Myanmar Spring Today and Tomorrow

by

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Myanmar is the largest country in the Greater Mekong Subregion - 676,600 sq km

- Second largest country in ASEAN (Indonesia – 1,904,600 sq km)
- With over 60 million population and rich natural resources:
  - arable land
  - forestry
  - minerals (incl. copper, gas and oil)
  - fresh water and marine resources

Poverty, particularly in the remote and border areas, with poverty incidence -- 26.6% est.

The country is rich, but the people are poor

We need to make the people also rich!
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>32.</td>
<td>Myanmar</td>
</tr>
<tr>
<td>35.</td>
<td>Lao People’s Democratic Republic</td>
</tr>
<tr>
<td>42.</td>
<td>Indonesia</td>
</tr>
<tr>
<td>55.</td>
<td>Cambodia</td>
</tr>
<tr>
<td>80.</td>
<td>Malaysia</td>
</tr>
<tr>
<td>84.</td>
<td>Vietnam</td>
</tr>
<tr>
<td>96.</td>
<td>Thailand</td>
</tr>
<tr>
<td>98.</td>
<td>Philippines</td>
</tr>
<tr>
<td>150.</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

ADB estimated Myanmar per capita GDP for 2011 to be $759.01.

In the early 1960s, Myanmar was one of Asia’s leading economies. Its per capita income in 1960 was about $670 – more than three times that of Indonesia, more than twice that of Thailand. (Booth 2003).

Source: Myanmar in Transition, ADB August 2012
Table 2: The Rule of 70

The Rule of 70 is useful for financial as well as demographic analysis. It states that to find the doubling time of a quantity growing at a given annual percentage rate, divide the percentage number into 70 to obtain the approximate number of years required to double. For example, at a 10% annual growth rate, doubling time is 70 / 10 = 7 years.

Similarly, to get the annual growth rate, divide 70 by the doubling time. For example, 70 / 14 years doubling time = 5, or a 5% annual growth rate.

The following table shows some common doubling times:

<table>
<thead>
<tr>
<th>Growth Rate (% per Year)</th>
<th>Doubling Time in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1</td>
<td>700</td>
</tr>
<tr>
<td>0.5</td>
<td>140</td>
</tr>
<tr>
<td>1</td>
<td>70</td>
</tr>
<tr>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

2011.................................................................$760 per capita income
2021..................7..............................................$760 + $760 = $1520
2031..................7..............................................$1520 + 1520 = $3040
Figure 2: Sector Share of GDP

Agriculture continues to dominate Myanmar’s economy, but other countries have shifted towards industry and services.

Sector share of GDP (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>1965</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
<td>47</td>
</tr>
<tr>
<td>Thailand</td>
<td>23</td>
<td>45</td>
</tr>
<tr>
<td>Malaysia</td>
<td>27</td>
<td>49</td>
</tr>
<tr>
<td>Philippines</td>
<td>31</td>
<td>55</td>
</tr>
<tr>
<td>China</td>
<td>27</td>
<td>43</td>
</tr>
<tr>
<td>South Korea</td>
<td>39</td>
<td>59</td>
</tr>
</tbody>
</table>

NOTE: Numbers may not sum due to rounding.

SOURCE: World Development Indicators, World Bank; Myanmar in 2010, Central Statistical Organisation, Myanmar; McKinsey Global Institute analysis.
Figure 2: Changing Structure of Myanmar’s Exports, % of total

Source: Myanmar in Transition, ADB August 2012
Map 2: Myanmar & Neighbors

- China     1,353.8mlns
- India     1,223.2mlns
- Bangladesh 150.0mlns
- Thailand  64.5mlns
- Myanmar  63.7mlns
- Laos      6.4mlns
POLITICAL REFORMS

1. Elections in 2010 and Parliament with new civilian government of President Thein Sein
2. Myitsone Dam suspension
3. Release of Aung San Suu Kyi and participation of NLD in April 2012 by-elections (NLD won 43 out of 44 seats)
4. Releasing Political Prisoners
5. Calling for Peace talks with all ethnic nationalities
6. New Laws ending censorships and political gatherings and demonstrations
7. Labor and Trade Unions Laws
ECONOMIC REFORMS

1. Myanmar currency floated in April 2012.
2. Parliament passed Foreign Investment Law
3. Parliament passed Central Bank of Myanmar Law with full autonomy (Not yet effective)
4. Tax reforms and decentralization of fiscal policy
5. Parliament to approve 13 bills at the end of June 2013. including laws on land reforms, SMEs, communications, associations, trademark,, condominium, Special Economic Zones (SEZs), intellectual property, transport, consumer protection, competition and engineering laws.
Recent Economic Outlook:

• With the two neighboring booming economies, there is a growing market for Myanmar agriculture and other products.
• Challenges are:
  – Weak or lack of infrastructure,
  – Foreign investment laws and regulations.
  – Governance and Transparency.
  – Building Trust and Genuine Peace with all ethnic nationalities.
  – Real reforms and not just lip services.
• It is crucial that the real reform process continues to be implemented effectively and translates into a better basic economic and social needs of all the people of the country.
Myanmar Tomorrow

• At the WEF, ASSK said, the **top priority** for the country are:

1. Jobs creation
2. Water
3. Roads
4. Electricity
5. Education
6. Health

She also emphasized that Agriculture/Land Reforms important, where 70 % of the population live.
Myanmar Tomorrow

• At the WEF, Deputy Minister of Energy said, *Energy Resources to Be Used for Domestic Needs in Future.*

• Implementation challenges if no adequate domestic energy supply?

• For.......... Jobs creation, Water Supply, Roads, Electricity, Education and Health services needed.........
Map 3: ECONOMIC CORRIDORS
New Corridors

Northwestern Corridor
From Assam, India – thro’ Myanmar to Kunming

Western Corridor
from Sittwe, Myanmar to Kunming, PRC

AS MYANMAR is Strategically located between INDIA; CHINA; ASEAN

Trilateral Connectivity by 2016
INDIA; MYANMAR; THAILAND

Also US led Lower Mekong Initiatives

North-South Economic Corridor (1)

East – West Economic Corridor

Southern Economic Corridor (1)

Southern Economic Corridor (2)
Lower Mekong Initiative (LMI)?
The LMI was created in response to the July 23, 2009 meeting between US Secretary of State Hillary Clinton and the Foreign Ministers of Cambodia, Laos, Thailand and Vietnam -- in Phuket, Thailand. At this first LMI Ministerial Meeting, the Ministers agreed to enhance cooperation in environment, health, education, and infrastructure development. To counter GMS which includes China and Myanmar. But, the US Secretary of State visited Myanmar, in Dec 2011, and invited Myanmar to join LMI. And the Cobra Military exercise in Thailand.
Map 5: ASEAN Countries
The Asean Economic Community main objectives are:
(a) Create a single market and production base;
(b) Highly competitive economic region;
(c) Region of equitable economic development; and
(d) Region fully integrated into the global economy..... by 2015.

Hence, Myanmar as chair of ASEAN in 2014 should use the lessons learned in order that ASEAN could take necessary precautionary measures and avoid EU economic and financial imbalances, and achieve the main objectives of the ASEAN Economic Community by end 2015, including strengthening ASEAN integration and connectivity.
ASEAN and AEC

• Recently, ASEAN launched an initiative aimed at narrowing the gap among its members.
• World Economic Forum (WEF) just completed in Myanmar, also discussed the bold and far-reaching solutions for boosting competitiveness, accelerating integration and improving resilience, under the theme, “Courageous Transformation for Inclusion and Integration”.
• But ASEAN evolving from loose association to a tightly knit group will require stepping up the momentum also.
Lessons Learned from Euro zone debt crisis:

a. Disparity in economic competitiveness among Euro zone member countries;

b. Single currency of the Euro make cheaper borrowing costs, and increased borrowings for imports led to significant increase in debt to GDP ratios;

c. Weak monitoring of the Maastricht Treaty on limitation of (i) 3% of GDP borrowing limits (Budget Deficit), and (ii) 60% debt to GDP ratio to ensure stability in Euro zone.

d. This led to Portugal, Ireland, Italy, Greece and Spain (PIIGS) with economic imbalances.

e. Large (Germany and France) as well as medium and smaller Euro zone members (PIIGS) did not follow nor monitor closely the above limitation conditionality of Maastrict Treaty.
AEC and Single Currency

• However, it is also a relieve to hear that at the recent World Economic Forum (WEF) in Myanmar, Thai Deputy Prime Minister Kittiratt Na-Ranong shrugged off the idea of an Asean currency as "impossible".

• Asean business leaders also dismissed the idea of a single currency among Asean members, and considered it, to do more harm than good.
• China is set to commence negotiations to create a 16-nation trade bloc, known as the Regional Comprehensive Economic Partnership (RCEP), was announced at the ASEAN Summit in Phnom Penh in 2012.

• The RCEP will include the 10 members of ASEAN (includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam), plus China, India, Japan, South Korea, Australia and New Zealand, and will have the effect of lowering trade barriers and custom duties across the region by the end of 2015.

• A map of the participating members of the proposed RCEP can be seen in the next slide.
Trans-Pacific Partnership (TPP) without China

Map 6: Regional Comprehensive Economic Partnership (RCEP)

BIGGEST TRADING ZONES IN TERMS OF POPULATION

From January 1, major trading partners such as Japan, China, South Korea, India and Australia-New Zealand, who have already formed a free trade agreement (FTA) with Asean under the Closer Economic Relationship, will enjoy zero tariff on goods traded via the Asean Free Trade Area (Afta). This is how all concerned countries will benefit from Afta:

Note: The total population of Asean countries stand at 650 million
Source: The Nation
### Table 3: ASEAN’s Major Export Destination and Major Import Sources, 2010.

<table>
<thead>
<tr>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. China</td>
<td>1. China</td>
</tr>
<tr>
<td>14.3%</td>
<td>17.3%</td>
</tr>
<tr>
<td>2. Japan</td>
<td>2. Japan</td>
</tr>
<tr>
<td>12.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>12.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>4. Hong Kong (S.A.R of China)</td>
<td>4. Republic of Korea</td>
</tr>
<tr>
<td>9.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>5. Republic of Korea</td>
<td>5. Saudi Arabia</td>
</tr>
<tr>
<td>5.5%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

**NOTE:**
ASEAN International Trade is mainly with non-ASEAN countries, but majority is with Dialogue Partners.
Myanmar has advantages

• Strategic Location - 40% of world population – neighbors .. huge markets
• Refor in the digital era
• Rich natural resources, gas/oil/minerals/precious stones
• Arable Land .. 25th largest; second largest (ASEAN)
• Water...10 times endowment .. China and India
• Large Working Age population 46 million and 3-5 million migrants
Myanmar has advantages

• Now, nearly all the sanctions lifted
• Support from International community, WB, ADB, EU, Japan, bilateral countries & institutions
• Trade Delegations—keen interest—from potential investors. But some say only “investigators”
• With infrastructures implemented, including DIGITAL TECHNOLOGY, connectivity and access to remote areas of the country for economic and public services
• Can become a potential tiger! But not little kitten!
Myanmar Should Diversify

• Not rely only on natural resources (non-renewable) but on potential 7 key sectors that could generate GDP exceeding $200 billion by 2030 and create 10 million additional jobs (non-agricultural) by 2030.

• To move from rural and agricultural sectors to manufacturing in order to absorb the excess underemployed population to the processing and manufacturing sector. And also to the services sectors, including Tourism.
Last word from Thai Ambassador to Myanmar

• “If you want to invest in business in Myanmar, you will have to do it within two years”
• “The new government has initiated political and economic reforms that are reintegrating Myanmar into the global community
• Myanmar was emerging into the third phase which focuses on good governance and clean government.................getting rid of all forms of corruption in the society.
• While others are saying not to be recklessly optimistic but to be with cautious optimism!
Conclusion

• It is important that the Government listen to the people.

• The President of Myanmar, U Thein Sein said that his government is implementing all the reforms in response to the desires of the people and it must be inclusive.

• He said, special attention to the rural development and poverty alleviation, as 70% of the people live in rural areas in Myanmar.
Conclusion

• After WEF, Myanmar will be the host to ASEAN Games at the end of this year and will chair ASEAN in 2014, followed by General Elections in 2015.

• There are many challenges for Myanmar as she takes her rightful place as a member of the global community.

• In conclusion, top priorities for Myanmar are public administration reforms, poverty alleviation and job creation and both hard and soft infrastructure, such as water supply, roads, electricity, education and health.
CONCLUSION: What should be the priorities?

- Agrarian Reforms *(to overcome land ownerships and disputes)*
- Building Planning and Statistical Capacity
- Focus on public sector *(strengthening public financial management)*; private sector *(investment climate)*, and financial sector *(regulatory reform and access to finance)*. Overall Capacity building in the public and private sectors.
- Short term training programs in both the public and private sectors
- Long Term academic capacity building in various professions
- World Bank three year in-house training program for various disciplines could be considered? If available now?
- Judicial reforms and technical assistance in the judicial system reforms including international rules and regulations such as streamlining procurement rules and procedures and international arbitrations and strengthening the rule of law
ขอบคุณครับ

Thank You

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All Pipes Lead to China

The Myanmar pipeline (5) will be part of China’s land-based network that includes completed pipelines from Russia, Kazakhstan and Turkmenistan. Routes and pipelines are approximate.

1 Oil imports from Kazakhstan began in 2006 and are set to increase significantly when expansion of the pipeline is completed early next year.

2 China began importing natural gas from Turkmenistan in 2009.

3 The China branch of Russia’s Eastern Siberia-Pacific Ocean pipeline carries 15 million tons of crude oil a year. Planned 2018 capacity: 31 million tons.

4 A memorandum was signed in March on a natural-gas pipeline from Russia into northeastern China starting in 2018.

Currently, crude oil from the Middle East and Africa is shipped through the Strait of Malacca. The Myanmar pipeline will be fed by a new shipping route.

5 The Myanmar-China pipeline is scheduled for completion soon.

Sources: Transneft; Kaztransoil; Gazprom; Shwe.org; China National Petroleum Corp.

The Wall Street Journal