1. In accordance with its terms of reference the Committee conducted the consultation with Burma under paragraph 12(b) of Article XVIII. The Committee had before it the following documents: (a) a basic document for the consultation (BoP/24/Rev.2), (b) background material provided by the International Monetary Fund as noted in paragraph 3 below.

2. In conducting the consultation the Committee followed the Plan for such consultations recommended by the CONTRACTING PARTIES (BISD, 7th Supplement, pages 97-98). The consultation was conducted on 12 December 1963. This report summarizes the main points of the discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation with Burma. In accordance with the agreed procedure the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Burma. The statement was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the Executive Board decision of March 29, 1963 relating to the last consultation with Burma under Article XIV of the Fund Agreement (annexed hereto) and the background material prepared in connection with that consultation. The Fund has also provided a supplementary paper dated November 19, 1963 to supply background information on recent developments. With respect to Part I of the Plan for Consultations, relating to balance of payments position and prospects, and with respect to Part III, relating to system and methods of the restrictions, shortly before the conclusion of the Fund's last consultation with Burma, the
Government of Burma announced that it would in the near future take over foreign trade. Subsequently, arrangements were made for the nationalization of all import trade on October 1, 1963. It has not yet been possible to assess the significance of this change in relation to the Burmese balance of payments. The Fund, however, expects soon to conduct a consultation with Burma under Article XIV of the Fund Agreement and to transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it becomes available.

"With respect to Part II of the Plan for Consultations, relating to alternative measures to restore equilibrium, pending the conclusion of its next consultation with Burma, the Fund has no comment on alternative measures."

Opening statement by the representative of Burma

4. The representative of Burma stated that since the last consultations two years ago many institutional changes had taken place in the country's economy, especially since the advent of the revolutionary Government in March 1962. Burma consulted with the International Monetary Fund about a year ago. Together with documents pertaining to that consultation, the Fund had supplied this Committee with a supplementary paper dated 19 November which traced more recent developments. This document seemed to reflect the budget report of October 1963 and some press reports; it explained policy measures during the past fiscal year and outlined those for the coming year. The budgetary report had given a survey of production trends for the first few months of the fiscal year 1962-63. To supplement this with more up-to-date information, it might be noted that agricultural production increased in 1962-63 by over 12 per cent; the production of paddy increased by 0.6 million tons; groundnuts by 9 per cent; sugar-cane by 45 per cent; pulses by 20 per cent; while the output of cotton fell by 17 per cent as a result of bad weather.
5. The Fund paper called for a more complete explanation of the decline in the consumer-price index for Rangoon during 1962-63, in the face of the sharp monetary expansion that occurred in this period. The decline was attributable to improved methods of distribution, the elimination of middlemen and an increase in the number of government retail shops which channelled essential and important commodities in adequate quantities at reasonable prices. It should be noted in this connexion that the heavier weighting of the consumer price index on inexpensive common use items enabled this reduction in spite of risen prices of more expensive component items of the index.

6. The nationalization measures taken by the Government had been described in the Fund document as well as in the revised basic document for this consultation. When the international price of rice fell from the post-war peak of £60 sterling to a little over £30 sterling in the ensuing years, the maintenance of the official exchange rate brought about a disequilibrium in the market for imported consumer goods, and imports became excessively profitable. At the same time prices of these goods to the consumers remained high. Even partial devaluation in the form of increased custom duties did not solve the problem.

7. In the field of foreign trade recent data showed that in 1962-63 exports amounted to Kt.1,266 million; imports were a little higher than the previous year. There was a decline in the export of rice and rice products to 1.7 million tons, from the previous level of 1.84 million tons. This shortfall in earnings from this staple export was, however, made good by an increase in the export of other agricultural products and by an even more marked increase in the export of teak. On the import side there was a small decline in the value of consumer goods from Kt.712 million in 1961-62 to Kt.700 million in 1962-63, but this was more than offset by the increase of the value of capital goods imports, from Kt.332 million to Kt.391 million. Imports of machinery and transport equipment increased by 33 per cent, mainly owing to the import of agricultural tractors. In consumer goods imports, textiles increased by
12 per cent; canned dried milk by 40 per cent; mineral oil by 41 per cent; while there were small percentage decreased for other minor imports Burma's foreign exchange reserves increased by about Kt.200 million in 1962-63 and stood at the end of September 1963 at US$213 million which was equivalent to slightly more than twelve months import payments at 1962-63 rate.

8. In conclusion the representative of Burma stated that his Government had budgeted for a level of imports in 1963-64 much higher than in the preceding years. This had been made possible by improvements in the country's balance of payments as well as improved prospects for exports. The overall magnitude of imports in 1963-64, estimated at Kt.1,467 million, was approximately 35 per cent higher than total 1962-63 imports.

Balance-of-payments position and prospects

9. The Committee discussed with the representative of Burma various factors affecting Burma's balance of payments and monetary reserves. In reply to questions concerning the prospects of capital imports the representative of Burma said Burma had a rather disappointing experience in the fifteen years since independence in the matter of foreign investment. There had actually been a net outflow of foreign investment capital in this period. There being little hope of seeing this tendency reversed, the Government had decided that the country should hereafter rely primarily on foreign aid in form of government loans and grants, rather than on foreign private capital.

10. In reply to questions concerning the plans for diversification of the economy, the representative of Burma explained that so far Burma had concentrated on the setting up of light consumer goods industries, e.g. rice mills, sugar refineries, textiles factories. It was possible, however, that this pattern would be changed. Iron ore deposits had recently been discovered in North Burma and were considered to be sufficient to meet domestic needs of many years. Some coal had also been found in that region, and investigations about the mining prospects were being made. While there was at present only a steel re-rolling mill working on the basis of scrap which was nearing exhaustion, more emphasis was likely to be given in future to the establishment of basic industries relying on domestic iron ore and coal.
11. In discussing the current composition of Burma's exports a member noted that there had been a marked increase in the export of teak in recent years, and enquired as to the background of this development. The representative of Burma explained that for three or four years there had been an increase in the export of green teak, which consisted of high quality teak felled at an early stage and sold without seasoning. Compared with ordinary teak wood, the production of green teak thus offered advantages as a commodity. Exports of teak in 1962/63 were 24 per cent higher than in the previous year, the increase being attributable mainly to the successful marketing of green teak.

12. Members noted that, according to the data supplied to the Committee, foreign exchange reserves of Burma had reached a level equivalent to the value of more than twelve-months' imports. They pointed out that by ordinary standards this level must be considered a relatively high one, and should enable a substantial increase in imports. The representative of Burma explained that it was the policy of his Government at present to build up exchange reserves, to be drawn upon later on, when the long-term development plans had been established, for the import of capital goods and raw materials required for the industrial development. Nevertheless, imports would be substantially increased in 1963/64 and would be 35 per cent higher than in the preceding year.

Alternative measures to restore equilibrium

13. The Committee noted the various measures which, as noted in the Fund papers, had been taken by the Government of Burma in the past year in the monetary and fiscal fields. A member of the Committee pointed out that the rate of credit expansion appeared to have been rather high in the early part of 1963 and asked whether the Government of Burma intended that this tendency would continue. The representative of Burma confirmed that the money supply had increased by about Kt.500 million in 1962/63. This mainly reflected the considerable expansion of agricultural credit. The peasants of Burma, as indeed in many low-income countries, had always been weighed
down by excessively high rates of interest, and one of the most effective means to improve their lot and increase their income was to provide agricultural credit with low interest. Under the new Government, agricultural credit had been greatly raised, from the previous level of Kt.200 million to Kt.600 million. Agricultural income were thus to be increased without a rise in the procurement price of rice, which would have an immediate effect of raising the cost-of-living index and prices generally.

**System and methods of the restrictions**

14. The Committee noted that in 1962 there had been a complete change in Burma's trading system, which was clearly described in the documents before the Committee. In answer to questions concerning the purposes and effects of the recent complete nationalization of foreign trade, the representative of Burma explained that this policy had been adopted mainly in order to combat abuses and inflationary effects of the private trade system. The previous system of private imports had led to excess profit for importers and exhorbitant prices for goods in short supply. Import licences and restricted imports became scarce commodities, and passed hands in illicit channels. Political consideration led to the fragmentation of import quotas, creating further inconveniences for the trade and additional burden for the consumer. The nationalization of foreign trade was not intended to cause any change in the import pattern, neither in the composition of products, nor in the sources of supply. There would be no discrimination for balance-of-payments reasons. The representative of Burma further pointed out that, full nationalization having entered into force only on 1 October 1963, it was still too early to evaluate the efficiency and effects of this new system.
15. In reply to questions, the representative of Burma explained that the sole importer under the State-trading system was the People's Stores Corporation, which replaced the Central Procurement and Distribution Council. The total import allocation was divided into quotas for individual SITC or BTN commodity categories. Switches between categories were possible to a certain extent. The quotas had not been published up to the present, but it was likely that they would be as speculation became less and less possible when the system was being gradually consolidated.

General

16. The Committee thanked the representative of Burma for his clear and full replies to the questions. Members of the Committee noted that the balance-of-payments position of Burma was fairly strong and the foreign exchange reserves at a very comfortable level. The short-term prospects appeared to be fairly favourable. It was understandable that Burma should wish to accumulate further reserves to meet development needs, on the other hand, the level of reserves should enable an increase in reserves. Consequently they welcomed the statement of the representative of Burma that imports in 1963/64 would be substantially increased. The Committee also welcomed the statement by the representative of Burma that all discriminatory elements in the licensing system had been abolished.

17. The representative of Burma thanked the members of the Committee for their understanding and co-operation and said that he would bring the views and suggestions made in the course of the consultation to the attention of his Government.