

The Economy - Panel 1

1. Doing Business in Myanmar: From Socialism to Today – Jared Bissinger, Graduate Student, Macquarie University, Australia

Abstract: Economics has been at the centre of Myanmar's reform process, and though it may not have had practical impacts as important as the political changes, they will remain a key component of the country's reforms moving forward. Despite the announced rhetoric about economic changes, though, many businesses in Myanmar have seen only incremental improvements. Others have seen their situations deteriorate. A common refrain among local businesses is that while things might be changing at the macro level, little has changed in their day to day lives.

This paper explores the reasons behind these sentiments. It argues that the half century preceding reforms, in which successive socialist and military governments dominated and controlled the economy, still weigh heavily on Myanmar today. It explores the evolution of the business community over this time and how they responded to the incentives placed before them. The paper will focus especially on the interactions between government and business, and engage with the institutional economics literature to show the vital role that institutions play in encouraging growth and development of the private sector and the economy more generally. The institutions of socialist and military rule, both formal and informal, continue to dominate the common interactions of government and business. This paper seeks to explore their origins over the past fifty years as a prelude to understanding their effects today.

The paper will also explore how the institutions and incentives of the last half century have shaped the mind-sets of the private sector in Myanmar. It will explore how these have engrained ideas including short-term thinking and lack of investment in education, and how these affect the private sector and economic institutions moving forward.

2. Formation of Agriculture and Rural Welfare Policy in Burma from the late 1990s to end World War II – Asuke Mizuno, Associate Professor, Asia University, Japan

Abstract: The aim of this presentation is to clarify the concept and the underlying economic conditions of the Rural Reconstruction policy in Burma from the late 1930s to the end of WWII. We would like to focus specifically on the Land Alienation Act, the Tenancy Act, and the Rice Export Control Ordinance. Subsequent to the ruin of rural areas after the Great Depression of 1929, the British colonial administration appointed the Land and Agricultural Committee in charge of rural reconstruction in Burma. The committee boldly proposed land redistribution, tenancy restriction, and similar measures. The Burma Congress, which was founded in 1937, discussed the committee's proposal, and the Land Alienation Act and the Tenancy Act were passed in 1941. The idea behind these Acts was adopted in the Blue Print for Burma, which was prepared by the Burmese government in exile (in Simla) during WWII. The point is that these Acts were passed through the confrontation of various interests groups: the ICS, British export companies, Burmese landlords, Burmese merchants, Chettiars, and Indian rice

exporters. This presentation analyzes what kind of social order had been found in Burmese rural areas by the ICS and how they tried to reconstruct it with a welfare policy, as well as how the economic conditions such as disruptions in the price of rice on the global market affected the interests of the other interests groups.

The presentation aims to show how the economic policy of Burma after independence was rooted in the colonial regime by examining specific policy, even though independent Burma rejected the Blue Print presented by the British government. It indicates that this was the reason why the Acts that were meant to protect farmers, including the Land Nationalization Act (1953) and the Tenant Act (1965), which were adapted from the Acts mentioned above, were later used by the government to exploit farmers.

3. Industrialisation in Haste: :Lessons Learned from Burma's Quest for Modern Farms – Bo Bo Nge, Ph.D Candidate, Department of Financial and Management Studies, School of Oriental and African Studies (SOAS), University of London, United Kingdom

Abstract: Widespread cases of the forced acquisition of agricultural land from the farmers in favour of large conglomerated agribusinesses have been extensively reported in the local media in the past several years in Burma/Myanmar. This paper presents, in two parts, the findings of a study on land confiscations, rural tenure security, and rural administration.

The first part contradicts the vision sometimes officially expressed that the agribusinesses should take the leading role in the farm modernization drive since the large, modern farms operate more efficiently than the small-scale farms. This vision and its reasoning serve as a justification for land acquisitions in favour of the large businesses. In order to figure out what type of producer—large farms or small producers—is more efficient, I did the field study at a state-sponsored mechanized Model Farming Zone (MFZ) project. The project covers more than five thousand acres of paddy farmland and is located to the east of the city of Yangon. I presents, against the vision officially favoured, that the small producers are more efficient by analysing production and transaction costs structures in the MFZ from business and economic perspectives.

The second part of the paper concerns with the wider picture of the contemporary land acquisitions. Before the land acquisitions, the country had a fairly equitable holdings of land among the small producers, a situation deemed to be conducive to more comprehensive growth in the vision of many a development economist. Changing that favourable land-holding pattern in the post-1988 period resulted in land tenure insecurity felt among the farmers up and down the country. The paper suggested potential economic consequences from such a change, and explored root causes of the change in the existing system of rural and land administration which fails to embrace the participation of the farmers themselves.

4. The Railways of Burma: Their Past and Future – Lindsay Stubbs, Faculty of Business and Economics, Macquarie University, Sydney, Australia

Abstract: The railways in Burma play a key role in providing transport infrastructure for both passengers and freight. They are also a link between the past and the future: built by the British from 1877 until Independence in 1948, and expanded over the following years by civilian and military governments. Many images of Burma today are linked to the railways: from the Gokteik Viaduct, to the flower sellers at way-side stations on the branch line from Thazi to Shwenyaung, to the crowded carriages on the Circular Railway in Yangon. This paper will take a statistical overview of the railways of Burma, concluding that the freight operations have been seriously neglected for many years. The short-term economic consequences of this are important. The paper will also highlight recent railway construction, often of poor quality but nevertheless providing a vital service to rural communities, such as on the west bank of the Irrawaddy. The railways have been neglected in the move to the new, hopefully democratic Burma, with recent emphasis only being on an improved suburban railway in Yangon and improving the line from Yangon to Nay Pyi Daw. Whilst these lines are important, the southern line to Dawei and branch lines (for example, Mandalay-Lashio or Aungban-Loikaw) are in need of urgent improvement. Rolling stock (locomotives, freight wagons and passenger coaches) needs to be upgraded. Longer term, lines linking Burma to China and India are feasible, but construction will be difficult and expensive.

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5. Leaders on the Development Frontier: Hla Myint, Ronald Findlay and the Classical Tradition in Burmese Economic Thought – Sean Turnell, Associate Professor of Economics, Economics Department, Macquarie University, Sydney, Australia

Abstract: Burmese economists have been unusually prominent contributors to the evolution of economic thought. Standing out from them all, however, are Hla Myint and Ronald Findlay. Pioneers in the fields of economic development, trade, and the institutions that drive growth, their contributions to the land of their birth could have been decisive - had their counsel been taken. Effectively forced into exile, instead their contributions assumed a global importance. This paper examines the principal ideas of Hla Myint and Findlay, locating them within the discourse of 'classical economics', but as informed by the particular circumstances Myanmar bestowed upon their lives - as a space of Empire, a post-colonial nation state, a domain of doctrinaire socialism and military excess and, finally, as a country attempting to re-integrate into the world.

6. The Current Situation of Foreign Banking in Myanmar - U Soe Tin (Kyi Khin), Director (Retired), Central Bank, Managing Director(Retired), Myanmar Economic Bank, Advisor and Director, Myanmar Apex Bank

Abstract: One of the more prominent reform measures in the financial sector by Myanmar's new government is to take steps in making it a properly functioning system

on par with other economies that are plugged into the global environment. The reforms have thus far been limited reforms to the unification of the previous multiple exchange rates via a managed float that seems to be holding steady since April 2012; the liberalisation of foreign exchange restrictions through the promulgation of a new Foreign Exchange Management Law in August 2012; and attempts at “reinvigoration” of the banking sector by allowing private banks to expand their operations. There are hopes that in 2015, Myanmar will allow the entry of foreign banks, which have established representative offices in the country (23 at present count) but currently do not have operating branches. This paper aims to examine the impact of the concession to foreign banks on Myanmar’s financial sector, and the further reforms required in the institutional and regulatory areas.

7. Challenges of Conducting Field Research in Myanmar (with regard to financial data) – Sandar Win, Lecturer in Banking and Finance, Department of Accounting and Finance, Business School, University of Bedfordshire

Abstract: The paper reports on the challenges faced by the researcher in conducting field studies in Myanmar with the main emphasis in banking sector. It is motivated by the desire to share the experiences of the researcher in conducting field work in the context where there are limited prior studies using primary data. Irrespective of any discipline, research papers in Myanmar have been limited. Moreover, the trustworthiness of the available secondary data was doubtful, especially with the financial data provided by the government and the banks. Hence, the main objective of the study is to propose suitable research methods for data collection in the society where bureaucratic culture and lack of trust are prevalent. These findings were based on the researcher’s experiences in conducting interviews with banks in the UK, Singapore and Myanmar. It will be presented along with the similarities and differences faced by the researcher in applying appropriate research methods to collect required data. The study reveals that there are incompatibilities in applying Western research methodologies in Myanmar, thus, requires different methods of capturing qualitative data which could enhance the reliability and validity of the research.

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8. Business Conglomerates in Myanmar: Growth Engine or Obstacle against Reforms – Toshihiro Kudo, Senior Research Fellow, Department of Research Planning, Institute of Developing Economies, Japan External Trade Organisation (IDE-JETRO), Chiba, Japan (*This paper is co-authored with Aung Min*)

Abstract: The purpose of this paper is to identify the role of business conglomerates in the context of Myanmar economic reforms process. Are they a growth engine or just political cronies, which may deter Myanmar’s economic growth? We select some of the top conglomerates in Myanmar and describe their profiles, performance and business strategies, and examine the sources of growth and constraints for further growth.

Sources of growth and key success factors of the top business groups are the connection with the military government, contact with foreign companies and their business skills and competency. In context of economic reforms, so-called 'crony' businessmen have apparently recognized that the risks of challenging economic reforms. In addition, some founders and top management of conglomerates are still under the list of US sanctions. Market openness, media monitoring, and competition of local and foreign players, sanctions and changing trends of policy and economy limit growth of conglomerates. With limited options, the former 'cronies' have to change themselves from their murky past and rebrand and re-establish themselves as valuable contributors to the new Myanmar economy.

On the other hand, the US government needs to show the clear criteria based on which they put the business entities and persons in the sanction list. Moreover, the US government needs to show the due procedures how the business entities and persons under the sanction list can get out of it. Or the US government has no intention to lift the sanctions on them for good? The paper also suggests putting some measures to the government to create level playing field and encourage conglomerates to be involved in regional and international markets.

9. Myanmar's Diverted Export Sales to Singapore: Are Exporters Willing to Divert or Not? – Koji Kubo, Research Fellow, IDE-JETRO

Abstract: It is a common practice among Myanmar's private exporters to divert their export sales to Singapore. For example, when a firm exports beans to India, he receives payments from an Indian buyer at his Singaporean subsidiary's account, and later remits funds himself from Singapore to Myanmar. There were two factors that encouraged such export sales diversion, namely the U.S. economic sanctions that hampered foreign remittances to Myanmar, and Myanmar's cumbersome controls on exports.

Furthermore, sales diversion brings in both benefits and costs for Myanmar's exporters. Benefits include opportunities of maintaining assets in Singapore. Costs include the operational costs and corporate tax of subsidiaries in Singapore. We cannot presume *a priori* that the benefits surpass the costs.

For financial sector development in Myanmar, it is a challenge to repatriate the funds of exporters. The literature on informal funds transfer practices suggests that, rather than forcing exporters to repatriate funds, it needs to design regulations to give them incentives to cease sales diversion. In this regard, this paper aims to identify what gives exporters incentives to divert sales to Singapore.

Based on a questionnaire survey of 120 private export firms, we empirically examine the characteristics of exporters who diverted sales to Singapore. The empirical results indicate that exporters, where possible, refrain from diverting sales to Singapore. A

policy implication is that lifting Myanmar's cumbersome export controls will add to repatriation of exporters' funds, and subsequently to financial sector development.

10. Chinese Investment in Myanmar: The Case of the China Pipeline – Khin Maung Nyo, Senior Research Fellow, Centre for Economic and Social Development, Myanmar Development Resource Institute, Yangon

Abstract: China is the top investor in Myanmar during recent years. On one hand, Chinese investors seem to enjoy an early advantage, but on the other, Chinese investments have become targets for anti-Chinese sentiments and activities. This paper shares the preliminary findings of visits made in early 2013 to the areas “affected” by China's pipeline project. These findings could provide useful information for potential investors who are trying to explore the “last frontier” of investments.

Discussions with civil society in Rakhine and Upper Myanmar during field trips to these areas in early 2013 found that, generally, although the communities in these areas face common issues, publicity and popularity of the case depends on accessibility to the area, especially for the media and civil society. Surprisingly, although people in Upper Myanmar (Magwe and Mandalay Divisions) are facing the same fate as those in the areas in the west of the country, the media and NGOs learned relatively few information on the projects in Upper Myanmar, as the pipeline crosses through remote areas.

Furthermore, civil society is less active in Upper Myanmar than other ethnic regions: Rakhine and Shan. Additionally, the local communities are less aware of the activity of the non-governmental organizations. Common problems in the affected areas include: concern with the standard of pipeline construction and maintenance; potential risks of explosion of pipeline; post-construction responsibility and accountability with the pipe line; unfair and inappropriate compensation for the affected areas; unfair and inappropriate compensation for trees; low level of wages offered and lack of labor rights; corruption, especially the local officials; incomplete social responsibility pledges; deployment of military forces (Shan Region); creating illegal market by Chinese workers (Sex in Rakhine, drugs in Shan); civil war and Human Right abuses (Shan Region), and transparency and accountability with the project.

Local people usually blamed the local officials (not Chinese company) for ignoring proper rights and compensation requirements. However, the credibility of the Chinese company suffers at large, as civil society perceives that China is responsible for the weaknesses of the project.
