influential in shaping and facilitating member countries’ liberalisation agendas. Regionally, the most rapid periods of liberalisation in Northeast and Southeast Asia have been driven by unilateral measures, with support from regional architecture but without binding commitments.

8.3 Engaging within Asia and ASEAN

The Asian region

Myanmar sits at the crossroads of a region that includes some of the biggest and most open economies in the world. It is part of a vibrant, diverse and rapidly developing Asia that accounts for a growing share of the world’s production, trade and consumption, and that boasts advanced intra-regional and external trade and investment networks that offer major opportunities for late industrialisers such as Myanmar.

Figure 8.1: Asia's growing share of world output, 1980 to 2019

Source: World Bank (2014).

Growth in Asia has been driven by structural transformation led by greater regional integration and integration of the region into the world economy. The economic transformation led by trade has elicited increasing diversity and complexity in production, raising productivity, domestic output and per capita income. An important part of this process has been a commitment to open trade and an investment policy environment based on multilateral rules and norms, which has fostered deep integration through production networks and supply chains. This setting provides an opportunity for Myanmar to further its growth and development as it embarks on further reform by connecting its national reform agenda with its international economic engagement.

Growth in regional intra-industry trade and value chains offers the opportunity for Myanmar to participate in production networks that draw both on its own strengths and on the endowments and advantages of its neighbours. The production networks that span the region give Myanmar an entry point to the global trade and supply chains that will be crucial to facilitate industrial development and export growth. Countries that come late to industrialisation and modernisation have the opportunity to enjoy periods of catch-up—that is, rapid investment and trade growth—by joining niche segments of supply chains consistent with deep specialisation and the realisation of comparative advantage. Myanmar is likely to have significant opportunities to participate in regional supply chains, particularly as cost pressures in China and elsewhere lead producers to base manufacturing operations in lower cost economies. Large outward investment flows from regional economies with high savings rates and developed production bases, such as Japan and China, offer further opportunities to reinforce these processes.

By carefully calibrating its economic and political engagement with partners in the region in accordance with the three principles identified in Section 8.2 of this report, Myanmar can position itself to join the supply chains driving economic integration and growth in Asia and globally through the development of infrastructure and trade networks.

By entering the global supply chains at the regional level and strengthening the ASEAN platform, Myanmar can capitalise on the momentum of its initial reforms and the opening that they have provided for engagement with the region and the world. It can build on deeper integration with its regional neighbours to provide a platform for engagement with the global economy.

The Association of Southeast Asian Nations

Of particular relevance and importance for Myanmar is its participation in the ASEAN grouping. Currently in its 47th year, ASEAN is regarded as among the most durable and successful regional economic and political groups in the developing world. ASEAN provides Myanmar with a framework for greater economic integration with the region and the global economy built around a set of economies

with complementary characteristics, similar trade-led experiences of development, and a commitment to free trade guided by the principles of multilateralism embodied in the General Agreement on Tariffs and Trade and that agreement's successor, the WTO. Without that framework, it would be much more difficult for Myanmar to complete the economic and political transition on which it is embarked. Critically, as ASEAN's external links grow and deepen, the group will provide an important platform on which Myanmar can build its engagement with the rest of the world.

Table 8.2: Trade and openness to foreign direct investment in ASEAN countries

| Country | Trade openness 2009 (total trade as per cent of GDP) | FDI openness 2005 (total FDI stock as per cent of GDP) |
|-------------------|---|---|
| Brunei Darussalam | 83.88 | 98.91 |
| Cambodia | 81.69 | 39.89 |
| Indonesia | 39.65 | 14.78 |
| Lao PDR | 78.84 | 23.29 |
| Malaysia | 145.77 | 34.00 |
| Myanmar | 36.90 | 40.86 |
| Philippines | 52.99 | 14.80 |
| Singapore | 282.01 | 168.39 |
| Thailand | 108.77 | 34.28 |
| Vietnam | 136.47 | 58.93 |

Source: Bhattacharyay (2014).

Myanmar's engagement with ASEAN is consistent with the principles outlined in the Section 8.2. First, there is a strong alignment between the elements of the ASEAN integration agenda and the priorities for national reform in Myanmar (Table 8.2). In both instances, trade and investment openness, trade facilitation, economic restructuring and building the institutions to support progress in those areas are policy priorities. The priorities extend beyond trade and investment openness to issues of trade facilitation, economic restructuring, capacity building and institutional development, as well as to underpinning stable political relations. Second, prioritising regionalism over bilateral agendas will allow Myanmar to exercise ASEAN solidarity and contribute to restoring Myanmar's regional standing. This will have the important effect of signalling the importance of the region and demonstrating Myanmar's commitment to reform aligned with the development of the ASEAN agenda.

ASEAN's size, diversity and complementarity

The 10 ASEAN member nations make up a collective market of more than 600 million people (larger than the European Union) with a combined GDP of US\$3.8 trillion (Table 8.3).

Currently, nearly half of Myanmar's trade is with ASEAN members (Table 8.4). The proposed ASEAN Economic Community, which is intended to be established by 2015, provides huge opportunities for the nation to gain greater access to regional markets, attract higher levels of FDI, and benefit from higher labour mobility within the region, as well as from external support in managing economic and institutional reform.

Table 8.3: Key economic indicators for ASEAN countries, 2013

| Country | Population (million) | Land area (km ²) | GDP growth (%) | GDP per capita (US\$) | Exports (US\$ million) | Imports (US\$ million) | FDI inflow (US\$ million) |
|-------------|----------------------|------------------------------|----------------|-----------------------|------------------------|------------------------|---------------------------|
| Brunei | 0.4 | 5,769 | -1.8 | 39,679 | 11,445 | 3,612 | 908 |
| Cambodia | 15.0 | 181,035 | 7.0 | 1,047 | 9,148 | 9,176 | 1,275 |
| Indonesia | 248.8 | 1,860,360 | 5.8 | 3,467 | 182,552 | 186,629 | 18,444 |
| Lao PDR | 6.6 | 236,800 | 8.2 | 1,505 | 2,593 | 3,292 | 427 |
| Malaysia | 29.9 | 330,290 | 4.7 | 10,420 | 228,276 | 205,985 | 12,297 |
| Myanmar | 61.6 | 676,577 | 7.5 | 916 | 11,436 | 12,009 | 2,621 |
| Philippines | 99.4 | 300,000 | 7.2 | 2,707 | 53,978 | 65,131 | 3,860 |
| Singapore | 5.4 | 715 | 3.9 | 55,183 | 410,250 | 373,016 | 60,645 |
| Thailand | 68.3 | 513,120 | 2.9 | 5,678 | 228,730 | 249,517 | 13,000 |
| Vietnam | 89.7 | 330,951 | 5.4 | 1,909 | 132,664 | 132,110 | 8,900 |
| ASEAN | 625.1 | 4,435,617 | 5.1 | 3,837 | 1,271,07 | 1,240,476 | 122,377 |

Note: The recently conducted Myanmar census suggests a population of 51.4 million; including Myanmar's diaspora population in neighbouring countries is likely to result in a total of around 60 million people.

Source: ASEANstats (2013), <http://aseanstats.asean.org/>.

Table 8.4: Intra-ASEAN trade flows and net FDI inflows, 2013

| Country | Trade flows | | | FDI net inflows | | |
|-------------|----------------------------|-------------|----------------------------------|----------------------------|-------------|----------------------------------|
| | Intra-ASEAN (\$US million) | Extra-ASEAN | Intra-ASEAN as per cent of total | Intra-ASEAN (\$US million) | Extra-ASEAN | Intra-ASEAN as per cent of total |
| Brunei | 4,488 | 10,569 | 30 | -73 | 981 | 7 |
| Cambodia | 4,119 | 14,205 | 22 | 299 | 976 | 23 |
| Indonesia | 94,662 | 274,519 | 26 | 8,721 | 9,723 | 47 |
| Lao PDR | 3,729.3 | 2,155.6 | 26 | n/a | n/a | n/a |
| Malaysia | 119,106 | 315,155 | 27 | 2,187 | 10,110 | 18 |
| Myanmar | 9,869 | 13,577 | 42 | 1,186.8 | 1,434.1 | 5.6 |
| Philippines | 22,786 | 96,323 | 19 | -42 | 3,902 | 1 |
| Singapore | 206,672 | 576,593 | 26 | 5,706 | 54,939 | 9 |
| Thailand | 103,669 | 374,579 | 22 | 1,257 | 11,743 | 10 |
| Vietnam | 39,532 | 225,242 | 15 | 2,079 | 6,821 | 23 |
| ASEAN | 608,632 | 1,902,917 | 24 | 21,322 | 100,628 | 17 |

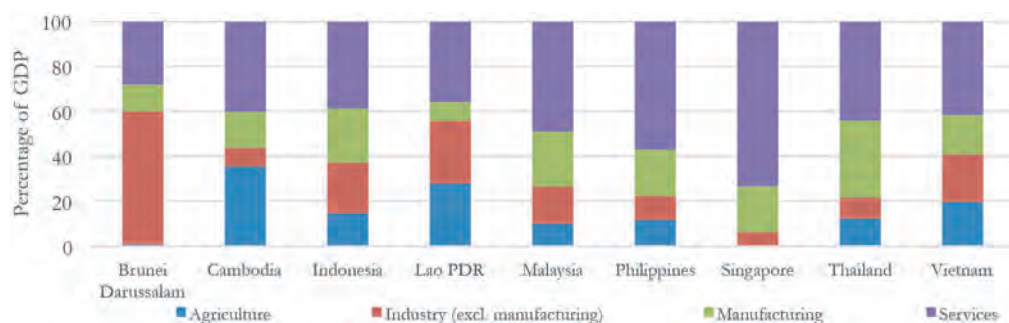
n.a. = data not available.

Source: ASEANstats, <http://aseanstats.asean.org/>, as at 14 August 2014.

The vast opportunities that ASEAN offers stem not only from its size. The ASEAN region is one of diversity in economic, political, cultural and linguistic characteristics. The range of markets, stages of economic development and differences in resource endowments lead to economic complementarity on many levels. The group's richest member, Singapore, has per capita GDP around 16 times that of the

three poorest members—Cambodia, Lao PDR and Myanmar—combined. The economic structures of ASEAN members vary from the agriculture-reliant economies of Cambodia, Lao PDR and Myanmar to the service-dominated economy of Singapore (Figure 8.2). Leveraging this diversity through growing integration offers substantial potential to address the significant development gaps that exist within and between many member states.

Figure 8.2: Value added for ASEAN countries (excluding Myanmar), by sector (per cent)



Notes: Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. Data unavailable for Myanmar.

Source: World Bank (2014).

ASEAN's commitment to outward-looking integration and open regionalism

The ASEAN region is characterised by a commitment to export-led growth, underpinned by a commitment to free-trade principles and outward-looking economic integration (see Box 8.5). ASEAN's commitment to export-led growth has set it apart from other regional trading blocs. Together with its members' national commitments to outward-looking development, this has underpinned the reform success and rapid growth of ASEAN economies over the past quarter of a century and provided the basis for the growing economic integration within the region and with the global economy.

Most importantly, ASEAN has adopted an 'open regionalism' approach, in which a group of countries' regional identity strengthens rather than weakens the members' extra-regional linkages (Ariff 1994). This has seen preferences extended to ASEAN partners multilateralised on a most-favoured-nation basis. While ASEAN's initial forays as a free trade area included discriminatory treatment of non-members, economic and political imperatives have led to those preferences being eroded over time. This is consistent with the principles of the broader regional grouping of APEC, of which Myanmar is not a member.

Box 8.5: The ASEAN Principles

The following principles are set out under the ASEAN Charter adopted in 2007:

- Respect for the independence, sovereignty, equality, territorial integrity and national identity of all ASEAN Member States
- Shared commitment and collective responsibility in enhancing regional peace, security and prosperity
- Renunciation of aggression and of the threat or use of force or other actions in any manner inconsistent with international law
- Reliance on peaceful settlement of disputes.
- Non-interference in the internal affairs of ASEAN Member States

- Respect for the right of every Member State to lead its national existence free from external interference, subversion and coercion
- Enhanced consultations on matters seriously affecting the common interest of ASEAN
- Adherence to the rule of law, good governance, the principles of democracy and constitutional government
- Respect for fundamental freedoms, the promotion and protection of human rights, and the promotion of social justice
- Upholding the United Nations and international law, including international humanitarian law, subscribed to by ASEAN Member States
- Abstention from participation in any policy or activity, including the use of its territory, pursued by any ASEAN Member State or non-ASEAN State or any non-State actor, which threatens the sovereignty, territorial integrity, or political and economic stability of ASEAN Member States
- Respect for the different cultures, languages, and religions of the peoples of ASEAN while emphasising their common values in the spirit of unity in diversity
- The centrality of ASEAN in external political, economic, social and cultural relations while remaining actively engaged, outward-looking, inclusive and non-discriminatory
- Adherence to multilateral trade rules and ASEAN's rules-based regimes for effective implementation of economic commitments and progressive reduction towards elimination of all barriers to regional economic integration, in a market-driven economy.

Source: ASEAN Charter, 2007

The practice of open regionalism partially reflects the fact that ASEAN recognises that it is too small a group to have a significant impact internationally, and that its economic dynamism hinges critically on that of the wider Asia–Pacific region. It has not been in the interests of ASEAN or East Asia to create inward-looking agreements; instead, these nations create cooperative arrangements that reinforce the integration of national economies into the global economy. ASEAN thus needs to relate its own growth and reform ambitions to the rest of the Asia–Pacific—hence the formation of the RCEP, which involves the 10 ASEAN member states plus the six Asia–Pacific countries that have current FTAs with ASEAN (Australia, China, India, Japan, the Republic of Korea and New Zealand).

Consistent with these features is ASEAN's distinctive 'ASEAN way', which is based on the ideals of non-interference; informality; minimal institutionalism; consultation and consensus; and non-confrontation. Regional solidarity is a distinctive feature of ASEAN's diplomacy and has allowed it to play a central role in bringing major regional powers together. It is also an important factor in ensuring regional peace and security, which is a prerequisite for economic growth and constructive external relations with non-regional powers. (There are also critics who believe that the ASEAN way impedes the group's efficiency and effectiveness.) Successful and timely implementation of the AEC will assist in supporting ASEAN's approach.

Myanmar should strengthen its participation in the broader regional push towards greater integration in ASEAN and beyond (the ASEAN cooperation agenda is detailed in Box 8.6). With its resources and geographical position, which build connectivity in the region and thus support the collective strength of ASEAN, Myanmar has potential to be a crucial player in the region. ASEAN has made efforts to integrate Myanmar within ASEAN frameworks, as illustrated by its granting of the 2014 ASEAN chairmanship to Myanmar, and has very strong interests in Myanmar's openness and development (Box 8.7). Critically,

building Myanmar's economy into the economic framework of the region enhances its capacity to specialise and enlarges its markets and the demand for its goods.

Box 8.6: The ASEAN cooperation agenda

ASEAN's cooperation agenda involves the following elements:

- **Routine meetings between ministers, between leaders and between officials**

Under the ASEAN Charter, the ASEAN Summit is the supreme policy-making body of ASEAN. It is required to meet biennially, and its role is to deliberate, provide policy guidance and take decisions on key issues pertaining to the realisation of the objectives of ASEAN, as well as important matters of interest to its member states. Regular ministerial and senior officials' meetings are also held across a number of portfolios throughout the year, such as Post Ministerial Conferences involving the foreign ministers of ASEAN and its dialogue partners, and ASEAN Economic Ministers' Meetings of their economic ministers.

- **Reporting of milestones on the implementation of ASEAN commitments**

Commitments such as the establishment of the AEC are formally guided by the AEC Blueprint, and the progress of implementation is tracked by the AEC Scorecard. Such initiatives ensure continued momentum as well as continued dialogue between the member states.

- **Experience sharing**

ASEAN's diverse developmental experiences and emphasis on regional cooperation and capacity building offer opportunities for member states to draw on the models, expertise and institutions of more developed members.

- **An evolving agenda**

The ASEAN chairmanship is rotated annually and is provided with agenda-setting power. This ensures that the agenda is constantly reviewed and updated in the light of emerging issues.

There remain challenges to overcome. The macroeconomic performance of Myanmar compared to the rest of ASEAN is poor by several key measures. It is currently a weak link in the ASEAN economies, with the highest inflation and the lowest per capita GDP in the group. Its lagging performance on these and other indicators reflects deeper institutional differences that are obstacles to greater integration across Southeast Asia.

Myanmar's successful pursuit of reform and ensuing economic growth will strengthen ASEAN through a convergence of the ASEAN economies and living standards, reinforcing a cohesive ASEAN policy outlook capable of delivering economic development and integration, to the benefit of members and the region as a whole. Bridging this gap will require Myanmar to meet its targets in its list of domestic reforms, and that will depend on an ongoing and strong commitment to reform.

Box 8.7: Myanmar's 2014 ASEAN chairmanship

The granting of the 2014 ASEAN chairmanship to Myanmar for the first time in the 17 years since Myanmar's admission to the group was a milestone in Myanmar's international integration. It represented the region's endorsement and reward for Myanmar's domestic reform progress and encouragement for continued reforms. This has significantly lifted the profile of Myanmar regionally and internationally, and given the Myanmar Government credibility at a crucial time in the country's political and economic transition.

Myanmar set the theme for the chairmanship as 'Moving Forward in Unity to a Peaceful and Prosperous Community'. This theme reflects ASEAN's aim to establish the AEC by 2015, and Myanmar's goal to build a strong foundation for the AEC during its year as chair. The realisation of the AEC will be both a challenge and an opportunity for Myanmar. Its establishment will depend on the steady implementation of AEC initiatives in trade liberalisation, trade facilitation, investment liberalisation, services liberalisation and transport cooperation.

To date, it is widely held that Myanmar carried out its role as ASEAN chair well, despite volatile domestic situations and the maritime territorial disputes and rising tensions in the South China Sea. This has contributed to higher levels of confidence among investors and trading partners, as well as further integration with ASEAN and the wider regional economic community.

The initiatives driven by Myanmar through ASEAN's 2014 agenda demonstrate ongoing commitment to the integration of the ASEAN community. Myanmar's first ASEAN chairmanship has laid a firm foundation for Myanmar to play a larger leadership role in the region in the future. Myanmar continues to strengthen its ASEAN identity and improve its capacity to play a bigger role in the regional organisation.

8.4 Prioritising reforms that align with AEC initiatives

The AEC is one of the three pillars of ASEAN. It originated from the ASEAN Vision 2020, which was adopted in 1997 on the 30th anniversary of ASEAN. The aim was to form an economic region in which there is a 'free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities by 2020'. In 2002, ASEAN leaders signed the Declaration of ASEAN Concord II, agreeing to establish an ASEAN Community by 2020. The establishment of the AEC was brought forward to 2015 in the 2007 Cebu Declaration.

As noted in the AEC Blueprint (Figure 8.3), the AEC represents progress towards realisation of the goal of economic integration for ASEAN. Guided by the blueprint, the AEC will go beyond the breaking down of trade and investment barriers and will build a more dynamic, competitive, globally integrated region that promotes equitable economic development and provides a single market and hub of production networks in the Asian region. The AEC will foster an investment climate that is attractive to domestic and foreign investors, a reliable web of interdependent sectors, and improved and expanded infrastructure networks. These outcomes will strengthen the development of ASEAN's members by consolidating production networks and allowing the region's economies to achieve economies of scale and become internationally competitive. It has been estimated that, after a period of adjustment, the full implementation of the AEC will contribute to the rise of ASEAN real income by US\$69.4 billion or 5.3 per cent of ASEAN GDP, using 2004 as the baseline (Petri et al. 2013).

In line with the ASEAN Way, responsibility for specific policy action rests almost exclusively with the national governments. Little or no supranational power has been ceded to ASEAN, and there is no mechanism to compel member states to comply with AEC commitments. The AEC is therefore more correctly seen as a collaborative and consensual program that coordinates and aligns national policy initiatives while also linking and rationalising existing regional and global trade agreements, with an emphasis on trade and investment openness based on most-favoured-nation and national treatment principles.

Figure 8.3: Core elements of the AEC Blueprint

| Single market and production base | Competitive economic region | Equitable economic development | Integration into the global economy |
|--|---|--|---|
| <ul style="list-style-type: none"> •Free flow of goods •Free flow of services •Free flow of investment •Free flow of capital •Free flow of skilled labour •Priority integration sectors •Food, agriculture and forestry | <ul style="list-style-type: none"> •Competition policy •Consumer protection •Intellectual property rights •Infrastructure development •Taxation •E-commerce | <ul style="list-style-type: none"> •Small and medium enterprises development •Initiative for ASEAN integration | <ul style="list-style-type: none"> •Coherent approach towards external economic relations •Enhanced participation in global supply networks |

Source: AEC Blueprint.

Myanmar's trade is currently built on a narrow base of low value-added goods, which are mainly natural resources and agricultural products. Being a part of the AEC will assist Myanmar by providing opportunities to diversify beyond low value-added primary production, improving the availability of low-cost capital, increasing Myanmar's attractiveness to foreign investors, expanding its trade market as intra-regional trade barriers are reduced, facilitating the mobility of resources through improvements to transport, streamlining administrative requirements and customs procedures, and allowing a more efficient allocation of resources towards the production of goods and services in which it has a strong comparative advantage.

In addition to the direct market benefits, the AEC offers Myanmar valuable opportunities to draw upon the development experiences and technical expertise of other ASEAN countries that have similar characteristics and that have faced similar reform agendas in their economic development. It will enable Myanmar to access ideas, knowledge and technologies from peer nations that have trodden the same development path. ASEAN recognises the benefits of learning from experience through initiatives such as the ASEAN Integration Initiative, which allows the benefits of knowledge to be spread across the region.

The alignment between the ASEAN's integration agenda and Myanmar's national reforms is embodied in the goals and initiatives of the AEC (outlined in Figure 8.3 and Box 8.8). The structure of the AEC provides a clear framework for Myanmar to prioritise domestic reforms towards the objective of greater regional integration and income growth based on increased trade and investment flows.

More importantly, participation in the programs of reform in those areas provides support to achieve the domestic reform targets that this paper has identified as central to lifting trade and growth and more fully realising Myanmar's potential. For example, in line with the AEC Blueprint, Myanmar has committed to the establishment of a 'national single window', which will eventually form part of an ASEAN single window (single-window systems allow regulatory documents, such as permits, to be submitted at one place, rather than multiple places, which facilitates cross-border trade). Progress has been encouraging. Japan has committed funding to help Myanmar install an automatic cargo clearance system, which is scheduled to be tested by the end of 2015. However, the national single window is limited in its sectoral coverage, and its current design will not interface easily with the proposed ASEAN single window.

Myanmar has also committed to regulatory standardisation and harmonisation to facilitate the flow of workers in the business, communications, construction, education, finance, tourism and transport sectors. It has agreed to regulatory reform to give effect to the mutual recognition agreements that harmonise regulatory standards for professional accreditation. For architectural services and engineering services, regulatory reforms are still needed for Myanmar to meet its commitments. For nursing, it has

accreditation standards that are largely consistent with the regional framework. For tourism, it has more or less completed the required actions.

Myanmar's phased progress towards full participation in the AEC inevitably means that some sectors, such as finance or agriculture, will face a more competitive environment. In the short term, this may require adjustments in the financial or farm sectors and in employment in those sectors, but in the longer term it will shift agricultural resources and financial services activities into specialisations in which they have more competitive strength and provide lower cost domestic supplies as well as stronger exports.

For Myanmar to capture the benefits from integration, it must ensure steady progress towards its commitments in the AEC process. While ASEAN publishes a regular scorecard to benchmark progress on AEC commitments, Myanmar should also ensure that it regularly and transparently reviews and benchmarks its progress on meeting specific commitments. This will enable the Myanmar Government to put in place reforms that will enable the nation to meet its commitments on time and to integrate AEC commitments with other elements of Myanmar's domestic reform agenda.

Key elements of the agenda that align with domestic priorities include:

- **Free flow of goods.** The AEC Blueprint calls for the removal not only of tariffs but also non-tariff barriers. This requires the integration of customs procedures, the establishment of the ASEAN single window, continuous enhancement of common effective preferential tariffs, the harmonisation of standards and conformance procedures, and the liberalisation of the financial services sector.

The blueprint also calls for the enhancement of intra- and extra-ASEAN trade and the long-term competitiveness of ASEAN's agriculture. This will require the monitoring of the implementation of common effective preferential tariffs and ASEAN FTA schemes, which includes strengthening the strategic alliance between agricultural cooperatives in ASEAN and building a network linking agricultural cooperatives.

- **Free flow of services.** The blueprint calls for the alleviation of any restrictions on the flow of trade in services within the AEC. It also calls for liberalisation of the financial services sector.
- **Free flow of investment.** The blueprint calls for the continued implementation of the ASEAN Investment Area, as well as a review of the ASEAN Investment Guarantee Agreement. It also calls for the progressive liberalisation of investment regimes, as well as more transparent, consistent and predictable investment rules, regulations, policies and procedures.
- **Free flow of capital.** The blueprint calls for greater harmonisation in capital market standards in ASEAN, as well as the facilitation of mutual recognition arrangements for the cross-recognition of market professionals. It also calls for the liberalisation of capital movements.
- **Free flow of skilled labour.** The blueprint calls for the managed mobility or facilitated entry of people engaged in trade in goods, services and investments, as well as the harmonisation and standardisation of standards to facilitate such movements.

Infrastructure development

The AEC Blueprint calls for an efficient, secure and integrated transport network in ASEAN, which will enhance the attractiveness of the region as a single production, tourism and investment destination, narrow development gaps and link ASEAN with neighbouring Northeast and South Asian countries. It also calls for the development of information infrastructure that will enhance connectivity and sustain the region's economic growth and competitiveness.

Regional energy collaboration will allow for the optimisation of the region's energy resources for greater security, and provide greater opportunities for private-sector involvement in investment and technology transfer. In the energy sector, the blueprint calls for externally funded investment in infrastructure to deliver oil, gas and other sources of energy across the region. This is closely associated with the blueprint's call for enhanced trade and investment and strengthened cooperation and capacity in the mining sector to achieve sustainable mineral development in the ASEAN region. Finally, the blueprint calls for innovative financing schemes to attract greater private-sector involvement.

The ASEAN Connectivity Plan was developed in 2010 in response to the recognition that the lack of physical and soft connectivity is a key barrier to increased trade and investment. The plan identifies the components of connectivity as physical connectivity, soft connectivity, people-to-people connectivity, institution-to-institution connectivity and knowledge connectivity.

Box 8.8: Alignment of the AEC Blueprint with the recommendations in this paper

The key aspects of the AEC Blueprint that align with Myanmar's domestic reform agenda are consistent with the recommendations outlined in this paper.

Trade and investment liberalisation and facilitation are the key to accelerated and sustainable economic growth in Myanmar, which will allow the nation to catch up to its ASEAN peers. The need to open up the Myanmar economy to trade and investment is the basis of this paper, and its importance is reflected in the comprehensive discussion in the AEC Blueprint to develop a 'single market and production base'.

Many of these benefits will stem from broader efforts within ASEAN as a whole to make economies more open. Chapters 3 and 4 of this paper discuss domestic reforms needed to prepare an enabling environment for heightened trade and investment. They include building a market-oriented environment with stable macroeconomic conditions, efficient financial markets and an enabling regulatory environment, which is critical to private-sector development; an efficient tax system conducive to growth; and well-functioning government processes that can most effectively mobilise the gains from open trade and investment policies into public investments crucial for Myanmar's economic development. These domestic reform priorities will be critical in freeing up goods, services, investment, capital and skilled labour, as mandated in the AEC Blueprint. The investment strategies discussed in Chapter 7 are also relevant.

As Myanmar transitions away from the natural resources sector into the agriculture and manufacturing sectors through the reforms discussed in Chapter 5, **increased labour mobility** will be beneficial for two main reasons. First, foreign workers entering the workforce in Myanmar will be a valuable source of know-how. Such knowledge transfers could assist the development of both sectors. Similarly, the ability of workers from Myanmar to enter foreign markets will also allow Myanmar to gain valuable skills from countries that are ahead in their development trajectory, and will allow citizens to gain from higher incomes in more developed industries.

Consistent with the discussion in Chapter 6, **infrastructure development** is critical to enable domestic producers to raise productivity and access vast regional markets as trade and investment links between Myanmar and the rest of the world strengthen, particularly links with its neighbours in the Asian region. In particular, economic infrastructure, such as transport, telecommunications and electricity, will develop Myanmar into a more competitive economy. Efforts to effectively and efficiently develop infrastructure to connect domestic markets to the region and internationally are consistent with the AEC's objectives to strengthen linkages between ASEAN and neighbouring countries through transport and information infrastructure. Chapter 6 also discusses the role that the government, regional organisations and international forums have to play in facilitating innovative infrastructure financing, reflecting the aims of the AEC Blueprint.

Finally, Chapter 5 discusses the importance of managing Myanmar's natural resources in a way that maximises benefits to the nation. Part of this will involve foreign direct investments into Myanmar's natural resource sector in order to allow its natural resources to be extracted efficiently. A well-designed royalty and tax system, as well as effective administration and enforcement, will assist the **optimisation of the nation's energy resources** and facilitate sustainable mineral development in a way that accords with the AEC Blueprint. This is closely linked to the discussion in Chapter 6 on energy infrastructure.

While the realisation of the AEC presents many opportunities for Myanmar, it also involves a substantial work program and commitment to reform. The fruition of the AEC will depend on each country's implementation of AEC initiatives. Myanmar is committed to implementing all its undertakings by 2020, and most commitments under the AEC Blueprint are expected to be met by 2018. However, as outlined in this paper, an underdeveloped financial system, inadequate infrastructure, weak institutions and bureaucratic challenges in coordinating and implementing AEC programs remain major obstacles that can only be overcome over the medium term. For that to happen, Myanmar needs to keep demonstrating its strong commitment to implementing the AEC initiatives (see Box 8.9).

External expectations will help to reinforce domestic political will to implement reform, helping to prevent the domestic reform process from stalling. The AEC has a reform dynamic that is strongly mutually reinforcing—each domestic reform helps to establish credibility and promote confidence in regional liberalisation efforts.

Box 8.9: Progress in AEC Blueprint implementation

The deadline for the establishment of the AEC was first postponed in 2012, when it was set to 1 January 2015, and then later extended to 31 December 2015. There remain widespread doubts that the 31 December 2015 deadline will be met. In view of this history, it is important to entrench the commitments to implementation.

Progress towards the achievement of the agreed goals as set out in the AEC Blueprint is monitored through the AEC Scorecard mechanism established in 2008. To date, two scorecards have been published, the most recent in 2012.

The 2012 scorecard gives implementation scores for the AEC's four primary objectives:

- single market and production base—65.9 per cent
- competitive economic region—67.9 per cent
- equitable economic development—66.7 per cent
- integration into the global economy—85.7 per cent.

In August 2014, President U Thein Sein announced that 80 per cent of the preparations for implementing the AEC had been completed, and that the rest were expected to be achieved in the following 17 months.

Sources: AEC Scorecard (2012); President U Thein Sein, 26 August 2014 speech.

8.5 Other platforms for engagement

The Regional Comprehensive Economic Partnership

In addition to key initiatives supporting the intra-regional integration of the ASEAN group, such as the AEC, the longer term economic development of the region will depend on broadening and deepening its links with countries outside ASEAN.

A core part of ASEAN's strategy is to drive the negotiation of the RCEP to consolidate and deepen its links with its agreement partners. The RCEP is a proposed ASEAN-centred arrangement for regional economic cooperation and deepening integration that includes the 10 ASEAN member states plus the six countries that currently have FTAs with ASEAN. Significantly, this group includes the three major economic powers in the region (China, India and Japan) as well as the developed economies of South Korea, Australia and New Zealand.

The RCEP negotiations were launched by ASEAN leaders and ASEAN's FTA partners on the margins of the East Asia Summit in Cambodia in 2012. The participants have a total population of more than 3 billion people, a trade share estimated at around 27 per cent of global trade, and GDP of around \$US21 trillion (Tu and Chu 2014 and Table 8.4).

The objective of the RCEP is to build a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that will cover trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues. Similarly to other ASEAN-led processes, it aims to be an ongoing process of implementation of commitments that further economic integration, instead of simply a one-off 'trade deal' with no ongoing cooperation agenda.

Significantly, the RCEP aims to extend the principles of the AEC to other major partners in East Asia and, importantly, South Asia, starting with India. A key feature of the RCEP agreement is open accession to the agreement after the conclusion of its negotiation (scheduled for 2015). It provides a framework that can potentially facilitate the deepening of economic integration and connections between all the economies of South and East Asia. Myanmar, at the crossroads of these regions, has a significant stake in building those connections.

The RCEP has the potential to deliver significant opportunities for Myanmar. A successful agreement would mean deeper links among the wider group. Myanmar's commitments to the RCEP will be consistent with its commitments to the AEC, and the more ambitious those commitments, the more Myanmar will benefit. The special and differential treatment afforded to less developed economies in the RCEP will give Myanmar space to reach its goals at the pace and in the way best suited to its circumstances, but will require it to meet ambitious milestones.

In this context, the priority for Myanmar is to implement the five ASEAN+ FTAs. The agreement with Australia and New Zealand is the most liberal of the five and will require the strongest commitments. That would allow fuller participation by Myanmar in the RCEP and mean that it is contributing positively to the RCEP's success.

Table 8.5: Shares of ASEAN's trade activity, 2013

| | Exports | | Imports | | Total | |
|--------------------------------|----------------|---------------------------|----------------|---------------------------|----------------|---------------------------|
| | US\$ billion | Share of total (per cent) | US\$ billion | Share of total (per cent) | US\$ billion | Share of total (per cent) |
| Within ASEAN | 330.4 | 26.0 | 278.3 | 22.4 | 608.6 | 24.3 |
| Non-ASEAN RCEP partners | 421.5 | 33.2 | 450.6 | 36.3 | 872.1 | 34.8 |
| Australia | 45.5 | 3.6 | 22.5 | 1.8 | 68.0 | 2.7 |
| China | 152.5 | 12.0 | 198.0 | 16.0 | 350.5 | 14.0 |
| India | 41.9 | 3.3 | 25.9 | 2.1 | 67.9 | 2.7 |
| Japan | 123.0 | 9.7 | 117.9 | 9.5 | 240.9 | 9.6 |
| Republic of Korea | 52.8 | 4.2 | 82.2 | 6.6 | 135.0 | 5.4 |
| New Zealand | 5.7 | 0.4 | 4.1 | 0.3 | 9.8 | 0.4 |
| Total RCEP | 751.9 | 59.2 | 728.9 | 58.8 | 1,480.7 | 59.1 |
| Other trading partners | 519.2 | 40.8 | 511.6 | 41.2 | 1,024.2 | 40.9 |
| US | 114.5 | 9.0 | 92.4 | 7.5 | 206.9 | 8.3 |
| European Union 28 | 124.4 | 9.8 | 121.8 | 9.8 | 246.2 | 9.8 |
| Other | 280.3 | 22 | 297.4 | 23.9 | 571.1 | 22.8 |
| Total ASEAN trade | 1,271.1 | 100.0 | 1,240.5 | 100.0 | 2,505.0 | 100.0 |

Source: ASEANstats, <http://aseanstats.asean.org/>, as of 24 July 2014.

The World Trade Organization

Myanmar is an original member of the WTO. The WTO's first trade policy review of Myanmar, in early 2014, noted the progress that Myanmar has made and the trade liberalisation and domestic reforms that remain to be completed. The review recognised the importance of Myanmar's participation in ASEAN and the existing FTAs with ASEAN's partners (WTO 2014).

The review also noted that 18.5 per cent of tariff lines at the HS eight-digit level are bound, including all agricultural lines. While the average applied MFN tariff rate is 5.5 per cent, which is low for a developing country, binding more of the non-agricultural tariff lines at the lower rate would boost confidence in Myanmar's commitment to openness and send a positive signal.

The WTO provides confidence in other markets staying open for Myanmar. Myanmar has not yet been party to any dispute settlement proceedings at the WTO, but that dispute settlement function of the WTO ensures that there are fair and transparent avenues for resolving disputes if any arise. More and more developing countries are bringing cases to the WTO's dispute settlement body, where trade disputes are being resolved with bigger economies in accordance with the rules and regulations agreed upon by all parties.

While the Doha Round has been stalled, slowing multilateral liberalisation, there is an opportunity to take advantage of the renewed momentum in multilateral trade negotiations from the Bali Trade Facilitation Agreement. Progress on trade facilitation is a priority for Myanmar as it removes border barriers, and should be considered relatively easy, with less scope for resistance from vested interests. With Myanmar making credible commitments to implement the trade facilitation agenda, there will be scope for receiving targeted assistance from the international community.

Strong commitments to phasing down and binding the MFN tariffs as preferential tariffs are reduced in complementary agreements, taking advantage of opportunities arising from the Bali Trade Facilitation Agreement and making all other external engagement consistent with the core principles of the WTO will entrench confidence in Myanmar's reform and opening up process. Such an approach will cement Myanmar's integration and participation in the regional economy, consistent with its domestic and global interests.

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Abbreviations and acronyms

| | |
|--------|--|
| ADB | Asian Development Bank |
| AEC | ASEAN Economic Community |
| APEC | Asia–Pacific Economic Cooperation |
| ASEAN | Association of Southeast Asian Nations |
| CBM | Central Bank of Myanmar |
| EITI | Extractive Industries Transparency Initiative |
| FDI | foreign direct investment |
| FTA | free trade agreement |
| GAD | General Administration Department |
| GDP | gross domestic product |
| IMF | International Monetary Fund |
| IP | intellectual property |
| IRD | Internal Revenue Department |
| MFI | microfinance institution |
| OECD | Organisation for Economic Co-operation and Development |
| PPP | public–private partnership |
| SEZ | special economic zone |
| SOE | state-owned enterprise |
| UN | United Nations |
| UNCTAD | UN Conference on Trade and Development |
| VAT | value-added tax |
| WTO | World Trade Organization |

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