Trade Policy Reform in Myanmar

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Abstract

Myanmar initiated a series of gradual and radical changes of economic reforms since 2011 aimed at comprehensive economic development. Liberalization of trade and foreign investment is an integral part of these economic reforms. Myanmar has been exporting primary products with low price, and importing manufactured and investment goods. The government of Myanmar is actively encouraging export diversification and promoting downstream processing of primary commodities, improving support services in trade financing, market access and trade facilitation as well as removing barriers to inbound foreign direct investment. Increased economic integration into ASEAN does not much cause trade diversion. Thailand remains a main trading partners while China and India has been increasingly important through border trade. The major policy changes include reduction in export tax and income tax on income from CMP exports, exemption of commercial tax on exports of rice, pulses, maize, sesame, rubber, fishery products and animal products, the removal of state monopoly in international trade, and the elimination of licenses for 166 commodities classified in over 1928 HS tariff lines, while licensing has been maintained on the commodities considered as sensitive. The government intends to prepare WTO compatible trade remedy laws and regulations. Technical assistance in preparing the relevant legislation and regulations are needed.

Key words _ Myanmar economic reforms, trade policies, trade liberalization

1. Introduction

Myanmar initiated a series of gradual and radical changes of economic reforms since 2011 aimed at accelerating structural changes and comprehensive economic development. The biggest challenge in the next few years will be to strengthen the ongoing reform process while maintaining stability and the rule of law and delivering tangible benefits to the communities. To achieve all these tasks, the government of Myanmar will have to manage simultaneously the political transition, the institutional and economic transformation and the peace building process.

The government of Myanmar formed a National Economic and Social Advisory Council (NESC), while the leading figures in core economic ministries were recruited from among scholars, academician and technicians. The NESC has started drafting the Framework for Economic and Social Reforms (FESR) as the roadmap towards the goal of the government. The revised draft of FESR was developed in consultation with senior officials of various ministries from May to October 2012. The FESR outlines policy priorities of the government for the next three years. FESR was released in late December 2012. It was prepared in order to push the ongoing reforms forward and to accelerate Myanmar's integration into the international community. FESR focuses on “quick win” policy priorities that will allow Myanmar to become a developed and democratic nation. The policy priorities include: (i) fiscal and tax reforms, (ii) liberalization of trade and investment, (iii) monetary and financial sector reforms, (iv) private sector development, (v) health and education reform, (vi) food security and agriculture growth, (vii) governance and transparency, (viii) expanded access to mobile phone and internet, (ix) infrastructure improvement, and (x) effective and efficient government. The FESR policies emphasize on agro-based industrial development, equitable sharing of resources, promoting local and foreign investment, effective implementation of people-centered development, and poverty reduction. Key measures under FESR include land reform, improvement of access to credit and creation of job opportunities.

2. Agenda of Reforms

The first stage of reform, introduced in 2011, was the political reforms, for building up national reconciliation and inclusiveness. It is known as the first wave of reforms remarked by reconciliation with political parties and armed nationalities groups; the release of Daw Aung San Suu Kyi from house arrest; the release of political prisoners; welcoming Myanmar scholars who have been away from home country to participate in the country’s reforms; allowing the National League for Democracy chaired by Daw Aung San Suu Kyi to register as a legal political party and to enter into by-elections held in April 1, 2012; endeavor for the rule of law; and peace-building process in conflict-affected areas. On 19 June, 2012, the government of Myanmar has declared the second wave of reform that the government seeks for a high economic growth rate targeting 7.7 percent annual average GDP growth based on 2010-2011nmarket price and 1.7 fold rise in per capita GDP after 5-Year Plan started from 2011- 2012 to 2015-2016. The reform strategy is based on four economic policies, namely, sustaining agricultural development towards industrialization and all round development, balanced and proportionate growth among regions and states, inclusive growth for entire population, and quality of statistics and statistical system. Liberalization of trade and foreign investment is an integral part of these economic reforms. Accordingly, Myanmar is increasingly looking outward and strongly supports the multilateral trading system (MTS). An open global trading system, including access to export markets and inward flows of FDI, is a key to Myanmar's economic development and thus poverty reduction. As a consequence of its membership of the Association of South East Asian Nations (ASEAN), and deepening economic relationship with China, Japan, Korea, India, Australia and New Zealand, Myanmar is becoming integrated economically with these regional trading partners. The third stage or third wave of reform focused on public administrative reforms through establishing of good governance and clean government.

3. Recent Macro-economic performance

3.1 Economic Growth

Myanmar experienced rapid economic growth in the last two decades, 7.9 percent on average in the 1990s and 11.5 percent in the last decade. Myanmar’s nominal GDP per capita in terms of US dollar increased by 10.8 times during the last two decades, which is the second highest rate in ASEAN next to Vietnam. [1]Nevertheless, even with this high performance, which may also reflect the over-reporting, Myanmar’s GDP per capita in 2010 is USD742, the lowest in ASEAN and one of the lowest in developing Asia. Myanmar's per capita GDP was around US$900 at the end of March 2012. The gap in GDP per capita between Vietnam and Myanmar widened from USD 30 in 1990 to USD 432 in 2010. Based on the IMF’s statistics, the size of Myanmar’s GDP is about 43.8 percent of Vietnam’s as of 2010. In short, the new stage of Myanmar’s economic development is starting from the one of the lowest income status in the region.

Myanmar's wide-ranging political, social and economic reforms aimed at its re-integration into the global economy following five decades of isolation and consequent economic stagnation. The structure of economy has slightly changed. Between 2009/10 and 2012/13, agriculture's share of GDP fell from 38.1% to 30.5%. By contrast, the share of manufacturing increased from 18.1% to 19.9%. Services' share rose slightly from 37.4% to 37.5%. Real GDP growth has accelerated from 5.1 percent in fiscal year 2009-2010 and 5.9 percent in 2011-2012 to 7.3 percent in 2012-2013 and estimated 7.5 percent in 2013-2014, supported by higher domestic and foreign investment and improved business confidence. Average annual rate of inflation during the reform period was stable at 2.7 and 2.8 percent in 2011-2012 and 2012-2013, respectively, mainly due to declining food prices and lower monetization of fiscal deficit. However, inflation quickened to an estimated 5.8 percent in 2013-2014, driven by higher food prices and the depreciation of the Myanmar kyat. In fact, following the adoption of a managed float in April 2012, the kyat has depreciated against the US dollar, falling by 11 percent from April 2013 to March 2014.

[1] MCDV, 2013.

The balance of payment recorded an estimated surplus equal to 0.6 percent of GDP. The gross official reserves rose to an estimated 49 billion USD covering 3 months of imports. Market exchange rate has been remarkably stable, having a narrow gap between the Central Bank of Myanmar (CBM) reference rate and the market rate. Multiple currency practice has been largely reduced. Government spending on health, education and infrastructure will continue to increase with the support of higher natural gas revenue. Myanmar medium-term economic prospects are good. The economy is forecasted to post higher growth of 7.8 percent in both FY 2014 and FY 2015 (ADB, 2014). Average annual rate of inflation is expected to remain moderate.

At the same time, ensuring all inclusive development and that growth is not detrimental to the environment are major challenges. Realizing the full extent of growth potential requires sound monetary and fiscal policies, macroeconomic stability, together with structural policies, including liberalization of trade and foreign investment, as well as major advances in health and education.

3.1 Monetary sector

In connection with an agreement with the IMF, the government of Myanmar presented a Memorandum of Economic and Financial Policies (MEFP) concerning the second-stage reforms. The objectives of the MEFP were to ensure macro-economic stability and debt sustainability; and to lay the foundations for lasting macro-economic stability by building an appropriate macro-economic framework, as well as developing the institutions and instruments for effective use of them. The macro-economic goals were to maintain stable and low inflation and to build sufficient international reserves to provide a cushion against adverse external shocks as well as macro-economic risks arising from the reform process itself. Among the key macro-economic policies were foreign exchange and related monetary policy together with fiscal policy.

The single most important economic reform so far has been the liberalization of the exchange rate regime starting in September 2011 and the subsequent replacement of the overvalued official exchange rate peg with a "managed float" in April 2012. This reform was motivated by commitments under the AEC Blueprint. Prior to this reform, the local currency (kyat) was pegged at the rate of 8.50847 kyat per SDR. Under that foreign exchange regime, different exchange rates occurred in the different domestic foreign exchange markets. This situation was not only detrimental to transparency, but caused price distortions, inefficient allocation of resources, and risks to macro-economic stability and economic development. The government of Myanmar has, therefore, taken steps to unify the country's multiple exchange rates into a single rate, by replacing the official peg in April 2012 with a "managed float" through the foreign exchange auction market under the supervision of the CBM. Under the new foreign exchange regime, the reference rate is determined in the auction mechanism. Moreover, in August 2012

Parliament adopted a new Foreign Exchange Management Law, which is aimed to remove all the present restrictions on current payments and transfers abroad.

As a result of these reforms, pressure on the exchange rate to appreciate has receded and the market exchange rate has been stable at around 970 kyats per dollar. The CBM will also coordinate closely with IMF staff to ensure that new legislation, regulations, and bilateral payment arrangements do not create new exchange restrictions, and provide them with the necessary information. The CBM will take additional steps to deepen and facilitate the smooth functioning of the formal foreign exchange markets, enabling private banks to offer foreign exchange operations and services at par with state banks. Equipping the CBM with the instruments to conduct domestic monetary policy is important for delivering the stability necessary for sustained economic growth. Inflation remained moderate, averaging 2.8% during the period 2012/13. However, there are upward pressures due to the prices of real estate and wage increases, and, as a result, inflation is projected by the IMF to rise to around 5.6% in 2013/14. In order to contain potential inflationary pressure and dollarization under the new exchange rate regime, the CBM monitors domestic monetary developments so as to ensure exchange rate stability and price stability. As the revenues from new natural gas fields is expected to increase in the near future, the government of Myanmar is also preparing necessary measures to insulate these flows and to minimize their impact on exchange rate stability and the inflation rate.

3.2 Fiscal Sector

Fiscal policy is now more transparent and accountable as a result of the decision by the government to allow the 2012-13 budget to be debated in and approved by Parliament. The policy is being oriented more towards supporting continued macro-economic stability, while providing sufficient room for social and investment spending, including on poverty reduction programs and essential infrastructure, such as that involving electricity, transportation, telecommunications, water, educational and health facilities. Therefore, the government of Myanmar aims to keep the fiscal deficit in 2013/14 and over the medium-term broadly unchanged at around 5% of GDP. Higher expenditures will be financed mainly by rising revenues from gas projects. The Ministry of Finance is collaborating with IMF, World Bank, ADB and Multi-Development Partners improve the Myanmar Public Finance Management System in order to ensure that spending is cost-effective and in line with development priorities.

Moreover, the Paris Club countries have forgiven much of Myanmar's debt and the IMF, World Bank and ADB have returned to offer credit as well as technical assistance in connection with fiscal reforms. For example, with the assistance of both the IMF and World Bank, the MOF has been taking steps to strengthen Myanmar's Public Financial Management (PFM) reforms, Public

Expenditure and Financial Accountability (PEFA) and Public Expenditure Review (PER), thereby providing the basis for more fundamental fiscal reforms.

The tax reforms is required to aim at broadening the tax base and improving compliance, including through the planned establishment of a large taxpayer office in 2014, so as to offset the loss in revenues from trade taxes as a consequence of the abolition the withholding tax on imports and the export tax on key agricultural exports. Furthermore, the MOF has also simplified the commercial tax on domestic sales, broadened the tax base by requiring public sector employees to pay income tax, and increased the progressivity of the income tax. Limiting tax incentives is also important to prevent further erosion of the tax base.

4. International Trade Sector

4.1 Overview

Myanmar's strategic location in the region should provide all its international trading partners with ample business opportunities both in the domestic market and in the adjacent region.

Myanmar is an original member of the WTO. Myanmar considers that the multilateral trading system can bring a wide range of opportunities for exports and overcome its supply-side constraints. Myanmar's trade policy is strongly influenced by its participation in ASEAN, and ASEAN's free-trade agreements with third countries. Myanmar is also looking beyond its Asian neighbours to develop trade and investment ties. Myanmar expects to benefit from GSP schemes reinstated by the EU and Norway.

Myanmar remains the exporter of primary products and importing manufactured and investment goods at unfavorable terms of trade. Myanmar’s foreign trade has been mainly with the Asian countries. More than 70% of total export goes to Asian region, also more than 90% of total import comes from this region. Major trading partners are China, Thailand, Singapore, India, Japan and South Korea. In accordance with the Government's objective of transforming Myanmar from a centrally-planned into a market-oriented and more open economy, the role of the state in trade, production and setting prices has been considerably reduced. As regards trade, for example, between 2008-2009 and 2011-2012, the Government's share of imports dropped from 43.0 percent to 26.8 percent and its share of exports fell from 60.5 percent to 53.9 percent. International trade has been largely dominated by private sectors activities. Several steps have been taken to encourage the active participation of the private sector in international trade. In particular, state trading monopolies were largely abolished in November 2011 so that private enterprises and individuals can now import and export almost all products.

Export Policy of Myanmar is to extend and explore the foreign markets by utilizing the natural and human resources effectively and efficiently and also to promote the export of traditional and value-added products. Import Policy of Myanmar is to import the commodity given priority as capital goods required by the State, raw materials for production, other important essential goods and the goods which support to the public health and export promotion. Trade Promotion Strategies of Myanmar can be outlined as follows.[2]

-To export all exportable surplus and diversify foreign markets by using natural and human resources.
-To increase and diversify exports and improve the quality of products
-Try to lower down the trade barriers and simplified export/import procedures
-To encourage the private sector participation in the foreign trade
-To establish the Export Processing Zones and Special Economic Zones at suitable places
-To organize the training, seminar, workshop, business matching, trade fairs
-To disseminate trade related informations through the websites and Journals and bulletins

4.2 Pattern of Trade

Myanmar is very much an agrarian economy and this is reflected in its export composition, which is concentrated in few primary commodities, notably gas, which now accounts for about 40% of total exports, agriculture (20%) and timber (7%). An emerging garment industry now accounts for 7.7% of total exports, larger than the historical export pillars, such as timber, marine or precious stones.

. The government of Myanmar is therefore actively encouraging export diversification while promoting downstream processing of primary commodities, improving support services in areas of trade financing, market access and trade facilitation. In this regard, Myanmar is removing barriers to inbound foreign direct investment (FDI) to help domestic industries overcome technological, financial and market barriers to upgrading their value-added activities. Myanmar's export more than doubled from 2005 to 2010, however, remained the lowest among the ASEAN members since 1990. The economic sanctions partly accounted for Myanmar's low exports. Myanmar is importing a diversified goods ranging from consumer goods such as palm oil to construction materials and petroleum products.

[2] Ministry of Commerce, 2012

Table 1. Top Ten Export Items in 2012-2013

No	Items	% of Total Export
1	Natural Gas	40.57
2	Pulses & Bean	11.12
3	Garment	7.79
4	Rice	5.83
5	Fish	4.54
6	Jade	3.65
7	Teak Log	3.65
8	Natural Rubber	2.93
9	Sesame Seed	2.60
10	Hardwood Log	2.37
	Total in million USD	**9056.24**

Source: Ministry of Commerce, Myanmar.

Table 2. Top Ten import items in 2012-2013

No	Items	% of Total Import
1	Petroleum products	18.12
2	Vehicles & spare parts	15.38
3	Machinery and spare	8.44
4	Iron and steel	6.18
5	Iron & steel	4.32
6	Plastic raw materials	3.31
7	Palm oil	3.16
8	Pharmaceuticals	2.93
9	Ships, boats and spare	2.67
10	Fertilizer	1.83
	Total in million USD	**9371.64**

Source: Ministry of Commerce, Myanmar.

4.3 Direction of Trade

Although Myanmar's increased economic integration into ASEAN, this does not appear to have caused trade diversion between 2008-2009 and 2012-2013. Thailand remains a main trading partner, while China and India has been increasingly important partners of Myanmar external trade, while the share of ASEAN members, other than Thailand, in the values of Myanmar's total trade are far behind the share of neighboring countries. In fact, the ASEAN share of Myanmar's imports declined from 44.1% to 43.7%, while their share of exports fell from 56.2% to 50.7%.

Industrialized countries usually suspend tariffs on imports from low-income countries through the Generalized Systems of Preferences (GSP). Under the "Everthing but Arms" agreement (EBA), the EU admits duty-free and quota-free imports of goods except arms from least developed countries, provided the goods satisfy rules of origins. This scheme has been applied to Bangladesh, Cambodia, and Lao PDR. The United States provides similar preferential treatment for Bangladesh and Cambodia. Myanmar was suspended the GSP from the US since 1989 and from the EU since March 1997. As a result, Myanmar has been in a disadvantage position in international market. Since the establishment of a democratic government, Myanmar's relations with the EU and the US have improved. In July 2013, the EU reinstated GSP for Myanmar and applied the EBA scheme retroactively from June 2012. In April 2013, the US was reported to be considering resumption of the GSP with Myanmar. Tariff exemptions in EU and US markets will make Myanmar exports in advantage position.

Table 3. Major export markets in 2012-2013

No	Country	Value (USD million)
1	Thailand	4038.01
2	China	2262.38
3	India	1036.86
4	Japan	409.48
5	Singapore	291.82
6	Korea, Republic of	282.17
7	Malaysia	97.883
8	Vietnam	81.27
9	Kuwait	51.51
10	Germany	47.78

Source: Ministry of Commerce, Myanmar.

Table 4. Major import origins in 2012-2013

No	Country	Value (USD million)
1	China	5112.20
2	Thailand	4879.10
3	Singapore	2825.71
4	Japan	1500.64
5	India	1346.75
6	Korea, Republic of	628.87
7	Malaysia	458.80
8	Indonesia	227.26
9	Germany	192.35
10	Vietnam	156.89

Source: Ministry of Commerce, Myanmar.

4.4 Border Trade

The main objectives of Border Trade agreements are to enhance bilateral friendship with neighboring countries; to promote trade and keep it on the track of conventional trade; to ensure the full realization of revenues to be levied by the state; to provide favourable condition for private businessmen by which to earn reasonable benefit; and 5 to help facilitate the flow of goods. Since 1996, Myanmar had signed three border trade agreements with India, Thailand and Bangladesh, one MoU with China and one protocol with Laos. Apart from Laos, Myanmar had opened the respective border trade posts in border areas. In order to promote border trade, the Ministry of Commerce has been performing the transaction by promulgating the separate vision, mission, strategies and tactics.

Generally, opening border trade posts, as expressed in signed agreements, and organizing the integrated team called One Stop Services (License, Bank, Tax and Duty, Immigration and Police), consisting of the concerned Departments as the initial steps to encourage border trade. Installation of Border Trade Online System (BTOS) has also begun as a trade facilitation measure. The establishment of border trade related committees, such as Joint Border Trade Coordinating and Cooperating Committee with China in 2006; Border Trade Committee with India in 2012; Joint Working Group Border Trade Official with Bangladesh in 2011 are one of the concrete steps taken to discuss border trade-related matters.

Discussions are ongoing to organize similar fairs with other border partners. In addition, new border trade posts were established in addition to the designated postsmentioned in trade agreements/ MoU and protocol in accordance with the seven fundamental points, namely, Myeik, Maw Taung and Htee Khee border trade posts in Myanmar-Thailand border; Chin Shwe

Haw, Kan Pyke Tee posts in Myanmar-China border; and Sittwe post in Myanmar-Bangladesh border).

4.5 Trade Policies

4.5.1 Changes towards Liberalization

For the promotion of trade, soon after the assumption of power, the government eased many regulations and procedures. The major policy changes the government initially made for trade sector are as follows.

- The export tax was reduced from 10% to 7% in September 2011.
- Exports of seven agriculture commodities (rice, pulses, maize, sesame, rubber, fishery products and animal products) are exempted from the commercial tax for six months up to 14 February 2012.
- These export items are required to pay only 2% income tax.
- Exports of value- added products based on timber, bamboo and rattan are exempted from the commercial tax for five and half months up to 14 February 2012. These export items are required to pay only 2% income tax.
- The income tax levied on CMP exports was reduced from 10% to 2% for a period of six months from 19 August 2011 to 18 February 2012.
- Import and export licenses are now issued in two or three days.
- The palm oil import monopoly has been terminated.
- Exporter, importers and foreign exchange earners from the service sector are now allowed to import automobiles.
- The property tax rate reduction, from 50% to 15% was extended for one year to 11 August 2012.
- The income tax levied on the foreign currency salaries of nationals in the country and abroad was reduced from 10% to 2%, for a period of six months from 19 August 2011 to 18 February 2012.
- The withholding tax (charged on local purchase) was reduced to 2% in September 2011.

4.5.2 Tariffs

Tariff protection in Myanmar is relatively low by developing country and especially least developed country standards, much lower (and less dispersed) even most ASEAN countries. As tariffs tend to disrupt supply chains, especially when they are levied on raw materials and intermediate inputs, with an average applied most-favoured-nation (MFN) tariff rate of just 5.6% in 2012 and 2013. All applied MFN tariffs rates are *ad valorem*, thereby imparting a high degree of transparency to the tariff. While less than 20% of tariffs are bound and the average of bound rates greatly exceeds average applied MFN rates, thereby providing a great deal of scope for raising applied rates, this scope has never been used and so the average applied MFN tariff rate has hardly changed since 1996. Myanmar does not impose any tariff rate quotas (or quantitative restraints). The government is willing to consider binding more tariff lines in order to contribute to a successful conclusion of the current Doha Development Agenda (DDA) negotiations, provided mutually satisfactory results can be achieved in these negotiations.

Taxes on most exports were removed in 2012-2013, so that they are now levied on only a few natural resource products, namely, gems, oil and gas, teak and other timber. Remaining export taxes are mainly designed to capture an appropriate share of natural resource rents for the budget. At the same time, however, they can also induce downstream processing of the products concerned. In the case of virgin teak, however, Myanmar has announced its intention of replacing the existing export tax with an export ban, as of 1 April 2014. The export ban is arguably more transparent than a prohibitive export tax, and is considered necessary to preserve Myanmar's remaining teak forests and to develop a sustainable hardwood timber export industry.

4.5.3 Tax incentives for exports

In order to promote export-based industrialization, profits of manufacturers derived from exports are eligible for income tax relief of up to 50%. As Myanmar is an economy in transition, such relief is justified on the grounds that some firms in the process of restructuring as well as those in "infant" industries need temporary assistance to enable them to compete in export markets and thereby achieve cost reductions associated with economies of scale as well to learning-by-doing and technological progress, which are among the major determinants of productivity growth, and thus become viable in the longer term.

The government is simplifying the current internal tax system and making it more neutral with respect to trade. The previously multi-rate commercial turnover tax, the sole domestic indirect tax, has now been largely unified at a relatively low rate of 5%. Only Schedule 6 goods, including alcohol, tobacco, petroleum products, and vehicles, which would normally be subject to excise taxes elsewhere, are now subject to a range of higher rates. Moreover, the commercial tax on most exports was eliminated at the beginning of 2012-2013, thereby reducing the tax component in export prices and therefore making Myanmar exports more competitive on world markets.

Myanmar has also taken several important steps recently to streamline and modernize its direct tax system. In 2012, tax schedules were adjusted to the newly liberalized foreign exchange parity, tax rates for personal and corporate income tax were reduced, and some withholding taxes were eliminated. In the longer term, the government of Myanmar intends to improve the capacity of tax (including customs) administration; reduce further tax rates and broaden the tax base, by rationalizing tax incentives for investment, thus rendering the tax system more neutral, and gradually shift reliance from direct to indirect taxation.

4.6 Non-tariff Barriers

In respect of import and export licenses, the Government has so far adopted two important trade liberalization measures to facilitate trade transactions. Prior to May 2012, Myanmar's export-import licensing system was non-automatic. Instead, every license application was reviewed by the Ministry of Commerce and could be rejected for various reasons. Since June 2012, however, the license regime has been converted from non-automatic to automatic licensing with most licenses issued within 24 hours. Moreover, on 28 February 2013, the Ministry of Commerce removed license requirements from a selection of 152 exported commodities and 166 imported commodities. Licensing requirements were essentially eliminated on a selection of commodities considered as non-sensitive. The outcome was the elimination of licenses on imports covered by 1,928 HS tariff lines. As a result, it is estimated that government revenue from import license fees dropped by 40%. On the export side, licensing has been maintained on the export of natural gas, rice, timber and some other commodities considered as sensitive. The Ministry of Commerce is currently considering broadening the scope of license removal.

4.7 Customs administration and procedures

In order to expedite customs clearance, the government of Myanmar has been implementing a National Single Window (NSW) in accordance with the principles of transparency, simplicity, efficiency and consistency with a view to its integration with the ASEAN Single Window (ASW) by 2015. The National Single Window Steering Committee was established and it is headed by the Customs Department of Ministry of Finance and it is composed of 24 other Government Agencies such as: Directorate of Trade and Department Commerce and Consumer Affairs of the Ministry of Commerce, Myanmar Port Authority, Forest Department, Livestock Breeding and Veterinary Department, Department of Fisheries, Department of Historical Research, National Museum and Library, Department of ASEAN Affairs, Department of Agricultural, Central Bank of Myanmar, Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, Myanmar Economic Bank, National AFTA Unit, Myanmar Investment Commission, e-National Task Force, Department of Food and Drugs Administration, Department of Public Health and Laboratory, Department of telecommunication, Central Association of preventing and controlling from the risks of Narcotic Drugs and Myanmar Gems Enterprise.

This Single Window will facilitate Myanmar's trade, not just with its ASEAN partners, but also globally, thereby enhancing Myanmar's role as a trade crossroads. The Customs Department is working on the establishment of the Single Window with technical assistance from Japan.

Although Myanmar Customs has not yet applied an automated system, since 2013 a risk management System has been introduced manually by using three channels, namely green, yellow and red. Daily throughputs of containers are 70% by the green channel is 70%, 20% by the yellow, 10% by the red. In order to implement the NSW, the Myanmar Automated Cargo Clearance System (MACCS) has been developed since July 2013, with technical assistance provided by JICA Grant Aid. Monthly discussions between Myanmar Customs and Japanese technicians have been conducted since June 2013. The Brief Design was finished at the end of the 2013 and the Detailed Design was introduced at the beginning of 2014.

Although Myanmar Customs, as a member of WCO, signed the SAFE Framework Agreement, the AEO standard cannot yet be implemented. Nevertheless, Myanmar Customs has been learning the AEO guidelines and seeking the technical assistance in this regard. Currently custom clearance requires about three days, however, sometimes it takes long procedures and heavy documentation requirements. Trade-related Ministries were instructed to review their procedures affecting international trade with a view to minimize the administrative burden and transaction cost on trade operators. A manual risk management system has been established in March 2014 with technical assistance provided by the ADB. A Time Release Study will be conducted with a view to speeding up customs clearance. The MACCS System, which is expected to launched by 2015, will also expedite customs clearance of cargo.
Regarding Customs Valuation, Myanmar has a plan to apply the WTO Customs Valuation Agreement. For the time being, we are using the Sea Customs Act 30 (a and b). The revised legislation is on the way to enactment subject to approval of Parliament.

In April 2013, import licensing requirements were abolished for 166 import commodities, corresponding to more than 1,900 tariff lines, and the government plans to further liberalize the remaining restrictions. With respect to the import license regime, the Government made a first significant change to the import license regime in June 2012 by replacing the former non-automatic import license regime by a new automatic regime covering all imports. In March 2013, the Government further eased licensing requirements by eliminating import license requirement for 166 commodities classified in over 1,900 HS tariff lines and representing about 35% of total import. A consultation process is underway involving the Ministry of Commerce, the Customs Department and representatives from the private sector to make recommendations about the identification of additional imported goods for which import license requirement will be removed. The Government intends to gradually phase out the license regime through a series of announcements in 2014 and 2015 that would each represent about 10 to 15% of total import. By the end of 2015, there will still be products subject to import license requirement. The license procedures are applied on a non-discriminatory basis and are available on the website in Myanmar language. The Ministry of Commerce also publishes in Myanmar language a weekly journal "Commerce Journal" and the monthly booklet "Trade News".

4.8 Technical barriers to trade (TBTs) and sanitary and phytosanitary (SPS) measures

Myanmar has standards and technical regulations as well as SPS measures, they are based largely on international standards. For example, food standards are adopted from CODEX; fishery standards are based on EU regulations; pharmaceutical standards and regulations are based on British International Standards. The government of Myanmar has no intention of impeding imports of these products without science-based justification.

In order to develop a legal framework to implement its commitments under international agreements, a draft National Standards Law has been prepared with the assistance of foreign experts. In 2012 and 2013, the Ministry of Science and Technological Research Department (MSTRD) held four national consultative meetings with concerned stakeholders to review the draft law. The draft law has been submitted to the President's office for consideration and subsequent transmission to Parliament. Meanwhile, the MSTRD has set up 19 standards technical committees involving all stakeholders. In addition, MSTRD has prepared a draft Legal Metrology Law as verification and re-verification of measuring equipment are currently not mandatory in Myanmar. The draft law was prepared by UNIDO for Cambodia and Laos, but modified according to Myanmar's specific circumstances and with the assistance of an expert from New Zealand. The draft law was also reviewed during the four national consultative meetings with stakeholders held in 2012 and 2013.

Moreover, as adherence to internationally-agreed SPS requirements is vital for the development of the agricultural and food processing sectors, the government of Myanmar is doing its best to ensure that they are upgraded in line with International Standards for Phytosanitary Measures, although its ability to do so is severely hampered by a lack of technical expertise and limited resources. Clearly, inward FDI together with technical assistance can enable Myanmar to implement internationally accepted standards, not only for the benefit of domestic consumers, but also for the benefit of Myanmar's enterprises, which can then satisfy such standards and therefore enter export markets.

4.9 Investment Policies

Given the key role of FDI in developing and diversifying Myanmar's economy from one based largely on agriculture and natural resources into one oriented more towards manufacturing and services as well as in re-integrating Myanmar into the world economy, attracting FDI (and the associated technology and management know-how) is a very important objective of Government policy. Thus, the government of Myanmar has been steadily implementing several related measures to improve the investment and the business environment.

Accordingly, the GOM attaches the highest priority to drawing up the necessary procedures as well as environmental and social guidelines for foreign investment in accordance with the new Foreign Investment Law (FIL) promulgated in November 2012. Feedback from the business community suggests that it is particularly important that the law and procedures specify which sectors are restricted with respect to foreign investment and does not allow discretion with respect to implementation. Hence, whereas the previous law involved a "positive list" approach, whereby foreign investment was allowed only in listed sectors, the new FIL adopts a "negative list" approach that allows foreign investment in all activities except those that are listed as prohibited or restricted.

Furthermore, on 29 July 2013 the Citizens' Investment Law (CIL) was adopted. The CIL provides for a single investment framework by harmonizing the investment incentives and procedures for national and foreign investors. The two new laws (FIL and CIL) visualize not only wide range of activities where foreign investment can involve 100% equity ownership, but also lower and non-discriminatory minimum capital requirements, tax incentives (especially tax holidays), longer leasing of real estate, and vigorous standards for environmental and social protection.

At the same time, the government has liberalized the company registration process as of 10 September 2012 and other regulatory processes to further encourage foreign investors. The registration procedure for companies has also been simplified since 22 February 2013, and the registration period has been extended from three to five years.

Moreover, on 10 April 2013, a one-stop service for foreign as well as local investors was established in Yangon. Investors who previously had to grapple with red tape in five or more different ministries can now get everything done at the new Directorate of Investment and Company Administration (DICA). By reducing contacts between investors and bureaucrats in several different ministries, the DICA could also help combat corruption. In addition, Myanmar has recently undertaken important reforms in order to adapt its corporate income tax (CIT) to a more open and business friendly environment. For instance, it has cut the CIT from 30% to an internationally competitive rate of 25%, eliminated special low rate regimes (notably for the "cutting, making and packaging" enterprises that were previously not subject to the CIT) and outdated tax regimes (e.g., Profit Tax Law), and updated important CIT regulations (revision of asset depreciation rates), all of which will improve the tax system's efficiency and administration.

Specific provisions in the FIL will enhance the transparency of Myanmar's foreign investment regime. The government is also planning to build capacity among the domestic judiciary with regard totheir regulatory enforcement and intermediation. The Investment Commission is currently undergoing a reform process to become an independent board where non-transparent licensing practices will be eliminated.

Meanwhile, the government is cooperating with international financial institutions to conduct a comprehensive investment climate assessment to determine the full spectrum and magnitude of constraints on private sector development. The govenrment will also focus on critical elements of the FDI regime, such as creating a positive business environment, providing a level-playing field (through, for example, more open tendering in respect of privatization and other government contracts as well a comprehensive competition law to combat anti-competitive practices), and other facilitation.

4.10 Trade remedy measures

Myanmar does not have any legislation pertaining to anti-dumping, countervailing or safeguard measures. Consequently, no such measures are currently used. The Government intends to prepare WTO compatible trade remedy laws and regulations. Technical assistance in preparing the relevant legislation and regulations are needed. Ministry of Commerce is building up its understanding of trade remedy measures and it is currently receiving technical assistance notably from UNESCAP on the drafting of safeguard provisions,_while anti-dumping and countervailing measures has so far not received high priority With limited human resources and significant work load in implementing autonomous liberalization measures and in following up on existing multilateral, regional and bilateral trade commitments, work on drafting WTO-consistent anti-dumping and countervailing measures has so far not received high priority. Recognizing our limited capacity, the drafting of trade remedy laws is an area where Myanmar would welcome additional international technical assistance.

4.11 Other Trade- and Investment-Related Measures

Special economic zones (SEZs)

In order to overcome infrastructure bottlenecks, attract FDI and increase exports, the Myanmar Economic Zone Law was enacted in 2011. This Law provides additional tax incentives for investment in several strategic locations along Myanmar's 1,300 mile long coast. This is an integral part of a strategy to promote Myanmar as a low-cost production base for export destinations within the wider region. The government has been actively promoting greater public and private sector investments into the industrial zones to generate jobs and technological development, and to overcome infrastructure bottlenecks and promote foreign direct investment through Special Economic Zones (SEZs), which will emphasize Myanmar as a strategic location and a low-cost production base for exports to the region. There are three key SEZ projects have been announced in Myanmar, namely, Dawei Special Economic Zone in the southern Taninthayi region, with Thai investors, Kyaukphyu Economic and Technology Zone in the western Rakhine state, with investment from China, and Thilawa Special Economic Zone near Yangon, with assistance from Japan.

Intellectual property rights

Fully aware of the important role played by protection of intellectual property rights (IPRs) in attracting inward FDI, the government of Myanmar is taking steps to overhaul its outdated IPR laws and ensure that these laws are enforced. Accordingly, IPR laws in line with the TRIPs Agreement are being finalized subject to advice from the World Intellectual Property Organization (WIPO). These laws concern patents, industrial design, trademarks and copyright. The Ministry of Science and Technology is also preparing related enforcement provisions with WIPO assistance.

Government procurement

At present, Myanmar does not have any specific laws concerning government procurement. Nonetheless, all government bodies must adhere to the directives of the President's office on 2 June 2012 and 5 April 2013. These directives require the use of an open (rather than a closed) tendering system. Moreover, there is continuous internal auditing of government procurement to ensure that it is transparent and ensures "value for money", especially regarding public works projects in connection with the construction of essential infrastructure.

In order to ensure continued strong, sustainable and inclusive growth, Myanmar faces a number of economic policy challenges, many of which are inter-related. These include: establishing a market-oriented economy in which private enterprises play an increasingly important role; integration into the global and regional economy through trade and inward FDI (a major source of new technology and managerial know-how); achieving the removal of remaining restrictions imposed by some Members on investment in Myanmar; enhancing the transparency of economic policies and measures; establishing a fiscally viable Government that can address

Myanmar's developmental needs, including essential infrastructure (such as that involvingelectricity, transportation, telecommunications, water, educational and health facilities); developing Myanmar's abundant natural and human resources so as to ensure that the fruits of economic growth are fairly shared, thereby contributing to social harmony; and ensuring that growth is not detrimental to the environment. These and other challenges, together with the policies designed to address them, are laid out in the Framework.

This Review also throws light on Myanmar's institutional capacity constraints and related technical assistance (TA) needs. Indeed, Myanmar greatly appreciates the TA provided by international organizations and WTO Members, which, among other things, is enabling Myanmar to bring its trade policies and measures into line with its WTO obligations, thereby creating a trade regime that is non-discriminatory, predictable and, more importantly in the context of this TPR, transparent. Myanmar relies on Members' continued support in meeting these obligations.

5. Regional Integration and Cooperation

In formulating and implementing its trade and trade-related policies, the government of Myanmar seeks to adhere to the basic WTO principles of non-discrimination and predictability as well as transparency. Regarding the relations with other ASEAN Member States to the south and east, China to the north-east, and India and Bangladesh to the west, Myanmar borders more than two billion people and the fastest growing markets in the world. Thus, the government of Myanmar attaches a high priority to regional integration and cooperation with ASEAN's Member States and its Dialogue Partners, namely Japan, Korea, China, India, Australia and New Zealand. While the eventual aim of the ASEAN Free Trade Area (AFTA) is to eliminate import barriers to all products within the region by 2015, Myanmar enjoys some flexibility, which allows it to eliminate tariff and non-tariff barriers by 2018. The outcome is that Myanmar's trade with ASEAN Member States and its Dialogue Partners accounted for about 95% of total trade in the past few years. In order to ensure the free flow of services, Myanmar is also committed to liberalizing intra-ASEAN trade in its services sectors by 2015. In order to increase intra-ASEAN investment and attract foreign investment into ASEAN, the ASEAN Comprehensive Investment Agreement (ACIA) was signed in 2009 with the intention of streamlining existing ASEAN Investment Agreements.

The potential benefits from further cooperation and integration with neighboring countries are such that the government of Myanmar is focused on meeting the requirements for the establishment of the ASEAN Economic Community (AEC), with freer flow of goods, services, capital and skilled labour. Signed by ASEAN Leaders at the 13th ASEAN Summit on November 20, 2007, the AEC Blueprint lays the foundation for realizing the goal of ASEAN as an integrated economic region by 2015. The AEC consists of four pillars: a single market and production base; a highly competitive economic region; a region of equitable economic development; and a region that is fully integrated into the global economy. Each of the four pillars involves various measures and initiatives that are being implemented to achieve the goals of the AEC. Myanmar plans to address the legislative and regulatory limitations that impede the timely implementation of intra- and extra-ASEAN commitments. It also plans to strengthen the Ministry of National Planning and Economic Development (MNPED), the national coordinating agency for AEC, to effectively coordinate implementation across various focal points and implementing agencies. The government of Myanmar has also informed and engaged the private sector to assess the preparedness and effectiveness of policies and measures. It also facilitated the establishment by the RUMFCCI of a well-functioning mechanism to monitor the outcomes, analyze the impacts, and address the capacity gaps to ensure that the achievement of the AEC targets will deliver maximum benefits to the private sector.

To ensure a timely implementation of the AEC initiatives, ASEAN has established a monitoring mechanism called the AEC Scorecard. As a compliance tool, the AEC Scorecard reports progress in implementing the various AEC measures, identifies implementation gaps and challenges, and tracks the realization of the AEC by 2015. Judging by the latest report issued by the ASEAN Secretariat in 2012, Myanmar's progress is comparable to other ASEAN Members, except regarding measures to promote the free flow of capital. However, the AEC Scorecard only states that Myanmar has signed ASEAN-wide agreements and that they have been transposed into national laws; the actual degree of implementation and enforcement of specific initiatives may still lag behind the agreed schedule. Nevertheless, the Government intends to implement all its ASEAN commitments by 2015 or 2018 in accordance with the built-in flexibility.

As a consequence of its membership of ASEAN, Myanmar also participates in ASEAN's preferential agreements with China, India, Japan, Korea, Australia and New Zealand. Moreover, with a view to promoting greater economic integration in the Greater Mekong Sub-region (GMS), Myanmar, Cambodia, Lao PDR, Thailand, Viet Nam, and Yunnan Province of China have been involved in the GMS Program (launched in 1992), whose purpose is to enhance economic linkages across these countries' borders. In 2010, the GMS countries approved a comprehensive medium-term program of Actions for Transport and Trade Facilitation (TTF). Moreover, Myanmar is a member of the BIMSTEC, which provides a forum to facilitate and promote trade, investment, and technical cooperation among Bangladesh, Bhutan, India, Nepal, Sri Lanka, and Thailand.

Ways Forward

The government is underpinning an economic diversification strategy by promoting downstream processing of primary commodities; modernizing essential business services, i.e. banking, telecommunications, electricity and transport sectors; and developing a sustainable tourist sector. The reforms ultimately aim at an ambitious target, which is an all-inclusive development. Improved market access, trade facilitation initiatives and increased FDI in the economy are playing key supporting roles in this economic diversification strategy.

The replacement of the overvalued official foreign exchange rate pegged with a "managed float" in April 2012 is a main step in removing restrictions on the purchase and sale of foreign exchange for the import and export of goods and services. Recent economic reforms, which were passed in November 2012, have been much more liberal and aimed at ensuring a stable and predictable environment for foreign investment. Trade sector in particular has abolished import and export licensing requirement on an initial selection of 1,928 non-sensitive commodities and a new financial sector law to improve the functioning of the capital market, together with an overhaul of Special Economic Zones are key elements of facilitating trade and investment. However, customs modernization is in need of further technical assistance as well as capacity building in human resource.

In the context of the free flow of goods, such arrangements as the AFTA, CEPT, and the ASEAN Trade in Goods Agreement have effectively eliminated tariffs for most goods among the ASEAN member countries. In addition to tariffs, non-tariffs barriers such as licenses and administrative measures that restrict the imports are also aimed to be reduced or eliminated. All of all, it is urgent to have a single NSW portal to link the multitude of government agencies and private enterprises involved so that traders will be allowed to submit one set of documents and thereby facilitating overall trade efficiency. It should also be specified the organizations in particular to be linked up to NSW at a certain time period. In fact, trade facilitation would essentially cover subjects relating to importation and exportation: fees and charges, formalities, documentation, publication of laws, judicial and administrative tribunal and transit. Most importantly, the above-mentioned measures should be accompanied by institutional capacity building so that all the efforts can become real. For example, in the case of physical goods inspection at customs department, risk management base of inspection should be practiced as efficient measure as it takes shorter time of inspection. In the case of electronic data exchange with other ASEAN members is concerned, it has been considering to join the technical testing using the ASW Exchange Gateway by Brunei Darussalam, Indonesia, Malaysia and the Philippines. In doing so, the Amendment of Sea Customs Act is most important in implementation of above-mentioned issue in Myanmar. It is on-process at the very beginning stage. It is necessary to provide appropriate technical skills as well as human resource in respective areas. In the case of the coverage of NSW to include all seaports and airports, it is required to pass the imports/exports from the ports, calling for the strong interest and cooperation of such organization as Trade Directorate, Port Authority, MPT, UMFCCI, as well as number of Ministries that directly and indirectly contribute to international trading is timely required. Above-mentioned on-going cases calls for institutional capacity building associated with human capacity building with which the reforms of the respective organization will be necessarily practical. The institutional capacity building needs reforms in the areas only with the institutional capacity building, Myanmar will be most benefited from the inclusion of AEC among other members.

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