



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MYANMAR

This report, prepared for the first Trade Policy Review of Myanmar, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Myanmar on its trade policies and practices.

Any technical questions arising from this report may be addressed to Masahiro Hayafuji (tel: 022 739 5873), Usman Ali Khilji (tel: 022 739 6936) and Zheng Wang (tel: 022 739 5288).

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SUMMARY

1. Reforms since 2010 have paved the way for Myanmar's reintegration into the international community, after having been isolated from a large part of the global economy for many years. Consequently, real GDP growth has been rising; it was estimated at 5.9% in 2011/12 and 6.4% in 2012/13. Myanmar's per capita GDP was around US\$900 at the end of March 2012.

2. Myanmar has embarked on a series of reforms in its macroeconomic policies. On 1 April 2012, the Central Bank of Myanmar replaced a pegged exchange rate (to the SDR) with a managed floating exchange rate for the national currency. Prior to the reform, Myanmar had a multiple exchange rate regime comprising both the official exchange rate and the informal parallel market exchange rates. Previously, monetary policy in Myanmar was determined by the financing needs of the fiscal deficit, which resulted in high inflation. With a view to providing greater operational autonomy to the Central Bank and improving the monetary transmission mechanism, the new Central Bank Law was enacted on 11 July 2013. The new law provides for Central Bank autonomy, enabling it to function independently of the Ministry of Finance.

3. Myanmar's merchandise exports accounted for about 16% of GDP in 2011/12; main exports included gas, jade, wood and wood products, and fish and crustaceans. Its merchandise imports also accounted for about 16% of GDP; main imports included petroleum products, and iron and steel and articles thereof. Myanmar's main export destinations in 2011/12 were Thailand, China, and India, and its main import suppliers were China, Singapore, and Thailand.

4. Myanmar has large potential for growth, with a young labour force, abundant natural resources, and proximity to a fast-growing dynamic economic region. However, significant impediments remain to modernizing Myanmar's economy and meeting the Government's goal of "fostering inclusive broad-based growth and poverty reduction". These include the lack of capacity and infrastructure.

5. Myanmar is an original member of the WTO, and this is its first Trade Policy Review. Myanmar considers that the multilateral trading system can bring a wide range of opportunities for Myanmar's exports and overcome its supply-side constraints. At the same time, Myanmar's trade policy is strongly influenced by its participation in ASEAN, and ASEAN's free-trade agreements with third countries. Myanmar expects to benefit from GSP schemes reinstated by the EU and Norway. Myanmar has not been party to any dispute settlement proceeding at the WTO, as complainant, respondent, or third party.

6. In the context of economic reforms, the Government has adopted measures to open up the economy and has been revising trade-related legislation. Myanmar is preparing a competition law, a Consumer Protection Law, and comprehensive IPR legislation, among others. Recognizing that the economy needs foreign capital and technology for continuous and sustainable development, the Government promulgated the new Foreign Investment Law in 2012, which generally allows FDI except in activities that are restricted or prohibited. Under the Law, tax incentives are granted on profits accrued from exports, and foreign companies must employ a local workforce on the basis of increasing the share of local employees over time.

7. Myanmar has bound 18.5% of its tariff lines at the HS eight-digit level. All agricultural lines (WTO definition) are bound, compared with only 5.7% of non-agricultural lines. Final bound tariffs range from 0% (e.g. electrical machinery and transport equipment) to 550% (e.g. chemicals, beverages, and tobacco, and cereals and preparations). The average applied MFN tariff was 5.5% in 2013. Myanmar grants at least MFN treatment to all its trading partners. Myanmar has not yet applied the provisions of the WTO Customs Valuation Agreement. It has no anti-dumping, countervailing, safeguards or subsidies legislation in Myanmar.

8. In 2012, Myanmar began to reform its non-automatic import licensing regime. Previously, importers of all merchandise required a non-automatic import licence before import, and it took several weeks to obtain an import licence. In April 2013, import licensing requirements for 166 products (over 1,928 tariff lines at the HS eight-digit level) were abolished. Myanmar does not impose tariff-rate quotas. Myanmar has not made a notification regarding its state-trading activities to the WTO.

9. Myanmar is neither party to nor an observer of the WTO Agreement on Government Procurement.

10. Exporters of most products require an export licence. Recently, Myanmar began restructuring its export licensing regime, and from 2013, 152 types of goods no longer require export licences. Myanmar also reformed its export tax regime in 2011. Prior to the reform, exporters had to pay commercial tax at a rate of 8%, and income tax at a rate of 2% before exporting goods. Currently, commercial tax is levied on exports of only five commodities (gem, gas, crude oil, teak, and timber).

11. Tax accounts for about 90% of total government revenue, and the largest source is commercial tax. However, 70 items are exempt from commercial tax if produced domestically, while imports are subject to a 5% tax, indicating different treatment for domestically produced and imported goods.

12. According to the authorities, the private sector's share in GDP was about 91% in 2011/12. Currently, there are 41 state-owned economic enterprises.

13. Agriculture accounted for about 30% of GDP in 2012/13. Labour productivity in agriculture is less than one third of the level in the rest of the economy, probably due to the high labour/low capital structure of the sector with small farms and few machines. Main crops include rice, maize, pulses and beans, sugarcane, and cotton. Myanmar is a net food exporter. Myanmar's simple applied MFN tariffs on agricultural products (HS01-24) and industrial products (HS25-97) were 9.0% and 4.8%, respectively, in 2013.

14. Most of the natural gas Myanmar produces is exported to China. Myanmar does not export oil or oil products. Coal exports have been less than 10% of production. The manufacturing sector, which accounts for about 20% of GDP, is growing but still relatively small compared with agriculture and services.

15. Services account for about 38% of Myanmar's GDP. The main services activities included trade and transport/communications. Myanmar is a net importer of services. In the context of the General Agreement on Trade in Services, Myanmar made specific commitments in tourism and travel-related services, and transport services; it has not made horizontal commitments or listed any MFN exemptions. In general, services are characterized by state involvement through state-owned companies and restrictions on private-sector and foreign involvement. While FDI is not entirely prohibited, no foreign companies have been conducting banking or insurance businesses (except for representative offices of foreign banks). The Government is in the process of formally issuing two new nationwide basic telecommunications licences; the two licensees are to involve foreign companies. No exclusive rights are accorded to any company in civil aviation or maritime transport. Foreign direct investment, with foreign-equity participation up to 100%, is allowed in the hotels and related businesses.

1 ECONOMIC ENVIRONMENT

1.1 Introduction

1.1. Myanmar is a least developed country. According to the IMF, annual per capita income was around US\$900 in fiscal year 2011/12 (1 April 2011 to 31 March 2012)¹, and approximately 25% of its population live below the national poverty line (Table 1.1). Nonetheless, various economic data from different government sources, as well as those from different international organizations vary significantly, making them difficult to reconcile; comparison of data over years may be difficult, partly due to the existence of multiple exchange rates (section 1.2.1). Data provided by the authorities indicate that in 2012/13, services accounted for about 37% of GDP followed by agriculture (30%) (Table 1.2). In 2011/12 (the latest year for which data were available), Myanmar's main export was fuels (mainly gas), which accounted for nearly 40% of total exports

Table 1.1 Selected economic indicators, 2009-12

| | 2009/10 | 2010/11 | 2011/12 |
|---|---------|---------|----------|
| A. Income and growth (%age change, unless otherwise indicated) | | | |
| Real GDP (IMF staff working estimates) | 5.1 | 5.3 | 5.9 |
| GDP per capita at current market price (US\$) | 587 | 742 | 900 |
| Exports of goods | 4.7 | 13.9 | 16.6 |
| Imports of goods | 1.9 | 15.8 | 27.5 |
| B. Prices and interest rates | | | |
| Inflation (CPI, %age change, period average) | 2.2 | 8.2 | 2.8 |
| Lending rate (%) | 17.0 | 17.0 | 13.0 |
| Deposit rate (%) | 12.0 | 12.0 | 8.0-10.0 |
| C. Government finance (% of GDP) | | | |
| Revenue | 10.7 | 11.4 | 12.0 |
| Tax revenue | 3.1 | 3.3 | 3.9 |
| Expenditure | 15.6 | 16.9 | 16.6 |
| Overall balance | -4.9 | -5.4 | -4.6 |
| Total public debt | 55 | 50 | 50 |
| Domestic public debt | 19 | 21 | 22 |
| D. Memorandum items | | | |
| Current GDP (K billion) | 34,958 | 39,847 | 43,368 |
| Current GDP (US\$ billion) | 38.1 | 49.6 | 56.2 |
| K/US\$ (fiscal year average) | 1,004 | 861 | 822 |
| Population (million) | 59.1 | 59.8 | 60.4 |

Note: Myanmar's fiscal year is from 1 April to 30 March.

Source: IMF (2013), Myanmar - 2013 Article IV Consultation and First Review under the Staff-Monitored Programme, IMF Country Report No. 13/250. Viewed at: <http://www.imf.org/external/pubs/ft/scr/2013/cr13250.pdf> [25/11/2013].

1.2. Myanmar has run persistent fiscal deficits for a few years, which the Government has financed by monetizing the debt. Recently, public debt as a percentage of GDP declined to about 50% of GDP as the Government cleared its external debt arrears.

1.3. While various economic sanctions effectively isolated Myanmar from a large part of the rest of the world, the reform in the Government since 2010 has paved the way for Myanmar's reintegration into the global economy. According to IMF data and the Myanmar authorities' estimates, real GDP growth has been rising and was estimated at 5.9% in 2011/12; it is estimated to be 6.4% in 2012/13. According to the IMF, inflation was around 2.8% in 2011/12; it is estimated to remain the same in 2012/13.

¹ IMF (2013). The national poverty line is defined as those living on less than US\$1.25/per day.

Table 1.2 Basic economic indicators, 2009-13

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|---|---------|---------|---------|---------|
| GDP by economic activity, at constant prices (%age change) | | | | |
| Agriculture | 5.6 | 4.7 | -0.7 | 2.0 |
| Mining and quarrying | 14.7 | 10.7 | 12.5 | -6.7 |
| Manufacture | 18.9 | 20.5 | 10.8 | 8.4 |
| Electricity, gas and water | 10.0 | 15.4 | 4.0 | 8.2 |
| Construction | 13.8 | 12.5 | 9.0 | 9.3 |
| Services | 12.1 | 9.5 | 8.6 | 12.6 |
| Trade | 9.9 | 10.3 | 4.6 | 5.0 |
| Transport and communications | 16.2 | 7.3 | 13.2 | 22.9 |
| Finance | 30.8 | 37.9 | 106.7 | 40.0 |
| Public administration | 7.3 | 15.9 | 8.0 | 14.3 |
| Other | 11.5 | 12.5 | 15.3 | 14.9 |
| Share of GDP by economic activity, current prices (%) | | | | |
| Agriculture | 38.1 | 36.9 | 32.5 | 30.5 |
| Mining and quarrying | 1.0 | 0.9 | 5.8 | 6.1 |
| Manufacture | 18.1 | 19.9 | 19.7 | 19.9 |
| Electricity, gas and water | 1.0 | 1.1 | 1.0 | 1.2 |
| Construction | 4.5 | 4.6 | 4.7 | 4.9 |
| Services | 37.4 | 36.7 | 36.2 | 37.5 |
| Trade | 20.3 | 20.0 | 19.3 | 19.4 |
| Transport and communications | 13.5 | 12.4 | 12.8 | 13.3 |
| Finance | 0.1 | 0.1 | 0.1 | 0.2 |
| Public administration | 1.6 | 2.3 | 2.1 | 2.6 |
| Other | 1.8 | 1.9 | 1.9 | 2.1 |

Source: Asian Development Bank online information. Viewed at:
<http://www.adb.org/sites/default/files/ki/2013/pdf/MYA.pdf>.

1.4. Myanmar has large potential for growth, with a young labour force, abundant natural resources, and proximity to a fast-growing dynamic economic region. However, significant impediments remain to modernizing Myanmar's economy and meeting the Government's goal of "fostering inclusive broad-based growth and poverty reduction"; these include the lack of capacity and infrastructure.

1.5. The authorities realize the need for reform and have embarked on a structural reform programme, prioritizing:

- sustained industrial and agricultural development to attain poverty alleviation and rural development;
- equitable sharing of resources among regions and states, while promoting local and foreign investment;
- implementation of development programmes through community-driven participatory approaches to improve education, health, and overall living standards.

1.6. The authorities believe that full economic integration with ASEAN, as part of the implementation of the ASEAN Economic Community, will go a long way in achieving the above goals. Furthermore, they believe that macroeconomic stability is imperative to achieve the goals. As such, the reform of the monetary and exchange rate policies has been among the Government's main priorities. The authorities consider the lack of implementing capacity to be the main risk to implementing the reform programme.

1.2 Macroeconomic policies

1.2.1 Exchange rate policy

1.7. Since 1977, the kyat had been pegged to the SDR resulting in an extremely overvalued currency. The peg was used essentially to allocate foreign currency that was derived from public export earnings to fund public import payments. Furthermore the "export first" policy coupled with other exchange restrictions, such as a 100% margin requirement for letters of credit, resulted in private-sector import and export transactions being conducted in parallel markets at multiple exchange rates, which were considerably lower than the official rate.² The exchange restrictions and multiple exchange rates increased transaction costs, discouraged FDI, and were trade distortions.

1.8. In April 2012, the peg was replaced by a managed float. Currently the reference exchange rate is determined by a daily auction mechanism and the determined rate is allowed to fluctuate within a daily band of 0.8%. In addition, certain exchange restrictions were lifted, such as the requirement to use export earnings to fund imports. Private commercial banks were issued licences to engage in international transactions and open foreign currency accounts. As a result of these measures, the reference and informal markets rates have converged and now move broadly together.

1.9. The Foreign Exchange Management Law, which entered into force on 10 August 2012, lifted all restrictions on current payments and transfers abroad. This included all services transactions being permitted through the Swift system as well as general restrictions on the holding and use of foreign exchange, based on implementing regulations to be issued.

1.10. It would appear that several foreign exchange markets continue to operate, where multiple exchange rates are used.³ Unifying these would further increase external competitiveness and improve the business environment. On 5 August 2013, the Yangon Interbank Foreign Exchange Market was established to unify the multiple exchange rates.

1.2.2 Monetary policy

1.11. In the past, monetary policy in Myanmar was determined by the financing needs of the fiscal deficit, which resulted in high inflation. With a view to providing greater operational autonomy to the central bank and improving the monetary transmission mechanism, the new Central Bank Law was enacted on 11 July 2013. The new law provides for Central Bank autonomy, enabling it to function independently of the Ministry of Finance. Additionally, the Central Bank has the mandate to set and implement monetary policy. Furthermore, under the new law, the Central Bank serves as the short-term creditor to private banks and as the supervisory body responsible for the monetary market and foreign exchange market. The Central Bank is also allowed to grant, revoke or reject licences for monetary organizations, for the stability of the monetary market. Currently, the Central Bank is in the process of drafting the implementing rules and regulations pertaining to the new law.

1.12. Official foreign exchange reserves held at state banks have been identified and their transfer to the Central Bank has started. The Central Bank has also started acquiring foreign exchange through the daily foreign exchange auctions. As a result, foreign exchange reserves in March 2012 were over US\$7 billion (nearly 10 months of import coverage), compared with approximately US\$2 billion in 2007/08 (3 months of import coverage).

1.13. The main objective of monetary policy in Myanmar is price stability. In this regard the Central Bank has started targeting reserve money so as to control liquidity in the economy. To achieve its reserve money target, the Central Bank conducts credit and deposit auctions twice a month. Additionally, the Central Bank sets maximum lending, minimum deposit and the Central Bank rates. Since 2011/12, the rates have been reviewed on a quarterly basis. The current Central Bank rate is 10% while the minimum deposit and maximum lending rates are 8% and 13%, respectively.

² For example the official rate in 2009/10 was 5.7 K/US\$, while the parallel rate was 1,004 K/US\$.

³ IMF (2013).

1.14. In order to encourage private sector activity, more flexibility was permitted with respect to lending and deposit rates. These may now fluctuate. Restrictions on eligible collateral have also been eased; this now includes landed property, gold and gold ornaments, machinery, agricultural commodities, fixed deposits, government securities, and personal and organization guarantees. Private-sector credit expansion was about 38% in 2011/12 and approximately 55% in 2012/13.

1.2.3 Fiscal policy

1.15. The 2012/13 Budget was debated in, and approved by, the Parliament for the first time. Salient features of the budget were:

- state-owned enterprises were required to self-finance 78% of their working capital. This has since changed and profit-making state-owned enterprises are now required to self-finance all their working capital, while the Government will cover 20% of the working capital of loss-making enterprises;
- withholding tax on imports has been abolished;
- tax on key agricultural products has been abolished (Section 3 and Section 4);
- commercial tax on domestic sales was simplified (Section 3);
- public-sector employees are now required to pay income tax;
- progressivity of the income tax has been increased.

1.16. Myanmar has a very low tax-to-GDP ratio, which has resulted in persistent fiscal deficits. The Government stated that its goal of broad-based growth and poverty alleviation would require increased spending on, *inter alia*, education, health, and infrastructure, which in turn would require fiscal space. The authorities are focused on increasing the tax-to-GDP ratio as well as modernizing the overall tax administration system and processes. In this respect, the authorities have committed to setting up a large-taxpayer office (LTO) by April 2014. The authorities envisage that the LTO would introduce taxpayer self-assessment and issue taxpayer identification numbers, and serve as a model for the creation of medium-taxpayer offices and ultimately for the reform of small-taxpayer compliance methods. Going forward the authorities plan to transform the current consumption tax to either a value-added tax or a general sales tax, whichever is more suited to the economy. Furthermore, the Government plans to introduce a special commodities tax on excisable goods. These taxes are planned to be implemented by 2018/19.

1.2.4 Other structural changes

1.17. The Government's growth strategy is based on private-sector development and raising agricultural productivity. In this respect the restructuring of special economic zones (Section 3) coupled with the new FDI law (Section 2) is expected to drive private-sector-led growth through increased investment in infrastructure and in labour-intensive export industries. Sectors and industries identified by the Government for investment are roads, electricity generation, ports, dams, and telecommunications.

1.18. The authorities believe that agriculture is key to growth and to poverty alleviation. In this regard recent land reforms (Section 4) granted land titles or long-term leases to farmers, which is expected to increase productivity as well as more participation in the sector (only 18% of the country's land area is currently under cultivation), and create higher employment and wages. Furthermore, land ownership would allow farmers to use the land as collateral for bank loans. It would appear that taxes on certain key agricultural products were recently abolished.⁴

⁴ Previously all exports were subject to income tax (2%) and commercial tax (8%), now only five products are subject to these taxes, while they have been abolished for all others including agricultural products.

1.3 Balance of payments

1.19. According to data provided by the Central Bank, Myanmar's current account changed from a surplus of nearly US\$1.5 billion (approximately 4% of GDP) in 2009/10 to a deficit of over US\$1.3 billion (2.4% of GDP) in 2011/12 (Table 1.3). The reversal in the surplus was due to the trade surplus shrinking on account of rising imports. Imports have grown along with the demand for raw materials and capital goods as Myanmar opens up and strives for industrial development. The services deficit was over 4% of GDP in 2011/12. Despite services receipts more than doubling due to increased travel and tourism receipts, services payments showed a much greater increase. The increase was due mainly to higher payments to joint-venture firms in the oil and gas sector.

1.20. Non-monetary capital movements increased considerably on account of significantly higher levels of foreign direct investment (FDI) in the power and oil and gas sectors. The non-monetary surplus more than offset the current account deficit, consequently the overall balance of payments showed a surplus of over US\$1 billion in 2011/12, although the explanation of relatively large errors and omission compared to the size of the balance was not available.

Table 1.3 Balance of payments, 2009-13

(US\$ million)

| | 2009/10 | 2010/11 | 2011/12 ^a | 2012/13 ^a |
|-------------------------------------|----------|----------|----------------------|----------------------|
| Current account, excluding grants | 1,470.4 | 876.5 | -1,340.0 | -982.3 |
| Official grants | 85.0 | 64.1 | 41.3 | 28.3 |
| Trade balance | 3,019.0 | 2,684.0 | 524.9 | 935.6 |
| Exports | 6,575.5 | 8,360.2 | 8,488.8 | 8748.9 |
| Imports | 3,556.5 | 5,676.2 | 7,963.9 | 7813.3 |
| Services, net | -1,770.5 | -1,974.2 | -2,313.5 | -2,420.5 |
| Receipts | 464.1 | 713.9 | 1,077.9 | 1,470.6 |
| Non-factor services | 330.5 | 589.8 | 783.0 | 1,232.2 |
| Transportation and insurance | 149.6 | 177.7 | 206.6 | 228.1 |
| Travel | 68.5 | 285.8 | 356.6 | 621.8 |
| Government services | 33.3 | 31.1 | 33.8 | 46.0 |
| Other | 79.1 | 95.2 | 186.0 | 336.3 |
| Factor services (investment income) | 133.6 | 124.1 | 294.9 | 238.4 |
| Payments | 2,234.6 | 2,688.1 | 3,391.4 | 3,891.1 |
| Non-factor services | 566.6 | 853.1 | 1,274.5 | 1,284.9 |
| Transportation and insurance | 357.3 | 532.8 | 739.8 | 741.0 |
| Travel | 45.7 | 72.9 | 146.3 | 220.6 |
| Government services | 35.8 | 27.1 | 24.4 | 24.5 |
| Other | 127.8 | 220.3 | 364.0 | 298.8 |
| Factor services | 1,668.0 | 1,835.0 | 2,116.9 | 2,606.2 |
| Private transfers, net | 221.9 | 166.7 | 448.6 | 502.6 |
| Non-monetary capital movements | 1,415.2 | 2,630.0 | 2,544.3 | 2,080.7 |
| Long-term, net | 419.5 | 360.4 | 484.0 | 925.8 |
| Disbursements | 563.9 | 499.5 | 604.6 | 1,084.8 |
| Repayments | -144.4 | -139.1 | -120.6 | -159.0 |
| Foreign direct investment | 963.3 | 2,248.5 | 2,057.3 | 1,152.3 |
| Other capital, net | 32.4 | 21.1 | 3.0 | 2.6 |
| Errors and omissions | -1,787.2 | -2,782.5 | -140.5 | -943.2 |
| Overall balance | 1,183.4 | 788.1 | 1,105.1 | 183.6 |
| Current GDP (US\$ billion) | 38.1 | 49.6 | 56.2 | .. |

.. Not available.

a Provisional.

Source: Data provided by the Central Bank of Myanmar, and IMF (2013); Myanmar - 2013 Article IV Consultation and First Review under the Staff-Monitored Programme, IMF Country Report No. 13/250.

1.4 Developments in Trade

1.21. Trade data based on HS codes or a time series from the UN Comtrade database are not available.⁵ Based on data provided by the Central Statistical Organization of Myanmar, in 2011/12, merchandise exports as a share of GDP were nearly 16%. Merchandise imports as a share of GDP rose from about 11% in 2009/10 to approximately 16% in 2011/12.⁶

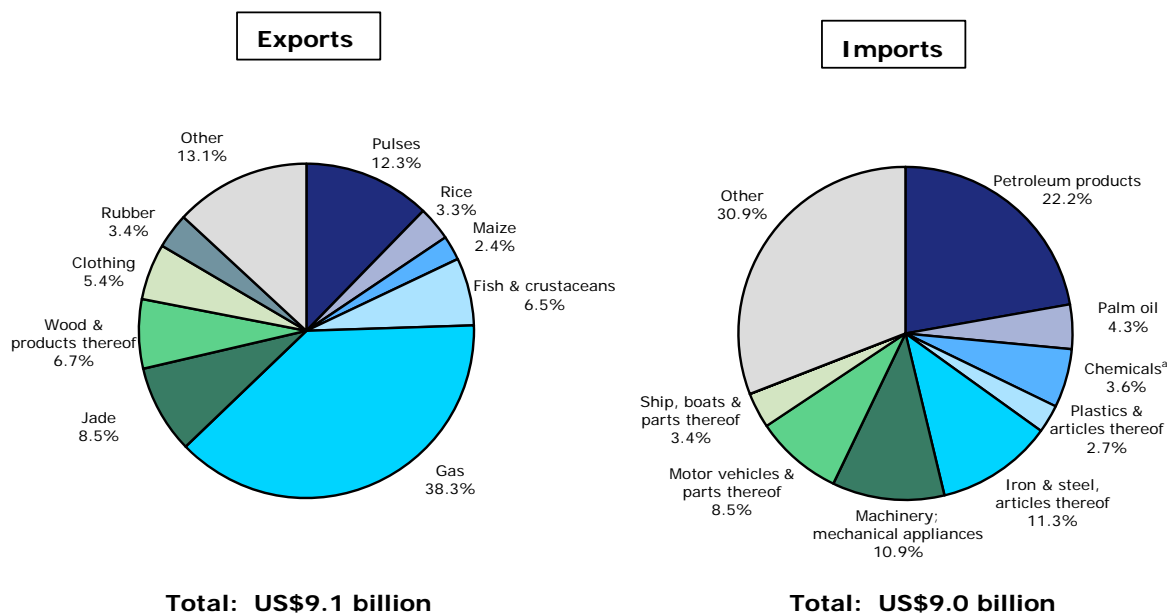
1.22. The deficit in services trade declined from about 4.7% of GDP in 2009/10 to around 4% of GDP in 2011/12.

1.4.1 Composition of trade

1.23. Data provided by the authorities indicate that although the share of natural gas in merchandise exports has declined slightly over the past few years, it remains Myanmar's most important export item. Other major exports in 2011/12 were jade, wood and wood products and fish and crustaceans. Although in recent years, exports of these commodities have grown in absolute terms, their share of total exports has been falling (Chart 1.1). On the other hand the share of agricultural exports such as pulses, maize, rice, and rubber has been rising.

1.24. Myanmar's major merchandise imports in 2011/12 were petroleum products, and iron and steel and articles thereof (Chart 1.1). The largest import categories relate to fuel, capital goods, and industrial raw materials, and their increase may reflect the opening up and industrial growth of the Myanmar economy. Within imports, there is a large category of "other"; due to data limitations it is not clear what constitutes "other".

Chart 1.1 Product composition of merchandise trade, 2011/12



a Including fertilizers and pharmaceutical products.

Source: WTO Secretariat calculations, based on data provided by the authorities.

1.4.2 Direction of trade

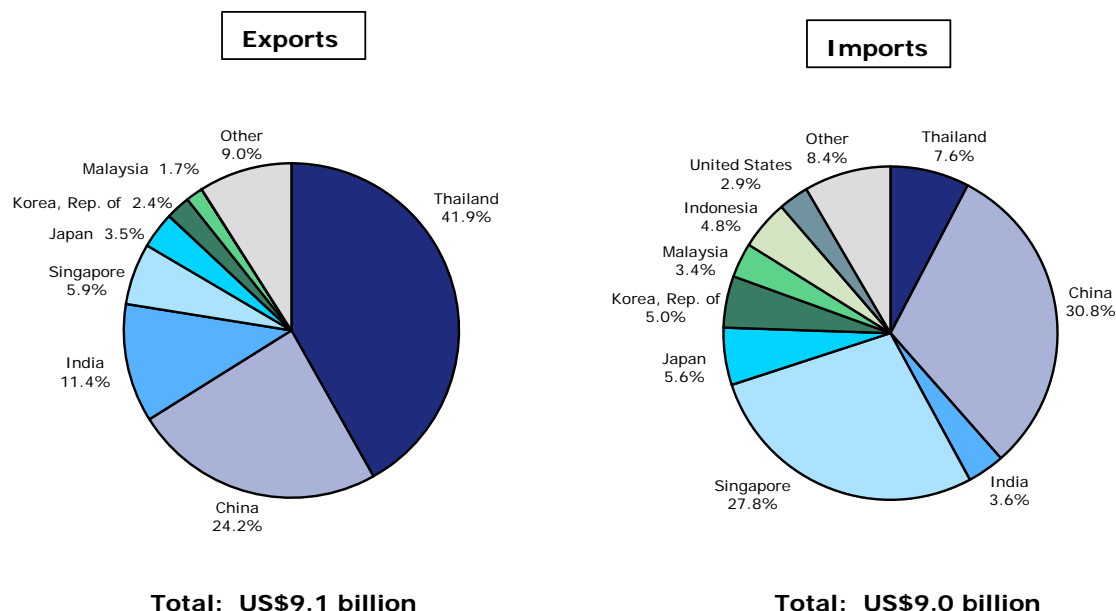
1.25. Myanmar's main export destinations in 2011/12 were Thailand, China, and India. Over the past few years, Thailand's share has declined slightly, while that of China has risen. The share of India has remained unchanged. ASEAN countries accounted for over 50% of Myanmar's exports in 2011/12.

⁵ Only 2010 data were available in the UN Comtrade database.

⁶ According to IMF (2013), merchandise imports as a share of GDP were 27.5% (Table 1.1).

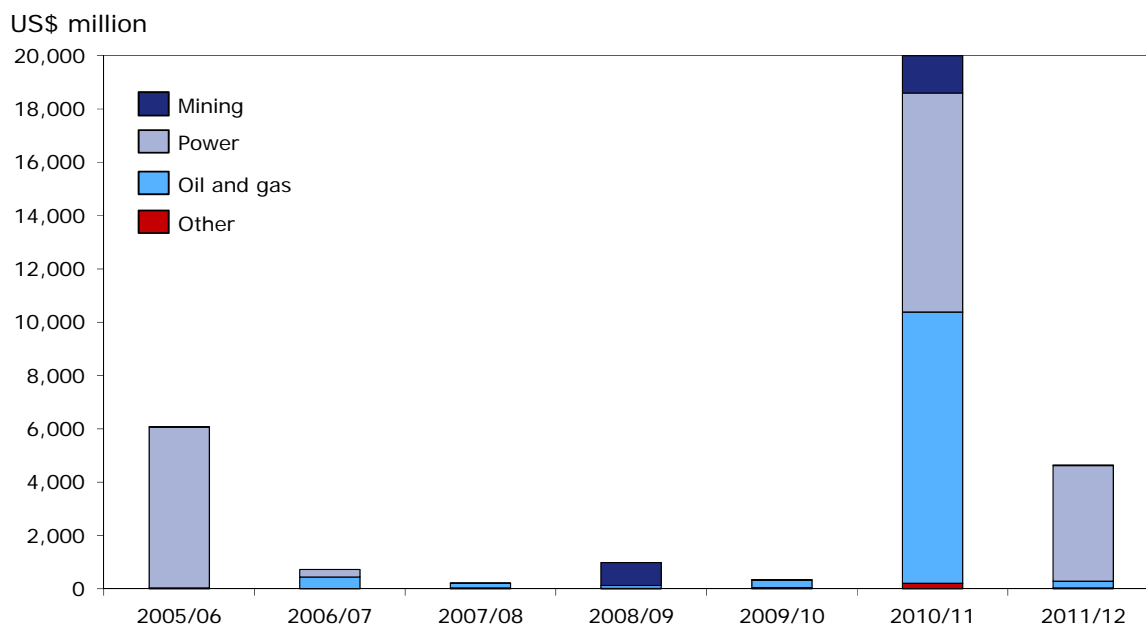
1.26. Data provided by the authorities indicate that Myanmar's main import suppliers in 2011/12 were China, Singapore, and Thailand (Chart 1.2); the share of imports from Singapore and China appear to have been rising, while the shares from Thailand and rest of Asia have shown a downward trend. Over 40% of Myanmar's imports were from ASEAN countries.

Chart 1.2 Direction of merchandise trade, 2011/12



Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 1.3 Approved foreign investment by main sector, 2005-12



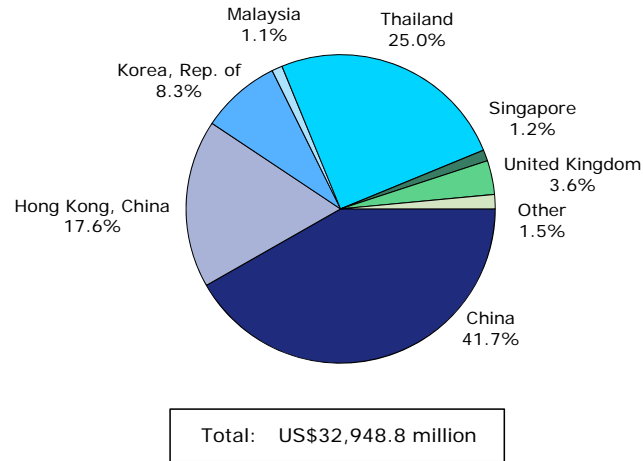
Source: Data provided by the authorities of Myanmar.

1.5 Foreign direct investment

1.27. Since 2005/06, FDI inflows have been volatile. In 2005/06, there was a large investment from Thailand in the power sector for a hydroelectric plant (Chart 1.3). Between 2006/07 and 2009/10, FDI inflows tapered off and did not exceed US\$1 billion. However, there was a significant

upsurge in FDI inflows in 2010/11 as the oil and gas, power, and mining sectors attracted considerable investment. FDI fell again to approximately US\$5 billion in 2011/12. Since 2005/06, the oil and gas, power, and mining sectors have been the largest recipients of foreign investment, while the largest investors in Myanmar are China; Thailand; Hong Kong, China; Republic of Korea; and the United Kingdom (Chart 1.4).

Chart 1.4 Approved foreign investment by origin, 2005/06-2011/12



Source: Data provided by the authorities of Myanmar.

2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.1 Introduction

2.1. Myanmar's main economic reforms started in 1988 when it began to adopt a market-oriented economic system in contrast to the previous centrally planned one. One of the initial steps taken towards a more open economy was to allow foreign direct investment and to encourage private sector development. The first Foreign Investment Law was promulgated on 30 November 1988; before that, foreign investment had been prohibited. However, it would appear that these reforms did not lead to substantial economic growth; there was lack of capital, international trade, and investment against the background of, *inter alia*, economic sanctions imposed by some other countries.

2.2. The current Constitution of Myanmar (its third since 1947) was promulgated in September 2008.¹ After elections in 2010, the current President (the head of State) was inaugurated and the Cabinet established on 30 March 2011. The new Government aims to conduct economic reform and open up the economy, and has issued, revised or amended a number of trade-related laws to liberalize its trade and investment regime. Through measures to simplify the trade procedure, unify the exchange rate, and promote transparency, the Government wishes to improve the business environment in Myanmar to encourage the development of the private sector and attract more foreign investment.

2.3. The Government is currently formulating the National Comprehensive Development Plan (NCDP) 2011/12-2030/31, setting out priorities and reform agendas for the next 20 years. The NCDP, which will be supplemented by Five-Year Annual and Sectoral Plans, is expected to be finalized and adopted by Parliament during 2013. While the 20-year NCDP is being finalized, the Framework for Economic and Social Reforms (FESR), adopted in late 2012, has set out ten priority reform areas for the interim period of 2012-15.² In accordance with the FESR, the Government recognizes that further reforms are essential, and intends to promote competition by liberalizing trade. Among the policy priorities, the Government pays special attention to two areas: import opening and investment liberalization. The Government has been taking steps to eliminate the linkage between export receipts and import licensing, considering that more flexible import arrangements will help to limit currency appreciation pressures and provide broader benefits to Myanmar producers and consumers. On investment liberalization, the Government is considering merging the 2012 Foreign Investment Law with the Myanmar Citizens Investment Law, to provide a single investment framework.

2.4. Aid for trade and trade-related technical assistance are important for Myanmar's integration into the multilateral trading system. Following a request from the Government, an assessment of the country's needs in aid for trade and trade-related technical assistance was conducted as part of this TPR and is attached in Annex 1.

2.2 General Constitutional and legal framework

2.5. According to the Constitution, Myanmar is a Presidential Republic with a bicameral legislature. The legislative power is in the Parliament (*Pyidaungsu Hluttaw*), which is empowered to adopt laws set out in Schedule I of the Union Legislative List. Pyidaungsu Hluttaw is made up of two houses: a 224-seat *Amyotha Hluttaw* (House of Nationalities: 168 directly elected and 56 appointed by the Military), and a 440-seat *Pyithu Hluttaw* (House of Representatives: 330 directly elected and 110 appointed by the Military). Members of the Parliament have a term of five years.

¹ The first Constitution was adopted in 1947, just before Myanmar became an independent sovereign State in 1948. The second Constitution, approved in 1974, was suspended in 1988.

² The ten priority areas identified in the FESR 2012-15 are: fiscal and tax reforms; monetary and financial reforms; liberalization of trade and investment; private sector investment; health and education; security and agriculture; governance and transparency; mobile phone and internet; infrastructure; and effective and efficient Government.

2.6. The President is the executive head of the Government; with a term of five years, the President serves no more than two consecutive terms.³ The President appoints the Cabinet, which is the executive body of the Government. Cabinet members, i.e. ministers appointed by the President, are responsible for administering their respective segments of the executive branch, and advising the President on their areas.

2.7. In descending order of importance, the Constitution is followed by laws, rules, regulations, by-laws, notifications, orders, directives, and procedures. There are two procedures to formulate laws: members of either the Pyithu Hluttaw or the Amyotha Hluttaw have the right to submit bills on their own initiative, and relevant ministries may prepare draft laws. After discussions in the Parliament, the President signs the Bill approved by the Parliament within 14 days of its receipt, and then promulgates it as law. The President may send the Bill back to the Parliament for further discussion, together with his comments. If the President does not send the Bill back to the Parliament within 14 days, the Bill becomes law on the day following the 14-day period. According to the authorities, once promulgated, laws are published in national newspapers and the President Office website.

2.8. Myanmar has seven regions and seven states.⁴ The administrative divisions are further subdivided into districts, townships, wards, and villages. The judiciary system is composed of the Supreme Court of the Union, the High Courts of the seven regions and seven states, courts of self-administered divisions/zones, district courts, township courts, other courts established by law, Courts-Martial, and the Constitutional Tribunal of the Union.

2.9. Based on the Corruption Perceptions Index, Myanmar ranked 172nd out of 176 countries worldwide in 2012.⁵ The Government has signed the UN Convention against Corruption. In order to implement this Convention, an anti-corruption law was enacted on 17 September 2013.

2.3 Development and administration of trade policy

2.3.1 Main trade laws

2.10. The authorities state that trade-related domestic legislation must be formulated in line with the WTO Agreements. As these cannot be applied directly in Myanmar, domestic legislation must be adopted to apply WTO Agreements domestically. According to the authorities, when formulating trade-related legislation, relevant ministries, in particular the Ministry of Commerce and the Attorney General's Office, will assure the consistency and coherence between domestic legislation and WTO Agreements.

2.11. Many pieces of legislation are old and some date from the pre-1948 period. As the Government is undergoing economic reforms, a number of trade and investment related laws have been revised, amended or replaced. In particular, the Export and Import Law, promulgated on 7 September 2012, replaced the Control of Import/Export Temporary Law (1947). Implementing rules and regulations of the Export and Import Law are being drafted by the Ministry of Commerce. The new Foreign Investment Law, and Foreign Exchange and Management Law were also promulgated in 2012 (Table A2.1).

2.12. Myanmar is preparing other trade related laws such as a competition law, a comprehensive IP law, a standardization law, a metrology law, a consumer protection law, and an SMEs law. A new Telecommunications Law has been prepared to enable the liberalization of the telecommunications sector; the draft bill has been submitted to the Parliament for review and approval.

2.3.2 Agencies involved in trade policy implementation

2.13. The Central Government has ten offices including the President's Office, the Hluttaw (Parliament) Office, and the Office of the Union Supreme Court.⁶ There are 36 ministries, many of which have trade-related functions (Table A2.2).

³ The President's election procedure is stipulated in Section 60 of the Constitution.

⁴ Regions are mainly inhabited by the dominant ethnic group Bamar, while states are mainly inhabited by ethnic minorities.

⁵ The lower the rank, the higher is the perceived level of corruption (Transparency International, 2012).

2.14. In addition, the Government organized various commissions, to facilitate its economic reform, improve the business environment, and promote competition (Table 2.1). Ministries may be members of these commissions, and ministers may serve as chairperson or secretary of specific commissions.

Table 2.1 Commissions

| Commission | Chair | Main responsibility |
|-------------------------------------|------------------------------------|---|
| Planning Commission | President | Participating in the reform for the "equitable and inclusive" growth of the country, where "equitable growth" means "balanced and proportional development among states and regions", while "inclusive growth" means "broad-based, shared, and pro-poor growth for the entire population". Monitoring the implementation of the Framework for Economic and Social Reforms (FESR). |
| Finance Commission | President | Reforming public financial management, allocating financial resources, and improving financial situation of the country. |
| Privatization Commission | Vice President | Privatization of state entities, to improve the economy of the State through developing the private sector, and helping to transform the economy to market oriented. |
| Myanmar Investment Commission (MIC) | Minister from the President Office | Foreign and domestic investment. |

Source: Information provided by the authorities.

2.15. Policies related to international trade are formulated by the Ministry of National Planning and Economic Development (MNPED), in close cooperation with the President's Office, the Ministries of Commerce, and of Finance, and other trade-related ministries. The Ministry of Commerce (MOC) is in charge of policy coordination and implementation for all trade-related matters, and issues export/import licences. Currently, the Export Import Coordinating Committee (EICC) under the Ministry of Commerce monitors all export and import matters.⁷ Various departments under the Ministry of Commerce meet regularly to coordinate trade policies and practices, and representatives from the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) may be invited to participate in these meetings. Nonetheless, a number of ministries and agencies are responsible for the management of trade negotiations and implementation of different trade agreements. For example, trade negotiating and implementing authorities are located in two different ministries, i.e. MOC on the WTO, and MNPED on ASEAN. There does not appear to be a national inter-ministerial committee on trade policy formulation and implementation.

2.16. Tariffs are determined by the Ministry of Finance in consultation with the Ministry of Commerce and other concerned ministries. According to the authorities, the UMFCCI, representing the private sector, is invited for tariff and other trade policy discussions. Tariffs must be approved by the Cabinet and then adopted by the Parliament.

2.17. The authorities state that enhancing transparency in the public sector has been one of their priorities. Ministries have been using websites to publish information online. In particular, the Ministry of Commerce set up two websites through which businesses can access trade information.⁸ According to the authorities, the Ministry of Commerce has been cooperating and coordinating closely with the UMFCCI and other associations, and conveys trade information and notification to those organizations in a timely manner. The Ministry of Commerce publishes a weekly *Commerce Journal*, and a monthly *Trade News* booklet, providing trade-related information.

⁶ President Office online information. Viewed at: <http://www.president-office.gov.mm/cabinet/central-offices> (in Myanmar language only) [01/07/2013].

⁷ The EICC has sole authority to decide on all matters related to export and import procedure; the authorities stated that this may increase the effectiveness of the decision making process.

⁸ They are: www.commerce.gov.mm and www.myanmartradenet.com.mm. Businesses may apply for import/export licences from www.myanmartradenet.com.mm.

2.4 Trade policy objectives

2.18. The authorities state that Myanmar's trade policy objectives include: "systematically" implementing trade policies in accordance with the market-oriented economic policy; producing value-added products from primary goods to increase value-added in exports; promoting international trade; and facilitating exports and imports.

2.19. The Government has been promoting exports by exploring new export markets, and promoting exports of traditional and value-added products; its import policy, *inter alia*, is to boost imports of capital goods, which are considered by the authorities as the major requirement of the economy, as well as construction materials, hygienic materials for people's health, and goods that support export-promotion activities.

2.20. Trade promotion organizations include the Ministry of Commerce, and the UMFCCI. A Trade Promotion Department was set up under the Ministry of Commerce in April 2013, to promote exports and to facilitate imports through: facilitating the trading activities of the private sector and SMEs, setting up trade financing schemes, collaborating with international organizations for market expansion, encouraging the development of SEZs, and promoting value-added product exports.

2.5 Trade agreements and arrangements

2.5.1 Multilateral agreements

2.21. Myanmar is an original Member of the WTO; this is its first Trade Policy Review.⁹ The authorities state that Myanmar believes in trade liberalization and desires free and fair international trade. The authorities consider that Myanmar's foreign trade policies are governed by the rules-based multilateral trading system.¹⁰ It grants at least most-favoured-nation (MFN) treatment to all its trading partners. Myanmar has bound 18.5% of its tariff lines (all tariff lines under WTO agriculture), with the simple average final bound rate at 87.2% (section 3.1.2). Myanmar undertook specific commitments under the GATS in tourism and travel-related services (section 4.4.1), and did not list any exemption to the principle of MFN treatment in its GATS commitment.

2.22. The authorities consider that the multilateral trading system can bring a wide range of opportunities for Myanmar's exports and overcome its supply-side constraints. Myanmar has been participating in the Doha Round, aiming to make sure that 100% duty-free, quota-free market access will be granted to LDCs by the end of the Round. The Government wishes to take advantage of the special and differential treatment provisions and technical assistance offered to LDCs, to meet the Government's economic objectives.

2.23. The authorities state that since the current Government took office in April 2011, trade policy reform measures have been formulated in line with WTO commitments. Trade opening and facilitation measures have been adopted, in particular the import/export licensing requirements on a number of products was lifted.

2.24. Myanmar has not been party to any dispute settlement proceeding at the WTO, as complainant, respondent, or third party. At end-September 2013, Myanmar had 49 notifications outstanding in the WTO Central Registry of Notifications.¹¹ Many of its notifications are old, and the relatively recent notifications were sent together with other ASEAN members (Table 2.2).

⁹ Myanmar (then called Burma) was also a founding Member of the GATT.

¹⁰ Ministry of Commerce online information. Viewed at: <http://www.commerce.gov.mm> [11/04/2013].

¹¹ WTO online information. Viewed at: <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=MM> [05.11.2013].

Table 2.2 WTO notifications, 31 October 2013

| WTO Agreement | Requirement/content | WTO document and date |
|---|--|---|
| Agreement on Agriculture | | |
| Article 18.2 | Domestic support | G/AG/N/MYN/5, 7/10/2005 G/AG/N/MYN/1, 20/12/2001 |
| Article 10 and 18.2 | Export subsidies | G/AG/N/MYN/6, 7/10/2005 G/AG/N/MYN/4, 15/11/2004 G/AG/N/MYN/3, 26/06/2003 G/AG/N/MYN/2, 20/12/2001 |
| Agreement on Textiles and Clothing | | |
| Article 2:7 | Textile Monitoring Body | G/TMB/N/177/Add.1, 10/03/1999 G/TMB/N/177, 12/06/1996 |
| Article 6:1 | Textile Monitoring Body | G/TMB/N/118, 17/08/1995 |
| Enabling Clause, GATS | | |
| Paragraph 4(a) of the Enabling Clause Article V:7(a) of GATS | Regional trade agreement | S/C/N/560, WT/COMTD/N/33, 08/07/2010 |
| Enabling Clause - RTA | | |
| Paragraph 4(a) | Regional trade agreement: ASEAN - India Free Trade Area | WT/COMTD/N/35/Add.1, 31/05/2012 WT/COMTD/N/35, 23/08/2010 |
| GATS Article III:4 and/or IV:2 | | |
| Articles III:4 and IV:2 | Enquiry point notified to the Council for Trade in Services | S/ENQ/78/Rev.8, 3/11/2005 |
| GATS Article V:7 (a) | | |
| Art V:7 (a) | Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area | WT/REG284/N/1, S/C/N/545, 9/04/2010 WT/REG284/N/2, S/C/N/545/Add.1, 9/05/2012 |
| Art V:7 (a) | Korea-ASEAN FTA | S/C/N/559/Add.1, 3/05/2011 S/C/N/560/Add.1, 3/05/2011 |
| GATT 1994 Article VI (Contingency measures) | | |
| Articles 18.5 and 32.6 | Anti-dumping, subsidies, and countervailing measures | G/ADP/N/1/MYN/1, G/SCM/N/1/MYN/1, 8/01/2002 |
| Article 16.4 | Semi-annual reports on anti-dumping actions taken during the period | G/ADP/N/132/Add.1, 25/10/2005 G/ADP/N/126/Add.1/Rev.1, 25/10/2005 G/ADP/N/119/Add.1/Rev.2, 25/10/2005 G/ADP/N/105/Add.1, 13/10/2003 G/ADP/N/98/Add.1/Rev.1, 15/10/2003 G/ADP/N/92/Add.1/Rev.2, 15/10/2003 G/ADP/N/85/Add.1/Rev.2, 16/10/2003 G/ADP/N/78/Add.1/Rev.3, 15/10/2003 G/ADP/N/2/Add.1/Rev.5, 25/07/1996 |
| GATT 1994 Article VII | | |
| Article 20.1, 20.2, 22.1 Annex III, LIC Article 2.2 (footnote 5) | Entry into force and Notification of Acceptance of the Marrakesh Agreement Establishing the WTO | WT/Let/1/Rev.2, 22/05/1995 |
| GATT 1994 Article VII | | |
| Annex III, Paragraph 1 | Request for five-year extension on the application of the Customs Valuation Agreement | G/VAL/W/40/ Add.1, 14/01/2000 G/VAL/W/40, 21/09/1999 |
| Annex III, Paragraph 1 | Work Programme Progress Report | G/VAL/N/4/MYN/1, 12/10/2001 |
| GATT 1994 Article XXIV: 7(a) (Free-Trade Areas) | | |
| Article XXIV: 7(a) (Free-Trade Areas) | Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area | WT/REG284/N/1, S/C/N/545, 9/04/ 2010 |
| Article XXIV: 7(a) (Free-Trade Areas) | Agreement on Comprehensive Economic Partnership Among Japan and Member States of ASEAN Countries | WT/REG277/N/1, 14/12/2009 |
| Agreement on Preshipment Inspection | | |
| Article 5 | No laws on PSI in Myanmar | G/PSI/N/1/Add.10, 19/07/2004 |

| WTO Agreement | Requirement/content | WTO document and date |
|---|--|--|
| Quantitative restrictions (G/L/59 and G/L/59/Rev.1) | | |
| Notifications of quantitative restrictions | Myanmar notified that it does not maintain quantitative restrictions. | G/MA/NTM/QR/1/Add.8, 1/03/2002 |
| Agreement on Rules of Origin | | |
| Paragraph 4 of Annex II | Certificate of origin for the GSP; and certificate of origin for ASEAN Common Effective Preferential Tariff Scheme | G/RO/N/36, 12/03/2002 |
| Agreement on Subsidies and Countervailing Measures | | |
| Article 25.1 | Notification of subsidies | G/SCM/N/71/MMR, G/SCM/N/95/MMR, 25/06/2003 |
| Article 25.11 | Semi-annual reports on countervailing duty actions taken | G/SCM/N/4/Add.1/Rev.3, 25/07/1996 G/SCM/N/75/Add.1/Rev.4, 24/10/2003 G/SCM/N/81/Add.1/Rev.3, 24/10/2003 G/SCM/N/87/Add.1/Rev.2, 24/10/2003 G/SCM/N/93/Add.1/Rev.1, 24/10/2003 G/SCM/N/98/Add.1, 20/10/2003 G/SCM/N/106/Add.1/Rev.1, 25/10/2004 G/SCM/N/113/Add.1, 25/10/2004 G/SCM/N/122/Add.1, 7/04/2005 G/SCM/N/130/Add.1, 19/10/2005 |
| Article 32.6 | Myanmar has no laws and/or regulations relevant to the Agreements on Anti-Dumping and Subsidies and Countervailing Measures. | G/ADP/N/1/MYN/1, G/SCM/N/1/MYN/1, 8/01/2002 |
| Agreement on Safeguards | | |
| Article 12.6 | Laws, regulations, and administrative procedures relating to safeguard measures | G/SG/N/1/MYM/1, 10/01/1996 |
| Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) | | |
| Article 69 | Contact points | IP/N/3/Rev.10/Add.2, 30/06/2008 |

Source: WTO Secretariat.

2.5.2 Regional agreements

2.5.2.1 ASEAN

2.25. Myanmar became an ASEAN member in 1997; it will chair the ASEAN in 2014. Trade with other ASEAN members accounts for around 40% of Myanmar's total imports and around 50% of its total exports (section 1.4.2). ASEAN Economic Ministers agreed to realize an ASEAN Economic Community (AEC) by 2015; i.e. to establish a single market and production base in the ASEAN region, with freer flow of goods, services, skilled labour, and capital. ASEAN currently has component agreements on goods (ATIGA), services (AFAS), and investment (ACIA).¹²

2.26. Under the ATIGA, ASEAN members must apply a tariff rate of 0-5% for goods originating within ASEAN, with flexibility granted to LDCs, including Myanmar (section 3.1.3.1). Myanmar's average tariff under the ATIGA was 0.6% in 2012. The basic principle for granting origin status to a product is 40% regional/local-content. An ASEAN Single Window to process trade documents electronically at national and regional levels will integrate national single windows of ASEAN member countries. Myanmar has been adopting trade facilitation measures, and is preparing to start its single window system in 2015.

¹² There are also ASEAN framework agreements on the facilitation of goods in transit (AFAGIT), and the Facilitation of Inter-State Transport (AFAFIST), among others.

2.27. Under the AFAS, restrictions on services trade are to be removed in 2015-18 for Myanmar. However, the agreement on services has not been notified to the WTO. The ASEAN Comprehensive Investment Agreement (ACIA), signed in 2009, is intended to streamline the existing ASEAN investment agreements, with a view to attracting more foreign investment into ASEAN and increasing intra-ASEAN investment.

2.5.2.2 ASEAN RTAs

2.28. As an ASEAN member, Myanmar participates in ASEAN's preferential agreements with Australia and New Zealand, China, India, Japan, and the Republic of Korea (Table 2.3).

Table 2.3 RTAs

| ASEAN - Australia and New Zealand | |
|--|---|
| Title | Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area |
| Type | Free Trade Agreement & Economic Integration Agreement |
| Date of entry into force | 1 January 2010 for Australia, Brunei Darussalam, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, and Viet Nam |
| Transition for full implementation for Myanmar | 2021/2024/2025 |
| Coverage | Goods and services |
| WTO consideration status | Factual presentation not distributed |
| Myanmar's merchandise trade with Australia and New Zealand (2011/12) | Australia: 0.8% of total imports; 0.1% of total exports New Zealand: 0.2% of total imports; 0.003% of total exports |
| WTO document series | WT/REG284/N/1 and S/C/N/545, 9 April 2010 |
| ASEAN – China | |
| Title | Agreement on Trade in Goods (under the 2002 Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China) |
| Type | Partial Scope Agreement & Economic Integration Agreement |
| Date of signature/entry into force | Goods: November 2004/January 2005 Services: Jan 2007/July 2007 |
| Transition for full implementation for Myanmar | 2015 |
| Coverage | Goods and services |
| WTO consideration status | Factual Abstract distributed (goods) Factual presentation not distributed (services) |
| Myanmar's merchandise trade with China (2011/12) | 30.8% of total imports; 24.2% of total exports |
| WTO document series | WT/COMTD/N/20, 21 December 2004; S/C/N/463, 2 July 2008; WT/COMTD/51, 21 December 2004 |
| ASEAN – India | |
| Title | Agreement on Trade in Goods (under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of India, 2003, as amended in 2009) |
| Type | Free Trade Agreement |
| Date of entry into force | 1 January 2010 for Brunei Darussalam, Myanmar, and Viet Nam |
| Transition for full implementation for Myanmar | 2018/2021 |
| Coverage | Goods |
| WTO consideration status | Factual presentation not distributed |
| Myanmar's merchandise trade with India (2011/12) | 3.6% of total imports; 11.4% of total exports |
| WTO document series | WT/COMTD/N/35, 23 August 2010 |
| ASEAN – Japan | |
| Title | Agreement on Comprehensive Economic Partnership among Japan and Member States of ASEAN |
| Type | Free Trade Agreement |
| Date of entry into force | 1 December 2008 (Singapore, Japan, Viet Nam, the Lao PDR, and Myanmar) |
| Transition for full implementation for Myanmar | 2026 |
| Coverage | Goods |

| | |
|--|---|
| WTO consideration status | Factual presentation not distributed |
| Myanmar's merchandise trade with Japan (2011/12) | 5.6% of total imports; 3.5% of total exports |
| WTO document series | WT/REG277/N1, 14 December 2009 and WT/REG277/N2, 27 July 2011 |
| ASEAN - Republic of Korea | |
| Title | Agreement on Trade in Goods (under the 2005 Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Republic of Korea and ASEAN) |
| Type | Free Trade Agreement & Economic Integration Agreement |
| Date of signature/entry into force | Goods: August 2006/January 2010 Services: November 2008/May 2009 |
| Transition for full implementation for Myanmar | 2018 |
| Coverage | Goods and services |
| WTO consideration status | Factual presentation not distributed |
| Myanmar's merchandise trade with Korea (2011/12) | 5.0% of total imports; 2.4% of total exports |
| WTO document series | WT/REG287/N/1; WT/COMTD/N/33; S/C/N/559; S/C/N/560, 8 July 2010. S/C/N/559/Add.1; S/C/N/560, Add.1, 3 May 2011 |

Source: WTO Secretariat, based on information from the authorities and the RTA website: <http://rtais.wto.org/> [15/04/13].

2.29. As a member of ASEAN, Myanmar, together with the other ASEAN members, is negotiating with ASEAN FTA partners (Australia, China, India, Japan, Republic of Korea, and New Zealand) a Framework for Regional Comprehensive Economic Partnership (RCEP), which is to be concluded by the end of 2015. The Framework is to cover trade in goods, trade in services, investment, and economic and technical cooperation, competition, intellectual property, dispute settlement, and other issues.¹³

2.5.2.3 GSTP

2.30. Myanmar signed the Global System of Trade Preferences among Developing Countries (GSTP) in 1988, which entered into force on 19 April 1989, to increase trade between developing countries.¹⁴

2.5.2.4 BIMSTEC

2.31. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC), which Myanmar joined on 22 December 1997, is not yet functioning. BIMSTEC is a forum to facilitate and promote trade, investment, and technical cooperation among participating countries: Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar, and Thailand. It identifies 13 broad sectors for cooperation, including: trade and investment, technology, tourism, transport and communication, energy, agriculture, fisheries, poverty alleviation, and counter-terrorism and transnational crimes. In 2004, BIMSTEC parties agreed to establish a BIMSTEC Free Trade Area Framework Agreement in goods, services, and investment. Article 3 of the Agreement provides that goods, except those included in the Negative List, will be subject to tariff reduction or elimination according to different time frames. Myanmar had tariff reductions and eliminations for its fast track products before June 2011, and the tariffs on its normal track products are to be reduced or eliminated before June 2017. Rules of origin have not yet been agreed among BIMSTEC countries.

2.5.3 Other trading relations

2.32. Myanmar is a beneficiary of a number of GSP schemes, including those accorded by: Australia, Belarus, Japan, New Zealand, the Russian Federation, Switzerland, and Turkey. The EU reinstated GSP treatment for Myanmar in July 2013, granting retrospective benefits to Myanmar's

¹³ ASEAN online information. Viewed at: <http://www.asean.org/asean/asean-summit/item/asean-framework-for-regional-comprehensive-economic-partnership> [29/10/2013].

¹⁴ WTO online information. Viewed at: <http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=146> [21.03.2013].

exports from June 2012. Norway reinstated GSP treatment in January 2012. China, India, and the Republic of Korea provide preferential tariff treatment for Myanmar's exports.

2.33. The Greater Mekong Sub-region (GMS) programme appears to have aided integration within the region. In 1992, Myanmar, together with Cambodia, Lao PDR, Thailand, Viet Nam, and Yunnan Province of China¹⁵, launched a programme of sub-regional economic cooperation, to enhance economic linkages across their borders.¹⁶ The GMS programme covers nine priority sectors: transport, energy, telecommunications, environment, human resource development, tourism, trade, private sector investment, and agriculture. The GMS countries have ratified an agreement to facilitate the cross-border movement of goods and people, which is being implemented on a pilot basis at key border crossings, and is being prepared for full implementation in the GMS corridors.¹⁷ There are no preferential tariff arrangements under the GMS.

2.34. To enhance bilateral trade with neighbouring countries, Myanmar has signed four MOUs on establishing bilateral joint trade commissions, with Bangladesh, India, Thailand, and Viet Nam. Joint trade commission meetings have been held alternately in Myanmar and the partner countries to discuss and negotiate bilateral trade issues.

2.35. Myanmar calls trade with neighbouring countries through border points mainly by road transport "border trade". It would appear that no preferential treatment is accorded to border trade compared with other means of trade. Myanmar has 14 main border trade points with four neighbouring countries. Myanmar has signed five border trade agreements, with China, India, Bangladesh, Thailand, and Lao PDR. According to the authorities, these border trade agreements aim at the promoting and facilitating trade between two neighbouring countries. The Government consults and negotiates with border trade partners in respective Joint Trade Commission/Committee meetings (JTC), Joint Border Trade Commission meetings, and Working Group meetings. The authorities stated that there are no major trade issues between Myanmar and its neighbours.

2.6 Trade disputes and consultations

2.36. Arbitration provisions are prescribed in the Myanmar Arbitration Act 1944, which allows for international arbitration. For commercial disputes between domestic companies, the UMFCI is the arbitrator, taking the role of mediator. According to the authorities, mediation is usually successful in the event of commercial disputes between local companies. For disputes relating to foreign companies, the Arbitration Rules of the Chamber of Commerce apply.

2.37. Myanmar is not a member of the International Convention for the Settlement of Investment Disputes. It became a party of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 2013.

2.7 Foreign investment regime

2.7.1 Overview

2.38. The authorities consider that FDI and foreign-affiliated businesses will play an important role in Myanmar's economic development, and that the economy needs foreign capital and technology for continuous and sustainable development. Thus the Government has been adopting measures to improve its business environment by, *inter alia*, reforming its foreign exchange regime (Chapter 1) and adopting a new Foreign Investment Law. The authorities state that the Government is making every effort to increase inward FDI, and has no restriction on outward FDI.

2.39. FDI in Myanmar is governed by, *inter alia*: the new Foreign Investment Law (FIL) and its Implementing Rules (which set out requirements for foreign-invested companies and foreign projects in Myanmar); the Myanmar Companies Act 1914 and the Myanmar Partnership Act 1932 (which set out details for corporate investment structures and governance requirements) (Chapter 3); the State-owned Economic Enterprise Law 1989 (which reserves certain sectors for

¹⁵ Guangxi Zhuang Autonomous Region of China joined the GMS programme in 2004.

¹⁶ ADB (2012b).

¹⁷ ADB (2012a).

the State); the Special Company Act 1950 (which applies to joint ventures formed between private and state-owned companies); and the Special Economic Zone Law 2011 and the Dawei Special Economic Zone Law 2011 (which regulate investment in special economic zones).

2.40. The new Foreign Investment Law (FIL), promulgated in November 2012, is a revision of the Myanmar Foreign Investment Law of 1988. Implementing rules of the new FIL were promulgated on 31 January 2013 and supplemented by Notification No. 1/2013 of the MIC. The new FIL supports investment projects that expand exports or produce import substitution products. Tax incentives are granted on profits accrued from exports, and foreign companies must employ a local workforce, on the basis of increasing the share of local employees over time.

2.41. The authorities state that if any provisions of this law are in conflict with any international treaty or agreement approved and accepted by the Myanmar Government, the provisions of the international treaty or agreement will prevail.

2.42. The new FIL and its implementing rules differ from the previous law mainly in: the sectors restricted or prohibited to foreign investors; objectives; equity restrictions and minimum capital requirements; tax incentives; and land-lease terms.

2.7.1.1 Sectors restricted or prohibited to foreign investors

2.43. The previous law of 1989 adopted a "positive list" approach where foreign investors were allowed to invest only in listed sectors. The new law lists certain activities that are restricted or prohibited to foreign investment (Article 4), including:

- a. businesses that can affect the traditional culture and customs of the ethnic nationalities of the country, and public health;
- b. businesses that can cause damage to the natural environment and ecosystem;
- c. importation of hazardous or toxic waste materials;
- d. production or use of hazardous chemicals specified in international agreements;
- e. importation of technology, medicines, instruments pending lab test or not obtaining approval for use; and
- f. investment activities within 10 miles of the border within the territory, except economic zones as specified by the Government.

2.44. The implementing rules list specific sectors reserved for Myanmar citizens (Table 2.4). Foreigners are not allowed to engage only in trading activities (sections 3.1.1 and 3.2.1).

Table 2.4 Sectors reserved for Myanmar citizens

| Groups | Sectors |
|-------------------|--|
| Schedule 1 | <p>Manufacturing and services sectors reserved for Myanmar citizens only</p> <p>Manufacturing</p> <ul style="list-style-type: none"> Administration and maintenance of natural forest Manufacturing of traditional medicines Extraction of crude oil up to 1,000 feet depth Small and medium scale mineral production Production and plantation of traditional herbal plants Wholesale of semi-finished products and iron ores Production of traditional food Manufacturing of religious materials and equipment Manufacturing of traditional and cultural materials and equipment Handicraft <p>Services</p> <ul style="list-style-type: none"> Private traditional hospitals Trading of traditional herbal raw materials Research and laboratory for traditional medicines Ambulance transportation service |

| Groups | Sectors |
|-------------------|---|
| | Establishment of health care centre for the aged Restaurant contract, cargo transportation contract, cleaning and maintenance contract on trains Electric power generating below 10 megawatt Publishing and distribution of periodicals in languages of ethnic people including Myanmar language |
| Schedule 2 | Agricultural Business and short-term and long-term plantation business reserved for Myanmar citizens only |
| Schedule 3 | Livestock breeding business reserved for Myanmar citizens only |
| Schedule 4 | Fishing business in Myanmar's territorial waters reserved for Myanmar citizens only |

Source: FIL Implementing Rules, 2013.

2.45. Further, the MIC Notification No. 1/2013 lists sectors prohibited or restricted for foreign investment (Table 2.5). Restricted businesses include: those carried out by joint ventures with local investors (for the purpose of knowledge sharing), and those requiring certain conditions. These conditions may be attached to implement and meet certain manufacturing practices and standards, to properly use natural resources, or to apply environmental impact assessment.

Table 2.5 FDI prohibitions/restrictions

| | |
|---|---|
| Prohibited sectors | 21 types of activities including: Defence; electricity trading; natural forest management; small to medium-scale mining and extraction; exploration and production of jade/gem stones; exploitation of minerals including gold in the water way; air control management service; navigation service; printing and broadcasting; and certain environmentally hazardous activities |
| Business to be carried out by joint venture | 42 types of activities including: Manufacturing and distribution of some food products except milk and milk products; malt and malt liquors, spirits, ice, purified drinking water; cordage, rope and twine of textile fibres; rubber and plastic Packaging Processing of hides, skins, and leathers, and manufacturing of footwear and handbags Manufacturing of paper, paper board; chemicals based on natural resources available domestically; fuels and aerosol; oxidants, compressed; chemicals; industrial chemical gases; raw materials for drugs, and high-tech vaccine Exploration and manufacturing of mining in large scale Establishment of factories to manufacture structural metal framework for buildings and bridges, and precast concrete; real estate; golf courts and resorts; office/commercial buildings apartments, low-cost housing; new satellite towns Construction related to developing road links Air transport services; maritime transport and freight forwarding services Building and repairing of new ships at dockyard Inland port services through container terminal and warehouse services Manufacturing of new wagon and locomotive engine Private special hospital/private special indigenous hospital Tourism services |
| Businesses requiring opinions of the relevant ministries | 115 activities under 13 ministries |
| Businesses requiring other approval | 27 activities |
| Businesses requiring Environmental Impact Assessment | 34 activities requiring an Environmental Impact Assessment from the Ministry of Environmental Conservation and Forestry |

Source: MIC Notice No. 1/2013.

2.46. In addition, under Articles 3 and 4, Chapter II, of the State-owned Economic Enterprise Law (1989), certain sectors were reserved to the State (and conducted by State-owned Economic Enterprises (SEEs)) (section 3.3.1). For investment in any of the above restricted or prohibited activities, permission from the MIC may be granted with the approval of the Government while foreign equity must not be more than 80% in the reserved activities, if the investment is considered to be beneficial to the citizens and particularly the ethnic nationalities. For those large foreign investment projects which are considered to bring substantial benefit to public security, improve surrounding areas and the living conditions of citizens, the MIC will submit the application to the Union Parliament through the Government for approval.

2.7.1.2 Objectives

2.47. The 1988 FIL stated export promotion as its first objective; according to the authorities, this was "to obtain foreign earning and to support economic development". The new law lists the following objectives: produce minerals to meet national demand and to export the surplus; create jobs; develop human resources, improve infrastructure (in the areas of banking and finance, roads, national electricity and energy production); develop technology; develop transportation networks; and encourage competition between citizens and foreigners.

2.48. Under the new FIL, foreign investment is to be approved if it: supports the objectives of the national development plan, activities lacking money and technology, and those still not exercisable by the citizens; develops job opportunities; promotes and expands exports; produces import substitution goods; facilitates technology development; supports projects requiring large investment; encourages energy saving, and the exploration and extraction of new energy, as well as sustainable energy development (such as new bio-based energy); develops modern industry; conserves the environment; supports exchange of information and technology; develops banks and banking business that matches international standards; facilitates local development; develops citizens' intellect and intelligence; and meets the short- and long-term domestic utilization of state energy resources.

2.7.1.3 Equity restrictions and minimum capital requirement

2.49. The new FIL allows 100% foreign ownership in all except certain prohibited or restricted activities, whereas the previous FIL listed a limited number of sectors and activities where FDI was allowed. Foreign investment may be made through: a 100% foreign-owned entity; a joint venture (JV) with a Myanmar citizen or entity, at an ownership ratio decided between the parties; or any system contained in a contract and approved by both parties.¹⁸ Foreign investment in restricted businesses must be no more than 80%.

2.50. The current minimum capital requirements are specified in accordance with the Company Act: US\$150,000 for industrial, hotel and construction companies, and US\$50,000 for companies in services, travel and tours, bank representative offices, and insurance representative offices.¹⁹

2.7.1.4 Tax and incentives

2.51. Foreign invested companies pay, *inter alia*, corporate tax, commercial tax, withholding tax, and personal income tax; different tax rates may apply to non-resident foreigners (Table 2.6).

¹⁸ In accordance with the FIL (1988), foreign investment could take one of the following three forms: (1) partnerships, limited companies, or wholly foreign-owned subsidiaries (a partnership firm or a limited company incorporated outside Myanmar could conduct business as a foreign branch by bringing in the total capital required by such a branch); (2) production-sharing contracts with one of the State-owned Economic Enterprises (SEEs) for exploration, extraction, and sale of petroleum and natural gas and mining operations; and (3) joint ventures, either as partnerships or limited companies with any individual, firm, cooperative, or SEEs of Myanmar.

¹⁹ Previously, the minimum foreign capital required was US\$500,000 for a manufacturing company, and US\$300,000 for a services organization.

Table 2.6 Tax

(%)

| Tax | Resident citizens | Resident foreigners^a | Non-resident foreigners |
|--|--------------------------|--|--------------------------------|
| Corporate tax | 25 | 25 | 35 |
| Commercial tax | 0-100 | 0-100 | 0-100 |
| Withholding tax on: | | | |
| Interest | n.a. | n.a. | 15 |
| Royalties | 15 | 15 | 20 |
| Payments made by state organizations, development committees, cooperatives societies, partnership firms, companies, organizations formed and registered under any existing law, for purchasing of goods locally and receiving services under a contract or an agreement or any consent | 2 | 2 | 3.5 |
| Payments made by a foreign entrepreneur or foreign company, for receiving services and purchasing of goods locally under a contract or an agreement or any consent | 2 | 2 | 3.5 |
| Personal income tax | 2-30 | 2-30 | 35 |
| Capital gains tax | 10 | 10 | 40 |

n.a. Not applicable.

a A foreigner staying in Myanmar for 183 days or more during a calendar year is a "resident foreigner".

Source: DICA online information. Viewed at: <http://www.dica.gov.mm/includes/Investment%20Guide%20Book/MIG%20chapter%205.pdf> [16/10/2013]; and information provided by the authorities.

2.52. The authorities offer various tax incentives to attract foreign investment. The new FIL allows tax incentives for up to five years (three years under the previous Law), with the possibility of extension. These incentive programmes include:

- income tax exemption for five consecutive years including the year of commencing operations on commercial scale, or more years of tax exemptions/reductions if the investment is considered to be "beneficial to the State";
- income tax reduction or exemption on profits maintained in a reserve fund for re-investment within one year;
- right to deduct depreciation from profit, using a depreciation rate designated by the Government for the purpose of income tax assessment;
- up to 50% reduction of income tax on profits accrued from exports;
- applying the same income tax rate for foreigners and citizens;
- expenditures on R&D are deducted from income tax;
- right to carry forward and set off losses for up to three consecutive years, from the year the loss is made;
- exemption from import tariffs or commercial tax, or both on imported machinery, equipment, instruments, machinery components, spare parts, and materials used for the construction of business;
- exemption from import tariffs or commercial tax, or both on imported raw materials for production for the first three years after completion of construction of business;
- if investment is increased with the approval of the MIC, and the original invested business is expanded, exemption from import tariffs or commercial tax, or both on

imported machinery, equipment, instruments, machinery components, spare parts, and materials required for use in the business expansion; and

- exemption and reduction from commercial tax on products manufactured for export.

2.7.1.5 Land lease terms

2.53. Land in Myanmar is owned by the State; thus, foreign investors are not allowed to own land. Under the new FIL, foreign investors may lease land for 50 years (30 years previously), and the land lease may be extended for two consecutive terms of 10 years (15 years previously). Land lease contracts must be approved by the MIC. The MIC may designate another 10-year extension with the consent of the Government, for investment projects in the less developed and poor communication regions. For investment in the agriculture and livestock sectors, foreign investment may form joint ventures with Myanmar citizens under contract.

2.54. Foreign investors who have established joint ventures with Myanmar counterparts may also apply to obtain the right to cultivate or utilize vacant, fallow, and virgin land (section 5(e), Chapter III of the Vacant, Fallow and Virgin Lands Management Law (2012)). Priority is given to applications for investment in industries in which local investors are not able to invest (section 12, Chapter IV of the Vacant, Fallow and Virgin Lands Management Law (2012)).

2.7.2 Procedures

2.55. Businesses in Myanmar may take the form of partnerships, limited companies, or branches/representative offices of a foreign company. Foreign investors most frequent set up limited companies. If one share is owned by a foreign partner, the company is considered as a foreign-invested company, and must be registered with the DICA (Directorate of Investment and Company Administration).

2.56. To obtain an investment permit, the investor must submit a proposal in the prescribed form to the MIC, together with the required documents.²⁰ The MIC accepts or rejects an application within 15 days, and decides whether to approve the proposal within 90 days. The MIC evaluates foreign investment proposals, stipulates the terms and conditions of investment permits, and assesses foreign investment situations.²¹ Permits are issued to investments that do not affect the interests of the State and the people, national dignity, sovereignty, and the environment. An investor with a permit from the MIC under the 1988 FIL may continue to work and enjoy benefits until expiry of the contract.

2.57. An investor must also register with the DICA under the Ministry of National Planning and Economic Development, except for joint ventures with State equity formed under the Special Company Act 1950.²² Registration of a foreign company or branch takes one day upon submission of completed documents. After depositing a registration fee²³ in Myanmar Economic Bank, a foreign investor obtains a temporary registration certificate, valid for six months, then a Company Incorporation Certificate.

2.58. Foreign companies may not engage solely in trade. However, if they are registered under the FIL as a manufacturer of finished goods for export, they may import machinery and equipment for the establishment of the factory, and raw materials for production. These foreign companies

²⁰ These documents include: intended activities; financial credibility of the company/individual; a copy of the Permit/Decision of the MIC for manufacturing, and hotel & construction business; undertaking not to do trading activities. In the case of a branch or representative office of a foreign company, the required documents include: annual reports for the last two financial years, or copies of the Head Office's balance sheet and profit and loss account for the last two financial years, notarized and consularized by the Myanmar Embassy in the country where the company is incorporated.

²¹ DICA online information. Viewed at: <http://www.dica.gov.mm/app.htm> [25/02/2013].

²² Documents required for the registration of a company include: declaration of registration; declaration of legal and official version of the documents; list of Directors; a copy of the MIC permit & decision for manufacturing, hotel & construction businesses; undertaking not to undertake trading activities.

²³ The registration fee for the incorporation of a company/branch is K 1,000,000, and the renewal fee is K 500,000 (DICA online information. Viewed at: <http://www.dica.gov.mm/> [22.03.13]). The fee is the same for foreign and local companies.

must register as exporters/importers with the Ministry of Commerce to obtain the exporter/importer licence.

2.59. Foreign investors must recruit at least 25% of their employees from the local labour force in the first two years. The local employment ratio increases to at least 50% for the third and fourth years, and at least 75% for the fifth and sixth years. It may take more years for activities in academic areas to increase the local employment ratio.

2.60. The law stipulates that the Government must not nationalize economic activities formed with approval during the contract period or the extended period. For any disputes, the solution method stipulated in the contract must be followed. If the contract does not stipulate a solution method, the laws of Myanmar (the Myanmar Arbitration Act 1944, or the UNCTRAL Rules) regarding dispute settlement must be followed. Section 18 (d) of the new FIL appears to allow an investor to challenge a decision of the MIC in the event of denial of the application or the issuance of an approval adverse to the interests of a foreign investor under Myanmar law. However, section 49 of the FIL provides that decisions of the MIC under the new law are "final". It was not clear to the Secretariat how investors can challenge a decision of the MIC.

2.61. Neither the old nor the new FIL contains provisions on mergers and acquisitions by foreign investors, and it is not possible for foreign investors to acquire shares from local companies. The Implementing Rules of the new FIL allows a foreign investor to acquire shares from a Myanmar shareholder in foreign-invested companies (and vice versa). Any such transfer is subject to the approval of the MIC as are the foreign equity limits (if any).

2.7.3 BIAs and DTAs

2.62. Myanmar has concluded eight bilateral investment agreements, and eight double-taxation avoidance agreements (Table 2.7).

Table 2.7 BIAS and DTAS

| Bilateral investment agreements | | |
|--------------------------------------|--------------------------|--------------------------|
| Country/Region | Date of signature | Date of entry into force |
| Philippines | 17.02.1998 | 11.09.1998 |
| Viet Nam | 15.02.2000 | - |
| China | 12.12.2001 | 21.05.2002 |
| Lao PDR | 05.05.2003 | - |
| Thailand | 14.03.2008 | - |
| India | 24.06.2008 | 08.02.2009 |
| Kuwait | 06.08.2008 | - |
| EU | 21.05.2013 | - |
| Double-taxation avoidance agreements | | |
| Country/Region | Date of entry into force | |
| United Kingdom | 01/10/1948 | |
| Viet Nam | 01/04/2004 | |
| Republic of Korea | 01/04/2004 | |
| Malaysia | 01/04/2009 | |
| India | 01/04/2009 | |
| Singapore | 01/04/2010 | |
| Lao PDR | 01/04/2011 | |
| Thailand | 01/04/2012 | |

- Not yet in force.

Source: UNCTAD IIA online database. Viewed at: http://unctad.org/Sections/dite_pccb/docs/bits_myanmar.pdf [16 January 2013]; and information provided by the authorities.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Import Procedures and Customs Valuation

3.1. Merchandise imports into (and exports from) Myanmar are governed under the Sea Customs Act (1878), Land Customs Act (1924), the Export Import Law 2012, and the Tariff Law (1992). The acts and laws are administered by the Ministry of Finance and the Ministry of Commerce.

3.2. Under the present laws and regulations, to be able to import, an importer must register a company that is to engage in trade with the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, and register as a "trader" with the Directorate of Trade of the Ministry of Commerce. The importer is also required to join the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). Currently, only Myanmar nationals are allowed to engage in trade, except for imports of inputs and exports of processed goods by manufacturing firms that have been registered under the Foreign Investment Law and consequently also registered as an importer and exporter with the Directorate of Trade.

3.3. All imports must be declared on an import declaration form (CUSDEC-1) and, where applicable, be accompanied by an import licence.¹ Import licences are issued by the Department of Commerce and Consumer Affairs, which is part of the Ministry of Commerce. In certain cases, import licences are issued based on recommendations provided by relevant ministries and associations under the UMFCCI. Also required are an invoice, bill of lading or air consignment note, packing list, and any other certificates or permits issued by relevant government departments (for example SPS certificates from the Ministry of Agriculture and Irrigation, for the import of live plants and animals, and a certificate from the Food and Drug Administration for the import of medicines and foodstuff).

3.4. The required documents must be submitted to Customs before the arrival of the goods. Customs assessment takes two hours, on average, and classification is based on the Customs Tariff of Myanmar (2012), which uses both the ASEAN harmonized nomenclature and WCO harmonized system. Myanmar does not apply the provisions of the WTO Customs Valuation Agreement. Customs valuation is based on the "real value", which is taken to be the normal price or import value of goods at the time and place of importation.² Import duties are charged on the c.i.f. price (real value). After Customs has assessed the duty payable, the importer may pay in cash or a payment order or through a direct debit from a current account. However, cash payments are only permitted if the assessed duty is less than K 5,000. Customs duty in excess of K 5,000 needs to be made by a payment order. Additionally, importers and joint-venture enterprises may open current deposit accounts with the Customs Department. The customs duties and other taxes levied on imports (section 3.1.5) may be deducted from these accounts. The authorities stated that prior to the exchange rate unification, a constant rate of K 450/US\$ was used as the exchange rate for miscellaneous imported goods. In 2011, the Central Bank of Myanmar (CBM) issued a daily rate, which was applied to the import of cars, vehicles, and spare parts. Since the exchange rate unification on 1 April 2012, the daily exchange rate issued by the CBM has been used for duty assessment. The authorities state that about 10% of imports are physically examined at the port. Currently, customs clearance requires about three days; the authorities intend to implement the ASEAN single window by 2015.

3.5. Under the current legislation, importers have the right of appeal against decisions or orders by customs officers. In the first instance, the importer may lodge an appeal with the Revenue Appellate Tribunal within one month after the decision; under certain circumstances (such as being

¹ In April 2013, import licensing requirements were abolished for 166 import commodities, corresponding to more than 1,900 tariff lines.

² The authorities state that the real value is defined as "the wholesale cash price less trade discount, for which goods of the like kind and quality are sold, or are capable of being sold, at the time and place of importation or exportation, as the case may be, without any abatement or deduction whatever, except (in the case of goods imported) of the amount of (the sale tax and of) the duties payable on the importation thereof: or where such price is not ascertainable, the cost at which goods of the like kind and quality could be delivered at such place, without any abatement or deduction except as aforesaid."

hospitalized or arrested) the deadline may be extended to three months. The tribunal may alter, annul or uphold the original decision; however, it cannot impose a greater penalty or confiscation amount than assigned in the original order. Additionally, a customs officer, the Minister of Finance and Revenue, and the President of Myanmar may, of their own accord or in response to a petition by any party, modify, reverse or uphold any of their own decisions or those taken by any of their predecessors. Furthermore, the Director-General of Customs and the President of the Union of Myanmar may summon the record of any case disposed of by an officer subordinate to them (in the case of the latter this includes the Minister of Finance). Fines vary according to the case. Between 2006 and 2011, there were 150 appeals, all of were ruled against the defendant.

3.6. Myanmar does not impose pre-shipment inspection requirements on imports.

3.1.2 Tariffs

3.1.2.1 Structure

3.7. The applied MFN tariff in Myanmar consists of 15 bands ranging from 0% to 40%; this is unchanged since 1996. The large number of bands renders the tariff relatively complex. All tariffs are applied *ad valorem*. The 2013 tariff comprised 9,558 lines at the HS 8-digit level and 418 "statistical lines" at the HS 9-digit and 10-digit levels.³ The tariff is based on the HS2012 nomenclature.

3.1.2.2 Tariff bindings

3.8. Myanmar has bound 18.5% of its tariff lines at the HS 8-digit level. All agricultural lines (WTO definition) are bound, compared with only 5.7% of non-agricultural lines. Final bound tariffs range from 0% for electrical machinery and transport equipment to 550% for chemicals, beverages and tobacco, and cereals and preparations. According to Myanmar's tariff reduction schedule, the final bound tariff rates have been in effect since 1995. The average bound tariff rate was 87.2% in 2013.

3.9. As per WTO Secretariat calculations, there are 32 tariff lines where the MFN applied tariff exceeds the bound rate. These lines pertain to, *inter alia*, hard zinc spelter and zinc products, agricultural machinery and parts, and motor vehicle part and accessories (Table A3.1). However, according to the authorities, the applied MFN rate exceeds the bound rate on only two tariff lines (2620.1900.00 and 8708.9910.00).

3.1.2.3 Applied MFN tariff

3.10. The average applied MFN tariff was 5.5% in 2013, about the same as in 1996 and slightly lower than in 2008. The changes are due almost entirely to changes in nomenclature. The significant difference (82 percentage points) between the average applied MFN tariff and the average bound rate, and the fact that less than 19% of the tariff lines are bound, gives the authorities considerable scope to raise tariffs, thereby making the tariff quite unpredictable (Table 3.1). Almost 95% of the applied MFN tariff ranges from duty free to 15%, while the modal or most common tariff rate is 1% (Chart 3.1). Nearly half of all tariff lines have nuisance rates (greater than zero, but below or equal to 2%); the authorities' purpose for these was not clear to the Secretariat.

3.11. According to WTO sectoral definitions, average tariffs on agricultural products are higher than those for non-agricultural products. The respective rates in 2013 were 8.9% and 5%. The average tariff on agricultural products has remained unchanged, while that on non-agricultural products is slightly lower than in 2008. As mentioned the decline was mainly due to the change in nomenclature.⁴

³ These 418 lines are used only for internal statistical purposes.

⁴ Tariffs on vehicles under HS heading 87.03 were also reduced from 30-40% in 2007 to 1% in 2012.

Table 3.1 Tariff structure of Myanmar, 1996, 2008, and 2013

| | MFN applied | | |
|---|--------------|---------------|--------------|
| | 1996 | 2008 | 2013 |
| Bound tariff lines (% of all tariff lines) | .. | .. | 18.5 |
| Simple average applied rate | 5.7 | 6.1 | 5.5 |
| WTO agricultural products | 8.5 | 8.9 | 8.9 |
| WTO non-agricultural products | 5.2 | 5.7 | 5.0 |
| Domestic tariff peaks (% of all tariff lines) ^a | 5.5 | 7.4 | 5.3 |
| International tariff peaks (% of all tariff lines) ^b | 5.5 | 7.4 | 5.3 |
| Overall standard deviation of tariff rates | 6.5 | 7.7 | 6.7 |
| Coefficient of variation of tariff rates | 1.1 | 1.3 | 1.2 |
| Tariff quotas (% of all tariff lines) | 0.0 | 0.0 | 0.0 |
| Duty-free tariff lines (% of all tariff lines) | 3.6 | 3.4 | 4.0 |
| Non- <i>ad valorem</i> tariffs (% of all tariff lines) | 0.0 | 0.0 | 0.0 |
| Nuisance applied rates (% of all tariff lines) ^c | 46.9 | 46.4 | 46.9 |
| Number of lines | 5,798 | 10,689 | 9,558 |
| <i>Ad valorem</i> | 5,587 | 10,323 | 9,178 |
| Duty free | 211 | 366 | 380 |
| Non- <i>ad valorem</i> | 0 | 0 | 0 |

.. Not available.

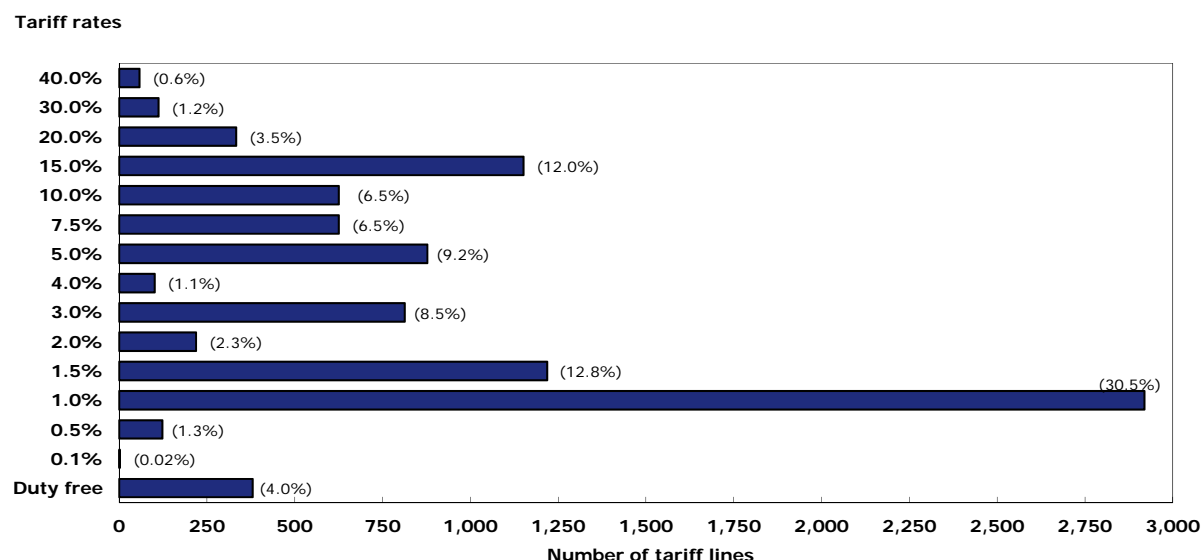
a Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

b International tariff peaks are defined as those exceeding 15%.

c Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations on averages are based on national tariff line level (10-digit in 1996, and 8-digit in 2008 and 2013). The 1996, 2008, and 2013 tariffs are, respectively, based on HS1996, HS2002 and HS2012 nomenclatures.

Source: WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

Chart 3.1 Distribution of MFN tariff rates, 2013

Note: Figures in parentheses denote the share of total lines. The 2013 tariff schedule consists of 9,558 tariff lines.

Source: WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

3.12. Duty-free rates apply to, *inter alia*: animals and animal products; fruit, vegetables and plants; cereals and preparations; and fish and fishery products. The highest bands (i.e. 30% and

40%) apply mainly to alcoholic beverages, tobacco products, natural or cultured pearls and other precious stones, and motor vehicles and other transport equipment (Table 3.2 and Chart 3.2). The authorities state that the highest rates were assigned to what are considered luxury goods. They also state that the tariff could be converted to an excise duty for some of these goods when/if a system of excise tax becomes operational in Myanmar. Furthermore, the authorities expect a decline in customs revenue with the realization of the AEC in 2015.

Table 3.2 Tariff summary, 2013

| | Number of lines | Average (%) | Range (%) | Standard deviation | Nuisance ^a | Duty free |
|---|-----------------|-------------|-----------|--------------------|-----------------------|-----------|
| Total | 9,558 | 5.5 | 0-40 | 6.7 | 46.9 | 4.0 |
| Agricultural products (HS 01-24) | 1,594 | 9.0 | 0-40 | 7.6 | 17.8 | 10.4 |
| Industrial products (HS 25-97) | 7,964 | 4.8 | 0-40 | 6.3 | 52.7 | 2.7 |
| WTO agriculture | 1,298 | 8.9 | 0-40 | 8.3 | 23.4 | 9.2 |
| Animals and products thereof | 150 | 9.4 | 0-15 | 6.9 | 1.3 | 33.3 |
| Dairy products | 38 | 3.3 | 3-5 | 0.7 | 0.0 | 0.0 |
| Fruit, vegetables and plants | 348 | 10.9 | 0-15 | 6.6 | 12.6 | 10.9 |
| Coffee and tea | 42 | 14.3 | 5-20 | 4.3 | 0.0 | 0.0 |
| Cereals and preparations | 185 | 9.9 | 0-15 | 6.3 | 5.9 | 14.6 |
| Oil seeds, fats and oils and their products | 198 | 2.1 | 0-15 | 2.2 | 73.2 | 1.0 |
| Sugars and confectionary | 32 | 6.8 | 0.5-20 | 7.5 | 50.0 | 0.0 |
| Beverages, spirits and tobacco | 106 | 24.3 | 15-40 | 10.6 | 0.0 | 0.0 |
| Cotton | 5 | 0.8 | 0-1 | 0.4 | 80.0 | 20.0 |
| Other agricultural products n.e.s. | 194 | 3.2 | 0-15 | 2.5 | 42.3 | 0.5 |
| WTO non-agriculture | 8,260 | 5.0 | 0-40 | 6.2 | 50.6 | 3.2 |
| Fish and fishery products | 377 | 8.0 | 0-15 | 3.9 | 7.2 | 12.7 |
| Minerals and metals | 1,386 | 3.4 | 0-30 | 4.3 | 56.3 | 4.8 |
| Chemicals and photographic supplies | 1,327 | 2.4 | 0-20 | 3.6 | 78.7 | 2.4 |
| Wood, pulp, paper and furniture | 455 | 6.8 | 0-15 | 5.6 | 2.0 | 4.4 |
| Textiles | 802 | 8.9 | 0-20 | 6.3 | 26.9 | 0.1 |
| Clothing | 300 | 16.8 | 2-20 | 5.0 | 3.7 | 0.0 |
| Leather, rubber, footwear and travel goods | 319 | 4.6 | 0.5-20 | 3.8 | 32.6 | 0.0 |
| Non-electric machinery | 1,291 | 1.9 | 0-15 | 2.4 | 76.3 | 6.6 |
| Electric machinery | 694 | 4.2 | 1-20 | 5.1 | 66.4 | 0.0 |
| Transport equipment | 551 | 7.8 | 0-40 | 11.9 | 34.1 | 1.3 |
| Non-agricultural articles n.e.s. | 722 | 5.5 | 0-30 | 5.4 | 44.0 | 0.1 |
| Petroleum | 36 | 1.6 | 0.5-3 | 0.5 | 91.7 | 0.0 |

a Nuisance rates are those greater than zero, but less than or equal to 2%.

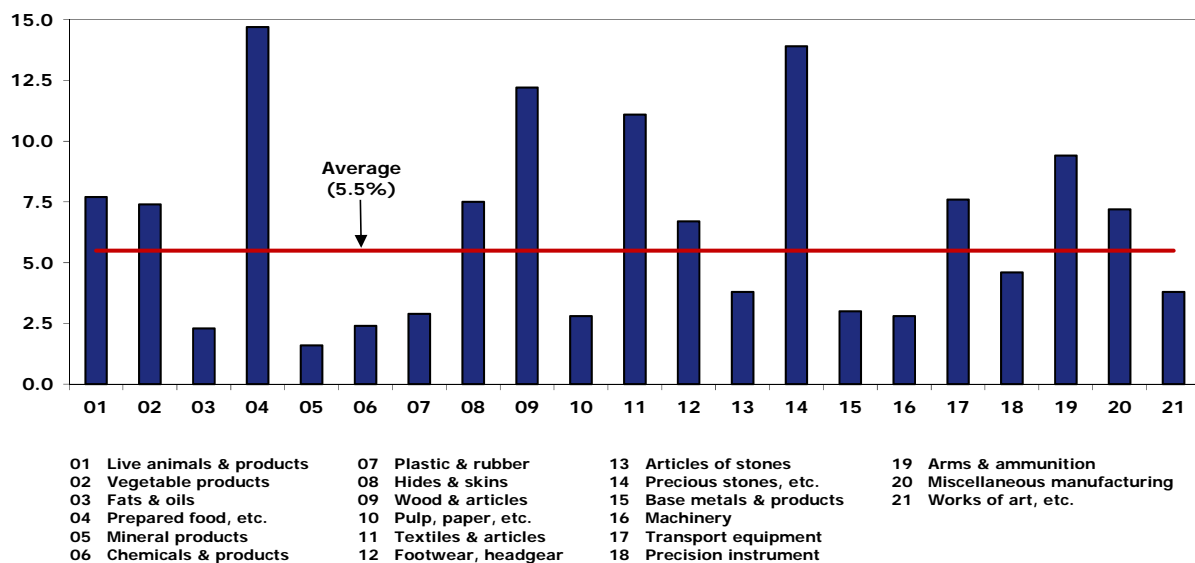
Note: Calculations on averages are based on national tariff line level (8-digit).

Source: WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

3.13. Apart from the overall level of the tariff, as reflected in the average applied MFN tariff rate, there are potential efficiency losses depending on the dispersion of these tariff rates across product lines. The greater the differentials in tariff rates, especially within groups of similar and thus substitutable products, the higher the chance that consumer and producer decisions are distorted by the tariff structure. Since 2008, the dispersion of tariff rates has decreased; the proportion of tariff lines involving domestic and international peaks has also declined and the overall standard deviation of the tariff rates decreased from 7.7% in 2008 to 6.7% in 2013 (Table 3.1), thereby making the tariff less complex.

Chart 3.2 Average applied MFN tariff rates, by HS section, 2013

Per cent



Source: WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

3.1.3 Other charges affecting imports

3.14. In addition to import duties, importers must pay an import licence fee and commercial tax on certain imports. A commercial tax works essentially as an excise duty, which is calculated on the landed cost of the product and is collected at the border. Commercial tax is charged on the sum of the c.i.f. value of the imports and the tariff (section 3.3.1.1.2).

3.1.3.1 Preferential tariffs

3.15. Imports from ASEAN member states enter Myanmar at preferential rates under the ASEAN Trade in Goods Agreement (ATIGA). Under ATIGA 7,612 lines are duty free, 380 of these lines are also duty free under MFN; 590 tariff lines have been reduced but have rates greater than zero; while 1,356 lines have not been reduced (Table 3.3). Of these, 1,278 lines are to be reduced with full implementation of the AEC in 2015. In addition, there are 78 lines where Myanmar has taken an exemption to reduce or eliminate tariffs; these include poppy seed, opium, explosives, tanks, arms and ammunition, and works of art.

Table 3.3 Preferential tariffs, 2013

| | No. of lines | Avg. (%) | Range (%) | ATIGA ^b | | AKFTA ^c | | | |
|---|--------------|----------|-----------|-----------------------|-----------|--------------------|-----------|-----------------------|-----------|
| | | | | Nuisance ^a | Duty free | Avg. (%) | Range (%) | Nuisance ^a | Duty free |
| Total | 9,558 | 0.6 | 0-10 | 10.3 | 79.6 | 3.7 | 0-40 | 46.9 | 4.0 |
| Agricultural products (HS 01-24) | 1,594 | 0.7 | 0-5 | 2.1 | 82.7 | 5.2 | 0-40 | 17.8 | 10.4 |
| Industrial products (HS 25-97) | 7,964 | 0.5 | 0-10 | 11.9 | 79.0 | 3.4 | 0-40 | 52.7 | 2.7 |
| WTO agriculture | 1,298 | 0.9 | 0-5 | 4.0 | 78.5 | 4.9 | 0-40 | 23.4 | 9.2 |
| Animals and products thereof | 150 | 0.2 | 0-5 | 0.0 | 96.0 | 3.3 | 0-5 | 1.3 | 33.3 |
| Dairy products | 38 | 1.8 | 0-5 | 0.0 | 42.1 | 3.3 | 3-5 | 0.0 | 0.0 |
| Fruit, vegetables and plants | 348 | 0.4 | 0-5 | 1.7 | 90.2 | 4.2 | 0-15 | 12.6 | 10.9 |
| Coffee and tea | 42 | 2.5 | 0-5 | 0.0 | 50.0 | 6.9 | 5-15 | 0.0 | 0.0 |
| Cereals and preparations | 185 | 2.0 | 0-5 | 1.6 | 58.9 | 5.0 | 0-15 | 5.9 | 14.6 |
| Oil seeds, fats and oils | 198 | 0.2 | 0-5 | 7.6 | 88.9 | 1.9 | 0-5 | 73.2 | 1.0 |

| | No. of lines | ATIGA ^b | | | | AKFTA ^c | | | |
|-------------------------------------|--------------|--------------------|-------------|-----------------------|-------------|--------------------|-------------|-----------------------|------------|
| | | Avg. (%) | Range (%) | Nuisance ^a | Duty free | Avg. (%) | Range (%) | Nuisance ^a | Duty free |
| Sugars and confectionary | 32 | 2.3 | 0-5 | 40.6 | 18.8 | 3.7 | 0.5-10 | 50.0 | 0.0 |
| Beverages, spirits and tobacco | 106 | 1.6 | 0-5 | 0.0 | 67.0 | 18.6 | 5-40 | 0.0 | 0.0 |
| Cotton | 5 | 0.2 | 0-1 | 20.0 | 80.0 | 0.8 | 0-1 | 80.0 | 20.0 |
| Other agricultural products n.e.s. | 194 | 0.6 | 0-5 | 7.2 | 81.4 | 3.0 | 0-5 | 42.3 | 0.5 |
| WTO non-agriculture | 8,260 | 0.5 | 0-10 | 11.2 | 79.8 | 3.5 | 0-40 | 50.6 | 3.2 |
| Fish and fishery products | 377 | 0.3 | 0-5 | 0.0 | 94.4 | 5.8 | 0-10 | 7.2 | 12.7 |
| Minerals and metals | 1,386 | 0.8 | 0-5 | 15.3 | 71.1 | 2.7 | 0-30 | 56.4 | 4.8 |
| Chemicals and photographic supplies | 1,327 | 0.6 | 0-10 | 19.8 | 71.0 | 2.0 | 0-20 | 78.7 | 2.4 |
| Wood, pulp, paper and furniture | 455 | 0.8 | 0-5 | 3.5 | 73.2 | 3.7 | 0-15 | 2.0 | 4.4 |
| Textiles | 802 | 0.1 | 0-5 | 0.9 | 97.1 | 4.5 | 0-20 | 26.9 | 0.1 |
| Clothing | 300 | 0.0 | 0-0 | 0.0 | 100.0 | 8.3 | 2-20 | 3.7 | 0.0 |
| Leather, rubber, footwear | 319 | 0.6 | 0-5 | 7.5 | 81.2 | 3.9 | 0.5-20 | 32.6 | 0.0 |
| Non-electric machinery | 1,291 | 0.3 | 0-5 | 19.4 | 77.7 | 1.7 | 0-15 | 76.3 | 6.6 |
| Electric machinery | 694 | 0.2 | 0-5 | 8.1 | 90.1 | 3.4 | 1-15 | 66.4 | 0.0 |
| Transport equipment | 551 | 0.8 | 0-5 | 6.4 | 77.5 | 7.8 | 0-40 | 34.1 | 1.3 |
| Non-agricultural articles n.e.s. | 722 | 0.9 | 0-10 | 5.8 | 78.9 | 3.7 | 0-30 | 44.0 | 0.1 |
| Petroleum | 36 | 0.9 | 0-1.5 | 61.1 | 38.9 | 1.6 | 0.5-3 | 91.7 | 0.0 |

a Nuisance rates, including rates greater than zero, but less than or equal to 2%.

b ASEAN Trade in Goods Agreement.

c ASEAN-Korea Free Trade Agreement.

Note Calculations of averages are based on national tariff line level (8-digit); nuisance and duty-free rates as a percentage of total numbers.

Source WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

3.16. In the context of being a member of ASEAN, Myanmar also has preferential import tariffs for China (ACFTA), Japan (AJFTA), Republic of Korea (AKFTA), Australia and New Zealand (AANZFTA), and India (AIFTA). According to the authorities, the tariff reduction schedules for these FTAs (except AKFTA) are being transposed from HS2007 nomenclature to HS2012 nomenclature and are therefore not available. With respect to AKFTA, the number of duty-free tariff lines is exactly the same as that under MFN. However, some of the higher duty rates under MFN have been reduced under AKFTA.

3.1.4 Import licensing, prohibitions and restrictions

3.1.4.1 Import licensing

3.17. Prior to June 2012, all imports into Myanmar required a non-automatic import licence. This has changed since June 2012, when the Government eased import licensing requirements for 166 commodities (these correspond to more than 1,900 tariff lines) by allowing their importation with an automatic licence. Subsequently, in April 2013, all licensing requirements for these commodities were abolished. Nonetheless, under the provisions of the Control of Imports and Exports (Temporary) Act 1947, most goods imported into Myanmar still require an import licence. Import licences are issued by the Department of Commerce and Consumer Affairs of the Ministry of Commerce.⁵ To obtain a licence, importers must submit an application on the company's letterhead, the requisite fee⁶, the pro-forma invoice, sales contract, and, if required, recommendations from relevant government departments and/or organizations. The authorities state that most licences are granted within 24 working hours.

⁵ Prior to March 2011, the Trade Policy Council (TPC) had the exclusive authority to approve import and export licences. The TPC has since been abolished.

⁶ The fee is based on the c.i.f. value of the goods up to a maximum of K 50,000.

3.18. In October 2011, the Government began accepting applications for import licences at the Yangon branch of the Ministry of Commerce. Previously, only the Ministry of Commerce in Nay Pyi Taw accepted such applications.

3.1.4.2 Import prohibitions

3.19. The Ministry of Commerce maintains a list of prohibited imports; any changes to the list are reviewed by the Directorate of Trade of the Ministry of Commerce. Under Section 18 of the Sea Customs Act, import prohibitions apply to, *inter alia*: counterfeit currency and coins; pornographic material; all kinds of narcotic drugs and psychotropic substances⁷; playing cards; goods bearing the imprint or reproduction of the flag of Myanmar; goods bearing the emblem of Buddha and pagodas of Myanmar; arms and ammunition; antiques and archeologically valuable items; and wildlife and endangered species.

3.20. Under Section 19 of the Sea Customs Act, the President of Myanmar (or another official acting on behalf of the President) may from time to time prohibit or restrict imports; these are notified through the *Official Gazette*. Currently this list includes alcoholic beverages and cigarettes.⁸

3.1.4.3 Import restrictions

3.21. Myanmar restricts certain imports. To import these products, a recommendation is required from the relevant government department and agencies. Imports of live animals and birds require the approval of the livestock, breeding and veterinary department; live plants, seed, and soil imports require approval from the Department of Agriculture; and telecommunications equipment needs to be approved by the telecommunications department.⁹

3.22. Furthermore, foodstuff that could be harmful for human consumption, such as palm oil (two tariff lines) and dairy products, must be imported according to the specifications in the sales contract and be certified by a recognized health laboratory. All drugs and medicines to be imported must be registered with the Department of Food and Drug Administration, part of the Ministry of Health. Additionally, for the issuance of the import licence for drugs and medicines, the importer must provide a drug importation approval certificate, a drug wholesalers licence, and drug registration certificate.

3.23. Imports of certain fruits are permitted only at certain times of the year, when they are not produced in Myanmar.¹⁰

3.1.4.4 Tariff quotas and quantitative restrictions

3.24. Myanmar does not impose any tariff-rate quotas or quantitative restrictions.

3.1.5 Duty drawback

3.25. Imports of machinery and equipment that are re-exported are eligible for duty drawback. The goods must be re-exported within two years of importation. Under the current duty drawback scheme, seven eighths of the customs duty paid on goods that can be easily identified will be refunded upon re-export. The claim for the duty drawback must be made at the time of re-export. The authorities state that claims for refund are processed within a week.

⁷ Imports of certain narcotic drugs, psychotropic substances, and chemical precursors are permitted when the quantity is defined by the Ministry of Health and the importer has a certificate from the Central Committee of Drug Abuse Control.

⁸ Information provided by the authorities.

⁹ ASEAN online information. Viewed at: <http://www.asean.org/communities/asean-economic-community/item/myanmar-3>.

¹⁰ Imports of honey orange are allowed between March and September; durian from September to April; rambutan and pomegranate from January to 15 June; dragon fruit and sunskit fruit between February and September; mangosteen from January to March and October to December; and jack fruit in January and February.

3.1.6 Rules of origin

3.26. Myanmar does not have any non-preferential rules of origin. Preferential rules of origin for imports under ATIGA and other FTAs are detailed in the appendices to the agreements.¹¹

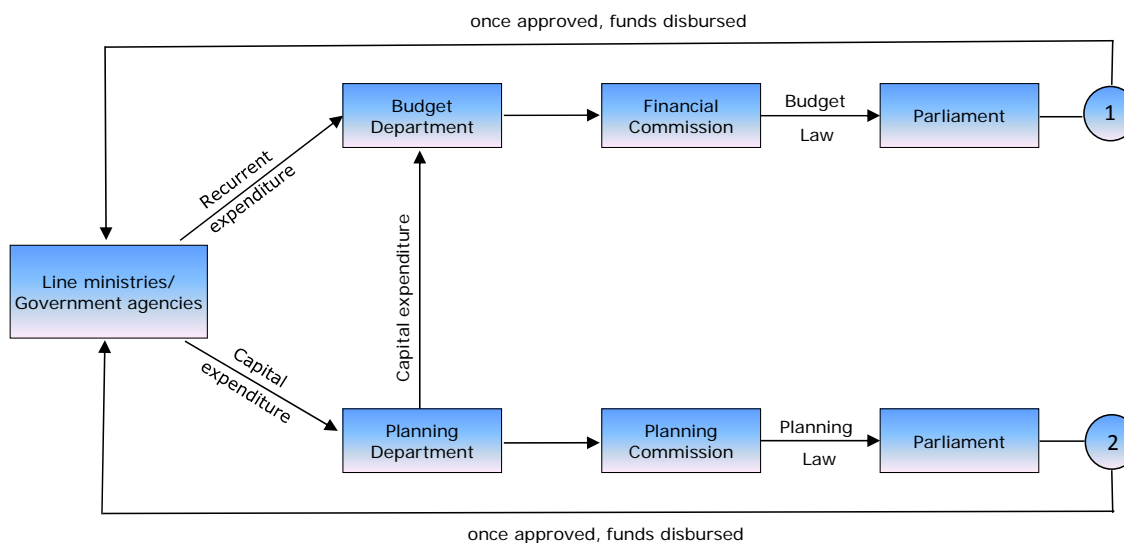
3.1.7 Contingency measures

3.27. Presently there is no anti-dumping, countervailing, safeguards or subsidies legislation in Myanmar. The authorities state that they are in consultation with various donor agencies, with a view to introducing legislation in this area in the near future.

3.1.8 Government procurement

3.28. Myanmar is neither party to nor an observer of the WTO Agreement on Government Procurement. Myanmar has no specific legislation governing public procurement. However, all government agencies must adhere to notifications issued by the President's Office (on 2 June 2012 and 5 April 2013), which stipulate that every government agency must use the open tender system for all investment and commercial procurement, including that for construction works and procurement, of machinery, equipment, and vehicles. All government agencies/departments as well as sub-central entities must submit recurring expenditure requirements to the Budget department of the Ministry of Finance, and their capital expenditure requirements to the planning department of the Ministry of National Planning and Economic Development. Funds are approved as part of the budget and planning laws. (Chart 3.3). The approved amounts are disbursed by the Ministry of Finance and Revenue.

Chart 3.3 Funds approval



Source: Information provided by the authorities of Myanmar.

3.29. The procurement system currently in place in the Ministry of Finance requires every procuring entity to form a tender selection committee.¹² The invitation for bids should be published in two local papers and the government website. The committee reviews each company's proposal

¹¹ Rules of origin for each FTA in which Myanmar participates are set out in the appendices to the agreement:

AANZFTA: <http://www.commerce.gov.mm/images/stories/EIPR/eip/aanzfta%20roo%20%20ocp.pdf>;

ACFTA: <http://www.commerce.gov.mm/images/stories/EIPR/eip/acfta%20roo%20%20ocp.pdf>;

AJFTA: <http://www.commerce.gov.mm/images/stories/EIPR/eip/ajcep%20roo%20%20ocp.pdf>;

AKFTA: <http://www.commerce.gov.mm/images/stories/EIPR/eip/akfta%20roo%20%20ocp.pdf>;

AIFTA: <http://www.commerce.gov.mm/images/stories/EIPR/eip/ai%20rooocp.doc>; and

ATIGA:

<http://www.commerce.gov.mm/images/stories/EIPR/eip/asean%20cept%20roo%20%20ocp.pdf>.

¹² The tender selection committee is headed by the deputy minister and all heads of departments are members.

and invites the qualified ones to the tender opening. Sealed bids are opened in the presence of all qualified bidders and the lowest bid is selected and sent to the Minister for approval. After approval by the Minister, the respective agency may proceed with the procurement.

3.30. Bidders for construction projects must provide a company profile, bank account details, certificate of registration, certificate of manufacturer, certificate of supplier, record of past performance, and in the case of a foreign company a recommendation by the Embassy of Myanmar. The original and three copies of the bids signed by authorized persons accompanied by a US\$500,000 bid bond must be submitted. Unsuccessful bidders are refunded the bid-bond amount, while the successful bidder is required to furnish a guarantee of 10% of the tender amount; failure to do so results in the forfeiture of the bid-bond and black-listing of the company. With respect to construction, it would appear that domestic producers of, *inter alia*, tyres, cement, and MS rods are given preference; the margin of preference and how it is administered is not clear.

3.31. With regard to the Ministry of Construction, data on government procurement are detailed below (Table 3.4). According to budget estimates, government procurement was approximately 7% of GDP in 2011/12, with construction-related procurement accounting for 6% of GDP.¹³

3.32. The authorities state that procurement accounts are audited semi-annually so as to make the public procurement process transparent and efficient; there is no complaints or appeals procedure. However, to ensure fairness and transparency, the authorities enacted an anti-corruption law on 17 September 2013.

Table 3.4 Procurement by the Ministry of Construction, Myanmar, 2006-12

(Kyats million)

| | Total Expenditure | Total Purchasing Expenditure | Tendering | | Non Tendering Expenditure | |
|---------|-------------------|------------------------------|------------|------------|---------------------------|------|
| | | | Foreign | Domestic | Local | % |
| 2006-07 | 127,162 | 86,197 | 17,102 | 341,938 | 85,838 | 99.6 |
| 2008-09 | 117,151 | 83,289 | 105,207 | 1,193,805 | 81,990 | 98.4 |
| 2010-11 | 366,376 | 238,621 | 701,531 | 6,289,370 | 231,631 | 97.1 |
| 2011-12 | 273,453 | 177,974 | 20,155,855 | 12,670,795 | 145,147 | 81.6 |

Source: Information provided by the authorities of Myanmar.

3.1.9 State trading

3.33. Myanmar has not notified its state-trading activities to the WTO; its state-trading arrangements remain opaque. It would appear that Myanmar Petrochemical Enterprise (MPE) has the sole right to import crude oil, while the Myanmar Petroleum Products Enterprise (MPPE) is the sole importer of refined petroleum products; Myanmar Oil and Gas Enterprise (MOGE), Myanmar Timber Enterprise (MTE), and Myanmar Salt and Marine Chemical Enterprise also seem to engage in state-trading activities. No further information on state trading in Myanmar was available to the Secretariat.

3.1.10 Standards and other technical requirements

3.34. Under the provisions of the Science and Technology Development Law, the Ministry of Science and Technology is responsible for standards and conformity assessment. The Ministry of Health's Food and Drug Authority and the Food and Drug Administration are responsible for promulgating and enforcing regulations and standards in the food and pharmaceutical industries (including imports). As such, the Ministry of Health is responsible for the National Drug Law, Traditional Drug Law, and the National Food Law. The Ministry of Agriculture and Irrigation is responsible for the Plant Pest Quarantine Law and the Animal Health and Development Law.

3.35. According to the authorities, standards and technical regulations adopted in Myanmar are based on international standards and technical regulations. Food standards are adopted from

¹³ Information provided by the authorities.

CODEX; fishery standards are based on EU regulations; pharmaceutical standards and regulations are based on British International Standards; and animal health risks are those that have been recognized by the OIE. Electrical standards are based on the IEC standards, motor vehicles follow UNECE standards, and building standards are based on ISO and ASEAN standards.

3.36. The authorities stated that Myanmar has 65 existing standards. It is developing a standards law and creating a National Standards Council (NSC) to revise the existing standards. The law has been drafted and submitted to the Cabinet and Parliament for approval. A standards committee, to be set up under the NSC, will establish 19 technical committees covering various sectors. The technical committees, which are expected to comprise government officials, academia, chambers of commerce, private sector industries, and professionals, will draft national standards and regulations in their respective areas. There will be a one-month period for comments, before the standard will be accepted.

3.37. None of Myanmar's preferential trade agreements contains a chapter on standards and technical regulations.

3.38. Under the National Food Law and the National Drug Law, food and pharmaceuticals must be labelled. For food, labels must clearly state name of the product, contents including name and net weight, manufacturer's name and address, batch number, manufacturing date, expiry date, and required storage conditions. For pharmaceuticals, labels must clearly state the brand name, generic name, active pharmaceutical ingredients (API), and contents including name and amount, batch number, date of manufacture, expiry date, and manufacturer's name and address, in English.

3.39. The Director General, Myanmar Scientific and Technological Research Department, Ministry of Science and Technology has been notified to the WTO as the national enquiry point for all questions relating to technical barriers to trade (TBT).¹⁴ However, the WTO has not received any notification concerning the technical regulations in force.¹⁵

3.1.11 Sanitary and phytosanitary measures

3.40. The Ministry of Agriculture and Irrigation and the Ministry of Livestock, Fisheries and Rural Development are responsible for sanitary and phytosanitary (SPS) measures in Myanmar. SPS standards adopted by Myanmar follow those of CODEX, ASEAN, and the OIE. The Directorate of Investment and Company Administration (DICA), Ministry of National Planning and Economic Development, is the national enquiry point to the WTO.¹⁶ Myanmar has not made any notification concerning its SPS measures to the WTO.

3.41. To support domestic agricultural production, Myanmar enacted a Pesticide Law and a Plant Pest Quarantine Law in 1990 and 1993, respectively. The two laws provide for management and control of maximum residue limits in food, as well as import and export certification of plant and plant products. In this respect a Pesticide Analytical Laboratory has been setup to carry out residue surveys and monitoring in agricultural food commodities. Furthermore, the laboratory has the capacity to carry out mycotoxin analysis.

3.42. The Plant Protection Division of the Ministry of Agriculture and Irrigation is the competent authority to issue SPS certificates, as provided for under the Plant Pest Quarantine Law of 1993. Certificates for imports and exports are issued in the Yangon head office and at the inspection stations at seven border entry points.

3.43. Import inspection permits are also needed for imports of live animals, animal products, animal feed, and veterinary drugs. These are issued by the Ministry of Livestock, Fisheries and Rural Development and the Ministry of Health. The authorities stated that permits are issued within two days. The quarantine requirement for live animals is three weeks. Imports of GMOs are not permitted.

¹⁴ WTO document G/TBT/ENQ/38/Rev.1, 8 July 2011.

¹⁵ WTO document G/TBT/33, 27 February 2013.

¹⁶ WTO document G/SPS/ENQ/26, 11 March 2011.

3.44. SPS-related certificates are mandatory for: prepared food (Food and Drug Administration); fisheries (Department of Fishery); pharmaceuticals (Food and Drug Administration)¹⁷; pesticides (Department of Agriculture); and crops (Post Harvest Technology Centre of the Department of Agriculture). There is only one ISO 17025 accredited laboratory, which is run by the Ministry of Livestock, Fisheries and Rural Development.

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures

3.45. Only Myanmar nationals may engage in international trade; however, foreign investors registered under the Foreign Investment Law as manufacturers may export their finished goods.

3.46. Exporters of most products require an export licence prior to exporting (see section 3.2.3). Exporters must be registered as companies and exporters before they apply for export licences from the Department of Commerce and Consumer Affairs under the Ministry of Commerce (Table 3.5). For certain products, recommendations are required from relevant ministries or associations under the UMFCCI. According to the authorities, these associations are authorized by the UMFCCI or relevant ministries to issue recommendations for export licences to monitor the export performance of these products.

Table 3.5 Export procedure

| Process | Department |
|---------------------------------------|--|
| Company registration | Directorate of Investment and Company Administration |
| Registration of importer and exporter | Directorate of Trade |
| Recommendation for export licence | Relevant ministries or associations under the UMFCCI |
| Export licence | Department of Commerce and Consumer Affairs |
| Insurance and customs clearance | Relevant departments under the Ministry of Finance |
| Banking | Central Bank of Myanmar |
| Port clearance | Myanmar Port Authority |

Source: Information provided by the authorities.

3.47. Exporters must submit an export declaration form to Customs before exporting the goods, together with required documentation, such as: the export licence, invoice, packing list, sales contract, letter of credit or general remittance exemption certification, forest pass for the shipment of forestry produce, health certificate for the export of live animals, permit for the export of wild live animals, and other certificates and permits as required by the relevant government agencies.¹⁸

3.48. Export inspections are conducted by Customs. According to the authorities these are intended to avoid disputes between exporters and importers concerning the specifications.

3.49. Currently, private inspection companies stationed in Yangon (e.g. SGS (Myanmar) Ltd. and OMIC (Myanmar) Ltd.) provide pre-shipment inspection for certain exported products. Inspection companies set up under the Myanmar Company Act (local and foreign companies) also provide inspection at the request of customers.

3.50. The Export Import Coordinating Committee (EICC) monitors all export and import matters (section 2.3.2); it is authorized to decide on all matters related to export and import procedures to streamline the effectiveness of the decision-making process.

3.2.2 Export taxes

3.51. Myanmar reformed its export tax regime in 2011. Prior to the reform, exporters had to pay commercial tax at a rate of 8% and income tax at a rate of 2% before exporting goods. Currently, commercial tax is levied only on exports of five commodities (Table 3.6); according to the authorities, this is to preserve natural resources. In addition, a cess is collected by Customs on behalf of the Ministry of Finance on four products.

¹⁷ For pharmaceutical imports, a drug registration certificate and a drug importation approval certificate, both issued by the Ministry of Health are also required.

¹⁸ Customs online information. Viewed at: <http://www.myanmarcustoms.gov.mm/exportprocedure.aspx> [21/05/13].

Table 3.6 Export tax and cess

| Commercial tax | Rate (%) | Cess | Rate |
|------------------------|----------|--------|---------------|
| Gems | 30 | Rubber | K 11.3732 /MT |
| Gas | 8 | Cotton | K 291.2 /MT |
| Crude oil | 5 | Lac | K 105.2 /MT |
| Teak and conversions | 50 | Cutch | K 49.728 /MT |
| Timber and conversions | 50 | | |

Source: Information provided by the authorities.

3.2.3 Export prohibitions and licensing

3.52. Exports of the following items are prohibited: arms and ammunition; pornographic articles; antiques; all kinds of narcotic drugs and psychotropic substances¹⁹; crude oil (from 2013); and raw logs (to be prohibited from 1 April 2014).²⁰

3.53. According to the authorities, Myanmar does not use export quotas.

3.54. It would appear that the Government is restructuring its export licensing regime. The authorities state that, from 2013 152 types of goods no longer require export licences; no further information was available. Exporters of other goods still require export licences for export. To apply for an export licence, exporters must submit an application form and a sales contract, invoice; the Ministry of Commerce issues export licences within 24 hours. Licences are valid for three months, renewable but not transferable. Unlike for import licences, there is no export licensing fee.

3.55. A recommendation is required from the relevant department/ministry in order to obtain an export licence for certain commodities (Table 3.7).

Table 3.7 Export permit

| Commodity | Ministry / Department |
|--|---|
| Agricultural seeds | Ministry of Agriculture and Irrigation |
| Teak scantlings and forest products | Ministry of Environmental Conservation and Forestry |
| Shrimp bran (prawn shell dust), fish bran | Livestock Breeding and Veterinary Department |
| Metal | Ministry of Mines |
| Religious commodities | Religious Affairs Department |
| Movies, video tapes | Motion Picture Enterprise |
| Animals, animal products and animals feed | Livestock Breeding and Veterinary Department |
| Materials related to food and drugs | Food and Drug Administration |
| Seeds and vegetable roots | Ministry of Agriculture and Irrigation |
| Pearl products made of pearl and mother of pearl | Myanmar Pearl Enterprise |

Source: Information provided by the authorities.

3.56. The time required to obtain a permit depends on the type of commodity. For example, it takes from 6 months to 18 months to obtain recommendations from the FDA on materials related to food and drugs, while it takes from 1 week to 10 days to obtain SPS certificates.

3.2.4 Export promotion

3.2.4.1 Duty and tax concessions, and subsidies

3.57. Myanmar notified that it did not use any export subsidies on agricultural products during 1995-2004.²¹

¹⁹ Customs online information. Viewed at: <http://www.myanmarcustoms.gov.mm/exportprohibitionsrestrictions.aspx> [21.05.13].

²⁰ Notification No. 26/2013 from the Ministry of Environmental Conservation and Forestry. Conversely, exportation of value-added timber products is encouraged.

²¹ WTO documents G/AG/N/MYN/2, 20 December 2001; G/AG/N/MYN/3, 26 June 2003; G/AG/N/MYN/4, 15 November 2004; and G/AG/N/MYN/6, 7 October 2005.

3.58. Tax exemptions on exports are granted to domestic and foreign investors. Manufacturing businesses receive 50% income tax exemption on profits accrued from exports, and commercial tax exemption if the goods are exported with a few exceptions (section on 3.2.2). According to the authorities, no duty and tax concessions are linked to local-content requirements.

3.2.4.2 Special economic zones

3.59. In accordance with the Special Economic Zone (SEZ) Law (January 2011), which is being revised, investors who carry out business in a SEZ are eligible for:

- income tax exemption for the first five years on profits accrued from exports;
- 50% reduction of income tax for the second five years on profits accrued from exports;
- 50% reduction of income tax on profits accrued from exports for re-investment;
- exemption from tariffs on the importation of raw materials, machinery, and equipment for export-oriented enterprises established in an SEZ; and
- exemption from tariffs and commercial tax for five years on the importation of machinery and motor vehicles for investment enterprises, followed by a 50% reduction on import tariffs and commercial tax for the next five years.

3.60. The Government plans to establish three SEZs: Dawei, Kyauk Phyu, and Thilawa. Infrastructure is being developed in the Dawei SEZ. A plan for infrastructure development in Thilawa is being prepared, and an environmental impact assessment is being conducted in the Kyauk Phyu.

3.2.4.3 Export finance, insurance, and guarantees

3.61. The authorities state that there is no government scheme to provide export credit, insurance or guarantees.

3.2.4.4 Export promotion and marketing assistance

3.62. The Government aims to promote exports, diversify markets abroad, and improve the quality of exported products. The Ministry of Commerce intends to lower trade barriers by simplifying export (and import) procedures, and by issuing export licences as quickly as possible. According to the authorities, the number of documents required to obtain an export licence has been reduced, and a branch office of the MOC was set up in Yangon to reduce administration costs.

3.63. The Ministry of Commerce conducts training, seminars, workshops, and trade fairs, to enable private sector participation in foreign trade. Information is available through official websites²²; the weekly *Commerce Journal*; and monthly *Trade News Bulletin*. In addition, the Ministry of Commerce, in cooperation with the Ministry of Communications and Information Technology, has set up an Automated Price Information System²³, which provides information on domestic market prices of agricultural products to farmers, brokers, merchants, and businessmen.

3.2.5 Export operations of state enterprises, or state trading

3.64. The State has a monopoly on exports of teak, petroleum and petroleum products, natural gas, salt and marine chemicals, pearls and pearl products, and mineral and metal products. It would appear that state-trading arrangements include:

- a. Myanmar Timber Enterprise (MTE): state trading in raw log timber;

²² Viewed at: www.commerce.gov.mm and www.myanmartradenet.com.mm.

²³ The system was sponsored by the European Commission for Food and Agriculture Organization (EC-FAO).

- b. Myanmar Petroleum Products Enterprise (MPPE): state trading in petroleum products;
- c. Myanmar Petrochemical Enterprise (MPE): state trading in crude oil and petroleum products;
- d. Myanmar Oil and Gas Enterprise (MOGE): state trading in natural gas;
- e. Myanmar Salt and Marine Chemical Enterprise: state trading in salt and marine chemicals;
- f. Myanmar Pearl Enterprise: state trading in pearls and pearl products; and
- g. The No. (2) Mining Enterprise: the sole exporter of electrolytic refined tin, wolfram ore, and tin tungsten ore.²⁴

3.65. State-owned economic enterprises, or private enterprises, may be authorized to export these items if permission is obtained from the relevant state-trading enterprise(s); activities subject to state-trading arrangements remain opaque (section 3.1.9).

3.3 Measures Affecting Production and Trade

3.3.1 Taxation and incentives

3.3.1.1 Taxation

3.3.1.1.1 Overview

3.66. Myanmar has 14 different taxes and duties under the major headings: taxes levied on domestic production and consumption (excise duty, commercial tax, stamp duty, state lottery, import licence fees, transportation tax); taxes levied on income and ownership (income tax); customs duties; taxes levied on public utilities such as land, water and embankment; and taxes on extraction of forest products, minerals, rubber, and fisheries.

3.67. Tax accounts for about 90% of total government revenue, and tax revenue has been increasing in recent years. The biggest source of tax revenue is commercial tax, followed by income tax (Table 3.8). Profit tax was discontinued in 2011; those subject to profit tax before 2011 are now subject to individual income tax.

Table 3.8 Selected taxes and their revenues, 2005-12

(K billion)

| Tax | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Commercial tax | 226.1 | 319.2 | 384.6 | 429.2 | 466.5 | 601.8 | 768.7 |
| Income tax | 145 | 260.1 | 334.1 | 422.6 | 415.6 | 436 | 711.1 |
| Profit tax | 63.2 | 78.5 | 94.2 | 103.8 | 114.6 | 135.4 | a |
| Stamp duty tax | 5.1 | 6.1 | 11.5 | 15.1 | 20.8 | 29.5 | 37.4 |
| State lottery tax | 8.8 | 12.8 | 13.9 | 17.3 | 19.8 | 20.3 | 21.5 |
| Tariff | 17.9 | 29.5 | 35.6 | 82.4 | 45.3 | 59.6 | 135.6 |

a Profit tax was discontinued in 2011.

Source: Information provided by the authorities.

3.3.1.1.2 Commercial tax and excise tax

3.68. In accordance with the Commercial Tax Law, amended in September 2011, commercial taxes apply to goods produced domestically, services carried out domestically, and imported goods, according to seven schedules (Table 3.9).

²⁴ Ministry of Mines online information. Viewed at: <http://www.mining.gov.mm/ME-2/1.ME-2/details.asp?submenuID=13&sid=123> [28/06/2013].

Table 3.9 Commercial tax and excise tax in Myanmar

| Schedules | Items | Domestically produced | Imported |
|--|--|-----------------------|-----------------|
| Schedule 1 | 70 items | Exempted | 5% |
| Schedule 2 | 65 items | 5% | 5% |
| Schedule 3 | 132 items | 5% | 5% |
| Schedule 4 | 90 items | 5% | 5% |
| Schedule 5 | 52 items | 5% | 5% |
| Schedule 6 (Excise tax) | Cigarettes | 100% | 100% |
| | Tobacco | 50% | 50% |
| | Virginia tobacco, cured | 50% | 50% |
| | Cheroots | 50% | 50% |
| | Cigars, pipes, all sorts | 50% | 50% |
| | Pipe tobacco | 50% | 50% |
| | Betel chewing preparations | 50% | 50% |
| | Liquor | 50% | 50% |
| | Beer | 50% | 50% |
| | Wine | 50% | 50% |
| | Teak and teak conversions | 50% | 50% |
| | Hardwood logs and hardwood conversions | 50% | 50% |
| | Jade and other precious stones | 30% | 30% |
| | Light vans, saloons, sedan cars, estate wagons, and coupes | 25% | 25% |
| | Gasoline | 10% | 10% |
| | Diesel oil | 10% | 10% |
| Jet fuel | 10% | 10% | |
| Natural gas | 8% | 8% | |
| Schedule 7 | Services | | Tax rate |
| | Railways, waterways, airways, and road transport business | | 5% |
| | Entertainment business | | 5% |
| | Trading business consisting of purchase and sale of goods | | 5% |
| | Hotels, rest houses | | 5% |
| | Sale of foods and drinks | | 5% |
| | Tourism business (including tour guide services) | | 5% |
| | Vehicles cleaning and oiling, repair and decoration | | 5% |
| | Insurance except life insurance | | 5% |
| | Beautifying and body fitness business including hair dressing | | 5% |
| | Printing, computer typing, and computer graphic design (except photocopying) | | 5% |
| | Brokerage services | | 5% |
| | Drawing designs, decoration, and repairing of land, building, and construction | | 5% |
| Advertising business, taking and developing photos, editing and distribution business of motion pictures and video tapes | | 5% | |
| Agents, lawyers, certified accountants, auditors | | 5% | |

Source: Commercial Tax Law.

3.69. Under Schedule 1 of the Commercial Tax Law, 70 items are exempt from commercial tax (Table A3.2) if they are produced domestically, while a 5% tax is levied on the imported goods, indicating different treatment for domestically produced and imported goods. According to the authorities, these goods are for the basic needs of the Myanmar people, and the different tax treatment is to protect domestic producers.

3.70. In addition, the commercial tax rate is reduced to 3% for the production of import-substitution goods by domestic enterprises located in industrial zones. According to the authorities, this is to promote and protect domestic SMEs. Tax credits are allowed for producers of goods and persons carrying out goods trading; they may set-off tax paid on imported raw materials, or semi-finished goods.

3.71. It would appear that excise taxes listed in Schedule 6 of the Commercial Tax Law are effectively licensing fees collected by the Ministry of Home Affairs; they are applied equally to domestically produced goods and imported goods.

3.3.1.1.3 Income tax

3.72. The Income Tax Law, amended in September 2011, covers individual income tax and corporate income tax, and the tax is levied on worldwide income. Individuals are taxed under progressive rate schedules²⁵; residents and non-residents are subject to different tax rates

²⁵ Individual income tax is levied from 1% to 20% on salary income, and from 2% to 30% on business and professional income.

(Chapter 2).²⁶ Corporate bodies are taxed at flat rates: 25% for resident companies, 35% for non-resident companies.

3.73. Dividends are exempted from tax. Capital gains tax is 10% for citizens and resident foreigners, and 40% for non-resident foreigners. However, capital gains from the oil and gas sector is taxed at 40% to 50%, depending on the value of gains (Table 3.10).

Table 3.10 Capital gains tax for the oil and gas sector

| Companies in the oil and gas sector | Capital gains tax rate |
|-------------------------------------|------------------------|
| Up to US\$100 million | 40% |
| US\$100 million - US\$150 million | 45% |
| Over US\$150 million | 50% |

Source: Information provided by the authorities.

3.3.1.2 Incentives and support

3.74. The MIC is responsible for granting tax exemptions and tax relief, such as:

- a. commercial tax reduction from 5% to 3% for the production of import-substitution goods by domestic enterprises located in SEZs;
- b. 50% income tax exemption on profits accrued from exports for manufacturing businesses;
- c. commercial tax exemption if the goods are exported;
- d. tariff exemption for capital assets imported for newly established industries with permission from the MIC, and for imports by NGOs for religious, health, or development purposes;
- e. incentives offered to foreign investors by the MIC (Chapter 2); and
- f. other incentives granted to investment in the SEZs (once they begin functioning).

3.75. The authorities state that data are not available regarding tax revenue forgone.

3.76. The Government notified that it did not use any domestic support in the agriculture sector during calendar years 1995-2000, 2002, and 2004.²⁷

3.3.2 Legal framework for businesses

3.77. Main business-related legislation is old (Table 3.11).

Table 3.11 Legislation on business

| Legislation | Main responsibilities |
|--|---|
| Myanmar Companies Act 1914 | Administers private and public companies |
| Myanmar Companies Rules 1940 | Provides the rules and regulations for the liquidation of private and public companies |
| Special Company Act 1950 | Specially promulgated for the incorporation of private and public companies in which the State has equity |
| Myanmar Partnership Act 1932 | Administers the partnership enterprises and registration of partnerships |
| State-Owned Economic Enterprise Law 1989 | Identifies areas of economic activities to be undertaken solely by the state sector |
| Private Industrial Enterprise Law 1990 | Consolidates and promotes large, medium, and small scale private industries |
| Myanmar Citizens Investment Law 1994 | Promotes domestic investment so as to promote production and exportation by the private sector |

Source: Information provided by the authorities, and ASEAN online information. Viewed at: http://www.aseankorea.org/files/upload/eng/ENG_Resources/Myanmar-GuideBook.pdf [16/04/13].

²⁶ DCIA online information: <http://www.dica.gov.mm/includes/Investment%20Guide%20Book/MIG%20chapter%205.pdf> [18/10/13].

²⁷ WTO documents G/AG/N/MYN/1, 20 December 2001, and G/AG/N/MYN/5, 7 October 2005.

3.78. There is no bankruptcy law in Myanmar.

3.79. With the reform and opening of the economy, the Government has been adopting measures to improve its business environment. It simplified the registration procedure for companies in February 2013, and extended the validity period from three to five years. Registered companies used to be grouped into eight categories: trade (not allowed for foreign companies), services, industry manufacturing, hotels, tourism, jewellery, construction, and banking. Companies no longer need to fit themselves into a category, and may be registered upon declaring their lines of business to the Directorate of Investment and Company Administration (DICA).

3.3.3 State-owned economic enterprises (other than state-trading companies) and privatization

3.3.3.1 State-owned economic enterprises (SEEs)

3.80. State-owned economic enterprises are regulated under the State-Owned Economic Enterprise Law No. 9/89, according to which, certain activities are reserved for the State:

- extraction and sale of teak;
- cultivation and conservation of forest plantation (except village-owned fire-wood plantation cultivated by villagers for their personal use);
- exploration, extraction, and sale/export of petroleum and natural gas;
- exploration, extraction, and export of pearl, jade, and precious stones;
- breeding and production of fish and prawns in fisheries, which have been reserved for research by the Government;
- postal and telecommunications services;
- air transport services, railway transport services;
- banking services and insurance services;
- broadcasting services and television services;
- exploration, extraction, and export of metals;
- electricity generating services (other than those permitted by law to private and cooperative electricity generating services);
- manufacture of products relating to security and defence, which the Government has, from time to time, prescribed by notifications.

3.81. In the interest of Myanmar, the Government may permit joint ventures between the Government and other persons or economic organizations to conduct business in these reserved activities. In this case, foreign equity must not be more than 80% in the reserved activities. The Government may also prohibit or restrict the purchase, sale or transfer of products derived from or produced by or used by any enterprises conducting the reserved activities.

3.82. The Ministry of National Planning and Economic Development has been analysing the performance of SEEs. According to the authorities, since Myanmar transformed from a central-planned economy to a market-oriented one, most SEEs have been privatized. Currently, 41 SEEs remain, and all are subordinate to the relevant ministries (Table 3.12).

Table 3.12 State-owned economic enterprises in Myanmar, October 2013

| Ministry | SEEs |
|--|--|
| Ministry of Information | Printing and Publishing Enterprise |
| | News and Periodicals Enterprise |
| | Myanmar Motion Picture Enterprise |
| Ministry of Agriculture and Irrigation | Myanmar Agricultural Development Bank |
| Ministry of Environmental Conservation and Forestry | Myanmar Timber Enterprise |
| Ministry of Finance | Myanmar Economic Bank |
| | Myanmar Investment and Commercial Bank |
| | Myanmar Foreign Trade Bank |
| | Myanmar Insurance Enterprise |
| | Myanmar Small Loan Enterprise |
| Ministry of Construction | Department of Human Settlement and Housing Development |
| Ministry of Livestock, Fisheries and Rural Development | Livestock, Feedstuff, and Dairy Products Enterprise |
| Ministry of Communications and Information Technology | Myanmar Posts and Telecommunications Department |
| Ministry of Labour, Employment and Social Security | Social Security Board |
| Ministry of Mines | No. (1) Mining Enterprise |
| | No. (2) Mining Enterprise |
| | No. (3) Mining Enterprise |
| | Myanmar Gems Enterprise |
| | Myanmar Salt and Marine Chemical Enterprise |
| | Myanmar Pearl Enterprise |
| | Cooperative Export Import Enterprise |
| Ministry of Cooperatives | Inland Water Transport Enterprise |
| | Myanmar Port Authority |
| Ministry of Transport | Myanmar Shipyards |
| | Myanmar Airways |
| | Myanmar Hotels and Tourism Services |
| Ministry of Industry | No. (1) Heavy Industrial Enterprise |
| | No. (2) Heavy Industrial Enterprise |
| | No. (3) Heavy Industrial Enterprise |
| | Textile Industries Enterprise |
| | Pharmaceutical and Foodstuff Enterprise |
| | Paper and Home Utility Enterprise |
| | Ministry of Rail Transportation |
| Road Transport Enterprise | |
| Myanmar Oil and Gas Enterprise | |
| Ministry of Energy | Myanmar Petrochemical Enterprise |
| | Myanmar Petroleum Products Enterprise |
| | Hydro Power Generation Enterprise |
| Ministry of Electric Power | Myanmar Electric Power Enterprise |
| | Electricity Supply Enterprise |
| | Yangon City Electricity Supply Board |

Source: Information provided by the authorities.

3.83. The authorities state that almost all SEEs are making losses: SEEs spend 75% of the total government budget, and their annual losses are estimated at about 5% of GDP. The authorities consider that barriers for further development of SEEs include lack of a healthy financial system, low technology, and lack of market access and skilled labour.

3.84. Current policy objectives for government reform of SEEs are: encouraging the development of businesses, limiting SEEs to public services, maintaining the public interest SEEs under the guidance of the Government without transfer to the private sector, and including the public-private-partnership method in the privatization process. According to the authorities, SEEs operating under monopoly or other exclusive rights are under the Ministries of Health, Rail Transport, and Education; these SEEs are operating for the public interest, and will continue to be supervised by the Government.

3.85. According to the authorities, the Myanmar Economic Holdings, and the Myanmar Economic Corporation used to be owned by the military; they are now private companies whose shares are owned by ex-military personnel.

3.3.3.2 Privatization

3.86. According to the authorities, the private sector's share in GDP is over 90%, and the State's presence is large only in telecommunication services, social and public administration, energy, forestry, construction, and electricity (Table 3.13).

Table 3.13 The share of public/private sectors in GDP (end-March 2012)

| Public sector's share in GDP | | Private sector's share in GDP | |
|------------------------------------|--------------------------------|-------------------------------|------|
| Sector | Percentage in sectoral GDP (%) | Year | % |
| Agriculture | 0.1 | 2006-07 | 89.6 |
| Livestock and fishery | 0.1 | 2007-08 | 90.6 |
| Forestry | 72.8 | 2008-09 | 91.4 |
| Energy | 75.3 | 2009-10 | 91.1 |
| Metallic and non-metallic minerals | 1.1 | 2010-11 | 90.9 |
| Processing and manufacturing | 3.9 | 2011-12 | 91.0 |
| Power | 39.7 | | |
| Construction | 43.0 | | |
| Transportation | 0.8 | | |
| Communications | 100.0 | | |
| Financial | 44.5 | | |
| Social and public administrations | 91.2 | | |
| Rental and other services | 3.5 | | |
| Trade | 3.1 | | |

Source: Information provided by the authorities.

3.87. The first Privatization Commission was established in 1995. The authorities indicate that the Commission privatized 772 entities between 1995 and 2011, and the State gained K 660.2 billion from the privatization process.

3.88. The authorities state that through privatization the Government wishes to improve the efficiency of the underperforming SEEs, reduce their losses, and thus reduce the budget deficit.

3.89. Privatization methods adopted include the public-private-partnership, share system, franchise, joint venture, and sale of the enterprise. Before 2011, foreign participation was not allowed in the privatization process. Under the current regime, a new Privatization Commission was established, headed by a Vice President. The Commission plans to adopt a new privatization procedure using the "open tender" method; use the private-public-partnership method more; and focus more on underperforming SEEs.

3.3.4 Small and medium-sized enterprises (SMEs) and assistance

3.90. The authorities state that, as SMEs contribute to employment creation, resources utilization, income generation, and investment promotion, the Government pays special attention to facilitating their development, so that SMEs become larger and more competitive and innovative in the international market.

3.91. Around 99% of Myanmar's 43,275 registered enterprises are SMEs. Most registered SMEs, (63%) are in the food and beverage industry (Table 3.14). In addition, there is a large share of unregistered informal SMEs; for example, SMEs in trade and services are usually not registered. The authorities estimate that over 80% of all businesses in Myanmar are informal, most are family-owned or self-employed.

3.92. The Government is preparing an SME Law, with the objectives of: improving human resources development, boosting technology innovation, facilitating access to investment, improving infrastructure, and reviewing tax and other business-related regulations.

3.93. Different agencies under different ministries are responsible for the registration of and assistance to different SMEs. The Ministry of Cooperatives is responsible for registration of industrial cooperative societies and micro and handicraft enterprises, provision of technical assistance, and coordination and promotion of export and import businesses; the Ministry of Industry is responsible for registration of SMEs and the promotion of SME development. Assistance

is provided in the form of, for example, opening training programmes, providing market information, promoting linkages between local enterprises and foreign investors, and facilitating cooperation with the UMFCFI and various associations.

Table 3.14 Sectoral distribution of SMEs in Myanmar, July 2012

| Industry | Large | Medium | Small | Total | (%) |
|---|-------|--------|--------|---------------|------|
| Food and beverages | 2,369 | 4,110 | 20,976 | 27,455 | 63.5 |
| Clothing and wearing apparel | 341 | 380 | 1,001 | 1,722 | 3.9 |
| Construction materials | 510 | 650 | 2,117 | 3,277 | 7.6 |
| Personal goods | 375 | 410 | 330 | 1,115 | 2.6 |
| Consumer produce | 144 | 79 | 97 | 320 | 0.7 |
| Literature and art | 60 | 117 | 183 | 360 | 0.8 |
| Raw goods production | 169 | 240 | 282 | 691 | 1.6 |
| Metal and mineral production | 315 | 381 | 1,204 | 1,900 | 4.4 |
| Agricultural machinery | 9 | 25 | 37 | 71 | 0.2 |
| Industrial tools and equipment production | 15 | 49 | 66 | 130 | 0.3 |
| Automobile production | 194 | 40 | 33 | 267 | 0.6 |
| Electrical equipment | 43 | 15 | 12 | 70 | 0.2 |
| General | 264 | 791 | 4,799 | 5,854 | 13.5 |

Source: Information provided by the authorities.

3.3.5 Competition policy and regulatory issues

3.3.5.1 Competition policy

3.94. Myanmar is drafting a competition law, which is expected to be promulgated before 2015. According to the draft, there will be a Competition Commission, which will act as the enforcement authority to control and monitor competition. Apparently, the Competition Law is to cover all sectors in the economy.

3.95. Myanmar is also drafting a Consumer Protection Law to be completed before 2015.

3.96. Myanmar is not party to any bilateral or regional agreement on anti-trust cooperation. The authorities state that they try to ensure fair competition in accordance with ASEAN Regional Guidelines on Competition Policy.²⁸ Some articles of the Constitution regulate competition; Article 36 (B) stipulates that "the Union shall protect and prevent acts that injure public interests through monopolization or manipulation of prices by an individual or group with intent to endanger fair competition in economic activities."

3.3.5.2 Price controls

3.97. It would appear that price controls are in place on coal, oil and oil products, natural gas, and electric utilities (Chapter 4). According to the authorities, SEEs do not produce and sell products or goods at fixed prices.

3.3.6 Intellectual property rights

3.98. Myanmar has submitted its intellectual property rights law to the Parliament for approval. According to the authorities, the draft Law is to be consistent with the TRIPS Agreement.²⁹ Myanmar has been a member of the World Intellectual Property Organization (WIPO) since 2001.³⁰

²⁸ ASEAN Secretariat online information. Viewed at: <http://www.aseansec.org/wp-content/uploads/2013/07/ASEANRegionalGuidelinesonCompetitionPolicy.pdf> [09.09.2013].

²⁹ An LDC Member is given an extended time-limit, until July 2021, for the full implementation of the provisions of the TRIPS Agreement other than those relating to national treatment and most-favoured nation treatment. WTO online information. Viewed at: http://www.wto.org/english/news_e/news13_e/trip_11jun13_e.htm [28/08/2013]. Under a TRIPS Council decision, LDCs do not have to protect or enforce patents and undisclosed information relating to pharmaceuticals until 2016 (WTO document WT/L/478, 12 July 2002).

³⁰ The contents of the draft intellectual property rights law are also being reviewed by the WIPO.

3.3.6.1 Copyright and related rights

3.99. The Copyright Act, dating back to 1914, does not appear to provide effective copyright protection. Currently, the Television and Video Law 1996, and the Motion Picture Law 1996 govern copyright protection. It is not clear whether copyright must be registered to be protected, or for how long copyright is protected under the current legislation.³¹ There is no specific policy on copyright protection on the internet.

3.3.6.2 Patents

3.100. The Myanmar Patents and Designs (Emergency Provisions) Act 1946, and the Myanmar Patents and Designs Act 1945 are outdated. There is currently no legislation on patents in Myanmar, no patent application, registration, or protection, and no compulsory licences.

3.3.6.3 Trade marks

3.101. The authorities state that there is no specific law on trade marks, or specific provision on the registration of trade marks in Myanmar. The Myanmar Merchandise Marks Act has provisions to prevent false trade description of goods.

3.102. Trade marks related to all products may be registered and protected under S18 (f) of the Registration Act, by the Settlement and Land Records Department (SLRD) under the Ministry of Agriculture and Irrigation. Registration takes one day to one month. Registration is usually followed by an announcement in a daily newspaper, stating that any fraudulent limitation or unauthorized use of the trade mark is to be dealt with accordingly. It is not clear how the unauthorized use of trademarks are dealt with.

3.3.6.4 Enforcement

3.103. Some IP disputes are handled in courts. The authorities state that most copyright problems are solved through coordination by the parties concerned rather than through legal procedures. Cross-border entry in violation of IPR is dealt with under the Sea Customs Act, the Land Customs Act, and other relevant legislation.

3.104. Customs is responsible for detecting illegal imports of IPR-related goods and other goods, collaborating with national enforcement bodies such as the police force, the local, and the legal authorities. At the international level, Customs has cooperation with the WCO, WIPO, the Regional Intelligence Liaison Office, and the International Criminal Police Organization.

3.105. In accordance with the Sea Customs Act, any import or export of goods having applied counterfeit trademarks (within the meaning of the Penal Code), or false trade descriptions (within the meaning of the Merchandise Marks Act), are liable to detention and confiscation. Persons involved in any such offence are liable to pay a fine. According to the section 170 and 171 of the Sea Customs Act and the section 9 of the Land Customs Act, customs officers and police officers are authorized to stop and search any personal vessels and vehicles for goods, on reasonable suspicion. According to the authorities, data are not available on Myanmar's enforcement of IPR protection.

³¹ Only few copyright works are registered in Myanmar.

4 TRADE POLICIES BY SECTOR

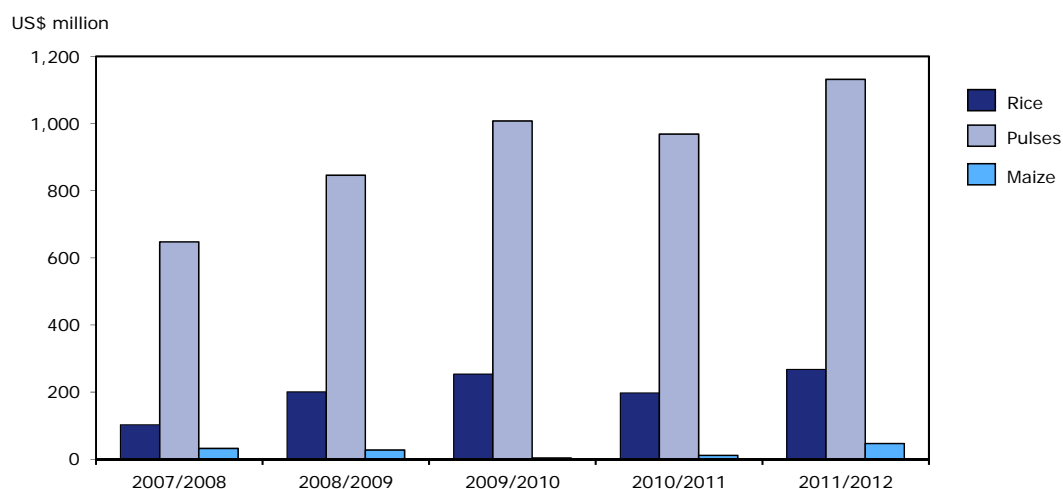
4.1 Agriculture

4.1.1 Features

4.1. Agriculture is one of the main sectors of Myanmar's economy; data provided by the authorities indicate that agriculture's contribution to GDP was approximately 30.5% in 2012/13; and that agriculture accounted for around 61.2% of employment in 2010/11 (the most recent year for which data were available). Thus, it would appear that labour productivity in agriculture is less than one third of the level in the rest of the economy; this is probably due to the high labour/low capital structure of the sector with small farms and few machines.¹ Main crops include rice, maize, pulses and beans, sugarcane, and cotton. The livestock sector has been growing, particularly poultry. The average farm holding is about 2.4 hectares, and about 58% of the total net sown area (13.8 million hectares) is small-scale farms (defined as those below 4 hectares).

4.2. Myanmar is a net food exporter. Main exports include pulses, rice and rice products, and maize (Chart 4.1). Agriculture accounted for 16.4% of Myanmar's total export earnings in 2011/12.

Chart 4.1 Myanmar's main agricultural exports, 2007-12



Source: WTO Secretariat calculations, based on data provided by the authorities.

4.1.2 Policy objectives and regulatory framework

4.3. The main objective of Myanmar's agricultural policy is to increase crop production. To achieve this, the Government aims, *inter alia*, to: maintain a positive annual growth rate of value-added for agriculture; and achieve average yield per acre of 83.2 baskets (one basket = 46 pounds) up from the current 74.4 baskets, and total production of 1,602 million baskets for rice up from the current 1,390 million baskets.²

4.4. The Ministries of Agriculture and Irrigation, of Livestock, Fisheries, and Rural Development, and of Environmental Conservation and Forestry are the main institutions in charge of policy formulation and implementation in Myanmar's agriculture sector.

4.5. Agriculture is regulated by a number of laws and regulations, including the Farmland Law 2012; the Vacant, Fallow and Virgin Lands Management Law 2012; the Fertilizer Law 2002; the Seed Law 2011; the Pesticide Law 1990; the Plant Pest Quarantine Law 1993; Myanmar Agricultural and Rural Development Bank Law 1990; the Water Tax and Embankment Tax Law

¹ Data provided by the authorities.

² The authorities consider that, as of 2011/12, 944 million baskets of rice are required for self-sufficiency.

1982 and 1987; the Agricultural Produce Markets Act 1941; and the Regulation for Purchase of Crops and Agricultural Products 1962. A Biosafety Law is currently being drafted.

4.6. Land tenure is lease-based since the State owns all land in Myanmar. The Farmland Law, which entered into force on 31 August 2012, sets out procedures for obtaining the lease of land for farming.³ The Law is intended to legally confirm rights of individual farmers in regard to the use of land; under the lease, the farming household has the right to use the land, "reap the yields", and transfer the rights granted by the lease. There does not appear to be any provision in the law limiting the period of the lease, although a breach in the conditions of use could result in the lease being rescinded.⁴ Permission is required to transfer the rights to foreigners or organizations involving foreign investment.

4.7. Under the Vacant, Fallow and Virgin Lands Management Law 2012, domestic companies and associations in the private sector may be granted rights to develop virgin land and fallow land for the cultivation of, *inter alia*, paddy, pulses, oil crops, industrial crops, oil palm, and other crops for commercial farming.⁵ As of June 2013, 267 private companies and 123 government organizations have been granted 1.38 million hectares for commercial farming, compared with 0.98 million hectares of farmland prior to the entry into force of the Law.

4.8. Under the Foreign Investment Law 2012, prior approval is required from the Myanmar Investment Commission for FDI in the production and distribution of agricultural crops or seeds. FDI is not allowed in: the production and plantation of traditional herbal plants; designated livestock breeding far-distance fishing of sea fish, prawn and other water creatures in Myanmar's territorial waters; and fishing in ponds, lakes, and other-close-distance fishing. Foreign participation is allowed up to 100%: land utilization; agri-based industries; assembly and manufacture of light agricultural machinery and small farm implements; manufacturing of agricultural inputs and related support products; and for trading of agricultural commodities, input supplies, and machinery.⁶ The Law provides incentives to FDI in various sectors including agriculture (section 2.7.1.4).

4.9. The general structure of import tariffs on agriculture has remained largely unchanged since 2005/06. Myanmar's simple applied MFN tariff on agricultural products (HS01-24) was 9.0% in 2013. There is a large gap between the average applied MFN tariff and the average bound rates (110 percentage points). Tariff dispersion stayed within a range of 0% to 40% during 2008-13. Traditionally, agricultural goods, including alcoholic beverages (40% and 30%), tobacco (30%), sugar confectionary (20%), and chocolate and other food preparations containing cocoa (20%), *inter alia*, benefit from higher than average protection. Imports of agricultural goods are also subject to commercial tax (VAT); the rates for agricultural products vary between 0% and 200% (tobacco). Myanmar does not apply any tariff-rate quotas.

4.10. Agricultural products are subject to import and export licensing requirements, except, *inter alia*, oranges, grapes, apples, and wheat, in accordance with the Export/Import Rules and Regulations (2008) and restrictions in accordance with the Plant Pest Quarantine Law and Pesticide Law and various liberalization measures introduced in 2012 (sections 3.1.4 and 3.2.3).

4.11. Myanmar has not notified the WTO of its state-trading requirements regarding agriculture.

4.12. According to the notification submitted by Myanmar to the WTO, it has not used domestic support measures or export subsidies on agricultural products (section 3.2.4.1). According to the authorities, Myanmar does not provide any financial support, preferential taxation, or price controls such as minimum purchase price policy, input subsidies (including those for fertilizer, irrigation and power), or food subsidies.

4.13. The main taxes levied on agriculture have been the land utilization tax, water utilization tax, forestry resources tax, rubber tax, fisheries tax, and commercial tax (VAT). For those leasing farmland, exemption of the land utilization tax is granted for two to eight years depending upon

³ Chapter II of the Farmland Law.

⁴ These conditions include leaving land fallow without a good reason.

⁵ Commercial farming involves the use of a larger area of land than that used for subsistence farming.

⁶ Ministry of Agriculture and Irrigation online information. Viewed at: <http://www.moai.gov.mm/index.php/business-opportunities.html> [02.04.2013].

the type of crops and livestock breeding. Income-tax exemptions may be granted for three years or longer from the year of commencement of commercial operations on land developed and invested.⁷

4.14. The authorities state that there is no restriction in domestic distribution or marketing of agricultural products in Myanmar. On 7 January 2012, the National Rice Reserves Supervisory Committee was established to purchase rice from Myanmar's states and regions (based on tender-based systems), donate rice to areas affected by natural disasters, and sell rice to domestic consumers or export the surplus when the Committee considers it necessary.

4.15. The Myanmar Rice Federation was formed by stakeholders involved in the rice industry; its purpose is to maintain sustainable development of rice production, offer guidance to local rice associations and farmers. Under the Federation, Myanmar Agribusiness Public Corporation has been established to promote investment in agriculture and agri-based industries.

4.16. Government policy is focused on improving technical support to agriculture through better research and extension services. Under the Ministry of Agriculture and Irrigation, the Department of Agricultural Research operates seven research centres and 17 farms covering all the main food crops while the Department of Industrial Crops Development does research in industrial crops such as cotton, rubber, and jute. In addition, the Yezin Agricultural University, also under the Ministry provides courses on crop sciences while the University of Veterinary Science under the Ministry of Livestock, Fisheries and Rural Development covers veterinary science and fisheries.⁸

4.17. The Ministry, through the Department of Agriculture also provides extension services which are mostly focused on paddy production.

4.18. The authorities consider that farmers in Myanmar lack financing, mainly due to the lack of national savings that could be channelled to them. Myanmar Agricultural Development Bank (MADB), a state-owned bank, is the main institution providing loans to farmers and entrepreneurs engaging in agriculture.⁹ Under the MADB Law, which entered into force in July 1990, it provides banking services, including short-term and long-term loans to farmers.¹⁰ The authorities state that no other financial institutions lend to farmers under the same conditions as those applied by the MADB. Loans provided by the MADB include: annual loans (up to 12 months), which are mainly for crop cultivation; short-term loans (2 to 4 years); and long-term loans (5 years and above), which are mainly for the purchase of farm equipment, cattle, and integrated farming projects related, *inter alia*, to coffee, rubber, and palm oil plantation. Annual loans are disbursed for seven varieties of crops (i.e. paddy, groundnuts, sesame, beans, long staple cotton, corn, and mustard). Total disbursement of annual loans in 2012-13 was K 557.8 billion, covering 1.59 million farmers.¹¹

4.19. Under the programme for the development of border areas and eradication of narcotic drugs, the MADB issued loans with special funds allotted by the Government at concessional interest rates for some farming activities in border areas, such as orchards in Chin State and rubber and sugarcane plantations in Shan State to replace opium cultivation. Rural savers are allowed to take out farm development loans up to 4-5 times their deposits, at an interest rate of 15%.

⁷ Ministry of Agriculture and Irrigation online information. Viewed at: <http://www.moai.gov.mm/index.php/business-opportunities.html> [02.04.2013].

⁸ Cho (2013).

⁹ In 1976, the MADB undertook the roles and functions of the State Agricultural Bank (SAB), which was established in 1953. Ministry of Agriculture and Irrigation online information. Viewed at: <http://myanmargeneva.org/e-com/Agri/expind/agri-index/myanmar.com/Ministry/agriculture/Organi/madb.htm> [09.04.2013]. In 2013, the MADB had 15 regional offices and 206 branches across Myanmar.

¹⁰ The MADB is authorized to make loans to, *inter alia*, a state-owned agricultural organization (Myanmar Industrial Crops Development Department), livestock organizations, cooperatives, private entrepreneurs, farmers, and farm labourers.

¹¹ The interest rate is 8.5% per annum for lending, and 8% for deposit. The bank must avail itself of an overdraft loan for its loan fund from the Myanmar Economic Bank at the rate of 4% per annum.

4.1.3 Forestry

4.20. Myanmar is one of the world's main suppliers of natural teak. It has a total land area of 676,577 km², about half of which is forests. Wood and products thereof accounted for 6.7% of Myanmar's exports in 2011/12.

4.21. The applied MFN tariff on timber is 15% in 2013. The state-owned Myanmar Timber Enterprise (MTE), (part of the Ministry of Environmental Conservation and Forestry (MOECAF)), has exclusive rights to export raw log timber from Myanmar. It also has the monopoly on logging (harvesting), milling, and marketing of timber and its products alone or through private contractors.¹²

4.22. The main legislation governing forestry in Myanmar includes the Forest Law (1992), the Environmental Conservation Law 2012, the Protection of Wildlife and Wild Plants and Conservation of Natural Areas Law, and the Foreign Investment Law 2012.

4.23. Under the Forest Law, the private sector requires permission to cultivate and maintain forest plantation. Export prohibition and licensing requirements on forestry products are in place (section 3.2.3). In 2013, the Ministry of Environmental Conservation and Forestry (MOECAF) announced that the export of round logs would be banned with a view to encouraging domestic small and medium-sized manufactures of wood-based products.

4.24. The Government intends to ensure the sustainable development of forest resources by, *inter alia*: securing people's basic needs for fuel, shelter, food, and recreation; and achieving efficiency to harness the economic potential of the forest resources. The Government aims to manage 25% of total land area under Permanent Forest Estates (PFEs) and 10% under the Protected Area System (PAS).¹³

4.25. FDI is not allowed in the administration and maintenance of natural forest. According to amended Notification No. 1/2013 of the Myanmar Investment Commission, FDI is allowed in the following areas, as authorized by the Ministry of Environmental Conservation and Forestry: national parks; wood-based industries and related businesses; ecotourism; production businesses aimed at reducing carbon emissions; extraction (logging) on the basis of a long lease (reserved, protected public forest); breeding of genetically modified organisms and living modified organisms by importing and distributing these organisms; high technology research for the forestry sector, such as production and conservation of good quality teak; establishment of forest plantation (e.g. teak, hardwood, rubber, bamboo, rattan); development of high technology, research and human resources in forestry; extraction of natural resources in forest land and forest-covered land at the disposal of the Government; and importing, exporting, breeding, and production of plant and animal species.

4.2 Mining, Energy, and Utilities

4.2.1 Features

4.26. Myanmar has produced around 400 billion MMSCF of natural gas in recent years. It has not imported natural gas; it would appear that most of the gas produced has been exported to China through pipelines (Chart 4.2). On the other hand, Myanmar does not export oil or oil products. While it has not imported crude oil in recent years, due partly to domestic constraints in refining, Myanmar imports various petroleum products (e.g. diesel, gasoline, and jet engine fuel) (Chart 4.3).

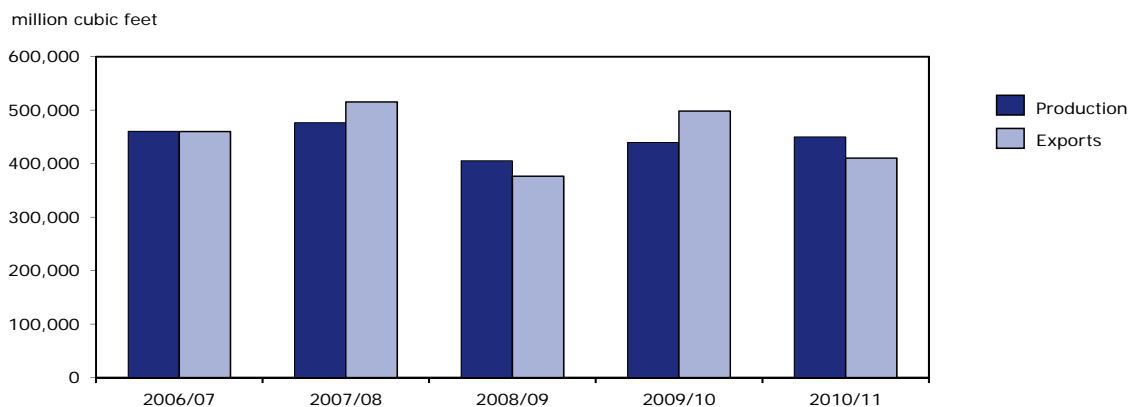
4.27. Myanmar's production of coal has been increasing. It has been used mainly for power generation and the production of cement; data provided by the authorities indicate that coal exports have been less than 10% of production and that there has been little coal importation.

4.28. In line with Myanmar's economic growth, generation and consumption of electricity have been increasing, with the growth of consumption being faster than that of generation in recent years (Chart 4.4).

¹² According to the State-owned Economic Enterprise Law 1989, the Government has the sole right to carry out extraction, sale, and exports of teak.

¹³ At present, PFEs amount to 16,623,294 ha (24.57% of Myanmar's total land area) and PASs to 3,789,411 ha (5.6%).

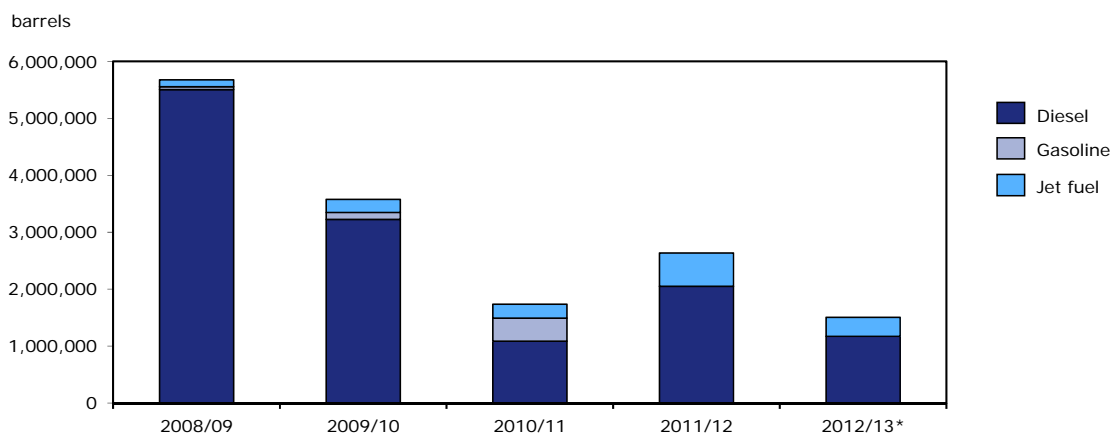
Chart 4.2 Production and exports of natural gas, 2006-11



Note: Over 98% of natural gas production is supplied by pipeline.

Source: Central Statistical Organization (2012), Statistical Yearbook 2011, Nay Pyi Taw.

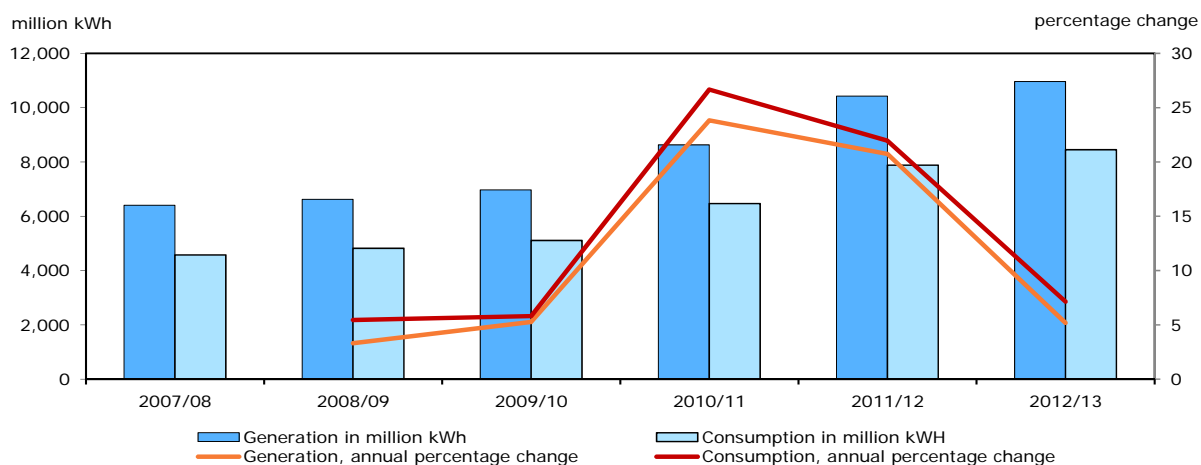
Chart 4.3 Imports of petroleum products, 2008-13



* Estimates.

Source: Data provided by the authorities of Myanmar.

Chart 4.4 Generation and consumption of electricity in Myanmar, 2007-13



Source: Data provided by the authorities of Myanmar.

4.2.2 Key subsectors

4.2.2.1 Metal, precious stones, and coal

4.29. The policy objectives for the metal, precious stones and coal subsectors, as stated in the Mines Law and the Mineral Resources Policy¹⁴, include: fulfilling domestic demand and increasing exports; and promoting domestic and foreign investment in respect of mineral resources. The Gemstones Law's objectives include permitting companies and cooperative societies to operate freely in the production and marketing of gemstones, and eradicating illegal production of gemstones within the country, and preventing and suppressing "unlawful taking out and sale of gemstones abroad".¹⁵ The Ministry of Mines determines the tenure of a permit for a gemstone block¹⁶; determines the floor price for each gemstone block for which tenure of a permit has been determined; and invites competitive bids in accordance with bidding terms for the gemstone blocks for which the floor price has been determined.¹⁷ Promotion of coal production is an objective of the current Coal Policy.

4.30. The Ministry of Mines is responsible for policies regarding the metal, precious stones, and coal subsectors. The Department of Mines, under the Ministry, is responsible for, *inter alia*: scrutinizing the application for mineral exploration and issuing permits in accordance with the Mines Law; implementing measures to protect the environment from pollution related to mining and related operations (e.g. environmental impact assessments, social impact assessments, and health impact assessments).

4.31. The main laws governing mining include the Mines Law 1994, the Mines Rules 1996, the Gemstones Law 1995, and the Gemstones Rules 1995.

4.32. In accordance with the State-owned Enterprise Law, the Government has the sole right over the exploration and extraction of pearl, jade, and precious stones and, exports thereof.¹⁸ Nonetheless, in the mining sector, domestic companies formed under the Myanmar Companies Act or the Special Company Act 1950 and various cooperative societies registered under the Cooperative Society Law have also been allowed to carry out exploration, extraction, and exports of pearl, jade, and precious stones after the enactment of the Gemstones Law 1995. In addition, the Government has allowed certain individuals or organizations with foreign investment to manufacture processed gemstones and jewellery, and/or sell raw gemstones, processed gemstones, and jewellery.

4.33. Under the Foreign Investment Law 2012, FDI is "restricted" in "large-scale exploitation and the production of non-metallic minerals". FDI is not allowed in the mining of gemstones or metallic minerals; small and medium-scale mineral production; and wholesale of semi-finished products and iron ores.

4.34. According to the authorities, there is no state ownership in the production of gemstone ore, its concentrates, or refined metal, or manufacture of processed products using gemstones. The Myanmar Gems Enterprise, a state-owned company, has certain regulatory responsibilities such as issuing permits to domestic private companies and societies to enable the extraction and production of gemstones; supervising extraction and production operations; collecting royalties; issuing licences to enable the sale of processed products of gemstones and jewellery; and holding gems emporiums.

¹⁴ The Mineral Resources Policy aims to, *inter alia*: fulfil domestic demand and increase exports; increase production of minerals; promote domestic and foreign investment in respect of mineral resources; supervise, scrutinize and approve applications submitted by persons or organizations that wish to conduct mineral prospecting, exploration or production; conduct conservation, utilization and research regarding mineral resources; and protect the environment from any effects from mining operations.

¹⁵ Chapter II, the Gemstones Law.

¹⁶ In accordance with the Law, when a geographical area is found as where gemstones can be produced on a commercial scale, the area may be designated as gemstone block.

¹⁷ Under Section 13 (a) of the Gemstones Rules 1995, if local gems companies or cooperative societies apply for a mining operation permit, the floor prices are fixed at a minimum of K 500,000 for a new block, and K 1 million for renewal of blocks where permits have expired.

¹⁸ Chapter II.1.3 and 4, the State-owned Economic Enterprise Law.

4.35. Exports of raw gemstones are authorized only through gems emporiums, which are usually held twice a year. Exports of metal ore produced in Myanmar are not permitted; exports of metal as metal concentrate are allowed.

4.36. According to Notification No. 121/2012 of the Ministry of Finance (15 March 2012), all metal products, except jade and precious gemstones, are exempt from commercial tax.

4.37. The main producers of coal in Myanmar include private companies supervised by the No. 3 Mining Enterprise (ME-3), which was established based on production-sharing contracts. Producers must pay 3% of sales as royalty to the Department of Mines and 30% to ME-3.

4.38. Prices of coal are set by the Joint Management committee (JMC) composed, *inter alia*, of representatives of ME-3, the Ministry of Mines, and contractors; the prices must be approved by the Ministry of Mines. Prices may be changed by the JMC at its annual meeting.

4.2.2.2 Petroleum and natural gas

4.39. The main objectives of the oil and gas sector include: fulfilling domestic energy demand; promoting energy efficiency and conservation; implementing effective utilization of domestically produced crude oil and natural gas; and promoting more private participation in the energy sector.

4.40. The Ministry of Energy is the regulator for petroleum and gas. Activities in the sector are regulated by the relevant laws and regulations, and by production sharing contracts conducted between the Myanmar Oil and Gas Enterprise (see below) and domestic private and foreign investors. The authorities consider that, in order to foster further development of the sector and encourage private investment and competition, a legal framework would need to cover all areas of the hydrocarbon industry and define the roles, rights, and obligations of the different players.

4.41. The main laws and regulations governing petroleum and natural gas include the Petroleum Act 1934, the Petroleum Rules 1937, the Oilfields Act 1918, the Oilfield Rules 1936, the Essential Supplies and Services Act 1947, the Oilfields (Labour and Welfare) Act 1951, the Petroleum Resources (Development Regulation) Act 1957, the Law Amending the Petroleum Resources (Development Regulation) Act 1969, and the Myanmar Petroleum Concession Rules 1962. In accordance with the State-owned Enterprise Law, the Government has the sole right to carry out exploration, extraction, and sale of petroleum and natural gas, and production thereof.

4.42. All petroleum and natural gas resources found in Myanmar are owned by the State. Exploration of natural gas in inland areas as well as downstream operations are reserved for the Myanmar Oil and Gas Enterprise (MOGE), a state-owned enterprise, and offshore exploration is open to foreign investment. Private investment is allowed in refining, and wholesale and retail of oil products, provided that agreements or contracts (e.g. production-sharing contracts) are made with the MOGE and the Government approves relevant investment projects. However, these activities are still largely controlled by the MOGE. Exports of natural gas go mainly to China (through pipeline transport) and Thailand.

4.43. Prices of natural gas, which are set by the Government, are calculated according to the Yadana and Yetagun Gas Sale Agreements; the price may change on a quarterly basis. Prices of oil and oil products fluctuate according to basic parameters, such as the Singapore Platt's oil price, the c.i.f. value, actual expenditure (weighted average cost of each refinery), and miscellaneous costs (such as freight, insurance, bank charges, port dues). In line with the increasing and volatile world oil prices, the Government increased the price of gasoline by 20% in January 2012. As of 1 March 2013, the state energy enterprise Myanmar Petroleum Products Enterprise (MPE) distributed gasoline to private fuel stations at a wholesale price of K 3,300 per gallon. Private fuel stations may then sell gasoline to end users at retail prices. In addition, diesel prices are fixed at K 3,500 per gallon, and jet fuel at K 3,864 per gallon. It would appear that some forms of subsidy are given for oil, oil products, and natural gas.

4.44. Foreign direct investment is allowed in accordance with the new FDI Law and the Companies Act 1914; FDI is not allowed in the extraction of crude oil up to 1000 feet in depth.

4.2.2.3 Electric utilities

4.45. In Myanmar, approximately 77% of total electricity is generated by hydropower, followed by natural gas, which accounts for about 20%.

4.46. The Ministry of Electric Power (MOEP) governs electric utilities; it is also a provider of electric utilities services. The MOEP's responsibilities include: regulating the electricity market, including generation, transmission, and distribution; setting up electricity trading arrangements; monitoring the operations of the electricity market; and setting electricity tariffs and their adjustment. The MOPE aims to increase investment in power generation through its own investment, investment by domestic entrepreneurs on a build-operate-transfer (BOT) basis, and investment by foreign companies on a joint venture (JV) or BOT basis.

4.47. The main laws and regulations governing electric utilities include the Electricity Law 1984 (currently being amended), and the related Regulation.

4.48. Since 2008, private companies have been allowed to participate in power generation, especially in hydropower plant projects, based on JV and the BOT system. Private sector participation is allowed not only in generation but also in distribution.¹⁹ On-going hydropower projects of Baluchaung-3 (52 MW), Upper Baluchaung (29 MW) are implemented by private local companies under the JV or BOT schemes. About 27% of total generation capacity is owned by the private sector.

4.49. In accordance with the Foreign Investment Law, FDI is allowed in power generation (particularly in the independent power producer (IPP) scheme). FDI must be in the form of a joint venture or BOT system; majority Myanmar ownership is not required. FDI is prohibited in the "administration of electricity systems or trading of electricity"; thus, no FDI is allowed in electricity transmission.

4.50. A foreign investor must, *inter alia*, conclude a memorandum of understanding on a pre-feasibility study and memorandum of agreement, and a joint-venture agreement with the MOEP, and obtain approval from the MIC, the Attorney General's Office, the Ministry of Finance, the Ministry of National Planning and Economic Development, and the Cabinet. Approval of environmental impact assessment and social impact assessment by the Ministry of Environmental Conservation and Forestry is also required.

4.51. The terms of investment in electricity generation, including the location of generators, the types of generators to be established, and the price that can be charged, are decided by the Government. In accordance with the Foreign Investment Law, permission is required from MIC and recommendation and comments by the MOEP on policy and technical matters for FDI. Based on the cost of generation and the purchase price of power from the Shweli Hydropower Company and local IPPs, the MOEP sells power to end-users and distribution companies, which sell power to end-users in their permitted area.

4.52. The electricity tariff must be approved by the Government. At the retail level, electricity rates vary by type of end-user; K 35/kWh for general purposes and K 75/kWh for industrial purposes. The authorities indicate that the average cost of generation is K 69-71/kWh. It would appear that subsidies are given to electricity.

¹⁹ Power generation, transmission, and distribution are largely bundled. The main generators of electric power are the MOEP and the Shweli hydropower plant, which belongs to a joint-venture company with investment from Yunnan United Power Development Company Limited (China) and the MOEP. The MOEP and its subsidiaries dominate transmission and distribution. Some small-scale local organizations and private companies handle power generation distribution in certain regions far from the national grid, by using, *inter alia*, mini-hydro, diesel, and biomass generators; the MOEP issues permits for these activities and provides technical assistance.

4.3 Manufacturing

4.3.1 Features

4.53. Myanmar's manufacturing sector, accounting for 19.9% of GDP in 2012/13, is growing but still relatively small compared with agriculture and services.

4.54. The main manufacturing subsectors include food and beverage processing, and textiles and clothing. Data provided by the authorities indicate that about 65% of manufacturing SMEs are in food and beverages. It would appear that most manufacturing firms, in terms of numbers and output, are SMEs.

4.55. In 2010, manufactured products accounted for 30% of Myanmar's exports and for 67.9% of imports.²⁰

4.3.2 Policy objectives for the sector

4.56. Government policies for the development of the manufacturing sector have been mainly to promote small and medium-sized enterprises and to invite FDI, particularly through special economic zones. Myanmar's industrial policy tools consist mainly of the provision of training for SMEs.

4.57. The Ministry of Industry is the main agency responsible for formulating policies related to manufacturing.²¹

4.58. Laws governing the manufacturing sector include the Foreign Investment Law (2012), State-owned Economic Enterprise Law, Private Industrial Enterprise Law (1990), the Commercial Tax Law, the Promotion of Cottage Industry Law, and the Myanmar Citizens Investment Law (1994).

4.59. The simple average applied MFN tariff on manufacturing was 5.5% in 2013, down from 6.1% in 2008.²² The change is due largely to the change in tariff classification. An array of non-tariff measures, particularly licensing requirements, have been used in some instances to restrict imports and exports (section 3.1.4 and 3.2.3).

4.60. Under the Foreign Investment Law 2012, FDI is restricted in "manufacturing and marketing of most food products, any kinds of spirits or beer, drinking water, plastics, rubber, leather, paper, certain chemical products and raw materials for medicines and pharmaceuticals". Prior approval is required for FDI in production/distribution of soft drinks, mineral water, and beer. FDI is allowed only in the form of joint ventures in: the production/distribution of certain foodstuff (biscuits, noodles, chocolates); and the production of paper, pharmaceuticals, plastic, and packaging. FDI is not allowed in: production of traditional food; manufacture of religious materials and equipment; manufacture of traditional and cultural materials and equipment; manufacture based on handicrafts; and manufacture of traditional medicines.

4.3.3 Textiles and clothing

4.61. The textiles and clothing industry has developed particularly in the form of "CMP (cutting, making and packing)" businesses, where manufacturers receive fees from foreign contractors, for CMP and exporting the finished products. In 2010, clothing accounted for 4.4% of Myanmar's exports, and textiles for 7.1% of imports.²³

4.62. Employment in Myanmar's textiles and clothing sector accounted for about 37% of the total workforce in manufacturing. Many textile and clothing factories are owned by the Government or the Military; state-owned textile factories employ about 15,000 employees, private companies

²⁰ UNSD, Comtrade database (SITC Rev.3).

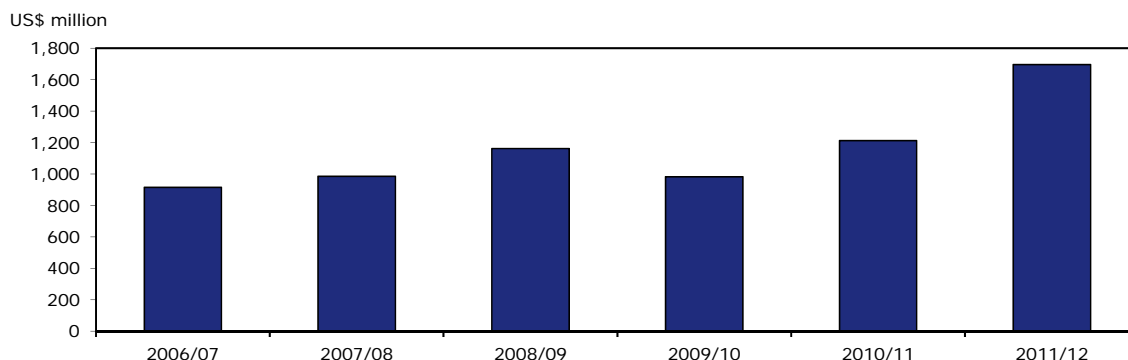
²¹ In December 2011, the Ministry of Industry No.1 and the Ministry of Industry No.2 were merged to form a new Ministry of Industry.

²² Manufacturing as classified in ISIC.

²³ UN Comtrade database (SITC Rev.3).

around 5,400 employees, and military-owned factories about 5,300 employees. Myanmar's exports of garments have been increasing in recent years (Chart 4.5).

Chart 4.5 Myanmar's exports of clothing, 2006-12



Source: WTO Secretariat calculations, based on data provided by the authorities.

4.63. The simple applied MFN tariff was 8.9% for textiles and 16.8% for clothing in 2013. Tariff exemption is accorded to registered CMP businesses on imports of raw materials for manufacturing exports. The authorities state that no licensing requirements are imposed on exports of CMP garments. Import licences and the recommendation of the CMP Association under UMFCCI are needed to import CMP products.

4.64. Non-SME textile and clothing firms must be registered at the Industry Supervision and Inspection Department under the Ministry of Industry.

4.65. In accordance with the Foreign Investment Law (2012), up to 100% foreign participation is allowed. To date, four wholly foreign-invested companies have engaged in garment manufacturing; the Ministry of Industry has also concluded land-lease agreements and contracts with these companies.

4.66. Exports of textiles and clothing are exempt from Commercial Tax. The Ministry of Industry provides technical assistance, financial assistance for training, and preferential loans to SMEs through the SME bank and the MADB.

4.67. It is the Government's policy to seek foreign and local partners to invest in State-owned textile factories in the form of joint ventures and in public-private partnerships (PPPs). Wholly foreign-owned enterprises are allowed in garment manufacturing; currently, four foreign companies are operating.

4.68. The Government provides information services to encourage investment in new technology and industrial upgrading, and guidance to enterprises on export activities, through, *inter alia*, exhibitions.

4.4 Services

4.4.1 Features

4.69. The services sector accounted for some 37.5% of Myanmar's GDP in 2012/13. In the same fiscal year, the major services activities were trade and transport/communications.

4.70. Myanmar is a net importer of services. The services trade deficit amounted to approximately 4.1% of GDP in 2011/12. The main exports and imports of services in 2012/13 included travel, transport, and insurance (Table 1.3).

4.71. In general, services are characterized by state involvement through state-owned companies and restrictions on private-sector and foreign involvement. There are foreign ownership restrictions or prohibitions for various services. Conversely, in certain services activities,

particularly banking, distribution, and transport, there appears to be sizable private sector presence, although this is difficult to measure, due partly to the small scale of the operators.

4.72. Under the Foreign Investment Law 2012, FDI is allowed only in the form of a joint venture in the ownership of private, specialist or traditional medicine hospitals. Prior approval is required for FDI in supermarkets/large-scale retail and courier services. FDI is not allowed in private traditional hospitals; trading of traditional herbal raw materials; research and laboratories for traditional medicines; ambulance transportation service; establishment of health-care centres for the aged; restaurant contracts, cargo transportation contracts, and cleaning and maintenance contracts on trains; agencies; generating electric power below 10 megawatts; and publishing and distribution of periodicals in the language of ethnic peoples, including in the Myanmar language.

4.73. In the GATS, Myanmar made specific commitments in two of the 12 major sectors contained in the GATS classification list: tourism and travel-related services (hotels; travel agencies and tour operators services), and transport services (services auxiliary to all modes of transport).²⁴ Myanmar has made no horizontal commitments or listed any Article II (MFN) exemptions.

4.4.2 Banking, finance and insurance

4.74. Banking remains the most important source of credit in the financial sector. Insurance services are dominated by a state-owned company. There are no stock or commodity exchanges in Myanmar; the equity and bond markets are yet to be developed. Another notable feature of the financial sector is the high degree of government ownership. Four of the 26 banks and one insurance agency (mentioned above) are majority or fully government owned. There are very few foreign-owned financial services providers.

4.75. The authorities consider that banks in Myanmar have not been exposed to serious non-performing loans (NPLs). All domestic banks must submit their NPLs positions to the Financial Institutions Supervision (FIS) Department of the Central Bank on a quarterly basis.

4.4.2.1 Banking

4.76. As of September 2013, there were 26 banking institutions in Myanmar, of which 4 were state-owned and 22 private domestic banks. While FDI in banking is not prohibited, there has been no foreign investment in the banking sector (subsidiaries, joint ventures, or direct branches of banks established abroad) except for representative offices.²⁵

4.77. The 10 largest banks, ranked by their net assets, held 90.4% of the banking system's total assets at the end of March 2012; they controlled 92.0% of total deposits and 91.3% of total liabilities of the banking system in 2011/12. Private banks appear to have been growing faster than state-owned banks, which traditionally had a large share of total assets, total deposits, and total liabilities (Table 4.1).

4.78. The Central Bank of Myanmar (CBM) has allowed local banks to extend hire purchase facilities to customers starting on 21 October 2011. Since 29 September 2011, money exchange counters have been introduced in private commercial banks. The Microfinance Law was enacted on 30 November 2011 and the Foreign Exchange Management Law was enacted on 12 August 2012.

4.79. There are four state-owned banks: the Myanmar Economic Bank (MEB), the Myanmar Foreign Trade Bank (MFTB), the Myanmar Investment and Commercial Bank, and the Myanmar Agricultural Development Bank. The role of the MEB, the largest bank in Myanmar, is to provide domestic and international banking services. The MFTB specializes in international banking. The Myanmar Investment and Commercial Bank, which carries out both domestic and international banking business, extends banking services to private companies, including foreign joint ventures. The MADB extends agricultural credits to farmers (section 4.2.2). According to the authorities, the regulatory regime is the same for state-owned banks and private banks; in line with the Central

²⁴ GATS document GATS/SC/59, 15 April 1994.

²⁵ The CBM has allowed 33 representative offices of foreign banks in Myanmar; they may, *inter alia*, distribute business information to foreign investors.

Bank of Myanmar Law Section 62, the CBM treats all actions and performance of all financial institutions equally.

Table 4.1 Performance of the banking sector, 2010-13

(K billion and %)

| | 2010 | 2011 | 2012 | 2013 ^a |
|--|---------|---------|---------|-------------------|
| Total assets | | | | |
| State-owned banks | 1,935.1 | 2,491.8 | 3,183.0 | 14,701.1 |
| Private commercial banks | 1,888.5 | 3,579.1 | 5,129.1 | 7,630.8 |
| Non-performing loans (% of total loans) | | | | |
| State-owned banks (Myanmar Economic Bank) | 13.6 | 7.9 | 5.3 | .. |
| Private commercial banks | 2.9 | 1.5 | 1.6 | 1.6 |
| Capital adequacy ratios | | | | |
| State-owned banks | .. | .. | .. | .. |
| Private commercial banks | 38.5 | 31.5 | 27.9 | 26.6 |

.. Not available.

a As of October.

Source: Data provided by the authorities of Myanmar.

4.80. A number of cooperative credit societies operate under the approval of Ministry of Cooperatives.

4.81. The CBM is empowered to assume supervisory and regulatory functions for the banking sector.²⁶ The CBM's policy objectives include domestic price stability, financial stability, and efficient payment systems. The CBM is responsible for approving new banks and supervising new and existing banks. On 11 July 2013, the CBM was separated from the Ministry of Finance with a view to making it an independent central bank with greater autonomy in accordance with the new Central Bank of Myanmar Law, which entered into force on the same day.

4.82. The main legislation regulating the sector includes the Central Bank of Myanmar Law 2013, Financial Institutions Law 1990, Rules of Financial Institutions, and the Foreign Exchange Management Law 2012, which entered into force on 10 August 2012. The authorities are drafting a new "Financial Institutions Law". They state that the new CBM Law applies uniformly to all actions of all financial institutions; all of Myanmar's banks, private or state-owned, are subject to the same tax rates, including corporate income tax and a business tax.

4.83. Banks in Myanmar engage mainly in conventional commercial banking. There are no legal or institutional differences between head offices, incorporated subsidiaries, branch offices, agencies, and other entities. In addition to the regulators, the Myanmar Banks Association (MBA), an industry association of banks in Myanmar, is responsible according to the authorities for assisting and advising the CBM and MOF in ensuring financial stability and modernization of the banking sector.

4.84. Licensing for domestic financial institutions requires, *inter alia*, company registration, financial statements for the past three years, a list of top management and their CVs (among top management, at least one person must be a banker), fit and proper test of top management, a feasibility study, and details of the source of funds. Licence holders must register certain aspects of their businesses once banking licences have been issued by the CBM. No banking licences have been issued to foreign banks (subsidiary, joint venture, or direct branching).

4.85. The CBM intends to develop the banking sector in three phases: (1) allowing domestic private banks to operate joint ventures with foreign banks; (2) allowing foreign banks to establish wholly owned locally incorporated subsidiaries; and (3) allowing foreign banks to open direct branches in Myanmar.

²⁶ The main departments of the CBM include the Financial Institutions Regulation and Anti-money-laundering Department and Financial Institutions Supervision Department. The Financial Institutions Supervision Department supervises financial institutions by conducting on-site and off-site examinations.

4.86. The CBM supervises 4 state-owned banks, 22 private banks and 4 non-bank financial institutions (e.g. leasing companies). The Ministry of Finance supervises microfinance institutions. Banking supervision is covered under the new CBM Law and will be covered in the Financial Institutions Law, if adopted. The two main functions of the Financial Institutions Supervision Department of the CBM are on-site examination and off-site monitoring.

4.87. Myanmar Insurance implements a deposit insurance scheme, on behalf of the Government. The scheme was launched on 1 October 2011; 60% of the insured deposit amount will be reimbursed in the event of bank bankruptcy. Myanmar plans to establish a Deposit Insurance Corporation as a separate organization in accordance with international practice.

4.88. Recent reforms include: the launch of the deposit insurance scheme on 1 October 2011; issuing of money exchange licences to private banks in 2011 and to individuals in 2012; and allowing private banks to carry out international banking business in 2012, and the establishment of the Yangon Interbank Foreign Exchange Market in 2013 (section 1.2.1)

4.4.2.2 Insurance

4.89. In 2012, total insurance premium income in Myanmar was K 35.8 billion, up 48.5% from the previous year (K 24.1 billion, around 0.05% of GDP).

4.90. In Myanmar, a company may apply to the Insurance Business Supervisory Board for the establishment of a life, non-life or composite (providing life and non-life insurance) insurance company. Until very recently, Myanmar's insurance market was dominated by the state-owned Myanmar Insurance, which is a composite insurance company. On 25 May 2013, licences were issued to five domestic private insurance companies.²⁷

4.91. The insurance market in Myanmar is regulated by the Insurance Business Supervisory Board (IBSB), under the Ministry of Finance. The IBSB was first established in 1996, and underwent a major reform in 2011.

4.92. The Insurance Law 1993 and the Insurance Business Law 1996 are the main laws regulating the industry.

4.93. While FDI in insurance is not prohibited, there have been no foreign providers of insurance services in Myanmar.²⁸ Currently, the IBSB only accepts applications for insurance licences from domestic companies. The authorities envisage that investors from ASEAN countries will be allowed to operate insurance businesses in Myanmar in accordance with the AEC Blueprint, e.g. insurance intermediation by 2014, reinsurance and retrocession by 2016, direct life insurance by 2018, and direct non-life insurance by 2020.

4.94. A business licence is required to provide insurance services in Myanmar. Under the Insurance Law, an insurer may establish itself either as a limited liability company or a wholly state-owned company. The IBSB is responsible for registering new insurance providers, as well as new products and activities. Insurers may engage in life insurance, fire insurance, comprehensive motor insurance, cash-in-safe insurance, fidelity insurance, and other insurance permitted by the Ministry of Finance. Currently, three life insurance companies are allowed to underwrite the life insurance business and nine composite insurance companies are allowed to underwrite both life and non-life insurance.

4.95. The minimum paid-up capital required to obtain a licence is K 6 billion for life insurance, K 40 billion for non-life insurance, and K 46 billion for composite insurance.²⁹ Licence applicants

²⁷ These are: IKBZ Insurance Public Co. Ltd; Grand Guardian Insurance Public Co. Ltd; Aung Thitsar Oo Insurance Company; Aung Myint Mo Insurance Company; and National Finance Insurance (Public) Co. Ltd.

²⁸ Section 29 of the Insurance Business Law and Section 14-C of the Insurance Business Rules allows the entry of foreign insurance intermediaries, underwriting agencies, and insurance brokers. Although the establishment of insurance brokers is not prohibited by law, the IBSB has not yet decided to permit their establishment. The authorities expressed their intention to permit insurance brokers in the near future.

²⁹ An insurer must have a deposit equal to 10% of paid-up capital (K 6,000 million for life insurance and K 40,000 million for non-life insurance), and then purchase Government Treasury Bonds worth 30% of the paid-up capital.

must also submit, *inter alia*, the curriculum vitae of their principal officer, profile of the company or company group, organizational structure, business plan, and location of the office and its building structure.

4.96. The IBSB carries out both on-site and off-site inspections, and supervises private insurance companies' compliance with the Insurance Business Law 1996 and Insurance Business Rules 1997 and relevant orders and directives issued by the IBSB.

4.4.3 Telecommunications

4.97. Data provided by the authorities show that penetration rates for fixed-line services in recent years were around 1% (Table 4.2). Substantial increases in mobile service subscribers have been observed.

Table 4.2 The telecommunications sector, 2007-12

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|-------|--------|
| Fixed telephone lines (million) | 0.47 | 0.46 | 0.55 | 0.61 | 0.59 | 0.60 |
| Fixed telephone lines per 100 inhabitants | 0.84 | 0.83 | 0.97 | 1.03 | 0.99 | 0.99 |
| Mobile service subscribers (million) | 0.28 | 0.51 | 0.70 | 1.47 | 1.98 | 5.44 |
| Mobile service subscribers per 100 inhabitants | 0.50 | 0.91 | 1.23 | 2.49 | 3.31 | 8.92 |
| Internet users (million) | 0.037 | 0.040 | 0.038 | 0.150 | 0.500 | 0.899 |
| Internet users per 10,000 inhabitants | 6.71 | 7.19 | 6.83 | 25.48 | 82.81 | 148.93 |

Note: Data on penetration are based on population numbers as at year-end.

Source: Information provided by the authorities of Myanmar.

4.98. Currently, the sole provider of basic telecommunication services is the state-owned Myanmar Posts and Telecommunication (MPT). The main provider of internet services is Yatanarpon Teleport (YTP), a joint venture between domestic private companies and the MPT. Provision of value-added services through interconnection with the MPT is not yet developed; the only value-added service, according to the authorities, is a call centre service provided by the YTP.

4.99. The Government is in the process of formally issuing two new nationwide telecommunications licences. It set up an inter-ministry team "the Telecommunication Operator Tender Evaluation and Selection Committee" to oversee the selection of the licensees. The selection process started with the issue of the invitation for the expression of interest (EOI) in January 2013 to inform all interested entities, domestic or foreign. It issued the rules for the prequalification application, in February 2013, which define requirements to participate in the bid for licences. The Committee shortlisted 12 applicants for the final tendering stage. The Committee announced the selection of two successful applicants on 27 June 2013.³⁰

4.100. Currently only the MPT is authorized to provide mobile services. The authorities envisage that the ongoing selection process will allow two further international operators and another local operator to provide mobile services.

4.4.3.1 Regulatory structure and measures

4.101. Myanmar has no comprehensive telecommunications law: the authorities are in the process of drafting a bill for the new Communications Law.

4.102. The Ministry of Communications and Information Technology (MCIT) oversees the telecommunications sector. The Posts and Telecommunications Department (PTD), under the MCIT, is the regulator. The PTD provides recommendations to the MCIT on policies. The PTD also supervises the operation of telecommunications, manages the radio frequency spectrum, and implements telecommunications policy.

³⁰ MCIT online information. Viewed at: http://www.mcit.gov.mm/sites/default/files/press_release_-_licensee_selection_process_results_update_3.pdf [04.09.2013].

4.103. The main laws on telecommunications include: the Myanmar Telegraph Act 1885; the Myanmar Post Office Act 1898; the Myanmar Wireless Telegraphy Act 1934 (and its Amendment 1993); the State-owned Enterprise Law 1984; the Computer Development Law 1996; and the Electronic Transaction Law 2004. The main regulations include: the Myanmar Wireless Telegraphs Rules 1937; the Myanmar Wireless Receiving License Rules 1940; the Myanmar Wireless (Territorial Waters) Rules 1933; the Myanmar Wireless (Foreign Aircraft) Rules 1937; and the Myanmar Wireless Telegraphy Licence Changes Rules 1960.

4.104. According to the authorities, telecommunication tariffs in Myanmar are not yet regulated; the draft telecommunications law has some clauses on tariff regulation, which will be based on certain tariff standards administered by the PTD and other regulators.

4.105. Under the Foreign Investment Law 2012, 100% foreign ownership is allowed in telecommunication services. There are no minimum registered capital requirements for a joint venture. FDI is prohibited in publishing or media broadcasting.

4.106. No universal services requirement exists; it would appear that the draft communications law contains provision on universal services.

4.4.4 Transport

4.4.4.1 Air transport services

4.107. The demand for air transport services in Myanmar has grown substantially in recent years, reflecting Myanmar's overall growth. Between 2010 and 2012, the volume of civil air transport services grew at an annual average of 22%. Robust growth is expected to continue, and Myanmar faces challenges, including a need to expand capacity to meet increased demand.

4.108. As of July 2013, there were eight civil aviation carriers in Myanmar. Of these, one was a state-owned company, one jointly owned by the state and a domestic private company, five owned by domestic private parties, and one joint venture with 67% foreign equity participation.

4.109. The Department of Civil Aviation (DCA), under the Ministry of Transport (MOT) is the main agency responsible for the governance of the civil air transport sector.

4.110. The main laws and regulations governing the sector include the Aircraft Act 1934 (XXII of 1934), the Aircraft Rules 1937, the Aircraft Rules 1920 (part IX), the Carriage by Air Act (XX of 1934), and the Aircraft (Public Health) Rules.

4.111. To engage in air transport services, new carriers need approval from the Myanmar Investment Commission, and must obtain safety certificates and traffic rights authorization certificates from the DCA.³¹

4.112. No airlines have been accorded exclusive rights over domestic and international services. According to the authorities, no benefits are offered exclusively to domestic airlines.

4.113. FDI in air transport is allowed under the Foreign Investment Law. In accordance with the regulations established under the new Foreign Investment Law, the authorities intend to reduce the foreign equity participation rate to less than 50% in the near future. There is no specified minimum level of registered capital under the new Foreign Investment Law. Local representatives of foreign airlines that operate to and from Myanmar do not need to be Myanmar citizens.

4.114. As of January 2013, Myanmar had signed bilateral aviation transportation agreements with 46 trading partners; it also participates in 5 regional and multilateral air services agreements. These agreements, applied to both passenger and cargo traffic, are concluded on a reciprocal basis

³¹ Conditions to be fulfilled in order to obtain a licence include: economic strength; routes; the use of aircraft that meet national safety and security requirements; legally licensed technical staff; possession of operation manuals; maintenance and overhaul; preparation of schedules, fares, freight rates; registered capital no less than the minimum level specified by the Government; and other conditions specified by laws and administrative regulations.

in terms of capacity and frequency; some agreements are without limitation on capacity and frequency.³² On the basis of its bilateral agreements, Myanmar makes specific transportation arrangements on, *inter alia*, airline capacity, traffic rights, and cooperation between enterprises. The designated airlines of each party are generally allowed to apply to their respective authorities to provide service based upon their respective capacity. Myanmar adopts the practice of "dual disapproval" for passenger services.

4.115. Under bilateral or regional air service agreements, airlines may set prices in accordance with the relevant provisions. Prices are regulated under these agreements. For domestic flights, airlines may, in principle, set their fares without restrictions; the authorities state that fares need to be notified ex post to the DCA, for statistical purposes and to prevent unfair competition.

4.116. Code-sharing arrangements with foreign carriers is allowed.

4.117. No foreign carriers have cabotage rights in Myanmar.

4.118. Most airports are operated by the Department of Civil Aviation, while some are operated by individual companies under contractual arrangements with the Government.³³ The private sector and foreign investors (up to 100% ownership) may own airports and run airport services, as stipulated in the FDI Law. The Government is in the process of establishing a Myanmar Airports Holding Company Limited with a view, *inter alia*, to providing better services, ensuring safety, and reducing the Government's workload at airports.

4.119. According to the authorities, Myanmar has, as yet, no specific slot allocation system. Arrangements for slot allocation to national and foreign carriers comply with provisions of air traffic control services. In other airports, the authorities consider that the number of slots provided exceeds demand. There is no difference in slot allocation at peak and non-peak times.

4.120. The authorities indicate that Myanmar has not yet developed comprehensive legislation for auxiliary services. The Ministry of Transport has designated three airlines (Myanma Airways, Myanmar Airways International, and Air Bagan) for the operation of ground handling services at Yangon International Airport. Aviation oil is currently provided by Myanmar Petroleum Products Enterprise under the Ministry of Energy. Auxiliary services do not have to be controlled by Myanmar nationals.

4.4.4.2 Maritime transport services

4.121. In 2012, around 60% of Myanmar's international cargo was carried by sea. At end 2012, 21 vessels were engaged in international shipping, accounting for about 0.2 million deadweight tonnes (DWT); all were flying the national flag. According to the authorities, no vessels were "beneficially" owned by Myanmar operators and registered abroad.

4.122. The Department of Marine Administration (DMA) under the MOT is in charge of formulating shipping and port policies. The objectives of the DMA's policies include, *inter alia*: ensuring national ships' conformity to safety standards, safe practices and standards of competence; and improving the safety record of Myanmar registered vessels.

4.123. As the regulator of maritime transport in Myanmar, the DMA, *inter alia*: (1) advises higher authorities on implementing updated conventions and codes on maritime affairs; (2) administers registration of inland powered vessels; (3) conducts examinations and registration of all types of newly built powered vessels; (4) conducts examinations and issues certificates of competency for deck and engineering officers; (5) conducts examinations and issues certificates of competency for

³² The coverage of these bilateral agreements include: the number of carriers; tariffs and fees; establishment of representative institutions; employment of staff; airport and flying facilities; application of laws and regulations on crossing borders; regulations on airline capacity; income remittance and exchange; security; safety-related controls; flight routes; and a dispute settlement mechanism; principles such as fair and equal opportunities for companies of both parties and negotiation of capacity and frequency with the aviation authorities of both parties.

³³ Terminal building operations at Yangon International Airport are conducted by a local company under a contractual agreement with the DCA and the company. Nay Pyi Taw International Airport is operated by a local company under contractual agreement with the DCA and the company on a BOT basis.

coastal and inland masters, mates, chief engineers, and engine drivers; (6) inspects inland powered vessels and imposes administrative penalties and fines on vessels that contravene relevant rules and regulations as prescribed by the Inland Steam Vessels Act 1917; (7) investigates accidents such as collisions in waterways; (8) recruits and provides training to new seafarers, and issues certificates of competence, exemptions, and clearance, and carries out registration; (9) oversees the welfare of seamen; and (10) arranges bareboat charter.

4.124. According to the authorities, there are no monopoly activities, restrictions on: key personnel or crew while in Myanmar waters (e.g. nationality); conditions on flying the national flag, such as national ownership, management and residence requirements; or incentives for flying the national flag, such as exclusivity rights or subsidies. Only Myanmar citizens are allowed to register ships as Myanmar ships according to the Myanmar Registration of Ships Act 1841. Nonetheless, registration on a bareboat charter basis is allowed for the foreign-owned ships. The authorities state that domestic and foreign companies receive equal treatment except as indicated in ASEAN horizontal commitments.

4.125. The Myanmar Merchant Shipping Act 1923 provides a general regulatory framework for maritime transport. Other main laws and regulations pertaining to the sector include: the Myanmar Registration of Ships Act 1841; the Inland Steam Vessels Act 1971; Rules of law relating to collision between vessels 1952; Shipping Administration Act 1954; the Bill of Lading Act 1856; the Carriers Act 1865; and the Myanmar Carriage of Goods by Sea Act 1925. Currently, the Maritime Transport Act is being drafted and the Myanmar Registration of Ships Act is being amended.

4.126. The Shipping Agency Department (SAD) is Myanmar's international shipping agency for international vessels that wish to call at Myanmar ports. The authorities allow most shipping lines to appoint their own representatives to carry out necessary activities such as marketing, documentation, transactions, and management operations. *Ex ante* notification allowing at least one month for approval is needed before starting up international liner services.

4.127. Examination and approval by the MOT is required for an international shipping operator to engage in international liner services. Myanmar has not signed the United Nations Convention on a Code of Conduct for Liner Conferences. No Myanmar shipping company is a member of a liner conference.

4.128. There has been no FDI in Myanmar's maritime transport services. Up to 100% foreign participation is permitted in accordance with the Foreign Investment Law. Cabotage is only open to national carriers as specified in the Shipping Administration Act 1954.

4.129. The Government encourages enterprises to expand multi-modal transport, including by: investing in deep-water container-dock construction and improving the road, railway, coastal, and freshwater transport system³⁴; establishing an internationally competitive container fleet; developing container transport information technology, including electronic data interchange (EDI) and other electronic business systems; and improving the legal structure for multi-modal transport. Foreign investment (up to 100% foreign equity ownership) in international container multi-modal transport is encouraged.

4.130. There are nine ports in Myanmar, all of which are permitted to engage in international trade. International trade throughput in the ports was 20.7 million tonnes in 2012, up 19% over 2011; international container throughput at Yangon port registered 0.4 million TEUs, up 18%. In 2012, goods-handling capacity at Myanmar's ports was 25 million tonnes.

4.131. The Myanmar Port Authority handles cargo vessels in two groups: break bulk cargo ships and container ships. The authorities state that, for break bulk cargo ships, turnover time depends

³⁴ According to information provided by the authorities, the average handling capacity of container ports is increasing by 25-30% annually, and the proportion of "door-to-door" transportation is also increasing rapidly. Myanmar's policy on multi-modal transport includes: facilitating the expansion of international trade among ASEAN members as well as between an ASEAN member country and third countries; stimulating the development of smooth, economic, and efficient multi-modal transport services adequate for the requirements of international trade; and adopting rules related to the carriage of goods by international multi-modal transport contracts, including provisions concerning the liability of multi-modal transport operators.

on tonnage, cargo type, number of gangs/hooks, and weather conditions; for example, a 10,000 DWT break bulk cargo can be discharged within 5 to 7 days if weather conditions are good. For container cargo, turnover time for a feeder vessels is 2 to 3 days.

4.132. The Myanmar Port Authority regulates port businesses. The main legislation is the Yangon Port Act 1905, the Ports Act 1908, the Outports Act 1914, and the Myanmar Lighthouse Act 1937.³⁵ The Port Authority is currently planning to integrate the Yangon Port Act, the Ports Act and the Outports Act into one single Act (The Ports Law); it is also considering amending the Myanmar Lighthouse Act. Laws pertaining to investment in port services include the Foreign Investment Law, the Myanmar Citizens Investment Law, Myanmar Special Economic Zone Law, and Dawei Special Economic Zone Law.

4.133. The Myanmar Port Authority's port policy objective is to develop the port sector in accordance with the national policy and to comply with international standards. Its operational objectives are: to manage port development in accordance with the requirements of port services; to arrange the handling system of export and import cargo to be in line with the economic development of the country; to promote local and foreign investment in port services and to meet ASEAN and international standards with regard to the capability of ports; and to regulate private port terminals so that they comply with the Government's port policy, rules, and regulations. The MPA intends to promote domestic and foreign investment by providing incentives in accordance with the new Foreign Investment Law. The MPA also aims to reduce dependence on the state budget by exploring sources of income reducing expenditures, and investing in the development and renovation of ports. Port service providers in Myanmar include the MPA and the private sector; in terms of berth length, they account for about 25% and 75%, respectively.

4.134. To engage in port services, companies must apply to the Company Registration Department of the Ministry of National Planning and Economic Development; no licence from the MPA is required. The MPA states that it realizes the importance of private sector participation in port services, as the process of privatization is deemed the only way to improve the performance of public port organization. The Myanmar Port Authority is now implementing the port reform strategy approved by the Government. According to the strategy, the Myanmar Port Authority becomes more financially autonomous and may form joint ventures with local and/or foreign partners. There are two wholly foreign-invested enterprises in the port services sector (i.e. Myanmar International Terminals Thilawa (MITT), and Myanmar Integrated Port Limited (MIPL)).

4.135. Standard port charges are set by the MPA; criteria for setting the charges include cost recovery. Nonetheless, private terminals may negotiate port charges with their customers, and port operators may set some fees if they are not included in the standard charges.

4.136. Myanmar is a member of the International Maritime Organization (IMO). Myanmar has concluded one bilateral maritime transport agreement, with Bangladesh. The MPA has no bilateral cargo-sharing agreements.

4.4.5 Tourism

4.137. Myanmar received about 0.79 million international tourists in 2010 and 0.82 million in 2011.

4.138. The Ministry of Hotels and Tourism oversees tourism policies in collaboration with the Myanmar Tourism Federation, a federation of 11 associations of tourism-related service providers.³⁶ Main laws and regulations governing the tourism sector include the Myanmar Hotel and Tourism Law 1993, and Government Notification No. 14/93(1993).

4.139. Operating a hotel business or lodging-house business requires prior permission from the Ministry of Hotels and Tourism. After obtaining ministerial permission and completing the hotel construction, the enterprise must apply for a licence. Licences are not transferable without the permission of the authorities. Foreign direct investment, with foreign-equity participation up to

³⁵ In accordance with these Acts, the Myanmar Port Authority compiled by-laws: Work Guidance on Traffic Department and Jetty Service Regulations.

³⁶ Myanmar Tourism Federation online information. Viewed at: <http://www.myanmar.travel/index.php/about-us/36-mtf/myanmar-tourism-federation> [02.09.2013].

100%, is allowed in the hotels and related businesses. Incentives may be granted in accordance with the FDI Law.

4.140. A licence is required for tour operator and/or travel agency activities. Applicants must: be registered in accordance with the Myanmar Companies Act, if a limited company or joint venture; have an office to carry out the business; have sufficient financial means to set up the business; and have sufficient skilled labour. Any changes of proprietor or manager or office location within the municipality must be notified in writing. Moving outside the municipality requires a new permit. Tariffs must be published, together with the tour programmes and services offered by the enterprise. Tour operator and/or travel agency businesses are allowed only in the form of joint ventures with Myanmar citizens; foreign-equity participation is allowed up to 60%.

4.141. In order to operate tour guide business, a licence must be obtained from the Ministry of Hotels and Tourism. To be eligible for a licence, applicants must have attended and passed the tour guide training conducted by Myanmar Hotels and Tourism Services; be assessed by Myanmar Hotels and Tourism Services as qualified to attend tour guide training; or have attended and passed a similar training course recognized by the Ministry. Only Myanmar nationals are allowed to engage in tour guide businesses.

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5 APPENDIX TABLES

Table A2. 1 Major trade-related legislation

| Subject | Legislation |
|---|--|
| Foreign trade | Export and Import Law 2012 |
| | Foreign Exchange and Management Law 2012 |
| | Contract Act 1872 |
| Customs clearance | Essential Supplies and Services Law 2012 |
| | Sea Customs Act 1878 (amendment in progress) |
| | Land Customs Act 1924 |
| | Tariff Law 1992 |
| Standards and technical requirements | Science and Technology Development Law 1994 |
| Sanitary and phytosanitary requirements | Pesticide Law 1990 |
| | National Food law 1997 |
| | National Drug Law 1992 |
| | Narcotic Drugs and Psychotropic Substances Law 1993 |
| | Plant Pest Quarantine Law 1993 |
| | Animal Health and Development Law 1993 |
| | Regulation for Importation and Exportation of Animals and Animal Products 2002 |
| | Protection of Wildlife, Wild Plants and Conservation of Natural Areas Law 1994 |
| Labelling requirements | Traditional Drug Law 1996 |
| | National Food Law 1997 |
| | National Drug Law 1992 |
| Taxation | Myanmar Excise Act 1917 |
| | Commercial Tax Law 1990 |
| | Income Tax Law 1974 |
| | Special Company Act 1950 |
| State trading or State owned enterprises | State-Owned Economic Enterprise Law 1989 |
| Intellectual property rights protection | Myanmar Merchandise Marks Act 1889 |
| | Registration Act 1908 |
| | Penal Code 1860 |
| | Television and Video Law 1996 |
| | Motion Picture Law 1996 |
| | Computer Science Development Law 1996 |
| | Fertilizer Law 2002 |
| Sectoral Agriculture | Agricultural Produce Markets Act 1941 |
| | Seed Law 2011 |
| | Pesticide Law 1990 |
| | Plant Pest Quarantine Law 1993 |
| | Farmland Law 2012 |
| | The Vacant, Fallow and Virgin Lands Management Law 2012 |
| | The Fishing Right Of Foreign Fishing Vessels Law 1989 |
| Fishing | Aquaculture Law 1989 |
| | Myanmar Marine Fisheries Law 1990 |
| | Fresh Water Fisheries Law 1991 |
| | Forest Law 1992 |
| Forest Mining | Gemstones Law 1995 |
| | Myanmar Mines Law 1994 |
| | Myanmar Pearl Law 1995 |
| Energy | Petroleum Act 1934 |
| | Petroleum Rules 1937 |
| | Oil Field Act 1918 |
| | Atomic Energy Law 1998 |
| | Oil Resources (Development Regulation) Act 1957 |
| Banking | Electricity Law 1984 |
| | Central Bank of Myanmar Law 2013 |
| | Yangon Interbank Foreign Exchange Law 2013 |
| | Foreign Exchange Management Law 2012 |
| Insurance | Financial Institutions Law 1990 |
| | Insurance Law 1993 |
| | Insurance Business Law 1996 |

| Subject | Legislation |
|--------------------------------------|---|
| Telecommunications | Myanmar Telegraph Act 1885 |
| | Myanmar Post Office Act 1898 |
| | Myanmar Wireless Telegraphy Act 1934 (and its amendment 1993) |
| | Electronic Transaction Law 2004 |
| Maritime transport | Myanmar Merchant Shipping Act 1923 |
| | Myanmar Registration of Ships Act 1841 |
| | Shipping Administration Act 1954 |
| | Bill of Lading Act 1856 |
| | Carriers Act 1865 |
| | Myanmar Carriage of Goods by Sea Act 1925 |
| Port services | Sea Shipping Agreements Act 1952 |
| | Ports Act 1908 |
| Air transportation | Aircraft Act 1934 |
| | Carriage by Air Act 1934 |
| | Aircraft (Public Health) Rules 1946 |
| Tourism | Myanmar Tourism Law 1990 |
| | Hotel and Tourism Law 1993 |
| Investment | Foreign Investment Law 2012 |
| | Myanmar Citizens Investment Law 1994 |
| | Control of Money Laundering Law 2002 |
| | Myanmar Companies Act 1914 |
| | Myanmar Partnership Act 1932 |
| | Arbitration Act 1944 |
| | Private Industrial Enterprise Law 1990 |
| Myanmar Accountancy Council Law 1994 | |
| Road and bridges | Highways Law 2000 |

Source: Information provided by the authorities of Myanmar.

Table A2. 2 Main trade-related ministries and agencies

| Department/Agency | Main responsibility |
|--|--|
| Ministry of Commerce | Policy coordination and implementation for all trade-related issues |
| Ministry of Finance | Budget, taxation, customs, revenue appeal |
| Central Bank of Myanmar^a | Central bank |
| Ministry of National Planning and Economic Development | Formulation of trade policy and national development plan |
| Central Statistical Organization | Statistics |
| Ministry of Foreign Affairs | Foreign affairs, regional trading agreements |
| Ministry of Cooperatives | Regulate and organize cooperatives, facilitate SMEs' development |
| Ministry of Agriculture and Irrigation | Agricultural policies and plans, trade and investment |
| Ministry of Livestock, Fisheries, and Rural Development | Livestock development, animal health care, disease control, fisheries |
| Ministry of Communications and Information Technology | Postal and telecommunications services |
| Ministry of Transport | Maritime transport, civil aviation |
| Ministry of Environmental Conservation and Forestry | Forest management, wood-based industry development |
| Ministry of Electric Power^b | Generation, transmission and distribution of electricity |
| Ministry of Energy | Petrol and petrochemical sectors |
| Ministry of Industry^c | Industrial development |
| Ministry of Health | Public health |
| Ministry of Mines | Mining, issuing licences to mineral explorations, conducting environmental impact assessment |
| Ministry of Construction | Infrastructure construction , urban and housing development |
| Ministry of Rail Transportation | Road and rail transport |
| Ministry of Hotels and Tourism | Tourism development |

a The Central Bank has been separated from the Ministry of Finance since the promulgation of the Central Bank of Myanmar Law in July 2013.

b From September 2010, only the Ministry of Electric Power (MOEP) is responsible for the generation, transmission, and distribution of electricity. Between May 2006 and September 2010, two ministries were responsible for electric power: the MOEP1 and the MOEP2. MOEP1 was mainly responsible for the development of hydropower projects, and operation and maintenance of hydropower stations, and coal fired thermal power plants. MOEP2 was mainly responsible for the planning and implementation of transmission lines in compliance with the generation plan, operation and maintenance of thermal power plants and distribution facilities, and selling power to end users. Before 2006, there was only one ministry for electric power (MOEP).

c The Ministry of Industry was two ministries until 2 December 2011. On 4 April 2012, the Ministry of Industry was reorganized with three Directorates, six industrial enterprises, and two centres.

Source: Information provided by the authorities of Myanmar.

Table A3. 1 Tariff lines with MFN applied rates that exceed their bound rates, 2013

| HS code | Description | MFN applied 2013 | Bound rate 2013 |
|------------|--|------------------|-----------------|
| 2620110000 | -- Hard zinc spelter | 1.00 | 0 |
| 2620190000 | -- Other | 1.00 | 0 |
| 7904000000 | Zinc bars, rods, profiles and wire. | 3.00 | 0 |
| 8432802000 | - - Lawn or sports-ground rollers | 1.00 | 0 |
| 8432809000 | - - Other | 1.00 | 0 |
| 8432901000 | - - Of machinery of subheading 8432.80.90 | 1.00 | 0 |
| 8433110000 | -- Powered, with the cutting device rotating in a horizontal plane | 1.00 | 0 |
| 8433191000 | - - - Not powered | 7.50 | 0 |
| 8433199000 | - - - Other | 1.00 | 0 |
| 8433902000 | - - Other, of goods of subheading 8433.11 or 8433.19.90 | 1.00 | 0 |
| 8433903000 | - - Other, of goods of subheading 8433.19.10 | 7.50 | 0 |
| 8435101000 | - - Electrically operated | 1.00 | 0 |
| 8435102000 | - - Not electrically operated | 1.00 | 0 |
| 8435901000 | - - Of electrically operated machines | 1.00 | 0 |
| 8435902000 | - - Of non-electrically operated machines | 1.00 | 0 |
| 8436801900 | - - - Other | 1.00 | 0 |
| 8436802900 | - - - Other | 1.00 | 0 |
| 8436991900 | - - - - Other | 1.00 | 0 |
| 8436992900 | - - - - Other | 1.00 | 0 |
| 8701909000 | - - Other | 1.00 | 0 |
| 8708991000 | - - - For vehicles of heading 87.01 | 1.00 | 0 |
| 8708992100 | - - - - Fuel tanks | 5.00 | 0 |
| 8708992300 | - - - - Parts | 5.00 | 0 |
| 8708993000 | - - - - Accelerator, brake or clutch pedals | 5.00 | 0 |
| 8708994000 | - - - - Battery carriers or trays and brackets therefor | 5.00 | 0 |
| 8708995000 | - - - - Radiator shrouds | 5.00 | 0 |
| 8708996100 | - - - - For vehicles of heading 87.02 | 5.00 | 0 |
| 8708996200 | - - - - For vehicles of heading 87.03 | 5.00 | 0 |
| 8708996300 | - - - - For vehicles of heading 87.04 | 5.00 | 0 |
| 8708997000 | - - - - Other | 5.00 | 0 |
| 8708999010 | - - - - - Half-shafts and drive shafts and parts thereof | 5.00 | 0 |
| 8708999090 | - - - - - Other | 5.00 | 0 |

Source: WTO Secretariat calculations, based on data provided by the authorities of Myanmar.

Table A3. 2 Domestically produced goods exempt from commercial tax

| Commercial tax exemptions |
|---|
| Paddy |
| Wheat grain |
| Maize and other cereals |
| Pulses |
| Groundnuts |
| Sesame |
| Mustard seeds, sunflower seeds, tamarind seeds, cotton seeds |
| Oil palm |
| Raw cotton |
| Jute and similar fibres |
| Garlic, onions |
| Potatoes |
| Spices, raw (plants, parts of plants, nuts, seeds, barks, etc.) |
| Spices prepared |
| Fruits, fresh |
| Vegetables |
| Sugarcane |
| Mulberry leaves |
| Medicinal plants or herbs |
| Animal feed, fresh and dried (farm products only) |
| Thatch, reeds, dani and such agricultural products n.e.s. |
| Wood, bamboo |
| Live animals |
| Silk cocoons |
| Cane |
| Honey and bee's wax |
| Lac |
| Bran and pollard pulses |
| Cake, meal, and residue of groundnuts, sesame, cotton seeds, rice bran, etc. |
| Soap stocks (of oil residue) |
| Bleaching substances (of oil residue) |
| Cotton ginned |
| Coir yarn |
| Feathers |
| Umbrella cloth |
| Bandages, gauze, other surgical dressing materials, hospital and surgical outfit and sundries |
| X-ray film, plates and other x-ray surgical and medicinal pharmaceutical apparatus and equipment |
| Insecticides, pesticides, fungicides, etc. |
| Various kinds of gun powder, various kinds of dynamites and accessories thereof used by the civil departments |
| Stamps |
| Defence and military stores and equipment |
| Sealing wax and sticks |
| Textbooks, exercise and drawing books of various kinds and papers for the production of such books and all sorts of pencils |
| Slates, slate pencils and chalk |
| Shrimp paste |
| Shrimp and fish sauces |
| Groundnut oil, sesame oil, sunflower seed oil, rice bran edible oil, other edible oil and oil cakes |
| Flour (coarse and fine) |
| Pulses, split and powdered |
| Rice, broken rice and rice bran |
| Fresh fish, fresh prawn |
| Sterilized and other pasteurised milk |
| Milk powder |
| Milk for the use of infants and invalids |
| Chili |
| Saffron |
| Ginger |
| Fish paste |
| Ripe tamarind |
| National flag |
| Beads |
| Rulers, erasers, and sharpeners |
| Fuel sticks |
| Coconut oil |
| Eggs |

| Commercial tax exemptions |
|----------------------------------|
| Water melon seeds |
| Religious clothes |
| Graphite to make pencils |
| Condoms |
| Oil dregs or earth oil |

Source: Schedule 1, Commercial Tax Law.

6 ANNEX 1: AID FOR TRADE AND TRADE-RELATED TECHNICAL ASSISTANCE¹

6.1 Overview

6.1. Decades of isolation from the international community has limited Myanmar's ability to access external financing and assistance through which knowledge, expertise, technology, and networks are regularly disseminated and updated. The trade sector was no exception, although a limited number of partners, including the WTO, continued to provide trade-related technical assistance. Overall, while Myanmar has a high utilization rate of the technical assistance and training activities offered by the WTO, it has not built up adequate institutional capacity to deal with WTO matters, beyond the Ministry of Commerce, as reflected in the country's low-key participation in the work of the organization. With the recent reforms, enormous opportunities exist for Myanmar to further align its trade policy practice to international norms and standards, as well as to receive external support to address its constraints and challenges both on soft and hard infrastructure, including through the Enhanced Integrated Framework.

6.2 Trade in Myanmar's National Development Plan

6.2. The Government is currently formulating the National Comprehensive Development Plan (NCDP) 2011/12-2030/31, setting out new priorities and reform agendas for the next 20 years. The NCDP, which will be supplemented by five-year, annual and sectoral plans, is expected to be finalized and adopted by Parliament during 2013. The formulation of the Plans is led by the Planning Department at the Ministry of National Planning and Economic Development (MNPED), which serves as the secretariat for the Planning Commission, chaired by its Minister. Plan Formulation Implementation Committees were established in 2011 at the level of townships, districts, and states to ensure broad-based and bottom-up consultative processes. According to the authorities, an inter-ministerial consultative process, coordinated by the MNPED, is to ensure inputs from other ministries for the preparation and implementation of the plans.

6.3. While the 20-year NCDP is being finalized, the Framework for Economic and Social Reforms (FESR), adopted in late 2012, has set out ten priority reform areas for the interim period of 2012-15.² The FESR stresses the importance of liberalization of trade and investment. The main objectives of trade policies stated in FESR are: (i) encouraging the diversification of export products while promoting value-added processes for primary commodities, including focusing on improving support services for trade financing, market access, and trade facilitation; (ii) exchange rate unification by eliminating the linkage between export receipts and import licensing; (iii) liberalization measures such as setting up a national single-window, liberalizing services as well as removing all non-tariff barriers in accordance with the 2015 targets for ASEAN integration; (iv) cooperation with the WTO in removing trade barriers, and with international chambers of commerce in promoting business-to-business collaboration; and (v) strengthening regulatory capacities to improve inspection and quality assurance services for both export and import operations and set up a new public facility on consumer protection. The Government is formulating a Trade Sector Plan reflecting these objectives.

6.3 Financing of Myanmar's development strategy, including Aid for Trade

6.4. Myanmar's external financing was limited by years of isolation from the international community. According to the authorities, China was the largest provider of foreign aid to Myanmar until 2011, and the largest provider of FDI, although no official data are available. According to the latest statistics available from the OECD/DAC database, which does not include statistics on aid from China, Myanmar received US\$376.11 million of Official Development Assistance (ODA) in 2011, 74% of which was bilateral ODA (Table 6.1). While this figure represents an increase over the 2002 figure of US\$181.94 million, the country's total net ODA disbursements per capita remain low (at US\$7.78) compared with other LDCs in the region. A large portion of the ODA

¹ This section is prepared by the Institute for Training and Technical Cooperation (ITTC), following a request from the Government of Myanmar to conduct an assessment of the country's needs in aid for trade and trade-related technical assistance, as part of its first Trade Policy Review.

² The ten priority areas identified in the FESR 2012-15 are: (i) fiscal and tax reforms; (ii) monetary and financial reforms; (iii) liberalization of trade and investment; (iv) private sector investment; (v) health and education; (vi) good security and agriculture; (vii) governance and transparency; (viii) mobile phones and internet; (ix) infrastructure; and (x) effective and efficient Government.

disbursement was aimed at humanitarian aid and health, linked to the 2008 cyclone Nargis. Concessionary financing was not available to Myanmar.

Table 6.1 Total net ODA disbursement, 2002-11

(US\$ million)

| Year | Multilateral | Bilateral | Total Net ODA |
|------|--------------|-----------|---------------|
| 2002 | 129.71 | 52.23 | 181.94 |
| 2003 | 125.92 | 48.02 | 173.94 |
| 2004 | 112.66 | 48.61 | 161.27 |
| 2005 | 110.80 | 71.83 | 182.63 |
| 2006 | 130.45 | 48.27 | 178.72 |
| 2007 | 157.22 | 68.29 | 225.51 |
| 2008 | 470.26 | 101.09 | 571.35 |
| 2009 | 274.08 | 118.16 | 392.24 |
| 2010 | 242.70 | 141.76 | 384.46 |
| 2011 | 274.38 | 101.73 | 376.11 |

Source: OECD/DAC Database.

6.5. With the recent reform in Myanmar, the aid relationship with the international community has gradually been normalized. In January 2013, the Government convened the first Myanmar Development Cooperation Forum (MDCF) i.e. a platform for aid coordination with development partners, which adopted the Nay Pyi Taw Accord for Effective Development Cooperation. According to the authorities, the Accord sets out principles and commitments for aid effectiveness, in line with the Paris Declaration and the Busan Partnership for Effective Development Cooperation. While no official data of ODA is yet available for 2012 and 2013, the figure is expected to increase to at least US\$400-500 million per year.³ In addition, concessional lending by multilateral and bilateral donors has been resumed.⁴ In the same month, the Asian Development Bank and the World Bank agreed to clear Myanmar's combined arrears of US\$960 million, and announced US\$512 million and US\$440 million of loans to the country, respectively. Myanmar also reached a debt agreement with the Paris Club of sovereign creditors, which cancelled 50% of the country's public external debt, estimated at US\$15.3 billion as at end 2012, and a 15-year repayment schedule for the remainder, including a 7-year grace period.⁵

6.6. The Foreign Aid Management Central Committee, chaired by the President, was set up as the state body to manage aid coordination. Reporting to the Central Committee, the Foreign Aid Management Working Committee, supported by the National Economic and Social Advisory Council, conducts project appraisal for all foreign aid proposals (grants, aid, TA). The Foreign Economic Relations Department of the Ministry of National Planning and Economic Development, serves as the secretariat for the Central Committee and the Working Committee. To ensure policy dialogue and coordination with development partners, 15 sector working groups were established and each group is coordinated by a Government Ministry and two development partners (one bilateral and one multilateral). For concessionary loans, the Ministry of Finance and Revenue is responsible for approval.

6.7. In the area of trade, many development partners, both multilateral and bilateral, have committed to support Myanmar's efforts to further integrate into the global economy, especially after the lifting of trade and economic sanctions. According to the OECD database, aid for trade to Myanmar stood at US\$386 million in commitments and US\$352 million in disbursements in 2011 (Chart 6.1); the figures are expected to have increased significantly for 2012-13. Various development partners provide trade and trade-related assistance (Table 6.2). Many of these assistance projects are still at the initial phase of implementation or development. In support of the Government's reform agenda, they cover a wide range of areas, including private sector development; infrastructure; financial sector reform; agriculture; and fisheries. This assistance

³ EIU "Myanmar economy: Donors promise to ramp up aid and lending", 25 January 2013. Viewed at http://www.eiu.com/index.asp?layout=VWArticleVW3&article_id=1970081581®ion_id=1510000351&country_id=1080000308&refm=vwCtry&page_title=Latest+analysis.

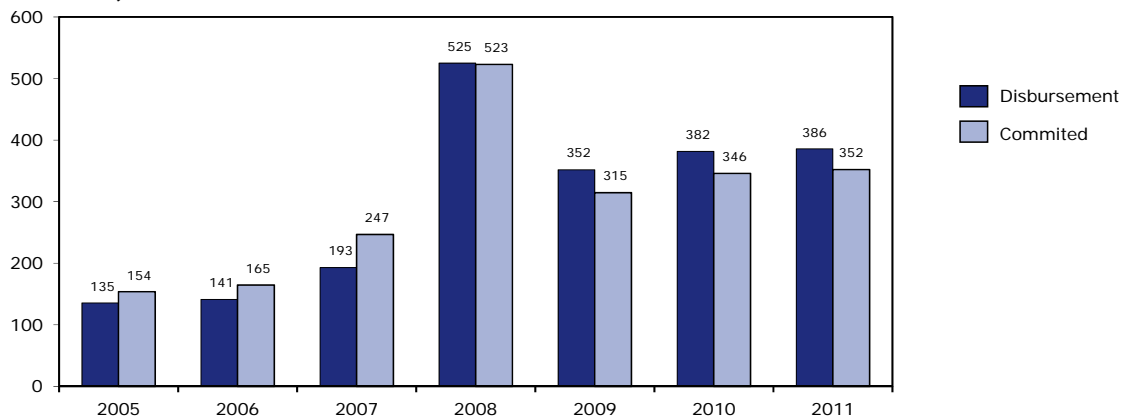
⁴ Myanmar defaulted in 1998.

⁵ Paris Club Press Release, 28 January 2013. Viewed at <http://www.clubdeparis.org/sections/actualites/myanmar-20130128/viewLanguage/en>. The debt owed to Paris Club creditors was estimated to be around US\$10.3 billion as at 1 January 2013. At the meeting, Norway waived US\$534 million in debt. Moreover, in May 2013, Japan announced a debt write off of US\$1.74 billion.

takes the form of policy support and advice, staff training, and short- to long-term projects. To ensure donor coordination in the sector, the Government is preparing to establish a sector working group on trade sector development, which may be consolidated as the EIF process progresses.

Chart 6.1 Total aid-for-trade commitments and disbursements, 2005-11

(US\$ million)



Source: OECD QWIDS Database.

Table 6.2 Overview of aid-for-trade programmes of main donors

| Donor | Programme/ Strategy | Focus Areas | Link |
|----------------------------------|--|--|---|
| Asian Development Bank (ADB) | Interim Country Partnership Strategy for FY 2012-14 | <ul style="list-style-type: none"> - Building human resources and capacities (capacity building in ministries in core areas of ADB involvement, and education) - Promoting an enabling economic environment (macroeconomic and fiscal management; and trade, investment, financial sector reform); - Creating access and connectivity (rural livelihoods and infrastructure development, especially energy and transport) | http://www.adb.org/sites/default/files/icps-my-2012-2014.pdf |
| International Trade Centre (ITC) | Development of a National Export Strategy of Myanmar | Will include an overarching national policy for export development, as well as individual sector and functional strategies, developed on the basis of a series of diagnostics and strategic planning exercises to identify various policies, institutional, and the enterprise level issues affecting sectors | Information provided by ITC |
| OECD | Investment Policy Review | Will help the Government to assess its economic and investment policies and identify priorities for further reform | http://www.oecd.org/countries/Myanmar/investmentpolicyreforminmyanmar.htm |
| | Multidimensional country review of Myanmar | - Joint OECD/ESCAP report addressing key issues facing Myanmar, such as supply-side capacity building, industrialization, SME development, legal and regulatory reforms, and administrative reforms | http://www.oecd.org/countries/myanmar/myanmar.htm |
| UN Agencies | UN Inter-Agency Cluster of Trade and Productive Capacity | Coordinated by UNCTAD; provides an integrated vision encompassing macroeconomic and sectoral levels, as well as regional and global trade dimensions. First mission was in February 2013 | Information provided by UNCTAD |

| Donor | Programme/ Strategy | Focus Areas | Link |
|--|--|---|---|
| UN Economic and Social Commission for Asia and the Pacific (UNESCAP) | Trade and Investment Capacity Building Programme 2013-14 | <ul style="list-style-type: none"> - Strengthening the Trade Training Institute - SME law and Industrial Development Plan - OECD Multidimensional Review | Information provided by ESCAP |
| UNIDO | Various projects | <ul style="list-style-type: none"> - Strengthening the National Quality Infrastructure for Trade - Strengthening the legal and industrial metrology institutions for consumer protection and market access - Initiating a country-wide laboratory accreditation programme for food safety and reduction in technical barriers to trade - Strengthening the food safety framework and law - Strengthening private standards-certification capacity | UN Cluster Joint Matrix |
| World Bank | Interim Strategy Note for FY 2013/14 | <ul style="list-style-type: none"> - Public financial management to transparently link budgets to development priorities - Regulatory reform to provide access to finance for microfinance borrowers and SMEs - Private sector development to promote broad-based economic growth and job creation - Myanmar Reengagement and Reform Support Credit (US\$440 million) supports critical reforms in macroeconomic stability, financial management and investment climate | http://www-wds.worldbank.org/external/default/WDSContentServlet/WDSP/IB/2012/10/12/000386194_20121012024925/Rendored/PDF/724580ISN01DA00Official0Use0Only090.pdf |
| DFID | Various projects | Include the Business Innovation Facility project and the Investment Climate Assessment | http://projects.dfid.gov.uk/Default.aspx?countySelect=BU-Burma |
| European Union | Various projects | Includes a €10 million TRTA project, covering SPS, customs, etc. | |
| GIZ | Various projects | Includes private sector development, financial sector development, and strengthening the technical vocational education and training system | http://www.giz.de/the-men/en/37983.htm |
| JICA | Various projects | Includes infrastructure (Yangon Port and Main Inland Water Transport), ICT, agriculture and rural development and fisheries | http://www.jica.go.jp/myanmar/english/activities/index.html |
| KOICA | Various projects | Includes infrastructure (road network) and ICT | |
| USAID | Various projects | Includes a Food Security/Agriculture Diagnostic to expand the knowledge-base of food-security-related issues to better equip the country over the long term | www.usaid.gov/burma |

Source: Various sources.

6.8. Myanmar joined the EIF in April 2013. A familiarization workshop was held in July-August 2013 and the preparation of a Diagnostic Trade Integration Study (DTIS) is scheduled to begin in 2014. The DTIS and its accompanying Action Matrix are expected to identify Myanmar's wider ranging trade-related constraints and challenges in a broader aid-for-trade context. It is expected that the EIF would facilitate the donor coordination of various on-going trade and trade-related initiatives, building on the synergies which several UN agencies have been collaborating under the UN Inter-Agency Cluster on Trade and Productive Capacity coordinated by the UNCTAD. Under the EIF, Myanmar has access to Tier I (support for national implementation

arrangements) and Tier 2 (small-scale project funding for trade-related and supply-side capacities in priority areas as identified by DTIS).

6.3.1 WTO trade-related technical assistance

6.3.1.1 Evaluation of WTO technical assistance to date

6.9. Myanmar has regularly been invited to, and has participated in, trade-related technical assistance and training activities organized by the WTO (Table 6.3). According to the ITTC database, between 1995 and July 2013, Myanmar participated in 122 Geneva-based and regional activities, through which 172 officials were trained. In addition, a total of 279 officials have been trained through various e-learning modules since 2005; this is one of the highest levels of E-learning enrolment/completion among all LDC Members, providing a good basis for implementing the Progressive Learning Strategy in training officials on WTO matters. A further two officials were trained in Geneva under internship programmes.

Table 6.3 WTO technical assistance activities, 1995–2013 (end-July)

| Activity Type | Number of activities | Number of participants |
|--------------------------------------|----------------------|------------------------|
| Introduction Course | 10 | 12 (2) |
| Regular/Regional Trade Policy Course | 18 | 18(1) |
| Advanced Trade Policy Course | 3 | 3 (0) |
| Regional seminar workshop/training | 68 | 107 (29) |
| Thematic/Specialized Course | 9 | 9 (3) |
| Global Seminar/Workshop | 24 | 24 (7) |
| Distance Learning | 73 | 279 (87) |
| Internships | 2 | 2 |
| TOTAL | 207 | 454 (129) |

Note: The number in parenthesis indicates the number of non-Commerce officials.

Source: Institute of Training and Technical Co-operation Database. (<http://wtotrta/Reports/ReportCountryPeriod.aspx>).

6.10. While overall rate of the utilization of training opportunities offered by the WTO is high, a small portion (i.e. 13% of the global and regional face-to-face training and technical assistance activities) was attended by officials outside the Ministry of Commerce. In the case of E-Learning, however, the enrolment of non-commerce officials was much higher than that of face-to-face activities, representing over 30% of the participants trained; in particular, officials from the Ministries of Planning and Economic Development, Science and Technology, as well as Agriculture and Irrigation, represented over a half of the trained participants in the areas of TRIPS, TBT and SPS courses (Table 6.4). Myanmar has not taken full advantage of the opportunity to hold national activities where a larger number of officials could be trained. Since 1995, a total of 10 national workshops have been held, on: the WTO and the MTS in 1998; DDA Negotiations in 2004 and 2006; WTO Notifications in 2004; Trade in Services in 1998 and 2003; TRIPS in 2004; Textiles and Clothing in 2005; Trade Facilitation in 2005; Rules of Origin in 2007, as well as four activities associated with the establishment and upgrading of the Reference Centre (1998, 2003, 2007, and 2013).⁶

6.11. Overall, Myanmar has not effectively utilized the training opportunities to build up institutional capacity on WTO matters beyond the Ministry of Commerce.⁷ Even within the Ministry, the operational knowledge on the WTO is limited, as reflected in the country's low level of engagement in the work of the organization, despite its long-standing membership, as one of the original contracting parties to the GATT in 1948. The submission of notifications is also low and many are outdated (see Section 2.5.1). Myanmar's participation in the WTO has further been constrained by the lack of a national coordinating mechanism on trade policy matters, at least until the current TPR exercise, as well as the location of trade negotiating and implementing authorities

⁶ As an LDC, Myanmar is entitled to request three national TA activities per year from the WTO Secretariat.

⁷ Insufficient fluency in English has been cited as one impediment to meaningful participation in training activities for some participants from Myanmar.

in two different ministries (i.e. MOC on the WTO and MNPED on ASEAN). Once a trade policy framework and its objectives are defined and developed into a new Trade Sector Plan, it would be important to devise a comprehensive training strategy to ensure the inclusive nature of trade policy making and implementation, including participation of the private sector, as well as the synergies between different trade arrangements in which the country is engaged.

Table 6.4 Selected WTO activities by topic (including via E-learning), 1995–2013 (end-July)

| Topic/Theme | Number of activities | Number of participants (E-Learning) |
|--|----------------------|-------------------------------------|
| TOTAL | 208 | 457 (279) |
| Agriculture | 1 | 1 |
| Customs valuation | - | - |
| Dispute settlement | 3 | 3 |
| Government procurement | 4 | 8 |
| NAMA | 12 | 36 (19) |
| Negotiation issues | 5 | 6 |
| Regional trade agreements | 4 | 4 |
| Rules | 9 | 18 (16) |
| Sanitary and phytosanitary measures | 9 | 21 (14) |
| Technical barriers to trade | 17 | 40 (27) |
| Trade and development | 7 | 13 (8) |
| Trade and environment | 9 | 24 (15) |
| Trade and investment | - | - |
| Trade facilitation | 10 | 12 |
| Trade in services | 10 | 27 (23) |
| Trade negotiation techniques | 5 | 8 |
| Trade-related intellectual property rights | 18 | 67 (54) |
| Competition policy | 2 | 2 |
| IT/WTO reference centre | 2 | 2 |

Source: Institute of Training and Technical Cooperation Database.

6.3.1.2 Assessment of technical assistance and capacity building needs

6.12. Decades of the isolation limited Myanmar's access to trade-related technical assistance and other support that is normally available for LDCs in the international community, other than those offered by the WTO and a limited number of partners, including at the regional level. With the opening of its economy, Myanmar has a long list of technical assistance and capacity building needs to catch up with to achieve its ambition of integration into the global trading system. The authorities indicated that the Government faces various constraints and challenges and has technical assistance needs, many of which go beyond the boundary of the WTO (Table 6.5). Major constraints and challenges faced by Myanmar are wide-ranging and, overall fall into five areas: (i) law and legislation, (ii) policy frameworks, (iii) institutions, (iv) human resource, and (v) infrastructure. Most relate to the need to change, update or modernize the current regime, which had been left untouched for years and decades (or even over a century for some laws and legislation) to align the economic system with today's international norms and practices.

6.13. Myanmar lacks a comprehensive trade policy framework to guide its participation in the WTO and other trade arrangements. Since trade policy making, including the management of negotiations and implementation of different trade agreements, is fragmented among different ministries, there is a risk of overlapping or even conflicting policies and their implementation, thereby diminishing their full potential and efficiency. At the level of institutions, there is a need to formalize a national inter-ministerial committee on WTO, which has been established as part of the TPR exercise, to serve as a regular forum to discuss the country's engagement in the organization. If another similar committee existed, for instance, under the EIF or ASEAN, the country's participation in the WTO could be added as one of the mandates or placed on the committee's agenda.

6.14. As regards staff training needs, which are the main focus of WTO technical assistance and training, the authorities consider that workshops and seminars in all areas of the WTO

Agreements, both general and specific, continue to be in demand in Myanmar. In particular, needs are very high in the line ministries dealing with agriculture, SPS, and TBT, with a focus on implementation of the agreements, including on notifications. In addition, line ministries dealing with services sectors, such as finance, communication, transport and energy, need enhanced knowledge on the application of the WTO rules and principles to the on-going legislative reforms, as well as the scheduling of commitments in these sectors. In order to meet Myanmar's need to train a large number of officials in a short period, national workshops would seem to be a suitable format for future training activities. In the case of global and regional face-to-face activities, the nomination and participation of non-commerce officials is encouraged, along with the already high level of enrolment from the Ministry of Commerce. Moreover, in organizing future WTO workshops and seminars, it is important to place greater emphasis on the relationship between the WTO Agreements and the bilateral and regional trade arrangements to which Myanmar is a party, to ensure the synergy and coherence among these initiatives. For Myanmar's infrastructure needs, a comprehensive diagnostic is expected to come out within the context of the EIF through the preparation of a DTIS.

Table 6.5 Main challenges/constraints and technical assistance needs of various ministries

| Ministry | Main challenges/constraints | Trade-related technical assistance and capacity building needs |
|---|--|--|
| Ministry of Agriculture and Irrigation (Department of Agricultural Planning and Department of Agriculture) | <ul style="list-style-type: none"> - Limited knowledge and understanding of WTO Agreements on Agriculture and SPS, including implementation - Lack of technical staff - Lack of capacity for quality control | <ul style="list-style-type: none"> - Seminar on WTO Agreements - Training on identification of plant pests and diseases, plant inspection, diagnostic methodology, and quarantine techniques - Capacity building on Good Agriculture Practice (GAP) - Upgrading of plant quarantine laboratory facilities, including in border area entry points |
| Ministry of Commerce | <ul style="list-style-type: none"> - Weak Institutional structure and insufficient technical staff to deal with all aspects of WTO issues as a focal ministry | <ul style="list-style-type: none"> - General capacity building on WTO related issues - Preparation of a comprehensive trade policy consistent with WTO obligations - Awareness seminar on competition and consumer protection issues |
| Ministry of Environmental Conservation and Forestry (Myanmar Timber Enterprise) | <ul style="list-style-type: none"> - Insufficient knowledge of standardization of timber-related products | <ul style="list-style-type: none"> - Workshop on international trade on timber-related products, including standardization, legality, dispute settlement - Market information on timber trade |
| Ministry of Finance (Customs Department) | <ul style="list-style-type: none"> - Difficulties checking technical specification of exporting and importing goods | <ul style="list-style-type: none"> - Understanding of the WTO Agreements and DDA negotiations - Laboratory technical course - International auditing practices - International commercial and practice and supply chains management |
| Ministry of Health (Food and Drug Administration) | <ul style="list-style-type: none"> - Inadequate infrastructure for quality-control and testing | <ul style="list-style-type: none"> - Development of on-line application and certification system |
| Ministry of Industry (Department of Textile Industries) | <ul style="list-style-type: none"> - Lack of capital and technology in cotton plantation and textile production - Lack of market information - Lack of export marketing strategies - Poor knowledge of trade facilitation | <ul style="list-style-type: none"> - Seminar on WTO notifications - Awareness seminar on textile trading - Capacity-building for export marketing strategies - Establishment of a Market Information Centre |
| Ministry of Livestock, Fisheries and Rural Development | <ul style="list-style-type: none"> - Lack of adequate infrastructure for SPS certification - Lack of competence of inspectors and laboratory personnel - Lack of laboratory testing equipment - Lack of appropriate technical regulations for fish exports | <ul style="list-style-type: none"> - Capacity-building to implement quality management systems such as GAP/GMP/HACCP in supply chain of fishing vessels, landing sites, ice plants, processing establishments, feed plants - Upgrading of disease diagnosis laboratory for monitoring aquaculture farms |

| Ministry | Main challenges/constraints | Trade-related technical assistance and capacity building needs |
|--|--|---|
| Ministry of National Planning and Economic Development (Project Appraisal and Progress Reporting Department) | <ul style="list-style-type: none"> - Lack of experience in privatization and private sector development | <ul style="list-style-type: none"> - Experience-sharing on regulation, framework and competition policy for privatization - Training in international practice and methods of valuation and appraisal of tangible and intangible assets - Training/upgrading on cost-benefit analysis and impact assessment of investment projects |
| Ministry of Science and Technology | <ul style="list-style-type: none"> - Formulation of new IP laws in line with TRIPS - Formulation of a National IP Policy and Strategy in line with national development policy - Lack of skilful human resource | <ul style="list-style-type: none"> - Institutional capacity building - Special training course on IP-related Agreements |
| Ministry of Transport (Department of Civil Aviation) | <ul style="list-style-type: none"> - Lack of knowledge of air transport regulations for policy-making - Lack of a comprehensive policy or strategy for air transportation sector | <ul style="list-style-type: none"> - Workshop on GATS scheduling of air transport services - Training and experience-sharing on air transport regulation |

Source: Information provided by the authorities of Myanmar.