Myanmar Economy
A Comparative View

U Myint

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Contents

Introduction[1]

Building a modern developed nation

A stated objective of Myanmar is to become a modern developed nation that will stand shoulder to shoulder – proud, dignified and tall – with the countries of the world. How far has Myanmar come in achieving this goal, viewed from an economic perspective?[2] Where does it stand at present in relation to other nations, and especially those in the Asian region?

This paper attempts to provide some thoughts along these lines by looking at Myanmar's official data on:

- Rate of growth of the gross domestic product (GDP)
- GDP growth in relation to gross domestic investment (GDI)
- Structure of GDP
- Level of per capita GDP
- Pattern of household consumption expenditure
- Commodity composition of exports
- Inflation rate
- Exchange rate

Since the aim of standing shoulder to shoulder involves making comparisons with others, it will not be sufficient to look at the Myanmar situation in isolation and come to the conclusion that the country is doing fine and is on the right path. Instead, we must look at and reflect upon the Myanmar situation in the light of what has transpired in other countries in recent years.

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[1] This is a revised and updated version of a paper presented to the Myanmar/Burma Studies Conference, Singapore, 13–15 July 2006.

[2] Becoming a modern developed nation that brings dignity and self respect to the people of Myanmar will involve more than viewing matters from an economic perspective. It will require better social organization, political maturity, an active civil society, greater transparency and accountability, improved governance, rule of law, and capability and willingness to abide by internationally accepted codes of conduct and rules of good behaviour. These broader issues, however, lie beyond the scope of this paper and are not taken up here.

Such a comparative view is attempted below. The implications of the findings of this approach for policy review and regional integration have also been given some thought.

GDP Growth Rate

Myanmar's good performance

Table 1 gives GDP growth rates for the past nine years of the new millennium for 19 developing Asian countries, including Myanmar.[3] The countries in the table are grouped into (i) newly industrializing economies (NIEs), (ii) second tier NIEs, (iii) other developing countries, and (iv) least developed countries (LDCs).[4] The table shows that GDP growth performance of Myanmar in real terms has been good compared to other countries in the region. According to official figures, Myanmar has achieved double-digit GDP growth rates every year for the past nine years. The average growth rate of the country was 12.6% per year for the period 2000–2008. Since the average annual growth rates for the four categories of developing Asian countries ranged between 4.9% to 6.4% for this period, Myanmar's growth performance has been double the growth rates of these countries.

GDP growth using time series data

Myanmar has a rich tradition of data collection and analysis in its earlier years. National accounts data, for example, go as far back as 1948, when the country gained independence, and even beyond. Hence, in addition to the cross section view given in Table 1, the available time-series data could also be used to review Myanmar's current economic performance as reflected in official statistics in the light of the country's past experience. This is given in Table 2. The time-series data in this table covers the whole of Myanmar's post-independence era, a period of 60 years, from independence in 1948 to fiscal year (FY)[5] 2008/09, the last year for which data is available. For convenience

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[3] All tables are found in the statistical annex.

[4] The three countries Indonesia, Malaysia and Thailand have often been designated as "second generation" or "second tier" NIEs. See Danny M. Leipzinger and Vinod Thomas, *The Lessons of East Asia: An Overview of Country Experience* (Washington, D.C.: World Bank, 1993).

[5] Fiscal year in Myanmar extends from 1 April to 31 March. Hence, FY 2008/2009 (or fiscal 2008) will cover the period from 1 April 2008 to 31 March 2009.

and ease of presentation, the data is arranged in six sections with each covering a decade from 1950s to the present.

Double digit real GDP growth, 1948 to 2008

Table 2 shows that sustained double-digit growth of real GDP began in FY 1999/2000 and so it has continued for 10 years up to FY 2008 (and may continue for several years more). Such sustained double-digit growth represents a sharp break with the country's development experience in its entire post-independence era.

Until 1999/00 that ushered in the new millennium, there has never been a double-digit real GDP growth that extends over two consecutive years. During the fifty years after independence and before the onset of the new millennium, there have been five instances of double digit GDP growth – twice in the 1950s (1950 and 1956) and three times in the 1960s (1962, 1964 and 1967). In all these instances, a double-digit growth year has always been either immediately preceded by, or followed by, a negative growth year. For instance, real growth of 12.9% in FY 1950 was preceded by a -5% real GDP decline in FY 1949 and a further -10% fall in FY 1948. Similarly, 13% growth in FY 1962 was followed by a decline of -6.1% in FY 1963. For three decades preceding FY 1999/00, there has never been a single event of double-digit real GDP growth.

GDP growth and gross domestic investment

A related and another contentious issue regarding Myanmar's economic performance in the new millennium is that higher real GDP growth rates have been achieved with considerably lower GDI/GDP ratios compared to other countries in the region. This is illustrated in Table 3. The table shows that while the GDI/GDP ratio averaged 24.4% per year for the period 2000–2007 for other Asian countries, Myanmar's GDI/GDP ratio averaged 12.4% per year. This means that Myanmar has been able to achieve a real GDP growth rate that is double the rate of its neighbors, with half their GDI/GDP ratios.

Table 4 summarizes how real GDP growth and the GDI/GDP ratio have changed in Myanmar over the past five decades and in the new millennium.

The table reveals that in the 1950s, Myanmar was not a least developed country, and with a GDI/GDP ratio of 19%, the country achieved an average annual growth rate of about 6%.

As a consequence of command-style economic management under military rule, self-imposed isolation and the "Burmese Way to Socialism", the economy deteriorated in the 1960s and 1970s. Real GDP growth was reduced to 3–4% per year, while the GDI/GDP ratio fell to about 13%. The decade of the 1980s was the worst in Myanmar's post-independence history. Although the decade started off well in its first few years with real GDP growing at between 4.3% and 6.4% and the GDI/GDP ratio reaching 21–22%, the political turmoil and social disturbances that followed in the latter half of the decade overshadowed the good beginning. So, for the decade as a whole, GDP growth only averaged 1.9% per year, slightly below the 2% growth rate of the population. But the GDI/GDP ratio remained relatively high for this period, averaging 16% per year. We may also recall that in 1987, Myanmar applied for and was granted least developed country status by the United Nations and in 1988 a new regime came to power that abandoned the "Burmese Way to Socialism" and adopted the "market-oriented" approach for the country to become a modern developed nation.

Perhaps a claim could be made that economic reforms in the first half of the 1990s enabled the country to attain a respectable 6% GDP growth in this decade. But this better performance has been achieved with a lower GDI/GDP ratio of 13.6%.

What conclusion can then be drawn regarding Myanmar's growth experience from 1948 up to the end of the 1990s? If we wish to be unkind we can say that Myanmar, for the most part, is actually a subsistence agricultural economy, relying on a few primary commodities, with a pre-industrial economic structure that has no shock absorbers to cushion the impact of events originating from both within and outside the country. Thus natural and man-made disasters, windfalls from the bounty of nature and commodity booms that resulted from such events as the Korean War of the early 1950s, largely

determined the state of the economy rather than things like the GDI/GDP ratio.

However, the harsh view above can no longer hold with the official data of Myanmar's economic performance coming on stream in the new millennium. This is because global warming, a growing menace at present, has brought with it climate change that has made weather volatile and erratic. There is no way an agricultural country can have 10 years in a row of good harvests in the twenty-first century. So the fact that real GDP growth in Myanmar doubled from 6.1% in the 1990s to 12.6% with the onset of the new millennium, and this double-digit growth was sustained for 10 years while the average GDI/GDP ratio fell to 12.4%, requires some explanation. I suspect there are two reasons for this – politics and arithmetic.

Regarding politics, the decision-makers in Myanmar have a fixation with high GDP growth rates, which are believed to indicate the country's growing prosperity and well-being. Hence these growth rates have become highly politicized, and in the process, credibility and good sense have fallen by the wayside.

As for arithmetic, the social and economic indicators for the country are expressed as a ratio of GDP. When GDP that is used as a denominator in these indicators is padded, inflated and made to rise proportionately more than the numerator, this will introduce a downward bias to the indicators. Thus it is not surprising that unusually high real GDP growth rates as reflected in official national account statistics in the new millennium have led to a fall in the GDI/GDP ratio. I believe this also accounts for the extraordinarily low export/GDP ratio and industrial value added/GDP ratio, as well as many other social and economic indicators that are below corresponding figures in the low income neighbouring countries.[6]

But this has not always been the case in Myanmar's post-independence history. For instance, Table 5 gives the ratio of exports to GDP for the 1950s

[6] For example, the International Monetary Fund (IMF) in its 2009 report on Myanmar provides the following data: Public health expenditure (percent of GDP, 2005): Myanmar (0.3), Bangladesh (0.8), Cambodia (1.5), Laos (0.7), and Viet Nam (1.5). Public expenditure on education (percent of GDP, 2004–06): Myanmar (1.3), Bangladesh (2.7), Cambodia (1.7), Laos (3.0) and Viet Nam (4.7).

when the country did not suffer from politically inspired GDP figures. This ratio averaged 22.6% per year for the decade, which will be consistent with such ratios for any country in the world that is judged to be in a similar economic situation as in Myanmar at that time. The same exercise as in Table 5, using official figures for the early years of the new millennium yields Table 6, with export/GDP ratio reduced to 0.37%, a percentage that will take us back to a pre-colonial and pre-industrial era, definitely before King Mindon's reign (1852–1878), when Myanmar had little regular commerce with the outside world.[7]

The above observations lead us to conclude that Myanmar has two choices, namely:

- Plan A: continue to stick with exceptionally high and unbelievable real GDP growth rates and the associated embarrassingly poor social and economic indicators
- Plan B: revise real GDP growth rates to more realistic, accurate and reasonable levels and have less embarrassing social and economic indicators.

What to choose? I think we have stuck with Plan A long enough. It has been counterproductive. The good image that high growth rates are expected to convey has proved elusive. These growth rates are largely ignored and are probably thought not fit to be printed, which would explain why they do not appear in the major regional and world economic reviews and reports. On the other hand, the embarrassing social and economic indicators they generate get publicity, talked about, highlighted, and published. This is not good politics.

So it is time to move to Plan B. Improvement in quality, accuracy, creditability, reliability, timeliness and availability of economic and social statistical data and information will be an essential first step in building a modern

[7] Another key reason why Myanmar's export/GDP ratio has sunk so low is because an official exchange rate of around 6 Kyats to the US dollar is used to value exports in the national accounts and GDP statistics as well as in the government budget.

developed nation. Otherwise, as pointed out by Professor David Dapice of Harvard University, we will be "navigating in the fog".

Reservations about Myanmar's growth performance

Keeping the above comments in view, it is not difficult to understand why many observers, both within the country and abroad, have expressed reservations about Myanmar's official growth rates. IMF, for example, has a conservative outlook regarding Myanmar's economic performance of recent years because it is of the view that other regional countries in a similar situation as in Myanmar did not experience such robust growth over this period. IMF has defined similarity in terms of a low level of development, a large agricultural sector, a pervasive role of the state in the economy, and a recent history of conflict. Bangladesh, Cambodia, Laos and Vietnam were identified as countries having such attributes. It was pointed out that Myanmar, despite its high official growth figures, did not fare well when social indicators are considered in comparison to these countries. It also did not measure up to these countries in terms of per capita GDP in US dollars.[8] Moreover, IMF had difficulty reconciling Myanmar's high agricultural growth with its official figures on harvested acreage, irrigated area and the reported decline in the use of fertilizers and pesticides. Similarly, high industrial growth does not seem to be consistent with the relatively low increase in industrial power consumption, manufacturing use of petroleum products and decline in capital goods imports. IMF concludes that all these imply an implausibly large increase in productive efficiency. IMF expected near zero growth for Myanmar in FY 2003/04 based on its belief in constraints that will arise from a low level of imports, structural rigidities, and delayed effects of sanctions and the banking crisis. In sharp contrast to IMF expectations, Myanmar authorities have estimated a 13.8% growth for this fiscal year.

Speculation on more realistic GDP growth rates

The uneasiness of many observers with Myanmar's official GDP growth rates have led to speculation concerning what might be more realistic figures. For

[8] This is discussed more fully in Section III.

instance, to give a recent example, the Myanmar authorities have estimated Myanmar's GDP to have grown 11.9% in real terms in FY 2007/08 and 10.7% in 2008/09. Other observers believe the figures are much lower. Thus, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) considers the Myanmar economy to have grown 5.5% and 2.0% respectively in these two years.[9] Similarly, IMF says growth rates for the two years are 5.5% and 4.5%, while the Economist Intelligence Unit of the London *Economist* magazine, comes up with estimates of 3.4% and 0.9% for the same years.[10] However, most Burmese in the business community and those segments of society living at ground zero and trying desperately to make ends meet, have doubts that the economy is growing at all and will probably feel that it is too generous to be saying the country has been experiencing a 3% to 5% growth in recent years.

Nevertheless, while taking note of the reservations that have been expressed, it will be useful to mention that GDP growth is only one element of economic performance. How about the structure of GDP and level of per capita GDP? How has Myanmar performed in these areas vis-à-vis others in the region? These are taken up below.

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[9] Economic and Social Commission for Asia and the Pacific, *Economic and Social Survey of Asia and the Pacific 2009*: *Addressing Triple Threats to Development* (New York: United Nations, 2009), Statistical Annex, Table 1, p. 174.

[10] Economist Intelligence Unit, *Country Report: Myanmar (Burma*) (London: The Unit, April 2009), Data and Charts, p. 15.

Structure of GDP

Structural change in Asian countries

A shift over time in the relative shares of agriculture, industry and services in GDP is generally accepted as a measure of structural change in an economy undergoing a process of industrialization and modernization. Sectorial shares of GDP for 1970, 1980, 1990 and 2007 – a period extending over the past 37 years – for selected Asian countries are given in Table 7. It shows some common patterns in the structural shifts within the four categories of economies into which the countries have been grouped.

For the four NIEs, Hong Kong and Singapore as city states have no significant agriculture sector and consequently no problem of rural poverty. For the remaining two, agriculture only accounts for a small share of GDP in 2007: 1.5% for Taiwan and 3.0% for the Republic of Korea. For all NIEs the share of industry in GDP fell over the period 1980 to 2007, for Hong Kong from 31.7% to 8.8%, for Singapore from 38.1% to 29.4%, for Taiwan from 45.7% to 28.3%, and for the Republic of Korea, from 41.3% to 39.4%. For all NIEs, the share of services in GDP rose over the period 1980 to 2007. In 2007 services accounted for 57.6% of GDP in the Republic of Korea, 70.5% in Singapore and 70.2% in Taiwan. The case of Hong Kong with a share of services amounting to 91.2% in 2007 is exceptional. Due to rising land and labour costs, Hong Kong has shifted its industrial base to South China with which it has close cultural, linguistic and historical ties and where it has also found a congenial climate for foreign investment and private sector development.

As for the three second-tier NIEs, the share of agriculture in GDP fell substantially in all of them over the past 37 years. In Thailand it fell from 30.2% to 11.4%, in Indonesia from 35% to 13.8% and in Malaysia from 22.9% in 1980 to 10% in 2007. With this decline in agriculture, industry's share increased in all three countries to around 44% to 47% of GDP.

With respect to the third group designated as "other developing countries", in China the share of agriculture in GDP fell from 42.2% in 1970 to 11.3% in 2007, while the share of services rose from 13.2% to 40.1% over the

same period. The South Asian countries, the Philippines and Vietnam also experienced substantial decline in the share of agriculture as well as increases in the share of services. However, industry's share of GDP rose slowly in most of these countries except in Vietnam which experienced a substantial growth between 1990 and 2007. In the Philippines the share of industry declined over this period.

There are six countries in the fourth group designated as "least developed countries". The data base is not particularly extensive for them, especially for earlier years. Nevertheless, available data illustrates some clear trends. Over the period 1980 to 2007 the share of agriculture in GDP decreased from 41.2% to 18.9% in Bangladesh, from 61.8% to 32.5% in Nepal and from 56.7% to 22.3% in Bhutan. Similarly, over the period 1990 to 2007, the share of agriculture decreased from 55.6% to 31.9% in Cambodia and from 61.2% to 42.6% in Laos. All the five least developed countries noted above, experienced rises in the share of industry in GDP for the years for which data are available. For example, in Bhutan the share of industry increased threefold from 12.2% of GDP in 1980 to 37.9% in 2007 mainly due to a large hydroelectric project in the country that came into operation in the late 1980s. By 2007 the service sector had also become quite important in Bangladesh, Bhutan, Cambodia and Nepal where it accounted for between 40% and 53% of GDP.

Lack of structural change in Myanmar

In the case of Myanmar, as stated earlier, the country has a long tradition of data collection and we can go as far back as the colonial days to obtain information on the structure of the economy. Thus, national income accounts of Myanmar are available for the year 1938/39, and the share of agriculture in GDP for that year is estimated to be 47.9%.[11] Keeping this figure in view and noting that the share of agriculture was 43.4% in 2007 as indicated in Table 7,

[11] Ministry of National Planning and Religious Affairs, *The National Income of Burma* (Rangoon: Government Central Printing Office, 1954). The share of agriculture is calculated from Summary Table 1, p. 5. The shares of industry and services are however not available as these two categories of economic activity were not reported separately in the national accounts statistics of 1938/39 or in the years following Independence up to the early 1960s.

it seems that the share of agriculture in GDP has not fallen much in Myanmar in the course of the past 60 years.[12]

With continued reliance on agriculture for decades, official statistics seem to show that industry's contribution to GDP has remained subdued in Myanmar. Industry's share of GDP is estimated to be 19.9% in 2007. Insufficient dynamism in the industrial sector is reflected in its low contribution to GDP compared to other countries. Myanmar's industry share of GDP is one of the lowest among 19 countries in Table 7 and is below the figure for Bhutan (37.9%), Laos (31.8%), Bangladesh (28.5%), and Cambodia (26.8%).

Another disturbing fact is that the share of services in Myanmar's GDP is estimated to have fallen from 38.5% and 40.8% in the earlier years to 37.6% in 2007. This additional element makes Myanmar's experience somewhat unique – a rise or slight fall in the share of agriculture and stagnation or decline in the shares of industry and services over the past 37 years.

To conclude, although Myanmar officially belongs to the group of "least developed countries", its experience with structural transformation of the economy is different from the pattern that can be observed for other countries in this group. Myanmar's experience also differs from trends in structural transformation that can be discerned in Table 7 for the other three groups of countries in the region.

[12] A view has been expressed that the rise in the share of agriculture in GDP from 46.5% in 1980 to 57.3% in 1990 was due to liberalization of agriculture which came with the regime change in 1988. In earlier years some agricultural products were valued at low administratively set prices and did not reflect their full contribution to GDP. Agriculture's share in GDP became larger when such products were valued at their truer market prices under liberalization.

Per Capita GDP and the Question of Catching-Up

Early and late industrializers

Since the early days of the Industrial Revolution which began in England from the period 1760 to 1830 and that initiated the process of modern economic development in the world, there have been countries that industrialized earlier and those that followed. There is a long historical tradition for followers to try to catch up with the front-runners. In the latter half of the nineteenth century, France and Germany were the leading countries and the rest of Europe was trying to catch up with England. In the post-World War II period, Japan was trying to reconstruct and develop its war-devastated economy and to catch up with Europe and America. Then, in the 1970s, Korea and Taiwan were trying to catch up with Japan. More recently, second-generation NIEs such as Malaysia and Thailand want to catch up with those in the first generation, like Singapore.

In the catching-up process, followers have traditionally drawn upon the experience, knowledge and openings made by the front-runners. In the nineteenth century, recruiting and enticing away skilled engineers and technicians from England was a favorite pastime of industrialists in Europe. Even the United States, with high standards of intellectual property rights, did not maintain such standards in the early stages of the country's development. Authors such as Charles Dickens have been known to complain that enterprising Americans had sold pirated copies of their works without paying the appropriate royalties. In this context, it may be useful to mention that the Asia and Pacific region has many countries that are masters in the art of "creative imitation" – that is to import, imitate, adapt and improve on a technical innovation developed elsewhere, so that the imitation is better, less costly and outperforms the original.[13]

Normally, a latecomer develops at a faster pace because it starts from a low economic base, can draw upon the experience of those in front, and can

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[13] For a discussion on "creative imitation" see Peter F. Drucker, *Innovation and Entrepreneurship: Practice and Principles* (London: Pan Books, 1985), pp. 246–51.

proceed along the path already cleared by the front-runners.[14] This helps the catching-up process.[15] The process is further facilitated by an attitude problem that often afflicts a front-runner. For example, in the late nineteenth-century rivalry between England and Germany to gain industrial supremacy in Europe, the British were giving specifications of their products in feet and inches, the catalogs and manuals were printed only in English, and although cheaper goods would be more suitable for the pocket-books of consumers in Europe at that time, the British refused to produce cheap goods. This was so because, as Number One in the world, the country had a reputation to protect and did not want to produce cheap goods. The outcome, as can be expected, was that England did not do well in the competition. A country's success often has within it the seed of its own decline. As a latecomer, Myanmar is spared this problem. Nevertheless, this incident is worth recalling because Myanmar has a rich cultural heritage, and efforts are currently underway to revive the glories of its past. It will be desirable to ensure that revival of past glories does not lead to illusions of grandeur but instead becomes a vital force that enhances national confidence and determination to meet the development challenges of the twenty-first century.

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[14] To use an analogy to illustrate the point, it is probably possible to increase the weight of a fully grown chicken by 50%, but it would not be structurally and anatomically possible to increase the weight of a fully grown elephant by 50%. If the weight of a fully grown elephant were to increase by 50%, it would not be able to stand on its own feet and would probably collapse and die of a massive heart attack. So is the case with economies. A lightweight least developed country with a US$10 billion a year GDP could grow at 10% per annum which would add US$1 billion to its annual output. But a large economy like the United States with a GDP of US$13,167 billion in 2007 cannot and need not grow at double digit rates. A 1.5% growth for such an economy would add US$200 billion to its annual output.

[15] It should, however, be pointed out that a thin and lightweight latecomer may be running at a fast pace but it does not necessarily mean that he can catch up with the fat runner in front. What is most likely to happen is that the fat person up front is a seasoned runner, who has participated in many international track meets, and despite his weight problem is extremely agile and has a pair of long and sturdy legs that in one stride can cover distance which would take three steps for those pursuing him. Hence, such a runner could be jogging along at a leisurely pace, perhaps even with his fat girl friend by his side, but those behind him would be struggling just not to be left further behind.

In light of observations made above, a question arises: should Myanmar try to catch up with a particular country? The Myanmar authorities have expressed a desire to do so. For example, the Thirty Year Industrial Development Plan[16] which is currently under implementation aims to reach a stage of industrialization in Myanmar that will:

i. Be at the same level as fellow ASEAN countries by the end of the Second Five Year Plan (2015)
ii. Be on a similar status as advanced Asian countries, like Japan by the end of the Fourth Five Year Plan (2020)
iii. Catch up with the industrialized countries of the West by the end of the Sixth Five Year Plan (2030)

However, at the meeting of the Industrial Development Committee held at Yangon on 22 April 2003, a statement was made that the industrial sector's share is planned to rise to 37% of GDP at the end of the 30 year plan.[17] But as we can see in Table 7, industry's share in GDP has already reached around 37% in Malaysia, Thailand, Indonesia, Philippines and China nearly two decades ago in 1990. Perhaps catching up can be thought of in terms of reaching a stage of industrialization that enables the people of Myanmar to enjoy the same level of per capita GDP as in other countries. This is considered below.

Per capita GDP

The per capita GDP of Myanmar in current prices for FY 2007/08 is estimated to be K394,469. How does this level of Myanmar's per capita GDP compare with those in other countries? To find this out, we will need to have the per capita GDP of Myanmar expressed in a common unit, such as the US dollar.

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[16] Myanmar Industrial Development Committee, *Industrial Development of Myanmar: Thirty Year Plan, 2001/02– 2030/31* (Yangon: Government of Myanmar, January 2002 [in Burmese]). The Thirty Year Plan consists of half a dozen five year plans extending over the period 2001/02 to 2030/31. There are also thirty year plans in other economic and social sectors.

[17] News article "Meeting 1/2003 of Industrial Development Committee held", *The New Light of Myanmar*, 23 April 2003, p. 8.

The Myanmar authorities have, however, wisely refrained from making any official estimate of the value of the country's GDP in terms of US dollars.

But there are others who are more daring and have attempted to make their own estimates. The World Bank, for example, considered Myanmar to be among Southeast Asian countries with a level of GDP per capita between US$323 and US$396 in 1997.[18] The IMF, in its September 1999 report on Myanmar, estimated its GDP in FY 1998/99 to be US$14.2 billion, taking care to state in a footnote that this figure represents a "staff estimate at the market exchange rate and after adjustments to take into account unrecorded transactions." The Myanmar population for mid-FY 1998/1999 is estimated at 48.16 million and this gives a per capita GDP of US$295. IMF in its March 2004 report on Myanmar had revised its GDP for 2001/02 down to US$7.7 billion, and with a population of 50.1 million for that year, per capita GDP fell to US$154. Then again, in its March 2005 report IMF had revised Myanmar's GDP figure up to US$13.6 billion for 2003/04 which gives a per capita GDP of US$260. Finally, in its January 2009 report IMF estimates the per capita GDP of Myanmar in 2007 to be about US$250. Another estimate, made by the United Nations Committee for Development Policy, considered Myanmar's per capita GNI to be US$282 in 2002.[19]

On the other hand, the weekly Asiaweek claimed in an article published in 2001 that Myanmar's per capita GNP was US$765 according to the "latest available figures from national and multilateral sources."[20] A more optimistic estimate is made by the World Trade Organization (WTO). In a document presented to the Third United Nations Least Developed Countries Conference held at Brussels in May 2001, the WTO claimed that Myanmar's per capita income in 1997 amounted to US$3,657.[21] With these wide and incon-

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[18] World Bank, *Myanmar: An Economic and Social Assessment* (Washington, D.C.: World Bank, 1999), p. 22.

[19] United Nations Economic and Social Council, *Official Records of the Economic and Social Council*, 2003, Supplement No. 13 (E/2003/33).

[20] *Asiaweek*, 2 March 2001, p. 48.

[21] World Trade Organization, Sub-Committee on Least-Developed Countries, *Report on the Seminar by the Integrated Framework Core Agencies* (Geneva: World Trade Organization, 17 April 2001), p. 93. The WTO arrived at the figure of US$3,657 as the per capita income of Myanmar in 1997 based on information contained in UNCTAD's

sistent estimates, trying to figure out the per capita GDP of Myanmar in US dollars is likely to be an undertaking that falls into the realms of social science fiction.

In any event, using the nominal exchange rate to make inter-country comparisons of per capita GDP, in terms of a common currency such as the US dollar, may not be appropriate. The general feeling is that the purchasing power parity (PPP) dollar rate of exchange for currencies prepared by the World Bank's International Comparisons Programme gives a more meaningful measure for making international comparisons of GDP and its components.

The catching-up question

Table 8 gives the per capita GDP in purchasing power parity (PPP) dollar rates (PPPUS$) terms for 19 Asian countries. The table shows that Myanmar is at the bottom of the list. This means Myanmar has a wide choice of countries to aim to catch up with. However, due to national sensitivities and historical and other reasons, not all choices are really open. Thus, most Burmese will probably feel that it is not much of a challenge to try to catch up with Cambodia and Laos. Striving to catch up with Thailand, a traditional rival, is not likely to have much appeal either. Perhaps Malaysia could be an acceptable choice.

Malaysia's per capita GDP in 2006 is estimated to be PPPUS$12,536 (Table 8). If Myanmar is able to maintain its high average annual GDP growth rate of recent years of around, let us say 12%, and its population continues to grow at an annual rate of 2%, then its per capita GDP will grow at 10% per year. How can we calculate how many years it will take for Myanmar's per capita GDP of PPPUS$881, growing at 10% annually, to reach Malaysia's per capita GDP of PPPUS$12,536?

Least Developed Countries 2000 Report and data obtained from the Country Presentation for Myanmar document submitted by the Ministry of National Planning and Economic Development of Myanmar to the Third UN Conference on the Least Developed Countries.

The calculation is as follows:

Let Y = future or target per capita GDP = 12536
A = present per capita GDP = 881
r = growth rate of per capita GDP of 10% expressed as a decimal = 0.1
t = time in years to be determined

Then using the compound interest formula:

$A(1+r)^t = Y$
$(1+r)^t = Y/A$
$t \log (1+r) = \log (Y/A)$
$t = \log (Y/A)/\log (1+r) = \log (12536/881)/\log (1.1) = 27.859586$

This can be checked:

$A(1+r)^t = 881(1.1)^{27.859586} = 12536$

The above calculation shows that if Myanmar's GDP in 2006 grew at the rate of 12% per year and this growth rate is maintained for nearly three decades, and if Myanmar's population growth rate is 2% per year, then it would take 28 years for per capita GDP of Myanmar to catch up with Malaysia's per capita GDP in 2006.

However, Malaysia with its "2020 vision" is hoping to attain developed country status in eleven years from now. So, in a little over a decade, Malaysia expects its per capita GDP to rise to PPPUS$35,062 – the figure stated in the UNDP report for a country in the "high income" group. This means, even if Myanmar continues to maintain its high GDP growth rate of 12%, it will take 39 years to catch up with the level of per capita GDP that Malaysia hopes to attain by 2020. And Malaysia's per capita GDP in 2006 only forms 39% of the per capita GDP of Japan, 35% of the high-income Western countries and 26% of Singapore.[22] Hence, the objective of catching up with ASEAN

[22] It may be of some interest to point out that in PPPUS$ terms, in 2006 the per capita GDP of Brunei (US$49,898) and Singapore (US$47,426) are higher than that of the United States (US$43,968), Japan (US$35,951), and the high income OECD countries (US$35,331).

neighbours and developed economies in Asia and other parts of the world, in terms of per capita GDP, within the time frame set in Myanmar's Thirty Year Industrial Development Plan, seems unlikely to be fulfilled. And of course, if Myanmar's official growth rates turn out to be somewhat optimistic and cannot be sustained and the economy only grows at a more realistic 3% to 5% per year as estimated by some observers, the calculations are probably better left undone.

Pattern of Household Consumption Expenditure

Household expenditure pattern

The pattern of consumption expenditure of an average Burmese family is given in Table 9. The figures are published by the Central Statistical Organization (CSO) and are based on its sample survey of monthly consumer expenditures of an average household in Yangon. The table gives data for two years, 1986 and 2001, and thus shows how the pattern of consumption expenditure has evolved over a fifteen year period.[23] It reveals the following:

The size of the average household in Yangon has declined from 5.78 in 1986 to 5.20 in 2001. The monthly expenditure of this smaller household, mostly to meet daily necessities, rose from K997 to K37,428 over this period – a thirty-seven fold increase. There has been an increase of 3.43% in food's share of household expenditure for an average family in Yangon over the 15 year period. But no significant shifts seemed to have taken place in the share spent on major food items. There have been small increases in the share of expenditure on meat amounting to 0.12% and on rice amounting to 0.78%. The increase in share spent on fruits and vegetables is higher at 2.85%. On the other hand, there has been a decline in the share spent on fresh fish amounting to 0.89% and on oil and fats amounting to 2.1%.

As for the nonfood category, a significant change is the rise in the share of "charity and ceremonials" (C&C) in total expenditure. In 1986, the average family in Yangon spent K13 per month on this item and of the 16 items listed under the nonfood category, C&C's share (1.3%) is ranked tenth. In 2001, C&C became a major item of expenditure. The amount spent on it (K1,233), is ranked third on the list of nonfood expenditures, behind "fuel and light" (K2,364) and "travel" (K2,363). The amount spent on C&C in 2001 is higher than the money the household spends on house rent and home improvements (K1,148), on education (K897), on clothes (K847) and on health (K637).

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[23] As of writing this paper, 2001 is the latest year for which data are available on household consumption expenditure.

There are several possible reasons why C&C has become more important in the everyday life of an average Burmese city dweller. It could be that the family is performing more meritorious deeds because its members have become more interested in the next life than in the present one. Or it could be that the family is taking advantage of (or is being persuaded to take advantage of) the many new opportunities for making contributions to charities, welfare activities, community self-help schemes and other worthy causes (such as building roads and public works) that have mushroomed in the country in the process of transformation into a market-oriented economy. Or it could simply be that the household is playing an active part in numerous ceremonies, celebrations, festivals, mass rallies and rituals that have become a major national preoccupation in recent years.

Comparison with other countries

How does Myanmar's current pattern of household consumption expenditure compare with others in the region and with those in the developed world? The structure of a country's consumption expenditure is influenced by its culture, traditions, customs, values, tastes and preferences and hence making inter-country comparisons in this area is hazardous. Keeping this in view, it will nevertheless be useful to recall a generally accepted principle in economics, known as Engel's Law, which states that for any country or society, a family at a lower level of income devotes a larger proportion of its expenditure to food. Then with rising incomes, the share of food declines while there is a corresponding increase in the share of other items such as housing, consumer durables, transport, education, health, recreation and family welfare services. As shown in Table 9, 68.36% of the consumption expenditure of an average family in Yangon in 2001 is on food. For the country as a whole, the share of food for the same year is estimated to be 72%, with rice making up 15.8%.[24] In the countryside and villages, the share of food (and especially rice) in total consumption expenditure is higher. This is particularly so in the rural areas of Chin State where food accounted for 76% of total household

[24] Central Statistical Organization, *Statistical Yearbook 2002* (Yangon: Central Statistical Organization, 2002), Table 22.04, p. 423.

consumption expenditure with the share of rice amounting to 17.8%.[25] Compared to this, the proportion spent on food for an average household in a developed country like the USA is around 14%.[26] Even then, not all countries are happy with the amount of food consumed by their citizens. Consider for example, this observation on the eating habits of the citizens of the United States:

> Numerous nutrition experts of the U.S. Department of Agriculture and of Health and Human Services have voiced concern that Americans generally eat too much food and, specifically, too much fat, cholesterol, sugar, and salt. Pointing to the incidence of obesity, diabetes, heart attacks, high blood pressure, and tooth decay, the Senate Select Committee on Nutrition and Human Needs has suggested that Americans eat 30% fewer calories from fats, 45% fewer calories from refined sugars [...] and that they reduce cholesterol intake by one-half, and salt intake by two-thirds.[27]

Not only in a developed country like the United States, but also in no other country in the Asian region does an average family devote such a high share of household consumption expenditure to food as in Myanmar. In Singapore the share of household consumption on food is 14%, in Thailand 32% and in Malaysia 37%. The share spent on food is lower in other least developed countries as well. For example, in Bangladesh the share is 52%, in Cambodia 57% and in Laos 61%.[28]

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[25] Ibid., Table 22.05, p. 431.

[26] The distribution of household spending in the United States in 1995 was as follows: housing (32.4%), transportation (18.6%), food (14%), personal insurance and pensions (9.2%), health care (5.4%), apparel and services (5.3%), entertainment (5%) and other expenditures (10.1%). See United States, Bureau of Labor Statistics, Distribution of Household Spending, 1995 BLS Consumer Expenditure Survey, http://www.nnfr.org/econ/bls95.htm. Three decades earlier in 1963, the share of food and beverages in the household consumption expenditure in the United States was 25.2% and the share fell to 17.5% in 1981. See Eugene A. Diulio, *Money and Banking* (New York: McGraw-Hill, 1987), p. 19.

[27] Michael C. Latham's contribution on "Dietary Guidelines", available on Microsoft Encarta 95, CD-Rom.

[28] Ibid. For the latter half of the 1990s, the share of food and beverages in the

While the share spent on food has increased slightly relative to nonfood items in the consumption pattern of the average household in Yangon over the past 15 years, there have been reports of vast changes in lifestyles in neighboring countries over a similar period. For instance, a study completed in 1997 in Thailand is said to have found enormous changes in the spending pattern of consumers in that country with "money going into family welfare, sanitation, clothing, accommodation, transport and recreation." According to the study, the share of expenditure on clothes and personal items went up from 9.5% in 1981 to 13.4% in 1996. The percentage spent on furniture, home accessories and appliances increased from 5.2% to 6.6%, the percentage spent on recreation jumped from 11.4% to 14.4%, while eating out at restaurants and hotels rose from 7.8% to 10% over the same period. The study is also reported to have found sharp rises in the shares spent on health care as well as on communications and transport.[29]

Myanmar with its cherished traditions and customs does not need to emulate the spending patterns of others. Nevertheless, the structure of household consumption expenditure reflected in Table 9 points to several challenges. First, the large percentage spent on food indicates a low level of income. The income level of the average household must be substantially increased so that the family has enough to spend on other items that are considered desirable in any modern developed society. Second, although the increased preference for charity and ceremonies is understandable, the lack of significant change in the pattern of household consumption expenditure for 15 years is disturbing. Third, with regard to food, it is important that the family gets a balanced diet. It is particularly important for children to get a diet that pro-

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household consumption expenditure of countries in the Asia and Pacific region were as follows: Singapore (14%), Japan (23%), Taiwan (24%), Hong Kong (26%), Republic of Korea (27%), Thailand (32%), Malaysia (37%), Sri Lanka (41%), China (44%), Mongolia (45%), Philippines (47%), Bangladesh (52%), India (54%), Pakistan (55%), Cambodia (57%), Indonesia (59%), Nepal (61%), Viet Nam (62%), North Korea (65%), and Myanmar (71%) (*Source:* SSII, *Asian Agrifood Demand Trends to 2010*).

[29] See news article entitled "Thais becoming big spenders", *The New Light of Myanmar*, 12 March 1997, p. 4. The study was undertaken by the Thai Farmers Bank Research Centre and became available in March 1997.

motes their mental and physical development. Finally, as regards nonfood items, the proportions and the actual amounts spent on items such as health, education and recreation are too small. Given today's prices, most residents of Yangon would agree that it would not be adequate for a family of five to spend K897 per month on education, K637 on health care, and K141 on recreation. At the market exchange rate of K615 per US dollar that prevailed in 2001, these amounts translate into US$1.46 per month on education, US$1.04 per month on health care, and 23 cents per month on recreation.

Imbalance in household income and expenditure

The household income and expenditure survey of 1997 further reveals that average incomes of families in many parts of Myanmar are inadequate to meet household consumption expenditures.[30] Table 10 shows that, except in Yangon and Ayeyarwady, estimated monthly incomes of average households were insufficient to cover consumption costs in the remaining twelve states and divisions. The situation appears particularly acute in Kayah, Shan, Magway, Rakhine, and Sagaing, where estimated incomes accounted for between 42% to 57% of the respective expenditures. For the country as a whole the income of the average family can only meet 73% of its consumption expenditure. Table 10 also indicates that income distribution has been uneven among states and divisions. For example, the estimated income of an average household in Yangon (K16,661) is over three and a half times higher than the income of an average household in Kayah (K4,622).

According to the Central Statistical Organization, sources of income include wages and salaries (in cash and kind), entrepreneurial income, pension, rent, interest, remittances, bonuses, and others (in kind). When incomes are substantially below expenditures, a family has the following options to make ends meet:

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[30] I understand that a household income and expenditure survey for the states and divisions of Myanmar for the year 2001 has already been completed by the CSO. However, the year 2001 survey is awaiting clearance from the authorities for release, and is not available as of writing this paper. Hence, the 1997 household income expenditure survey is the latest available to the general public at this time.

i. Draw down savings, if any
ii. Sell off assets
iii. Borrow and get into debt
iv. Get handouts from relatives and friends
v. Tighten belt – eat less, reduce standard of living, take children out of school

Obviously, there are limits to which these measures can be pursued and they are not sustainable in the long run. The large gap between income and expenditure also raises the question of under-reporting of incomes. This possibility appears likely as most low-income employees moonlight, seek side income in the informal sector, and wives and children undertake casual work to supplement family earnings.

Export Commodities

Traditional exports

Lack of significant structural shift in production has meant little change in the commodity composition of exports. In the colonial days, in 1938/39, four primary commodities accounted for 72.7% of total exports of Myanmar. Among these, rice topped the list with 3.3 million tons exported in that year, which accounted for 46.7% of total export receipts. Myanmar was the number one rice exporter in the world at that time. Minerals were second in importance with a contribution of 12% of export earnings, followed by timber with a contribution of 7%, and another 7% came from other agricultural products.[31]

Heavy dependence on a few primary commodity exports continued in the decade 1990/91 to 1999/2000 when traditional items accounted for 55.7% of export earnings (Table 11). If receipts from border trade (which also consisted mostly of traditional items) are added, the share of primary commodities in the exports of Myanmar would have risen to 70.6% of total export earnings. This means the commodity composition of exports of Myanmar over this decade had not changed much from what it had been 50 years before, in 1938/39.

The importance of rice in Myanmar's exports declined during the 1990s. Over the period 1990/91–1999/2000, rice exports averaged 249,000 tons per year, which amounted to 7.5% of the 3.3 million tons exported in 1938/39 (Table 11). Rice accounted for 6.6% of total export receipts during this period. Minerals represent another traditional export item that has become less important in recent years. Its contribution to total exports averaged 1.8% during the period, while the volume shipped abroad averaged 28,300 tons, amounting to 16.8% of the 168,000 tons exported in the colonial days. With fall in the shares of rice and minerals, other traditional exports gained prominence in the export structure of Myanmar, namely pulses and beans and teak during the 1990/91–1999/2000 decade.

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[31] Ministry of National Planning, *Economic Survey of Burma 1964* (Rangoon: Central Press, 1964), Table 69, p. 99.

The performance of pulses and beans exports was particularly good in the past decade. The export of this item rose from 17,100 tons in 1988/89 to over one million tons in 2001/02 (Table 12). Foreign exchange earnings from these exports increased from US$8.3 million to US$282 million over the period. Pulses and beans continue to play a significant role in the commodity export structure of Myanmar in the 2000/01 to 2007/08 period, accounting on average for over one million tons and 10.3% of total exports receipts per year.

Liberalization of the export trade of pulses and beans for both domestic and foreign traders underlies the good performance. Removal of restrictions enabled farmers and local business people to respond to market incentives, while involvement and active participation of Indian merchants with their trade links, marketing and distribution skills, and access to credit facilities, helped in exploiting opportunities offered by the Indian market which is the main destination for these exports. Liberalization of the pulses and beans trade provides a valuable illustration of the importance of sound policy decision making for Myanmar. It shows that a good policy move can result in substantial economic benefits, in this case in the form of a sharp rise in exports and foreign exchange earnings for the country.

New developments for Myanmar's export scene

There were two important developments in the late 1990s that deserve attention. The first is garment exports which expanded significantly in 1999/2000. In the previous two years, annual earnings from garment exports amounted to around US$73 million. Then they shot up to US$436 million in 1999/2000 and to US$583 million in 2000/01and became the top export earner in these two years, accounting for nearly a third of total export receipts. Earnings from garments remained high at US$444 million in 2001/02 and US$456 million in 2002/03 (Tables A11 and A12).

The second important development is natural gas exports from offshore fields. Gas became a major export item in 2002/03 and with a contribution of US$629 million in foreign exchange earnings in that year, replaced garments as the country's top export earner. Gas continued to hold the top position in the years that followed with earnings reaching as high as US$2.5 billion in 2007/08, accounting for 39.4% of total export earnings for that year.

With these developments, the commodity composition of Myanmar's exports over the seven years 2000/01 to 2007/08 (Table 12) may be described as follows – natural gas is the number one export earner with an average contribution per year of 31.9% of total export earnings; pulses and beans follow next with a contribution of 10.3%. This is followed by garment exports with a contribution of 10.2%. Teak takes fourth place (6.8%), followed by hardwoods (3.6%), fish and fish products (2.8%), and base metals and ores (2.1%).

The importance of rice in Myanmar's exports declined further in the 2000/01–2007/08 period. It only contributed a yearly average of 1.6% of total export earnings during this period. Obviously, this also implies Myanmar's well-known reputation as the "rice bowl" of Asia has lost much of its splendor. Thus, in 2007 the total world exports of rice amounted to 28.69 million tons. Thailand is now the number one rice exporter in the world. It exported 8.5 million tons in 2007 which accounted for 29.6% of total world exports of rice. Vietnam came in second, exporting 4.6 million tons, accounting for 16.0% of total world exports. Other major players in the world rice export trade in 2007 were India (4.0 million tons), the United States (3.3 million tons), Pakistan (3.0 million tons) and China (1.3 million tons).[32]

What about Myanmar? According to official statistics, Myanmar exported a total of 358,500 tons of rice in 2007/08. This represents 1.2% of total world exports of rice in that year.[33] It may further be noted that Myanmar's share of 1.2% represents the share in total volume of world rice exports. If instead, we consider the total value of world rice exports, Myanmar's share would fall even further, as Myanmar exports mostly low-quality rice that fetches a price per ton far below that of its neighbours. Moreover, it may be noted that Thailand exported as much as 10.1 million tons of rice in 2004. Furthermore, there have been years when the volume of Myanmar's rice exports sank into insignificance in the world rice market. For instance, official statistics indicate Myanmar exported only 14,500 tons in FY 2006/07.

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[32] United States Department of Agriculture (USDA), *Economic Research Service, Rice Situation and Outlook Yearbook*/RCS-2007/November, 2008; Appendix Table 25, p. 88.

[33] Cambodia's rice exports of 450,000 tons in 2007 exceeded that of Myanmar in that year.

The availability of an adequate supply of rice for domestic consumption, to have a surplus for export to earn foreign exchange and to tax rice production and trade to generate revenue have been major preoccupations of successive governments in Myanmar.[34] Rice is not just the staple food of the people of Myanmar; its cultivation is the main occupation of farmers who form the majority of the country's population. Rice growing for the Burmese farmer is not only a means of livelihood, but a way of life. Hence, the rice issue has been, and continues to be, a politically sensitive matter in the country and it raises deep social and economic concerns. It is also generally recognized that a serious rice shortage in the country will be an invitation to revolution. This political reality, and the special place rice has in Myanmar society and the economy, will need to be kept in view in considering the rice question. The fact that rice has fallen sharply in its contribution to Myanmar's export earnings and that Myanmar is no longer a significant player in the world rice market, should be a matter of considerable concern to the people of Myanmar. Moreover, doubts have been expressed in some quarters regarding the ability of Myanmar to grow enough rice to feed its own population, despite repeated assurances from the authorities that Myanmar has the capacity to feed 100 million people.[35] Under these circumstances, it will be useful to undertake an objective review and analysis of the rice situation in Myanmar, and this will be taken up in a separate paper.

As illustrated in Table 12, natural gas and garments together now contribute over 40% of Myanmar's export earnings. Garment exports have a high import contents as textiles, cloth, yarn, other materials and machinery are usually imported from abroad. Hence, value added and net foreign exchange receipts are much less than the value of exports recorded under this item.[36] Moreover, Western developed countries are the main markets for garments

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[34] Explicit agricultural taxes, such as export taxes, and implicit taxes, such as marketing boards paying farmers less than market prices, were easy to administer and extremely attractive in a developing country like Myanmar with a narrow tax base and limited administrative capability.

[35] Myanmar's population in mid-FY 2007/08 (i.e. October 2007) was officially estimated to be 57.5 million.

[36] Some observers believe that value added from garment exports is about 10% of the total reported receipts from these exports.

and access to such markets has been disrupted by sanctions and boycotts on account of political and other reasons. As can be seen in Table 12, receipts from garment exports amounting to US$582.8 million in 2000/01 have been declining since then and fell by over 50% to US$282.7 million in 2007/08.

As for natural gas, it is a non-renewable resource, reserves and exports will decline over time and as in other countries, domestic demand for it will increase with rising needs for energy as the country develops. Moreover, there are other partners who have entered into production-sharing agreements in the development of offshore gas fields and consequently not all the value of exports recorded under this item represent net foreign exchange earnings for Myanmar.

Comparing export performance with other countries

Bearing in mind developments with respect to Myanmar's export trade outlined above, it will be useful to look at these developments in the light of changes that have taken place in the export structure of other Asian countries over the past three decades. This is given in Table 13. It shows the following:

i. The value of Myanmar's total exports, amounting to US$5.2 billion in 2006 amounts to only 3.2% of Malaysia's exports of US$160.7 billion, 4% of Thailand's exports of US$130.6 billion, and 5.2% of Indonesia's exports of US$100.8 billion in that year.
ii. We may say Myanmar's exports of US$5.2 billion may be much less than the actual or true value of exports, as a large amount of unofficial and unrecorded exports move across the border. Let us assume the unofficial trade is equal to the value of official trade and so Myanmar's (official plus non official) will amount to US$10.4 billion. The point is that US$10.4 billion will still be a small percentage (6.5% to 10.3%) of the exports of the three neighbors noted above.
iii. While traditional exports consisting mostly of food and agricultural raw materials still account for 38.7% of Myanmar's total exports in 2006/07, there have been sharp falls in these exports in all the thirteen countries listed in Table 13.[37] For example, in the period 1980

[37] As noted above, we have included receipts from border trade in traditional exports. IMF believes the item listed as "other" in Myanmar's merchandise exports

to 2006, the share of food and agricultural raw materials in the total value of exports fell from 16.2% to 3.4% in China, from 25.4% to 9.7% in Malaysia, from 33.8% to 16.5% in Thailand, and from 20.8% to 6% in the Philippines.

iv. Major fuel exporters in the region such as Malaysia and Indonesia have reduced their dependence on such exports over the past three decades. In Malaysia, the share of fuel exports in total exports fell from 24.7% in 1980 to 13.7% in 2006. In Indonesia, the fall was from 71.9% to 27.4% over the same period. Reduced reliance on fuel exports has been due to rapid growth in non-fuel exports, declining fuel reserves over the years, growing need for domestic consumption of fuel as the country becomes more industrialized and improved living standards.

v. There has been a sharp increase in the share of manufactured goods in total exports of the Asian countries. By 2006, except for Indonesia (with 44.1%), India (with 56.4%) and Sri Lanka (with 67.4%), manufactured goods percentage of total exports in the remaining 10 countries in Table 13 range between 73% to 92%.

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given in Tables A11 and A12 also consists mostly of agricultural raw materials and traditional products. This, however, has not been taken into account in our definition of traditional exports.

Inflation

High inflation

Myanmar experienced double digit inflation for most years in the period 2000–2008 (Table 14). The average annual rate of inflation for this period was 24.9% which is over five times higher than the average of 4.5% for the other eighteen Asian countries listed in Table 14. Myanmar therefore is the most inflation-prone country in the Asian region.

High money supply (M2) growth to finance budget deficits is believed to be the main cause of inflationary pressures in Myanmar. According to official statistics, the rate of M2 growth averaged 28.5% over the period 2000 to 2008 (Table 15). This is roughly double the 14.8% average growth for the same period for the eighteen other Asian countries. However, money supply growth over this period was high in three other countries, namely Cambodia, Laos and Vietnam. Although Laos experienced double-digit inflation, Cambodia (despite high average M2 growth of 29.0%) maintained its inflation rate at a relatively modest level of 3.5%. Similarly, in Vietnam, although money supply increased on average by 29.9%, the inflation rate was held down to an average of 6.1% during this period. On the other hand, in Myanmar, with money supply growing on average at 28.5%, which is slightly less than the rate of money supply growth in both Cambodia and Vietnam, the average rate of inflation is estimated to be considerably higher at 24.9%. Obviously, more than M2 growth has been causing high inflation in Myanmar.

One such cause that comes readily to mind is the pattern and nature of government expenditure. There is a tendency for public expenditure in Myanmar to be disproportionately allocated on items that do not contribute directly to current production such as defense, ceremonies and rituals, new cities and building physical infrastructure – roads, railways, bridges, dams, monuments, museums, amusement parks, office complexes and modern seaports and airports. Granted some of these may increase output in the future, but for the present, they add to inflationary pressures.

Cost-push factors

In addition, "cost-push" factors which do not seem to have received sufficient attention, may be just as serious as money supply growth in causing rapid price increases in present day Myanmar. It is not difficult to think of such factors that are contributing to high inflation in the country. These include:

i. Use of antiquated and obsolete machinery and equipment in production and in key areas such as in the transport and communications sectors, giving rise to high costs.
ii. Shortage of energy and the unreliable and poor quality of its supply disrupting production.
iii. Inefficient and loss-making state enterprises in critical sectors of the economy, adversely affecting overall economic performance and contributing to wastage and high costs.
iv. Outdated, unclear and complex laws and regulations. Lack of transparency, accountability and consistency in their application, creating delays and uncertainty and adding costs to doing business in terms of time, effort and money.
v. Systemic corruption that has taken hold of the country and which is posing a heavy burden on ordinary citizens and the business community, especially small firms in the trade and service sectors that do not enjoy political patronage.
vi. Large, wealthy and well-connected business firms do not seem to have been spared either as they, through friendly persuasion, have to contribute huge sums to all sorts of worthy causes and meritorious projects unrelated to their line of work. These firms would naturally treat the large contributions that they are obliged to make as costs for advertising and public relations and such costs will be reflected in the prices that they charge for their products and will have to be borne by their customers and the general public.
vii. Large increases in charges for state-controlled goods as well as for public services and utilities have contributed to rising costs and high inflation.[38]

[38] In earlier years, the official prices on gasoline were raised from K25 per gallon to K180, diesel oil from K20 per gallon to K160, postal charges for overseas airmail letters from K3.50 to K32, electricity charges from K2.50 per unit to K25 and telephone charges from K2.5 per 3 minutes to K15 per minute. These changes which occurred

viii. Rapid deterioration in the external value of the Kyat, its high volatility, ad hoc administrative measures to restrict external trade and heavy-handed intervention in the local parallel exchange market, have led to confusion and uncertainty and sharp increases in the cost of imports for producers and rises in prices of essential foreign goods, especially medicines, for consumers.

Developments in the second half of the present decade (from 2005)

Several developments since 2004 have added to inflationary pressures in Myanmar. These include:

i. Raising of official gasoline and diesel prices by over 700% in October 2005
ii. Shift of capital to Nay Pyi Taw in November 2005
iii. Upward adjustment of salaries of public employees by 500% for low level employees and over 1,200%for top officials beginning in April 2006
iv. Cyclone Nargis in May 2008, which caused severe loss of life, livelihoods and property. Nargis not only affected production but increased government expenditures to meet relief and rehabilitation costs.

The inflationary impact of all these is undoubtedly significant. However, these are complex and sensitive issues and hence should more appropriately be taken up in a separate paper.

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overnight represented increases of 620%, 700%, 814%, and 900% respectively.

The Exchange Rate

Official exchange rate

With regard to the exchange rate it will be useful to begin by noting that the Kyat was officially fixed in terms of the Special Drawing Rights (SDR) at the rate of K8.5085 = 1 SDR on 2 May 1977 and has never been changed since. Fixing the Kyat to the SDR at this rate results in the official Kyat exchange rate being around K6 per US dollar.[39]

For reasons that are not entirely clear, the official exchange rate of the Kyat has been kept fixed at around K6 per US dollar for the past 31 years. The past 31 years have been a period of dramatic change in the economic environment in the Asian region. The period saw vast shifts in economic and production structures, incomes, consumption patterns, tastes and lifestyles in many of Myanmar's neighbors and in countries that have important trade and economic relations with Myanmar. While these developments took place, Myanmar went the other way and upon its own initiative and request, was designated as a least developed country by the United Nations in 1987. Hence, keeping the official Kyat exchange rate fixed at around K6 per US dollar for three decades has meant the rate has gone out of alignment with regional and international trends in costs and prices.

The extent of misalignment of Myanmar's official exchange rate is reflected in Table 16. The table illustrates that between 1990 and 2008, except for Brunei, Singapore and Myanmar, exchange rates of local currencies vis-à-vis the US dollar depreciated. The fall in value ranged from a small percentage of -0.13% for Hong Kong, to a massive -1,135% for Laos. For countries with important economic relations with Myanmar, the percentage depreciations were as follows: Malaysia (-22%), Thailand (-31%), China (-44%), Republic of Korea (-55%), Vietnam (-151%), India (-163%), and Indonesia (- 425%). On

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[39] For example, in 1996, US$1 = SDR1.4380, so US$1 = K8.5085/1.4380 = K5.9169. Calculated in this way, the official Kyat exchange rate to the US$ were as follows: 1997 (K6.4), 1998 (K6.3), 1999 (K6.3), 2000 (K6.4), 2001 (K6.9), 2002 (K6.3), 2003 (5.7), 2004 (5.8), 2005 (5.8), 2006 (5.8), 2007 (5.6) and 2008 (5.8).

the other hand, Myanmar's official exchange rate appreciated by 7.6% in this period.

Parallel exchange rate

However, despite its stability and appreciated value, Myanmar's official exchange rate has become more or less meaningless and is no longer operational in the conduct of normal trade and economic relations with the outside world. In its place the regime introduced the Foreign Exchange Certificate (FEC) in February 1993 and the Parallel Exchange Market to handle an increasing volume of the country's exchange dealings. For ordinary citizens and private business people, the parallel rate is the rate at which foreign exchange transactions are conducted. In the local market most imported goods are valued at the parallel rate. At present it is estimated that 70% to 80% of the country's foreign exchange business is conducted at the parallel rate.

The parallel exchange rate in 2008 averaged K1,186 per US dollar (Table 17). In 1990 it stood at K58 per dollar. This means K100 could buy US$1.72 worth of imports in 1990. In 2008, K100 could only buy 8 cents worth. It also means that in 2008 the value of the Kyat in terms of the US dollar fell to 5% of what it was worth in 1990. Moreover, the decline from K58 per dollar in 1990 to K1,186 in 2008 represents a depreciation of the exchange rate of the Kyat per dollar by -1,945%. This is far in excess of the worst-case scenario in the exchange-rate situation in the Asian context, as reflected by Laos, which experienced a depreciation in the value of its local currency per US dollar amounting to -1,135%.

However, the official rate of K6 to the dollar is still applied in official and intra-governmental foreign exchange dealings. For example, a state enterprise that is engaged in the export trade and earns foreign exchange must surrender the exchange earnings to a central fund, and for which it will be paid back at the official rate of K6 for its earnings. This ensures the export enterprise will incur heavy losses. The losses are met out of the government's general budget. On the other hand, favoured sectors, pet projects and high-priority expenditures are allocated foreign exchange out of the central fund at K6 to the dollar. Such an arrangement will net handsome profits for the

concerned importers. Moreover, this type of intra-governmental exchange dealing at the official rate will make it difficult to determine (on the government's receipts side) which enterprises are actually making profits and which are not. Similarly, on the expenditure side, valuing certain imports and costs of items purchased at K6 to the dollar will greatly understate the expenses incurred in terms of Kyats. In short, the arrangement leads to confusion, lack of transparency and accountability, price distortions, implicit taxes and subsidies. This creates vast opportunities for corruption and exploding budget deficits.

Unification of exchange rate

Consequently, there has been a long-felt need to reform the exchange rate regime. IMF therefore recommends gradually moving state economic enterprise operations on to the parallel foreign exchange rate that would not add to the budget deficit and would not disturb the foreign exchange market. One example of how this can be done is by matching importing and exporting enterprises based on their foreign exchange transaction volumes.

IMF further says the above measure is a halfway house or a transitional arrangement which will ultimately lead to unification of the Kyat exchange rate, abandoning the official rate of the Kyat at around K6 per dollar, so that there will be only one exchange rate and the new official rate will be something close to the parallel rate.

Finally, IMF is of the view that unification of the exchange rate will make state economic enterprise accounts more transparent. This will enable more rational allocation of foreign exchange to Myanmar from the central fund. Furthermore, exporting enterprises would be making profits and will have an incentive to expand their operations, thereby improving foreign exchange earnings. In short, the net effect will be good from the point of view of the government budget, output and employment.

My own assessment of the proposal on the exchange rate is that although moving gradually towards the parallel or free market rate and ultimate "reunification" is desirable, it is not enough. We want to reach a situation where the Kyat exchange rate is largely market-determined and is relatively stable at a realistic level. In trying to attain this state we want a transitional

period that does not cause havoc in our exchange market, leading to uncertainty and rapid increases in prices. This in turn would cause serious economic hardships to the people. Moreover, establishment of a relatively stable Kyat exchange rate at a realistic level will require restoration of confidence in the Myanmar monetary authority and belief that it has the capability and the means to maintain the exchange rate at the new officially set level. To ensure all this through provision of bridging assistance and establishment of a stabilization fund gets us into IMF territory. Unfortunately, IMF is unable to discuss these issues at this stage. This can only come after political compromise, national reconciliation and re-engagement of Myanmar with the international community.

Another related issue is the question of how serious the problems are likely to be in the transitional period. One favorable factor is that the ordinary citizens and business people are already operating on the parallel exchange rate so the move towards unification should not be too painful. On the other hand, the regime has not permitted a free fall of the Kyat by resorting to "administrative measures" when it feels that the exchange rate is falling too fast and is getting out of hand. Among others, these administrative measures include arrests, threats and intimidation of those engaged in foreign exchange transactions, closure of exchange counters, forced conversion of foreign exchange at officially designated rates and closure of border trade on numerous occasions. In the mid-1990s, K500 per US dollar was felt by the authorities as the limit and going beyond this was considered to be a loss of prestige for the country. However, that milestone has long been passed. During 2008, there were many periods when the exchange rate reached over K1,300 per US dollar.

So, how far the Kyat will fall is hard to predict, but we can be reasonably sure that the fall will be substantial if some attempt is made to liberalize transactions on the current account of the balance of payments. Another destabilizing factor in the exchange market is the activity of key players in the market. These are privileged and well-connected business groups and organizations that engage in lucrative speculative activities, by taking advantage of their privileged access to inside information and sometimes by floating rumors, thereby causing considerable market disruption. What we

have, therefore, is a fairly complex and confused situation. It is an area that is crying out for an objective, analytical study, so as to arrive at an acceptable and effective solution. This can only be done with official blessing, as the required information and data to undertake the task are closely guarded and not available to ordinary citizens.

Rethinking Policy and Implications for Regional Integration

Rethinking policy

The above review of changes in Myanmar's growth and structure of national output shows that these have been significantly different from trends that took place in other countries in the region over the past decades. Myanmar will therefore need to make considerable effort to achieve its aim of catching up and getting into the mainstream of regional development. It will have to do two things. First, it must take bold policy decisions and implement the necessary economic reform measures to graduate from its current status of a least developed country. There is no dignity in continuing to be a least developed country in the midst of neighbors that are rapidly transforming the structure of their economies and are making determined efforts to improve the quality of life of their people. Second, in order to become a modern developed nation – to substantially improve the standard of living of ordinary citizens, and to play an active part as an equal partner with others in the region – Myanmar must rethink the undue reliance it seems to be placing on its perceived good natural resource base and on building physical infrastructure to fuel growth and structural transformation of the economy.

Strengthening the agricultural base

Up to now, a key element and an overriding preoccupation in the development strategy of Myanmar has been the strengthening of its agricultural base that would foster growth of other sectors as well. This objective was adopted in the early 1970s, and hence we have been building the country's agricultural base for nearly 40 years. Unfortunately, what constitutes an agricultural base has never been defined. Hence, we are not sure how far we have come in building this agricultural base. We are also not sure when the agricultural base will be built so that we can move on to building other things. With these uncertainties surrounding the agricultural base, the question is: could we have achieved better results if we had tried to build something else over the

past decades? With benefit of hindsight, it is doubtful the outcome would be different. Nevertheless, let us forget the past for a moment, think of the future, and pretend that we finally decide to abandon the "all is well, business as usual, round-up the usual suspects who say it is otherwise" view of the economy. What are the possibilities?

There are many good reasons why a country like Myanmar should give priority to agriculture and to build up its agricultural base. But what exactly is this agricultural base? To find this out and to determine whether it has sufficiently expanded to meet the desired objectives, we will need to ensure that farm productivity is rising to increase incomes of the majority of the people, as the majority of the people in the country are in the agricultural sector. Increasing farm incomes also means improving the well-being of the poorer segments of society, as poverty tends to be more widespread in the rural areas. Moreover, agriculture is still an important source of export earnings. It has strong links with the rest of the economy by providing raw materials to industry and creating a market for goods and services produced by other sectors. As the largest contributor to GDP, agriculture is the key sector on which reliance has to be placed to mobilize resources for capital formation and economic development. Rise in agricultural productivity will release workers from food production for employment in other sectors. Building infrastructure for rural development such as dams, roads and railways, especially in remote areas, brings benefits to geographically disadvantaged groups and thus meets the country's social concerns. Hence, there are strong economic and social requirements for Myanmar to build up its agricultural base. The extent to which such requirements are met through agricultural development that increases land and labour productivity in the farm sector, substantially improving rural incomes and output, will provide the basis for assessing the soundness of the agricultural base to foster growth of other sectors of the economy.

However, looking at changes in sectorial shares of GDP of other Asian countries, it seems that in order to play a significant role in the regional economy as an equal partner with its neighbors, Myanmar should not only be concentrating on building up its agriculture base, but should also be redirecting attention to increasing the GDP shares of industry and services. As stated

earlier, the thirty-year industrial development plan aims to increase industry's share to 37%. This is a move in the right direction, although a limited objective to aim at from the point of view of structural shifts in the economy that have occurred in Myanmar's neighbors over the past decades.

Flying geese, export promotion, and increasing industry's share

To increase the share of industry in GDP, there is a good case for Myanmar to take advantage of available opportunities for development of low technology, labour-intensive and agriculture- and resource-based industries in keeping with the "flying geese" pattern of industrialization in the Asia and Pacific region.[40] This concept of geese in flight is attributed to the Japanese economist Kaname Akamatsu who, in considering the historical pattern of economic development in the Asian context, envisaged a flying geese pattern (or birds flying in an inverted V-formation) in the region's growth process, with the leader at the apex, followed by the others. Japan, as the first Asian country to industrialize, was the first nation to take off, based on production and export of labour-intensive goods. But with economic development in Japan, and rising wages and incomes, together with acquisition of skills and technology, the country moved on to produce more skill- and technology-intensive products. This left labour-intensive goods, where it has been losing its comparative advantage, to be taken up by the NIEs (Hong Kong, Singapore, Republic of Korea and Taiwan). With growth and increasing technological sophistication in the NIEs, they in turn move towards production of more value-added and skill-intensive manufactures, leaving room for second-tier NIEs (Indonesia, Malaysia, and Thailand) to expand output and export of low technology and resource and labour-intensive products. At the present time, the second-tier NIEs are themselves facing rising wages and labour shortages and are making determined efforts to enter into what they perceive as areas of high growth potential for the new century and are laying less emphasis on labour-intensive exports. Like Japan and the NIEs before them, the second-tier NIEs are actively seeking to relocate their labour-inten-

[40] Kaname Akamatsu, "A historical pattern of economic growth in developing countries", *The Developing Economies*, vol. 1, no. 1, March/August 1962.

sive export industries to other low-income countries, where wages are competitive, labour is disciplined and trainable and the resource base is favorable. Myanmar should therefore exploit these opportunities for increasing inflows of investment and export of labour and resource-based products.

Import substitution

Aside from producing and exporting labour-intensive and resource-based products, there are good prospects for Myanmar to promote industrialization through import substitution. Liberalization of the import trade and greater outward orientation with the assumption of power by the present regime, has brought a large inflow of consumer goods into Myanmar. For the most part, they are relatively cheap, low technology and labour-intensive products from neighboring countries such as China, India, Indonesia, Malaysia, Singapore, Thailand and recently Vietnam. They consist of such goods as processed foodstuffs, simple consumer durables, household utensils, articles for personal care, electrical appliances, sanitary ware, confectionery, simple tools and implements, textiles and clothing, dairy products, beverages, building materials, spare parts and electronic goods. Most of these items could be produced domestically and they seem to offer substantial potential for a selective import-substitution strategy. In adopting such a strategy, care must be exercised to avoid the traditional approach to import substitution of protecting industries behind high tariff walls and other non-tariff barriers. Such protection is likely to be counterproductive in present-day Myanmar. It would prevent healthy international competition and foster growth of a class of business people that rely on patronage and special privileges. Such businesses would probably be unable to survive in a competitive world-market environment. It will be bad for Myanmar consumers as well, if cheaper foreign goods are kept out and people must rely on inferior-quality domestically produced goods at high prices. Happily, commitments made under the ASEAN Free Trade Area arrangement will limit the ability of Myanmar to increase tariffs. Hence, exploitation of available opportunities for import substitution of consumer goods will need to be pursued in an atmosphere of generally free and open markets, where the government must ensure "a level playing field" for the local business community. This will require doing away

with arbitrary and ever changing rules, regulations, administrative orders, levies, contributions, donations and other unwarranted obstacles that are imposed upon the local businesses. These restrict the ability of businesses to compete on an equal footing with foreign firms in producing substitutes for the large variety of consumer goods that are now flooding the country.

Leading-edge industries

Joining the flight pattern of geese and import substitution must not and need not be the only preoccupation of Myanmar. On the contrary, there are good reasons why Myanmar should not ignore leading-edge industries of the information era and should give serious thought to building up industries such as financial and business services, telecommunications and information technology, that are regarded as having high growth potential in the twenty-first century.

Such a policy decision would be in accord with the key national objective of building a modern developed nation and the stated aim of playing a part in the mainstream of regional development. Hence, there is sufficient justification within the present policy framework for Myanmar to develop a consumer electronics industry as in Malaysia, telecommunications and computer parts and equipment manufacturing capability as in the Republic of Korea and Taiwan, computer software production and outsourcing as in India and provision of financial and business services as in Hong Kong and Singapore. When Myanmar sets its sight on these growth industries and makes a serious effort to compete in the regional and world markets in these areas, it will become essential to critically review a number of factors listed below, as well as factors that are considered necessary to create a climate of free and fair competition that is conducive to private sector development and proper functioning of a market-oriented economy:

- Current state of the telecommunications and transport infrastructure
- Energy situation
- Administrative capability
- Legal and institutional framework
- Style of macroeconomic management

- Level of financial sector development
- Quality of services provided by public utilities
- Rules and regulations governing conduct of business

Stated differently, the point I am trying to make is that as long as we devote our energies to growing rice, beans and nuts, promoting livestock production and building roads, railways, bridges and dams to demonstrate our capability of doing things by ourselves, and at the same time, seriously believing that these will transform Myanmar into a modern developed nation, then there is no great urgency if phones in the country do not work, if the electricity supply is unreliable, if the telecommunications and transport system, the Internet and financial and business services remain at the rudimentary stage, and if the education system has little relevance to the requirements of a modern economy. But if we set our sights on competing with others in the leading-edge industries of the information age, then these things can no longer be ignored. That is why I tend to believe that we need to have an agonizing reassessment of our approach to building a modern developed nation. We will definitely need to set our sights much higher, not in words and empty rhetoric, but in deeds and action. When we review our current situation and reflect along these lines, we cannot help but get a sinking feeling of how far we have been left behind and the enormity of the task before us. But better late than never. And the sooner the better.

Service sector

It is regrettable that the share of services in GDP appears to have declined in Myanmar according to official statistics. The service sector is usually considered to be of special importance for a low-income country like Myanmar. This is because it is the first sector to attract entrepreneurs in such a country and provides the breeding ground for entrepreneurship. Moreover, effective and quality services can play an important role in increasing productivity, hence many low-income countries have been encouraging the creation and development of small private enterprises to supply support services for maintenance, marketing, distribution and transport. Within the service sector, tourism is generally looked upon as one area that has high potential for

such a country as it is not affected by a small domestic market or a relatively underdeveloped manufacturing sector. Myanmar has already taken important initiatives to develop its tourist infrastructure and resources and to increase earnings from this source. Provision of support and encouragement for development of other service activities for small private enterprises should be given attention in the development strategy.

Implications for regional integration

As we all know, formal arrangements for regional cooperation can take a variety of forms, namely:

i. Free trade area, where there is free flow of goods and services between members, but each member retains its own tariffs against non members.
ii. A free trade area can become a customs union when member countries adopt a common external tariff against non members.
iii. A customs union can develop into a common market when there is not only free movement of goods and services but also free movement of labour and capital among members.
iv. A common market can become an economic union when member countries coordinate and harmonize economic and social policies and the union thus formed takes on characteristics of a single economy by adopting such measures as having a common currency.

From all that has been said above, Myanmar has a lot to gain from closer cooperation with its ASEAN partners. The benefits are more likely in the area of what are called dynamic gains rather than static gains that are associated with "trade creation" resulting from formation of custom unions and common markets.[41] Myanmar has a porous border and generally free flow

[41] In the literature on customs unions, "trade creation" refers to the positive effect that results from formation of such unions when a high cost and high priced locally produced good or service is replaced with lower cost and lower priced good or service from another member in the custom union. "Trade diversion", or the negative effect, occurs when the situation opposite to the one described in "trade creation" arises.

of goods and services across the border has been taking place anyway since the early 1960s despite tariff and non-tariff barriers. Dynamic gains, on the other hand, consist of benefits that will come in the form of better ideas and more effective ways of doing things and solving problems. Myanmar can learn from its ASEAN neighbors by greater interaction and cooperation with them. Of course, such benefits can only be realized by engaging in a free and frank policy dialogue in various ASEAN fora. In addition, good ideas must also be acted upon and Myanmar must make a determined effort to put its own house in order.

According to press reports, the 10th ASEAN Summit held at Vientiane in November 2004 agreed to establish an EU-style economic union among the ten ASEAN member countries by 2020 or earlier. Towards this end, the Summit adopted the Vientiane Action Programme which aims among others to "remove, where feasible, barriers to the free flow of goods, services and skilled labour, and free flow of capital." The qualifying words to remove barriers "where feasible" is crucial for Myanmar. I suspect the ASEAN partners and the ASEAN Secretariat know that it is not feasible for a country like Myanmar to participate in an EU-style economic union with them in 2020 or later.

Joining a European-style economic union, where there will be free flow of goods, services, skilled labour and capital among member countries, holds special dangers for a country like Myanmar with an economic structure, consumption pattern, macroeconomic fundamentals and level of development that are all out of line and far behind the rest of the group. It will lead to economic polarization – the most talented and enterprising Burmese people, together with businesses and capital will leave the country to take advantage of better opportunities and higher rewards in the more advanced member countries.

Concluding Remarks

When we became independent from Great Britain in 1948, the country was called Burma, and we said "Burma is an agricultural country, and it is rich in natural resources." Sixty years later, we are still saying "Myanmar is an agricultural country, and it is rich in natural resources." As indicated above, in 1938 when the country was a British colony, the share of agriculture in GDP was 48%. In 2007, agriculture's share was reported to be 43%. This proves the point that Myanmar continued to be an agricultural country in 2007 as much as it was in 1938. But it also indicates there is no structural change in the economy and that we are not getting anywhere. I therefore feel that it is high time for Myanmar to overcome its fixation with the idea that it is an agricultural country and that it is rich in natural resources. It will be desirable for Myanmar to recognize that its most valuable resource is not its rich agricultural land, its forests, its mineral reserves, or its hydrocarbon deposits. It is its people. Such a reorientation in thinking will help bring home the point that exploiting natural resources and building physical infrastructure is not enough. Human capabilities must be improved to make effective use of physical capital that is being built. In addition to building roads, railways, bridges, dams and other public works, Myanmar must turn its attention towards what the ASEAN countries as well as the rest of developing Asia is struggling with, namely the more crucial but difficult and challenging task of building social and economic institutions:

- Education systems
- Health and social welfare services
- Legal framework
- Institutional mechanisms for effective macroeconomic management and economic policy formulation
- Implementation, monitoring and evaluation
- Improving the civil service
- Banks and financial systems

- Governance and administrative machinery
- Arrangements for environmental protection

Even in the case of agricultural development, it is not realistic to expect that good results will be achieved by merely bringing additional waste and fallow land under cultivation and providing water to crops by building dams. Many other complementary measures are essential for success, like land reform, farm extension, agricultural credit, increased and proper use of modern inputs such as fertilizers, pesticides, proper water control, improved seeds, and farm mechanization. Moreover, there is a wide range of issues related to better pricing, distribution, storage, marketing, grading, processing, taxation and organization and management of agricultural production so that farmers' incentives are not adversely affected, that they get a fair reward for their efforts, and middlemen and that others do not take unfair advantage of them.

Let us continue to grow rice, beans and nuts; raise chickens, ducks and pigs; expand areas under cultivation; bring water to crops and build public works – if these make us feel good and contribute to our sense of satisfaction, achievement and well-being. But let us not glorify these things which the people of Myanmar have been doing since the days of the Burmese kings, and believe that they will transform the country into a modern developed nation in this global village of the information age.

Appendix

Table 1: GDP Growth Rates, Selected Asian Countries, 2000–2008
(Per cent increase over previous year)

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000 – 2008 (avg.)
I. NIEs										
Rep. of Korea	8.5	3.8	7.0	3.1	4.6	4.1	5.1	5.0	5.0	5.1
Hong Kong, China	10.2	0.5	1.9	3.2	8.1	5.7	7.0	6.3	4.5	5.3
Singapore	9.7	-1.8	3.2	1.4	8.4	4.1	8.2	7.7	5.2	5.1
Taiwan, China	5.8	-2.2	3.9	3.3	5.7	4.2	4.9	5.7	4.2	3.9
Average NIEs	*8.6*	*0.1*	*4.0*	*2.8*	*6.7*	*4.5*	*6.3*	*6.2*	*4.7*	*4.9*
II. SECOND-TIER NIEs										
Malaysia	8.9	0.3	4.1	5.3	7.1	5.7	5.9	6.3	5.4	5.4
Thailand	4.8	2.2	5.3	6.9	6.1	5.6	5.1	4.8	5.0	5.1
Indonesia	4.9	3.8	4.3	5.0	5.1	5.5	5.5	6.3	6.0	5.2
Average Second-tier NIEs	*6.2*	*2.1*	*4.6*	*5.7*	*6.1*	*5.6*	*5.5*	*5.8*	*5.5*	*5.2*
III. OTHER DEVELOPING COUNTRIES										
China	8.0	7.5	8.3	9.3	9.5	8.5	11.1	11.4	10.0	9.3
Vietnam	6.1	5.8	6.4	7.1	7.5	7.6	8.2	8.5	7.0	7.1
India	4.4	5.8	4.0	8.5	6.5	6.9	9.6	8.7	8.0	6.9
Pakistan	3.9	1.8	3.1	5.1	6.4	7.0	6.6	7.0	6.3	5.2
Philippines	4.4	1.8	4.3	4.7	6.1	5.0	5.4	7.3	6.0	5.0
Sri Lanka	6.0	-1.5	4.0	5.9	5.5	5.2	7.7	6.7	6.0	5.1
Average Other Developing countries	*5.5*	*3.5*	*5.0*	*6.8*	*6.9*	*6.7*	*8.1*	*8.3*	*7.2*	*6.4*
IV. LDCs										
Bhutan	5.5	7.1	6.7	6.5	7.0	8.0	7.8	17.0	14.4	8.9
Laos	5.8	5.8	5.9	5.9	6.5	7.0	8.3	8.0	7.7	6.8
Bangladesh	5.9	5.3	4.4	5.3	5.5	5.3	6.6	6.5	6.0	5.6
Cambodia	7.0	5.6	5.5	5.2	6.0	2.3	10.8	9.6	7.5	6.6

Nepal	6.0	4.8	-0.4	2.9	3.3	3.0	3.1	2.3	3.8	3.2
Average LDCs	*6.0*	*5.7*	*4.4*	*5.2*	*5.7*	*5.1*	*7.3*	*8.7*	*7.9*	*6.2*
Average all countries	**6.6**	**2.9**	**4.5**	**5.1**	**6.4**	**5.5**	**6.8**	**7.3**	**6.3**	**5.7**
Myanmar	**13.7**	**11.3**	**12.0**	**13.8**	**13.6**	**13.6**	**13.1**	**11.9**	**10.7**	**12.6**

Sources: For Myanmar: Ministry of National Planning and Economic Development, Nay Pyi Taw. For others: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2005* (Manila: Asian Development Bank, *On-line Edition*, 2005); Asian Development Bank, *Asian Development Outlook*, 2008 (Manila: Asian Development Bank, *On-line Edition*, 2008).

Table 2: Myanmar: Real GDP Growth, 1948–2008
(per cent increase over previous year)

GDP Growth at 1947 constant prices, 1948/49–1960/61													
Fiscal Year	**48/49**	**49/50**	**50/51**	**51/52**	**52/53**	**53/54**	**54/55**	**55/56**	**56/57**	**57/58**	**58/59**	**59/60**	**60/61**
GDP growth rate (%)	-10.0	-5.1	12.9	6.0	7.2	4.5	5.4	3.8	10.7	-3.2	8.7	7.8	-0.7
GDP Growth at 1969 constant prices, 1961/62–1970/71													
Fiscal Year	**61/62**	**62/63**	**63/64**	**64/65**	**65/66**	**66/67**	**67/68**	**68/69**	**69/70**	**70/71**			
GDP growth rate (%)	3.6	13.0	-6.1	10.1	-4.3	-4.1	10.1	3.3	5.0	4.1			
GDP Growth at 1969 constant prices, 1971–1980													
Fiscal Year	**71/72**	**72/73**	**73/74**	**74/75**	**75/76**	**76/77**	**77/78**	**78/79**	**79/80**	**80/81**			
GDP growth rate (%)	2.4	-1.0	2.6	2.7	4.2	6.1	6.0	6.5	5.2	7.9			
GDP Growth at 1969 constant prices, 1981/82–1990/91													
Fiscal Year	**81/82**	**82/83**	**83/84**	**84/85**	**85/86**	**86/87**	**87/88**	**88/89**	**89/90**	**90/91**			
GDP growth rate (%)	6.4	5.4	4.3	4.9	2.9	-1.1	-4.0	-11.4	3.7	2.8			
GDP Growth at 1985 constant prices, 1991/92–2000/01													
Fiscal Year	**91/92**	**92/93**	**93/94**	**94/95**	**95/96**	**96/97**	**97/98**	**98/99**	**99/00**	**00/01**			
GDP growth rate (%)	-0.7	9.7	6.0	7.5	6.9	6.4	5.7	5.8	10.9	13.7			

GDP Growth at 2000 constant prices, 2001/02–2008/09 (per cent increase over previous year)								
Fiscal Year	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**
GDP growth rate (%)	11.3	12.0	13.8	13.6	13.6	13.1	11.9	10.7

Sources: Government of Burma – *Economic Survey of Burma 1955, 1962, 1963*; Ministry of Planning and Finance, R*eport to the Pyithu Hluttaw 1972/73, 1975/76, 1979/80, 1984/85 and 1984/85*; Central Statistical Organization, *Statistical Yearbook 1991, 1995, 1997, and 2003*. Ministry of National Planning and Economic Development, Yangon and Nay Pyi Taw.
Notes: From FY 2006/07 onwards, 2005/06 constant prices are used. Double digit growth years are shaded.

Table 3. Gross Domestic Investment, Selected Asian Countries: 2000–2007
(per cent of GDP)

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	2000 – 2007 (avg.)
I. NIEs									
Rep. of Korea	28.3	27.0	26.1	29.4	30.2	30.1	29.9	29.4	28.8
Hong Kong, China	28.1	25.3	22.8	21.9	21.8	20.5	21.7	20.9	23.4
Singapore	32.0	26.5	23.7	15.6	19.4	18.6	20.1	20.7	22.1
Taiwan, China	22.9	18.4	17.4	17.4	21.5	20.2	21.5	21.5	20.1
Average NIEs	*27.8*	*24.3*	*22.5*	*21.1*	*23.2*	*22.4*	*23.3*	*23.1*	*23.5*
II. SECOND-TIER NIEs									
Malaysia	27.2	23.9	24.0	21.6	22.6	19.8	20.9	21.9	22.7
Thailand	22.8	24.1	23.8	24.9	27.1	31.6	28.4	26.6	26.2
Indonesia	16.1	23.5	20.4	17.3	21.3	21.3	25.4	24.9	21.3
Average second-tier NIEs	*22.0*	*23.8*	*22.7*	*21.3*	*23.7*	*24.2*	*24.9*	*24.5*	*23.4*
III. OTHER DEVELOPING COUNTRIES									
China	36.3	34.2	35.2	38.0	39.3	43.5	44.5	43.3	39.3
Vietnam	23.9	31.2	33.2	35.4	35.5	35.4	36.8	41.6	34.1
India	24.4	23.0	25.3	27.2	30.1	35.5	35.9	n.a.	28.8
Pakistan	16.0	17.2	16.8	16.9	17.3	16.8	22.1	22.9	18.3
Philippines	29.1	19.0	17.7	16.7	17.1	15.7	14.5	15.3	18.1
Sri Lanka	28.1	22.0	21.3	22.3	25.8	27.0	28.0	27.9	25.3
Average Other Developing Countries	*26.3*	*24.4*	*24.9*	*26.1*	*27.5*	*27.7*	*30.3*	*30.2*	*27.2*
IV. LDCs									
Laos	20.5	21.0	21.2	21.2	22.0	22.0	n.a.	n.a.	21.3
Bangladesh	23.0	23.1	23.1	23.4	24.0	24.4	27.4	24.5	24.1
Cambodia	17.3	18.7	20.1	25.1	25.8	26.4	20.6	20.8	21.9
Nepal	24.3	24.1	24.2	25.8	26.4	25.7	26.9	28.1	25.7
Average LDCs	*21.3*	*21.7*	*22.2*	*23.9*	*24.6*	*24.6*	*25.0*	*24.5*	*23.5*
Average (all countries)	**24.4**	**23.6**	**23.1**	**23.1**	**24.8**	**24.7**	**25.9**	**25.6**	**24.4**
Myanmar	**12.4**	**11.6**	**10.4**	**11.0**	**12.0**	**13.2**	**13.7**	**15.0**	**12.4**

Sources: For Myanmar; Ministry of National Planning and Economic Development, Yangon and Nay Pyi Taw. For other countries; Asian Development Bank, *Asian Development Outlook*, 2004, 2006 and 2009 (Manila: Asian Development Bank, *On-line Editions*).

Note: n.a. means not available.

Table 4. Myanmar: Real GDP Growth Rates and the GDI/GDP Ratio, 1950/51–2007/08 (%)

Fiscal Year	Average GDP growth rate	Average GDI/GDP ratio
1950/51–1959/60	5.8	18.9
1960/61–1969/70	3.0	12.7
1970/71–1979/80	3.9	12.8
1980/81–1989/90	1.9	16.1
1990/91–1999/00	6.1	13.6
1999/00–2007/08	12.6	12.4

Source: U Myint, "Myanmar's GDP growth and investment: lessons from a historical perspective", in Monique Skidmore and Trevor Wilson, eds., *Dictatorship, Disorder and Decline in Myanmar* (Canberra: ANU E Press, 2008), pp. 51–60.

Table 5. Myanmar: GDP, Exports and Export/GDP Ratio, 1950/51–1959/60 (K. million, current prices)

Fiscal Year	50/51	51/52	52/53	53/54	54/55	55/56	56/57	57/58	58/59	59/60	50–59 (avg.)
GDP	3,690	4,084	4,620	4,589	4,813	5,144	5,452	5,384	5,626	5,999	4,940
Exports	975	1,093	1,292	1,066	1,116	1,174	1,183	894	1,002	1,179	1,097
Export / GDP ratio (%)	26.42	26.76	27.97	23.23	23.19	22.82	21.70	16.60	17.81	19.65	22.62

Source: Government of Burma, *Economic Survey of Burma, 1955, 1959 and 1963*.

Table 6. Myanmar: GDP, Exports, and Export/GDP Ratio, 2000/01–2003/04 (K. millions, current prices)

Fiscal Year	2000/01	2001/02	2002/03	2003/04	00/01 – 03/04 (avg.)
GDP	2,552,733	3,548,472	5,625,255	7,716,616	4,860,769
Exports	12,639	16,350	19,955	14,118	15,766
Export/GDP ratio (%)	0.49	0.46	0.35	0.18	0.37

Source: Central Statistical Organization, *Statistical Yearbook 2004*, Table 14.02, p. 315.

Table 7. Sectorial Shares of GDP, Selected Asian Economies: 1970, 1980, 1990 and 2007 (per cent)

Economy	AGRICULTURE				INDUSTRY				SERVICES			
	1970	1980	1990	2007	1970	1980	1990	2007	1970	1980	1990	2007
I. NIEs												
Hong Kong*	n.a.	0.8	0.3	0.0	n.a.	31.7	25.3	8.8	n.a.	67.5	74.5	91.2
Singapore	2.2	1.3	0.4	0.1	36.4	38.1	34.4	29.4	61.4	60.6	65.3	70.5
Taiwan, China	n.a.	7.7	4.2	1.5	n.a.	45.7	41.2	28.3	n.a.	46.6	48.4	70.2
Rep. of Korea	29.8	14.9	8.5	3.0	23.8	41.3	43.1	39.4	46.4	43.7	48.4	57.6
II. 2ND-TIER NIEs												
Malaysia	n.a.	22.9	15.2	10.0	n.a.	35.8	42.2	46.8	n.a.	41.3	42.6	43.2
Thailand	30.2	23.2	12.5	11.4	25.7	28.7	37.2	43.9	44.1	48.1	50.3	44.7
Indonesia	35.0	24.8	19.4	13.8	28.0	43.4	39.1	46.7	37.0	31.8	41.5	39.4
III. OTHER DEVELOPING COUNTRIES												
Philippines	28.2	25.1	21.9	14.1	33.7	38.8	34.5	31.7	38.1	36.1	43.6	54.2
China	42.2	30.1	27.0	11.3	44.6	48.5	41.6	48.6	13.2	21.4	31.3	40.1
Sri Lanka	30.7	26.2	22.9	11.7	27.1	29.8	27.3	29.9	42.2	44.0	49.8	58.4
Vietnam	n.a.	50.0	38.7	20.3	n.a.	23.1	22.7	41.6	n.a.	26.9	38.6	38.1
India	44.5	38.1	31.0	17.6	23.9	25.9	29.3	29.4	31.6	36.0	39.7	52.9
Pakistan	40.1	29.6	26.0	19.6	19.6	25.0	25.2	26.8	40.3	45.5	48.8	53.7
IV. LDCs												

Bangladesh	n.a.	41.2	29.4	18.9	n.a.	16.3	20.9	28.5	n.a.	42.5	49.7	52.6
Bhutan*	n.a.	56.7	43.2	22.3	n.a.	12.2	25.3	37.9	n.a.	31.1	31.5	39.8
Cambodia	n.a.	n.a.	55.6	31.9	n.a.	n.a.	11.2	26.8	n.a.	n.a.	33.2	41.3
Nepal	n.a.	61.8	51.6	32.5	n.a.	11.9	16.2	16.6	n.a.	26.3	32.1	50.9
Laos*	n.a.	n.a.	61.2	42.6	n.a.	n.a.	14.5	31.8	n.a.	n.a.	24.3	25.6
Myanmar	49.5	46.5	57.3	43.4	12.0	12.7	10.5	19.9	38.5	40.8	32.2	36.7

Sources: For Myanmar, Ministry of National Planning and Economic Development, Yangon and Nay Pyi Taw. For other countries: Asian Development Bank, *Asian Development Outlook 1995* (Hong Kong: Oxford University Press, 1995); *Asian Development Outlook 2002 and 2009* (Manila: Asian Development Bank, On-line Editions); Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2004 and 2008* (Manila: Asian Development Bank, On-line Editions)

Notes: (i) Agriculture comprises agriculture, forestry, livestock, hunting and fishing. (ii) Industry comprises manufacturing, mining, construction, electricity, gas and water. (iii) Services comprise all other branches of economic activity in GDP not included in (i) and (ii) above. (iv) n.a. means data are not available. (v) * refers to terminal year 2006 for the three sectors.

Table 8. Selected Asian Economies: Per Capita GDP in 2006 (PPPUS$)

Economy	Per Capita GDP
Brunei	49,898
Singapore	47,426
Hong Kong, China	39,146
Republic of Korea	22,985
Malaysia	12,536
Thailand	7,613
China	4,682
Bhutan	4,010
Sri Lanka	3,896
Indonesia	3,455
Philippines	3,153
India	2,469
Vietnam	2,363
Pakistan	2,361
Laos	1,980
Cambodia	1,619
Bangladesh	1,155
Nepal	999
Myanmar	881

Source: UNDP, Human Development Indices, *A Statistical Update 2008* (New York: UNDP, 2008), Table 2, pp. 29–32.

Note: The purchasing power parity (PPPUS$) of a country's currency is the number of units of that currency required to purchase the same representative basket of goods and services (or a similar basket of goods and services) that a US dollar would buy in the United States. See UNDP, *Human Development Report 1997* (New York: UNDP, 1997), p. 239. To give an illustrative example, in simple terms, suppose a basket of five commodities and services consisting of a liter of petrol, a kilogramme of rice, a liter of cooking oil, a kilogramme of chicken, a haircut at the barbershop and bus fare for city travel for a distance of one kilometer costs a total of Kyats 20,000 in Myanmar and the same or similar basket of 5 commodities and services costs US$40 in the United States, then PPPUS$1 = 20,000/40 = Kyats 500. Obviously, the calculation is more complex and sophisticated than this. For technical details see World Bank, International Comparisons Program, ICP 2003–2006 Handbook.

Table 9. Household Expenditure per Month in Yangon, 1986 and 2001

Year	Expenditure 1986 (Household size = 5.78)		Expenditure 2001 (Household size = 5.20)		Increase Ratio	Share Change (%)
Item of household expenditure	(a) Value (Kyats)	(b) Share (%)	(c) Value (Kyats)	(d) Share (%)	(c/a) Ratio	(d-b) (+)increase (-)decrease
Total	**996.84**	**100.00**	**37,428.06**	**100.00**	**37.55**	**n.a.**
FOOD	*647.29*	*64.93*	*25,585.87*	*68.36*	*39.53*	*+3.43*
Meat	106.44	10.68	4,041.07	10.80	37.97	+0.12
Rice	97.61	9.79	3,955.03	10.57	40.52	+0.78
Fish (fresh)	103.08	10.34	3,537.41	9.45	34.08	-0.89
Cooking oil and fats	91.44	9.17	2,647.41	7.07	28.95	-2.10
Fruits and vegetables	40.31	4.04	2,576.47	6.89	63.92	+2.85
Spices and condiments	56.58	5.68	1,158.76	3.10	20.48	-2.58
Eggs	18.39	1.84	951.67	2.54	51.75	+0.70
Beverages	16.67	1.67	787.15	2.10	47.22	+0.43
Pulses	19.01	1.91	747.21	2.00	39.31	+0.09
Fish (dried)	5.56	0.56	707.35	1.89	127.22	+1.33
Ngapi & nganpyaye	21.02	2.11	524.08	1.40	24.93	-0.71
Milk & milk products	8.95	0.90	336.78	0.90	37.63	0.00
Sugar and other food	15.58	1.56	273.93	0.73	17.58	-0.83
Other	46.65	4.68	3,341.55	8.92	71.63	+4.24
NON-FOOD	*349.55*	*35.07*	*11,842.19*	*31.64*	*33.88*	*-3.43*
Fuel & light	71.50	7.17	2,363.90	6.32	33.06	-0.85
Travel expenses	47.78	4.79	2,363.28	6.32	49.46	+1.53
Charity and ceremonials	13.20	1.33	1,233.15	3.29	93.42	+1.96
House rent and repairs	30.37	3.05	1,147.79	3.07	37.79	+0.02
Education	22.11	2.22	897.01	2.40	40.57	+0.18
Clothing and apparel	51.19	5.14	847.14	2.26	16.55	-2.88
Personal use goods	19.26	1.93	645.17	1.72	33.50	-0.21
Medical care	18.61	1.87	636.81	1.70	34.22	-0.17

Cleansing and toilet	30.19	3.03	540.10	1.44	17.89	-1.86
Other household goods	n.a	n.a	292.35	0.78	n.a.	n.a.
Tobacco	23.26	2.33	251.12	0.67	10.80	-1.66
Recreation	4.27	0.43	140.74	0.38	32.96	-0.05
Stationery & school sup.	12.13	1.22	133.65	0.36	11.02	-0.86
Furniture	2.77	0.28	60.63	0.16	21.89	-0.12
Crockery	1.35	0.14	11.13	0.03	8.24	-0.11
Other	1.56	0.16	278.23	0.74	178.35	+0.58

Source: Central Statistical Organization, *Statistical Yearbooks 1995 and 2001*.
Note: Expenditure items under both food and nonfood categories have been listed in order of magnitude for 2001. N.a means data not available or not applicable.

Table 10. Average Household Monthly Income and Expenditure in Myanmar, 1997

State/Division	(a) Income (Kyats)	(b) Expenditure (Kyats)	(c) Balance (a-b) (Kyats)	(d) Ratio of income to expenditure (a/b) (per cent)
STATES AND DIVISIONS				
Yangon	16,660.99	15,499.75	+1,161.24	107.49
Kachin	13,196.61	16,368.98	-3,172.37	80.62
Tanintharyi	12,712.76	19,294.50	-6,581.74	65.89
Ayeyarwady	12,311.42	12,267.99	+43.43	100.35
Kayin	11,800.54	14,944.75	-3,144.21	78.96
Mon	10,767.66	13,708.00	-2,940.34	78.55
Bago	8,673.64	13,595.22	-4,921.58	63.80
Mandalay	8,650.39	13,834.31	-5,183.92	62.53
Shan	8,393.82	16,649.91	-8,256.09	50.41
Sagaing	7,760.88	13,565.15	-5,804.27	57.21
Chin	6,836.21	10,820.20	-3,983.99	63.18
Rakhine	6,660.56	12,033.68	-5,373.12	55.35
Magway	6,560.61	11,773.30	-5,212.69	55.72
Kayah	4,622.15	11,017.56	-6,395.41	41.95
CITIES				
Yangon	18,997.36	16,234.81	+2,762.55	117.02
Mandalay	11,058.03	18,273.60	-7,215.57	60.51
WHOLE COUNTRY				
Union	10,122.98	13,784.51	-3,661.53	73.44

Source: Central Statistical Organization, *Report of 1997 Household Income and Expenditure Survey* (Yangon: CSO, 1999).

Table 11. Value & Volume of Merchandize Exports of Myanmar: 88/89, 90/91, 94/95–99/00 & 90–99 (avg.)

Fiscal Year	88/89	90/91	94/95	95/96	96/97	97/98	98/99	99/00	90–99 (avg.)
Value of exports (millions US dollars)									
Total exports	*321.0*	*479.0*	*919.0*	*898.0*	*929.0*	*1,036.0*	*1,081.6*	*1,433.2*	*847.3*
Pulses and beans	8.0	83.0	136.0	242.0	215.0	225.5	181.8	188.9	159.5
Teak	94.0	119.0	162.0	161.0	145.0	112.1	102.5	116.4	127.1
Rice and rice products	9.0	28.0	198.0	78.0	21.0	6.1	26.7	10.4	49.9
Hardwood	10.0	42.0	18.0	26.0	22.0	24.9	23.8	31.7	34.6
Fish and fish products	10.0	6.0	36.0	28.0	37.0	48.5	52.5	37.1	32.1
Rubber	2.0	1.0	21.0	32.0	29.0	21.5	16.1	12.1	20.3
Base metals and ores	11.0	12.0	10.0	13.0	6.0	4.8	11.8	46.2	14.9
Animal feedstuffs	1.0	2.0	4.0	5.0	2.0	0.4	0.8	0.4	2.6
Subtotal: Traditional exports	145.0	293.0	585.0	585.0	477.0	443.8	416.0	443.2	441.0
Border trade	158.0	78.0	75.0	35.0	86.0	252.3	265.7	157.0	122.9
Traditional plus border trade	303.0	371.0	660.0	620.0	563.0	696.1	681.7	600.2	563.9
Other	16.8	106.7	259.0	278.0	298.0	269.8	323.6	392.1	200.6
Garments	1.2	1.3	58.3	53.5	68.0	70.1	75.5	436.0	82.3
Natural gas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8	4.9	0.6
Volume of exports (thousand metric tons, unless otherwise noted)									
Pulses and beans	17.0	195.0	425.0	610.0	595.0	769.0	622.0	560.9	508.0
Teak (000 cubic tons)	148.0	252.0	150.0	117.0	139.0	138.0	165.0	234.0	176.1
Rice and rice products	48.0	134.0	1,041.0	354.0	93.0	28.0	123.0	54.9	249.0
Hardwood (000 cubic tons)	72.0	364.0	83.0	83.0	131.0	154.0	235.0	335.3	237.6
Fish and fish products	5.0	12.0	72.0	35.0	33.0	40.0	46.0	31.4	39.3
Rubber	2.0	1.0	24.0	24.0	25.0	22.0	30.0	29.2	25.6
Base metals and ores	26.0	33.0	54.0	34.0	16.0	26.0	6.0	33.5	28.3
Animal feedstuffs	16.0	26.0	36.0	64.0	16.0	7.0	1.0	11.1	28.2
Garments (mil. units)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Natural gas (bil. cu.ft)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Base metals and ores	26.0	33.0	54.0	34.0	16.0	26.0	6.0	33.5	28.3
Share in value of exports (percent)									
Pulses and beans	2.5	17.3	14.8	26.9	23.1	21.8	16.8	13.2	19.0
Teak	29.3	24.8	17.6	17.9	15.6	10.8	9.5	8.1	16.8
Rice and rice products	2.8	5.8	21.5	8.7	2.3	0.6	2.5	0.7	6.6
Hardwood	3.1	8.8	2.0	2.9	2.4	2.4	2.2	2.2	5.1
Fish and fish products	3.1	1.3	3.9	3.1	4.0	4.7	4.9	2.6	3.6
Rubber	0.6	0.2	2.3	3.6	3.1	2.1	1.5	0.8	2.5
Base metals and ores	3.4	2.5	1.1	1.4	0.6	0.5	1.1	3.2	1.8
Animal feedstuffs	0.3	0.4	0.4	0.6	0.2	0.0	0.1	0.0	0.4
Subtotal: Traditional exports	45.2	61.2	63.7	65.1	51.3	42.8	38.5	30.9	55.7
Border trade	49.2	16.3	8.2	3.9	9.3	24.4	24.6	11.0	15.0
Traditional plus border trade	94.4	77.5	71.8	69.0	60.6	67.2	63.0	41.9	70.6
Other	5.2	22.3	21.8	25.0	32.1	26.0	29.9	27.4	21.9
Garments	0.4	0.3	6.3	6.0	7.3	6.8	7.0	30.4	7.4
Natural gas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	0.3	0.0
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: IMF and World Bank reports on Myanmar and Ministry of National Planning and Economic Development, Nay Pyi Taw. Central Statistical Organization, *Statistical Yearbooks* (Yangon: Central Statistical Organization, 1988, 2000, 2004)
Notes: n.a. indicates data are not available, or are negligible. Items (01) to (08) are designated as "traditional exports".

Table 12. Value & Volume of Merchandize Exports of Myanmar, 2000/01–2007/08 and 2000–2007 (avg.)

Fiscal Year	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	00–07 (avg.)
Value of exports (million US dollars)									
Total exports	*1,960.3*	*2,544.3*	*3,062.8*	*2,356.8*	*2,927.8*	*3,558.0*	*5,232.7*	*6,401.2*	*3,505.5*
Pulses and beans	255.3	281.9	268.9	288.9	224.0	322.1	609.6	627.9	359.8
Teak	100.2	211.6	212.6	249.0	264.9	296.6	305.0	279.6	239.9
Hardwood	23.4	68.1	73.9	92.9	126.7	177.8	207.2	250.3	127.5
Fish and fish products	44.9	46.1	71.8	59.0	71.7	93.5	126.4	283.3	99.6
Base metals and ores	49.9	42.7	43.2	56.8	95.8	111.3	111.2	86.2	74.6
Rice and rice products	34.6	112.2	97.1	21.8	31.8	36.3	3.1	102.5	54.9
Rubber	10.3	11.2	13.7	16.6	15.4	35.4	14.4	34.8	19.0
Animal feedstuffs	n.a.	n.a.	1.0	1.8	0.2	0.0	0.0	0.0	0.4
Subtotal: Traditional exports	518.6	773.8	782.2	786.8	830.5	1,073.0	1,376.9	1,664.6	975.8
Border trade	208.7	290.5	516.8	278.8	347.4	430.3	647.1	746.2	433.2
Traditional plus border trade	727.3	1,064.3	1,299.0	1,065.6	1,177.9	1,503.3	2,024.0	2,410.8	1,409.0
Other	479.3	407.5	398.0	383.0	509.4	703.2	894.7	1,187.0	620.3
Garments	582.8	443.9	456.1	327.9	216.1	271.9	279.1	282.7	357.6
Natural gas	170.9	628.6	909.7	580.3	1,024.4	1,079.6	2,034.8	2,520.7	1,118.6
Volume of exports (thousand metric tons unless otherwise noted)									
Pulses and beans	831.3	1,034.8	1,038.3	1,2103	873.2	865.5	1,155.5	1,141.4	1,018.8
Teak (000 cubic tons)	218.2	200.5	205.6	281.3	319.2	333.1	347.4	282.4	273.5
Hardwood (000 cubic tons)	329.4	285.6	308.0	390.8	496.8	279.3	637.4	791.8	439.9
Fish and fish products	49.1	71.4	82.0	53.3	62.7	78.0	104.9	120.1	77.7
Base metals and ores	36.9	42.5	35.0	30.8	32.4	29.4	16.7	12.7	29.6
Rice and rice products	251.4	939.2	793.5	168.4	182.2	180.0	14.5	358.5	361.0
Rubber	20.1	24.6	21.7	19.2	14.2	29.3	9.5	19.2	19.7
Animal feedstuffs	0.4	0.6	20.6	35.1	3.1	0.2	0.0	0.0	8.6

Garments (mil. units)	271.4	237.4	251.4	151.4	86.5	71.3	80.0	77.1	153.3
(10) Natural gas (bil. cu.ft)	65.4	237.1	350.9	200.2	335.5	322.7	460.1	515.7	311.0
Share in value of exports (per cent)									
Pulses and beans	13.0	11.1	8.8	12.3	7.7	9.1	11.6	9.8	10.3
Teak	5.1	8.3	6.9	10.6	9.0	8.3	5.8	4.4	6.8
Hardwood	1.2	2.7	2.4	3.9	4.3	5.0	4.0	3.9	3.6
Fish and fish products	2.3	1.8	2.3	2.5	2.4	2.6	2.4	4.4	2.8
Base metals and ores	2.5	1.7	1.4	2.4	3.3	3.1	2.1	1.3	2.1
Rice and rice products	1.8	4.4	3.2	0.9	1.1	1.0	0.1	1.6	1.6
Rubber	0.5	0.4	0.4	0.7	0.5	1.0	0.3	0.5	0.5
Animal feedstuffs	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Subtotal: Traditional exports	26.5	30.0	25.5	33.3	28.4	30.2	26.3	26.0	27.8
Border trade	10.6	11.4	16.9	11.8	11.9	12.1	12.4	11.7	12.4
Traditional plus border trade	37.1	41.8	42.2	45.2	40.2	42.3	38.7	37.7	40.2
Other	24.5	16.0	13.0	16.3	17.4	19.8	17.1	18.5	17.7
Garments	29.7	17.4	14.9	13.9	7.4	7.6	5.3	4.4	10.2
Natural gas	8.7	24.7	29.7	24.6	35.0	30.0	38.9	39.4	31.9
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: IMF reports on Myanmar and Ministry of National Planning and Economic Development, Nay Pyi Taw. Central Statistical Organization, *Selected Monthly Economic Indicators*, May 2008 (Yangon: CSO, 2008).
Notes: n.a. indicates data are not available, or are negligible. Items (01) to (08) are designated as "traditional exports".

Table 13. Level of Exports in 2006 and Changes in Commodity Composition of Exports of Selected Asian Economies, 1980, 1990 and 2006

Economy	2006 Export Value (US$ billion)	Food & agricultural raw materials: Share in total exports (per cent)			Fuels Share in total exports (per cent)			Manufactured goods Share in total exports (per cent)		
		1980	1990	2006	1980	1990	2006	1980	1990	2006
China	968.9	n.a.	16.2	3.4	n.a.	8.4	1.8	n.a.	71.4	92.2
South Korea	325.5	8.8	4.6	1.6	0.3	1.1	6.4	89.5	93.2	89.2
Hong Kong	322.7	1.9	2.9	1.4	0.1	0.3	0.3	95.7	94.5	92.5
Singapore	271.8	18.4	7.8	1.9	28.9	18.2	13.1	43.1	71.2	78.6
Taiwan	224.0	10.1	5.5	2.0	1.5	0.6	4.8	87.9	92.6	90.3
Malaysia	160.7	45.9	25.4	9.7	24.7	18.3	13.7	18.8	53.9	73.4
Thailand	130.6	58.2	33.8	16.5	0.1	0.8	5.0	25.2	63.1	74.4
India	126.1	33.2	19.7	10.6	0.4	2.9	15.0	58.6	70.1	56.4
Indonesia	100.8	21.8	16.2	18.0	71.9	43.8	27.4	2.3	35.2	44.1
Philippines	47.4	42.0	20.8	6.0	0.7	2.2	2.3	21.1	37.9	86.1
Pakistan	16.9	n.a.	19.5	13.0	n.a.	1.3	5.0	n.a.	78.7	81.3
Bangladesh	12.0	31.2	21.1	6.5	n.a.	1.3	0.4	67.7	77.5	92.4
Sri Lanka	6.7	65.1	40.1	23.6	17.9	1.5	0.1	16.0	52.7	67.4

Source: UNCTAD, *Handbook of Statistics 2002, 2005 and 2008* (New York: United Nations, 2002, On-line Editions).
Notes: n.a. means data not available. Manufactured goods consist of Standard International Trade Classification (SITC) codes 5+6+7+8-68. Economies are listed in descending order of value of exports for year 2006.

Table 14. Selected Asian Economies, Inflation rate 2000–2008 (%)

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000 – 2008 (avg.)
Hong Kong	-3.8	-1.6	-3.1	-2.5	-0.4	1.0	2.0	2.0	3.4	-0.3
Taiwan	1.2	0.0	-0.2	-0.3	1.6	2.3	0.6	1.8	2.3	1.0
Singapore	1.3	1.0	-0.4	0.5	1.7	0.5	1.0	2.1	5.0	1.4
China	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	5.5	2.1
Malaysia	1.5	1.4	1.8	1.2	1.4	3.1	3.6	2.0	2.7	2.1
Thailand	1.7	1.6	0.6	1.8	2.8	4.5	4.6	2.3	4.0	2.7
Rep. of Korea	2.2	4.1	2.7	3.6	3.6	2.8	2.2	2.5	3.4	3.0
Cambodia	-0.8	0.7	3.7	0.5	5.6	5.9	4.7	5.9	5.5	3.5
Bhutan	4.0	3.4	2.5	2.1	4.6	5.5	4.9	5.2	4.5	4.1
India	3.8	4.3	4.0	3.9	3.8	4.5	5.4	4.4	4.5	4.3
Nepal	3.5	2.4	2.9	4.8	4.0	4.5	8.0	6.4	7.0	4.8
Philippines	4.0	6.8	3.0	3.5	6.0	7.6	6.2	2.8	4.0	4.9
Bangladesh	2.8	1.9	2.8	4.4	5.8	6.5	7.2	7.2	9.0	5.3
Pakistan	3.6	4.4	3.5	3.1	4.6	9.3	7.9	7.8	8.0	5.8
Vietnam	-1.7	-0.4	3.8	3.1	7.8	8.4	7.5	8.3	18.3	6.1
Indonesia	3.6	11.5	11.9	6.6	6.1	10.5	13.1	6.4	6.8	8.5
Lao P.D.R	25.1	7.8	10.6	15.5	10.5	8.0	6.9	4.5	5.0	10.4
Sri Lanka	6.2	14.2	9.6	6.3	7.6	11.6	9.6	20.2	16.2	11.3
Average for all countries above	*3.3*	*3.6*	*3.3*	*3.3*	*4.5*	*5.4*	*5.4*	*5.4*	*6.4*	*4.5*
Myanmar	-1.6	34.6	58.0	26.8	12.0	9.0	26.3	26.1	33.3	24.9

Sources: For Myanmar: Ministry of National Planning and Economic Development, Yangon and Nay Pyi Taw. For other countries: Asian Development Bank, *Asian Development Outlook, 2004 and 2009* (Manila: Asian Development Bank, Online Editions)

Note: Economies have been listed in ascending order of average rate of inflation for the period 2000–2008.

Table 15. Change in Money Supply (M2): Selected Asian Economies, 2000–2008 (percent change from previous year, end period)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000 – 2008 (avg.)
Thailand	3.7	4.2	2.6	4.9	5.4	9.6	6.8	2.5	5.3	5.0
Taiwan	6.5	4.4	2.6	5.8	7.4	6.3	5.3	0.9	7.0	5.1
Singapore	-2.0	5.9	-0.3	8.1	6.2	6.5	19.4	13.4	12.1	7.7
Hong Kong	9.3	-0.3	0.5	6.3	7.3	8.2	16.2	18.8	6.8	8.1
Rep. of Korea	25.4	13.2	11.0	6.7	-0.6	5.0	4.4	0.3	10.3	8.4
Philippines	8.1	3.6	10.4	3.6	9.9	15.4	19.6	5.4	2.9	8.8
Malaysia	5.2	2.2	5.8	11.1	25.4	24.2	17.1	9.5	14.4	12.8
Indonesia	15.6	13.0	4.7	8.1	8.1	19.0	14.9	19.3	18.2	13.4
Bhutan	16.1	7.6	28.5	0.4	19.9	10.7	13.0	13.0	n.a.	13.7
Nepal	21.8	15.3	4.4	9.8	11.8	12.5	15.6	13.8	20.9	14.0
Sri Lanka	12.9	13.6	13.4	15.3	19.6	15.0	17.9	16.5	10.3	14.9
Pakistan	12.1	11.7	16.8	17.5	20.5	15.5	14.6	19.5	15.5	16.0
Bangladesh	18.6	16.6	13.1	15.6	13.8	16.8	19.3	17.1	17.1	16.4
China	12.3	15.0	19.4	19.7	14.8	18.4	22.1	16.7	14.0	16.9
India	15.2	14.3	16.8	13.0	16.7	17.1	21.6	22.3	23.6	17.8
Laos	46.0	13.7	37.6	20.1	21.6	12.5	26.7	38.7	31.9	27.6
Cambodia	26.9	20.4	31.1	14.9	30.4	15.2	40.5	61.8	19.9	29.0
Vietnam	35.4	27.3	13.3	33.1	31.0	29.1	29.7	49.1	21.0	29.9
Average for all countries above	*16.1*	*11.2*	*12.9*	*11.9*	*15.0*	*14.3*	*18.0*	*18.8*	*14.8*	*14.8*
Myanmar	47.4	43.2	18.4	11.0	32.4	26.0	27.2	30.0	21.2	28.5

Sources: ESCAP, *Economic and Social Survey of Asia and the Pacific 2006 and 2009* (New York: United Nations, On-line Edition); Ministry of National Planning and Economic Development, Yangon and Nay Pyi Taw.
Notes: M2 "broad money" consists of currency, current and saving accounts and time deposits. Economies have been listed in ascending order of average rate of money supply growth for the period 2000–2008.

Table 16. Selected Asian Countries: Official Exchange Rates for Selected Years, 1990–2008
(Local currency units per US$, period averages)

Country/Year	1990	1998	2000	2004	2005	2006	2007	2008	1990 – 2008 change (%)
Brunei	1.81	1.67	1.72	1.69	1.66	1.59	1.51	1.40	22.65
Singapore	1.81	1.67	1.72	1.69	1.66	1.59	1.51	1.40	22.65
Hong Kong, China	7.79	7.75	7.79	7.79	7.78	7.77	7.80	7.80	-0.13
Taiwan, China	26.89	33.44	31.23	33.42	32.17	32.53	32.84	31.50	-17.14
Malaysia	2.70	3.92	3.80	3.80	3.79	3.67	3.44	3.30	-22.22
Thailand	25.59	41.36	40.11	40.22	40.22	37.88	34.52	33.40	-30.52
China	4.78	8.28	8.28	8.28	8.19	7.97	7.61	6.90	-44.35
Republic of Korea	707.76	1,401.44	1,130.96	1,145.32	1,024.12	954.79	929.26	1,100.10	-55.43
Philippines	24.31	40.89	44.19	56.04	55.09	51.31	46.15	44.40	-82.64
Bangladesh	34.57	46.91	52.14	59.51	64.33	68.93	68.87	68.60	-98.44
Nepal	29.37	65.98	71.09	73.67	71.37	72.76	66.42	65.00	-121.31
Bhutan	17.51	41.26	44.94	45.32	44.10	45.31	41.35	40.30	-130.15
Vietnam	6,482.80	13,268.00	14,167.70	15,741.42	15,858.90	15,994.30	16,178.90	16,303.7	-151.49
India	17.50	41.26	44.94	45.32	44.10	45.31	41.35	46.00	-162.86
Sri Lanka	40.06	64.45	77.01	101.19	100.50	103.91	110.63	108.30	-170.34
Pakistan	21.71	45.05	53.65	58.26	59.51	60.27	60.74	62.50	-187.89
Indonesia	1,842.81	10,013.60	8,421.78	8,938.85	9,704.74	9,159.32	9,143.36	9,678.30	-425.19
Cambodia	426.25	3,744.42	3,840.75	4,016.25	4,092.50	4,103.25	4,056.17	4,054.90	-851.30
Lao PDR	707.75	3,298.33	7,887.64	10,585.40	10,655.20	10,159.90	9,603.15	8,740.00	-1,134.90
Myanmar	*6.28*	*6.27*	*6.43*	*5.75*	*5.76*	*5.78*	*5.61*	*5.80*	*7.64*

Sources: Asian Development Bank, *Key Indicators for Asia and the Pacific 2008* (Manila: Asian Development Bank, On-line Edition), Table 3.15, p. 180; Asian Development Bank, *Asian Development Outlook 2009* (Manila: Asian Development Bank, On-line Edition), Table A20, p. 315.

Table 17. Market Exchange Rates in Yangon 1990–2008
(January – December, Annual Average)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Kyats per US$	58	84	99	120	113	117	149	222	327	344
Kyats per FEC	n.a	n.a	n.a	117	110	113	148	217	312	336
Rate diff. (US$ - FEC)	n.a	n.a	n.a	3	3	4	1	5	15	8
Rate diff. (%)	n.a	n.a	n.a	2.50	2.65	3.40	0.67	2.25	4.59	2.33
K100 in US Cents	172	119	101	83	88	85	67	45	31	29
K100 in US Cents (Index: 1990=100)	100	69	59	48	51	49	40	26	18	17

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kyats per US$	372	615	925	965	911	1,065	1,265	1,293	1,186
Kyats per FEC	350	558	848	811	906	1,044	1,218	1,269	1,104
Rate diff. (US$ - FEC)	22	57	77	154	5	21	47	24	82
Rate diff. (%)	5.91	9.27	8.32	15.96	0.55	1.97	3.72	1.86	6.91
K100 in US Cents	27	16	11	10	11	9	8	8	8
K100 in US Cents (Index: 1990 = 100)	16	9	6	6	6	5	5	5	5

Source: No official publications are available on the movement of the free market exchange rate. However, some independent observers have kept track of the movement of the free market exchange rate in Yangon.
Note: Foreign Exchange Certificates (FECs) were introduced in Myanmar in 1993 at rate 1 FEC = 1 US$.

About the Author

U Myint graduated from Rangoon University. He pursued post-graduate studies in the United States on a Burmese government scholarship. He obtained an M.A. in Economics from Cornell University and a Ph.D. in Economics from the University of California, Berkeley. He has held posts of Lecturer and Head of the Economics Department at the Institute of Education, Yangon; Chief of the Economic Division at the Ministry of Foreign Affairs; and Senior Economic Affairs Officer at UN/ESCAP. He has now retired from the United Nations service and lives in Yangon. He is presently engaged in research and teaching, while serving also as a member of the Myanmar Academy of Arts and Sciences and a Director on the Board of Directors of a commercial bank.