# ECONOMIC GROWTH AND DEVELOPMENT IN MYANMAR, 2001 - 2010, AND STRATEGIES AND PLANS FOR 2011 - 2020

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## 1. Introduction

Asia, including the Greater Mekong Subregion (GMS), has become the world's fastest growing region during the last few decades and the key player in restructuring the world's economic setting in the 21st century, which is often branded as the Asian century. The economies in the region are facing a number of challenges in environmental conservation because all developmental activities involve some amount of environmental degradation. While there are a number of different challenges in each economy, the environmental issue is a common challenge for all member economies of the region. However, the nature and extent of impact vary from country to country depending on the human, institutional, technological, and financial capability of the country concerned. Therefore, the critical point to be considered in policy making is to take into account the damage to environment as a result of development, and strike a balance between development and environmental protection (Field and Field, 2002).

Although the GMS is rapidly growing on average, its countries and peoples are at different development and income levels. Since most members of the GMS are developing economies with low levels of income and, in many cases, with weak human and institutional capacity, balancing economic growth and environmental sustainability has become crucial. This study attempts to review Myanmar's economic development performance during the last decade and consider emerging issues and challenges on the path to developing the country's economic sector without causing irreparable damage to the environment in the next decade.

## 2. Political Economy and Policy Regimes

Myanmar was one of the wealthiest nations within the region and its high potential for development was widely recognized when it gained independence from the British in 1948. However, from 1962 to 1988, Myanmar's fortunes underwent a dramatic turn-around for the worse, as a result of its poor marriage to a self-styled socialism.

The socialist system was dismantled and a market-oriented economic system was revived in the 1990s after the military assumed State power. With the consistent efforts made by the government and the extensive participation of private sector, the economy rapidly entered a recovery phase. Under the economic reforms, which provided an impetus to both public and private sector development, the economy underwent changes in many sectors such as infrastructure as well as the institutional and business environment and officially recorded high growth over the period. However, the restructured economic system of the post-1988 period was unable to achieve macroeconomic stability and Myanmar has remained one of the poorest countries in the world, with a per capita gross domestic product (GDP) in 2011 of about $821, according to an IMF estimate. This figure is lower than that of other Association of Southeast Asian Nations (ASEAN) countries, including the neighboring Lao People's Democratic Republic (PDR).

The State Constitution of the Republic of the Union of Myanmar was ratified and promulgated by the National Referendum in 2008, which declares Myanmar to be a market economy.

There are indications that together with the changes in the political system and the administrative structures following the 2010 national elections, attempts are being made to learn from the weaknesses and the flaws in policy, strategy and implementation of the previous periods. Legislation enacted in 2008 and the Special Economic Zones Acts of 2011 give incentives to investors while guaranteeing the people's interests. However, many other changes in terms of policy and strategies have yet to be made to achieve macroeconomic stability and targeted outcomes, and to ensure institutional cohesiveness and private-public collaboration that are vital for the realization of development goals.

## 3. Economic Structure

The structure of the economy in terms of the share of GDP by major sectors has remained substantially unchanged over several decades. For example, the share of agriculture in GDP in the fiscal year 1938/1939 is estimated to be 47.9% (U Myint, 2009), which remained unchanged after 50 years in 1988/1989. It continued more or less the same

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in the first decade of the new millennium, with a declining trend in the last few years only (Table 1).

Myanmar remains an agricultural country, with 70% of its population living in rural areas. The Government must seek all possible ways and means to achieve significant development in the agricultural sector. The most productive sectors are extractive industries, especially oil and gas, mining, and forest products, which makes the country vulnerable to the resource curse, including serious environmental degradation. Industrialization has shown little development, contributing 21.7% to the GDP with 11.0% of the labor force in 2008/2009. The share of manufacturing industry as a whole is about half that in higher-income ASEAN economies. The sector is dominated by private enterprises, which produced 92% of the total industrial output. The manufacturing and other modern facilitating sectors, which are the sectors that Myanmar must exploit if it is to follow the success-paths of its neighbors, are growing slowly against expected growth rates (Tin *et al.*, 2011).

The stagnation or very slow growth of manufacturing, transportation, communications, power generation, and financial institutions is, to some extent, indicative of flawed or inconsistent and incompetent policies in promoting industrialization (Myat Thein, 2004). The energy sector has experienced high rates of growth, while fluctuating substantially year by year depending on new capacity coming on stream. The construction sector also expanded rapidly in the second half of the decade with the construction of the new capital Nay Pyi Taw in central Myanmar and the implementation of various large infrastructure projects, including the Yangon-Mandalay motorway, Dawei and Kyaukphyu deep-sea port, and hydropower projects.

### 3.1 Foreign Direct Investment

The Foreign Investment Law enacted in November 1988 aimed at bringing foreign capital into the country. Although incentives were given to attract foreign investors, Myanmar was not a large recipient of foreign direct investment (FDI) as it was regarded as a highly risky destination due to the uncooperative policies, inconsistent regulations, poor infrastructure, unstable financial markets, multiple exchange rates, and later, economic sanctions.

Due to the economic sanctions imposed by the United States and some European Union countries since the late 1990s and early 2000s, the Asian region is the main source of FDI inflows into Myanmar. The huge differential between the official exchange rate and the market rate also continues to negatively affect FDI inflows and the competitive environment for the private sector. The State Economic Enterprises (SEEs) for instance, can import at the official rate and hence are at a huge competitive advantage over the private sector (Verbiest and Tin, 2011).

Myanmar's top two sources of FDI, the People's Republic of China (PRC) (inclusive of Hong Kong) and Thailand accounted for 71% of the total, followed by the Republic of Korea at 8% and the United Kingdom (inclusive of enterprises incorporated in the British Virgin Islands, the Bermuda Islands, and the Cayman Islands) at 7%. The FDI levels increased dramatically in 2006/2007 and remained stable until 2009, with the total permitted foreign investment amounting to $15,722 million as of 31 January 2009 and doubling to 35,518.440 million as of 31 January 2011 (Table 2).

**Table 1: Share of Agriculture, Industry, and Services Sectors in Myanmar's GDP, 2000/2001–2008/09 (%)**

| | % | | |
|---|---|---|---|
| Year | Agriculture Sector | Industrial Sector | Services Sector |
| 2000/2001 | 42.7 | 17.8 | 39.5 |
| 2001/2002 | 55.9 | 10.6 | 33.5 |
| 2002/2003 | 52.9 | 12.8 | 34.3 |
| 2003/2004 | 51.9 | 13.6 | 34.5 |
| 2004/2005 | 50.7 | 14.5 | 34.8 |
| 2005/2006 | 50.1 | 15.3 | 34.6 |
| 2006/2007 | 45.3 | 18.6 | 36.1 |
| 2007/2008 | 43.7 | 19.8 | 36.5 |
| 2008/2009 | 41.7 | 21.2 | 37.1 |

*Source*: CSO, Ministry of National Planning and Economic Development, Myanmar.

**Table 2: Foreign Investment in Permitted Enterprises by Sector ($ million)**

| Sector | As of 31.3.2000 | As of 31.3.2003 | As of 31.3.2005 | As of 31.3.2007 | As of 31.3.2009 | As of 31.1.2011 |
|---|---|---|---|---|---|---|
| | Approved Amount | | | | | |
| Power | | | | 6,311.222 | 6,311.222 | 14,529.742 |
| Oil and Gas | 2,308.373 | 2,403.173 | 2,600.023 | 3,073.478 | 3,357.478 | 13,815.375 |
| Mining | 524.115 | 526.740 | 534.190 | 534.890 | 1,395.886 | 2,395.386 |
| Manufacturing | 1,468.979 | 1,604.068 | 1,610.408 | 1,610.408 | 1,628.896 | 1,668.126 |
| Hotel and Tourism | 818.059 | 1,059.661 | 1,034.561 | 1,034.561 | 1,049.561 | 1,064.811 |
| Real Estate | 997.140 | 1,025.140 | 1,056.453 | 1,056.453 | 1,056.453 | 1,056.453 |
| Livestock and Fisheries | 283.617 | 309.758 | 312.358 | 312.358 | 324.358 | 324.358 |
| Transport and Communication | 275.687 | 283.272 | 313.272 | 313.272 | 313.272 | 313.272 |
| Industrial Estate | 193.113 | 193.113 | 193.113 | 193.113 | 193.113 | 193.113 |
| Agriculture | 14.351 | 34.351 | 34.351 | 34.351 | 34.351 | 96.351 |
| Construction | 17.267 | 37.767 | 37.767 | 37.767 | 37.767 | 37.767 |
| Other Services | 13.386 | 23.686 | 23.686 | 23.686 | 23.686 | 23.686 |
| **Total** | **6,914.087** | **7,500.729** | **7,750.182** | **14,535.559** | **15,726.043** | **35,518.440** |

*Source*: Statistical Yearbook, Central Statistical Organization, Ministry of National Planning and Economic Development, Myanmar. Various years.

The bulk of the FDI that Myanmar has attracted so far is concentrated in sectors related to natural resources extraction, such as power, oil and gas, and gem mining. Some 80% of total FDI is channeled to the power industry (41%), and oil and gas industry (39%). Such figures are a strong indication that the foreign investors are interested most in extracting natural resources of Myanmar. FDI levels remain low in economic sectors that require little resource use but promise high returns, with the manufacturing sector attracting 4.7%, livestock breeding 0.9%, transport and communication 0.9%, and agriculture 0.3% of FDI. The export-oriented garment industry had relatively less attraction to foreign investors, especially after economic sanctions were imposed in the early 2000s. The food and beverages industry produced 75% of total industrial output, mostly for the domestic market. Transport and communication, the most important sector to be developed in order to catch up with global market changes, received only 0.9% ($313.27 million) of FDI (Table 2). The sectors vital for import substitution, export promotion, and job creation while having very little impact on the environment, are exactly those that received the lowest proportions of FDI.

Barriers to FDI inflow, such as economic instability, fluctuations in the value of the local currency, and the use of multiple exchange rates, need to be addressed while modernizing the banking system, issuing currency legislation for transparent regulatory framework and avoiding frequent and/or arbitrary regulatory changes. Strategies will also be required to provide more incentives for investment in agriculture, livestock breeding, consumer equipment manufacturing, industrial manufacturing, and technology, rather than in natural resources extraction and use.

The environmental problems related to natural resource extraction and use are transboundary in nature and need to be considered regional issues rather than internal affairs of particular countries. The FDI structure in Myanmar is obviously not environmentally friendly and is definitely not headed in the direction of a green economy. Moreover, the investments in natural resources extraction have physical constraints that significantly restrict prospects for long-term development. Even the export of natural resources is carried out in raw form without value-added production or processing.

In order to maximize benefits from natural resources and reduce negative impacts, short-term measures, such as careful scrutiny of proposals, attracting investment for high value-added manufacturing, production based on existing industries, and enforcing accountability for side-effects through specific legislation, may be considered. Part of the revenue from natural resource extraction may also be channeled into public investments as productive expenditure to achieve the transformation of natural resources into human resources for long-term development.

Such human capital formation and domestic knowledge accumulation have the potential to attract other forms of investments, such as market-seeking and efficiency-seeking investments, providing a pathway out of the resource curse. Beginning with the period of economic transition, Myanmar has the opportunity to take advantage of other countries' experience and incorporate environmental conservation and sustainable long-term utilization of natural resources into its economic policies and strategies.

### 3.2 External Trade

Since Myanmar has pursued an export-led growth policy, the Government has encouraged exports promotion through relaxation and liberalization of trade policy. However, trade strategies, very often associated with free trade and government intervention concepts, were practiced. To be in line with the changing economic system, the Ministry of Commerce amended export and import policies and procedures with a view to developing external markets and adopted trade strategies to export all exportable surpluses, to import all the country's required goods, and to utilize human and natural resources effectively. It also promoted external trade not only in traditional exports but also more value-added commodities. Border trade was regularized in order to develop and strengthen bilateral trade relations with the five neighboring countries (MOC, 2010). Trade value increased from about $400 million in 1988/1989 to $11.77 billion in 2009/2010, an increase of more than 25 times (Table 3). ASEAN, the PRC, and India are major destinations for Myanmar's exports, accounting for more than 70% of total exports and about 90% of total imports.

The export structure of Myanmar has changed in line with the market-oriented system since 1999/2000. The garment sector grew rapidly and became a major foreign-exchange earner and job creation industry. Garment exports reached their peak in 2000/2001 and amounted to 30% of total exports, followed by agricultural products and natural gas (nearly 9%), which was a new export product at the time.

By 2008/2009, the major export items were natural resources, including natural gas (35.1% of total exports); precious and semi-precious minerals; and agricultural products (15.5%), mainly rice and rice products, pulses, maize, raw rubber, marine products, and forestry products (Table 4). Imports were almost equally shared among capital goods at 30%, intermediate goods at 33% and consumer goods at 37% .

Under such circumstances, diversifying export products, increasing export volumes, and improving the quality of the exports products should be among the main objectives of the export promotion policy. The import policy of Myanmar is to give priority to capital goods, industrial raw materials, and spare parts and other essential items. The Government needs to encourage public and private entrepreneurs to import commodities that will contribute to infrastructure development and production sectors.

## 4. Economic Growth and Development

In 1992/93, a 20-year plan consisting of 4 five-year short-term plans began. The first five-year plan spanning 1992 to 1996 achieved an average annual growth of 7.5%. The main drivers for the growth were the opening of trade as a result of the government liberalisation measures, the growth in tourism industry, and a short-term construction boom together with agricultural development based on successful rice harvests. However, during the second 5-year plan from 1996 to 2001, growth slowed as a result of repercussions from the 1997–1998 Asian financial crisis and economic pressure begun in the year 2000. But official statistics claimed 10.9 % and 13.7 % growth for 1999/2000 and 2000/2001, respectively, with an average annual growth of 6%. In this period, American and European economic pressure began, in connection with the political situation in Myanmar.

In the 2001–2006 plan, the Government claimed a better than expected economic growth performance of 12.9%. The principal aims of this plan were to build a more stable and diversified formulation for sustained growth of the economy, to attain the rank of agro-based industrialized nation, and to strive for balanced economy among the regions. Against the economic sanctions imposed by Europe and the United States, Myanmar was restructured and brought firmly into the orbit of the GMS and ASEAN. In order to transform itself to an agro-based industrializing nation, 18 industrial zones were established. The Myanmar Industrial Development Committee was formed to assist private entrepreneurs to acquire capital, raw materials, machinery and equipment, modern technology, and infrastructural facilities.

The fourth 5-year plan spanned 2006/2007 to 2010/2011, and aimed to achieve an average growth rate of 12.0%, maintain rapid economic growth, reduce poverty and implement the Millennium Development Goals (MDGs). Better-than-targeted annual growth rates were again claimed (Table 5), which on paper made Myanmar the fastest growing economy in the subregion. The main drivers for such growth were claimed to be more efficient land use, higher production, industrial sector development, and increased exports.

Claims of sustained double-digit economic growth for over a decade prompted studies by experts at home and abroad, raising questions over the growth rates claimed by

**Table 3: Myanmar Foreign Trade**

| Particulars | 2001/2002 | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 |
|---|---|---|---|---|---|---|---|---|
| **Export** | 2,544.25 | 3,062.85 | 2,356.81 | 2,927.83 | 3,558.00 | 5,232.70 | 6,401.70 | 6,779.10 |
| Normal | 2,253.80 | 2,546.01 | 2,077.97 | 2,580.42 | 3,127.70 | 4,585.50 | 5,655.00 | 6,121.50 |
| Border | 290.45 | 516.84 | 278.84 | 347.41 | 430.30 | 647.20 | 746.70 | 657.60 |
| | | | | | | | | |
| **Import** | 2,735.59 | 2,299.63 | 2,239.97 | 1,973.28 | 1,984.40 | 2,936.70 | 3,353.40 | 4,543.30 |
| Normal | 2,618.08 | 2,084.12 | 1,971.27 | 1,682.87 | 1,692.80 | 2,491.30 | 2,770.60 | 3,852.30 |
| Border | 117.51 | 215.51 | 268.70 | 290.41 | 291.60 | 445.40 | 582.80 | 691.00 |
| | | | | | | | | |
| **Trade Total** | 5,280.84 | 5,362.48 | 4,596.78 | 4,901.11 | 5,542.40 | 8,169.40 | 9,755.10 | 11,322.40 |
| Normal | 4,872.88 | 4,630.13 | 4,049.24 | 4,263.29 | 4,820.50 | 7,076.80 | 8,425.60 | 9,973.80 |
| Border | 407.96 | 732.35 | 547.54 | 637.82 | 721.90 | 1,092.60 | 1,329.50 | 1,348.60 |
| | | | | | | | | |
| **Trade balance** | (191.34) | 763.22 | 116.84 | 954.55 | 1,573.60 | 2,296.00 | 3,048.30 | 2,235.80 |
| Normal | (364.28) | 461.89 | 106.70 | 897.55 | 1,434.90 | 2,094.20 | 2,884.40 | 2,269.20 |
| Border | 172.94 | 301.33 | 10.14 | 57.00 | 138.70 | 201.80 | 163.90 | (33.40) |

*Source*: Ministry of Commerce, Myanmar.

**Table 4: Myanmar Exports by Commodity (%)**

| Commodity | 2000/2001 | 2001/2002 | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 |
|---|---|---|---|---|---|---|---|---|---|
| Agricultural Products | 18.15 | 17.63 | 14.07 | 16.59 | 10.95 | 12.28 | 13.31 | 13.26 | 15.53 |
| Animal Products | 0.29 | 0.25 | 0.11 | 0.09 | 0.10 | 0.10 | 0.06 | 0.06 | 0.07 |
| Marine Products | 7.33 | 5.03 | 5.59 | 6.84 | 6.20 | 5.56 | 4.52 | 4.68 | 4.06 |
| Timber | 6.30 | 10.97 | 9.38 | 14.51 | 13.43 | 13.32 | 9.79 | 8.40 | 5.97 |
| Base Metal and Ores | 2.54 | 1.68 | 1.41 | 2.41 | 3.28 | 3.13 | 2.13 | 1.35 | 0.48 |
| Precious and Semi-precious Minerals | 2.85 | 0.74 | 1.25 | 2.53 | 3.69 | 6.58 | 7.43 | 10.08 | 9.72 |
| Gas | 8.72 | 24.79 | 29.66 | 24.63 | 34.81 | 30.20 | 38.89 | 39.49 | 35.10 |
| Garment | 29.72 | 17.42 | 14.91 | 13.92 | 7.41 | 7.68 | 5.34 | 4.41 | 4.30 |
| Other Commodities | 24.09 | 21.48 | 23.61 | 18.47 | 20.13 | 21.15 | 18.55 | 18.28 | 24.77 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

*Source*: Ministry of Commerce.

the Government, especially those in the post 1999/2000 period. In the six decades of independence since 1948, the country achieved an annual double-digit growth twice in the 1950s (in 1950 and 1956) and 3 times in the 1960s (in 1962, 1964, and 1967). Those years were all immediately preceded or followed by a negative growth year. But the double-digit growth rate beginning in 1999/2000 was claimed to have continued for over a decade. Such sustained double-digit growth represents a sharp break with the country's development experience in the entire post-independence era (U Myint, 2009).

The International Monetary Fund (IMF) and World Bank noted that no developing country anywhere in the world has ever achieved such growth and that given the regional and international situation, the robust growth claimed by Myanmar was highly controversial. While real GDP growth was about 6%–7% in the 1990s and appeared to be in line with other indicators, double-digit growth claimed for 1999-2000 and continued over the last decade, together with many other indicators, suggests a substantial overvaluation of GDP. The IMF estimates average growth at around 4.5%–5% over the past decade, significantly lower than that of Cambodia, the PRC, the Lao PDR, and Viet Nam (Table 6).

There are several reasons why Myanmar GDP growth is controversial among national and international observers. One of the reasons would be the weakness of the System of National Accounts (SNA). Compiling GDP estimates is just the first step of a comprehensive analysis of the economic development trajectory. The SNA has many weaknesses and has been revised from time to time. Two estimators using two different versions of SNA will give different GDP estimates at the same time. Although the compilation of macroeconomic variables requires special skills and extraordinary efforts, the best estimate is no more than an approximation (Studenski, 1958). However, errors are more often due to gaps and inaccuracies in the data. Also, coverage of the economy in terms of formal and informal economic activities will make GDP estimates different; the use of different methods of deflation and inflation (single/double) is another factor to be considered. In the case of Myanmar, the most questionable factor is the use of exchange rates in constructing GDP estimates (Table 7).

**Table 5: Economic Growth Trajectory, Myanmar, 1981/1982–2008/2009**

| Fiscal Year | GDP growth rate (%) | Fiscal Year | GDP growth rate (%) | Fiscal Year | GDP growth rate (%) |
|---|---|---|---|---|---|
| 1981/1982 | 6.4 | 1991/1992 | -0.7 | 2001/2002 | 11.3 |
| 1982/1983 | 5.4 | 1992/1993 | 9.7 | 2002/2003 | 12.0 |
| 1983/1984 | 4.3 | 1993/1994 | 6 | 2003/2004 | 13.8 |
| 1984/1985 | 4.9 | 1994/1995 | 7.5 | 2004/2005 | 13.6 |
| 1985/1986 | 2.9 | 1995/1996 | 6.9 | 2005/2006 | 13.6 |
| 1986/1987 | -1.1 | 1996/1997 | 6.4 | 2006/2007 | 13.1 |
| 1987/1988 | -4 | 1997/1998 | 5.7 | 2007/2008 | 11.9 |
| 1988/1989 | -11.4 | 1998/1999 | 5.8 | 2008/2009 | 10.7 |
| 1989/1990 | 3.7 | 1999/2000 | 10.9 | 2009/2010 | 10.4 |
| 1990/1991 | 2.8 | 2000/2001 | 13.7 | | |

*Source*: CSO, Ministry of National Planning and Economic Development, Myanmar.

**Table 6: Growth Rate of Myanmar's GDP (% per year)**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Cambodia | 13.3 | 10.8 | 10.2 | 6.7 | 0.1 | 6.3 |
| PRC | 10.4 | 12.7 | 14.2 | 9.6 | 9.2 | 10.3 |
| Lao PDR | 7.3 | 8.1 | 7.9 | 7.2 | 7.3 | 7.5 |
| Myanmar[a] | 13.6 | 13.1 | 12 | 10.2 | 10.4 | 10.8 |
| Myanmar[b] | 4.5 | 7.0 | 5.5 | 3.6 | 5.1 | 5.3 |
| Thailand | 4.5 | 5.1 | 5.0 | 2.5 | -2.3 | 7.8 |
| Viet Nam | 8.4 | 8.2 | 8.5 | 6.3 | 5.3 | 6.8 |

*Notes*: a Official GDP

b Adjusted based on weighted exchange rate, IMF

*Source*: ADB. 2011. *Asian Development Outlook 2011*. Manila. Table A1.

**Table 7: Economic Growth and Macroeconomic Indicators, Myanmar**

| | Economic Growth | Inflation | Exchange Rate (Official) | Exchange Rate (Market) |
|---|---|---|---|---|
| 1999/2000 | 10.9 | 15.2 | 6.2 | |
| 2000/2001 | 13.7 | -1.7 | 6.5 | 627 |
| 2001/2002 | 11.3 | 34.5 | 6.7 | 936 |
| 2002/2003 | 12.0 | 58.1 | 6.5 | 979 |
| 2003/2004 | 13.8 | 24.9 | 6.0 | 912 |
| 2004/2005 | 13.6 | 3.8 | 5.7 | 1,067 |
| 2005/2006 | 13.6 | 10.7 | 5.8 | 1,281 |
| 2006/2007 | 12.7 | 26.1 | 5.7 | 1,302 |
| 2007/2008 | 10.2 | 32.9 | 5.5 | 1,206 |
| 2008/2009 | 10.4 | 22.5 | 5.5 | 1,081 |
| 2009/2010 | 10.8 | 8.2 | 5.4 | 973 |

*Source*: CSO, Ministry of National Planning and Economic Development, Myanmar.

Under these circumstances, a single indicator, such as GDP growth, cannot measure the economic success of a nation, which encompasses much broader areas of the economy and the people's welfare as well as the physical environment. In other words, GDP growth in Myanmar can only serve as one of the indicators and a proper overview of the country's socioeconomic life will require the consideration of other macroeconomic and social indicators.

According to the classic economic theory, investment levels play a vital role and have a strong positive correlation with GDP growth, making investment ratios a highly pertinent macroeconomic indicator. The investment ratio in Myanmar over the past decade was 12–15. Viet Nam had an investment ratio between 35 and 40 and an average growth of about 8% during the same period. Similarly, the PRC had much higher investment ratios than Myanmar and an average growth rate of about 10% over the decade. Among the GMS countries for which investment data are available, the investment ratio in Myanmar is the lowest (Table 8).

## 5. Human Resources Development

The role played by human capital in the development of the country is as important as that of physical capital, if not more important, as economic growth and human resource development are mutually reinforcing. In evolutionary economics, the best investment for the future of a country is considered to be human capital formation. Myanmar's rating in the Human Development Index (HDI), a social indicator, has fallen behind that of other GMS countries (Table 9).

**Table 8: Gross Domestic Investment (% of GDP)**

| | 2000 | 2005 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Cambodia | 17.5 | 18.5 | 16.0 | 18.5 | 19.0 |
| PRC | | | 48.2 | 23.8 | |
| Myanmar | 12.4 | 13.2 | 14.6 | 15.2 | 14.2 |
| Thailand | 22.8 | 31.4 | 21.2 | 26.0 | 27.9 |
| Viet Nam | 39.6 | 35.6 | 38.1 | 38.0 | 36.4 |

*Source*: International Monetary Fund. 2011. *World Economic Outlook Database*. April 2011 Edition. Washington, DC.

**Table 9: Human Development Index in GMS Countries (country ranks and scores)**

| Economies | 2005 | | 2010 | | 2005–2010 Change | |
|---|---|---|---|---|---|---|
| | Rank | Score | Rank | Score | Rank | Score |
| Cambodia | 125 | 0.466 | 124 | 0.494 | 1 | 0.028 |
| PRC | 81 | 0.616 | 89 | 0.663 | 8 | 0.047 |
| Lao PDR | 126 | 0.460 | 122 | 0.497 | 4 | 0.037 |
| Myanmar | 138 | 0.406 | 132 | 0.451 | 6 | 0.045 |
| Thailand | 93 | 0.631 | 92 | 0.654 | 1 | 0.023 |
| Viet Nam | 114 | 0.540 | 113 | 0.572 | 1 | 0.032 |

*Source*: http://hdr.undp.org/en/media/HDI-trends-1980-2010.xls (accessed on 7 May 2011).

**Table 10: Components of Human Development Index**

| Economies | Life Expectancy at Birth (years) | | Mean Years of Schooling (adults aged 25 years and above) | | Expected Years of Schooling of Children (years) | | GNI Per Capita (2008 US$ at PPP) | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | 2010 | 2005 | 2010 | 2005 | 2010 | 2005 | 2010 |
| Cambodia | 59.4 | 62.2 | 5.7 | 5.8 | 9.7 | 9.8 | 1,511 | 1,868 |
| PRC | 72.6 | 73.5 | 7.1 | 7.6 | 10.7 | 11.4 | 4,434 | 7,258 |
| Lao PDR | 63.6 | 65.9 | 3.9 | 4.6 | 9.0 | 9.2 | 1,693 | 2,321 |
| Myanmar | 60.6 | 62.7 | 3.5 | 4.0 | 8.9 | 9.2 | 1,102 | 1,596 |
| Thailand | 68.4 | 69.3 | 5.9 | 6.6 | 13.5 | 13.5 | 6,955 | 8,001 |
| Viet Nam | 73.8 | 74.9 | 4.9 | 5.5 | 10.4 | 10.4 | 2,274 | 2,995 |

*Source*: Human Development Report 2010 - 20th Anniversary Edition.

As can be expected of a least developed country (LCD), the HDI ranking for Myanmar is 132 out of 169 countries, significantly lower than that of other GMS countries. However, the overall HDI ranking changed faster than other member countries, showing an increase of 11% or average annual increase of about 2.1% between 2005 and 2010. Similarly, the components of HDI (Table 10) reveal progress in Myanmar over the period. In terms of gross national income (GNI) per capita, Myanmar increased 45%, below that of the PRC (64%) but higher than that of other GMS countries: Cambodia (24%), Lao PDR (37%), Viet Nam (32%) and Thailand (15%). Although most of the components are lower than those of all members, mean years of schooling and expected years of schooling increased by about 0.5 and 0.3 years, respectively, while life expectancy at birth increased slightly by over 2 years.

A quality basic education system is a prerequisite for human resources development, as is a healthy and knowledgeable workforce. For longer-term development and growth, investments in health and education sectors leading to human resources development will be essential. Myanmar's low HDI ranking is due mainly to the government's low levels of spending on health and education - 0.2 % and 0.8% of GDP in 2010 (ADO 2011), a lack of coherent and continuous education policy, failure to create knowledge-based employment opportunities, and lack of incentives for academic pursuits. In the case of education, the frequent suspensions of tertiary education classes and changes in the education system severely affected the quality of education in Myanmar over the last two decades. Public sector expenditure on education decreased from about 1.9% of GDP in 1990 to 0.6% in 2010. Consequently, education indicators for Myanmar are well below those of its neighbors and peers. However, there has been a series of reforms introduced to improve quality and accessibility of education across the country and a substantial expansion of private sector education in the past decade.

Water quality and quantity are of economic, social, and environmental importance. The proportion of population with sustainable access to an improved water source was 66% in 2000 and increased to 71% in 2008, which is much higher than two other GMS countries, Cambodia and the Lao PDR. Similarly, the proportion of population with access to improved sanitation facilities in Myanmar increased from 65% in 2000 to 81% in 2008, while in Cambodia and the Lao PDR, the corresponding proportions were 29% and 53%, respectively (Table 11). However, Myanmar's freshwater resources are threatened by overexploitation and pollution both from industrial and domestic waste. Also, several damming projects such as the Ayeyarwady Myitsone

**Table 11: GMS Social Indicators**

| Economies | Improved water source (% of population with access) | | Improved sanitation facilities (% of population with access) | |
|---|---|---|---|---|
| | 2000 | 2008 | 2000 | 2008 |
| Cambodia | 46 | 61 | 17 | 29 |
| PRC | 80 | 89 | 49 | 55 |
| Lao PDR | 48 | 57 | 26 | 53 |
| Myanmar | 66 | 71 | 65 | 81 |
| Thailand | 96 | 98 | 93 | 96 |
| Viet Nam | 79 | 94 | 57 | 75 |

*Source*: World Development Indicator, World Bank, available at http://databank.worldbank.org/ddp/home.do (accessed on 19 May 2011)

Hydropower project, are threatening sustainable freshwater resources and the whole ecosystem of the country.

## 6. Environment and Biodiversity

Different economic systems practiced in Myanmar throughout its post-independence period have shaped the Myanmar economy and will continue to shape it in futurewell. For several decades, Myanmar had implemented the National Development Plan with the aim of accelerating growth, achieving sustainable development, and reducing socioeconomic disparities between rural and urban areas of the country. While rapid growth is being pursued as the top priority in the short term, the long-term strategy must be to strive for sustained and stable growth of the economy guided by a philosophy of environmentally sound development that improves the quality of life of the people, makes proper use of natural resources, and protects essential ecological processes and biodiversity (MNPED, 2010). In practice, it seems easier to set the economic policy priorities in favor of rapid growth rather than balanced growth with economic sustainability. The mechanism of realizing sustainable development is usually slow in yielding concrete benefits, making it more difficult to justify the sacrifices in economic growth for future environmental sustainability.

Myanmar is indeed very rich in forest resources, with approximately half the total land area under forest cover. The variety of climatic zones from temperate to arid and tropical allows different forest types to exist: temperate forests in the north, deciduous and dry forests in the central regions, and semitropical rain forests in the south. They are home to over 50,000 different plant species, including 2,100 tree species, 840 kinds of orchid, 96 varieties of bamboo, and 32 different types of cane. Myanmar's forest cover declined from 61% in 1975 to 59% in 1989, to 52% in 1998, and to 47% in 2010. The annual deforestation rate is about 0.3% of total country's area (MOF, 2001) while another source stated that the rate is about 1.4%, which is one of the highest among ASEAN countries (MOF, 2004).

Environmental preservation activities in Myanmar have gathered some momentum. Under the Myanmar Forest Policy (1995), 30% of the total land area is designated as reserved forests, and 5% as Protected Area System (PAS). Currently, there are 43 PAS areas, of which 34 have been notified, 9 proposed, and 121,911 km$^2$ reserved (MOF, 2009). In 2001, 19% of the country's area was legally classified as Reserved and Protected Public Forests (16.48% and 2.67% respectively. By adopting the MDGs and implementing the 1995 Myanmar Forest Policy, the total area of both types of forests increased to 23.2% of total land area in 2006 (MOF, 2009). Similarly, the private sector is now allowed to grow teak on a commercial basis. Establishment of forest plantations is making progress, albeit rather slowly.

Myanmar is also rich in biodiversity; however, loss of biodiversity due primarily to socioeconomic pressure is unavoidable in a developing country like Myanmar. The general trend toward a decrease in the wild animal population became apparent over the past 20 to 30 years, due partly to habitat destruction, and partly to small populations failing to sustain a viable rate of reproduction in the wild (FD, 2009). In particular, the downward trend is apparent with large mammals, such as tigers and elephants, because of reduction of their altered sex ratio and home range reduction by human activities.

As much as 95% of Myanmar households use solid fuels, such as firewood, for cooking. Nevertheless, Myanmar, has the lowest carbon dioxide emissions in the GMS (MOF, 2009). Also, fewer people than elsewhere in the subregion are affected on average by natural disasters (Table 12).

**Table 12: Carbon Emissions and Disasters**

| Economies | Carbon Dioxide Emission Per Capita (ton) | | Population Affected by Natural Disasters (average per year, per million people) |
|---|---|---|---|
| | 1999 | 2006 | 2000–2009 |
| Cambodia | 0.1 | 0.3 | 62,992 |
| PRC | 2.3 | 4.6 | 96,359 |
| GMS | 1.1 | 1.8 | 43,613 |
| Lao PDR | 0.1 | 0.2 | 24,535 |
| Myanmar | 0.2 | 0.2 | 5,989 |
| Thailand | 3.3 | 4.3 | 46,173 |
| Viet Nam | 0.6 | 1.2 | 25,632 |

*Source*: Human Development Report 2010, Table 7, p: 170-171

Myanmar has acknowledged the need to integrate environmental considerations into its economic policies and poverty alleviation programs. It has established a National Sustainable Development Strategy (NSDS, 2009) with the vision of "Well-being and Happiness for Myanmar People" and similar plans to strengthen institutions, monitor and enhance environmental quality, provide environmental education, and raise public awareness. The most critical constraint for improving environmental management is the absence of clear institutional responsibility and the lack of effective enforcement associated with limited technological and organizational capabilities. In order to promote environmental conservation, the Government, private entities, and donors should employ both moral and profit motive approaches for the business sector and communities in rural and urban areas to take into account the damage to environment as a result of development and strike a balance between development and environmental protection.

## 7. Regional Connectivity

Myanmar is of geopolitical importance for regional connectivity with its location at the junction of East Asia, Southeast Asia, and South Asia, and a potential central hub for exchange of goods, services and technology. The country is a full member of several regional and subregional organizations apart from the GMS. Underdeveloped infrastructure and an unfavorable institutional and business environment seriously limit Myanmar's economic participation in regional and global networks. Cross-border connectivity plays a very important role in this scenario. Establishing better connectivity will allow Myanmar and other GMS countries to create possibilities for collaboration between them and to expand economic synergies for development in the broad Asian region.

### 7.1 Physical Connectivity: Transport

There are three main economic corridors that have so far been defined in the GMS Program, namely, the East-West Economic Corridor (EWEC), running from the Da Nang Port in Viet Nam, through Lao PDR, Thailand, and to the Mawlamyine Port in Myanmar; the North-South Economic Corridor (NSEC), which covers the major routes running from Kunming to Chiang Rai to Bangkok via Lao PDR and via Myanmar, and from Kunming to Hanoi to Haiphong (and most recently, from Nanning to Hanoi); and the Southern Economic Corridor (SEC), which runs through southern Thailand, Cambodia, and southern Viet Nam. The PRC and India have suggested to the Myanmar Government that the 1,726 kilometer Stilwell Road, which could serve as an important road link between the world's two most populous nations, be reopened.

With the assistance of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Asian Development Bank (ADB), and Mekong River Commission, the East-West Economic Corridor project is being implemented not only to improve freight transportation and to facilitate trade in the subregion but also for the development of a transportation network across the GMS, mainly in Cambodia, Lao PDR, Myanmar, and Viet Nam (Cho, 2008). The EWEC is designed to be the direct and continuous land route between the Indian Ocean and the South China Sea. The highly efficient transport system will strengthen economic cooperation between the Lao PDR, Myanmar, Thailand, and Viet Nam by linking two port cities: Mawlamyine in Myanmar and Da Nang in Viet Nam. Although the EWEC connects eastern ASEAN countries, the Western Economic Corridor (Mawlamyine to Tamu) and SEC are the key base to establish a Mekong-India Economic Corridor (MIEC) by extending the link to Dawei in Myanmar.

The Dawei project will cover an area of approximately 250 $km^2$ (on shore) and consist of three major components: deep sea port; industrial estate; and cross-border road, rail, and pipeline link with connecting electrical transmission lines to the Myanmar/Thai border. The total project investment cost of infrastructure and supporting facilities is estimated to be $8.6 billion, and the required investment from potential industrial investors in the industrial estate is estimated to exceed $50 billion (ITD, 2010). The project will reduce logistical and labor costs for GMS members while creating job opportunities in Myanmar. It will bring good opportunities for the region as a whole since Dawei port will serve as a new commercial gateway providing an alternative sea route to the PRC, India, Middle East, Europe, and Africa that will reduce dependence on the congested Straits of Malacca and yield significant savings in transportation time and logistic costs (MPA, 2010).

Connecting the GMS and India was more or less initiated by the establishment of Mekong-Ganga Cooperation (MGC) in 2000 in the Lao PDR. After completion of EWEC transport network, it will be possible to travel by road from India to Viet Nam passing through Myanmar, Thailand, and the Lao PDR. India has also proposed an India-Myanmar-Thailand trilateral highway to extend to Cambodia and the Lao PDR with the aim of fostering greater cooperation within the

Mekong region (ADB, 2010). The MGC is advantageous for Myanmar as it will enable direct trade, transit trade, and the development of special economic or industrial zones along the corridors (e.g., Yangon, Mandalay, Monywa, Myingyan, Mawlamyine, Dawei, and Kyautphyu) as well as trade posts in the border areas (e.g., Myawaddy, Tamu, Rhi, and Muse). Development of economic corridors and transportation networks will reduce not only transport costs but also growth differentials among the countries in the subregion (Tin *et al.*, 2011).

The PRC is developing another project for building a deep sea port at Kyaukphyu in western Rakhine State. The main harbor at Kyaukphyu will link to a new 1,950 kilometer highway to be built from Kyaukpyu of Myanmar directly to Kunming, the capital city of Yunnan Province. The project will shorten the overall distance by thousands of kilometers and will save money and time for the PRC by sending their products to the west and Middle East through Myanmar instead of passing through the Malacca Strait (MPA, 2010). As both the Dawei and Kyaukphyu projects are designed to develop the deep sea port with industrial zones and transportation links, they will promote not only trade volume but also FDI in the GMS.

Myanmar is located at a strategic geographical location in the GMS. Development programs in the subregion will depend to a significant extent on subregional connectivity. As it is costly for GMS countries to reach the Indian Ocean through the Malacca Straits, Myanmar can serve as a gateway via the EWEC and SWEC corridors. However, the current economic projects being implemented in Myanmar are faced with delays due to economic sanctions and the effects of the international financial crisis.

Some political and security issues require bilateral and multilateral attention, especially territorial and border issues between neighboring countries. The territorial issues and armed ethnic groups along the border areas of Cambodia, the Lao PDR, Myanmar, Thailand, and Vietnam have impeded the implementation of regional cooperation programs. Illicit trade (of timber and precious stones from Myanmar to Thailand, for example), trafficking in persons and transnational crime are also challenges that require resolution before the regional cooperation programs can proceed fully.

While the infrastructure projects are implemented in order to improve regional connectivity, capacity for proper management in conservation of the natural environment needs to be built. Environmental friendly practices, such as proper waste management, low carbon emission techniques, and systematic treatment, are to be set up in the industries of special economic zones, but some environmental degradation and pollution of soil, air, and water will occur. International organizations may give special consideration to environmental conservation in Myanmar in providing financial and technical assistance.

### 7.2 Institutional Connectivity: Trade

Myanmar has shown an interest in cooperating more closely with the ASEAN member countries and has joined the ASEAN Free Trade Area (AFTA) to be implemented from 2015, covering nearly 3 billion people. With the expansion of markets for ASEAN countries, competition for market share is also likely to intensify. Import prices in the region will be lower leading to greater domestic consumption and increased trade. However, the private sector in Myanmar, as well as in Cambodia, the Lao PDR, and Vietnam, have raised concerns about the consequences of imminent economic freedom.

Myanmar has little experience in market economic practices and poor access to the necessary technology and financial resources. Under such circumstances, plunging into direct competition with more experienced countries under AFTA is likely to have more harmful than beneficial effects. Within the new setting of a regional market, Myanmar will need to attain market competitiveness, quality competitiveness, and product competitiveness for its survival and growth.

The Myanmar economy is based on primary sectors and relies on exports of raw material rather than value-added products. While there are advantages, such as rich natural resources and low labor costs, much work remains to be done before the advantages can be translated into a competitive edge in trade. Export promotion is closely linked to increasing productivity. In other words, greater competitiveness in any economic sector requires greater productivity, which in turn calls for either improvements in efficiency or an increase in capital intensity, or both. There is a great potential in Myanmar to create a highly skilled labor force, strong technology, and knowledge base, high-tech infrastructure, and corporate governance through dynamic and coherent economic strategies (Rasiah, 2007; Rasiah and Myo, 2011). But at present, Myanmar's efforts to achieve market competitiveness have fallen far behind the required levels in almost every aspect. Clearly, Myanmar requires a preparatory period before it can hope to compete with countries in the region on what can be considered an equal basis.

During such a period, Myanmar needs to be considered a complementary trade partner rather than a market competitor. It can serve as a regional food basket, a logistic hub, an energy supplier, or a host to supportive manufacturing industries, while preparing for survival and growth with good long-term prospects for a strong economic position in the regional market.

## 8. Development Prospects for the Economy

An indicator for successful policy making by a government would be the achievement of its development objectives to the greatest extent possible with the minimum use of its natural resources. In Myanmar, a mixed economic system that originated in the colonial period was practiced after the gaining of independence until 1962. It gave way to the centrally-planned "Burmese way to socialism" between 1962 and 1988. After that, the State Peace and Development Council adopted a market-oriented economy with some success. However, according to macroeconomic indicators, Myanmar has fallen behind its neighboring countries.

An overview of the 60-year economic trajectory of Myanmar reveals a lack of balanced and accurate judgment of the realities within the country in the formulation and implementation of national economic policy, lack of competence and experience in economic management, impractical policies, high levels of corruption, and a general lack of good governance.

The new Government that came to power in April 2011 seems to be steering the country in the direction of reform, with the President U Thein Sein calling for clean government, good governance, and poverty alleviation to lift the country out of the least developed country (LCD) status. There have been efforts toward tripartite cooperation and collaboration among the Government, businesses, and professionals for national development through evaluation of the realities in the country and through reforms. For short-term economic stability and growth, the Government claims to be working to revise export-import licensing and taxation; control the extraction, utilization, and export of natural resources; control foreign exchange market fluctuations; obtain assistance from international organizations for financial sector reform and exchange rate unification; improve functioning of the banking sector and the rationalize interest rates; regularly publish accurate economic statistics; and ensure efficient good governance through transparency, accountability, and credibility.

An important issue that the new Government is facing is the rapid appreciation of the local currency, leading to widespread instability in all sectors of the economy, with significant impact on export activities such as agriculture, fisheries, and garment industry that directly impact the rural population and the labor force. While the immediate impact falls on businesses, brokers, and business owners, the price instability in the forthcoming growing and harvest seasons threatens to undermine the rural economy extensively. Damage control measures that have been put in place include reduction in tax rates (with export tax rates being reduced from 10% to 2%, while the withholding tax of 2.5% has been revoked), reduced taxes or tax holidays for agricultural exports, speedy processing of export-import procedures, and setting up of monitoring units to respond to market conditions in real time. Currently, the interest rates in Myanmar, set at 12% for deposits and at 17% for loans, are the highest in the subregion and ASEAN. This is a clear symptom of an underdeveloped banking system impeding the development of small and medium enterprises.

At the same time, agricultural development is being undertaken as part of poverty alleviation, using a multidisciplinary approach. Capital and technology investment is necessary for large-scale farming that can achieve economies of scale and boost productivity. Currently, farmers will be provided with access to microfinance and farm-related technology. To counter the effects of declining prices for agricultural produce and the local currency appreciation, government interventions for government-led economic stabilization and growth are being implemented.

Past experience suggests that the formulation and implementation of economic policies for national development can prove challenging due to weaknesses in implementation and strategy development combined with inflexibility or lack of timely response in the face of market shifts. While there has been insufficient time for a meaningful evaluation of the progress made by the new Government, the new economic measures are considered to be responsive to the needs of the market and on the right track toward economic stability.

At the same time, the principle of unity in diversity is being practiced to maintain political stability in the country, with nascent positive cooperation among political parties. To ensure social stability, measures are being planned to narrow inequalities among nationalities, regions, and the towns and villages. Policies and procedures for the delegation of authority from the Union Government to the Regional/State government bodies is also hoped to contribute to the resolution of ethnic problems.

Projections of a nation's likely course in the future require the compilation of reliable macroeconomic variables, special skills, and extraordinary efforts as well as making various assumptions. While the best estimates cannot hope to be anything more than an approximation, the task becomes even more formidable for an underdeveloped nation that is attempting and economic transition, such as Myanmar. This exercise would be more helpful in terms of providing answers to what-if questions that policy makers and analysts may take into consideration in formulating short- and medium-term development policies and strategies, rather than in predicting economic statistics of the country at some point in the future. In this sense, the predictions in this document are no more than simple guesstimates based on the past experience of the country, similar experiences of other neighboring countries, and insights from the development literature and extant studies.

The three major assumptions for this scenario are: (1) the political and economic circumstances at the prospects of the world in general, and of Asia and the GMS in particular, remain stable in the current general form; (2) political and economic transitions in the GMS and ASEAN remain under control; and (3) there are no major climate change impacts and natural disasters. Another country-specific assumption is that significant improvements will be achieved in the following factors: (1) political will and commitments, (2) strengthening institutions and human capital formation, (3) stability in all areas, (4) economic specialization and diversification, (5) regional integration and connectivity, (6) managing natural resources and sustaining environment, and (7) an efficient monitoring and evaluating system.

In Table 13, a score of 7 is given if all factors are achieved fully to give the ideal situation; a score of 3.5 reflects an average situation; while little or no progress in most of the factors is shown by a score of 0.

## 9. Policy Implications

### 9.1 Political Will and Commitment

#### (1) Political will and commitment

By nature, the government's policy making is not independent from the political security interests and, therefore, does not always act in the national economic interest. Under the circumstances, although the spirit of the economic policy very often well reflected Myanmar economy's needs, its implementation caused obstacles for the set-objectives to be achieved. Adverse impact of these economic and political imbalances was linked to other dimensions of flaws, which in turn contributed to overall distortion of the economy in the past. Therefore, the policy making should be primarily motivated by the need to bolster the deteriorating national economy and to achieve growth to keep up with the other countries development and address the interests of the people.

#### (2) Stability by all means

Political, social and economic stability is essential. Political and social stability should be resolved by seeking unity in the diversity concept. Macroeconomic instability has remained at the core of Myanmar's economic problems and has never been tackled firmly even in recent years. Macroeconomic stability must be a priority for Myanmar policymakers looking forward. Macroeconomic stability associated with policy predictability and transparency is the cornerstone of economic policy and a precondition for accelerated economy growth and economic takeoff in Myanmar.

#### (3) Strengthening institutions and human capital formation

For Myanmar to be able to join the middle-income countries group, policy making institutions need considerable strengthening and to be given independence of decision making in their area of competency. Greater decentralization and reduced micromanagement are also essential. Transparency of decision-making needs to be given due attention as should accountability. Several new

**Table 13: Economic Development in the Next 10 Years**

| Score | Per capita gross domestic product ($) | Poverty Rate (% population) | Human Development Index | Reserved and Protected Public Forests (% of total country's area) |
|---|---|---|---|---|
| 7.00 | 821 to 1,668 | 26 to 13 | 4.5 to 5.7 | 27.9 to 36.9 |
| 3.50 | 821 to 1,241 | 26 to 20 | 4.5 to 4.9 | 27.9 to 32.6 |
| 0.0 | 821 to 998 | Slight change (+/-) | Slight change (+/-) | 27.9 to (-) |

*Source*: Author's guestimates

institutions will also have to be set up as the economy develops and becomes more sophisticated. Similarly, policy makers need to give serious consideration to develop a strategy to address the issue of human-resource development.

#### (4) Economic specialization and diversification

There is a big danger that relatively high growth could be reached from rapid growth in the oil, gas and mining industry. It would put growth on a non-sustainable and non-inclusive long-term path, often leading to social unrest. Major policy reforms to revive the agriculture sector including land reform, give incentives to improve agriculture support services. A realistic industrial sector strategy should be developed in order to support the diversification of the economy mainly through private sector development, and linking investment incentives and infrastructure development to the strategic priorities.

#### (5) Regional integration and International supports

To support higher growth and also to become a major strategic regional player, Myanmar needs to invest massively in upgrading its infrastructure and improve institutional and regulatory framework.

#### (6) Managing natural resources and sustaining environment

Environmental sustainability is a major concern in Myanmar not only for high growth to be sustainable but also and mainly to preserve quality of life of its people. The pressure on natural resources including fresh water, forests and sea/coastal resources is very high and needs to be managed tightly to keep the country on a sustainable growth path. Precise targets such as carbon dioxide emissions, protected land areas, seawater quality area can be set. In exploiting its natural resources, Myanmar has still the opportunity to do it in a sustainable way, relying on the latest technology and best practices.

#### (7) Monitoring and evaluating system

An independent monitoring and evaluation mechanism must be set up to overview the reforms and policy implementations.

## 10. Conclusion

Myanmar is aiming to transform itself from a primary economy to an industrializing economy and to advance core livelihoods from a "traditional pattern" to full integration into "capitalist modernity" during the coming decades. Its abundant natural resources will be the major factor underpinning its economic success. A stable political climate and a set of outward-oriented economic policies will help Myanmar gain reclassification as a rapidly growing developing economy in the GMS.

In retrospect, government policy regimes have consistently played a key role throughout Myanmar's recent past in regulating markets and determined whether the economy is State-regulated or self-regulatory or somewhere in between. In other words, government performance has taken the form of either active support or active intervention. Flexibility in policy making in response to internal and external circumstances will be one of the most important determinants if the expected success story is to come true. Moreover, this policy nexus has generally succeeded in maintaining a constructive interaction between the State and the private sector by adopting proactive business policies and liberal market mechanisms. Moreover, improving regional integration will also boost growth of the country, while it strives to strike a balance between economic growth and environmental sustainability strategies.

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