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MYANMAR: MAKING THE REFORMS COUNT

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P R O C E E D I N G S

MR. NEHRU: Okay. Good morning, everybody. I hope you can hear me. Good. Welcome to this Brookings IMF event on Myanmar: Making Reforms Count.

As all of you know events have evolved very rapidly in Myanmar over the last year. Tremendous political reforms in a country of 50 million people after half a century of self-imposed isolation. Political prisoners have been released. They've had bi-elections. The NLD, the National League for Democracy led by Aung San Suu Kyi, swept those bi-elections last April. The country's press has been granted new freedoms. Unions are being allowed to engage in collective bargaining. There have been rights to peaceful assembly have been restored within limits.

The Country's Parliament is beginning to exercise its muscle. It's no longer the rubber stamp Parliament it used to be. And on the economic front, too, there have been many reforms including the gradual reunification of the exchange rate. Agricultural laws have been passed. A land law has been passed. And of course, now there's a new draft law under consideration for establishing a central bank and for reforming the financial system.

So, there's a lot that's going on in Myanmar. And now the issues posed for this panel are going to be forward looking issues. How can Myanmar and the international community work together to make sure that these reforms in fact count? And to do this we have a tremendous panel. Let me start from the extreme left. We have Frances Zwenig, President of the US-ASEAN Business Council Institute. She also serves as the principal for Frances Zwenig, Inc., a consulting organization which addresses issues regarding commercial and CSR activities in ASEAN countries.

We have to her right, Anoop Singh, who's the Director of the Asian Pacific Department of the International Monetary Fund.

To his right we have Priscilla Clapp, a retired Minister Counselor in the US Foreign Service, currently a senior advisor to the Asia Society of the Blue Moon Fund and a member of the International Advisory Board of the US Institute of Peace.

And here to my left we have Lex Rieffel who's a Nonresident Senior Fellow with Global Economy and Development at the Brookings Institution.

So, what we are going to do is I'm going to ask each one of the panelists to speak for about three to five minutes to give their ideas on what they consider to be the top priorities, reform priorities in the country. And then, we'll have a conversation amongst ourselves where I'll pose to them questions depending upon what comes up in those initial introductions and after that we'll open up the discussion to the floor. And then if time permits, I will ask each one of the panelists to give us a very short one minute set of concluding thoughts to wrap up the event.

So, let me start with Priscilla Clapp. Priscilla?

MS. CLAPP: Thank you. Let me apologize for holding my hand up like this but I'm supposed to keep it above my heart. I just had a small operation on it this morning.

The priority in Burma is institutionalization. This is a country that was under military rule for 50 years and did not develop institutions for sustainable democracy. And they have moved rather rapidly, much faster than anybody ever expected to lay out a reform agenda and become a democracy.

It's imperfect at this point. They don't know exactly how to do it and they

desperately need the kinds of institutions that will support a sustainable democracy in the country.

They are looking for as much help as they can get. But in the end they actually want to do it themselves. In fact, they have to do it themselves. If they don't do it themselves it's not going to work.

I believe that the international community needs to help them with institution building, with capacity building, show them best practices, show them experience from other places in the world and we certainly have plenty of experience here in the US. But they shouldn't step in and try to do it for them because then they don't learn how to make it work. And they're going to have their own special wrinkle on how they want these institutions to develop and operate.

It's going to be a long haul. It's going to probably take two or three generations to get this in proper working order. I am right now working with the US Institute of Peace on a variety of capacity building and institution building programs but principally rule of law. There's a team there right now working in some of the ethnic states and as well as Yangon and Nay Pyi Taw.

Talking with people about their concepts of rule of law, they're not approaching rule of law as a matter of law so much as it is a matter of the system. You have to have a system that delivers justice, that delivers fairness and that doesn't exist right now. The laws exist. They're not being properly administered. They're not being properly interpreted. Many of the laws need to be changed but the basic laws are there. It's the system that's a problem. And it's much harder to get out a system than it is to write new laws. And that's the approach that USIP is taking but they're trying to do it from

the ground up and help the people understand what they have to do to create rule of law in their country.

We're also -- USIP is working on other peace building initiatives. The role of the media in peace building, religious leaders, the role of religious leaders in peace building and those are other projects that are underway with USIP. I'm working with the Blue Moon Fund on a variety of environmental initiatives. We've been trying to help them embed environmental and social standards in their investment and development laws and policies.

This will not be that difficult to do because they've already got some of it in their legislation, investment legislation. The difficult part is going to be building the institutions that actually enforce these standards. And so, the approach we're taking is to work with civil society to encourage the development of a civil society environmental movement in the country. They will become the watchdogs. They will police the standards that are eventually built into these laws.

As I said, it's a big job and a long process. And we're not fooling ourselves that we're going to have overnight success with this. It's something that is going to take a long time.

Briefly, let me just say that there are two forces at work right now, the new guard and the old guard. And there's a rear guard battle on the part of the old guard. Sorry for overusing the word guard. But the vested interest from within the military, the ex-military that got their hands on a lot of the resources and instruments of the economy are trying to hang onto it. The new guard which are ex-generals also who are doing the reforms are trying to change things and this battle is going to go on for

some time. We just have to hope that the new guard wins.

MR. NEHRU: Thank you very much, Priscilla.

Anoop?

MR. SINGH: Vikram, thank you very much. I share a lot of what Priscilla has just said but let me just make a few points. I was there just a few weeks ago and I'm embarrassed to say it was the first time I was in Myanmar. It was quite an experience.

We were lucky to meet people really across the spectrum. We did not only meet government leaders. We met civil society, others and I was actually struck by what one of these leaders told me, not from the government. When I asked about the pace of reforms and you have briefly outlined, Vikram, the reform they've been taking, the answer came back to me very clearly. That Myanmar has been a poor country with all its problems for many decades. And everybody wants the country to emerge. They want the country to improve. They want the people to improve their lives.

And therefore, the sense I got is that these reforms are being supported across the spectrum provided they lead to these outcomes. So, I will say there is really quite a consensus for the kind of reforms that are taking place. And might then ask what are these reforms? Well, you know, I could talk about that for some time. Maybe I'll come back as the morning progresses to list the measures but if you look at it in a very simple way, over many decades Myanmar has been an economy that has segmented informal parallel markets.

You look where the official exchange rate was for many decades. It's around 68 or something. And now it is a unified rate, to a large extent, not completely. And it's about 820. So, what is underway in all these reforms is to try and reduce the

scale of these informal parallel black markets and increase formal markets, integrate markets.

And why is that important? Because if you look into history, if you look at why, as Priscilla said, institutions matter, they matter because if an economy continues to rely on informal markets, you will not get the institutional development and therefore the progress their countries need.

So, what I think Myanmar is trying to do is to have economic and other reforms. They are trying to integrate markets, to unify markets so that activities are not segmented, parallel or shadow markets. And this is crucial because if the country is going to develop as we all hope quickly, they need to do this. And I will say this actually is the focus of their reforms.

So, I do believe they're off to a very strong start. Not just in terms of the measures they've taken but I believe in terms of the objective and the motivation is to integrate markets. It will take a long time to do but I do believe that's the focus.

MR. NEHRU: Thank you, Anoop.

Frances?

MS. ZWENIG: Vikram, thank you and thank Brookings for including me in this panel. I think it's a good title, the idea of looking forward.

An accurate description of what's going on in Myanmar brings up the analogy of the hundred blind men being asked to describe an elephant. Believe me though; you have to be there, not here on Massachusetts Avenue or Pennsylvania Avenue or C Street. And even if you're there there's no guarantee you're going to get it right.

So, in my three minutes I want to give you three bullets -- I want to give you several bullets. To repeat, you have to be there. You have to have a long term time horizon. There are no quick hits, no easy in and out. It's still whom you know. Due diligence is the coin of the realm. Absorptive capacity at all levels, in all areas is limited. Everything will go slowly for a variety of reasons but in my view that's probably a good thing.

There's pent up demand at every turn. The President and his team of reformers want to show results. Their eyes are on 2015. The Myanmar people, what is there for them now? They have press freedoms but jobs no real results right now. And these challenges that the small and medium size enterprises which could produce the jobs more easily are probably daunted by the reporting requirements and whatever that we're forcing on them.

So, that's a difficulty. The outsiders, there's pent up demand, both those who have bet on change and those who've bet against change. And there's still people who bet against change.

The companies, it's like Myanmar's the last piece of the ASEAN puzzle; 58 million consumers, vast natural resources, et cetera. The neighboring countries, China, India, Thailand and then the United States, North Korea's still out there for the US.

Business specifically, just to show you the kind of interests, last July we organized 38 companies, 75 people who came in for a two day session in Yangon. As we speak there are 14 US companies organized by the Chamber of Commerce, 50 people, in Nay Pyi Taw.

But three weeks ago I had lunch with the Myanmar Ambassador and he

said, "What's going on? You all come and visit but then we have nothing to show for it." I do have a report of success. It's an engagement on healthcare. During the November visit of President Obama to a meeting with Thein Sein, President Thein Sein brought up healthcare. He wants to develop a healthcare scheme for Myanmar.

So, a colleague of mine from DeLoyd whose a Burman-American and I brought an American NGO from Johns Hopkins there. In advance of their arriving we went to Nay Pyi Taw, met with the President's assistant who gave us a proclamation that talked about the formation of a foundation to promote public health in remote areas. The next day we had a meeting with the head of the foundation in Yangon, a retired WHO official, and then the next week the NGO came in. We had a brainstorming session.

Three hours, talked about what they could do in maternal and child health in underserved areas in Myanmar. And as we speak, that NGO is in Myanmar on a seven day jointly planned scoping mission.

So, things are happening and things are happening with Americans. And they're happening the right way.

The last bullet I'd like to mention is the diaspora. There are five US trained activist scholars sitting outside the President's office in Nay Pyi Taw writing policy papers, helping to actually work on the reforms. Burman-Americans like Maureen Aung Thwin with Open Society Institute here, Debbie Aung Din Taylor of Proximity Designs which Skoll Foundation recognized NGO that's helping farmers. Thant Myint-U, U Thant's grandson, who is working in Yangon on restoration projects with the government. There is stuff going on but again you have to be there.

And in conclusion, I'd like, as I'm a Georgian I'd like to quote a fellow

Georgian Ted Turner who said lead, follow or get out of the way.

MR. NEHRU: Thank you very much, Frances.

Lex?

MR. RIEFFEL: Thank you, Vikram and thank all of you for coming to Brookings. I want to speak briefly on three topics. One is foreign aid to Myanmar, the second is Myanmar's relations with its key Asian neighbors and third military reform in Myanmar.

On foreign aid, I have spent the last four months doing an assessment of foreign aid with a fellow economist Jim Faulks. Our report is coming out next week, next Wednesday. The title is "Too Much, Too Soon: The Dilemma of Foreign Aid to Myanmar." And this title reflects our basic concern that we have seen other countries where there has been a tsunami of aid and that has created certain problems.

And just to, as an illustration of this concern, it's not just my concern. In this very room two weeks ago there was a panel about foreign aid generally and one of the participants who is very experienced in the foreign aid business in the United States said, and I quote, "Donors bring an awful lot of chaos."

And we see this pattern in Myanmar already. We have a very nice template to measure donor performance against. In 2005, the donors, donor country, representatives and developing country representatives met in Paris. They reached agreements on something called the Paris Declaration on Aid Effectiveness. This has five core principles like country ownership. There were follow up meetings in Accra Ghana in 2008 and in Busan, Korea 2011 to sort of elevate the importance of this coordination, cooperation among donors to make aid more effective.

And so, we have measured what donors are doing today at a very early stage, I would stress, because this is -- this donor effort we're looking at is just over the last less than two years. But we see many of the problems that are associated with the foreign aid in the past being repeated in Myanmar today.

In our assessment we actually say that the government of Myanmar is doing surprisingly well both in terms of developing a national planning framework to guide, sort of, donor activity and also in terms of managing donors. I was there last month, for example, and I attended the first meeting of the Myanmar development cooperation forum. This is the first -- the major meeting to bring donors and the government together and talk about planning and making aid effective.

So, on the donor side, our assessment is basically coming up and saying they are saying all of the right things but there are -- they seem to be repeating many of the same old mistakes. And so, what is our bottom line? Our bottom line is it will take really a major -- it will take a miracle to avoid some major problems in the aid business. And sort of these problems -- sort of the one word that I think reflects these problems is chaos.

On Myanmar's relations with key Asian partners, I will single out China, India and Japan. China actually, Priscilla has done some very interesting work on China, on the China and Myanmar relationship. Also, we have a scholar at Brookings, Yun Sun, who has done some very interesting work in this area.

For the 20 years following the 1990 election, China was Myanmar's best friend. As sanctions were imposed and tightened on Myanmar, China became a better friend. The Chinese government was actually taken by surprise, people tell me, when

President Thein Sein in September of 2011 suspended the construction on the Myitsone Dam. This has sort of put China on the back foot since then and what I have found since is that China is now working very hard to try to improve its image. An image as sort of a caring, sort of even pro-democracy partner in the region and in particular I think it will do whatever it needs to do to avoid jeopardizing the dual gas and oil pipelines that will start later this year in a few months delivering crude oil from the Middle East to Yunnan Province in China and gas that is coming from Myanmar field in the Indian Ocean.

And finally, there is a potential because of the Chinese influence over the last 20 years and how this has grown, there is a potential for some kind of problems here, anti-Chinese sentiment. India wants to be Myanmar's best friend. I don't think they have a chance and it's partly geography and it's partly the legacy of communal distrust in the past that the Indian minority.

Japan is, I would say today, Myanmar's best friend. They were very -- they had an instrumental role in the arrears clearance process and in the debt cancellation that was done a few weeks ago. And they are engaged in like a full court press in this country.

Finally, on military reform, between 2005 and 2007 I studied -- I did a study of military business in Indonesia published by Brookings in 2007. There is some interesting parallels between the role of the military in Indonesia and the role of the military in Myanmar. I would simply say that military reform in Myanmar is a very important part of the process going forward. It is a very risky part of the process and just to illustrate this, one of the issues that has surfaced just in the last couple of days is the military share of the national budget for 2013-2014 which begins on April 1.

The share is something around 20 percent which is actually one percent lower than this past year's budget. But there are already sort of public expressions of concern about why it is -- why so much of the budget is going to the military.

MR. NEHRU: Well, thank you very much, Lex. I must admit that in my desire to introduce the subject and to introduce the panelists, I failed to introduce myself. I am Vikram Nehru. I am from the Carnegie Endowment for International Peace where I am a Senior Associate and the Chair in Southeast Asian Studies.

So, with that out of the way let me ask you, Priscilla, a question. You made the interesting point that for the rule of law, you know, it's a systemic issue and you need systemic change but how do you bring about systemic change? What are the first things that the policy makers in Myanmar need to do?

MS. CLAPP: You change the constitutional tribunal.

MR. NEHRU: So, I was going to just ask you, is the issue the 2008 constitution? Is it the role of the military? Obviously the two are intertwined and all of this comes into focus and is accentuated, of course, in the ethnic states where there is enormous vacuum of institutions as you put it.

MS. CLAPP: Yes, there are so many things you have to do. I think they've already taken many steps in the right direction by just pulling the military out of governance. You no longer have the military interfering in Courts the way they used to. It was particularly military intelligence but you don't have the Court system being manipulated on the political side by a military authority. But that doesn't mean that it operates well. It's very corrupt and on the economic side you can basically buy the decision you want.

But you've got to get new people in, good people in, younger people in as judges and lawyers and make the system work fairly so that people begin to have some faith in the system. You have to reform the police and the police are in the process of seeking reform right now. So, all of these -- they're doing the right things. They're saying the right things. It's just going to take a long time to change a whole system.

MR. NEHRU: Right but you did mention the constitution, right?

MS. CLAPP: Well, I don't the constitution is the problem with rule of law. At least they have a constitution now. They didn't before and that's even a worse problem for rule of law. Without a constitution you have no basic law. The constitution, the bad part of the constitution is the military parts of it.

MR. NEHRU: Right.

MS. CLAPP: Those can be edited out in time. But that's --

MR. NEHRU: Will the military allow that?

MS. CLAPP: Eventually I think they will, yes. I mean it happened in Indonesia as Lex knows. In fact, they started out with 40 percent military in their parliaments, didn't they? Something like that?

MR. RIEFFEL: Maybe at some point in the past.

MS. CLAPP: Yes. At any rate that's not the problem and the constitution is not the problem. In fact, there are some good things in the constitution. I think the more important thing is what the government is doing with the constitution and you have a very active parliament, passing laws, taking an active interest in public issues or issues of concern to the public and the population. And I don't think the constitution envisioned an active parliament. They probably meant it to be a rubber stamp for a strong executive

but it hasn't worked out that way.

So, the constitution should be looked at in terms of its implementation and the way that it's being implemented and interpreted now. Now, the Constitutional Court or the Constitutional Tribunal was stacked with old people and it's not bad that they've been cleaned out and they're going to start again with a fresh batch of probably better judges and lawyers than they had. But that still -- we'll see how it develops. It really needs to move in the direction of more autonomy from both the legislative and the executive branch but as we know here in this system, you never get total autonomy. I mean, there's always going to be a battle between the legislative and the executive branches over what the Supreme Court does.

The Constitutional Tribunal is more or less the equivalent of our Supreme Court. The system is like ours and it's always going to be competitive.

MR. NEHRU: Thanks. Going from the rule of law to the economy, Anoop, you know the IMF has just approved a staff monitored program which you've agreed with the government. It was the basis of the restructuring of debt in the Paris club. You will be providing advice on the macroeconomics. But you just heard Lex talk about the fact that all this aid is pouring in or is likely to pour in to Myanmar. There's too much, too soon. There's potential chaos which the donors are likely to introduce into the system.

In addition, Myanmar is going to earn substantial amounts now from oil and gas exports and from the revenues of the pipe -- coming from the pipeline to China. So, with all this foreign exchange pouring in isn't there a serious danger with respect to appreciation of the exchange rate? What's that going to do to the agricultural sector?

What's it going to do with a very nascent manufacturing sector which has to be sort of rekindled and reignited if the country is to see growth? So, what advice is the IMF going to provide on this issue?

MR. SINGH: Vikram, thank you. I think you raised some very important points that I think qualify what the IMF is doing currently. The authorities in Myanmar have put together a program for 2013. It is their program. We are advising them. We are helping jointly monitor its implementation. We are trying to build up a database that allows information to be quickly available on the implementation.

It focused on the macro issues, exchange rate reform, building a central bank, having a budget law. So, the point I am trying to focus on is that they're trying put together an economic framework with the government. And I was struck by what some key authorities told me on why this framework for the year is very important. And he did go on to say that yes they are getting resources, they are getting projects, there are government financed activities outside the budget. They're what is called off-budget activities.

So, what is currently underway is to establish an economic framework that is open and transparent, that brings activities on budget and ensures that all the spenders in the government have to come to a central authority, the Ministry of Finance, pull them together and see how it looks.

So, in answer to your question, this framework of building up an economic framework allows the authorities to understand what are the activities that are taking place that could take place and is it the right mix? And as you said, how this is done is very important because agriculture is a sector as we all know and many, some

years ago I think Myanmar was almost the world's leading rice exporter. It's not that anymore but I would still say about two-thirds of the population today depend on agriculture, on the rural sector.

A sector where there is very little integration in the banking system. What this means is that this economic framework allows the government to understand where the money is going in. Because yes, the risk is that the resources that come in go into the other sectors of the economy, on gas, on energy, on natural resources and not into agriculture. And therefore, the focus of the efforts is to ensure that these resources do not concentrate just in certain sectors of the economy that may give room for speculative gains in the short round. But they go in sectors that are needed for inclusiveness and the broad based nature of the growth.

And therefore, what is at stake is putting together a framework that puts all this together so we can see what is going on. Is it what the country needs? That I will say is the main focus of this program we have with the country.

MR. NEHRU: Well, thank you very much.

Frances, I noticed that in your introductory statements when you talked about the increasing interest of US businesses now in Myanmar, you didn't mention what the current state of the US sanctions situation is. You know, the last that we heard both investment and financial transactions were permitted by US businesses but there were reporting requirements which haven't been finalized and so forth.

And this morning's news, I don't want to put you on the spot, but this morning's news is that now four banks, Burmese banks, have been identified as banks that now US businesses can transact with. So what does, what is the situation now with

respect to the sanctions situation?

MS. ZWENIG: Well, before I answer that question I'd like to underline something, talk about something that sort of underlays the points that Priscilla and Anoop made. I think that the long term answer to Myanmar's moving forward is more transparency, more accountability. And the good news in Myanmar's being isolated, being shut down for so long is that the state of the art IT communications systems can be brought to the country and they don't have to go through all the steps that other countries have gone through.

And the space to watch right now is what happens with the bids on the four telecomm licenses. I don't know if you all know this but the Minister of Telecomm resigned recently and there are two tales which may be the same side - two different sides of the same coin. One is that he was not -- he was kind of corrupt and the other is that he crossed a crony in his dealings with the licensing. Who knows? But he's not there.

So, who replaces him and then what happens with these telecomm licenses, two for foreigners, two for foreign companies and two for Myanmar companies. So, watch that space.

On the sanctions, you know there are, again, two sides to that coin. It's not only the sanctions being lifted on the US side but also it's not clear what the investment law, the investment regime in Myanmar is. There was a law that was promulgated, passed by the legislature last year and it was pulled back by the President and he listened to the complaints of business people and both outside and inside the country. And a new law was put forth. But again, how is that law going to be

implemented? The jury's still -- you know, what are the regs and how will it be implemented? And that speaks to capacity and their ability to deal with that.

So, there's the Myanmar side. On the US side, the sanctions have been suspended but they're still there. And if the country does something, whatever that something is, they could be reimposed. So, there is that question of lack of certainty which my companies don't like. No one likes lack of certainty but particularly companies in today's world where it's not like everyone has so much money to throw around that it can go just anywhere and take a chance on anything. Plus with Foreign Corrupt Practices Act, you know, there's personal liability if you make a mistake in investing. So, there is that issue out there.

But there is still interest and everyone recognizes that it's going to take time so I think most of the companies now, a lot of the companies now are focusing on training and capacity building because that part's going to be needed in order to have real investment take place. But let me just remind everybody that the sanctions did not include the exchange of goods and services. There's never been a ban on the exchange of goods and services.

The question for a lot of the companies in the past was, is the little bit of money that you'd make in Myanmar worth the picket line that would be thrown up outside your corporate headquarters in Connecticut? I mean that was the calculation. It wasn't that you weren't allowed to sell your products in Myanmar.

Well, that seems to, you know, that's no longer the stigma that it was. However, then the question is how do you get your money out? And this moving forward on the banks and letting companies have relations with banks. But let me just note that

two of the banks that were on the -- I mean, my head is spinning from what they put out because on the one hand they named these banks as SDNs, Specially Designated National, and then on the other hand they said, but you can do business with them. And two of the banks are connected with two of the biggest cronies in Myanmar. So, again, my head is spinning. Bottom line is if you're planning to go in there, make sure you have good lawyers who follow everything and that you have good relations with the State Department and the Treasury Department and just work it.

MR. NEHRU: Well --

MS. ZWENIG: But it can be done.

MR. NEHRU: Thank you for that advice.

Lex, I want to come back to Anoop's response on the economy. What do you think as an independent observer, somebody who's been there as an economist, what do you think should be the economic policy priorities of the government?

MR. RIEFFEL: Well, a couple of thoughts. One is that I've done a lot of work on Indonesia and when I starting focusing on Myanmar, one of the first things I did was to look for the Berkeley Mafia of Myanmar. In other words, the economists who were so -- played such an important role in Indonesia, in Indonesia's successful economic growth.

And I never found them, haven't found them. But this new government of Myanmar seems to be able to do what I call, or actually we call in the Treasury Department, pulling rabbits out of the hat. And for example, the exchange rate reform of a year ago, I mean this happened sooner than anybody thought it would happen. It happened better than anybody thought it would happen. And then there was the donor

form last month. I mean this is less than two years after this new government was formed and they produced a nice framework for economic and social reforms. They got the donors to agree to the Nay Pyi Taw Accord on aid effectiveness. It was a very, sort of positive meeting. And then a week later you had this arrears, this quite phenomenal arrears clearance and debt cancelation operation.

And so, and I said, and where is the person? Where is the economic tsar who has managed all of this? And so, it's quite interesting. But no --

MR. NEHRU: I hope it's not Anoop Singh.

MR. SINGH: I have a comment on the --

MR. NEHRU: Go ahead.

MR. RIEFFEL: But in terms of sort of what is really critical now I would go back to what Anoop was saying about the agriculture sector. 70 percent of the population and two years down the road where are the benefits of this transition for the people who -- for the 70 percent of the population that lives in the rural areas and is dependent on agriculture? And I don't see it. And I think that's an important risk that's to this process of transition.

The other general thought I have is about the private sector and how is the private sector evolving in Myanmar? And that's very interesting -- to me it's a very interesting process and it's a very complicated process. I think it depends on two things actually in terms of the pace. Two very simple things, one is electricity and the other is IT, mobile telephones, Internet access.

And if this government in the next couple of years can provide wide deep penetration for mobile telephony, better Internet access and interestingly they have made

more progress in the banking sector in terms of improving the banking sector and integrating the banking sector with the global financial system. Just these three things, the private sector will pull this country out of the terrible poverty of the past.

MR. NEHRU: Thanks.

Yes, Frances?

MS. ZWENIG: I just would like to suggest that we shouldn't go too far on the Indonesia analogy or Indonesia as a model. I mean, democracy yes. Economics, no. And we're seeing rising economic nationalism in Indonesia and we really -- it would not be a good thing for --

MR. NEHRU: Do you agree, Anoop?

MR. SINGH: Well, I'm going to talk about the Berkeley Mafia. A more personal point, one of my early professors in my life was from Myanmar, the famous Professor Lah Minht who is now living in Bangkok and he still advises the government. And as many of you know, my first boss in the IMF was Dr. Tun Tin. So, you know --

MR. RIEFFEL: Also Burmese.

MR. SINGH: Absolutely. And in the old days and even recently the premier university in the region was Rangoon University. It was the premier.

MS. CLAPP: And Dr. Minht is Berkeley. He's Berkeley Mafia.

MR. SINGH: He's still there, yes. He's the Berkeley Mafia, yes.

Anyway, can I just make one point?

MR. NEHRU: Yes, please.

MR. SINGH: You know, we've talked about the reforms taking place. A very important reform is about to happen. They are about to pass, we hope, the central

bank law. Why is this important? You go back into almost any country that has developed in the last hundred years, you can look at the book at Carmen Reinhart and Rogoff wrote on crises and it tells you that when financial integration takes place be it globally, externally or internally in terms of financial deepening, there is a risk that crises develop and that is why you need institutions like the central bank. You need supervisors. And I will say given the way Myanmar is and this host of activity taking place, the functioning of the new central bank is going to be very, very important.

We do believe that law has been devised in the proper way. And I think the central bank will become a new institution outside the confines of the Ministry of Finance. So, we are on the verge of another important development in the institutional and economic reforms.

MR. NEHRU: Thanks, Anoop.

I will -- I'm going to ask one more question and then I'm going to turn to the audience for your questions. So, be prepared. Think of the question you're going to ask but still listen to the answer that's going to come to this question that I'm going to ask right now.

I think I'll be remiss if I don't raise this very difficult issue that Myanmar faces about the Rohingya community in West Arakan State and the large numbers of Rohingyas who are taking to sea, ending up in Thailand, Malaysia, Indonesia. It's a human tragedy of enormous proportions and over a hundred thousand living in camps.

What is the way forward for this, for Myanmar on this issue, Priscilla? What can the authorities do? What are they thinking of doing? How do they dissolve this terrible humanitarian problem?

MS. CLAPP. Well, the commission that they formed is looking at it from every possible angle. Excuse me. And I think they're finding that underlying it all are very deep economic problems, problems of economic disparity. Both sides of the issue are very poor. It's a poor area in the country, very undeveloped.

There are some underlying deep religious and racial animosities which are different than the rest of the country. Even where you had the ethnic insurgencies, you didn't have the kind of racial animosity that you have in the Rakhine State. These are problems that are quite intractable and will take generations to overcome. So, you have to look at what you can do to start breaking the cycle now. And I think one of the things they are looking at is concentrating economic development in that area.

Another thing they're looking at is the question of citizenship. Now that's very controversial. You can say that it breaks out all the time in the country. What they will not do is designate them as one of the ethnic minority groups. They won't do that. And so, when international observers come in and start suggesting that, it just raises a firestorm. I don't think they understand what they're suggesting. It won't happen. Citizenship could. That's a different question.

And the other thing that I think is they haven't really got their minds around this yet but some people are beginning to talk about it is just taking down all the barriers against their movement. Let this group of people which is relatively small move around the country and absorb into the larger population and then they won't be as backward as they are now. Because they're really practicing a very backward form of the Muslim religion.

MR. NEHRU: Well, thank you very much. Okay, let's open it up. When

you ask your questions, I have three requests of you. First of all, wait for the mic. Secondly, do identify yourself and your institutional affiliation. And third, I'd be very grateful if you could keep your question and identify the panelist to whom you would like to answer the question.

There's one person in the back, we'll come to you sir in the front. One person in the back, right at the back there. Yes, thank you.

MR. LEWARNE: Steve Lewarne from Deloitte. I've three quick questions, all related, all of an economic nature. Independents of the central bank under Governor Win just begun, do we have any knowledge at the appointment and dismissal process of the Governor that they stated? Whether that's an issue or not. Will he also have control over the exchange rate regime that he announces what kind of negotiation is going to be going on that?

Have we, you and Jim Faulks perhaps, given a forecast or a forward rate estimation of the influx of foreign exchange that will put pressure on the appreciation of the rate?

And finally, related to it is the public financial management and internal controls that the Ministry of Finance which will dictate the deficit and the depletion of his 10 months of reserves? If that's possible to answer, if not, I understand. It's quite --

MR. NEHRU: Thanks. That's four questions. That's pretty good in a short time.

MR. LEWARNE: Three to four, sorry about that guys.

MR. NEHRU: Let's get Anoop to answer the first two and Lex you might want to respond to aid issue. Anoop?

MR. SINGH: Well, I think your questions were on the central bank law and the exchange rate and where it is now compared to what we might expect. Just on the latter point, there is a lot of controversy on the level of the exchange rate. It's important to point out as Vikram said, this has all happened in the last year. They have already eliminated most of the extreme restrictions and the plan is to go to Article VIII status to eliminate all current account restrictions this year.

Now, this in the natural course is going to in most countries drive the exchange rate down which is what people believe. Some relief is needed for agriculture. I think that misses the point. And why I say that is agriculture needs much more than the level of the exchange rate. It needs finance. It needs infrastructure. It needs a lot of public investment.

On the exchange rate, you're doing to see a balancing between the money coming in as it is and demand going out. And we do believe that at this moment already there is virtually no parallel market. It's been basically eliminated. So, compared to where we were just one year ago, the parallel market and the official market are really converted.

MR. NEHRU: If I may just interrupt, also the question was on the independence of the central bank. To what extent will the central bank be independent? To what extent will the new Governor have a say in the exchange rate regime?

MR. SINGH: There is a draft central bank law which has gone through a number of advisory phases. People have seen it. We do believe from what we understand that the law that is currently in parliament contains all the advice they've got from many sources. This law will be passed, we think, in the next one to three months. It

is expected that it will be a new institution. It will be fairly autonomous. There will be a new central -- there will be the head of the central bank, the Governor, will be autonomous. It will not, I believe, be part of the Ministry of Finance.

But we have to wait and see exactly how the law looks but the expectation is it will happen in the coming month. That is really pretty soon.

MR. NEHRU: Frances, a two hander.

MS. ZWENIG: Yesterday, Thura U Shwe Mann, who is a speaker with the parliament, had a long speech and in it he said he's for floating the jot. So, there may be an element of politicization to this issue as well. So, just watch this space.

MR. NEHRU: Thanks. Lex, estimates of aid pouring into the country?

MR. RIEFFEL: In our study we did not try to do this. It was a sort of quick superficial study. I don't -- we don't see a lot of foreign aid dollars coming into the country right now. This something that because what the eight agencies are doing is scoping missions, project preparation, dialogue with the government to figure out what the priorities and how to do this well.

So, it will take a year or two for the money to start flowing in. The concern now is not so much money. When we say too much, too soon it's not the money as much as the attention. It's the visitors, the number of people who are coming and this is not just aid agency people. This is foreign investors, it's the media, it's politicians. It's everybody who wants to have a photo opportunity with Aung San Suu Kyi. And you know, they all want to meet with the President and the Ministers and they spend a huge amount of time meeting with these visitors.

But what is absolutely critical today is policy formulation and policy

implementation. And the concern is that the Ministers and the Deputy Ministers and the Director Generals are not spending enough time on policy formulation and policy mutation.

MR. NEHRU: Thank you. Okay, let's have three single questions this time. No multiple questions allowed. Yes, sir, you first. Please introduce yourself.

QUESTION: Anton (inaudible). I was curious that I heard Lex mention three key partners or key relations. But I've heard the word Thailand only once. Thailand is a very important neighbor. There's a lot of trade. There's a lot of business relations. I was kind of surprised. I wondered whether you or anyone else could comment on that.

MR. NEHRU: Excellent question. Let's have, yes, gentleman at the back right there.

QUESTION: Burmese military is a very important institution for Burma as a country. Can you give us a sense what kind of relations the US military is trying to have with the Burmese military?

MR. NEHRU: Okay, thank you. Let's have somebody from this side. Yes, sir, you right here in the front.

MR. BERGER: Cole Berger, Center for International Private Enterprise. Priscilla, I wanted to ask you a little bit about, and I guess the whole panel, about the reforms outside of the major cities and the impact and the scale of them, the pace maybe, that they are reaching beyond Yangon and Nay Pyi Taw.

MR. NEHRU: Thank you very much. Lex, why don't we begin with you?

MR. RIEFFEL: Yes, actually it was a question of time. I only had three to five minutes. Thailand would have been the next country I touched on as a neighbor.

There are two other countries in Asia that are very interesting, three others; Korea, Taiwan and Singapore. Among those four, Thailand is clearly the most interesting and historically has had some very actually complicated relationships with Myanmar. The relationships I would still describe as complicated.

It is one of the most important facts about Myanmar, about this relationship is that roughly 25 percent of the electricity produced in Thailand is produced from Myanmar gas. So there is that very important, it's almost like an umbilical cord for Thailand.

So, there're also a -- there's a port project that could be very, very important in terms of for Thailand but the region and of course, this is a port, a deep sea port, in Myanmar, Dawei or TAVOY it's sometimes called. Of course, the other element of the Thai relationship is the as many as two million Myanmar people who are in Thailand mostly doing low wage work who potentially can come back and part of the process of rebuilding the country.

MR. NEHRU: Who wants to address the issue of the military, the US policy and the Burmese military? Priscilla, would you like to take a crack at that?

MS. CLAPP: I can't speak with any authority on this question but it looks to me at this point like US policy is aimed at making friends with the uniformed military. US law will prohibit any kind of military assistance, direct military assistance, but there could be political training. There could be non-military forms of training and interaction. That's perfectly legal here. And I think that that US government will be developing these relationships.

There is still many military officers in the active -- in the uniform military

who are trained. I wouldn't say many but there are still quite a few at the top of the military leadership who were trained in the United States. I know that they would like to resume that relationship but that can't happen very soon.

MR. SINGH: Actually, a small addendum to that. I understand there were some delegations of military personnel, US military personnel, to go to Myanmar to build relations and so forth. But a lot of that is now subject to cancellation because of the possible sequestration of resources. And this is going to be one of the candidates for the charter.

MR. NEHRU: Yes, Frances?

MS. ZWENIG: Well, there are two actual things going on in Myanmar is observer in the Cobra Gold Exercises in Thailand that's going on as we speak. And then there's a leftover MIA issue with the -- in mainly Kachin area of Myanmar where remains of the World War II pilots, people flying the Burma Road. And there's been an agreement worked out. It was supposed to have started already but it keeps getting delayed for different reasons. But that's going to be an interesting undertaking because it's going to be a three-way undertaking with the Kachin, the Myanmar Army and US.

MR. NEHRU: Who wants to address the question about reforms outside the major urban centers? Priscilla?

MS. CLAPP: Well, he asked me to do that, so.

MR. NEHRU: Sorry.

MS. CLAPP: I don't know a lot about it but what we're finding in let's say the rule of law program that's just taking place right now; the USIP program is that the actual reforms haven't reached very far into the hinterlands of the country. They probably

haven't reached very far in many ways into even the urban society but it's in the minds of the people and people are now free to speak. They're free to associate with each other. And USIP was very surprised to find that even among the local officials they talked to in the local parliaments and the police and the government, they wound up actually joining the civil society groups that USIP convened to talk about the rule of law.

They hadn't planned to do that but they got so interested in the subject and then they started talking to each other and it kind of created a whole new, I guess, a new dynamic among these people because they've been living in such separate boxes. And they're beginning to talk to each other now and I think that that's a very important development. We shouldn't just look at what the material, what kind of material benefits the reform is delivering. We need to look at also the psychological and spiritual benefits that it's delivering. And those are immense. I see it everywhere particularly in the urban areas easily but it's the interesting thing is it's also happening in some of these more remote ethnic areas.

MR. NEHRU: Lex, you have a two-hander.

MR. RIEFFEL: Yes, very briefly. One of the interesting features of the 2008 Constitution is that it creates regional governments; seven Burman regions and seven ethnic minority states. These have Chief Ministers. They have Assemblies, elected Assemblies. Federalism for many years has been anathema in the Myanmar political context. But this is step toward, potential step toward Federalism and it will be interesting to see how this tentative step toward decentralization of authority will work and could be very important in the evolution of the system.

MR. NEHRU: Thank you, that's a good point. We have two questions

up front and I'll take one from the back. So, the two gentlemen in the front. You first.

MR. HIRSCH: I'm Steve Hirsch. I'm a journalist. I'd like to ask Patricia Clapp about her comments about the --

MR. NEHRU: Priscilla Clapp.

MR. HIRSCH: What did I say?

MR. NEHRU: Patricia.

MR. HIRSCH: I'm sorry. About the rear guard comments you made. I wonder if you could talk at all about where the Burmese military, if it could be described as a unit, stands with regard to the rear guard against reform?

MR. NEHRU: Thank you. Yes, sir.

MR. MOLNAR: Also Priscilla mentioned the election --

MR. NEHRU: Your name?

MR. MOLNAR: Oh, Yancy Molnar with Ace Group. You mentioned the election in 2015 and this may not be an easy question to answer but they have undertaken enormous reform efforts. It's obviously not going to all be accomplished by 2015. Will the reform effort, do you think, be maintained by whoever wins that election? Or are we going to be in a period of significant delay leading up to the election where the whole reform process is stalled?

MR. NEHRU: Thank you. There's somebody right at the back I heard, I saw that. Yes, please. Microphone there.

MR. LONGSTERN: I'm Ed Longstern Menial Industry Consultant. I've been recently in Myanmar and was impressed with the size and breadth of Chinese and Vietnamese investment. Of course, these guys enjoy it, US Economic sanctions which

give them a lot of edge in development.

So, I'd be interested in the panel's attitude toward this kind of thing. Are you going to cooperate or suggest cooperation or inclusion? Or what's the attitude to all of this?

MR. NEHRU: Thank you. Two questions to you, Priscilla, on the rear guard issue and on the 2015 elections.

MS. CLAPP: I wouldn't really include the current uniform military in the rear guard. What the rear guard is really the ex-military, the generals from the SPDC and their cronies; it's the whole sort of patronage system which isn't part of the current military. I don't think that they've got their fingers in the pie at this point.

I think they've pulled back and would rather be a more professional and respected military than they were before. I don't think they want to run the country or the economy. But there are some ex-generals who are deeply involved in the economy. And of course, big military industries own large parts of the economy. And that still has a connection with both the ex and the current military but particularly the ex-military. Those companies tend to be run by ex-military.

And they have a big hand on -- I mean they control a lot of the resources, a lot of the land. That's the rear guard.

Now, on the 2015, nobody knows what's going to happen in 2015. I mean all the things we've been talking about today have happened in the last 18 months. So, between now and 2015 so many things could happen and it's still a country where leadership, where individual leaders make a big difference. So, cause the institutions aren't there yet to carry things forward like they do here.

So, a lot of what happens after 2015 is going to depend upon leaders emerge. Will Thein Sein be replaced? Will his popularity be so great that they want to keep him in place? Will Aung San Suu Kyi find a way of becoming a leader? Will Thura Shwe Mann who's Speaker of the Lower House become the next President? Will somebody else? It's very difficult to say how things are going to come together by 2015. So many things are yet to happen between now and then.

Anybody who tells you they can predict that you ought to fire them.

MR. NEHRU: So, who wants to take on the issue of responding to the Chinese investment question?

MS. ZWENIG: And Vietnamese.

MR. NEHRU: Yes, and Vietnamese.

MS. ZWENIG: Well, you know, the Vietnamese investment is very interesting. It reminds me of the time when Vietnam was first opening up and the Vietnamese were more comfortable with their Bulgarian, Romanian former Soviet comrade brothers coming in than they were with the American investors coming in. I think there's a little bit of that going on with the Vietnamese. There's an ASEAN brothers forever. But also the Vietnamese, there's a trust level.

The Vietnamese know how to deal with the Americans but also the Vietnamese have to know how to deal with the Chinese as well. And the Chinese overhang with respect to both Vietnam and Myanmar it's always there, always part of the equation. So, there's that. And the Chinese are not subject to the same rules, restrictions that Europeans, US and easier to deal with the Chinese in some ways even though there is unhappiness with Chinese products and the Chinese -- no money is free

from the Chinese even though it seems. There are a lot of complaints about the quality of goods, whatever, but it's -- the money comes more easily than from other places.

MR. NEHRU: Now, I've noticed that all the questions so far have come from men. So, can we in the interest of gender equality let's have some from women as well. Any question from -- none? Okay. All right. Then we'll open it up again. Yes, right at the back there. One in the front here and one in the back there. So, let's have the one at the back. Yes, please on the right-hand side. Thank you.

MR. SANGRESIA: Thank you. Gilles Sangresia from the Bank Information Center. My question is regarding the Myanmar development forum because last month the President has firmly announced the Nay Pyi Taw Accord which formalized the creation of the Myanmar Development Economic Forum. Now, since this is a forum of multilateral and bilateral agencies and with some representation from the civil society organizations, this is something new because this has also happened in other countries in Asia particularly in Indonesia in the post-conflict countries such as Cambodia.

My question I think is particular with Mr. Vikram and Mr. Singh. What do you think are some of the shortcomings if not mistakes of the Eighth Coordination Forum that were identified in Indonesia and in Cambodia that should not be worth repeating in the context of Burma?

MR. NEHRU: Yes. There was somebody here, yes, please. And we'll come to you at the back after that.

MR. GADBAW: Michael Gadbow with Georgetown Law School. My question is really for any of the panelists because it involves this emerging integration of the economy among the official, the unofficial and the military role in the economy. And

the question is do you see different models emerging among different foreign investors in their ability to work in space that has the military, the unofficial and this official or is there enough space, say, in the non-military official economy for investors like American companies that are less able, if you will, to work in an integrated sphere where you've got the military playing an active role or you've got a very heavily unofficial part of the economy?

So, it's really are there different models emerging among different groups of foreign investors in their ability to mix and match in this very complicated emerging situation.

MR. NEHRU: Fascinating question. Thank you. Now the gentleman right at the back, yes, with the white hair.

MR. ROGERS: My name's Don Rogers. I'm with Catholic Relief Services and I wanted to go back to the question Mr. Nehru asked about the news from the Treasury Department about the general license and the four banks. And I was wondering if anyone had any insight into what lead to that decision and its significance?

MR. NEHRU: Okay, so, Anoop, on the issue of the Myanmar development forum and what lessons can Myanmar draw from the experiences of Indonesia and Cambodia?

MR. SINGH: All right. There have been a number of questions on these issues. I think Lex is probably the better place to answer some of them. But I will make a couple of points that addresses, I think, both. They're clearly coming out of a period where Myanmar like other economies has had a number of shadow systems, unintegrated parts of the economy, and this may continue with the new investments

coming in.

So, the whole purpose of this economic framework I mentioned is to try to bring all this into a common economic framework. And this even more increases the importance of having transparency, accountability and making sure these investments and their activities are on budget. So, we recognize what is taking place within the framework that does not have sectors, investments, activities outside the official budget.

Now, I'm not saying this will happen tomorrow. In many countries it's taken decades to do this. But the purpose of the reforms is to bring all this together, bring them on budget so you see what they are, to have transparency and accountability.

MR. NEHRU: Thank you very much. What about the question that was raised about different investors capabilities dealing with these very difficult environments? Frances?

MS. ZWENIG: Well, I'd like to answer Mike's question as well as the gentleman from the Catholic Relief Services. I think that it's too early. I mean we're in the middle of watching all this and people are filling it out. I mean you can write your -- you can observe in a year from now but I think it's too early to make any judgments and people are trying to feel their way through this. And it's too early to conclude exactly what but I think American investors are less comfortable in these kind of frontier economies. Others like the Japanese and the Thais and the Vietnamese are more comfortable and the Singaporeans.

With respect to the -- I don't have any inside information. All I can say is that perhaps there's a recognition that the people who know how to do business in the Myanmar economy are the cronies. And so, there has to be some sort of dealing with the

cronies. And that maybe there's redemption. You know, there's -- I think someone, some law firm ought to take up the case of someone on the SDN list and say, what's the path off? What's the way off of the SDN list?

MR. NEHRU: Actually, as I understand it, US investors can deal -- can conduct their transactions through these banks but they're not allowed to actually have any investments in these banks. So, that draws a line.

MS. CLAPP: Can I just add something to that?

MR. NEHRU: Yes, Priscilla.

MS. CLAPP: Even preceding this decision by the US Government, there were banks that US investors would have been allowed to deal with there, non-crony banks. I think the four that they announced the other day were actually on the SDN list in some form or another. And so, they were reassuring US companies that they can now do transactions through these banks. Cause they're big banks that have the ability to handle foreign currency.

The other ones, the non-crony banks are smaller. They have the ability but they're not big enough for the US companies probably. But they were, there were banks that were acceptable before.

MR. NEHRU: Let me just respond to the gentleman who asked the question about the lessons from Indonesia and Cambodia for Myanmar with respect to these aid fora. I would point to two very important lessons that come from there. The first is how important it is for these aid consortia to be led by the government. And that's a difficult thing to do. You know, these aid donors can be difficult, sort of stubborn and they are of course marching to the drumbeats of their financiers and their supporters.

And it's very difficult to corral and make sure that the priorities of the government and the country are in fact followed by the aid community.

And in the case of Cambodia frankly there was a terrible situation where aid finance projects drew the best people into them. You know, these project implementation units paid relatively high salaries because they were financed by aid and drew some of the best talent out of the government and the government hemorrhaged basically. And lost considerable capacity because it got drawn into aid finance projects and that has to be guarded against in Myanmar where capacity is so limited. And we have already, as you mentioned Lex, the best talents already being drawn into just having constant meetings with the international community rather than focusing on policy issues.

And that's another lesson that I would draw. But, Lex, you want to add to that? To those thoughts?

MR. RIEFFEL: Just very briefly from what I observed last month, the Myanmar Development Cooperation for a Forum reflected two very strong influences. On the government of Myanmar's side very clearly they had looked at the experience of other countries especially in the region and they had concluded that it was important for them to chair and host this meeting. Which in the past in other countries has been co-hosted or even hosted by the World Bank or the UN or something like that and that was a very clear sort of strategic decision. I think it was the right decision, a smart decision.

On the donor side, you saw there was a core group of donors who you could very clearly see were making a huge effort to respect the principles in the Paris Declaration as elaborated at Accra and Busan. And the Accord, the Nay Pyi Taw Accord,

which was adopted by acclamation at this forum, includes this kind of commitment not to hire people out of the government that hollow out the government as it happens in other cases.

MR. NEHRU: Well, thank you. Look, we've got four minutes left. So, I'm going to now ask our panelists to -- oh we have a lady who wants to ask a -- okay. Well, that's -- I'm going to make an exception here, yes.

MS. HARVEY: I feel compelled to rise to your challenge. Barbara Harvey, a retired Foreign Service Officer. In looking toward the future, I wanted to raise the question of education. In the past Burma had had a very good education system but has anybody in the aid program or within the Burmese Government looking at what can be done now to strengthen education within Burma?

MR. NEHRU: Frances, will you want to take that or?

MS. ZWENIG: It's a major focus of the AID Initiative.

MS. CLAPP: I can. Yes, the answer is yes. In fact, there is a group of 10 US universities there right now looking at the situation in higher education and thinking about how they can partner with existing universities there to try to restore some quality to higher education. USAID also is sponsoring a partnership program with US educational institutions to try and help higher education. There's a lot of activity. Individual universities are doing things and donors are going and trying to build new universities. I think that Johns Hopkins ISTE is trying to reestablish its branch of the campus of Rangoon University.

There's a lot of activity but it's going to take quite a long time because the system has atrophied terribly.

MR. NEHRU: Lex, you wanted to add something?

MR. RIEFFEL: I just wanted to say that this interest in education and improving education comes from the very top, from President Thein Sein. Unfortunately, there appears to be an Education Minister who is not as reform minded as the situation seems to call for. And so, things are not moving as fast in this sector as they are in some other sectors.

MR. NEHRU: Okay. So, strictly, one minute concluding thoughts from each one of you. Let's start in reverse order this time if you don't mind. So, Lex, can you begin? Give your concluding thoughts?

MR. RIEFFEL: Well, I would just say that some of the panelists have emphasized institutions. I would raise the word culture. And there is some of cultural impediments to rapid progress in this country and the one that I would single out is how power and authority is concentrated in individuals, in people instead of institutions. And this shift from what we call in academia, we call it discretionary decision-making where people in authority decide who gets what. A shift from that to a rules based system, a level playing field is one of the most difficult cultural changes that seems to be part of modernizing economy, raising standards of living and giving the people the kind of feeling of prosperity that we all hope for.

MR. NEHRU: Thanks. Frances?

MS. ZWENIG: I've been working on engagement with Myanmar since January 1996 and I have to say I never thought I would see the day that what's happening is happening. And I don't think -- and anyone who says they could have predicted this, I haven't met that person yet. That having been said, I think the genie's

out of the bottle and they're not going back.

MR. NEHRU: Anoop?

MR. SINGH: Just on that point I think they are at a remarkable stage. Myanmar has remarkably quickly began to integrate itself externally, financially. They are starting that process internally. It's crucial that there is an institutional framework, a financial institutional framework, a central bank and supervision that ensures that this is well balanced. Access is built in rural areas for finance crises.

MR. NEHRU: Thank you. Priscilla, you have the last word.

MS. CLAPP: There are two aspects of the reform process that give me great hope for the future. The first one is that after 50 years of trying to keep foreign influence out of the country, particular Western influence, the leadership has turned around and is inviting foreign influence into the country. And they've also invited it back in the form of the political exiles, particular the 88 student exiles from across the border in Thailand, from the United States, from other places and they've put them right in the middle of the policy process and the peace process. And they have become a conduit for the introduction of many new ideas and ways of thinking about things into the country including economic reform.

The second one is the great activity that you see on the ground within civil society. There's a lot of new momentum in civil society. I think it's going to raise a whole new political class in the country and we will see even perhaps as early as the 2015 elections a whole new type of candidate running for office. They'll come less from the military and more from the civilian sector of the population. And I think that will be a very important feature.

MR. NEHRU: Thank you, Priscilla. Look, it's my pleasant duty to wrap things up. To thank Brookings and the Fund for organizing this, to thank you for your excellent questions and for being so attentive to this session and above all to thank our four panelists who did a superb job today. Thank you very much.

* * * * *

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