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The Time Has Come for Economic Reform in Myanmar
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On the eve of a critically important IMF Article IV Consultation Mission to Myanmar, the basic question is: where's the beef on economic reform? After over a year of post-election policy debate, meaningful economic reform initiatives have been meager. Allowing more room for union rights is an important step, and holding national conferences to talk about strategies for poverty alleviation and agriculture sector improvement are extremely welcome.

But the economic underpinnings needed for a successful democratic transition have not yet been addressed. These include: (a) policy reforms and actions to tackle emerging macroeconomic problems such as exchange rate appreciation and inflation; (b) concrete measures to stimulate the private sector; and (c) reforms in the exchange rate, financial system, investment policies, and state-owned enterprises that address entrenched military interests and control over economic resources that are impeding national economic development.

Foreign governments are partly to blame. Western governments have placed almost total focus on political issues like release of prisoners, ethnic reconciliation, and feel-good meetings with Daw Aung San Suu Kyi above serious discourse on economic policies, other than the pros and cons of removal of sanctions. China and India have focused on critical infrastructure investments congruent with their geo-strategic interests. And Thailand is looking to its own economic interests in cross-border investment and trade opportunities.

Secretary of State Hillary Clinton made an important and long-overdue gesture in stating that the US government would refrain from objecting to the IMF and World Bank offering policy advice and technical assistance (but no money) to help the Myanmar government address its economic challenges. But serious and open discussion of the fundamental economic policy issues remains off the table and out of sight. It is high time for a rethink of economic engagement policy with this important and proud country.

Nothing will advance the interests of the people of Myanmar more than sensible economic reforms coupled with a commitment to respect their rights of citizenship under national law. Ramping up humanitarian and development assistance is not the answer, although such resources can be helpful. What matters is a domestically motivated and managed economic reform drive that taps all good ideas and reinforces collaboration between the government, private sector, civil society and the international community.

This is not an impossible task and it is reasonable to be optimistic about the potential future of Myanmar. What is needed is realistic understanding of the constraints that exist for good policymaking, which are partly due to technical capacity and partly to lingering political pressures from entrenched military interests inside the country and external political pressures. Smart policies are needed to reduce the risk of prolonged confusion and stumbling in long-overdue national economic development.

The IMF, World Bank, and Asian Development Bank, together with UN agencies active within the country, are well-equipped to help the fledgling democratic government of Myanmar address these challenges in ways that are objective, locally sensitive, and reflect international best practice. They should be given all the support needed for this important opportunity at this critical time.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed.