Chapter 7

Trade Facilitation in Myanmar and Result of the ASTFI Baseline Study

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1.   Overview of the Trade Facilitation Environment

Since 2011, Myanmar has conducted comprehensive reforms of macroeconomic policies and the trade-related regulatory system in line with international commitments. The country has established cooperation with international organisations such as the World Trade Organization (WTO), the Association of Southeast Asian Nations (ASEAN), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. These reforms aim to enhance both domestic economic development and economic integration.

As a result, Myanmar has achieved a significant improvement in economic performance. Average gross domestic product (GDP) growth for 2013–2018 reached 7%, making the country one of the fastest growing economies in Southeast Asia. Trade openness, measured as the total export and import value over GDP, has shown a steady rise. The ratio of trade to GDP increased by about 12% from 2013 to 45% in 2018 (Figure 7.1).

Figure 7.1: Total Trade as a Proportion of GDP

(%)
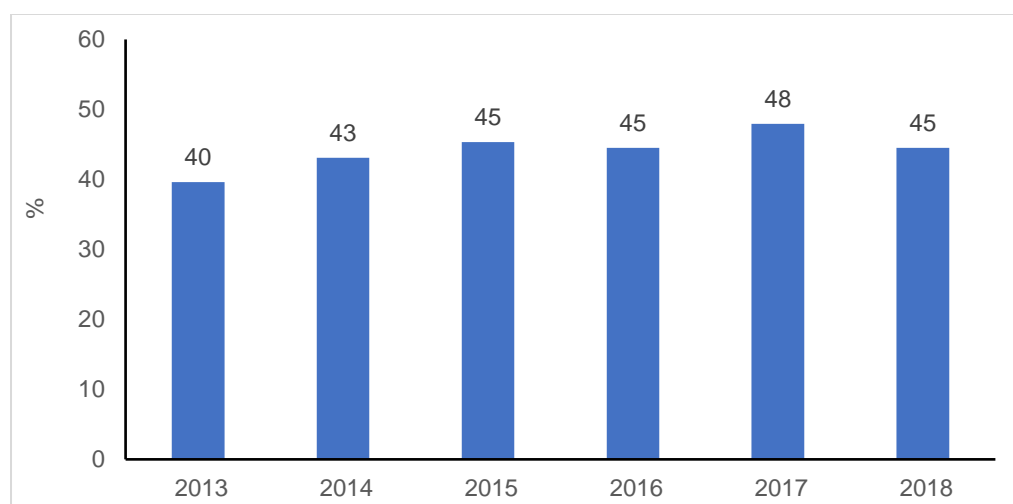
GDP = gross domestic product.
Source: Economist Intelligence Unit (2018).

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[1] This report is based on the 2018 data of the ASTFI baseline study survey.

ASEAN and China are Myanmar's largest trading partners. In 2018, Myanmar's exports to ASEAN ranked second after exports to China, contributing as much as 33% of total exports. ASEAN is also a major import source for Myanmar, accounting for 45% of total imports (Figures 7.2 and 7.3).

Figure 7.2: Myanmar's Top Export Destinations, 2018 (%)
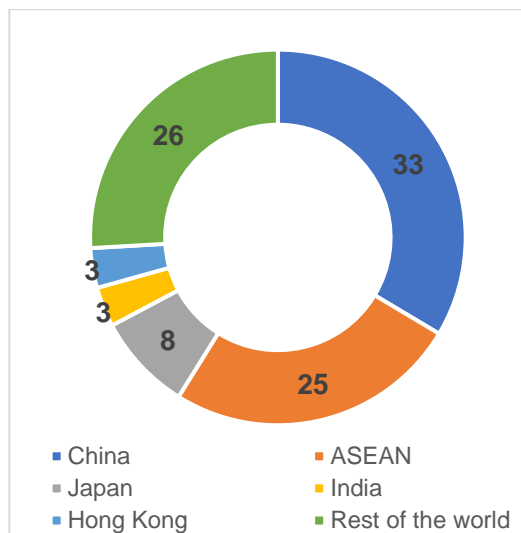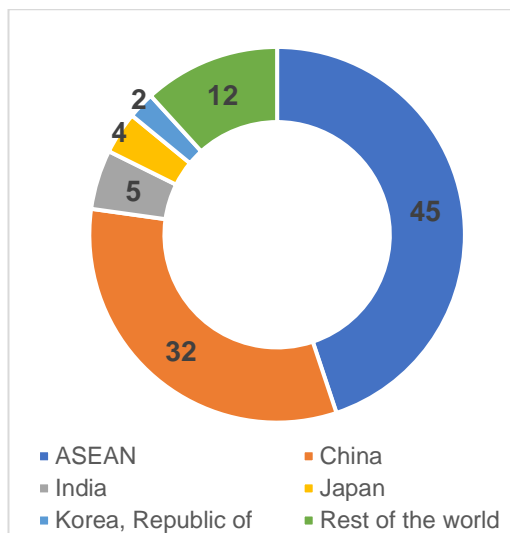
Figure 7.3: Myanmar's Top Import Origins, 2018 (%)

ASEAN = Association of Southeast Asian Nations.
Source: International Trade Center (2018), Figure 7.2:
https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c104%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c2%7c2%7c1%7c2%7c1%7c1%7c1 (accessed 15 June 2018);
Figure 7.3:
https://www.trademap.org/Country_SelProductCountry_TS.aspx?nvpm=1%7c104%7c%7c%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c2%7c1%7c1%7c1 (accessed 15 June 2018).

The importance of improving the trade environment is well recognised in Myanmar. The Government of Myanmar has cooperated closely with concerned line ministries to implement a series of reforms to enhance Myanmar's competitiveness and competence in trade facilitation. For example, the country's first WTO Trade Policy Review, conducted in 2014, was an excellent opportunity for other WTO members to improve their understanding of Myanmar's trade and investment policies. The government ratified the WTO Trade Facilitation Agreement in December 2015 and established the National Trade Facilitation Committee to implement the agreement. The Private Sector Development Committee, led and chaired by the Vice President, was established in 2014 to encourage private sector engagement in trade-related matters. Formal consultation meetings with stakeholders – led by the Vice President, the chair of the Myanmar Investment Commission, and concerned persons, including micro, small, and medium-sized enterprises – have been organised on a monthly basis. Moreover, the National Trade Repository (NTR) was established to improve transparency and the trade facilitation environment in Myanmar.

Myanmar's efforts to enhance the business environment have been recognised internationally. Since 2013, Myanmar has been included in the World Bank's Doing Business report. The country climbed steadily in the rankings, from 182 in 2013 to 171 in 2018. According to the survey on Trade Facilitation and Paperless Trade Implementation in ASEAN (UNESCAP, 2017), Myanmar made the most rapid progress in advancing implementation. The implementation rate increased by 15 percentage points (from 26% in 2015 to 41% in 2017). Myanmar's overall ranking in the World Bank's Logistics Performance Index also increased from 147 in 2007 to 113 in 2017. The customs' rank increased from 124 to 96 during the same period.

Despite significant improvement, there is still ample room for Myanmar to strengthen its reforms. According to UNESCAP (2017), Myanmar's implementation rate of trade facilitation measures stands at about 40% – the lowest performance level amongst ASEAN Member States (AMS). The country has made limited progress in reducing compliance costs, as reflected in the World Bank's Ease of Doing Business trading across borders indicator. Similarly, Myanmar's rank in the World Bank's Logistics Performance Index reports slipped from 113 in 2016 to 131 in 2018.

Table 7.1: World Bank's Ease of Doing Business Indicators

Indicators	2018	2017	2016	2015
Time to export: Documentary compliance (hours)	144	144	144	144
Time to import: Documentary compliance (hours)	48	48	48	48
Time to export: Border compliance (hours)	142	144	144	144
Time to import: Border compliance (hours)	230	232	120	120
Cost to export: Documentary compliance ($)	140	140	140	140
Cost to import: Documentary compliance ($)	210	210	115	115
Cost to export: Border compliance ($)	432	432	432	432
Cost to import: Border compliance ($)	457	457	367	367

Source: World Bank (2018), Ease of Doing Business.
https://www.doingbusiness.org/content/dam/doingBusiness/excel/db2020/Historical-data---COMPLETE-dataset-with-scores.xlsx (accessed 1 July 2018).

2.   Results from the ASTFI Survey

A questionnaire survey was conducted during the first half of 2018 with government agencies on six components: (i) transparency and information on laws, regulations, and procedures; (ii) communication with and active engagement of the private sector; (iii) release and clearance formalities; (iv) import/export formalities and coordination; (v) transport facilitation; and (vi) e-commerce. The results of the survey are summarised below.

2.1. Transparency and information on laws, regulations, and procedures

Myanmar performs relatively well under this component. Although Myanmar Customs Department maintains its website, it cannot share all customs-related information. The information provided, except the law, is available only in the local language. The National Trade Portal and the NTR contain customs and trade-related information in both English and the Myanmar language, but some laws, rules, and regulations are only available in the Myanmar language.

Similarly, over 50% of the major agencies (9 out of 13) publish their trade-related information, while the trade-related information on imports and exports of the other four agencies is available on the National Trade Portal in both English and Myanmar. They also share information through each ministry's noticeboard and related associations under the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry.

Myanmar's NTR contains information on six out of nine prescribed categories mandated in Article 13 of the *ASEAN Trade in Goods Agreement*. The missing categories are administrative rulings, best practices in trade facilitation, and the list of authorised traders. Although Myanmar has uploaded non-tariff measures to the ASEAN Trade Repository, currently they cannot be linked to those in the NTR due to technical problems. In addition, the trade-related information of some major agencies has not yet been published in the NTR's 'measures and procedures'.

The customs contact centre is restricted to office hours, while 24-hour service is available for the Myanmar Automated Cargo Clearance System (MACCS). However, the service is only available in the local language. All agencies have implemented ASEAN commitments related to transparency and information on laws, regulations, and procedures. However, the extent of implementation is not uniform across agencies. Only a few agencies have applied internationally accepted best practices for transparency and information on laws, regulations, and procedures.

Thus, major trade-related agencies and Myanmar Customs Department need to enhance the availability and accessibility of information on trade-related laws, regulations, and procedures. Bilingual websites with information on export and import formalities should be established, and an interactive information channel should be implemented at the Customs Department. In addition, Myanmar should aim to (i) provide a 24-hour customs contact centre for local and foreign enquiries; (ii) share more trade-related information on non-tariff measures; and (iii) update the NTR to cover all nine prescribed categories with a non-tariff measures database, at a product-specific level, for all the free trade agreements.

2.2. Communication with and active engagement of the private sector

Myanmar's performance is quite impressive under this component. During December 2016, the National Trade Facilitation Committee was established with both public and private sector membership, and regular institutionalised consultations are undertaken with the private sector.

2.3. Release and clearance formalities

Despite some progress, there are areas for Myanmar to improve under this component. The Myanmar Customs Intelligence System and MACCS were established in 2016. Full implementation of the MACCS and the Myanmar Customs Intelligence System is essential for the smooth operation of the National Single Window (NSW) and for linking the NSW to the ASEAN Single Window. In the first phase, these systems are being installed at 14 locations, including the Customs Head Office in Yangon, Yangon Airport Warehouse, Yangon Airport One Stop Service, Thilawa Special Economic Zone, and all seaports. Myanmar Customs Department introduced a risk management system in early 2017. The system is still under development with technical assistance from the Asian Development Bank.

Pre-arrival processing, publication of dwell time studies, and Trusted Traders or Authorised Economic Operators are not yet available in Myanmar. While advance rulings are available for classification and valuation, they are not published online, and traders cannot request or receive advance rulings online. E-payments are not in place for export or import duties and taxes; Myanmar Customs Department uses a deposit system. The Department of Trade allows e-payments for export/import licence fees under a fully online licencing system.

Time Release Studies have been conducted sporadically, and the results of such studies have been published on an ad hoc basis. To improve the trade facilitation environment, the Customs Department needs to distribute annual publications of Time Release Studies for the main ports/airports. The Customs Department needs to improve the application of self-certification. A pilot self-certification scheme is being implemented.

Customs and major agencies have performed risk management operations according to best practice, but the procedure is still not consolidated/integrated. Customs permits the early release of goods without payment on the basis of both a completed manifest and declaration submissions with guarantee. Customs implements post-clearance audits in compliance with best practice.

Simplified or expedited clearance is available for air and sea cargo, but not yet for land cargo. Temporary admission is only allowed for certain goods, with total conditional relief from duties and taxes granted. It is not in full compliance with the Istanbul and/or Admission Temporaire–Temporary Admission (ATA) conventions. Appeals and review mechanisms are in place within the judicial authority.

2.4. Import/Export formalities and coordination

Myanmar lags behind other AMS under this component. In principle, customs and regulatory agencies in Myanmar still request original copies to process any application. It would help improve trade facilitation if customs and other regulatory agencies were to accept photocopies or electronic copies for all documentary requirements. The NSW has not been implemented and therefore is not yet linked to the ASEAN Single Window.

Coordination amongst border agencies (e.g. customs, immigration, and quarantine) has been set up but only at major ports on an ad hoc basis.

2.5. Cross-border coordination and transit facilitation

Myanmar's performance is rather low under this component. Institutional coordination by border agencies with neighbouring countries exists, but not all border and regulatory agencies are involved. Only the departments responsible for quarantine practise border agency institutional coordination with neighbouring countries. The Department of Agriculture (DOA) has been practising border agency institutional coordination with Thailand for the issuance of sanitary and phytosanitary certificates. The Livestock Breeding and Veterinary Department (LBVD) has also set up a trans-border institutional arrangement for border agency coordination with border countries. Other major agencies such as customs and immigration have not yet implemented border agency coordination.

In terms of operational coordination, border agencies (both the DOA and the LBVD under the Ministry of Agriculture, Livestock and Irrigation) practise one of three border-crossing coordination components: (i) sharing common facilities, (ii) joint controls with neighbouring country authorities, and (iii) alignment of working hours between neighbouring country authorities.[2]

2.6. Transport facilitation

Myanmar's transport facilitation lags behind other AMS remarkably. It has ratified Protocol 4 on the technical requirements of vehicles under the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT), as well as the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) and the ASEAN Framework Agreement on Multimodal Transport (AFAMT). However, national laws and regulations have only been developed for the AFAMT. Moreover, no implementation structures or systems for AFAFIST and AFAFMT are in place.

Myanmar has signed Protocol 6 on railway border and interchange stations under the AFAFGIT to facilitate the cross-border movement of goods trains within the region (WTO, 2014: 23). An integrated transport master plan has also been formulated in the country (Swe, 2018). Myanmar will also commence the 'Early Harvest' Cross-Border Transport Agreement (CBTA) implementation through initial implementation of a CBTA with Thailand in August 2018 and with the other Greater Mekong Subregion (GMS) neighbours during a grace period until 1 June 2020. Accordingly, the actual movement of vehicles and mutual recognition of road transport permits and temporary admission documents shall commence on the effective launch date for CBTA transport operations. According to the GMS CBTA, single stop inspection will be implemented at the Myawaddy Border Trade Zone. For this purpose, border control facility single stop inspection will be constructed at the beginning of 2019.

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[2] The DOA has implemented (iii) while the LBVD has practised (ii).

Although Myanmar has already ratified the AFAFIST and the AFAMT, national laws and regulations are only in place for the AFAMT. Moreover, no implementation structures and system are in place for either framework.

2.7. E-commerce

Myanmar's performance is rather low under this component, despite some progress. The legal framework for e-identification and authorisation is in operation. The Electronic Transaction Law, 2004 has come into effect in Myanmar. The country is also implementing a cyber legal and policy framework project which will cover laws and policies related to e-government, e-commerce, and cybersecurity to strengthen the legal framework related to cross-cutting areas of e-commerce, including electronic authentication, electronic signatures, electronic settlement, paperless trading, custom duties, and computing facilities. According to the project scope, it will analyse the existing legal and regulatory framework and reports, and reflect international best practices in the draft cyber legal and policy framework. The cyber law and policies related to e-government, e-commerce, and cybersecurity are planned to be implemented by 2021. This project is being undertaken by a committee comprising experts from concerned ministries, local entrepreneurs, information technology (IT) experts, and international IT and legal experts, with funding assistance from the World Bank.

2.8. Main challenges in Myanmar's trade facilitation environment

All the government agencies face several common challenges. Firstly, there is a lack of well-trained personnel with expertise in their respective fields. For example, for e-commerce, the development of a legal framework that could support the evolution of e-commerce in Myanmar is crucial to create a better trade facilitation environment. As the new e-commerce law is being drafted by a committee with experts from related ministries, the availability of local and international IT and legal experts and the active cooperation of civil society are major challenges.

Secondly, insufficient infrastructure limits the capacity for seamless trade facilitation. In particular, the development of IT infrastructure is a significant challenge faced by major agencies. Without such infrastructure, the sharing of trade-related information, implementation of a paperless permit/licence application process, execution of a computerised system for transit, development of the NSW and NTR, and e-commerce cannot be strengthened.

In addition, development of the hard infrastructure that supports trade transactions (e.g. ports, roads, cold storage, and warehouses) is needed. Developing such infrastructure requires both financial resources and technology. Thus, financing constraints and technical assistance are also great challenges.

Strengthening cooperation and coordination between trade-related government agencies is a significant challenge for improving trade facilitation, as the domestic border agency (customs, immigration, quarantine) coordination at the operational level is undertaken on ad hoc basis only. Above all, however, peace and stability along the border

areas are important to develop the facilitation of overland trade, which has the potential to develop in the long run.

3. Conclusion and Recommendations

Myanmar has been undertaking a series of reforms in line with international best practices to improve trade facilitation in accordance with the WTO Trade Facilitation Agreement and the ASEAN Economic Community Blueprint. The progress of Myanmar's implementation has been recognised. Myanmar is regarded as a country which has achieved rapid progress in advancing the implementation of trade facilitation measures amongst the AMS.

To improve trade facilitation and encourage private sector development, the Department of Trade is cooperating with development partners on trade development and is preparing a Diagnostic Trade Integration Study under the Enhanced Integrated Framework of the WTO trade development programme. In addition, the Medium Term Programme report of the Myanmar Trade Development Programme was launched in 2017 and has entered the implementation stage.

Based on the results of the findings in this study, below are the recommendations for further improvement:

- The performance of major agencies in implementing the ASEAN agreements and plans to enhance trade facilitation is still weak. This suggests that there is ample room for further improvement of the trade facilitation environment in Myanmar.

- High border compliance times for exports and imports, and high documentary compliance for exports, are reflected in the survey results. The trade-related information of some major agencies is not accessible via the internet. Most of the websites are only available in the local language. Thus, updating trade-related information on the respective websites in both English and Myanmar would help to improve the trade facilitation environment in Myanmar.

- The NSW should be made operational as soon as possible, as it would help to improve the efficiency of the cargo clearance process, thereby improving trade facilitation.

- The legal framework for implementing e-commerce needs to be improved, as it is critical for doing business and enhancing trade. Investment in human capital through the provision of professional training would contribute significantly to the design and implementation of policies.

- Human resources management, customs procedures, environmental protection, adequate credit and banking facilities, infrastructure (including transportation), electricity, and information and communication technology are vital. A more facilitative environment would increase connectivity and create better opportunities for Myanmar to extend its participation in regional value chains.

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