

**Transcript of Press Conference on the ESCAP/Myanmar
Second Partnership Development Roundtable and Forum**

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and

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Dr. Heyzer: Thank you everyone for coming to this press conference on the Second Development Partnership Roundtable and Development Forum that we held last Tuesday in Nay Pyi Taw, Myanmar, with Professor Joseph Stiglitz.

Understandably, there is a lot of media interest in our visit to Myanmar and we did indeed have a very good meeting, which I'll get to in a moment.

To get to where we are today, the foundations were first laid last year shortly after Cyclone Nargis. They were further solidified when I visited Myanmar in July and both the Minister of Agriculture and Irrigation and the Minister of National Planning and Economic Development partnered with ESCAP to launch the first development partnership seminar. That seminar focused on sustainable agriculture and food security – the theme of ESCAP's 2009 Commission session.

The second seminar we held last Tuesday was no ordinary seminar, as we had with us Professor Joseph Stiglitz along with senior government officials, policy makers, development practitioners and scholars at the highest level – sitting in the same room – willing to share ideas and listen.

It was my hope that the ideas and analysis presented that day would open a new space for policy discussion and a further deepening of our development partnership with Myanmar, and I am pleased to say I think we accomplished that goal.

The discussions covered key elements of a comprehensive framework that will support the improvement of rural livelihoods and the reduction of poverty in the country. The experts gathered brought some of the best thinking and lessons from the region and beyond.

Strategic investments in Myanmar's agriculture and the rural economy will have multiple benefits. Not only can these investments be used to address food security and rural livelihood issues, but if done so in a sustainable manner, they can help mitigate and adapt food production systems to climate change. The vision of development that manages natural resources to ensure ecological sustainability and reduces poverty and livelihood insecurity must become the foundation to build a secure future.

These development objectives can be achieved through the successful engagement of local experts and practitioners who know what is happening on the ground, and through a unique platform for eminent international scholars such as Professor Stiglitz and local researchers to exchange experiences and ideas with government agencies and civil society.

Last week's seminar gave us an opportunity to better understand the challenges and opportunities of the rural economy and sustainable agricultural development in Myanmar. This was a tremendous opportunity to move forward, to engage a wide range of development stakeholders, and I was very pleased at the enthusiastic discussion that followed. I am optimistic that the mechanism we have established can be used to follow-up on some of the recommendations that emerged at the Forum.

There was general consensus that there were seven issues where ESCAP and the international community could be helpful, and I can share a partial list with you of those priorities that were identified for immediate follow-up.

First and foremost is an examination of the country's credit policies. It is imperative that farmers have access to capital so they can buy seeds and fertilizers and other implements. Research was presented that indicated informal lenders are charging up to 10 per cent a month for credit, which in a matter of a few months, negates all the farmer's income for that year. So we need to look at what kind of credit is needed and where it is needed.

Second, we will look at employment and income security, and human capacity building. Myanmar needs to shift from a labour intensive system to one that is more technologically-based and knowledge-based, which requires education.

We also need to look at how the large number of casual labourers is utilized as well as some forms of social protection for farmers, including things like crop insurance and employment guarantees. How do we build the social foundation of more resilient households and communities in Myanmar?

And finally, there is a need to take a look at the national revenues, and how to ensure that financial systems are transparent, and revenue is allocated to where they are needed.

Before I turn the microphone over to Professor Stiglitz, I want to emphasize that the United Nations has an obligation to assist its member States, particularly the least developed and developing countries, and ESCAP, as the regional arm of the United

Nations here in Asia and the Pacific, is in pursuit of bringing inclusive and sustainable development to Myanmar.

Furthermore, it is also only possible to hold this kind of Forum with the continued engagement and support of the international community. The Ambassadors of many countries – particularly donor countries – have been very supportive of our approach towards engaging Myanmar on economic and social development issues. Our fundamental objective, after all, is to find ways to enhance the rural economy from the bottom up, to help the farmers and the poor to ensure they have sustainable livelihoods.

I want to express my deepest gratitude and appreciation for Professor Stiglitz's participation and contributions to the Forum. He took time out from his busy schedule to spend a week in Myanmar, the past four days touring around the country and getting a first-hand look at the conditions.

I certainly think he gave the Myanmar authorities some food for thought, but I will let him give you his own impressions of his trip and the discussions we had at the Forum.

Thank you.

Prof. Stiglitz: Let me just make relatively few remarks because I'm sure a lot of you have specific questions.

The trip on our side was based on extensive consultations about whether this was the right time to engage in this kind of dialogue and whether this is the right subject. And there was a broad consensus – not unanimity, there is never unanimity – but there was the broad consensus that this was the right topic. With 70 per cent of the people in agriculture, if you're going to reduce poverty and meet the Millennium Development Goals, a focus on agriculture is absolutely essential, and that this was the time for a variety of reasons.

Noeleen described one of the particular challenges that opened up an opportunity – the cyclone – and one of the things I discussed was in fact how the effects of a cyclone can last long after the cyclone. The economic impacts; how it devastated the credit system; how it affected even the supply of fertilizer because livestock have been destroyed and the access to the use of chemical fertilizer is remarkably small so that it can have adverse effects long after the immediate repair work was done.

But there are a couple of other reasons why this was a juncture that an economic discussion like this was important. One is, even a country that is not integrated into the global economy, is being affected by the same global recession that every country in the world has been. In my role as head of the UN expert commission looking at reforming the global financial system, we looked at how the developing countries all over the world have been impacted – have in some senses been the innocent victims of this financial crisis.

There are some particular things that have affected opportunities that the country has today. One of them is the fact that the recovery from the crisis has been much stronger in Asia, and Asia is really likely to be a source of economic growth. One of the clear messages is, to the extent that they can become integrated in what is going on, they have real opportunities ahead.

Secondly, they've also discovered large sources of natural gas which provide them with economic resources.

And the third is the point that Noeleen made, it is one of the countries that is most adversely affected by climate change. That cyclone is one example but there are other areas where they are facing serious drought. So you don't think about how climate change affects different countries. You know some of the south sea islands will be under water, but this is one of the countries that has been affected.

So it highlights one of the general points that in economics you have to run to stay still. That the world is changing and you have to change even if nothing else is going on.

Let me talk very briefly about some of my impressions and then some of the things we talked about. Noeleen mentioned that we met with government officials. We also did a tour of the rural area and saw a large number of projects, both public private partnerships. Some very interesting. They are actually coming up with a very good wine in a partnership with a German company. They've succeeded I think because it was based on some advances in technology. I mention this because it shows one of the opportunities. So it's really a breakthrough, and that's a broader point I wanted to have made and that's that there is another "Green Revolution" occurring. There was one in the mid-'70s that Myanmar participated in. But they are now on the verge of another Green Revolution that is more capital intensive, more knowledge intensive. But obviously requires a different kind of education and technology.

So we had a lot of very interesting discussions. Another was, we visited a vocational school where they were at this juncture producing chillies for the purpose of seed production, and it was a partnership with a private seed production company. They were helping train people to become seed producers. Which is again, high levels of technology, very high returns. Their point is you sell not by the ton but by the kilogramme, and you get incomes that are more than comparable. So it's again a kind of hopeful sign.

I gave a talk to the university, 300 people, very open discussion among other academics who I think are – like everybody else – very receptive to outside ideas. I'm used to going into countries where over dinner there's a lot of chitchat as a way of avoiding talking about any subject. The ministers feel nervous. That was not the case here. The ministers wanted to hear, they didn't want any of the chitchat. They wanted to know what the things that were most important were. What did I think were the priorities? That doesn't necessarily say they are going to follow them, but they wanted to know – to have a discussion of what were the things that would make a difference for the country and how

do you sequence the things that go first. To me both the level of engagement, in terms of the ideas, I was very taken by and one sign of hope.

Let me just talk a little bit about a few of the ideas that we discussed. One of the things that I do want to commend ESCAP on, the whole thing was organized extraordinarily well. Including in the workshop, they had several presentations from people who had done detailed empirical research. I think that's important because it changed the dialogue, the discussion, to what I call evidence-based policy. So we could base it not on statements of deep philosophical belief but on "what does the data say?" The data obviously has to be melded with an interpretation of the data, no data talks by itself. You have to provide interpretation. But it provided a sound grounding for the discussion. I think that was very important. Some of the research – much of the research – was done with people from the country jointly with projects from other places, with scholars from other places, and I think the presentation of the data did help structure the discussion.

Let me just mention a couple of the pieces of data that I think everybody found striking. First of all, credit. The cost of credit in the rural area, surveys have shown that the cost of credit were very high. Many of the farmers had to resort to borrowing at interest rates that were 10 per cent or more per month. And casual labourers had to borrow at those interest rates. It reminded me of what we used to call in the United States "pay day" loans, but at interest rates that were much higher than even what I view as the usurious rates that are charged by American pay day loans. So it was very clear evidence that there was a problem with credit. It's very important.

And we talked to some farmers who talked about how irrigation had increased the potential productivity, but because they could not get the credit to buy fertilizer and high quality seeds the full potential was not being realized. Productivity was very high. If you look at the statistics it's very high, but what is clear is it's not a high as it could be. And that was the kind of message. They have made some very impressive successes, but not living up to their full potential.

Another piece of data Noeleen mentioned was education. Obviously this is a university here and I'm in the university business, and I always feel a little bit like a special interest pleading for the importance of education. But I actually think it's true that education does make a difference. The data that was presented was a very interesting chart showing an age profile of people in the civil service and in other areas, showing that they had a number of well-educated people in their 50s, but gaps in their earlier years. I tried to explain the very simple idea that you get older one year at a time, and no matter what innovations have occurred that process of aging has not stopped. So therefore if you don't renew your human capital it depreciates. Just like fiscal capital depreciates. And we don't reflect it in our statistics but we ought to. Our national statistics ought to reflect – just like a firm's statistics reflects the depreciation of its fiscal capital – we should reflect the depreciation of our human capital. So the importance of renewing their human capital, there is a concern that the levels of investment in education are not enough to renew that at a level that the country requires.

The third notion, which I think many may not have grasped, was the experience around the world of what is called the natural resource curse. That most countries with large endowments of natural resources do more poorly than those without, which is an irony. It's doesn't have to be the case. I've written extensively on what had let a few countries avoid that, and the question is what can be done to make sure you don't have that problem. What are the causes of it and how to address it.

That maybe helps highlight what an outsider can bring to the table. He can't bring the knowledge of the details that the people within a country have, but he can share the experiences – and there have been some enormous successes and some very big failures in the development and the management of natural resources in agricultural development. That's mainly the kind of thing I thought I could bring to the discussion. Just to make people aware of some of the factors, some of the successes, some of the failures, and the factors that in my analysis and others analysis leads to those successes and to the failures.

And finally, let me just say, as Noeleen mentioned, there was a discussion on the importance of participative development processes that you can't separate economic and political processes in any country. If one wants to achieve security stability, economic security, economic stability, sustainable development, then one has to engage in participative processes in trying to absorb some of the lessons of those countries that have been successful and absorb the lessons also of countries that have been failures so you can try to avoid those mistakes.

MC: Thanks very much Professor. Let's go to Q&A now and again our time is limited so I suggest you try to keep your questions to the point. I'll start with the working journalists.

Q: Professor, over the decades, the outside world has tried to engage in a variety, and of course, the United Nations and with many other NGOs and organizations. The perception that I have is that money, aid, information goes in, and is just sucked into the black hole that feeds the ruling junta there and put to their end. It doesn't really get distributed the way it should around the country. Do you have a similar view, or has your view changed since you've been there? Is there hope that this information you're giving them and the other things going on there will really filter down into local society?

Stiglitz: Well, I can't talk about the history because I don't feel like I'm an expert on that. In general, there is the hope that this is a moment of change for the country. There is a view that it would be a mistake to miss this opportunity that this moment in which things might work out.

In terms of what I saw on the ground and in many of the conversations with people at all levels, there is a sense in which they had done a lot of the preconditions for bringing the benefits down to the people, and that they are poised to do that in a way.

Let me give you an example of what I mean. They have constructed a lot of irrigation projects and they realize now that the key factor is to make sure that the water gets from

the big project down to the individual farmer, and that the individual farmer can take full advantage of the access to water. I think there's a recognition that to do that, they need to have a greater involvement of the communities. So a lot of discussion of what you might call community-based development projects. In a sense, they have done a lot of the preparatory work and that this could be a moment – now it's not going to happen in a *moment* – where some of the preparatory work bears fruition. That's why participation is important, because you can build big engineering projects.

That's technology, engineering. But to get the benefits, you have to have the community get down to the farmer level; you have to get them involved. In many cases, you have to have private-public partnerships to try to make sure that it's the farmer who is going to be, in the end, using these new technologies, using the water. And no, that's not a question of engineering alone. We had some discussion of exactly that kind of an issue. So I think that this may be a moment in which things are different, including different strategies by the donor communities.

MC: I'll take one more from over here and go to the other side. And I should have specified, please do identify yourself and your organization before you ask a question.

Q: I'm a former student of your course. The question that Glenn...is the chance that resources get sucked into a black hole and this is something we're very familiar with in Myanmar. Let me ask whether you recognize change, considering the fact that there is a huge amount of electricity being generated but half of the country or maybe two-thirds of the country are suffering in darkness and the mountain capital is always light 24 hours. Would you like to comment on that part?

Stiglitz: Well I think that goes to the point I made before that they had done some of the infrastructure, but the delivery of the benefits of that infrastructure hasn't always gone down to the grassroots. In some cases, it may be a question of operations, using the infrastructure. In other cases, they may be using it another way. They may be exporting. I wasn't there long enough to assess what the reason for the failures that you just described, but I've obviously read some of the...

Q: I have been one of the consultants in the...corporation about 10, 12 years ago and they always bring you into this huge resource factory and say, "This is from Professor so-and so." Over the years, they always say we have got huge resources and when I ask the question, "Oh, we can always attract foreign investment." So have you gone onto this ground, and would you recommend a country to open up their foreign investment opportunities? That is point number one. Point number two, how do they actually align their economic investment policies and laws in order to attract foreign investment?

Stiglitz: You're touching on several important issues. One of them is related to what is called the "natural resource curse". That is to say, it has a lot of resources. And when you talk about resources, it's not just natural gas. Hydroelectric potential is an example of a natural resource. So they have a number of potential revenue sources, some are actually revenue sources.

The discussion on the natural resource curse has several aspects of it, and it's an hour-long lecture. But let me just mention a couple that we touched up on. One of them is macroeconomic management. Quite often, countries with large amounts of natural resources suffer from exchange rate appreciation and the result of that is because they sell the natural resource, the value of their currency goes up, they produce natural resources but no jobs. You can see this all over the world where you have what I call rich countries with poor people, and that's why it's so important to manage the natural resources from a macroeconomic point of view.

A second problem is making sure that the country gets the full value of the resources. Getting foreign investors into natural resources is not difficult in general if you give them away cheaply enough. One of the real problems is to make sure you get full value for your citizens. And that's a complicated issue in contract design that one has to be sensitive to. It's not one that we got into in our discussion. The third is the use of the resources. You have money, then the question is: where does it go? One of the real lessons that we did talk about is the importance of transparency so that people know where that money is going. And that's why there's an important initiative called the 'Extractive Industries Transparency Initiative' that focuses on that.

One of the concerns that relate the first issue to the third issue is the country still has a multiple exchange rate. From what one can assess, it appears as if almost all transactions, even within the government, occur at the unofficial rate, to the point where the unofficial rate is hardly a black market. It has only one effect and that leads to lack of clarity in the budgeting process. But that has real consequences. So we had some discussion about the importance of dealing with that problem. So these are just some of the many aspects.

Let me just say even in a nine-hour discussion, you can't go over every topic. I think from my perspective and I think from Noeleen's, we view this very much as a process of an opening up, raising questions, making people think about realizing the notion. People sometimes think, we have all these natural resources and we're set for life. And to try to explain that in fact, a lot of countries around the world that have a lot of natural resources have done very badly. That's shocking to most people when they realize that. On average, countries with natural resources have done worse and that simple message has a very big resonance.

One of the ways I put it was that if you take resources below – natural gas and oil are assets below the ground – and you do not re-create it as an asset above the ground, you are poor, you are destroying your asset base. So helping people understand it is a portfolio management problem, where do you hold your assets and how do you manage those assets, and if you squander the assets, you are jeopardizing the future of your country.

Q: Did you get a sense that the issue of economic development is a particular issue in Myanmar. And you had said that this is a moment of hope. Hope on the part of the government, the people, or simply just the participants? And secondly Myanmar has also

been a victim of climate change. Would you like to comment on the broader Copenhagen conference outcome?

Stiglitz: I think when I say a moment of hope, a hope in many ways, I talked about economic development, I described how there is a sense that they have done some of the pre- condition – creating irrigation dams. But the issue now is to make sure that the benefits gets down to the people, and that it can be done. It's not an innovation that you cannot do, you cannot do it perfectly, these are things which are within reach that could move them up a notch. I think a hope of more engagement with the rest of the world. It's not news to them that they have been isolated, and when I say them it's meaning everybody.

It is in a way somewhat moving when people in the street say thank you for coming. They're reading newspapers and hearing about things and they feel like they want...they don't want to be isolated as they have been. And this is a moment maybe where they can begin to engage with the rest of the world. Questions were asked on what things were going on in other places, real curiosity. Globalization has opened up their eyes at this point, once you have got your eyes opened, you cannot close them again and so a sense that maybe they will be able to...I don't want to underestimate the amount of uncertainty but hope, too.

On climate change, I can't help but feel – as anybody who has been engaged in work on climate change – great disappointment. It is a form of words, better than nothing, to say that we are committed to doing something to make sure that there won't be an increase in 2 degrees. The hard part, it's not just that it wasn't legally binding, that's not really the point to my mind. That was what a lot of the media talked about. The real question is the burden sharing. Who is going to reduce their emission and the framework for an agreement for reducing the emissions. There is no progress on that as far as I can tell. In particular, the United States per capita, which has the highest emission per capita, did not make a commitment to say it will reduce its emission to a level that is commensurate with the rest of the world. And so as an American, I felt disappointed.

Also, we have to address the problem of climate change in ways that does not impede the rights of countries to develop and that means assistance, a commitment of resources. If we can give trillions of dollars to our banks, why can't we give a little bit of money to help save the world, the planet from climate change? I think it's unconscionable.

To me it was a particular disappointment that they didn't do anything about deforestation and carbon sequestration, where I thought we were on the verge of doing something on that, and since I've has been out, I don't know what the politics are that led it not to be included. But that was a particular disappointment.

Q: About the financial crisis on developing countries. You spoke about the credit issue – I presume the nature of the difficulty is trade financing in developing countries. So what are your thoughts on the impact?

Stiglitz: Well it's been through to a number of channels, the effect particularly on Asia was through trade finance. There are several other channels that are affecting some of the least developed countries a great deal, and it's affecting every market. One of them is remittances. Most developing countries had remittances that are major sources of income. When the economy goes down, the first people to lay off are your immigrants, your migrant workers. So that is having an impact on many countries – very varied I'd say. One of the interesting things is the complexity. Nurses don't get fired, people still get sick. So the countries that are exporters of nurses have been relatively insulated. Construction – some countries that send migrant's workers in construction – they've been devastated. So that's an example of the varied patterns.

Capital flows more broadly are down very markedly. And when I say capital flows, particularly foreign direct investment, and in some cases reverse capital flows. You saw that at the moment of the crisis, where money was flowing into the United States. Why? Because we had basically underwritten all our banks. If the government guarantees, where is it going to be the most strongest? They're going to be the strongest from the US government than a smaller developing country, so money flowed into the United States.

More generally and more long lasting – foreign direct investment, trade in general. The lower economic growth means that trade is lower. The impact effect of trade finance is now being ameliorated. That is part of the reason why Asia is recovering. Another part of the reason Asia is recovering is that China is engaged in much stronger policies, they read our textbooks, and they had prudent policies beforehand. So unlike the United States, which had a huge deficit as it went into the crisis which became bigger, China has built up a large reserve, so that they can engage in much stronger counter cyclical fiscal policy.

Those are some of the channels, and one of the reasons that Asia has been able to recover so quickly, but Europe and the United States are likely to have a much lower recovery.

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