

Banking Reform Is Central to Burma's Economic Progress



From VOA Learning English, this is the Economics Report in Special English.

Burma's financial industry has suffered from years of mismanagement under military rule. But more recently, the government has pushed through economic reforms. Those measures are changing the nation's banks and reenergizing businesses. There are even hopes that Burma could become one of Asia's fast growing economies: an Asian Tiger.

Burma had the one of the best-performing economies in Southeast Asia before the military seized power in 1962. Many years of state control over the economy followed. Widespread corruption and international sanctions left it one of the poorest countries in the area.

Economist Sean Turnell says turning around the economy will require strong measures against corruption. That is why he says political change is important to economic reform. He says restrictive measures make it harder for Burmese to do business internationally.

"At present the most destructive regulation is the one that restricts access to foreign exchange and restricts access to import licenses. Because the effect of that is not only to restrict the amount of imports that come into this country, and it really needs a lot of imports, but there's an added effect to it and that is that keeps the exchange rate artificially high."

The restrictions on foreign monetary exchange do not just hurt big business. They affect small businesses, too.

For example, Nyi Nyi owns a workshop in Rangoon. He and his family manufacture toys for buyers from as far away as Hong Kong. So his toy business is international, but Burma's banks are not.

Nyi Nyi still depends on middlemen, called "hondis," to process foreign money transactions. Foreign visitors to Burma once used "black market" money changers, and hondis are still the main method for international money transfers. But the government hopes this unsupervised, cash-based economy is ending. It plans to do this with new ATMs, Automated Teller Machines, and foreign exchange licenses for private banks.

The Burmese government has also reformed its monetary system. Burmese officials have ended the old official exchange rate. The old rate was 6 Kyat to one United States dollar. But the black market, or unofficial, exchange rate was over 800 Kyat to the dollar.

There are also plans to ease import restrictions and work continues on laws governing foreign investment.

Burma is seeking to fully link, or integrate, its economy with its neighbors in the ASEAN economic group by 2015. Foreign investors, businesses and tourists are hoping that the new banking and other financial reforms will end years of corruption and mismanagement.