**Leading Members of IDEAs Visit Myanmar to present their Perspectives on the Challenges of Myanmar's Economic Development, 25-28 August 2016**

Prof. Jayati Ghosh and Prof. C.P. Chandrasekhar, from IDEAs, were on a four day (25-28 August 2016) visit to Myanmar at the invitation of Actionaid Myanmar and its collaborative organizations to present their views on the challenges of Myanmar's economic development. During their visit, they met with policymakers, academic scholars, civil society activists, government officials and NGOs and interacted with them on the issues of economic development of Myanmar.


Their first meeting was held with the officials from the Ministry of Planning and Finance, Myanmar and members of the National Economic Coordination Committee in Nay Pyi Taw, which was jointly organized by ActionAid Myanmar and Mizzima Media Group. Then they had a meeting with the Minister of Commerce, which was followed by a dinner meeting with the Members of the Parliament of Myanmar. On 27th August 2016, they both spoke at a public meeting held on the subject: "Addressing Myanmar Challenges of Economic Growth, Development and Poverty Reduction", organized by Myanmar Economics Association, Mizzima Media, Renaissance Institute and ActionAid Myanmar in Yangon.


The event was attended by over 100 scholars and CSOs. The public talk provided a platform for a discussion on a range of issues and challenges of economic and social development of Myanmar. The trip ended with a round table discussion with the economists of Myanmar. The purpose of their visit was to interact with Myanmar policy makers, academic scholars etc. in order to share their perspectives on economic development strategies when Myanmar mulls over plans for socio-economic and human development.

Jayati Ghosh, in her presentation about addressing Myanmar's development challenges, highlighted some issues that are common to many developing countries, including Myanmar.

She began by stating that although development has been described in various manners she would consider in her discussion specifically of development as productive transformation which implies movement of the working population across sectors or increased value addition of work within sectors. This requires clear strategies, like first of all, planning in the sense of co-ordination across departments and official actors with a medium-term approach is needed; secondly, there is a need of trade and industrial policy without which a country can neither develop nor industrialize. In this context she mentioned how Korea, Japan and Singapore used extensive industrial policies in all kinds of ways but added that things would not be easy now in this age of 21st century where we have WTO and ASEAN trade agreements. Hence she stressed the importance of local content and how it was important to move from exporting raw products to process these products domestically before export, citing the cases of Congo in Africa, where the country had moved from the export of raw copper to processed copper and Ethiopia becoming the second largest flower exporter in the world, after Holland. She pointed out that Myanmar can also think of doing something in that line. Moreover, she suggested that Myanmar needs to exploit flexibilities available for LDCs in WTO and in ASEAN, and also cautioned that it needs to exercise great care when signing new agreements to maintain policy space.

The third important strategy she talked about was the use of social policy. She argued that social policy should be viewed as an essential part of development policy as successful development is not possible without social policy. Citing the example of the Nordic countries that used social policy as a tool for achieving development (expansion and universal delivery of basic services, especially in nutrition, sanitation, health, education was crucial to the Nordic model of development), she explained the benefits of this strategy. First of all, this has positive effects on employment and growth, directly and indirectly through the multiplier process. Since health and education are employment intensive sectors, when employment is generated people have income and they tend to spend more and in the local economy which gives rise to a strong multiplier effect. Secondly, more spending in health and education sectors will result in a healthy productive and skilled workforce. Referring to South Korea and Malaysia in this context and how they considered the importance of education and ensured that there are skilled workers at every level of production process, she said that this is also important for a country like Myanmar. Thirdly, lot of tensions is generated during the phases of rapid growth as people have different aspirations; people lose their land, their traditional livelihoods etc. Social policy helps to manage these social tensions generated by rapid development. And finally there is a need for more and better social protection to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle. She also pointed out that basic social protection measures often only cost a small percentage of national income even in severely resource-constrained countries; hence it will not be difficult for Myanmar to adopt such measures. She emphasized that for successful development investments is needed in physical as well as social infrastructure; and here comes a major role of the public sector. Increased public investment in physical and social infrastructure can “crowd in” private investment; and development of social infrastructure for example, improving education and skills of youth would enhance the competitiveness of the economy *vis-a-vis* other neighbouring countries. For financing the increased public expenditure she said that there is a need to increase direct tax collections through specific taxes and better tax administration. Moreover, renegotiation of terms and conditions for ‘resource rent’ (fee, royalties, revenue sharing terms etc.) particularly of natural resources like gas and power would also generate revenues for the government and Myanmar should exercise such bold options

so as to use its natural resources in a more efficient and prudent way to fund social sectors. Given Myanmar's past experience of an unaccountable government, Prof. Ghosh highlighted that it is very crucial that public expenditure processes should be transparent and socially accountable.

C.P. Chandrasekhar began by saying that they were there not to prescribe anything for the Myanmar government but to speculate on the possibilities open and the directions to be avoided by the country. He said that challenges would always be there when there is transition taking place from authoritarianism to democracy as Myanmar is experiencing currently. According to him, any strategy that focuses on reduced State intervention and making markets the driver of growth, is misplaced; because there may be many areas where the market may not deliver (market failure) or deliver with debilitating collateral damage (pollution, for example). The real challenge is to make the state more accountable and responsive to popular needs.

He pointed out that in the light of sluggish global demand, it is not appropriate to go for export-led growth in the current conjuncture. The need of the hour is a strategy that focuses on growth based on the domestic market. Such a strategy should also be able to earn a reasonable amount of foreign exchange. Fortunately Myanmar has an advantage given its natural and human resources base. With 70 per cent of the population dependent on rural activities, especially agriculture, ensuring increases in agricultural incomes that are reasonably well distributed through a combination of land reforms that provide land to the tiller or, at the least secure tenurial conditions, and crucial productivity enhancing investments are essential. The other requirement for sustaining home market-based growth is investment in infrastructure, physical and social, not just in irrigation, drainage and flood control, but in roads, transportation, power generation and distribution, human capital, etc. Investment is also required on cross-border transportation facilities such as ports and airports to ensure that trade (to earn foreign exchange and sustain investment) can be sustained. As experience suggests, domestic private sector can only marginally contribute here and the foreign sector would focus on areas where benefits are high or government concessions substantial. Hence government investment is inevitable in these sectors. Since Myanmar's tax-GDP ratio is woefully inadequate, and excessively based on indirect taxation, he advised that progressive direct taxation is very essential and provisions of tax holidays and exemptions in the name of encouraging the private sector should be abjured in order to increase mobilization of domestic resources.

Regarding FDI, he said that unrestricted opening up of the economy for foreign investment need not be the case for Myanmar and it should be encouraged to the extent that the country is able to service the cost of FDI. It should be allowed in sectors where it can enhance stability of the overall foreign reserve position and generate surpluses. Also it should be in the sectors that can bring in technology and innovation and improve productive capacities of the domestic players. Strengthening capacities of the domestic industry should also be seen as an objective of FDI. He emphasized that caution is needed in terms of FDI rules as some of the practices of the companies in transferring resources through transfer pricing and other mechanisms are associated with FDI.