

# National Workshop on Reforms for Economic Development of Myanmar

**Subject:** Setting up a favourable Macro-economic policy framework

**Presenter:** U Myint

**Venue:** Myanmar International Convention  
Centre (MICC)  
Naypyitaw

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**Time:** 14:20 – 14:40

# Micro and Macro Economic Policy

1. Economic matters dealing with a household, a business firm, or a village fall under micro-economics.
2. Economic matters dealing with the whole economy, such as the total output of a country, the national income, consumption, saving, investment, national budget, balance of payments, labour force, employment, etc.; fall under macro-economics.

# Trees and forest

1. Generally speaking, microeconomics look at trees.
2. Macroeconomics look at forest.
3. Sometimes, by paying too much attention to trees, we do not see the forest.
4. It can also happen, by concentrating too much on forest, we do not see the trees.
5. Both trees and forest are important.
6. At this workshop we look at the forest, keeping in mind trees are just as important. Because without trees there won't be any forest.

# Objective of macroeconomic policy

1. The aim of macroeconomic policy is to improve the well-being of the country's population by promoting:
  - (a) economic growth with
  - (b) stability,
  - (c) equity, and
  - (d) sustainability.
2. The above factors are linked to each other, but let us consider their situation with respect to Myanmar and also to think of ways to improve them.

# Myanmar's growth experience

1. Myanmar's stated objective is to become a modern developed nation that will stand shoulder to shoulder with other countries.
2. To stand shoulder to shoulder, Myanmar's growth and economic situation will have to be compared with other countries.
3. The experience with GDP growth of Myanmar compared to other Asian countries is given in paper "GDP growth rates: Myanmar and selected Asian countries".

# Making GDP growth comparisons

1. For period 2000 - 2008, Myanmar's average GDP growth rate in real terms grew at twice the rate of the average of other 18 Asian countries.
2. But Myanmar's national investment was only half these countries.
3. From 1948 to 1998 over 50 years, Myanmar economy experienced double digit growth 5 times. But there have never been a case where double digit growth occurred two years in a row.
4. From 1999/00 onwards Myanmar's GDP grew at double digit rates for 10 years in a row.
5. Many people feel Myanmar GDP growth statistics need to be reviewed.

# Stable economic growth

Economic stability involves two things:

1. First, there must be internal or domestic stability by keeping inflation low by maintaining reasonable balance in the government's budget and thereby avoiding too big increase in the money supply. This gives rise to "*demand-pull*" inflation -- too much money chasing after too few goods. The other type is called "*cost push inflation*" -- prices rise because costs increase -- such as transaction costs.

2. Second, there is external stability which requires a stable exchange rate and reasonable balance in the balance of payments.

# External stability

1. External stability is a big issue facing Myanmar at present. The rapid and sustained rise in the value of the Kyat over the past months has caused problems and concerns.
2. The paper titled "*Myanmar kyat exchange rate issue*", in English and Burmese, deals with this matter. It tries to:
  - (a) Explain why a country's exchange rate can rise suddenly and why this causes problems;
  - (b) Suggest measures to deal with the problems;
  - (c) A crisis often presents a good opportunity to start a reform process. The current kyat exchange rate problem should therefore be taken advantage of to start the reform of the Myanmar exchange rate regime. Some important steps to do this are mentioned briefly in the paper.

# External stability: threats from global financial crisis

1. On 2 May 1977, Myanmar's official exchange rate was fixed at:
  - 1 Special Drawing Rights (SDR) = K8.5058
2. This rate has never been changed.
3. But what is SDR? Why is Governor of Central Bank of China saying SDR should replace the US dollar as world money?
4. With USA's financial situation and the US dollar not in good shape, will there be downturn of the world economy which will affect poor countries?
5. Background to understand all this is presented in the paper "*IMF, US Dollar and Global Financial Crisis*".

# Equity

1. For equity, we will need to look at three things:
  - (a) Poverty
  - (b) Income distribution
  - (c) Employment creation

# Poverty

1. A paper has already been presented on poverty including pro-poor macroeconomic reforms.
2. I want to emphasize here what I have said in the paper: the first thing to do on poverty is to ask and listen to what poor people tell us and what they want us to do.
3. One other thing for poor people, not only their income but, what they consume -- household consumption expenditure -- is very important. This is discussed in the short note on "*Myanmar: pattern of household consumption expenditure.*"

# Pattern of household consumption expenditure

These are findings of paper:

1. For Yangon, no big change in household consumption expenditure pattern in 15 years from 1986 to 2001.
2. Only large change is in "*charity and ceremonials*".
3. For country as whole, average family spend 72% of consumption expenditure on food -- largest percentage in Asia.
4. Of fourteen state/divisions, income can cover expenditure in only two divisions.
5. Income distribution is uneven between state/divisions.
6. Household income/expenditure surveys for recent years should be published and distributed to general public.

# Income distribution

1. Corruption poses a big problem to improve income distribution and in undertaking economic, social and political reforms. Paper titled "*Corruption: causes, consequences and cures*" takes up following matters:
2. First, what is corruption
3. Second, what causes it
4. Third, what are its consequences
5. Fourth, what are its international aspects, and
6. Fifth, what should be done to control it.
7. It is suggested, the English version of paper be published in the New Light of Myanmar (English edition). This will be followed a week later by a Myanmar translated version to be published in New Light of Myanmar (Myanmar edition).

# Sustainability

1. Matters related to sustainable development and environment will be taken up in a big way at the international forum on "Green Economy and Green Growth".
2. This will be elaborated by the main organizers of the Forum which will be held in early November 2011.

# Policy research, Policy recommendations, implementation and follow up action: MDRI

1. Myanmar Development Resource Institute (MDRI) will soon be established in Yangon as an NGO, in accordance with guidance provided by the President.
2. There are three centres under MDRI:
  - (a) Centre for economic and social development
  - (b) Centre for strategic and international studies, and
  - (c) Centre for legal affairs

# MDRI

1. The Centre of Economic and Social Development of MDRI will undertake policy research, and assist in implementation and review of economic and social policies in the country.
2. Together with the other two centres, the Centre for Economic and Social Development will engage in capacity building, human resources development, information dissemination and will sponsor programmes and projects in areas of vital concern to the country.

# MDRI Partners

1. While, maintaining its independence, MDRI will cooperate closely with (a) government ministries; (b) members of political parties; (c) Hluttaw members; (d) academics, both within and outside the country; (e) business community; (f) civil society organizations; (g) media people; (h) NGOs; and (i) foreign partners.
2. MDRI looks forward to cooperate with our compatriots abroad, talented journalists, and young people with expertise and skills in numerous fields -- we will invite them back to join us in the nation building task that lies ahead.
3. We, on our part, will do our best to make MDRI an institution that deserves to receive the goodwill and expertise of our compatriots and young people abroad.

# Conclusion

1. To end on a happy note, I am pleased to report that two world famous Myanmar economists, and two of our most admired and respected sayagyis -- Dr. Hla Myint and Dr. Ronald Findlay, upon my request, have graciously agreed to serve as patrons of MDRI.

Bangkok, 27 July 2011. With Sayagyi Dr. Hla Myint



April 2007, Washington, D.C., USA; Woodrow Wilson International Center. From left to right: U Thet Tun, U Myint, Joseph Stiglitz, Ronald Findlay, U Myat Thein.

