

Export of Services and Economic Growth: Needs and Opportunities for Myanmar

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1. Introduction

- Myanmar implemented important reforms and modernization programs in telecommunications and financial sectors, and important progress has been achieved mainly in terms of modernizing the banking and telecommunications systems.



1. Introduction

- The objectives of the study are as follows:
- (i) to examine the current level of liberalization in financial and telecommunication sectors in Myanmar by constructing service-trade openness or performance indicators of two primary services sectors: financial (banking and insurance) and telecommunications sectors; and
- (ii) to explore the benefits and contributions that may be expected from liberalization in the countries under study.



1. Introduction

- The report is structured as follows.
- Section 1 focuses on share of service sectors in Gross Domestic Product, patterns of trade in services and liberalization of trade in services under WTO and ASEAN Framework of Agreement of Trade in Services (AFAS)
- Section 2 analyses the developments in trade in goods and services in light of Myanmar's commitments in service trade;
- Section 3 presents the performance of services trade liberalization.
- Section 4 explores effects of services-trade liberalization on trade and economic growth and
- Section 5 concludes and policy implications.



1. Introduction

1.1 Share of Service Sectors in Gross Domestic Product

- The share of service sector in Gross Domestic Product (GDP) increased slightly from 32 percent in 1990 to 35 percent in 2005 in the presence of the market oriented reform.
- However, agriculture is still the most important sector, accounting for about 48 percent of GDP at current price and employing about 60 percent of the labour force. Service sector exports account for a small share of production and employment compared with agriculture and industry.



1. Introduction

1.2 Patterns of Trade in Services

- Export growth was robust indicating an average annual growth rate of 15.6 percent during the period under study. In contrast, the import growth rate averaged 10.5 percent. Volume of trade has risen rapidly since 1994, mainly as a result of the private sector's response to liberalization and high foreign direct investment inflow.



1. Introduction

1.2 Patterns of Trade in Services

- The trade in services in Myanmar, as estimated from balance of payment statistics, was greater than \$1.44 billion, representing about 29.4 percent of total merchandised exports in 2005.
- The transport represented around 15.3% of total exports, other commercial services exports almost 5%, while travel was approximately 6% of total exports.
- Table 1 shows the rates of growth in total GDP at constant prices and for main economic sectors since 1990. This table confirms the growing economic importance of services.



Table 1 Share of Service Sectors in GDP and Growth Rates in Myanmar (percent)

	Share of Sectoral Output in GDP				Annual Growth Rates		
	Agriculture	Industry	Services	Total	Agriculture	Industry	Services
1990	57	11	32	100	-	-	
1991	57	11	32	100	2.8	1.8	5.5
2004	51	14	35	100	13.8	11.7	20.8
2005	48	16	35	100	13.6	11	21.5

Source: Central Statistical Organization (CSO), *Statistical Yearbook 2008*, Ministry of Planning and Economic Development, Myanmar



1. Introduction

1.3 Liberalization of Trade in Services under WTO and AFAS

- As a founding member of the world trade organization (WTO), Myanmar is committed to implement GATT Article V: Freedom of Transit; Article VIII: Fees and formalities connected with Importation and exportation; and Article X: Publication and Administration of Goods and People. Myanmar follows the Harmonized System of International Nomenclature. After joining ASEAN in 1997, Myanmar took measures to comply with the ASEAN Framework Agreement on Services (AFAS) under ASEAN Free Trade Area (AFTA). In addition, Myanmar became a member of the World Customs Organization (WCO) in 1991 and introduced various regulatory reforms and dissemination of trade regulations and information.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

- This section examines the liberalization in financial and telecommunication sectors based on the market access (MA) and national treatment (NT) of Myanmar.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access, and Regulatory Institution

- In pursuit of a market oriented economy in Myanmar, the Union of Myanmar Foreign Investment Law came into effect on 30 November 1988. The Central Bank of Myanmar which is a regulator under Ministry of National Planning and Economic Development has issued licenses to foreign banks to open representative offices in Myanmar since 1999.
- Summary of policy on cross-border banking
- (i). Domestic banks are not allowed to borrow cross-border from foreign banks.
- (ii) Domestic banks are not subject to any qualifications in order to be able to access foreign capital.
- (iii) Domestic banks are not allowed to make cross-border deposits with foreign banks.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access, Regulatory Institutions and

Banking Structure in Myanmar

It consists of five types of banking structures as follows:

1. The Central Bank of Myanmar
2. State owned commercial banks
3. Private commercial banks
4. Joint venture banks
- 5 Representative offices

Legal Basis of the Central Bank of Myanmar is as follows:

- i) The Union of Burma Bank Act 1952
- ii) The Bank Law 1975
- iii) The Central Bank of Myanmar Law 1990



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institution

- **Licensing Procedure**
- - A financial institution wishing to operate in Myanmar shall firstly be established as limited liability company in accordance with the Myanmar Companies Act and the Special Company Act
- - Application for the license to operate is to be put up together with a feasibility study to the Central Bank of Myanmar;
- - Minimum Paid-up Capital Requirements



Table 3 Ownership Patterns of the Services Industries
[Ownership patterns: public (PUB), joint venture (JV) and
private (PRV) ownership]

Service industry	Existing ownership pattern: PUB, JV, PRV	If JV, foreign ownership equity (%) requirement
Banking 2.4.1 Existing banks 2.4.2 New banks	Ownership: Subsidiaries; Branches; Representative office PUB, SEMI-GOV, PRV PUB, SEMI-GOV, PRV	Central Bank of
Insurance 2.5.1 Life 2.5.2 Property 2.5.3 Cargo insurance 2.5.4 export credit 2.5.5 Medical 2.5.6 Pension 2.5.7 Investment 2.5.8 Re-insurance	Ownership: PUB PUB PUB PUB PUB PUB PUB World-wide Tender System	Insurance

Source: “The Union of Myanmar 2005”, South East Asian Central Banks Research and Training Centre Malaysia, 2007.



Table 4 Structure of Financial Services Industries

4.2 Finance industry	Name of institutions/ service suppliers	Number of institutions
4.2.1 Banking		
1. State-owned banks	1.The Economic Bank	3
Semi-Government Bank	2.The Foreign Trade Bank	4
	3.The Investment and Commercial Bank	12
	4.Agricultural Development Bank	13
	1.Myawaddy Bank Ltd	
	2.Industrial Development Bank Ltd	
	1.Livestock and Fisheries Development Bank Ltd	
2. Private-owned banks	1.Myanmar Citizens Bank Ltd	
	2.Co-operative Bank Ltd(Public)	
	3.Yadanabon Bank Ltd ()	
	4.First Private Bank Ltd	
	5.Yangon City Bank Ltd	
	6.Yoma Bank Ltd	
	7.Myanmar Oriental Bank Ltd	
	8.Tun Foundation Bank Ltd	
	9.Kanbawza Bank Ltd	
	10.Asian Yangon Bank Ltd	
	11.Sibin Tharyar Yay Bank Ltd	
	12.Innwa Bank Ltd	



<p>3. Foreign-owned banks</p>	<ol style="list-style-type: none"> 1. <i>DBS Bank Ltd.</i> 2. <i>United Overseas Bank</i> 3. <i>Oversea-Chinese Banking Corporation Ltd</i> 4. <i>Malayan Banking Berhad (May bank),</i> 5. <i>Bangkok Bank Public Company Ltd.</i> 6. <i>National Bank Ltd.</i> 7. <i>Brunei Investment Bank(BIB)</i> 8. <i>First Oversea Bank Ltd</i> 9. <i>First Commercial Bank Ltd</i> 10. <i>Bumiputra-Commerce Bank Berhad</i> 11. <i>Sumitomo Mitsui Banking Corporation</i> 12. <i>The Bank of Tokyo-Mitsubishi UFJ, Ltd</i> 13. <i>Natixis Bank</i> 	
<p>4.2.2 Insurance</p> <ol style="list-style-type: none"> 1. Life 2. Property 3. Cargo insurance 4. export credit 5. Medical 6. Pension 7. Investment 8. Re-insurance 	<ol style="list-style-type: none"> 1. . Insurance 1. Mitsui Sumitomo Insurance Co., Ltd. 2. Sompo Japan Insurance Inc. 	

Source: "The Union of Myanmar 2005", South East Asian Central Banks Research and Training Centre Malaysia, 2007.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institutions

- The banking system comprises the Central Bank of Myanmar, state-owned banks, and private banks. The other state-owned commercial banks are the Myanmar Investment and Commercial Bank, and the Myanmar Foreign Trade Bank. The state banks operate a network of over 550 branches. The Central Bank of Myanmar has issued licenses to foreign banks to open representative offices in Myanmar, and by October 2001, 28 foreign banks had opened their representative offices.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institutions

- Representative offices of foreign banks fell from 43 to 36 during 1998/99, following the revocation of their foreign exchange trading licenses. Since commencing operations in June 1992, private banks have expanded in number from 4 in 1992 to 20 in 2001 and 34 in 2005. There are 15 domestic private banks, 13 representative office of foreign banks and 3 representative offices of foreign insurance companies in December 2007.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institution

- With regard to capital market development, the Securities and Exchange Law was implemented in February 1995. A memorandum of understanding has been between Ministry of National Planning and Economic Development, and Daiwa Securities Co in November 1994. Thus Daiwa Institute of research (DIR) Japan, a subsidiary of Daiwa became an advisor to the project as well as a partner since 1994.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institutions

- Myanmar maintains a dual exchange rate arrangement. Officially the kyat has been pegged to SDR at a fixed rate of K 8.5 per SDR since 1977, or at about K6 per U.S. dollar. Since most trade is conducted at a market-determined exchange rate given the fact that it may impose the economic costs and rent seeking opportunities.



Table 5 Assets, and Loans of the Private Banks

Year	Capital formation as per cent of GDP	Loans of private banks (mil Kyat)	Assets of Private bank Mil. Kyat
1990	13	7208	-
1991	15	12406	-
1992	14	19173	522
1993	12	23076	2399
1994	12	28262	6720
1995	14	45956	20231
1996	12	75346	48966
1997	13	115505	85062
1998	12	155761	139849
1999	13	188649	230588
2000	12	266966	384071
2001	12	416676	597174
2002	10	609101	846215
2003	11	342547	439204
2004	12	787281	
2005	-	-	-

Source: *Central Statistical Yearbook, Ministry of National Planning and Development, Myanmar, 2008*



Table 6 Trade Openness and Foreign Direct Investment Inflow

Year	Total FDI (mil. dollar)	FDI in services (mil dollar)	FDI service as per cent of GDP
1990	1872	86	0.172
1991	6	0.05	-
1992	104	3.58	0.007
1993	378	0.084	0.536
1994	8111	524	0.84
1995	668	462	0.692
1996	2814	985	1.36
1997	1013	503	0.67
1998	54	1	0.002
1999	58	16	0.108
2000	218	62	0.064
2001	7395	2599	2.41
2002	87	-	-
2003	91	30	0.022
2004	7592	2629	1.86
2005	6030	-	-

Source: Central Statistical Organization, *Statistical Yearbook 2008*,
Ministry of National Planning and Development, Myanmar, 2008



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institutions

- Since 1999 the Central Bank of Myanmar has issued licenses to foreign banks to open representative offices in Myanmar, and by October 2001, 28 foreign banks have opened representative offices. Representative offices of foreign of foreign banks fell from 43 to 36 during 1998/99, following the revocation of their foreign exchange trading licenses. Since commencing operations in June 1992, private banks have expanded in number from 4 in 1992 to 20 in 2001 and 34 in 2005.
- There are six from Singapore, four each from Japan, France, and Malaysia, two each from Thailand, and Bangladesh and one each from the Netherlands, Cambodia, United Kingdom, Brunei Darussalam, Korea and Germany



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institution

- The non-bank financial sector is relatively small. The non-bank financial institutions include the Myanmar Insurance Company; the Myanmar Securities Exchange Center a joint venture between the Myanmar Economic Bank and Daiwa of Japan and foreign exchange bureau.

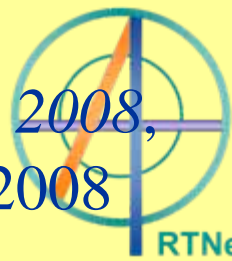


Performance Indicators

Table 7. Output and Employment by Sector: value and % of GDP

Sectoral output	Number of workers	Value of output*200	Output as % of GDP
1. Finance	495.78 (Thousand)1990 Labour Force	5,602.0	.16 %
2. Telecommunications	Survey)	26,940.2	.65 %
3. Transport		310,613.9	7.54 %
4. Total		344,156.1	8.35 %

Source: Central Statistical Organization, *Statistical Yearbook 2008*,
Ministry of National Planning and Development, Myanmar, 2008



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.1 Banking Sector: Market Access and Regulatory Institutions

- Prices and Charges under Major Services Categories

- 1. interest rate (deposit rate)

- 1. Call Deposit 4.0 % per annual

- 2. Fixed Deposit

- a. 3 month 9.25%

- b. 6 month 9.50%

- c. 9 month 9.75%

- 2 interest rate (on loan) 15 %

- 3 Monthly Insurance Subscription

- Monthly payment age of staff duration

Insurance

contract for 1 millions Ks

- 8333 Ks

40

10 Yrs

Life of



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.4 Insurance Sector

- The Insurance Business Law was introduced in 1997 to allow the private sector to enter the insurance business. According to the law, private companies who have the capacity to put up capital of at least K30 million can apply for an insurance business license.
- The premium income of Myanmar Insurance under the State-owned Mymma Insurance Corporation in the 1987-1988 financial year was K305.5 million, increasing to K4200m in 2002-2003, mainly due to more insurance policies being issued. Fire insurance is one of the areas where policies have substantially increased, reaching to K800 million per annum from fire insurance. It is compulsory to buy fire insurance if you apply for a property loan from the bank.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.4 Insurance Sector

- It offers life, fire, marine, aviation and motor third party insurance. It has been expanding into new areas including domestic travel, overseas travel, and pilgrimage travel and seaman life insurances. The promotion of all kinds of travel insurance has intensified since January through cooperation with a number of government agencies and the private domestic travel sector, as well as tourist travel agencies.
- Myanmar Insurance incorporated in 1952, Myanmar Insurance with its network of 38 branches established all over Myanmar, including one divisional/state office in each capital city of 14 States and Divisions is the Sole State-Owned Insurance Organization in Myanmar.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.4 Insurance Sector

List of Insurance Companies in Myanmar

Altec Management Ltd.

ANT

Asia

Corporate Management & Consultants

Good Faith service Co., Ltd.

Integrated Marketing Ltd. (IML)

Jardine Lloyd Thompson

Min Theiddi Co., Ltd.

Miscellaneous Insurance

Mitsui Sumitomo Insurance Co., Ltd.

Myanmar Insurance

Myanmar Express Int't Moving Servicing Co., Ltd.

Overseas Union Insurance Ltd.

Risk Transfer Unity Insurance Agents Centre

Sompo Japan Insurance Inc.

Yokia Morine & Fire Insurance Co., Ltd.

Source: <http://www.myanmars.net/myanmar-business/insurance-agents.htm>



Table 8 Life Insurance Policies and Government employer

Year	Number
1991	25000
1996	50000
1998	35000
1999	35000
2000	27000
2001	42500
2002	55000
2003	40000
2004	39000
2005	40000
2006	39000
2007	42000

Source: Myanmar Insurance Corporation, Myanmar



Table 9 Insurance Sector Performance

Type of Insurance	Particular	Kyat million
Life	No	37128
	Value	39232
	Premium	432
	Clams	68
Marine	No	13667
	Value	50003
	Premium	382
	Clams	60
Air	No	8950601
	Value	21217989
	Premium	212
	Clams	8.38
Fire	No	42740
	Value	-
	Premium	2390
	Clams	133
Third Party liability	No	397180
	Value	-
	Premium	408
	Clams	22
comprehensive	No	1959
	Value	11216
	Premium	94
	Clams	28.9

Source: Myanma Insurance Corporation, Myanmar



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.5 Telecommunications

Myanmar Computer Science Development Law was promulgated in 1996 and Myanmar Computer Science Development Council was also formed in 1996. Internet technology has been introduced by Myanmar Posts and Telecommunications Enterprise (MPTE) in 2000 by selling e-mail accounts and accesses, MPTE also provides the e-mail and Internet Services as an Internet Service Provider (ISP). Internet access was initially permitted government departments and II private IT companies in the same year. Bagan Cybertech (later Myanmar Teleport, My Tel), a semi-government business enterprise was formed and emerged as a second Internet Service Provider (ISP).



Performance Indicators

Table 10 Ownership Patterns of the Services Industries

Service industry	Existing ownership pattern: PUB, JV, PRV	If JV, foreign ownership equity (%) requirement
Fixed line services 2.1.1 Local service 2.1.2 Long distance 2.1.3. International call 2.1.4 Leased line	PUB PUB, JV PUB PUB PUB	Ministry of Communications, Posts and Telegraphs
Mobile services 2.2.1 Analogue mobile 2.2.2 Digital mobile	PUB, JV PUB, JV	Ministry of Communications, Posts and Telegraphs
Internet services 2.3.1 e-mail services 2.3.2 internet and data	PUB, JV PUB, JV PUB, JV	Ministry of Communications, Posts and Telegraphs
Banking 2.4.1 Existing banks 2.4.2 New banks	Ownership: Subsidiaries; Branches; Representative office PUB, SEMI-GOV, PRV	Central Bank of
Insurance 2.5.1 Life 2.5.2 Property 2.5.3 Cargo insurance 2.5.4 export credit 2.5.5 Medical 2.5.6 Pension 2.5.7 Investment 2.5.8 Re-insurance	Ownership: PUB PUB PUB PUB PUB PUB PUB World-wide Tender System	Insurance

Source: "The Union of Myanmar 2005", South East Asian Central Banks Research and Training Centre Malaysia, 2007.



Table 11 Regulatory Institutions and Major Functions

Sub-sectors	Name of regulatory institutions	Major functions [licensing/pricing etc.]
1.1 Fixed line services	Myanma Post and Telecommunication	Licensing , pricing
1.2 Mobile services	Myanma Post and Telecommunication	Licensing , pricing
1.3 Internet services	Myanma Post and Telecommunication	Licensing , pricing
1.4 Banking	Central Bank of	Licensing
1.5 Insurance	Insurance	Licensing
1.6 Maritime transport	Ministry of Transport	Licensing , pricing
1.7 Air transport	Ministry of Transport	pricing



Performance Indicators

Table 12 . Services Industry Structure and Name of Operators/Carriers

4.1 Telecommunications	Name of service suppliers/companies	Number of suppliers/companies
4.1.1 Fixed line services 1 Local services 2 Long distance call 3 International call 4 Leased line	Myanma Post and Telecommunication Myanma Post and Telecommunication Myanma Post and Telecommunication Myanma Post and Telecommunication Myanma Post and Telecommunication	
4.1.2 Mobile services 1 Analogue mobile 2 Digital mobile	1.CDMA 2.GSM 3. WLL	
4.1.3 Internet services 1 e-mail services 2 internet and data	Myanma Post and Telecommunication	



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.5 Telecommunications

The growth of the transport and communication sector averaged more than 18 percent during 1990-2005. Liberalization measures can be examined by focusing on the number of fixed and mobile phone users, and e-commerce attributed to expansion by the private sector. Myanmar Computer Federation has been founded on 15 October 1998. These are two major association using ICT, Myanmar Posts and Telecommunications and Myanmar Teleport.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.5 Telecommunications

Bagan Cybertech is a partially government-owned telecommunications company which offers Very Small Aperture Terminal (VSAT) and high-speed Internet services. The operator planned to deploy and use an iPSTAR ground system to provide rural telephony services for over 3,000 un-served villages. The joint venture was targeting installations in 500 villages by the middle of 2003.

Thai satellite operator Shin Sat signed a service contract and a procurement contract in Myanmar with Bagan Cybertech IDC & Teleport in May 2002. The Myanmar-based company has agreed to purchase a complete iPSTAR system package, including an iPSTAR gateway and 5,000 terminals.



2. Liberalization in Financial and Telecommunication Sectors in Myanmar

2.5 Telecommunications

Shin Sat and Bagan agreed to jointly set up an IPSTAR gateway in Myanmar, while Bagan will be responsible for its operation and maintenance. The first 200 of 5,000 iPSTAR user terminals will be adopted for rural telephony services using the existing gateway at the Thaicom Teleport and DTH Centre in Lad Lum Kaew, Pathumthani. Bagan also has plans to use IPSTAR for other projects, such as a virtual IP network for corporate and government use, and a distance learning initiative for 300 schools nationwide.

Myanmar has signed the e-ASEAN Agreement together with all the other members of ASEAN in November 2000 in order to closely cooperate in the area of ICT within the region and the e-National Task Force.

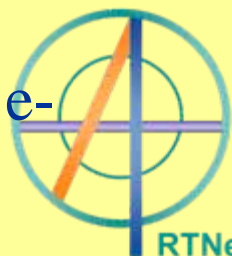


Table 13 Telecommunication sector performance

Year	Internet users	Fixed and mobile phone in use	Telephone in use (person)
1990	-	86333	86333
1991	-	95646	95646
1992	-	107048	107048
1993	-	128695	128695
1994	-	140428	140428
1995	-	174764	169530
1996	-	213559	199017
1997	-	242311	225315
1998	578	258899	240673
1999	890	283357	260579
2000	3313	309813	282853
2001	4879	352398	307056
2002	19946	419392	351763
2003	37610	469799	372317
2004	-	517400	424900
2005	-	-	-

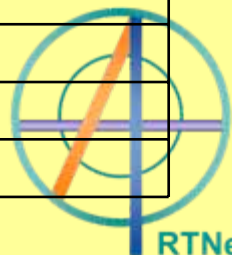
Source: CSO 2008



Performance Indicators
Table 14 Price and charges

Service	Price (in local currency)
Installation charges	150000 ks
Monthly subscription for business	
Monthly subscription for households	
3-minute local call	15 Kyat/min
3-minute domestic long distance call	25 Kyat/min
3-minute call to neighboring country:	US\$ 2/min
3-minute call to	US\$ 3/min
3-minute call to	US\$ 3/min
3-minute call to	US\$ 4/min

Service	Price (in local currency)
Acquisition of handset	155000 Kyat
Monthly rental charges	
3-minute domestic call	75 Kyat/min
3-minute call to neighboring country:	US\$ 2/min
3-minute call to	US\$ 3/min
3-minute call to	US\$ 3/min
3-minute call to	US\$ 4/min



Performance Indicators

Table 14 Price and charges

Internet service charges	Price (in local currency)
Average monthly charges for low bandwidth residential Internet access (Capacity: __125kbps)	FEC 35 ▪FEC 45(1 VoIP)

Prices and Charges under Major Services Categories

6.4	3-minute local telephone call charge	45 Kyats
6.5	3-minute long distance call charge	75 Kyats
6.6	3-minute overseas call charge	2-5 FEC per minute depend on country
6.7	mobile phone call charge/minute	75 Kyats
6.8	internet charge/ minute	600 Kyats
	and internet charge/month	10000 Kyats



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

The restriction categories are classified mainly into three categories as follows:

Types of Restrictions Affecting MA and NT

A. Restrictions on Commercial Presence

1. Licensing of banks
2. Form of commercial presence
3. Direct investment: equity participation permitted
4. Direct investment: restrictions on certain types of services
5. Joint venture arrangements
6. Permanent movement of people



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

B. Cross-border Trade

1. Raising funds by foreign banks
2. Lending funds by foreign banks

C. Other Restrictions

1. Other securities
2. Expanding the number of services outlets
3. Composition of the board of directors
4. Temporary movement of people



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

The qualitative information affecting MA and NT are translated into quantitative measures STRI using the weight assigned for their importance, which can be found in Appendix Tables 1 and 2.

The methods provide restrictions applied to all firms (domestic index) and the restrictions applied to foreign firms (foreign index). Finally qualitative information is converted into a quantitative index, using a priori judgments about the relative restrictiveness of different barriers. This gives restrictiveness index of the services barriers.



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

Finally, the indices are computed using these scores and weights. We have calculated two indices, one covering restrictions relevant for Foreign Service suppliers (the "foreign index") and the other covering restrictions applying to all suppliers (the "domestic index"). The domestic index is an indicator of restrictions on market access, while the difference between the foreign and domestic index is a measure of deviations from national treatment.



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

Table 15 shows the foreign restrictiveness index (FR) values for Myanmar fixed line, mobile and internet services. The FR value equals 0.193 in the case of fixed line, 0.165 in the case of mobile, and 0.12 in the case of internet services. **5 Need and Priority Area and Sequencing in Liberalization: Survey Results**

This section attempts to assess the links between regulatory issues and trade liberalization drawing from the Doha Development Agenda. It aims primarily to assess a number of questions that might advance these issues in the progressive trade negotiations.



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

It has been widely accepted that the trade liberalization followed by financial liberalization indicates a prerequisite sequence of liberalization. Since premature liberalizations can impose consideration cost to an economy, “selective economic openness” for financial liberalization seems to be the most preferred mode of most developing countries. However, the protectionist policy cannot be regarded as the best alternative; weakness of domestic financial system can be improved by importing financial liberalization. Thus the priority and sequencing of liberalization and the gains the costs of liberalizations in GMS are worth studying.



4. Service Trade Restrictiveness Index (STRI) of telecommunication and financial sectors

The section reports the results of the executive opinion survey on the potential opportunities and needs of the sectors' liberalization. More than one hundred and twenty firms from such services and import/export were randomly selected for the survey. However, the responding rate was unexpectedly low at 25 percent which mainly due to the difficulty of level of technical knowledge on priority sub-sectors involved in questionnaires on the one hand. On the other, there also exists the reluctance of giving opinion on the existing activities of the government. Therefore, the results can be used for indicative purpose rather than subjective one.



5 Liberalization sequences of telecommunication and financial services

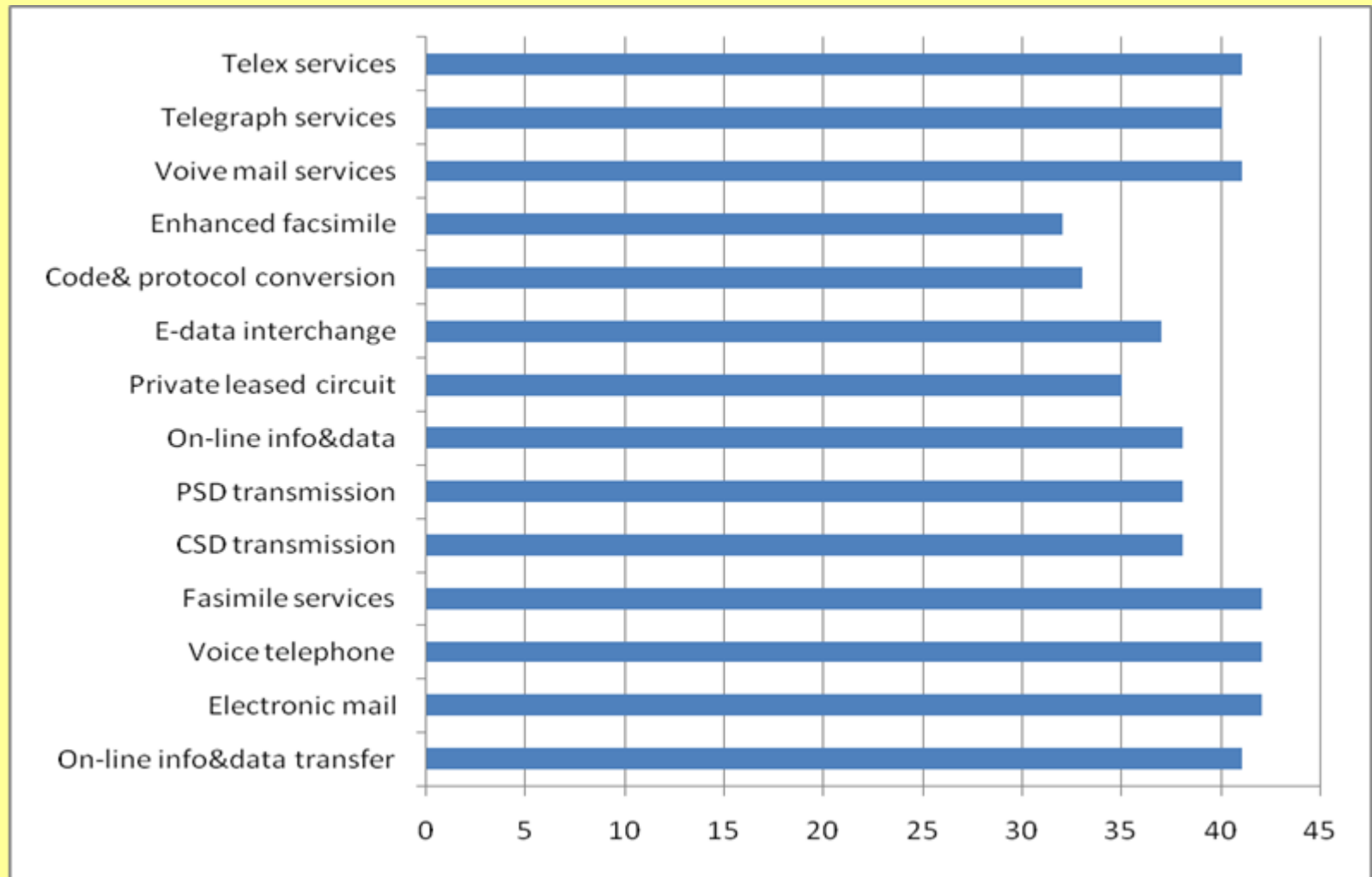
5.1 Telecommunication and communication services

In terms of priority listing of telecom services for negotiation under GATS, survey results shows that almost half of the respondents ranked online information and data transfer and electronic mail services top among others, followed by voice telephone, facsimile, packet-switched data transmission and circuit-switched data transmission services.

Only a third of the respondents gave first priority to online information and data processing and E-data interchange services, while around twenty percent showed the necessity of bringing code and protocol conversion, enhanced facsimile and voice mail services to the GATS-led negotiation table.



Figure 5: First priority telecom services for liberalization under GATS-led negotiation



Source: Calculations based on survey of 17 firms in August - October 2008

Note: Stage1: first priority; Stage5: fifth priority

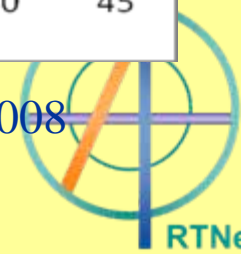
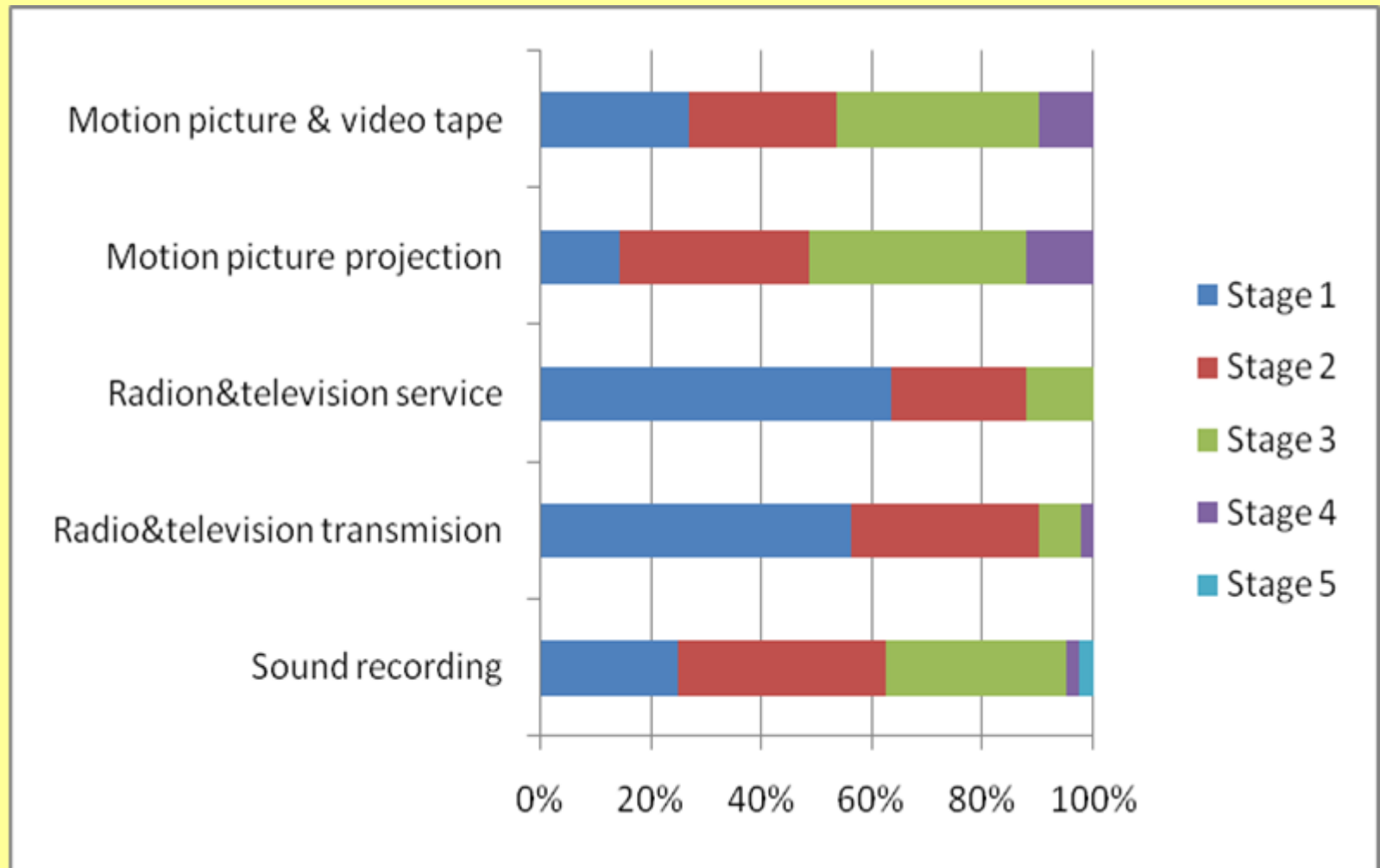


Figure 6: Priority communication services for liberalization under GATS-led negotiation

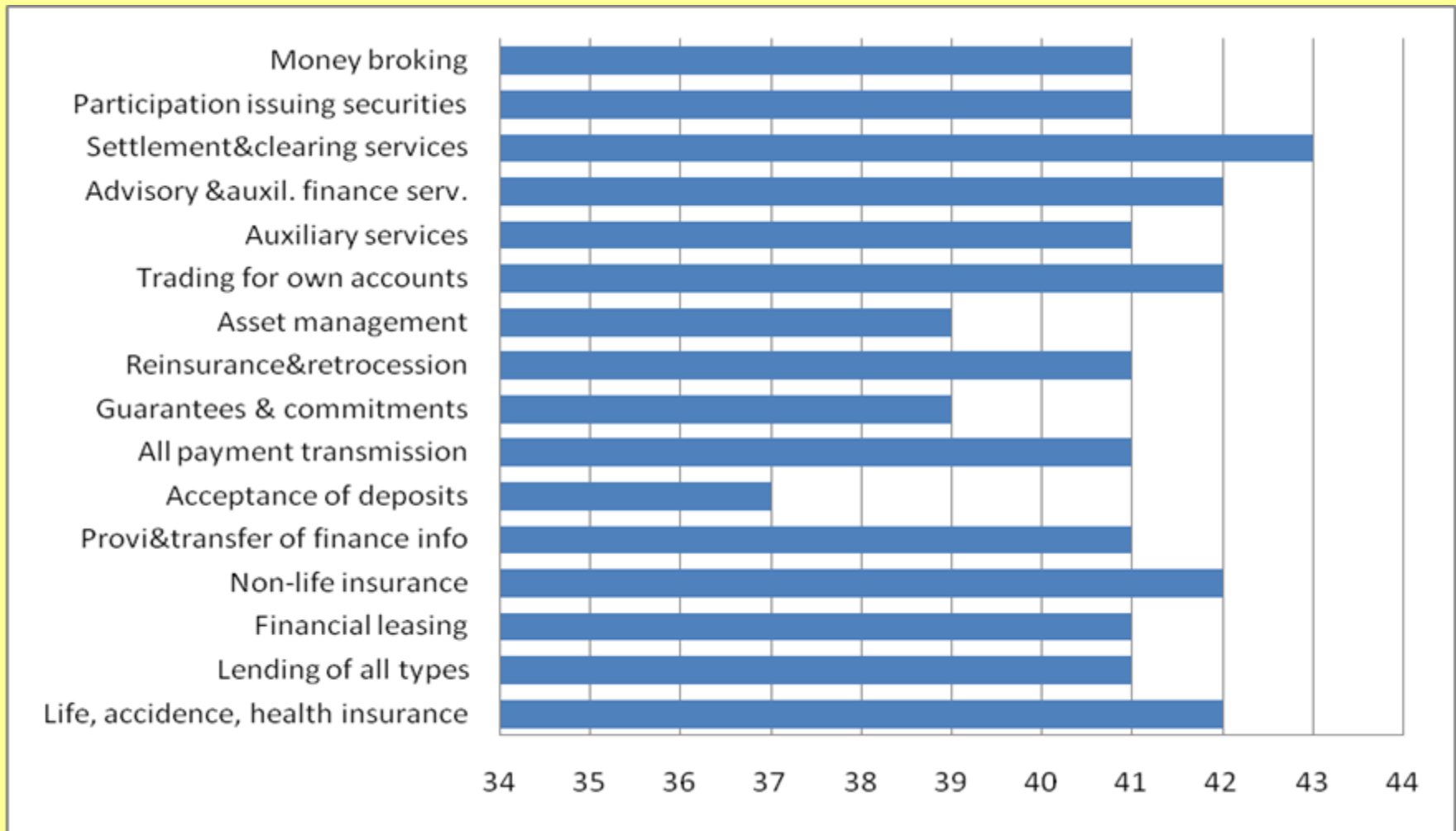


Source: Calculations based on survey of 17 firms in August - October 2008

Note: Stage1: first priority; Stage5: fifth priority



Figure 7: Priority banking and insurance services for liberalization under GATS-led negotiation



Source: Calculations based on survey of 17 firms in August - October 2008

Note: Stage1: first priority; Stage5: fifth priority



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

A pilot survey was conducted applying interview and mail-in/mail-out methods. The required survey activities will be completed by second week of July. It is worth noting that the scores in this study are for indicative rather than representative purposes.



Figure 7: Priority banking and insurance services for liberalization under GATS-led negotiation

Sectors		Insurance services	Banking services	Telecom		
				Telecom: Internet	Telecom: services	m: .
Relevant procedure and regulations are publicly available and easily accessible for each sub-sector(%)	1	41.38	6.98	10.34	13.79	6.90
	2	44.19	53.49	65.52	46.55	53.45
	3	23.26	25.58	8.62	17.24	12.07
	4	20.93	11.63	13.79	22.41	25.86
	5	0.00	0.00	1.72	0.00	0.00
Information about changes in regulations and procedure are made available promptly and convenient to the public (%)	1	12.07	12.07	18.97	17.24	15.52
	2	44.83	44.83	62.07	56.90	55.17
	3	24.14	27.59	5.17	10.34	3.45
	4	17.24	13.79	13.79	15.52	25.86
	5	0.00	0.00	0.00	0.00	0.00
A formal and effective private sector consultation mechanism (%)	1	12.07	18.97	12.07	37.93	15.52
	2	13.79	10.34	17.24	39.66	15.52
	3	13.79	13.79	15.52	43.10	10.34
	4	8.62	18.97	25.86	34.48	5.17
	5	6.98	11.63	27.91	41.86	6.98

Source: Calculations based on survey of 17 firms in August - October 2008

Note: Stage1: first priority; Stage5: fifth priority



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

The executive opinion survey in this section seeks to examine the factors that can contribute to progressive liberalization in services as follows:

1. Priorities in telecommunications and financial sectors for liberalization under GATS-led negotiation
2. Transparency and consultation mechanism of Regulator
3. The fees, charges and irregular payment
4. Level of competence of the following professions
5. to evaluation of service trade infrastructure
6. on problematic barriers
7. The capacity building requirements
8. The potential benefit and cost of liberalization



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

With respect to ‘Transparency and consultation mechanism of Regulator’, three questions such as relevant of procedure and regulation, changes in regulation and the existence of public-private consultation system were asked. In particular, the respondents slightly disagree that in average “relevant of procedure and regulation and regulation are publicly available and easily accessible for each sub-sector”; comprising insurance (44.19%), banking service (53.4%), internet service (65.52%), mobile 46.5%) and fixed line (53.45).



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

Similar rating were received for question regarding “Information about changes in regulations and procedure are made available promptly and convenient to the public”. With respect to question on “A formal and effective private sector consultation mechanism”, the rating for ‘strongly agree’ indicates insurance (6.98%), banking (11.63%), internet (27.9%), mobile (41.86) and fixed line (6.98).

The results under the executive opinion on whether the fees, charges and irregular payment are, in average, reasonable are provided in Table 8. About a quarter of respondents from telecommunication sector agree slightly that these fees and charges are reasonable, in contrast about a one-third of respondents from financial sector indicate ‘slightly agree’.



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

The results in relation to level of competence of the following professions in the country of work, about 50% of respondents indicate that level of competence states below the average in all services sub-sectors under study. In evaluating service trade infrastructure under study, banking services, insurance services and regulatory regime of insurance sector are rated as above average while qualities of fixed line, mobile and internet services received the scores below average.



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

The results for evaluation on the problematic barriers in each service sub-sector is summarized as follows: the most problematic areas of services needed by firms indicates internet, mobile and fixed lines services. About 44.83 percent stated that banking services can be regarded as third problematic area in terms of business needs. With respect to the capacity building requirements in each sub-sector, the results indicate internet service (72.4%), mobile services (56.9), fixed line (55.2%), banking (21%) and insurance services 13.8%).



5 Liberalization sequences of telecommunication and financial services

5.1 Telecommunication and communication services

Finally, the survey results convey that potential benefit and cost of liberalization may be resulted mostly in the areas of increase in employment and transfer of technology (55% each), improve in quality of services, (50%), impose social cost (44.8%), increases entrepreneurship (43%), efficiency in production and distribution (39.7), attract foreign direct investment (34.4%) and enhance competition (25.5%).

In conclusion, it is expected that possibilities for more lending and/or extensive use of services will be available and also that higher competition would generate important beneficial effects in terms of technical progress and better quality of the service at lower cost supplied by the services providers and, hence, of modernizing the national services providers.

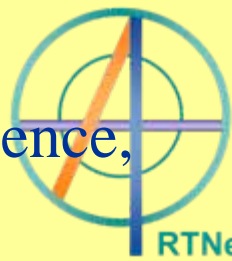
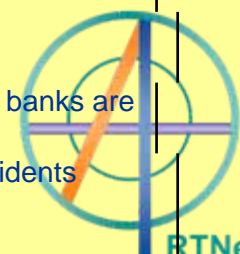


Table 1: Restrictions on Banking Services

Weight	Scoring	Score chosen in this project	Category
			Restrictions on Commercial Presence
0.10	1.00		<u>Licensing of banks</u> Issues no new license. / No new license is allowed.
	0.75		Issues up to 3 new licenses with only prudential requirements. / Licenses are issued through complicated (Discriminately) and costly procedure.
	0.5/0.2		Issues up to 6 new licenses with only prudential requirements. / Licenses are generally issued with application fee and several requirements.
	0.25/0.1		Issues up to 10 new licenses with only prudential requirements. / Licenses are generally issued with application fee.
	0.00	0.000	Issues new licenses with only prudential requirements / Licenses are automatically issued upon application without any cost.
0.10	1.00		<u>Form of commercial presence</u> Measures which restrict or require a specific type of establishments.
	0.00	0.000	No restriction on establishment.
0.20			<u>Direct investment: equity participation permitted</u> The score is inversely proportional to the maximum equity participation permitted in an existing domestic bank.
		0.000	



0.10		<u>Direct investment: restrictions on certain types of services</u>
1.00		Restrictions on providing some types of banking services.
0.00	0.000	No restriction on providing any type of banking services.
0.10		<u>Joint venture arrangements</u>
1.00		Issues no new banking licenses and no entry is allowed through a joint venture with a domestic bank.
0.50		Bank entry is only through a joint venture with a domestic bank.
0.00	0.000	No requirement for a bank to enter through a joint venture with a domestic bank.
0.02		<u>Permanent movement of people</u>
1.00		No entry of executives, senior managers and/or specialists.
0.80		Executives, specialists and/or senior managers can stay up to 1 year.
0.60		Executives, specialists and/or senior managers can stay up to 2 years.
0.40		Executives, specialists and/or senior managers can stay up to 3 years.
0.20		Executives, specialists and/or senior managers can stay up to 4 years.
0.00	0.000	Executives, specialists and/or senior managers can stay a period of 5 years or more.
		Cross-border Trade
0.10		<u>Raising funds by foreign banks</u>
1.00		Banks are not permitted to raise funds in the domestic market./ Foreign banks are not permitted to have cross border Deposits of Domestic banks, corporations, and households.
0.75		Banks are restricted from raising funds from domestic capital market. / Foreign banks are permitted to have cross border deposits of only some types of Domestic residents or any type of Domestic residents with specific ceiling Amount.



0.50		Banks are restricted in accepting deposits from the public./ Foreign banks are permitted to have cross-border deposits of Domestic banks, corporations, and households with licenses.
0.00	0.000	Banks can raise funds from any source with only prudential requirements. / Foreign banks are permitted to have cross-border deposits of any type of Domestic residents without restrictions.
0.10		<u>Lending funds by foreign banks</u>
1.00		Banks are not permitted to lend to domestic clients./ Foreign banks are not permitted to have cross-border lending to Domestic banks, corporations, and households.
0.75		Banks are restricted to a specified lending size or lending to government projects. / Foreign banks are permitted to have cross-border lending to only some types of Domestic residents or any type of Domestic residents with specific ceiling amount .
0.50		Banks are restricted in providing certain services such as credit cards, leasing and consumer finance. / Foreign banks are permitted to have cross-border lending to Domestic banks, corporations, and households with licenses.
0.25		Banks are directed to lend to housing and small business.
0.00	0.000	Banks can lend to any source with only prudential restrictions. / Foreign banks are permitted to have cross-border lending to any type of Domestic residents without restrictions.



**Other
Restrictions**

Other business of banks -insurance
and securities

0.10

1.00

Banks can only provide banking services.

0.50

0.500

Banks can provide banking services plus one other line of business - insurance or security services.

0.00

Banks have no restrictions on conducting other lines of business.

Expanding the number of
banking outlets

0.05

1.00

One banking outlet with no new banking outlet permitted.

0.75

Number of banking outlets is limited in number and location.

0.25

Expansion of banking outlets is subject to non-prudential regulatory approval.

0.00

0.000

No restrictions on banks expanding operations.

Composition of the board
of directors

0.02

0.000

The score is inversely proportional to the percentage of the board that can comprise foreigners.

Temporary movement of
people

0.01

0.000

Aggregate

0.500

Scores



Table 8 Fees and formality

Sectors ¹² 12	fee/charge are reasonable					payments are often required to access the following services				
	1	2	3	4	5	1	2	3	4	5
Telecom: Fixed line	6.897	60.34	6.897	22.41	3.448	1.72	41.38	10.34	41.38	3.45
Telecom: services	12.07	53.45	6.897	20.69	5.172	1.72	37.93	12.07	39.66	5.17
Telecom: Internet services	6.897	34.48	15.52	37.93	3.448	1.72	41.38	10.34	37.93	5.17
Banking services	3.448	24.14	39.66	29.31	3.448	0.00	34.48	34.48	27.59	1.72
Insurance services	1.724	24.14	36.21	34.48	3.448	0.00	32.76	32.76	31.03	1.72

1 = strongly disagree, 2 = slightly disagree, 3=no opinion, 4=slightly agree, 5= strongly agree

Table 9 Level of competence of the following professions in your country of work

Sectors	1	2	3	4	5
Fixed line Engineers/ Technicians	31.03	39.66	29.31	0.00	0.00
Mobile services Technicians	34.48	48.28	17.24	0.00	0.00
Internet services Technicians/Professionals	24.14	46.55	29.31	0.00	0.00
Banking Professionals	17.24	50	32.76	0.00	0.00
Insurance Professionals	17.24	53.45	29.31	0.00	0.00
Trade related associations Professionals	41.38	43.1	13.79	1.724	0.00
Other government agencies : Telecom	25.86	48.28	25.86	0.00	0.00
Other government agencies: Banking	22.41	46.55	29.31	1.724	0.00
Other government agencies: Insurance	13.79	55.17	29.31	1.724	0.00

1=much worst, 2= worst, 3=average, 4=better 5= much better

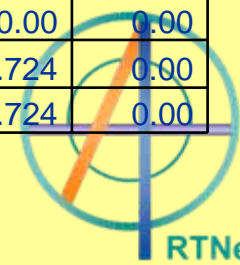


Table 10 Evolution on services trade infrastructure

Sectors	1	2	3	4	5
Quality of telecommunications infrastructure: fixed line	6.897	60.34	24.14	8.621	0.00
Quality of telecommunications infrastructure: mobile	13.79	56.9	13.79	15.52	0.00
Quality of telecommunications infrastructure: Internet	12.07	53.45	12.07	22.41	0.00
Banking facility	6.897	43.1	41.38	6.897	0.00
Insurance services	5.172	32.76	51.72	8.621	0.00
Regulatory regime: Telecommunication	10.34	44.83	36.21	6.897	0.00
Regulatory regime: Banking	8.621	29.31	50.00	8.621	0.00
Regulatory regime: Insurance	8.621	27.59	58.62	3.448	0.00
Good governance and eradication of corruption	12.07	44.83	37.93	1.724	0.00
Overall business environment	15.52	43.1	25.86	12.07	0.00

1=much worst, 2= worst, 3=average, 4=better, 5= much better

Table 11 Problematic barrier in each sub sector

Sectors	1	2	3	4	5
Telecom: Fixed line	39.66	43.1	10.34	0.00	5.172
Telecom: services	43.1	44.83	6.897	3.448	0.00
Telecom: Internet services	63.79	25.86	6.897	1.724	0.00
Banking services	13.79	31.03	44.83	5.172	3.448
Insurance services	5.172	22.41	32.76	24.14	13.79

1= most problematic, 2=second problematic, 3=third problematic, 4= fourth problematic, 5= fifth problematic

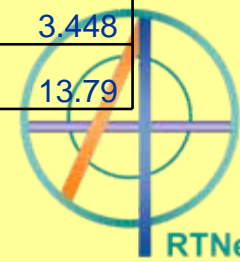


Table 12 Capacity Building Requirement

Sectors	1	2	3	4	5
Telecom: Fixed line	55.17	34.48	6.897	0.00	0.00
Telecom: services	56.9	27.59	12.07	0.00	0.00
Telecom: Internet services	72.41	17.24	3.448	3.448	0.00
Banking services	20.69	39.66	24.14	8.621	3.448
Insurance services	13.79	39.66	13.79	17.24	12.07

1 = most needed, 2 = second needed, 3 = third needed, 4 = fourth needed, 5 = fifth needed

Table 13 Potential benefit and cost

Sectors	1	2	3	4	5
improve quality of services	0.00		10.34	32.76	50.00
reduction in price of services	1.72	6.90	24.14	37.93	27.59
efficiency in production/distribution	0.00	1.72	10.34	46.55	39.66
reduction in services input cost	0.00	1.72	24.14	46.55	25.86
enhanced competition	0.00	3.45	17.24	58.62	18.97
increase in entrepreneurship	0.00	3.45	17.24	34.48	43.10
increase in employment	0.00	3.45	13.79	25.86	55.17
transfer of technology	0.00	1.72	10.34	29.31	55.17
increase government's revenue	0.00	6.90	39.66	31.03	20.69
decreases effectiveness of central bank's policy	8.62	32.76	29.31	17.24	5.17
decline in domestic firms' market share	8.62	29.31	34.48	18.97	5.17
attract foreign direct investment	3.45	0.00	24.14	32.76	34.48
improve social welfare	0.00	5.17	15.52	37.93	39.66
improve social cost	0.00	3.45	15.52	34.48	44.83

1=least, 2=less, 3=average, 4=more 5= most

