

Training on trade defense measures and other trade related issues
5 September 2014, Yangon, Myanmar

Business implications of the APTA membership for Myanmar



Jun Ho Shin
Trade and Investment Division
ESCAP

Outline

- I. Overview
- II. Market expansion
- III. Myanmar's trade and the APTA Participating States
- IV. Tariff concessions
- V. Cumulative rules of origin
- VI. Framework agreements
- VII. Roles of the Myanmar business sector

I. Overview

✓ What is
the APTA?

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Amendment to the First Agreement on Trade Negotiations among
Developing Member Countries of the Economic and Social
Commission for Asia and the Pacific (Bangkok Agreement)

ASIA-PACIFIC TRADE AGREEMENT



United Nations
E.S.C.A.P.
2005

1. Asia-Pacific Trade Agreement (APTA)

- ✓ The oldest preferential trade agreement in the region
 - Signed in 1975 as the Bangkok Agreement
 - Changed the name to the APTA in 2005
- ✓ Participating States (PSs)
 - China, India, Lao PDR, Republic of Korea (ROK), and Sri Lanka
 - Mongolia's accession was finalized in 2013 and is pending ratification

2

- ✓ A boring introduction on an old-fashioned trade agreement?



Source: <http://bellybillboard.tumblr.com/>

3

✓ Or a fresh chance for business ideas....



Source: <http://www.businessnewsdaily.com/>

4

2. General business implications

- ✓ Market expansion
 - Lowering entry barriers to new markets
 - Better economic cooperation/relationship with members
- ✓ Benefiting from changed trade conditions (e.g. price)
 - Comparative/Competitive Advantages from the preferential treatment and so on
- ✓ Opportunity from new combinations
 - New combinations of trade conditions/partners/agreements
- ✓ Business-Business cooperation

5

II. Market expansion

1. Where does Myanmar stand?

- ✓ Having conducted some economic reform policies since 2011
- ✓ Aiming at attracting foreign investment and reintegrating itself into the global economy



Source: <http://www.operationworld.org>

2. Geographical perspectives...

- ✓ Being located close to the APTA Participating States
- ✓ Would be a good idea to start with a simpler and friendlier trade agreement



Source: <http://en.wikipedia.org/>

7

3. China

- ✓ World's largest population (1.36 billion, 2014)
- ✓ One of the world's fastest growing economies (7.7% 2013, 7.7% 2012, 9.3% 2011)
- ✓ Huge market (World's third largest economy after the US, the EU)



Source: <http://www.newgeography.com/>,
The World Factbook

8

4. India

- ✓ World's second largest population (1.24 billion, 2014)
- ✓ Young generations
(under age 24, 46.6% of the total, 2014)
cf. China: 31.8%
- ✓ Huge market
(World's fourth largest economy in 2013)
(Household consumption: 56.4%, 2013)



Source: knowledge.wharton.upenn.ed,
The World Factbook

9

5. ROK

- ✓ World's 13th largest economy in 2013
- ✓ Demonstrating fast economic development for decades and global integration to become an industrialized economy



Source: <http://www.gazprom.com/>, The World Factbook

10

6. Other dynamic APTA Participating States

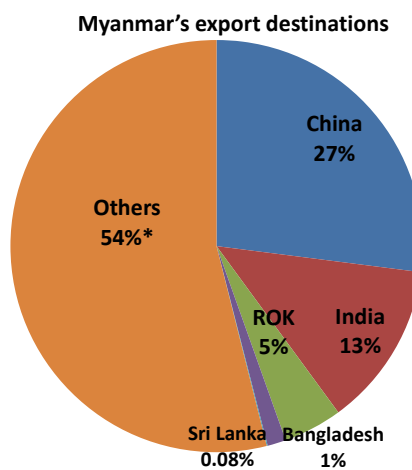
- ✓ Bangladesh
 - Big population and young generations
- ✓ Lao PDR
 - Potential crossroads between China and SE Asia
- ✓ Mongolia (to be ratified)
 - Huge natural resources and development potentials
- ✓ Sri Lanka
 - Reconstructing the economy after previous unrest

11

III. Myanmar's trade and the APTA Participating States

1. Myanmar's export destinations

- ✓ 46% of the total exports go to the APTA Participating States (2013)

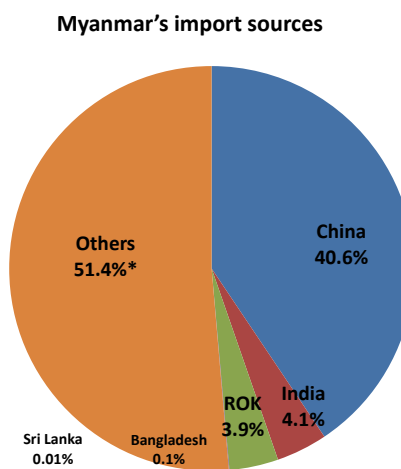


Source: World Integrated Trade Solution (WITS)
* Thailand 38%, Japan 7%, EU 3%

12

2. Myanmar's import sources

- ✓ 49% of the total imports come from the APTA Participating States (2013)



Source: WITS
* Thailand 20%, Singapore 12%, Japan 6%

13

3. Myanmar's top 10 export products to the world

- ✓ Exporting oils, minerals, electronic components, etc.

Rank	HS code	Description	Rank	HS code	Description
1	271019	Other	6	871120	With reciprocating internal combustion
2	271011	Light oils and preparations	7	940600	Other bars and rods
3	852520	Transmission apparatus incorporating	8	722830	Floating or submersible drilling
4	151190	Other	9	890520	Other
5	710310	Unworked or simply sawn or roughly	10	252329	Other

Source: WITS

14

4. Myanmar's Top 10 export products in APTA concessions

- ✓ Exporting mainly minerals, electronic/vehicle components, machinery, and so on

Rank	HS code	Description	Rank	HS code	Description
1	710310	Unworked or simply sawn or roughly	6	842952	Machinery with a 360° revolving sup...
2	852520	Transmission apparatus incorporatin	7	271019	Other
3	871120	With reciprocating internal combu	8	551219	Other
4	722830	Bars & rods of oth. alloy steel	9	300490	Other
5	890520	Floating or submersible drilling	10	721070	Flat-rolled prods. of iron/non-alloy steel, of a width of 600mm/more, paint ...

Source: WITS

15

5. Myanmar's top 10 import products from the world

✓ Importing mostly natural gas, minerals, wood , etc.

Rank	HS code	Description	Rank	HS code	Description
1	271121	Natural gas	6	710399	Other
2	710310	Unworked or simply sawn or roughly	7	260900	Tin ores and concentrates.
3	440399	Other	8	620193	Of man-made fibres
4	440349	Other	9	71390	Other
5	071331	Beans of the species Vigna mungo	10	270900	Petroleum oils & oils obt. from bituminous mins., crude

Source: WITS

16

6. Myanmar's 10 import products from APTA Participating States

✓ Importing minerals, wood, vegetables, and so on

Rank	HS code	Description	Rank	HS code	Description
1	710310	Unworked or simply sawn or roughly	6	260900	Tin ores and concentrates.
2	440399	Other	7	71390	Other
3	440349	Other	8	271121	Natural gas
4	071331	Beans of the species Vigna mungo	9	620193	Of man-made fibres
5	710399	Other	10	711620	Of precious or semiprecious stones

Source: WITS

17

IV. Tariff concessions

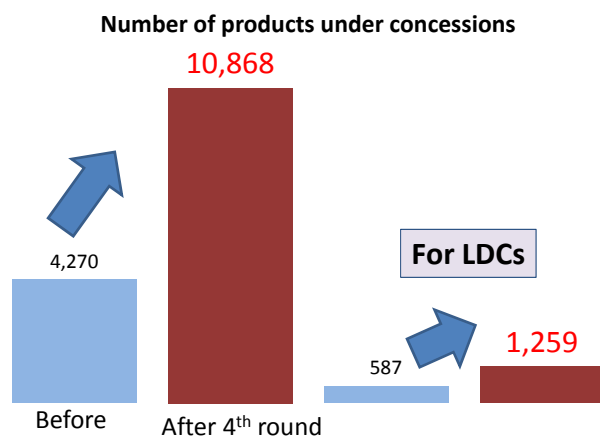
1. APTA concessions

- ✓ Over 10,000 items with 31.83% MOP in general
- 1,259 items with MOP 83.96% for LDCs

	Before		After	
	General	Special (for LDCs)	General	Special (for LDCs)
Number of products under concession	4,270	587	10,868	1,259
Margin of preference (MOP) (%)	27.22	59.76	31.83	83.96
(Margin of preference from on average from China, India, and ROK only) (%)	29.53	66.44	33.77	91.00

2. Big developments in the Fourth Round negotiations

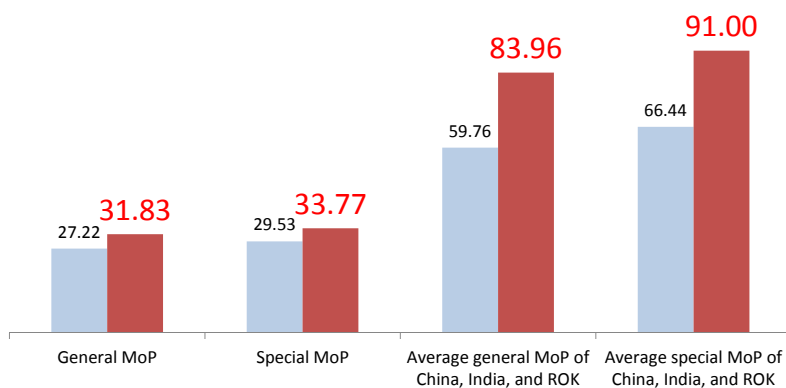
- ✓ Widening the coverage of tariff concessions



19

2. Big developments in the Fourth Round negotiations

- ✓ Deepening the level of tariff concessions



20

V. Cumulative rules of origin

1. Rules of origin (ROO)

✓ General treatment

- The products, which do not exceed of 55% of the FOB value from non-APTA Participating States
(45% value added)

✓ Special and differential treatment for LDCs

- The products, which do not exceed of 65% of the FOB value from non-APTA Participating States
(35% value added)

cf. 5% lower than that of ASEAN (40% value added)

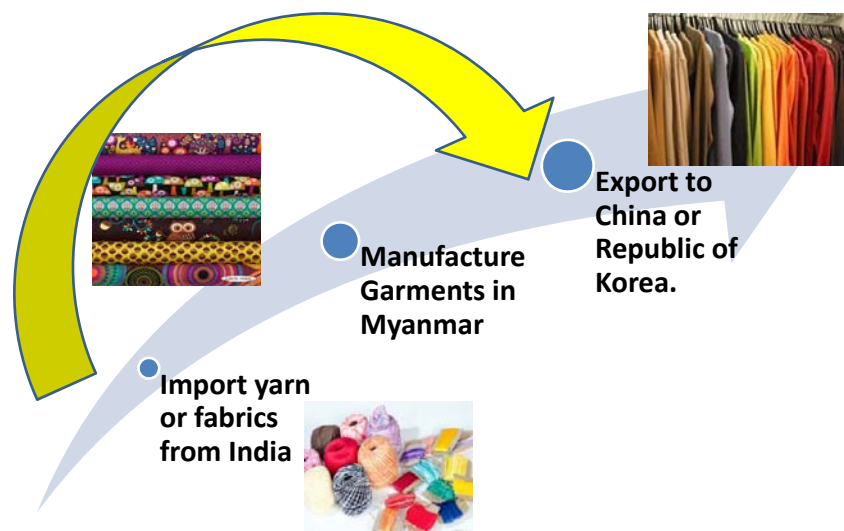
21

2. Myanmar's utilization

- ✓ Myanmar has the biggest opportunity to use the Regional Cumulation provision of APTA to source raw materials from three large economies (China, India and the RoK) and use them in its production line and still get preference on the finished products when exporting to APTA.
- ✓ It is strategically placed to act as a “hub” for APTA having borders with India and China.

22

3. Cumulation example



23

3. Cumulation example (continued)

- Cumulation can help in becoming part of supply chain linking China, India and RoK as well as other APTA members.



- **No other agreement (including ASEAN +1) provide that opportunity to Myanmar.**

24

VI. Framework agreements on Trade facilitation, Services, and Investment

1. Framework agreements on trade facilitation/services

- ✓ Framework Agreement on trade facilitation (signed in 2009)
 - Rationalization and minimization of fees and charges relating to exportation and importation
 - Harmonization and standardization of individual trade regimes in terms of HS, the Kyoto Convention, and WTO
- ✓ Framework Agreement on services (signed in 2011)
 - Cooperation in the service sector through improving infrastructure facilities, joint production, marketing and purchasing arrangements, R&D, etc.

25

2. Framework agreement on investment

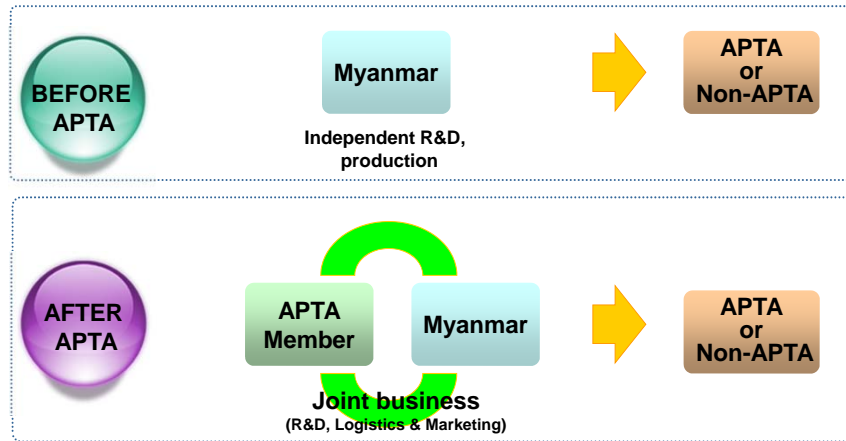
- ✓ Framework Agreement on Investment (signed in 2009)
 - The implementation of Intra-APTA investment projects, exchange and harmonization of investment data, facilitation of public-private sector linkages to improve intra-APTA investments
 - Providing opportunities to promote South-South technology transfer based upon each Participating State's competitive advantages

e.g. China: manufacturing,
 India: IT services,
 ROK: manufacturing and services

26

3. The concept of the Framework Agreements

- ✓ New cooperation among APTA members in all areas of business such as R&D, logistics ,and marketing



VII. Role of the Myanmar business sector

1. Role of the business sector in steps

- ✓ [For the decision to join APTA] Active engagement
 - Assessment for gains & losses for each sector
 - Support joining APTA activities
- ✓ [During Accession procedure] Close cooperation with government
 - Reveal demands and needs of the business sector and request the government to reflect them in tariff negotiation
- ✓ [After joining APTA] Maximum utilization
 - Utilize the tariff concessions, rules of origins, or other instruments
 - Offering opinions to the government for the next negotiations

28

2. Implications

- ✓ Establishing a relevant streamlined business model
 - Relevant service areas can be developed, in particular, business service such as legal services, finance, customs, accounting and consulting
 - Further tariff negotiations needed
- ✓ 'No actions, no gains'
 - The business opportunities and profits would not be automatically obtained

29

Q & A

Thank you

escap-apta@un.org

shin1@un.org