

GRAY/04/541

March 16, 2004

**Statement by Mr. Yagi and Ms. Sekine on Myanmar
(Preliminary)
Executive Board Meeting 04/26
March 17, 2004**

- We are deeply concerned about Myanmar's economic situation, in which policy mismanagement has suppressed growth potential, leading to further distortion and contraction of economic activities and continued isolation from the international community.
- Keys to economic revival are the authorities' strong commitment to reform, adoption of a clear and coherent reform strategy, and development of institutional capacity. But recent movements, such as the decision to suspend publication of the Monthly Statistical Bulletin, reluctance to embrace any suggestions on exchange rate unification, as well as the decision to ban all exports of rice and other agricultural goods temporarily, all leave us with the impression that the authorities' commitment to reform is subsiding.
- The Fund needs to provide appropriate advice for remedial measures and continue its efforts to convey a message to the authorities that any delay of policy adjustments and reforms will entail more cost. We commend the staff's efforts to recommend a pragmatic gradual reform approach based on neighboring countries' experiences, such as Vietnam. We hope that soon the staff will be provided an opportunity to commence a policy dialogue with Myanmar's political leadership.
- We expect Myanmar to normalize as soon as possible its relationships with the international community through accumulative dialogue, and to advance the enhanced HIPC initiative process. Should Myanmar reach the completion point, our authorities are ready to write off their entire outstanding debt stock.
- Developing reliable economic statistics is critical to analyzing the current economic situation and policy effectiveness. Improving the database is central to sound economic management and will also contribute to refining the Fund's policy analysis and advice.
- The need to unify the dual exchange rate regime is urgent. While this chair prefers a one-shot unification approach, we are sympathetic to a gradual one, considering the difficulty of attaining financial assistance from the international society. Whichever approach is taken, we concur with the staff that it is desirable to adopt a flexible exchange rate regime in the foreseeable future, given the low level of reserves. To promote a smooth unification process, a credible commitment and a clear timetable for reform are essential, along with the necessary macroeconomic policies and structural reforms.

To the Staff

- How does the staff plan to assist in the key reforms of exchange rate unification and fiscal consolidation?
- Considering the authorities' limited capacity in the statistical area, there is a clear need for technical assistance. What are the lessons learned from the failure of past technical assistance programs? What does the staff think about future provision of technical assistance in the statistical area?
- Tables of Monetary Survey and Monetary Authorities' Accounts suggest that private banks have large foreign liabilities. We would like the staff to elaborate on the state of the foreign exchange position of these banks, and how to address it in line with reform of exchange rate unification.